CHAPTER - VIII

Findings, Suggestion and Conclusion

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FINDINGS, SUGGESTION AND CONCLUSION:

8.1 Findings of the Present Study:

The financial stringency has become a pervasive phenomenon of the Higher Education in India (especially in North-East which is economically backward with compared to other part of the country). The perennial financial crisis has made it inevitable for the universities to think on the line of self financing, self reliance and good governance. In the light of this concept the following are the brief outcome of the present study.

* The biggest problem faced by the Universities in the financial management is the inadequacy of fund. All the selected universities particularly the State Universities are suffering financial deficits. Despite the substantial contribution of UGC and the State Government, the resources available to the Universities are insufficient to meet the increasing needs for their growth and development. The table 7.1 shows the financial position of the selected Universities.

* Another problem faced by the University is delay in sanction and release of grants by the government. The delay in release of fund puts the Universities under perpetual financial crisis as some of the recurring expenditure have to be met without fail and for this the University resort to various methods including borrowing from banks, overdraft facilities etc. for which the Universities have to pay heavy interest. Such practice undermine the very foundation of University finance. Factors like non-submission of University budget on time to the government are often the main factor for the delay in sanction and release of fund to the Universities.

* Rigidity in the method of funding is another problem faced by the University which leads to financial deficiency. The Universities expenditure on certain items such as postage, telegram, telephones, traveling, stationery, construction activities etc. have
increased considerably both due to general upward revision of relevant rates of payment in recent years and also rise in price. However the prevailing method of funding by the government is not sufficiently flexible enough to accommodate the genuine increase in expenses of the Universities.

Another problem faced by the Universities in financial administration is the improper maintenance and delayed presentation of account. For example the annual accounts of Dibrugarh University for the period of 1994-95 were finalised only by January 1996. The annual accounts of Tezpur University for the period from 1994-95 to 1996-97 were not properly maintained in the prescribe format. Similarly, most of the selected Universities are found delayed in presentation of their annual accounts.

Again another problem faced by the Universities in financial administration is their limited resources. The University financing system that was funded for decades by both Central and State Government continues to look at them for its continued existence and survival. No serious efforts has been initiated by the University to augment its limited resources. It continued to depend on the State Government grants and UGC grants for its financing. Thus, the governmental financial assistance has been and continues to be a major and only source of financing Universities.

All the selected Universities are established by an enactment of the legislature. Central or State and are all extended to function as autonomous institutions. They are governed through their Acts, Status, Ordinance and Regulations. They have a centralised system of financial management and they are not under the direct control of the Government for the management of finance.
In all the selected Universities excepting Tezpur University, the Senate (Court/Council) is intended to function as policy making authority and various sections of society are represented on it. However, in case of Tezpur University such authority does not exist.

Syndicate (Executive Council) is the principal executive authority in respect of fiscal policies and programmes of all the selected Universities. All financial power and functions are vested on it and it is advise by the Finance Committee in all the financial matters.

In all the five Universities Finance Committee being a statutory authority and is vested with powers like fixing limits for expenditure, allowing expenditure over and above the budget provisions, examination of annual accounts, financial estimates and audit reports of the University.

No uniformity was found regarding the representation of University Community viz. teachers, students and non-teaching staff to the University authority in respect of all the selected Universities.

All sections of University community are found representing the Senate in case of NEHU where two sections viz. teacher and students are found representing the Senate in case of Gauhati University and Dibrugarh University and only teachers are represented the Senate in respect of Manipur University. No such authority is existed in case of Tezpur University.

Only one section of University Community viz. teachers are found representing the Syndicate in case of all the five Universities.
• Teachers and students are found representing the Academic Council in case of NEHU and Manipur University while only teachers are represented on it in case of Tezpur University, Gauhati University and Dibrugarh University.

• None of the University community (teachers, students) are found representing the Finance Committee in case of all the selected University.

• Similarity was found in case of two Central Universities i.e. NEHU and Tezpur University regarding the composition of Finance Committee while variation existed in case of selected State Universities.

• In case of NEHU and Tezpur University the Vice-Chancellor is the ex-officio Chairman of Finance Committee and the Finance Officer is the non-member Secretary. No official of State Government and UGC was found representing the Finance Committee of both Universities. Three nominees of Syndicate and three nominees of visitor are also found representing the Finance Committee of these two Central Universities.

• In case of Gauhati University, the Treasurer is the Secretary of the Finance Committee while Registrar is the Secretary of the Finance Committee in case of Dibrugarh University. The Finance Officer is the member Secretary in case of Manipur University.

• Two nominees of the State Government is represented in the Finance Committee of Gauhati University and Dibrugarh University. The Secretary (Finance) Government of Manipur is represented as nominee of State Government in case of Manipur University.
• Two persons are nominated by Syndicate among its member as representative of Finance Committee in case of Gauhati University and Dibrugarh University whereas three persons are nominated by Syndicate in case of Manipur University.

• Two nominees of Senate among its member are represented in the Finance Committee of Dibrugarh University whereas no member of Senate is represented in the Finance Committee of Gauhati University and Manipur University.

• No representative of the Chancellor/Visitor/Central Government is found in the Finance Committee of Gauhati University and Dibrugarh University while one person is nominated by the Chancellor to represent the Finance Committee of Manipur University.

• The Central Universities received both maintenance (non-plan) and development (plan) grant from UGC while the State University received only Development (plan) grant from UGC with a matching share from State Government. For State Universities maintenance (non-plan) fund is provided by the State Government.

• The rate of maintenance grant is higher in case of NEHU than that of Tezpur University. During the period of analysis the percentage of this grant varied from 90 per cent to 95 per cent in case of NEHU while the variation has ranged from 80 per cent to 90 per cent in case of Tezpur University.

