



Role of Financial Management In Higher Education: Challenges & Opportunities

Karan Oberoi

Assistant Professor

Uttaranchal Institute of Management & Law College,

Uttaranchal University Dehradun

Email- karanoberoi3008@gmail.com

Swati Sharma

Assistant Professor, HR,

Tulas Institute, Dehradun

email- swatinitinkumar@gmail.com

Nitin Kumar

Research Scholar

Graphic Era University, Dehradun

Email- swatinitinkumar@gmail.com

Abstract—Education is Nation strength. The success of education institutions is determined by accomplishment of mission. To impart quality education & training to the students & efficiency depends upon effective utilization of funds. Finance is lifeblood in field of education system. Finance is very essential to smooth running of the education institutions. No University or college whether big or small can be started & exist without an adequate finance for long span of time. The study provides literature discussion on India education sector, procurement & effective utilization of funds in education sector. I considered the perspective of seeking to ensure that funds were adequate available & allocated in manner that may best facilitate the achievements of objectives. Although there have been lot of challenges to higher education system of India but equally have a lot of opportunities to overcome these challenges.

Keywords— Education, Finance, Challenges, Opportunities, Funds

I. INTRODUCTION

India's higher education system is the third largest in the world, next to the United States and China. India has one the largest population in the world in age group of (5-24yrs) which presents a large number of opportunities in education space . There is high demand & supply gap in the sector in India .

Before presenting the subject matter, it is important to outline some factors

As per the latest 2011 Census, about 8.15% (68 million) of Indians are graduates, with Union Territories of Chandigarh and Delhi topping the list with 24.65% and 22.56% of their population being graduates respectively. Indian higher education system has expanded at a fast pace by adding nearly 20,000 colleges and more than 8 million students in a decade from 2000–01 to 2010–11. As of 2016, India has 799 universities, with a break up of 50 central universities, 402 state universities, 124 deemed universities, 334 private universities, 5 institutions established and functioning under the State Act, and 75 Institutes of National Importance which include IIMs, AIIMS, IITs, IEST and NITs among others. Other institutions include 39,071 colleges as Government Degree Colleges and Private Degree Colleges, including 1800 exclusive women's colleges, functioning under these universities and institutions as reported by the UGC in 2016. Colleges may be Autonomous, i.e. empowered to examine their own degrees, up to PhD level in some cases, or non-autonomous, in which case their examinations are under the supervision of the university to which they are affiliated; in either case, however, degrees are awarded in the name of the university rather than the college.

To overcome the problem of scarcity of funds

The Union Finance Minister, Nirmala Sitharaman, said that the education sector will be allocated Rs 93224.31 crore , while Rs 948.90 crore for skill development .(Published on February 01, 2021)



Examinations and Approaches for Financial Management Excellence*



Figure 2

“Financial management is the activity which is concerned with the acquisition & administration of capital funds in meeting the financial needs & overall objectives of business enterprise.”(Wheeler)

“Financial management is that area of business management devoted to a judicious use of capital & careful selection of sources of capital in order to enable a spending unit to move in the direction of reaching its goals.”(Joseph F. Bradely)

NATURE OF FINANCIAL MANAGEMENT

The finance function is the process of acquiring & utilizing funds by business” (R.C. Osborn)

Applicable to all types of organisations

Financial management is applicable to all forms of organisations who are corporate or non corporate & engaged in the activities of non profit organisations

Inseparable Relationship between finance other activities

There is inseparable relationship between finance & other activities for ex: buying of infrastructure for educational institutions involves finance

Wide scope

There is wide scope of financial management .it is concerned not only with raising of funds but also with allocation & efficient use of finance

Continuous Process

Financing is a continuous function .in addition to the raising of finance , there is a continuous need for planning & controlling the finances of an enterprise .

OBJECTIVES OR GOALS OF FINANCIAL MANAGEMENT

Objectives provide a framework within which various decisions relating to investing , financing & dividends are to be taken .

- 1) **PROFIT MAXIMIZATION** :Acc to this approach , all the activities which increases profits should be undertaken & which decrease profits should be avoided .
 - Measurement of performance .
 - Efficient Allocation & utilization of fund .
 - Maximation of social welfare .
- 2) **WEALTH MAXIMATION** : This approach is superior to the profit maximation approach .
 - It uses cash flows instead of accounting profits .
 - It gives due importance to time value of money .
 - It gives due importance to payment of regular dividends .
 - It gives due importance to risk factor & analysis risk & uncertainty .

