The Relevance of Financial Management in Christian Educational Institutions

Victor Priest Chukwuma

Doctor of Philosophy in Educational Leadership and Administration. Student at Africa International University, Email: singinpriest@yahoo.com/victor.priest@africainternational.edu

Abstract

Financial management is very significant to the success of any organization. The role Christian leaders play in the management of finances will determine how successful the institution will be. The Christian school is a faith-based institution where its resources majorly come through Christian donors and mission organizations. The mismanagement of God’s resources caused by poor administrative management has led to financial crises in Christian institutions. Leaders are called to be God’s vice reagent on earth. Genesis 1:26-28 reminds us about our primary responsibility on earth; this is the call to be fruitful and to manage all that God created. In Hosea 2:8 God said, “The silver is mine and the gold is mine.” God is the giver of wealth and it is, therefore, expected of us to manage God’s resources appropriately as good stewards of Christ. The main focus of this study is to understand about financial management and its relevance to the Christian educational institution by looking at sound Biblical teachings on stewardship of God’s resources. This is aimed at changing the perspective of Christian leaders in regard to financial management, so that they can make the right decisions through the help of the Holy Spirit to advance God’s kingdom on earth as they stay focused on the vision of training men and women who will transform the world for Christ. The study thus advances Burkett’s assertion that “the key to understanding God’s will in finances is the proper understanding of stewardship. If we Christians can accept that role as stewards and manage God’s resources according to His direction, God will continue to entrust us with even more” (1975, p. 17). To be entrusted with more resources requires faithfulness in the little God has given through innovative plan of action in managing God’s resources.

Key Words: Financial Management, Educational Institutions, Resources, Stewardship, Leadership, Faith-Based Institutions

Definition of Terms

Educational Institution

“Educational institution is defined as entities that provide instructional services to individuals or education-related services to individuals and other educational institutions” (UNESCO, OECD & Eurostat. 2001, p.64). We have different levels of educational institutions such as: early childhood schools; primary schools; secondary schools and higher education. The Christian perspective of education makes these levels very interesting because it integrates the Biblical beliefs into the curriculum to equip students not just to have knowledge but for them to experience transformation in their lives through the power of the Holy Spirit. Many Christian schools depend on voluntary supports from Christian donors and mission organization to exist. However, because of leadership failure in financial management, about 40% of these great schools have stopped to exist. The 60% of them who survive still continue to experience financial crises (Davis, 2015). What is the cause of this? I believe God is faithful. He will not stop supplying resources for the advancement of His kingdom. The problem over ages has been with man and not with God because man has failed to do the right thing. Job 5:9-
10 says “He performs wonders that cannot be fathomed; miracles that cannot be counted. He provides rain for the earth; he sends water on the countryside.” When God supplies, He wants us to manage properly.

**Financial Management**

Baker and Powell (2005, p. 4) aver that “financial management is an integrated decision-making process concerned with acquiring function and management, and managing assets to accomplish some overall goal within a business entity”. Decision making is critical in financial management and that is why it must not be done by one person such as the principal or vice chancellor in a Christian institution; each and every member of the administration should be involved in decision making and their views must be respected and if agreed upon should be implemented. A financial decision should be based on what value it will add to the institution and not on personal gains.

In making financial decisions, we ask the following questions:

1. What do we have in terms of finance and asset?
2. Do we have enough funds to invest in long-term or in short-term basis?
3. How do we sustain our investment and mobilize more funding to keep the institution?

If these questions are not answered appropriately, then financial management cannot be successful. When we identify what we have at our hands, then it will be so easy to know the areas to wisely invest either in a long- or short-term basis to yield profit in due time. It is better not to invest in a thing if plan for sustainability is not well thought about. Also, the aspect of mobilization is very important in Christian institution; there is need to develop skills in mobilizing more funds for the sustenance of the institution by creating awareness for mission organization and individual donors to continue to support the vision. Maintaining interpersonal skills is very important in mobilization.

My interaction with the concept of three-legged stool analogy developed by Baker and Powel (2005) reveals that financial management involves three major types of decisions called the three-legged stool analogy:

1. **Long-term investment decisions:** This involves determining the type and amount of assets that the firm wants to hold. That is, investing concerns allocating or using fund. The financial manager makes investment decisions about all types of assets. These decisions often involve buying, holding, reducing, replacing, selling, and managing assets. The process of planning and managing a firm’s long-term investments is called capital budgeting.

