

Financial Decentralization in Malaysian Schools: Strategies for Effective Implementation

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ABSTRACT

This article presents findings on the essential strategies required at the school site and the relevant people responsible for the effective implementation of school-based financial management in Malaysia. Many lessons have been learned since more than a decade of the school-based financial management reform in Malaysia through the establishment of school as Responsibility Centre or Pusat Tanggungjawab (PTj). The government of Malaysia has allocated an enormous amount of money for the education sector during last the few decades to ensure the highest quality of education for Malaysian society. Therefore school finance has to be managed strategically to confirm the best educational outcome through effective resource allocation. This study employed the qualitative approach using the interview method with ten selected principals heading schools with financial autonomy in Malaysia. The findings revealed a few essential strategies that need to be focused by schools both at individual level and school level in order to successfully manage school finances. The collaboration and mutual effort from all stakeholders are expected to bring transformation toward effective school based financial management in Malaysia..

Keywords: *school-based, financial management, effective, stakeholders, Malaysia*

INTRODUCTION

In the current era of challenging economic condition, the issue of education financing will remain important and the management of education finance will always be a great concern of any government. In order to cope with global education transformation, the education sector has persistently been granted the highest allocation of the budget by the Federal Government of Malaysia where approximately 20% to 25% of government spending goes toward the country's Development Plan (INTAN, 2006). The operation expenditure allocated for the primary and secondary education also accounted for nearly half the total education operating expenditure as a whole (Kementerian Pelajaran Malaysia, 2009). As the main provider of education funds for primary, secondary and higher level of schooling, the federal government of Malaysia through the Ministry of Education and Ministry of Higher Education contributed about 98% of the total financing (Shahril@Charil Marzuki, 2008). It was only in recent years that the full potential of the private sector was unleashed to maximize the available resources in providing quality education for society. Thus, the responsibility for managing school resources effectively is currently widened to many parties involved in the education sector from both the public and the private sectors (PEMANDU, 2010).

The movement toward financial management decentralization at the public school level in Malaysia began in early 2000 following the massive changes within the government sectors since 1989. The government formally recognized selected schools with guided financial autonomy known as Pusat Tanggungjawab (PTj) or Autonomy Center (Responsibility Center). It has become an initiative for increasing the autonomy of the individual schools through independent decision making authority for managing financial resources. It was expected that with greater authority and accountability, school leaders and their communities could channel the allocated money in a more productive way thus enabling schools to perform the best in their curriculum delivery and the expected final educational outcomes. The critical aspects of school based financial management (SBFM) mainly rely on the decisions made by the school authorities in allocating the financial resources for the preparation of curriculum delivery. In other words, the budget

determination will allow for the physical resources to be arranged so that they will strengthen the teaching and learning process and subsequently the intended educational outcome.

Throughout the years of establishment of PTj schools in Malaysia, one issue involved a certain group of schools that still demonstrated a weak quality of financial management. Even though the PTj schools are appointed based on good financial management, they were reported to be in poor condition in terms of lacking resources and unsatisfactory financial performance. This was especially certain in the aspect of internal audit and financial controls. The Auditor General's Report has noted the unsatisfactory financial performance of Sekolah Menengah Kebangsaan Agama (SMKA) from the aspect of control of revenue, expenses and the management of schools' assets (Jabatan Audit Negara Malaysia, 2002). It was found that most of the schools fail to follow the rules on cash saving, salary remuneration and bill payment. The most critical parts were on the maintenance of Capital and Inventory Registration and the assets' physical inspection. Another problem identified was the principals' lack of knowledge and necessary skills in school financial management; the principals merely delegate their duties of overseeing the school finance to the administration clerk (Shahril@Charil Marzuki, 2005b; Wan Azman Wan Idris, 2002). There was no consistency in monitoring the financial records or documentation during the school expenses transactions. In some rare cases, principals simply neglected duty in monitoring the school financial management because of their other responsibilities (Mohd Noor Said, 2004; Rusli Wahab, 2005; Wan Shamsiah Wan Yusoff, 2008).

Moreover, another issue is the failure of some principals to allocate resources based on the school objectives and priorities. The School Audit Division in its Annual Report has reported that some principals of PTj schools failed to list their objectives based on priorities and to provide a proper strategic plan for schools to reach their objectives (Kementerian Pelajaran Malaysia, 2007b). In another case, some principals used the money for wrong purposes in a large and significant amount even though the specific allocation had been planned in the school budget every year (Kementerian Pelajaran Malaysia, 2007b; Shahril@Charil Marzuki, 2006). Thus, to ensure a continuous provision of education to society, educational resources have to be directed and allocated to the establishment and improvement of the teaching and learning process. As resources are essential and finances are necessary to get the resources, financial aspect thus plays a role in ensuring a continuous access to education for society. For many countries around the world, particularly the developing ones, the government sector primarily has the obligation to manage the public money to ensure a successful flow of money for education.

