

Financial Practices of Private Schools in Nueva Ecija during Covid-19 Pandemic

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Abstract— This study identified the financial practices, challenges and level compliance of selected private schools in Nueva Ecija during the COVID-19 Pandemic. Ten school treasurers from different private high schools in Nueva Ecija were purposively selected as the respondents of the study. The results revealed that while all schools were compliant to the minimum Certification Assessment Instrument (CAI) standards in the area of school budget and finances set by the Private Education Assistance Committee (PEAC) it did not exempt these schools to different financial challenges brought by COVID-19. The data gathered also determined that decrease in student enrollment, difficulty in collecting student financial obligation and decrease in revenue generated inside the school from canteen operation were the top financial challenges encountered by these schools that were mainly attributed to the distance learning modality employed by the private schools due to school lockdowns. Majority of these schools have employed common financial practices in increasing student's enrollment through increasing the budget on marketing strategy, waiving all school fees to senior high school students coming from public schools and expanding kindergarten subsidy slots and in strategies on intensifying collection of student financial liability by way of orientation on parents/guardians on payment culture, intensifying communication mechanism on collection, account cards available on demand and availability of e- payments while continuously improving the overall areas of school operation to perpetually participate as Educational Service Contracting (ESC) schools.

Keywords— Financial Practices, Private Schools, ESC, PEAC

I. INTRODUCTION

The school operation and management of the private basic education institutions in the Philippines and across the globe was adversely affected by COVID-19 [1] and its full financial impact is now unfolding [2]. In fact, the Coordinating Council of Private Educational Associations of the Philippines (COCOPEA) study in 2020 showed that 80% of the 500 private schools it surveyed were at risk of closing their operations [3]. The different areas of school operations that produce quality student performance and organizational effectiveness such as school philosophy, vision, mission goals and objectives, curriculum, assessment and instruction, instructional leadership, faculty, academic support and student development services, physical plant & instructional support facilities, administration & governance, school budget & finances and institutional planning and development [4] were

affected. However, the school budget and finances tends to be the first affected area as it enables other areas to operate in the framework of private schools.

The main goal of the area in the school budget and finances is to attain financial sustainability. Broadly, sustainability refers to the ability of administrators to maintain an organization over the long term [5]. Specifically, financial sustainability is the ability of an organization to maintain a diverse source of revenue that enables it to continue to provide ongoing quality services regardless of changes in funding sources, in target population, and other changes among its internal and external environment [6]. This explains why financial sustainability is a process, not an end [6]. To be translated into a process, financial sustainability must be institutionalized and institutionalization of change requires diffusion of success cases [7]. These success cases of

financial sustainability come from financial practices or the set of standard operating procedures, policies, mechanisms employed by an organization relating to accounting, budgeting and activities related to finances [8] that must be consistently implemented, reviewed and modified if necessary.

For private education institutions, financial practices related to funding are also a crucial part in financial sustainability. Private schools require working capital to fund routine operating costs [9] and having multiple sources of funds to sustain the delivery of quality services over time are necessary. These multiple sources of funds may include government subsidies like Educational Service Contracting (ESC). ESC is one of the largest public-private partnership programs in education in the world (10). The ESC is a program provided for by Republic Act 6728 or the Government Assistance To Students and Teachers In Private Education Act (11). Its main objective is to decongest public secondary schools by “contracting” the excess capacities of private high schools through the provision of subsidies for students who otherwise would have gone to public schools [12]. To implement the Program, the Department of Education contracted the Private Education Assistance (PEAC) as its service provider for the implementation and monitoring of ESC [13]. In order to become an ESC participating school, an institution must pass the rigorous compliance requirements within the necessary standards prescribed by the PEAC. This includes parameters that will check if the financial practices in the school budgets and finances are aligned with the standards.

