SOME FINANCIAL PROBLEMS OF THE UNIVERSITIES

- Stringency of funds
- Wasteful expenditure
- Question of increasing tuition fee
- State Government Policies
- Problems of financial administration
Our Universities have now accepted the fact that the imminent breakdown in a large part of the University system is to be ascribed largely to its inability to gear itself to the objectives and the tempo demanded not only by the student community but even by society as a whole. University bodies continue to be constituted and to function as they did in the spacious days of the early twenties when the total University enrolment in the country did not exceed a lakh and the students formed a homogeneous community drawn from cultured or, at least, literate homes and were assured of employment and a secure future. It is obvious that the contemporary scene affords a complete
contrast to that serene condition. Most of our Universities already homestrung with chronic-financial stringency, have now to cater to an "overcrowded, alienated and mixed student community" and to struggle against them.

Many of the older Universities are passing through financial crises of varying degree. This is probably because Universities have started developmental schemes without adequate financial backing.

The University Act defines the powers and functions of the various statutory bodies in the University, which are responsible for the various kinds of expenditure of the University. But there are occasions when matters falling within the scope of one body are brought up for consideration before another University body. Such action sometimes leads to a conflict and creates hindrance in the administration. Hence, it is often difficult to define with precision the powers and functions of each of these bodies. Nevertheless, if the members concerned conduct themselves with a broad outlook in the interest of the University administration, there should be no difficulty in their respective functions. It is here that the development of healthy conventions by these bodies will be quite helpful in the smooth working of the University.

There are many financial problems of the Universities. But some have to be taken into consideration very seriously.
Some important financial problems are as follows:

1. Stringency of funds and the question of increasing funds

The main sources of the University finances are as under:

(a) Fee
(b) Donation and endowment
(c) State Aid/Government of India
(d) Other sources.

(i) Fee from Students

The income of the University is derived from the students in the shape of fee. This is the initial and regular source of income. In ancient times, fee was not collected from the students. These days no institution can function in the absence of fee collection. Education was free and it was considered a sacred vocation. Fee collected from the students may be divided into three categories:

(a) Tuition fee
(b) Examination fee
(c) Others.
(i) Admission Fees
(ii) Income from sale of Prospectus
(iii) University Transfer Certificates
(iv) Medical Examination Fees
(v) Library Fees
(vi) Fines, etc.

(a) **Tuition Fee**

The tuition fee is an important source of income. This is collected per month during the session. (The Examination fee is collected at the time of examination, and this constitutes the largest portion of the fee collected by the Universities). This is the largest portion of the revenue of the University finances from internal resources. In Madhya Pradesh it is collected for nine months. In Rajasthan it is collected in four equal instalments.

In the State of Madhya Pradesh the government have allowed various concessions. For example, Government servant's concession is given to brothers and sisters who are studying in the same institutions. Concession is also given to students from Scheduled Castes and Scheduled Tribes. The Universities also award help from poor boys fund. The collection from this type of
fees does not provide large revenues.

Apart from these various concessions in fees to the students, it is very difficult to increase the rate of fee in the present set-up due to the fact that it creates unrest among the students, and the entire academic atmosphere of the Universities would be surcharged with agitation, power politics etc. Any fee rise will present the poor section of society from securing higher education when our national approach is socialistic pattern of society. Thus increase in fees is not favoured.

2. Gift and Donation

The practice of giving gifts and donations for educational purposes has come down from the ancient period in our society. In modern times it is also a recognised policy to accept the donations. Many societies, organisations, individuals etc. donate liberally for various welfare objects. This is given in the shape of money or property. The donation are of two kinds, general and specific. In the case of the former, it is used for general educational purposes and in the other type of funds are to be utilised only for the purpose for which the donor has given a special mention. At present there appears to be a declining trend in donation to Universities. There is no encouragement to the
financial strain. In the case of the Universities, the block maintenance grant is fixed for a period of 5 years. It would be appropriate that in respect of expenditure on staff, the actual expenditure for the next five years for posts already existing should be taken into consideration for the purpose of fixation of the maintenance grant. In Madhya Pradesh, this has not been the practice. The Government should fix the Block Maintenance grant after taking into consideration the estimated requirement on this account during the next five years. As regards other items of expenditure, the average income and expenditure for three years can be taken into consideration with the exception of the expenditure on staff which increases every year. But it is generally seen that State Governments are not always in a position to give adequate financial assistance for the development of the University. The University has to depend mainly on its own resources. Despite eagerness to help the Universities, government find it difficult to meet the growing needs of the Universities. The University resources, therefore, need to be supplemented through central subsidies if Universities are to function properly. As conditions exist in our country, central assistance to the maximum is essential. The centre has greater sources of income than the State.
(ii) **Building Grant**:

The building grant is a non-recurring grant sanctioned to a recognised institution for erecting, purchasing, enlarging or remodelling of buildings, premises, hostels or teacher's quarters or for the provision of play grounds, gymnasium, workshops and laboratories. This is given by the State govt. and also by the U.G.C.