The country's education expenditure has steadily increased from the early independence period in 1957 till now (Shahril@Charil Marzuki, 2005a; Shahril@Charil Marzuki, Rahimah Ahmad, & Hussein Ahmad, 2010). This was in congruence with the government aspirations to boost education thus providing the best human capital that could contribute to the country's development and economic growth. Among the recent major government policies for the education sector are the Education Development Master Plan or Pelan Induk Pembangunan Pendidikan (2006-2010) in the Ninth Malaysia Plan and the Economic Transformation Program in the Tenth Malaysia Plan. Throughout these policies, the concept of school-based management with a guided autonomy has been recognized through the formation of Cluster schools in 2007 in support of decentralized school financial management. Then in 2011, the Economic Transformation Program also has successfully launched the Trust school in Malaysia which marked a positive collaboration between the public and private sector in Malaysia. It was hoped that this positive effort will be able to resolve the financial constraints experienced in most of the centralized national schools in the country (PEMANDU, 2010). All the recent policies also demonstrated the government effort to solve the education financial issues such as limited financial support, lack of society's contribution and imbalance between number of students and school facilities. Therefore, this research was conducted based on the following objectives:

- a. To identify the school stakeholders responsible for the effective financial management of schools with autonomy in Malaysia; and
- b. To identify strategies needed for the school based financial management effectiveness in Malaysia.

Literature review

The concept of decentralization is the key concept related to the devolution of higher authority to the lower management at the school level. Decentralization has been understood as the delegation of power and authority from the central government to the school level as a means to improve the management quality in support of the school's main task of executing the teaching and learning process. Wohlstetter and Mohrman (1993) described decentralization as the transfer of control from central offices to individual school sites in attempts to give school constituents such as administrators, teachers, parents and community more control over what happens in school. Cheng (1996) in his explanation on decentralization, emphasized the concept of flexibility in which he suggested that the schools should be managed by themselves according to their own condition. This is actually aimed at efficiency and problem solving where the schools are given the power and responsibility to solve problems effectively in time. The concept of decentralization was also thoroughly discussed by Bullock and Thomas (1997); it was claimed that decentralization is not end in itself but

a means of achieving other ends or purposes. In this case, the aims of this reform clearly related to the ultimate educational aims of ensuring the school achieved its objectives in the most effective way.

Decentralization is also indicated by freedom, differentiation and responsiveness (Caldwell, 2003). It includes demand for less control and uniformity that subsequently reduce the size and cost associated with maintaining a large central bureaucracy. Furthermore, these demands for greater freedom and differentiation also increase commitment for school community empowerment and the desire to achieve high levels of professionalism. With regard to financial decentralization, budgeting system at the school level is important in the sense that there is unique mix of student learning needs in the school which calls for a unique mix of resources. Thus, it calls for decentralization that could make possible for such a mix to be determined by a people who really understand the situations (Caldwell, 2005). Concisely, financial decentralization is actually the transfer of power and authority from the central authority to the individual school management in an effort to enable the schools to make better decision and arrangement. It acts as a means for better management and administration which could facilitate achievement of the targeted educational outcomes.

The concept of decentralization began in the late 1960s and 1970s in many western countries such as England, United States and Australia. This reform took place in the government sectors which moved from the conventional style of bureaucracy. Decentralization was identified as a tool for more effective decision making while delegating autonomy and responsibility to the lower management level specifically for those who are accountable. The idea of decentralization spread to the public schools as a concept of school based financial management (SBFM) which is called by different names around the world. For example, in Canada and the United States, the early focus of decentralization began with the concept known as school-based budgeting (SBB) which concerns the self-budgeting of individual schools for better decision making (Caldwell & Spinks, 1992). Britain also came out with local financial management (LFM) of schools which implied the lack of a centrally determined framework for schools finance and the emergent concept of self-management.