Primarily, this study aimed to identify the financial practices of the private schools emerging from the financial challenges during the COVID-19 pandemic towards financial sustainability. In detail, the researchers attempted to answer the following:

- (1) Are all indicators in the area of school budget and finances per Certification Assessment Instrument (CAI) of Private Education Assistance Committee (PEAC) have been complied with?
- (2) What were the different financial problems and challenges experienced?
- (3) What are the financial practices employed to combat these challenges?

- (4) Have these private schools attained financial sustainability?

II. METHODOLOGY

This study utilized a descriptive research design to gather data relevant to answer the problem of the study [14]. In this design, the researchers are simply studying the phenomenon of interest as it exists naturally; no attempt is made to manipulate the individuals, conditions or events [15]. The researcher purposively gathered data from 10 school treasurers of different private catholic schools in Nueva Ecija that offer basic education. Survey questionnaires and interviews were used to collect information. These were designed, developed and validated by the researchers.

To determine the compliance of the schools in the area school's budget and finances, the researchers utilized the Certification Assessment Instrument [CAI] from PEAC using the following rating scale: 4- Evidence of compliance with standard and enhancements is presented; 3- Evidence of compliance with standard is presented; 2- Partial evidence of compliance with standard is presented; 1- No evidence of compliance with standard is presented but plan of action in line with compliance is presented; and, 0-No evidence of compliance with standard nor plan of action is presented. Consequently, consent from the respective school directors was sought. Furthermore, the researcher briefed the respondents on the significance of the survey made and communicated to them the potential utilization of the study to the private schools and other stakeholders where applicable. In the presentation and analysis of data, frequency count and percentages were used using Google Sheets.

III. RESULTS AND DISCUSSION

1. Indicators in the area of school budget and finances

One of the areas of school operations that produce quality student performance and organizational effectiveness is the school budget and finances. In the case of private schools, this area enables all other areas to operate. The researcher attempted to know if the schools were compliant in the standards of CAI set by PEAC.

Table 1 PEAC-CAI Standards of Compliance by Private Schools in the Area of School Budget and Finances

No.	Standards of Compliance Indicator	Score	
		W.Mean	Verbal Interpretation

1	A school financial policy and procedures manual that sets the appropriate fiscal and accounting policies and systematic procedures that ensure the effective and efficient delivery of varied services	3.00	Evidence of compliance with standard is presented
2	An annual budget approved by the Board of Trustees that is collaboratively prepared by the various Offices and responsibility centers, regularly monitored through the quarter budget performance reports and disseminated according to policy guidelines and reflective and supportive of the Standards – based School Improvement Plan	3.00	Evidence of compliance with standard is presented
3	Systematic requisition, selection and procurement protocols that are well disseminated, implemented and properly documented	3.00	Evidence of compliance with standard is presented
4	A system for ensuring that all incomes from tuition and all other fees, and donations are properly utilized according to the purposes they are collected	3.00	Evidence of compliance with standard is presented
5	A system for generating revenue and raising funds from school and outside school sources for sustainability	3.00	Evidence of compliance with standard is presented
6	A system of supervision and management of resources for optimum operational efficiency*	3.00	Evidence of compliance with standard is presented
7	A system of establishment of internal control systems in budget implementation and*	3.00	Evidence of compliance with standard is presented
8	A system of designing financial strategies for sustainability*	3.00	Evidence of compliance with standard is presented

Among the 8 standards adopted from CAI and considered in this study, all of the respondents in each indicator answered that the evidence of compliance with the standard was presented or with a rating of “3”. The results show that these private schools are complying with the standards of PEAC as prescribed by the Department of Education. In effect, they have a good standing in receiving government grants as Educational Service Contracting (ESC) participating schools. ESC participating schools shall provide grantees with education that meets or exceeds the minimum standards set by DepEd [16]. ESC Grants amount to Php. 9,000 for the entire school year and grantees (grade 7 students) will receive the same amount until they reach the Grade 10 Level [17]. This also shows that the schools who are compliant may also be dependent on government subsidy programs like ESC.

