

Financial management and school performance

Evidence from Mozambique



In brief

- Efficient service delivery remains a challenge in developing countries. In the education sector, school principals often face shortages and limited budgets in trying to deliver learning to students.
- Limited resources are exacerbated by poor financial management capabilities. These can compromise the overall effectiveness and efficiency of public service delivery by leading to the misallocation of scarce resources or by facilitating the misuse of funds and leakage.
- The researchers surveyed the school principals of a random selection of 246 secondary schools in Mozambique to investigate their management practices and to understand the role played by financial management capital in education service delivery.
- The findings suggest that there is potential for interventions that improve the quality of financial management practices in schools as an effective way of strengthening state capacity and better using existing resources in the system.

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Overview

Service delivery in developing countries remains a pressing challenge in the developing world. In the education sector, school principals often face shortages and limited budgets in trying to deliver learning to students. Decentralisation has been pushed in response, as a way to improve the allocation of resources across the educational system to the areas in most need. In Mozambique, school principals have a moderate degree of autonomy and responsibility in the management and allocation of the funds allocated to their schools. Existing studies suggest that financial autonomy and organisational management skills are a good predictor of improved student outcomes. Conversely, other studies suggest that autonomy can, in fact, be “detrimental in low-performing systems”¹. Nevertheless, in the case of developing countries, information regarding the characteristics of secondary schools and on their administrators’ financial management capabilities is scant. To explore this further, and to shed light on the relationship between autonomy, financial management, and school performance the authors conducted a baseline survey in 246 secondary schools in Mozambique. These are critical links to help us better understand how decentralisation can and cannot affect educational outcomes.

Improving service delivery

In Mozambique, proper delivery of learning services is still lacking. The country faces important challenges in terms of secondary school enrolment, student performance, and completion rates. In fact, completion rates for most least developed countries are double that of Mozambique, whereas government expenditures per pupil are almost three times higher in Mozambique. In a context of decentralisation, where schools have more autonomy and discretion over the expenditure decisions, such as in Mozambique, understanding the link between financial management capital and school performance is a critical step to improve education service delivery.

To shed light on the management practices of schools in Mozambique, and in collaboration with the Ministry of Education (MINEDH), we conducted a baseline survey across a sample of randomly chosen secondary schools. To measure management practices, we developed a novel tool aimed at measuring financial management capabilities. We also captured information on perceptions, norms, informal networks, funding use, and school council dynamics. Finally, we also captured information on general management capabilities, following the World Management Survey methodology.

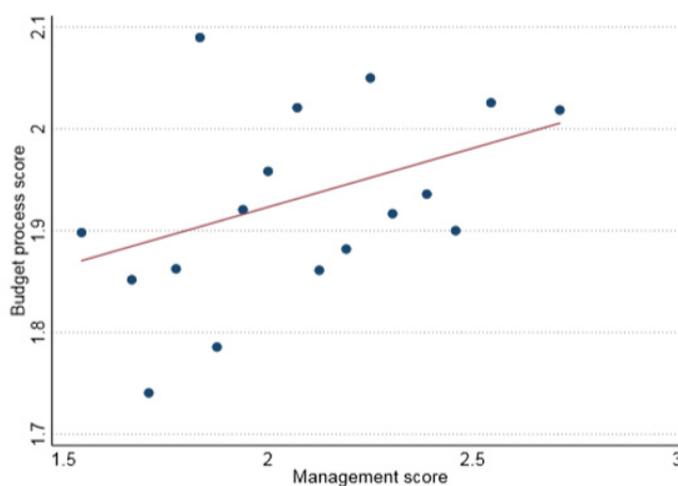
1. See Barrera-Osorio et al., 2009; Grissom and Loeb, 2011; and Hanushek et al., 2011

Interviews were conducted with school directors over the phone and lasted approximately one and a half to two hours. School principals were contacted directly and the government (national or local) had no prior interaction with the school concerning the interviews. They were asked open-ended questions which covered 14 standard operational management topics and 20 financial management topics. Interviews were conducted only if the principal had been at their current school in their position for at least one year. Exceptions were made for cases where the principal had assumed the post for less than a year, if they had been involved in the management of the school for a longer period, or if a former principal had left the school for a period of less than 6 months. The resulting dataset is the first of its kind to measure the quality of school management in Mozambique, including a novel module to examine the strength of financial management practices within schools separate from overall operational management.

School management practices

The survey data revealed some interesting patterns. First, we detected a positive correlation between more structured “general management” practices and more structured budgeting processes (i.e. financial management). Nonetheless, general management only explains a small portion of the variation in the financial management score.

Figure 1: Budget reporting score and management score



Note: coeff:0.135; p-value:0.04

In addition to general management, other factors such as geography, governance, the level of interactions between principals, and perceived norms help to explain a significant part of the variation in the financial management score of schools in Mozambique.

Most of the variation in financial management scores is explained by regional differences, informal networks, and perceived norms about financial practices. For instance, principals who agreed that it was okay to circumvent financial rules in order to secure funds for the school also exhibited significantly lower financial management scores.

Contrarily, variations on the autonomy of principals to make certain decisions such as to hire their own teachers, to add new classes to their roster, and to change class size, do not appear to correlate with financial management capabilities.

Recommendations for future research

This initial exploration on the financial capital of school principals shed light on the current financial management capabilities of schools in Mozambique. Overall, Mozambique scored low in overall management practices, suggesting that there is large room for improvement in the management of resources in the education system. Future research will focus on the following questions:

1. **Decentralisation and autonomy.** Does decentralisation only have a positive impact on educational outcomes when school principals have higher levels of financial management capital?
2. **Improving financial management.** Can financial management practices be improved? How will they interact with overall management capabilities?
3. **Understanding the role of of informal governance in the educational system.** How do principals interact through informal networks (i.e. social media platforms) to change the official allocation of teachers across schools? Do these practices improve the overall efficiency of the system? Can they be scaled u