2. **Long-term financing decisions:** This involves the acquisition of funds needed to support long-term investment. Such decisions concern the firm’s capital structure, which is the mix of long-term and equity the firm uses to finance its operations. The financial manager can obtain the needed funds for its investments and operations either internally or externally.

3. **Working capital management decisions:** This involves a day-to-day investment and financing decisions of a firm. Decisions involving a firm’s short-term assets and liabilities refer to working capital management. The financial manager has varying degrees of operating responsibility over current assets and liabilities (Baker & Powell, 2005, pp. 5-7).
An analysis of this analogy shows that decision-making, either in long- or short-term basis, plays a significant part in financial management. An investment plan is very important in the Christian institution because the inflow of cash is not constant. Jones (2009) defines investment as the “commitment of funds to one or more assets that will be held over some future time period. The field of investments, therefore, involves study of the investment process” (p. 3). Long-term investments help to sustain the institution during the time of need. It enables leaders to be strategic in their approach in financial mobilization in order to raise more funds for investment. Financial planning requires adequate skills. Bisshoff (2009, p. 4) attests that:

Financial management is fundamental to preparing and equipping school managers with financial skills and competencies that will enable them to be responsible and accountable for funds that have been received for specific school objectives. It will also equip school managers with managerial skills and competencies that will enable them to make contribution towards the improvement of the overall productivity of the school.

This skill requires critical thinking because it influences good decision making. In the school context, the principal plays a significant role in managing school funds; if he or she fails to act wisely, it will lead to mismanagement of funds. Financial planning requires critical thinking because it involves a lot of things such as planning on how to manage school assets, cash flow, investment and the documentation of long term operational budget which need to be acted upon within a specific period. According to Cathy and Julian (2004), “schools generally [take] a conservative approach to financial management, with an emphasis on stability, gradual change and development, and avoidance of the need to make heavy cuts in costs, particularly around staffing” (p. 9).

**The Benefits of Financial Management**

Financial management is very important in the sustenance of Christian educational institution and should be taken seriously. The following are some of the benefits of financial management:

i. It influences decision making: It helps leaders in Christian institutions to make meaningful decisions in the long-term basis that will benefit the institution in the future. It also influences financial planning and budget forecasting which help in the utilization of the school funds to meet the needs of the workers and maintenance of the school infrastructure to enhance effective learning.

ii. It gives direction to a glorious future: The future and success of Christian schools depend on how leaders are able to project into the future. Future plans should be done at the present terms through
critical thinking. This involves making critical decisions in a long-term investment that will sustain the school in the later future. As observed by Baker and Powel (2005, p. 192), “the future success of a business largely depends on the investment decisions that corporate managers make today”.

iii. It helps in making good financial planning: Planning helps in managing resources appropriately. It helps in generating budget for the institution which is documented, showing the available income and expenditure. Commenting on the process of making a good financial plan, Zietlow et al. (2007, p. 303) posit that making a good financial plan involves:

a) Establishing a long-term financial plan for the association’s assets (cash, amounts receivable, replacement fund, investments, etc.) that is reviewed and revised annually.
b) Developing written, board-approved investment policies and procedures.
c) Commissioning a reverse study and/or updating current reserve study at least every three years and reviewing the report annually.
d) Preparing a long-term operating budget covering the next three to five years.
e) Reasonable reserves for future major repairs and replacement to common facilities in assessment as determined by the association’s most recent reserve study.

iv. It helps to avoid extravagant spending: The way to avoid wasteful spending in the school is to have a plan budget to guide spending. A school without a working budget will definitely end up in financial problems.

v. It helps in acquiring finance: It guides a principal on what to do to generate funds to execute more projects that will benefit the school.

The Role of the Principal in Financial Management

The role of the principal is significant in financial management. This is due to the fact that “a school principal is the highest administrator in an elementary school, middle school or high school. He is in charge of the overall operation of the school” (Petrick & Media, 2015). School finances cannot be managed properly without a serious minded principal dedicated in fulfilling the mission of the school. The following are the roles of the principal in financial management:

i. The principal supervises the operations of the school. He might not be a professional in the area of financial management. However, he gives directions on what to do with the resources of the school. He works together with his subordinates to ensure that money is not mismanaged.