(iii) **Equipment Grant**:

The equipment grant is a non-recurring grant sanctioned to a recognised institutions/university for the purchase of equipment and furniture which will include appliances, books, maps, charts, audio-visual equipment etc. and any other such articles as may be deemed necessary to improve instruction.

**UNIVERSITY GRANTS COMMISSION**

Financial assistance is given by the Government of India (Ministry of Education) through the University Grants Commission. Central assistance is thus available through the U.G.C., and is given in the shape of developmental grants and for specific purposes. The University Grants Commission determine the need of the University on the recommendation of the visiting committees. The visiting
committee inspects the universities and assesses the needs of the Universities for developmental purposes. The grant is either on 100% basis or a matching share is to be borne by the State Govt. or provided from University resources. The grant given by the U.G.C. for specific purposes can be utilised only for the purpose for which it is paid. It cannot be diverted to any other purpose. In all English speaking countries except Canada and U.S.A. government support is the main source of income for higher education, is done through U.G.C. whereas in Canada it is done through the Canada Council. In Australia, financing is done through the Australian University Committees.

(d) Other Sources:

The University derives income from buildings, lands and other properties, publications etc. Income is also derived in the shape of rent from residential quarters, furniture, gardens, transportation etc. But the average income from all the above sources is negligible. As grants given by the State Govt. are not keeping pace with the growing needs of the University, it is necessary to increase the internal resources of the University.

2. PATTERN OF EXPENDITURE ON ADMINISTRATIVE, TEACHING AND NON-TEACHING MACHINERY

The expenditure on teaching and non-teaching machinery
can be distinctively classified into two main heads, namely, salaries and contingencies. The salaries of the staff, teaching and non-teaching, may be grouped under one head, including items like D.A., A.D.A., Provident Fund paid by the management. In Madhya Pradesh it has been clearly laid down that D.A. and A.D.A., house rent, allowances etc. will be paid according to government rates and will be admissible for the purpose of assessment of the grants. Under contingencies, purchase of stationery, examination expenses, maintenance and repairs of building, books and journals are approved expenditure for the purpose of the grant. Some of the States in India have defined the items on which grants would be admissible. However, this differs from State to State. The Govt. of Andhra Pradesh, Rajasthan and Madhya Pradesh have defined the items. But in a few Universities of Madhya Pradesh management pays the D.A., A.D.A., house rent allowance etc. according to government rates, the pay scales are not identical with the scales of the State Government.

This anomaly leads to many complications in the sense that government do not admit the expenditure on salary or allowances to that extent, the burden of which ultimately comes to University finances. It is, therefore, necessary that uniformity be kept in the pay scale of non-teaching staff. The revision of the pay scales of teachers is in
accordance with the scale prescribed by the U.G.C. which is adopted by all the Universities throughout the country. In Madhya Pradesh, however, the scale prescribed by the U.G.C. from 1.1.1973 has not been accepted but the State Govt. has modified the scale. The age limit for teaching staff is 60 years while in the case of non-teaching staff, it is 58 years.

3. UNECOONOMIC EXPENDITURE IN THE UNIVERSITIES

University finances are very limited but it was seen that there was ample scope for reducing expenditure. Some of the expenditure can be described as uneconomic as follows:

(1) Appointment of unwanted staff:

In the Universities, appointment of employees is not always based on actual requirement or work load. Most of the employees come by the back door. First, they will be appointed on contingency on fixed pay and thereafter, in the regular pay scale without any assessment of the merit or facing the competitive examination. This results in manpower increases without increasing the efficiency, and a drain on the University finances. In fact, appointments should be based on work load, and new persons so appointed should face a properly formed selection committee. In the University, a number of employees were appointed without
consideration of work load and merit with the result that
staff strength has considerably increased whereas the
efficiency has gone down. To arrest the wasteful expenses
proper screening of the staff and banning of recruitment
without sanction of the competent authority appear
inevitable. In the University of Saugar, the Government
of Madhya Pradesh banned the appointments for some time
during the continuance of the emergency, and it resulted
in a huge saving.