The school-based budgeting initially started in the mid-seventies at Edmonton Public School District in Alberta, Canada and a few districts in the United States. It continued to be a successful evolution for the Edmonton Public which was described as school-site decision making (Caldwell & Spinks, 1988). A few conferences and pilot projects have been established which involved many principals, teachers, parents and students on the school based budgeting project which have aroused interest. Generally, the school based budgeting concept focused on the decisions related to the allocation of resources that encompassed the financial allocation for teaching and non-teaching staff, equipment, school supplies and also services. Another successful reform of school based management was created in Britain which has been inspired by the Conservative Manifesto in the 1987 national election. The Manifesto has contained a proposal of four major reforms that influence the shift of schools toward self-management and the change to the concept of decentralization. Among the changes suggested was the dissemination of control over school budgets to the governing bodies and head teachers of all secondary schools and many primary schools within five years. Furthermore, the state schools were given opportunity to opt out of Local Education Authority (LEA) control in which the schools will directly receive grants from the national government for the school expenses.

Financial management involves budgeting, granting the money, accounting and financial reporting, evaluating and the critical aspect of auditing and internal control. Among the earliest research on the requirement for a successful school financial devolution was one done by Knight (1992). Twelve key questions have been raised for consideration by all school managers to ensure a successful school based financial management implementation through well-equipped strategies and plans. In addition, Murphy (1994) did a study based on the conceptual discussion of five conditions necessary to facilitate school based management. Nevertheless, both of these studies appeared as a plan targeted at practitioners without being backed by relevant empirical studies. Furthermore, Odden (1994) has designed a systemic reform of school based finance in which the incorporated elements have been drawn from the studies of effective management in the private sector. Another prominent study on school-based management was done by Wohlstetter and Mohrman (1994) which was also based on extensive studies on the previous experiences undergone by many schools in the United States (U.S.). This study was developed over several years and in 2003, it managed to highlight several more essential actions based on the context of U.S. reform (Briggs & Wohlstetter, 2003).

In the United States of America, the public educational system was highly centralized at the state level. However, comprehensive attempts at decentralization reform have taken so many forms with different purposes. The significant development in the school based management occurred mainly in the states of California and Florida in the 1970s that managed to empower the community. The early concern of the school site management also on the budgetary matter in which the principal was held responsible for preparing the budget within the framework imposed by the state and district authorities. The school budgeting management involved not only the teaching and learning materials for matching the needs of students, but included the staff salary systems and also the allocation for school maintenance and utilities. The early approach was to provide the school with a lump sum payment and the principal was held accountable to the superintendent of the district to provide the report based on the district-wide instructional

goals and priorities (Odden & Picus, 2000; Wohlstetter & Van Kirk, 1995).

The financial management of the public sector in Malaysia was largely influenced by developed countries such as England and Australia. It is bounded by regulations namely Federal Constitution (96-112), Financial Act 1957, Audit Act 1957, Local Government Act 1976, Treasury Directives, Treasury circulations and accepted accounting principles such as GAAP and IAS. The financial management of the public sector is significantly affected by the country's annual budget which sets up the flow of income and expenses forecast for the next year. Under the public sector paradigm shift from the Progressive Public Administration to New Public Management, Malaysia has been practicing the Modified Budgeting System (MBS) since 1990. It was an improvement from the previous application of Program and Performance Budgeting System (PPBS) and the early Line Item Budgeting System (Xavier, 2002). MBS was believed to bring evolution to the country's budgeting system with a distinct shift toward output orientation and greater delegation of authority. It has strengthened the concept of 'Let Managers Manage' previously introduced in the PPBS which makes the lower level management more accountable and responsible. The twin objectives of MBS implementation in Malaysia's government sector are the rational and improved allocation of resources besides better and accountable program management. Government departments are recognized as Pusat Tanggungjawab (PTj) or Autonomy Centres (Responsibility Centres) and have their own accountability and responsibility in managing financial resources based on their stated programs and objectives.

Among the characteristics of decentralized financial management being practiced under PTj were responsibility based on the given authority and improved decision making through better budgeting process and decrease of bureaucracy. Individuals under this system have their own role to contribute to a better financial performance within the cooperation and guidance given by the higher authority. The measurement was based on the achievement of the outcome rather than the input being delivered. Thus, the financial performance depended on the PTj initiative which could subsequently create entrepreneurship among its members. In Malaysia, the financial decentralization reform has widely spread to include a small institution such as public schools. The recognition of schools as PTj was started with 30 schools being elected in the pilot project launched by the Ministry of Education in 2000. Then, starting in 2001, around 200 schools were awarded annually and recognized as PTj level schools marked their financial autonomy and the decentralized decision making authority granted by the federal government of Malaysia (Kementerian Pelajaran Malaysia, 2007a).