DECISIONS IN FINANCIAL MANAGEMENT :

INVESTMENT DECISION : It involves deciding about how the funds are invested in different assets so that they are able to earn the highest possible returns .

FINACING DECISIONS : It relates to the quantum of finance to be raised from various long term sources ; Owner funds , Borrowed fund .

DIVIDEND DECISION : It relates to how much of the profit earned by the company (after paying tax) is distributed to the shareholders as dividend & how much of it should be retained in the business .

HIGHER EDUCATION

The Department of Higher Education, MHRD, is responsible for the overall development of the basic infrastructure of Higher Education sector, both in terms of policy and planning. Under a planned development process, the Department looks after expansion of access and qualitative improvement in the Higher Education, through world class Universities, Colleges and other Institutions. The Vision, Mission, Objectives and Functions of the Department are as under:-

1) Vision

To realize India's human resource potential to its fullest in the Higher Education sector, with equity and inclusion.

2) Mission

Provide greater opportunities of access to Higher Education with equity to all the eligible persons and in particular to the vulnerable sections.

Expand access by supporting existing institutions, establishing new institutions, supporting State Governments and Non-Government Organizations/civil society to supplement public efforts aimed at removing regional or other imbalances that exist at present.

Initiate policies and programmes for strengthening research and innovations and encourage institutions - public or private to engage in stretching the frontiers of knowledge.

Promote the quality of Higher Education by investing in infrastructure and faculty, promoting academic reforms, improving governance and institutional restructuring toward the inclusion of the hitherto deprived communities.

3) Objective

To expand the Higher Education sector in all its modes of delivery to increase the Gross Enrolment Ratio (GER) in Higher Education to 15% by 2011-12 to 21% by 2016-17 and 30% by the year 2020.

To expand institutional base of Higher Education (including technical, professional and vocational education) by creating additional capacity in existing institutions, establishing new institutions and incentivizing State Governments and Non-Governmental Organizations/civil society.

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To provide opportunities of Higher Education to socially-deprived communities and remove disparities by promoting the inclusion of women, minorities and differently-abled persons.

4) Functions

To improve quality and to promote academic reforms

Setting up of new educational institutions and also capacity expansion and improvement of the existing institutions.

Use of Technology in Higher Education.

Development of Vocational Education and Skill Development.

Development of Indian Languages.

Challenges in Higher Education in India :

Challenges in higher education system in India are discussed below:

Enrolment: The Gross Enrolment Ratio (GER) of India in higher education is only 15% which is quite low as compared to the developed as well as, other developing countries.

Equity: There is no equity in GER among different sects of the society. According to previous studies the GER in higher education in India among male and female varies to a greater extent.

Quality: Quality in higher education is a multi-dimensional, multilevel, and a dynamic concept. Ensuring quality in higher education is amongst the foremost challenges being faced in India today .

Infrastructure: Poor infrastructure is another challenge to the higher education system of India particularly the institutes run by the public sector suffer from poor physical facilities and infrastructure.

Political interference: Most of the educational Institutions are owned by the political leaders, who are playing key role in governing bodies of the Universities.

Faculty: Faculty shortages and the inability of the state educational system to attract and retain wellqualified teachers have been posing challenges to quality education for many years. Large numbers of NET / PhD candidates are unemployed even there are lot of vacancies in higher education, these deserving candidates are then applying in other departments which is a biggest blow to the higher education system.

Research and Innovation: there are very nominal scholars in our country whose writing is cited by famous western authors. There is inadequate focus on research in higher education institutes. There are insufficient resources and facilities, as well as, limited numbers of quality faculty to advice students..

Opportunities in Higher Education India

India is a large country, with an estimated population of young people aged between 18 to 23 years to be around 150 millions. The sheer size of the market offers huge opportunities for development of the higher education sector in India. India now boasts of having more than 33,000 colleges and 659 universities, which has been quite a remarkable growth during the last six decades. The year 2012 witnessed 21.4 million enrollments, which makes India the 3rd largest educational system in the world. Unfortunately, the educational infrastructure of India is inadequate to handle such huge volumes. In spite all the government spending in the educational sector, it is just too insufficient to meet the growing requirements

II. LITERATURE SURVEY

(Dr. J. D., 2015)stated that although there have been challenges to higher education in the past, these most recent calls for reform may provoke a fundamental change in higher education. This change, according to him, may not occur as a direct response to calls for greater transparency and accountability, but rather because of the opportunity to reflect on the purpose of higher education, the role of colleges and universities in the new millennium, and emerging scientific research on how people learn. These disparate literatures have not been tied together in a way that would examine the impact of fundamental change from the policy level to the institutional level and to the everyday lives of college and university administrators, faculty and students. Now the time has come to create a second wave of institution building and of excellence in the fields of education, research and capability building.