ii. The principal is the person who initiates the plan for school budgets. Budget plans in a fiscal year, where the various needs of the school is documented and implemented for a smooth running of the school. Principal develops means of monitoring the implementation of budget by bringing external auditor yearly to cross check the account on the income and the expenditure of the school. This is done to cross check the inflow of income and expenditure for the purpose of examining how funds are handled in the school to ensure fraud is avoided. The principal gives financial report to the board of trustee annually and willing to accept correction and recommendation from his board of trustee. One important aspect of budgeting in a school is budget forecasting, the principal does not only budget for a fiscal year but also project into the future by drafting a five year budget forecasting.
iii. The principal initiates fundraising plans for long-term investment. Investment plans require adequate funding. Fundraising in Christian schools requires interpersonal skills and honesty.

iv. The principal keeps account of school revenues and expenditure. The principal should work keenly with the finance department to understand the financial status of the school.

v. The principal pays teacher salaries and ensures that the school environment is conducive for learning. The school cannot function properly if teachers are not properly taken care of in the aspect of payment of their salaries. The principal should plan on the amount of people to employ per year and how to sustain them. He also plans for innovation of the school building to make it more conducive for learning.

**Biblical Principles in Financial Management**

There are a lot of principles in the Bible that should guide our financial management. In the sections hereunder, I discuss some of them.

**Trusting in the Lord**

Financial management cannot be successful if we neglect the presence of God. God gives us the direction towards managing His resources because He is the giver of the resources. Proverbs 3:5-6 says: “Trust in the LORD with all your heart and lean not on our own understanding; in all your ways submit to him, and he will make your paths straight.” A principal of a school that refuses to acknowledge God in his planning will definitely fail in the management of the school resources. According to Cunningham (2000, p.1):

Focusing on God means that God is the centre of your life. He is the one that you ultimately trust regardless of the situation. He has the final word concerning your finances and not your checkbook or paycheck. This can only happen if you know God personally. In order to know God personally, you have to spend quality time with him as often as you can.

Decision making in Christian schools is not a one-person affair but a collective venture. A wise principal should be a listening leader or else he or she will encounter lots of problems that are difficult to handle. In Genesis 41:25-36, Joseph’s life took a new turn when he interpreted the king’s dream of the seven years of abundance and seven years of famine. He strategically advised the king on what to do to manage the resources of Egypt during the year of abundance so as to survive during the seven years of famine. His ability to think, pray and to advise the king made him a blessing to the entire Egypt.

**Faithfulness**

Faithfulness is a very important aspect in financial management. God loves people who are faithful to manage what He gives to them. We find the example of faithfulness in the parable of Jesus in Mathew 25:21: His lord said unto him, well done, you good and faithful servant: you have been faithful over a few things, I will make you ruler over many things: enter you into the joy of thy lord" (NKJV). When money raised for the institution is diverted to do something else, this is an example of unfaithfulness which erodes trust and interpersonal relationship with the donors. Faithfulness entails being transparent; the willingness to give yearly or quarterly report on how money is used in the school to the board of trustees.
Planning How to Spend

“Planning is an essential element in any financial program, but particularly so for Christians. God is an orderly provider and expects the same attitude from us” (Burkett 1975, p. 47) Christian leaders should plan on how to spend money appropriately. Luke 14:28-30 says “For which of you, intending to build a tower, does not sit down first and count the cost, whether he may have enough to finish it; lest perhaps, after he has laid the foundation and is not able to finish, all those seeing begin to mock him, saying, This man began to build and was not able to finish.”

Praying

Financial management requires adequate prayer to guide decision making. A principal who does not consider prayer as important in his or planning will not succeed in financial management. Prov. 3:6 says “In all your ways acknowledge Him, and He shall direct your paths.” To acknowledge God is to seek His face in prayer and to allow His leading.

Conclusion

Financial management has to do with good decisions making. The survival of any Christian schools depend on the ability of the principal and his team of decision makers’ willingness to do what is right for the interest of the institution and not on personal gain. Therefore, there is need for Christian leaders to incorporate the biblical principles in financial management in order to succeed. According to Burkett, “to put God’s financial plan into action we must: first acknowledge His Ownership-Daily. Be certain that daily decisions are surrendered to God. Just as problems are a daily occurrence, so is acknowledgement of God’s authority” (1975, p. 105). God provides the resources for the suitability of Christian institutions so that His mission on earth is accomplished through His chosen vessels. Therefore, leaders are to be held accountable if they are not strategic on their approach in managing God’s resources adequately. The parable of the talent in Math 25:14-30 revealed the relevance of being a good stewards of God’s resources which entails being innovative in the management of God’s gifts. Thus, the manner at which leaders in Christian institutions manages God’s resources will determine how successful the institution will be in achieving its set goals.

References