The three main aims listed by the government to become the main purposes of recognizing schools as the PTj schools is to enable school managers to plan for efficient and effective management of school expenditure. Furthermore, schools are able to spend based on their actual needs through the permitted financial allocations and procedures. In addition, the purchase transactions including payment can be done promptly without the hassle of bureaucracy previously experienced under centralized financial management. According to the policy, the recognition of a school as a PTj is based on the good financial performance for three consecutive years as shown by excellence in the audit report and overall unqualified audit opinion. Therefore, principals are expected to manage the financial resources through the concept of 'let the manager manage' and be fully responsible, knowledgeable and committed to their tasks. The establishment of school as PTj also allows school as the 'end consumer' to use their money according to their priorities and channel it to the way that could benefit the teaching and learning process (Marzita Abu Bakar, 2010).

Money received by schools of PTj level (called the warrant) has to be managed and recorded in a different way from other ordinary schools. Schools were using a computerized accounting system named eSPKB to facilitate and coordinate all the financial records with the Accountant General Department (Ibrahim Tamby Chek & Rosli Samat, 2006). The role of the principal and the head of department also have been empowered particularly in budgeting to ensure that all financial allocations are in line with the school vision, mission and objectives. Furthermore, the existence of school as PTj has subsequently created new management procedures at the upper level. The state education department will act as the Head of PTj schools with responsibility in the distribution of the allocated warrant, supplying related facilities and monitoring the financial administrative tasks. In addition, the state education department will also act as the intermediate agent between schools and the Accountant General Department ensuring that any vacancy in the school financial administrative post is filled. Stakeholder commitment is important to support any changes and to achieve the targeted motive behind the establishment of PTj schools. The attitude of readiness and awareness is important for all stakeholders to reinforce the effort toward the best education outcome through improvement in school site financial management.

METHODOLOGY

Qualitative method has been chosen as a means to answer the research question due to its nature which allows the researcher to get at the inner experience of the participants and to discover something rather than to test variables (Corbin & Strauss, 2008). Furthermore, Merriam (2009) has claimed that it is a richly descriptive method which enable researchers to explore a phenomenon. The phenomenon being studied could involve the descriptions of the context, the participants involved and the activities of interest. Overall, the nature of qualitative study is seen as well suited to be employed in completing the research goal. Interview sessions have been carried out with the main purpose of gathering information on the strategies needed for the implementation of an effective SBFM. This method of study is practical and relevant for gaining in-depth information that needs explanations from certain individuals. In addition, it acts as the best tool in uncovering the meaning of a phenomenon by exploring the inner experience of participant (Corbin & Strauss, 2008; Merriam, 2009). A few previous studies have been analyzed to determine at the best sample size. Merriam (2009) in her writing mentioned the size for purposeful sampling is to be determined by informational consideration. No additional sample is needed in situations where the data has reached the saturation level if the purpose is to maximize information. Nevertheless, Dukes (1984) has suggested 3 to 10 subjects in the phenomenology study to reach a satisfactory level of information (Creswell, 2007). Thus, this study has selected 10 principals from those schools in Malaysia granted with autonomy and who meet the specific following characteristics:

- (i) Has at least a bachelor degree
- (ii) Performed as a principal for more than seven years in the PTj schools
- (iii) Performed in the schools that have been recognized as PTj schools for more than seven years

In performing the research, the initial task involved the permission granted by the higher education authority through the formal letter of consent produced by the Division of Educational Policy Planning and Research, Ministry of Education (BPPDP). For the interview session, 10 principals of selected PTj level schools have been carefully and thoroughly selected as the research samples. Therefore, they were contacted personally through mail and further confirmed by phone for acceptance. The researcher had set up time and place to conduct the interview session. The sessions have been recorded for transcription.

The questions in the interview protocol also have been examined by two experts in school finance and qualitative study. Then, a preliminary study has been conducted to check on the validity and reliability of the interview protocol questions. It was done to ensure the questions reflected the main research questions being highlighted and were able to produce the accurate answer for the research findings. Any misunderstandings of the questions by participants were handled with necessary corrective actions for the next interview session. Furthermore, the transcripts produced in the transcription process were rechecked by the participants who verified the contents of the transcript and corrected any errors that changed their original meaning. The data recorded were transcribed to ensure that accurate information was given. Then, the process of coding took place which involved arrangement and categorization of the data. The whole process was completed using Microsoft Word 2007 for the transcription process and NVivo version 9, the software for qualitative data analysis. The analysis process was ended with specific themes that emerged from the whole process of analysis.