However, though these schools were compliant, no rating of “4” or enhancements along the standards were presented. Can these pose potential problems if some uncertain situations in school operations like disruptions due to COVID-19 occur compared when enhancements are implemented?

2. Financial Challenges

Private organizations like private schools may encounter financial challenges in the course of their operations. These challenges may prevent the schools from accomplishing their goals in achieving financial sustainability. This study identified the financial challenges encountered by the private schools during the COVID-19 pandemic.

Table 2 Frequency and Percentage of Financial Challenges

Financial Challenges	f	%
A. Decrease in student enrollment	10	100

B.	Difficulty in collection of student obligation	10	100
C.	Decrease in revenue generated inside the school from canteen operation	10	100
D.	Suspension of some miscellaneous fees	5	50
E.	No tuition fee increase	5	50

Table 2 illustrates the financial challenges determined by the respondents. Among these financial challenges were decrease in student enrollment, difficulty in collection of student obligations and decrease in revenue generated inside the school from canteen operation surfaced as common financial challenges to the schools. Based on the data gathered, these schools suffered a 10%-20% enrollment decrease on the average. Respondents also admitted that collections of student financial obligations became more difficult during these trying times. According to them, some parents/guardians could not afford to pay the necessary amount in a timely manner due adverse financial effects like loss of work, delayed compensation or no work at all. In addition, half of them also mentioned that suspension of some miscellaneous fees and no tuition fee increase emerged also as their financial

challenges. The financial challenges in Table 2 imply that private schools are still susceptible to financial challenges brought by the COVID-19 pandemic even if compliance to the standards in Table 1 has been made. Furthermore, these financial challenges suggest that the school financial sustainability can be at stake if not addressed with appropriate financial practices.

3. Financial Practices

Financial practices take in many forms such as policies, programs, courses of actions and mechanisms used in the financial operations of an institution. This study determined the financial practices employed by the private schools to combat financial challenges encountered during COVID-19 Pandemic.

Table 3. Frequency and Percentages of Financial Practices used by the Private Schools to address financial challenges

Financial practices used	f	%
A. Practices employed in relation to financial challenge of decrease in enrollment		
A.1 Increased budget on marketing strategy by 20%	10	100
A.2 Waiving of all school fees to senior high school students coming from public schools	7	70
A.3 Expansion of kindergarten subsidy slots	10	100
B. Practices used in relation to financial challenge of difficulty in collection of student obligation		
B.1 Orientation on parents/guardians on payment culture	7	70
B.2 Intensifying communication mechanism on collection	10	100
B.3 Account cards available on demand	10	100
B.4 Availability of e- payments	8	80
B.5 Non-cash payments alternatives such as paper and plastic bottles	10	100

C. Practices created in relation to financial challenge of decrease in revenue generated inside the school from canteen operation		
C.1 One School One Product	10	100
C.2 Expansion of Canteen's Operation	5	50
D. Practices made in relation to financial challenge in suspension of some miscellaneous fees and no tuition fee increase		
D.1 Increased Down payment upon enrollment	4	40
D.2 Strict Monitoring of Cash Flow Projection	3	30
D.3 Borrowing of fund	10	100
D.4 Receiving small amounts of cash payments from parents/guardians	6	60
D.4 Continuous improvement of overall school operations toward above-the-standards rating	10	100

Table 3 shows the financial practices used by the respondents with regard to different financial challenges they encountered. For practices employed in relation to financial challenge of decrease in enrollment, all the respondents claimed to have used strategies such as A.1. Increasing budget in marketing strategy and A.2 expanding kindergarten subsidy slot while 7 out of 10 schools A.3 waived of all school fees to senior high school students coming from public schools. Respondents revealed to have increased marketing strategy costs to 10%-15% and expanded additional 5-15 slots to the kindergarten subsidy program - a school initiated assistance program of giving 3,000.00 deductible to tuition fees of kindergarten pupils.