(2) **Advance increment to the employees:**

It was very common to sanction advance increments
to employees as the right of sanction of advance increments
rests with the appointing authority. This increases,
the recurring expenditure in the Universities. Advance
increments should be given only in exceptional cases and
on outstanding merit and work. This practice also increases
dissatisfaction among the remaining staff.

(3) **Revision of salary:**

The Universities adopt their own mechanism for revision
of pay scales. In the University of Saugar, the revision of
pay scales of the teaching and non-teaching employees was
done from 1.7.1969. The University adopted its own mechanism
in the following manner. This was followed by other
a. Pay should be fixed on next higher stage on 1.7.68,
b. Thereafter one increments for each completed
year of service subject to a maximum of three increments.

The State government did not agree to the above
mechanism and directed the University to fix the pay in
accordance with normal rules specified under fundamental
rules. The executive council of the University did not
follow the instructions and paid the arrears in accordance
with its own mechanism with the result that it had an
annual burden of Rs. 3.50 Lakhs which the government
have disallowed from the admissible block maintenance
grant. This could have been averted, had the University
followed the instructions of the Government.

(4) Retirement and extension in services:

In the Government services the age limit of retirement
is 58 years. In the Universities the age limit is 60
years subject to extension upto 62 years. Normally the
retirement age should have been 58 years subject to extension
upto 60 years on technical grounds. But 60 years is the
normal date of retirement in the University. Normally this
does not increase the efficiency, on the other hand detract
the future employment. The age of retirement should be
kept at par with the Government services with exception to
extension on merit and in case of persons of eminence this can be relaxed.

(5) Examination remuneration:

In the U.G.C. scale adopted by the University from 1.1.1973 the examination work was considered as part of the duties of the teachers, being very attractive as compared to other services. During the emergency the remuneration was stopped by the Universities. This has resulted in savings. In fact examination work is a part of teaching work; thus, the question of payment of remuneration does not arise. But teachers are mostly against the stoppage of this remuneration. They say that the work is done in extra hours and they are required to devote a lot of time for this purpose. The teachers are whole-time university employees, paid from University resources. Thus, there is no question of paying the examination remuneration. The Universities can avoid this expenditure to a great extent.

(6) Vacations:

The University allows vacations to the teaching staff. It was, however, seen that examinations go on round the year and teachers are busy in the examination work even in May and June when it is extremely hot. The question of stopping of vacation can be considered, and teaching may also be declared as non-vacation job. Since 30 days' earned leave can be
encashed after completion of 24 months or 15 days after
12 months, it will be advantageous to the teaching community
in the long run. They can enjoy leave as others are doing
and encash the leave when they like.

(7) **Wastes on construction and building works:**

A lot of construction work is done in the Universities.
But due to non-availability of proper execution the work
lingers on for an indefinite period. The result is that
the more it is delayed, the cost of the labour material
increases, ultimately affecting the University resources. A
careful watch is essential on the execution of work by the top
management. This will also minimise the expenditure.

(8) **Losses:**

There are frequent losses in the University due to
non-observance of proper rules and procedure. There should be
an agency in the Universities which should examine the losses,
and fix the responsibility and recover the amount from the
defaulter. There is a provision of fixing the responsibility
and recovery from all officers and employees under section 51
of the M.P. Vishva Vidhyalaya Adhiniyan, 1973 but it is not
sufficient. There should be a separate agency under the normal
rules to determine the losses and to effect recovery.

In several cases, omissions and commissions are pointed
cut by the audit, but it remains in cold storage and no proper action is taken, resulting in wastage of the University finances.

4. INTERFERENCE OF THE GOVERNMENT IN CASE OF FINANCIAL MALADMINISTRATION.

In Madhya Pradesh the State Government have emergency powers under section 51 of the M.P. Vishva Vidyalaya Adhiniyam, 1973, which have been incorporated to prevent maladministration. The State Government have powers to assume financial control when it is satisfied that owing to maladministration or financial mismanagement in the University, a situation has arisen whereby the financial stability of University has become insecure, it may by notification declare that finances of such Universities will be subject to control of the State Government. Every notification under section 51(1) is to be operative for one year in the first instance subject to maximum period of three years. During the period of operation of the emergency provisions the State Government may issue such direction to observe the canons of financial propriety and such direction as may be seen/proper and adequate for this purpose. During this period the State Government require submission of the budget and its approval.

2. Every proposal involving financial implications should be submitted to the State Govt. for sanction.
3. Every proposal for revision of pay scale and rate of allowances of officers, teachers and other persons employed by the University should be sent to the State Government for sanction.

4. Reduction of salary and allowances for all or any class of the employees, reduction of number of employees, lowering down the scale of pay, rate and allowances and such other matters which may reduce the financial strain of the University should be considered. The directions of the State Government are binding on all officers of the University under this section. Not only this, every officer is personally liable for misapplication of funds and Government may recover such amount as arrears of land revenue.