FINDINGS AND DISCUSSION

The goal of this research was to clarify the relevant people involved in school based financial management in Malaysia and strategies needed for effective financial management. Findings from all the selected informants confirmed that school finance administrative work should be treated only by the fixed committee members inside the school. In other words, the stakeholders are welcome to bring financial support to school in the form of donations, parents' contributions and so on without interrupting the administrative work performed by the school financial committee selected with the principals' approval. Furthermore, all of the principals agreed that the current formation of the school finance committee is good enough to manage the financial resources effectively. The school financial committee is chaired by the principal or head teacher with the help of a financial administrative assistant and further include senior assistant principals and the selected internal auditor. For budgeting, the subject senior teacher will work collaboratively with the head of division in formulating the annual budget for their particular subjects. The accounting and reporting matters will be handled by the chief administrative assistant or chief clerk exclusively for the record of any expenses and receipt of money. Then, at least one teacher will be selected to act as the internal auditor to ensure that school adheres to the school finance rules and circulars. Nevertheless, some schools will set up their own supporting committees such as assets disposal committee, school cooperative committee and many others in support of the main school financial committees. All of these committees have their own responsibilities and authority in performing tasks

being handed over by the school principal to ensure excellent financial performance.

“The ultimate power is in the hands of the principal. However, the principal should consider the views of teachers as the financial committee and also the finance chief clerk. However, PIBG is not allowed to use its power over any matters involving the school administrative tasks.”

“The Financial committee includes the principal, senior assistants, heads of divisions and heads of subjects. This is only for administrative tasks. PIBG usually help in support of their children’s’ activities.”

The majority of the participants agreed on this condition as the parents usually are less knowledgeable about school financial matters. However, every opinion should be heard through the PTA meetings especially on the allocation of school money for their children’s academic and co curriculum activities. The principal will act as the adviser or formally become an ex officio member who will transfer the relevant information to parents for their consideration.

The important findings from this research show that successful school financial management of PTj level schools in Malaysia was partially contributed by good cooperation between them and Non-Government Organizations (NGO) especially the profit oriented firms or companies. It came in the form of a common understanding between them which usually benefited both parties and was seen as a future investment for the firms. The commitments also ensure continuous financial support by the firms or companies to schools and avoided transience in the flow of money. This clarifies the issue of lack of parents’ involvement in school financial matters in Malaysia and limited contributions by them. With the tradition of dependency on the government purse and limited financial support by them, parents continue to have less power in manipulating school progress compared to many developed countries in the world. The initiative largely depends on the school leaders to create entrepreneurship among the school members. Nevertheless, some government aided schools in Malaysia continue to survive with the existence of a school governing body usually backed by their religious society or individuals with high personal income. These comprise only a small percentage of total schools in Malaysia and often exist in certain urban areas and specific locations as agreed by the school governing bodies.

Further, the analysis done from the data gathered in interview sessions revealed a few elements that should be equipped by schools to achieve effective SBFM in Malaysia. These were considered as essential basic needs for the school’s stakeholders besides adherence to school financial rules, government circulars and related references. These elements are described as the following themes:

A good school vision and mission which are grasped by all school members

It is important that school vision and mission be fully understood and comprehended by all school members and the relevant parties outside the school. A good mission and vision statement will create a high quality school plan which eventually leads school for the financial consumption of the high priority activities that could increase the quality of teaching and learning. One of the principals highlighted the importance of school mission and vision in his conversation:

“Yes, yes....school vision and mission is important. This is what all school members should know. We always remind teachers, students and staff members and even the security staff on their critical roles in the school mission.”

The senior teachers normally take the responsibility to set up the financial budget based on the teaching and learning program suggested throughout the year. They should collectively do so with the relevant teachers by considering the ideas and suggestions by others. Even though the Per Capita Grant (PCG) amounts for subjects have been fixed by the Ministry of Education, any extra programs should be considered within the framework of school’s yearly program that could realize the school’s vision and mission achievement. This is especially true for Cluster schools and High Performance schools in Malaysia which received certain amount of money by the government with the objective to boost the students’ overall achievement. With the guided autonomy granted to schools, principals and other school leaders are expected to spend the money carefully and to achieve the Key Performance Index (KPI) set up by the higher education authority in Malaysia.

Relevant knowledge and skills

The financial and technical knowledge and skills are especially important for the people involved in the administrative positions. The chief clerk and the finance administrative assistant should be familiar with the school accounting procedures, relevant government circulars and even the current accounting application they have to use in

preparing the reports. The participants believed that most of the administrative staff who performed well in their job actually gained their expertise from experience and good relationships with the higher authority such as the School Audit Division. Because of the limited days of training provided by Ministry of Education and the large numbers of participants involved, most of the school leaders and the financial administrative staff gain less input during the workshop series. Rather, the best knowledge is said to be gathered from the individual's own initiative to learn continuously from the School Audit Division staff and the experiences gained throughout their career experience. Two of the principals emphasized their ideas in the following conversations:

“Experience is most important in increasing people’s knowledge and skills. It was only when a problem arises that we will directly consulting the higher authority such as the Ministry, Department or the Audit Division to get their view and advice (viewpoint).”