In Practices used in relation to the financial challenge of difficulty in aid collection of fees, B.2. intensifying communication mechanisms on collection, B.3. account cards available on demand and B.5. non-cash payment alternatives such as paper and plastic bottles were all used by these schools to induce collections from student's financial obligations. Respondents explained that structured communication mechanisms such as text blasting to parents, emails, group chats to parents were created while statement of accounts thru "account cards" became available for those parents who were not used to digital communications mentioned earlier.

While in practices created in relation to financial challenge of decrease in revenue generated inside the school from canteen operation, all the schools launched C.1 One School One Product (OSOP) program to augment the

sudden decrease of revenue from canteen operations that is offered on school-to-school basis and C.2 expanded canteen's operation into activities like pasa-buy where canteens act as delivery services provider to employees, offering groceries and toiletries among employees and offering "lutong-ulam" not only within the school personnel but to walk in and outsiders.

Lastly, for practices made in relation to the financial challenge in suspension of some miscellaneous fees and no tuition fee increase, all respondents admitted in D.3 borrowing funds and emphasized the D.4 continuous improvement of overall school operations toward above-the-standards rating to enjoy the subsidy program like ESC while 4 out of 10 schools D.1 increased down payment upon enrollment, 3 out of 10 schools proceeded to D.2 strict monitoring of cash flow projection to maintain liquidity and to avoid shortages of funds

The results signify that the respondents invested more in strategies that will allow the ease in collection of student financial liability and efforts in increasing enrollment.

4. Is Financial Sustainability achieved?

The financial practices listed in Table No.3 integrated in the continuity of the school's operation show that these private schools are financially sustainable. The following factors have contributed to such: (1) they were able to maintain a diverse revenue –from inside and outside sources, more specifically a steady government subsidy arising from ESC; (2) sound financial practices enabled

them to continue providing ongoing quality services as private schools (3) regardless of changes in funding sources such as decrease in enrollment difficulty in collection of student obligations, and decrease in revenue generated inside the school from canteen operations and other changes among its internal and external environment brought by the COVID-19 Pandemic they have sustained their operations. However, financial sustainability is a process in itself, private schools have no choice but to continually seek improvements, evaluation and innovation along their financial practices to maintain and further improve their status towards sustainability.

IV. CONCLUSION

In conclusion the following findings revealed that:

1. Compliance in all standards of school budget and finances per Certification Assessment Instrument (CAI) set by PEAC does not eliminate the institution from possible financial challenges brought by the COVID-19 Pandemic;
2. Results also signify that in every financial challenge encountered, corresponding multiple financial practices were employed by these private schools in Nueva Ecija;
3. Majority of these financial practices are common to all schools and can indicate that these practices are shared among them or can be further postulated as system-generated practices;
4. These private schools are financially sustainable while being responsive to different challenges and demands like COVID-19 of the dynamic landscape of education

V. RECOMMENDATIONS

Decisions made today in the context of COVID-19 will have long-term consequences for the futures of education [18]. Thus, the following are recommended:

1. PEAC together with the Department of Education may review the current CAI to reflect adjustments or measures from the impact of COVID-19 and even in the volatile, uncertain, complex, ambiguous (VUCA) times;
2. Also, it is highly noticeable that the severe disruptions of the pandemic may require the government's intervention to help many private schools affected [19]. This can be dubbed to policy formulation and/or laws that will help the private schools to survive;

3. At the school level, the school budgets and finances section must always seek to improve their financial practices by presenting enhancements along the standards. One of them may include an action to catalyze additional resource mobilization from other sources [20];
4. Additionally, given the high level of uncertainty over containing the pandemic, comprehensive plans must be developed [21] by the private schools aimed to maintain or achieve financial sustainability;
5. It is further suggested that benchmarking to other private institutions who are in viable financial operations and standing despite the effects of the pandemic are necessary;
6. Also, training and upskilling in navigating the financial impacts and implications from COVID-19 and even beyond among the finance officers, treasures, school heads and administrators must also be conducted; and,
7. Lastly, it is also suggested that the future researchers may further study the effects of these financial practices translated into figures (Php.)

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