(Tilak, Jandhyala B. G. , 2012)Conventionally, higher education is heavily subsidised by the state in almost all countries. This has been justified by the recognition of education as capable of producing externalities, as a public good (and as a quasi-public good in case of higher education), as a merit good, as a social investment for human development, and as a major instrument of equity, besides as a measure of quality of life in itself. The launching of neoliberal economic reforms in most developing and developed countries of the world has led to shrinking the public budgets for higher education. Recent trends in funding higher education are associated with changing perceptions on the role of higher education.

(Li, Helen, 2013)The rising cost of higher education is a topic of large concern today. As tuition prices continue to grow at a quicker pace than housing prices, consumer prices and average hourly wages, it is becoming harder and harder for the average American family to afford going to college. What factors have been driving this large rise in tuition prices? This thesis aims to set up a supply and demand framework to analyze the various forces that may be driving the price of higher education to rise above the Consumer Price Index over time.

(Walia, Nidhi, 2013)stated that it hardly needs any justification that higher education is an engine of economic growth in any country including India. Higher education has significant role in supporting knowledge driven economic growth strategies. It provides an opportunity to critically reflect upon the social, economic, cultural, moral and spiritual issues facing humanity. It contributes to national development through dissemination of specialized knowledge and skills. Indian higher education system has undergone massive expansion since independence.

Keeping in above, present paper seeks to examine the emerging issues and challenges in Indian higher education system in the present era.

III. METHODOLOGY

In this study A Role of Financial Management in Higher Education : Challenges & Opportunities is taken as because it is going to reflect the existence of financial management in higher education .

TYPES OF STUDY

This study is descriptive in nature as it is going to describe the detail perspective role .

OBJECTIVE OF STUDY

Main objective of this study is to find out the increasing trend of financial management & the secondary objective to describe the role & sources of financial management .

SOURCES OF DATA

There are two main sources of data : Primary data & Secondary data . In this study secondary data is used as Existing literature is reviewed to know about different types of financial challenges in higher education .

INTREPRETATION

From the above review and studies different aspects of financial management in educational institutions is described .

Sources /raising /acquisition of finance for education:

The sources of finance for education in developing countries like India may broadly be classified into: (1) external sources and (2) internal sources.

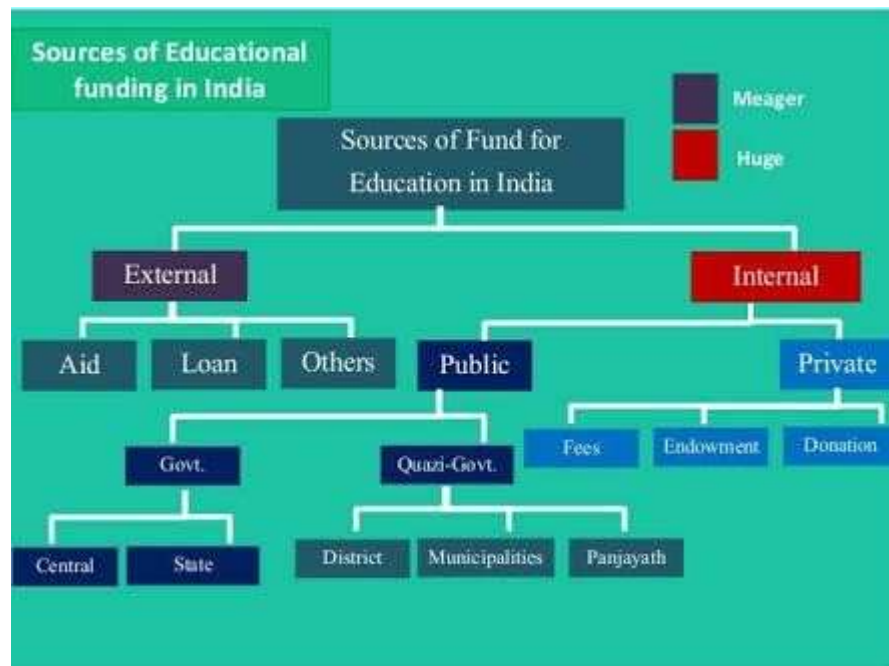
The external sources of finance can further be divided into the following three categories:

- (a) International institutions – of which the World Bank is the most important, as it provides finance for various types of educational projects, particularly for lower levels of education.
- (b) Foreign Governments – which are particularly important for financing specialized courses in higher education, viz., language courses and literature based on these languages. It also includes various types of scholarships offered by foreign governments to scholars in India.
- (c) International Private Agencies (NGOs) – of which Ford Foundation, Rockfeller Foundation, etc., are very important. These private trusts provide various types of liberal educational grants.