“Besides clerks that should be experts, principals, senior assistants and relevant teachers also need to have these skills. All needs for knowledge. I for example, have learned through experience....”

In addition, principals or head teachers and other school leaders should develop good communication skills which are practically important in building relationship with the external stakeholders such as NGO, alumni and parents. Successful collaboration among all the school stakeholders promotes teamwork for the school's future development especially in the financial aspect. Principals should be knowledgeable on the school performance and send the message accurately to the people outside the school building block.

Transparency and integrity

The government of Malaysia has placing high priority on transparency in performing duties and requires all the public workers to uphold high integrity. It becomes the significant feature of Malaysian public practices compared to other developed and developing countries. It also becomes the main concern for all public school communities including teachers and the supporting staff. In this case, the principal as the manager should work collaboratively with teachers and the administrative staff without covering up any shortcomings important school financial matters. The importance of transparency while managing the school finance was portrayed in the following statement:

“Managing school finance calls for transparency. That is what I am practicing. When we receive the money, all the relevant committees will meet and the amount will be announced and presented. For example, this allocation is for this department.... Thus they will do the budget together for their own departments.”

Besides accountability, integrity has become one of the important traits cultivated by the Government of Malaysia for all public staff. Everybody should avoid and free themselves from involvement in corruption, bribery, abuse of power and the issue of delay or ‘red tape’. Any criminals charged under all these offences will face the resulting sentences and penalties besides poor performance recorded by the higher administrator. The Government’s effort to strengthen public service integrity include establishing policies, rules and regulations, working procedures and systems, codes of behavior and ethics and internal control for the high risk activities or tasks. For the sake of controlling the corruption among the public staff, one formal body called Badan Pencegah Rasuah (BPR) has been established. Any misuse of resources shall be investigated by the School Audit Division and the Internal Auditor from the National Audit Department.

Entrepreneurship

In the existing challenging economic period, schools are no longer encouraged to merely rely on the government resources. There are many things schools can do to increase their funds such as developing good relationships with the external community. Schools also can collaborate with NGOs, alumni and the wider community to create programs that could benefit the students and schools. Collaboration with the NGO especially the profit-based firms was seen to support schools through a consistent flow of financial support. It was created through an agreement between both parties and perceived by the firms as community services and future investments. Besides NGOs, the superior schools usually largely benefited from their alumni association for expertise and financial contributions. Schools

could also save money by approaching their alumni that are willing to share their skills and knowledge either for academic or extra curriculum activities. Some of them already contributed large sums of money to the schools especially alumni from the High Performance Schools in Malaysia.

In addition, leasing some school facilities such as multipurpose halls, computer labs and other facilities to the outside community has generated income. Many technical and vocational schools are encouraged to be innovative in creating products for commercialization. Schools members need to have an entrepreneurial mind set thus to think and act in versatile ways to strengthen their financial positions. One principal described his initiatives as follows:

“For your information, the financial resources are actually gained from both government and non-government agencies such as Public Higher Institution, communities and the surrounding society. For example, we manage to increase our funds from the program with the Tabung Haji (Pilgrim Fund Board). What can I say is that a good relationship with the community is very important. Principal should know many people and create a good relationship with them for benefit of the school in the future.”

Meaningful autonomy at the school site

The principal or school leader should understand completely the autonomy devolved at the school site and use it for the main aim of increasing academic achievement and overall school performance. In the case of Malaysia, the financial autonomy granted for schools of PTJ level are still limited and mainly targeted to reduce the hassle of bureaucracy in the payment of staff salaries. Principals should have accountability in managing the money particularly the school capital spending to ensure a smooth financial operation. The establishment of Cluster school in 2007 has widened the scope of financial autonomy granted to schools. Cluster schools have been granted greater autonomy compared to PTJ level schools which enables them to use the money for school development and realization of their own niche areas. This guided autonomy also works within certain government policies and regulations to avoid any mismanagement and inappropriate actions by the school leaders.