After the coming of the M.P. Vishwa Vidhyalaya Adhiniyam, 1973 into force, the University of Sagar was the first University where section 51 was applied, and the Government assumed the financial control v.e.f. from 1.12.1975. The operation of section 51 in the University of Sagar was successful to the extent that it has reduced the liabilities of the University.

5. In the University of Jabalpur section 52 of the M.P. Vishwa Vidhyalaya Adhiniyam, 1973 was enforced. Section 52(1) of the M.P. Vishwa Vidhyalaya Adhiniyam, 1973 gives power to the State Government to apply the Act in a modified form when it is satisfied that normal functioning of the
University is not possible and if it is allowed to function it will be detrimental to the welfare of the University. In such a situation, the State Government can issue notification in this regard under section 52(1). The whole purpose is to bring the University under the control of the State Government. After issue of notification under section 52(1) the State Government assumes extra powers to deal with the situation created by the malfunctioning of the University. As soon as notification is issued the Chancellor assumes the powers of appointing the Vice-Chancellor and of removing him in consultation with the State Government.

The University Court is to be constituted so as to reduce it to a Mini Court consisting of 25 members. The University court would have no powers and duties to perform and it would become an Advisory Body to advise the State Govt. in respect of such matters as are referred to it. The membership of the executive council is to be reduced, and the executive will have to work according to the direction of the Government. The membership of the Academic Council is also to be reduced. The executive council would have powers to modify annually any regulation made by the Authority of Body i.e. University court, Academic council etc.

It would be apparent that the State Government has taken extra-ordinary precaution to check maladministration and financial irregularities and to safeguard the interest of
the Universities in Madhya Pradesh. The operation of sections 51 and 52 of the M.P. Vishwa Vidyalaya Adhiniyan are not applied as a matter of course, nor are government interested to interfere in the University administration, but it is intended as remedial step for better management. The academic life of the University is not disturbed. In the University of Sagar, it can be said that imposition of section 51 helped a better financial health to the University. There are a lot of financial irregularities in the Universities. The canons of financial propriety in spending money is not followed. The Government pay to the Universities many lakhs for their maintenance; the U.G.C. also pays crores of rupees under the various plans but unless there is an independent authority other than University Officers to control the expenditure, irregularities are bound to be committed. The Government may, therefore, keep a financial adviser for all Universities in Madhya Pradesh, who may deal with the Universities financial problems, advise the Government and safeguard of the tax-payers hard earned money. The absolute power of the University in that way would be curtailed. Although there will be a lot of criticism, there is no other remedy to check the financial irregularities of the Universities.

5. INSTRUMENTS OF FINANCIAL ADMINISTRATION

There are three essential instruments of financial administration viz. (i) Budget, (ii) Accounts and (iii) Audit.
(1) **Budget**

The statement of receipts and expenditure specifying the amount voted by the legislature, the object on which the amounts are to be spent and operating agencies responsible for incurring the expenditure is called budget estimate. The budget is the financial plan for realising the objectives of the department and thus, serves as an instrument of Government policy. The budget represents the future policy of the institution. This has become the most effective instrument for Government machinery and whenever it is presented in the legislature it is watched with interest by all sections of the society. The budget estimate are also framed in the same manner in the Universities and other institutions and in the local bodies. After approving the budget estimates, the executives of all department are required to spend the money within their allocation. The conventional budget of the Universities needs to be changed. It should now be plan-oriented so that physical target and the programme may be executed by the executive with an indication of the past performance rather it should be oriented to action and performance. Such budget estimates would serve as aid to better financial management. Thus, each agency of planning, execution, control and review of the programme can work effectively. It is, therefore, necessary that Universities should shift from conventional budget to performance budgeting. Performance budgeting is a process which, by an
organised pattern of display and exhibition brings out into operation through classification of functions, programme and activities.

It indicates the work done, proposed to be done and cost of carrying them out. The main object of performance budgeting, is, therefore, to correlate the physical and financial aspects of programmes and activities. (2) to improve the budget formulation, review and decision making at all levels of the management; (3) to make possible more effective performance audit; (4) to bring annual budget and developmental plans close together and to make the budget meaningful and realistic. Further performance-budgeting has four ingredients or phases in continuous cycle as shown below:

Planning ---------------------- Budgeting

Reporting ---------------------- Accounting

It will be seen that performance budget is more meaningful in the sense that Universities will require to plan according to the budget. The accounting will help to review the actual position and targets and examine whether progress is satisfactory or otherwise, and then report the matter to the management. The performance budget would be a yard stick to measure the progress, review and to take decision. In the present complex of the administration when every things is
being measured through the actual performance, budget becomes an effective instrument for better financial control and expert management.