The internal sources of finance may broadly be categorized into: (a) Private sources, and

(b) Public or government sources - Private sources of finance for education can again be (i) compulsory and (ii) voluntary in nature. Compulsory private sources include students' fees and other related charges.

Voluntary private sources include endowments, trust funds, donations, grants, gifts and other types of voluntary financial help. Some educational institutions also raise funds from sale of publications and income from institutional assets. Public or government sources consist of funds received from (i) central or federal government, (ii) state governments, and (iii) local bodies.



Allotment of funds

Educational institution and even other institute not working for profit find it difficult to make a rational, judicious and adequate allotment of funds to variety of activities. There are many constraints and factors that restrict proper allotment of funds.

The tangible factors restricting allotment of funds are

- Nature of activity undertaking
- Revenue and capital aspects of expenditure
- Needs for various departments or services
- Availability of funds

Distribution of Funds

It is one of the important aspects of financial management. The institute has to be rational while distributing its profit and surplus. It is especially for institute not working for profit because such institute usually has limited sources of earnings. Following are the determinants that decide the distribution aspect of financial management.

The educational institutions usually do not have sustainable long term financial sources. Often they have to depend upon earnings on certain revenue sources. As such, their choice of earnings is restricted.

The sources of revenue are determined and specific. It is very difficult for educational institutions to change these sources.

The heads of earnings are often regulated by the system. Therefore educational institutions have limited heads to enhance the earning sources.

The heads of expenditure are also predetermined. Educational institutions can not reduce expenses on certain basic areas of activities. This is also restricting their freedom of distribution.

Finance function in Educational Institution

The concept of finance in educational institution is much different than conventional business or profit making organization. The educational institution looks at finance from a different point of view. They consider financial functions as a basic activity to manage funds for development and maintenance of institute. The growth and profit making approach in the finance function of the educational institution.

Stakeholders to Educational Institutions

There are different types of stake holders in educational institutions. The set of stake holders is quite diversified and multiform in nature. The stake holders do not have contradictory approach to perceive. Now everywhere there is limited interaction and cohesiveness in the activities of these stake holders.

The important stake holders in education are enlisted as follows

The management

- Administrators and managers of governing bodies.
- Teachers
- Non teaching staff
- Students
- Parents

Financial Information required by educational institution

Each institute requires a variety of financial information. This information is collected from different sources to meet the current and future requirements of the institute. Financial information is not a static. It is a dynamic that required on a continuous basis. Therefore every institute has to generate and used this information on a perpetual basis.

Activities :

Information regarding financial challenges happening in economy at large.

Information regarding various rules and regulations influencing functioning of financial information .

Deciding the right sources to procure financial information.

Ascertaining the accuracy and reliability of financial information.

Deciding the utility and application of information so procure.

Establishing appropriate system of information processing setting.

Establishing right procedure of management reporting system.

Sources of Financial Information

There are different sources of financial information used by educational institute. These sources

Directives, circulars, notifications, government resolutions and other orders issued government agencies from time to time.

Published annual reports and other financial data of the educational institute .

Internally generated financial report receipts, pay statements and other financial statement.

Observation, reports and articles published in journals related with education.

Guidelines issued by UGC and other apex educational institute.

IV. CONCLUSION

Education is a process by which a person's body, mind and character are formed and strengthened. It is bringing of head, heart and mind together and thus enabling a person to develop an all round personality identifying the best in him or her. Higher education in India has expanded very rapidly in the last six decades after independence yet it is not equally accessible to all. India is today one of the fastest developing countries of the world with the annual growth rate going above 9%. Still a large section of the population remains illiterate and a large number of children's do not get even primary education. This is not only excluded a large section of the population from contributing to the development of the country fully but it has also prevented them from utilising the benefits of whatever development have taken place for the benefit of the people. No doubt India is facing various challenges in higher education but to tackle these challenges and to boost higher education is utmost important. India is a country of huge human resource potential, to utilise this potential properly is the issue which needed to discuss. In order to sustain that rate of growth, there is need to increase the number of institutes and also the quality of higher education in India. To reach and achieve the future requirements there is an urgent need to relook at the Financial Resources, Access and Equity, Quality Standards, Relevance, infrastructure and at the end the Responsiveness.

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