Therefore, based on the different purpose of government financial allocations, school leaders should understand their authority over the money. These include the way the money should be spent, the accountability that should be undertaken and limitation that bounded the financial operation of the public entity. Failure to understand the autonomy meaningfully will only disrupt the purpose of granting the autonomy and hinder schools from maximizing their potential. About autonomy, one principal said:

“Everybody has to understand his or her roles. A principal needs to help teachers and staffs understand their duties in managing money. If everyone performed their jobs as have been directed, there should be no problem.”

Clear distribution of power among members

Schools granted financial autonomy have to organize their own financial committees which will be involved in budgeting, accounting and internal control. However, the most important part is the understanding of all involved to be excellent in performing their duties. The critical issue commonly arising is the commitment of teachers who have been appointed to the school financial committee. Teachers should be ready to adapt to the new roles under this SBFM reform and pursue their duty whole-heartedly for the benefit of the school. One principal mentioned the importance of this matter as follows:

“It is great if everyone is clear on their duties. For example on the PCG allocation, the head of a department or the selected senior teacher should understand the allocation that they received and the way they should use the money to strengthen the performance of the teaching staff”.

Since the entire school entity has a major role to play under the SBFM reform, it is crucial for the principal to ensure a good understanding among their subordinates. As autonomy indicates greater accountability that leads to more job load and responsibility, it should be shared among the school members to ensure successful implementation of that reform. Senior teachers should set up the departments' financial meeting and keep good track of all expenses and the relevant programs that have been planned. In addition to the responsibility circulated among the internal school members, PIBG members also should be clear on the financial status of the schools. It is important for them to support

schools program which could accelerate future school improvement and development.

Good information distribution

To reach for SBFM effectiveness, the relevant stakeholders should have good information distribution on the school financial matters. The information could be in the form of policies or circulars from government and any sources that have direct effect on the school financial management. Most of the informants believed that this task should be initiated by the principals and supported by all members. Good information sharing promotes teamwork and collaboration for realizing school vision and missions. In this period of high technology, communication failure should not occur among the school stakeholders. Parents and the surrounding community should be ready to receive any school information and willing to be part of the school development effort. This is important when schools are planning to increase their financial resources such as with fund-raising program, donations and many more. The importance of good information distribution was described by one principal as follows:

“Information and instruction should be received by all parties. If we received the wrong information such as what included in the circulations or anything else, we are strictly confined to the qualified audit opinion.”

Recognition for performance

Most of the principals believed that recognition awarded by the higher authority is important for schools to uphold their quality performance. It works as motivation for school members to perform well in their job and remain competitive among other schools. Also, the initiative by the Ministry of Education to consider financial performance as among criteria for the High Performance School award or Sekolah Berprestasi Tinggi (SBT) has induced determination among schools to perform effectively in their tasks. The importance of having recognition from the higher authority has been reflected by one of the principal as follows:

“Yes, yes...the reward received by this school has a big role. For example recently, our school received the recognition as the ‘Sekolah Harapan’. But, what we received was not in the form of financial reward. It was a one big project as a gift for our effort and acts as a motivation for us to maintain our excellent performance. Actually, rewards are helpful to increase our enthusiasm and teachers’ motivation to better perform all their duties.”

In addition to recognition given to schools for good financial performance and curriculum achievement, the internal school members should also receive appreciation by higher authority for their individual attainment. The current practices revealed that job promotions among principals and head teachers include the criteria of consistently leading the schools without qualified audit report. Thus, this effort could similarly be adopted for recognizing teachers but in a different way. They should have significant contribution toward the school’s successful financial performance and play a major role in the financial management at the school-based level. The recognition can be in the form of job promotion, salary increment or excellent teacher award.

CONCLUSIONS AND RECOMMENDATIONS

In order to ensure successful school-based financial management reform in the Malaysian public schools, all stakeholders should work collaboratively through meaningful roles. In addition to the administrative tasks performed by the school financial committee, parents through Parent-Teacher Associations (*Persatuan Ibu Bapa dan Guru*, PIBG), alumni, non-government organizations (NGO) and the surrounding society have to assist school in improving their financial position thus facilitating the school overall development. NGOs particularly the profit oriented firms play a major role in helping schools to stabilize their financial position especially in the area of school facilities. This is due to the consistent flow of money given to schools besides the common benefit gained from this form of collaboration. The collaboration effort between the internal and external school stakeholders could only succeed through concurrent effort of individuals, the school entity and the higher government authority. To implement effective SBFM, all the internal and external stakeholders should collaborate to ensure schools are equipped with the following characteristics: (a) a good school vision and mission understood by all school members, (b) meaningful autonomy at the school site, (c)

clear distribution of power among members, (d) relevant knowledge and skills, (e) transparency and integrity, (f) good information distribution, (g) entrepreneurship and (h) recognition for performance.