(ii) Accounts:

The word accounts in the financial sense has been defined as statement of facts relating to money or things having money value. The facts that are incorporated in accounting records are described as transactions. Keeping of accounts involves compilation. For the purpose of compilation, the account is divided into different major and minor heads. The whole expenditure is classified and booked in the classified Abstract Registers. It is totalled every month and tallied with the closing balances of the cash book. The classified Abstract Register, thereafter, shaped as annual accounts, thus becomes important document of any institution. The accounts thus, represent the true financial position of the University. Unless proper classification is done, it is not possible to know the actual financial transaction. It is necessary that classified heads should be such as may represent the cost of the transactions of the institution. The University maintains the accounts but there is no uniformity in the accounting. It is necessary that uniform classified heads should be prepared and followed on regular basis.
(iii) Audit:

The function of audit is entirely different from that of accounts. The word Auditor is derived from the Latin 'Auditor' an ancient practice having that the person whose accounts were audited should attend before the auditor and vouch for them fully. For this purpose, the auditor was specially chosen for his integrity, faithfulness and knowledge of business and he was able to satisfy the Lord or Master that the accounts shown actually reflect the exact state of affairs.

The primary function of the audit, therefore, is to verify the accuracy, completeness of accounts to ensure that all revenue receipts collected have been brought into the accounts all expenditure and disbursements are authorised, vouched, correctly classified and that the final accounts represents a complete and true statement of financial transactions. The duty of audit is not only financial criticism but to assist the administration in all financial matters. The audit should not only point out mistakes but also indicate the way as to how they are to be rectified. The audit should also suggest improvement in the system. It should educate as well as investigate. The role of the audit is therefore, two fold. In the present context audit has become an effective instrument of financial control. In remedying the defects pointed out by the audit, the administration should show keen interest, so that irregularities could be minimised.
The audit is an effective tool of the management. In financial management and administration, audit helps to bring irregularities to light, and suggest measures to improve the state of affairs. It's a watch-dog and a trustee of public fund.

6. BORROWING POWERS OF THE UNIVERSITY

Obtaining loans for University affairs:

The University gives facilities for higher education and receives grants from the State Government, and the Central Government. A question has been raised whether Universities should be allowed to float loans to manage their affairs. Various arguments can be put forth in favour of obtaining loans, as grants are not received in time or funds are too short to cover the daily needs of the University. The Universities may be in a position to solve this problem by obtaining loans very exceptionally and temporarily. But the fact remains that once the permission is given by the management or the Government, it would become a regular practice to obtain loans from any source available. The University of Saugar obtained an overdraft of Rs. 25 lakhs with the result that it had to face a lot of financial crises. Similarly many lakhs were spent out of the contributory provident fund. The result was that the University was in a grave financial crisis. Ultimately, the State Government had to take control of the financial management
of the University. The permission for floating loan would further mean taxes and fees higher than what they should have been without the loan. Interest would have to be paid on the loan taken. This would further mean burden on the future generation. Permission for capital investment may be given which may earn revenue and which will help to clear the loan. The loan taken for such purpose should not be allowed to be spend for payment of salaries, contingencies etc. There should be a ceiling on loans, otherwise they would go on taking loans with the hope that Government would come to repay the loan or will write off the loan in the long run.

(ii) There is one more point to be discussed whether a loan should be taken from the government or other agency. If the Government gives a loan from its own resources, it should be paid after determining priorities. If a loan is to be taken from other agencies, then Government have to guarantee it, without which no loan will be available because the problem for repayment would be there. Thus, loan-taking would not be sound policy is for the University management. The Government may give permission to the loans for limited purposes such as for the construction of staff quarters, hostels etc. from the Life Insurance Corporation or Commercial Banks on the basis of a specific programme. The amount of loan should be utilised for the purpose for which it was taken.
There is no reserve fund in the Universities of Madhya Pradesh but affiliated colleges are required to deposit the reserve fund with the Universities. This was done with the idea to have continued and efficient working of the affiliated colleges. In Madhya Pradesh now all aided institutions are to be paid salary and allowances through State Treasuries. The fund will be deposited by the Government in the State Treasury offices and the governing bodies of the private managed colleges will have to credit their share in the treasury. The salary will be disbursed through cheque. It will give relief to the teaching staff who used to suffer on account of non payment of salaries. In Uttar Pradesh this procedure has already been adopted long back for payment of salaries.