In addition, different stakeholders should understand their power accordingly and be able to play their legitimate roles for success of the school site financial management. Surrendering authority to stakeholders that are incapable of performing their duty will only worsen the situation and generate equally unproductive outcomes (Chikoko, 2009). Among all these strategies, transparency and integrity have become the main issues frequently highlighted in many developing countries. It symbolizes ethics and moral empowerment for every government organization's level. In recent issues of public sector financial management in Malaysia, integrity has been highlighted as the most essential component that should be cultivated in the hearts of all public servants (Ahmad Zaki Husin, 2001; Zulkurnain Awang & Xavier, 2001). Integrity is important to avoid any mismanagement, corruption and dishonesty in managing the public money and further facilitate the aim of reaching an effective level of financial management. For the neighbouring developing countries such as Indonesia, transparency and clean control functions and mechanism were seen as a vital effort to be applied in the reform of education decentralisation since 2001 (Kristiansen & Pratikno, 2006).

The importance of skills and professional development have been described in previous studies as a key variable formula to be adapted to the new changing context of school based management (Al-Taneiji & McLeod, 2008; Bandur, 2009; Ho, 2010; Maszuria Adam, Azuraida Shahadan, Muhammad Faizal A. Ghani, & Sharil@Charil Marzuki, 2008). The principal, teachers and the supporting staff require special training and preparation that could enable them to handle the additional administrative tasks integrated in this financial reform agenda. Ho (2010) did find that in order to form a sound school based budget, the relevant school members have to be equipped with practical knowledge in school financial management and accounting, interpersonal and communication skills, knowledge of the relevant laws and regulations and further capability in collecting and distributing relevant information among the school members. Even more, the local government was recommended to provide relevant materials on school based management in the form of research and public seminars or workshops to advocate more for the technical practices thus improving the school members' understanding on their tasks and responsibilities (Bandur, 2009, 2011).

This study highlighted several important elements which were in line with recent propositions of continuous improvement in schools by Anderson and Kumari (2009). The prominent factor above all was a dynamic vision for school development which is widely communicated and understood among all the internal and external school members. Furthermore, the school leaders mainly the principal or head teachers should have strategic interactions with external resources that could bring opportunity for increasing school resources. Schools should be able to take advantage of the external policies, private sector involvement and many local developments as a process that could accelerate school improvement through sound financial management. Then, schools should also create initiatives for investing in professional capacity development for the relevant school stakeholders especially the principals and teachers in order to prepare them for challenging future needs of schools management. As a consequence, the necessity for performance recognition cannot be denied. The higher authority could provide many ways of establishing appreciation for the school members through award and honour to schools or staff members and even bonus and salary increment for staff with constant excellent contribution. Evidence from Western China has shown that teachers' salaries and remuneration were established based on their academic experience and the performance bonuses were determined from students' exam scores (Liu, Murphy, Tao, & An, 2009). By providing incentives to teachers through achievable economic bonuses, it was seen as a tool to increase their motivation which then associated with subsequent improved exam results among the students.

Based on the existing context of school-based management in Malaysia and future vision for a better improvement, it is suggested that the contribution of Parent Teacher Associations (PTA) or PIBG is strengthened by selecting specific committee members to assist schools involving the financial matters. The scope of tasks could be revised and the best example for references should be the function played by school's Board of Governors established in some government-aided schools such as Mission schools in Malaysia. In this case, the higher authority should take the initiative to improve the current policies through a formal circular regarding the school finance matters. In addition, entrepreneurship among members should enable schools to vary their school income generation efforts. In other words, schools should increase their marketing plan by referring to many successful private schools and avoid the typical public school stance of heavy reliance on the government. Schools should start by leasing some important facilities to the public and selling products invented by students especially from the technical and vocational schools. Schools must develop the culture of innovation in the heart of every school member including teachers and students.

Therefore, the efforts for school based financial management effectiveness should receive serious actions by all stakeholders. The success of this reform will only be realized through the improvement of the public schools' mind set and aggressive actions by the school leaders and their teams. The higher authority should start bringing exposure to all school leaders on their authority and accountability besides necessary strategies that should be undertaken through eight elements proposed by this research. The financial decentralization in public schools in Malaysia will only succeed

through collaboration by all stakeholders equipped by good school vision and mission, meaningful autonomy, clear distribution of power, relevant knowledge and skills, transparency and integrity, good information distribution, entrepreneurship, and recognition for performance by the higher authority.

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