• Both NEHU and Tezpur University also raised maintenance fund from their internal sources but the share of this source to the total maintenance found is very low throughout the period under review. The rate of this source varied between 3 per cent to 9 per cent in case of NEHU and 4 per cent to 17 per cent in case of Tezpur University.
Among the item of internal sources fees from students had the highest share in both the Universities i.e. NEHU and Tezpur University.

In all the three State Universities the contribution of State Government maintenance grant to the total maintenance fund is reducing in 2004-05 with compared to the percentage share of 1994-95. The percentage of this grant varied throughout the period of study in all the three Universities. The variation ranged from 55 per cent to 79 per cent in case of Gauhati University, 64 per cent to 75 per cent in Dibrugarh University and 65 per cent to 80 per cent in case of Manipur University during the period of study.

Dibrugarh University used bank overdraft to meet the maintenance expenditure during 1997-98 to 1999-2000. Diversion of fund is also found in this University.

In case of Manipur University funds are diverted from Development (Plan) account to Maintenance (Non-plan) account for the payment of salary to employees during the period from 1994-95 to 1998-99 and 2000-01 to 2001-02. Fund are also diverted from Earmark account to meet the maintenance expenditure. It means that fund received from its external and internal sources is not sufficient to meet the maintenance expenditure during the said period in this University. But, there is no diversion of fund after the University has been converted into Central University.

The income received from internal sources has been increasing for all the three State Universities. The contribution of internal sources towards the total maintenance fund during 2004-05 was higher than the corresponding receipts in 1994-95 in all these three State Universities due to increase in income received from all the heads of internal sources. Fees from students is the main sources of internal receipts in all these Universities.
NEHU and Tezpur University received 100 per cent Development (Plan) grant from UGC. In both Universities the development grant received in 2004-05 was higher than the corresponding received in 1994-95 though the percentage of increased fluctuate from year to year. After the conversion into Central University, Manipur University also received 100 per cent Development (Plan) grant from UGC.

There is fluctuation in the rate of Development (plan) assistance received from both UGC and State Government in respect of three State Universities during the period under review. There has been steep rised in the funding level in some years while the fund level goes down to bottom level in some other years in these Universities with ups and downs of government resources.

There is a big difference between NEHU and Tezpur University with respect to earmark fund. In 1994-95 NEHU received Rs. 235.61 as earmarked fund then it goes up to Rs. 635.20 lakhs in 2004-05. In case of Tezpur University no earmark fund was received till 1996-97. The University received Rs. 13.36 lakhs as earmark fund in 1997-98 and it race to Rs. 543 lakhs in 2004-05. The difference between these two Central Universities is due to the difference in the quantum of fund provided by the funding agencies according to nature of the project and schemes sponsored by them. The difference is also due to the variation in the number of projects and schemes sponsored from time to time by the funding agencies.

Gauhati University's earmark fund received from State Government has been declining while fund received from UGC, Government of India and other agencies has been increasing throughout the period of study.
• In case of Dibrugarh University, the University did not receive earmark fund from the State Government for eight consecutive years i.e. from 1996-97 to 2003-04.

• Among the five Universities, NEHU has the highest significant growth in grant and donation while Manipur University has the least significant growth. The receipt from external source is higher in NEHU than those in other four Universities during the period of study.

• Phenomenal growth has been found in the overall expenditure of all the selected Universities. The total expenditure against the Maintenance (Non Plan) fund of all the five Universities has been increasing throughout the period under review.

• The growth in expenditure has been more rapid since 1997-98 in Tezpur University. During this year the total maintenance expenditure was Rs. 224.79 lakhs then, it has increased to Rs. 533.60 lakhs in 2004-05.

• A big difference in the amount of examination expenditure was found between NEHU and Tezpur University. Examination expenditure of Tezpur University was found lesser than those in NEHU.

• The difference in the period of establishment, lesser number of teaching department, lesser number of student enrolled and being Unitary type of University are the main reason for utilising least amount of expenditure on examination in Tezpur University.

• In case of three State Universities maintenance expenditure rose from Rs. 1165.09 lakhs to Rs. 3274 lakhs in Gauhati University, Rs. 645.77 lakhs to Rs. 1755.59
lakhs in Dibrugarh University and Rs. 327.73 lakhs to Rs. 963.23 lakhs in Manipur University during the period under review. In case of Manipur University, there is steep rise in maintenance expenditure after the conversion into Central University due to increase in administration and academic expenditure.

- The growth and expansion of the University, increased in the number of teaching and non-teaching staff, establishment of new teaching department/new courses of study and general increased in the level of price was the main reason behind the rapid increased of maintenance expenditure of these five selected Universities.

- The Development expenditure of Manipur University is found much higher after the conversion than the corresponding expenditure of the University prior to conversion into Central University. Massive development in infrastructure and introduction of new courses of study are main reason for increasing development expenditure.

- All the selected Universities formulated their budget on the line suggested by the University Grant Commission (UGC).

- All the Universities prepared their budget on the basis of estimated income and expenditure, and after getting proposals from department and after the finance wing takes into accounts of past year income and expenditure with anticipated increase.

- New schemes/programmes are not included in the budget without the approval of the Government/funding agencies in all the selected Universities. Without such approval it is not possible to initiate new programes/courses of study.
The budget is scrutinised by the Finance Committee before submitted to Syndicate (Executive Council) in all the sampled Universities and it is approved by the University authorities in all the Universities excepting the Tezpur University in which the budget is approved by the Government.

Planning Committee is existed in all the selected Universities. Outside experts are associated in the Planning Committee of NEHU whereas internal representative are associated in case of other four selected Universities.

Annual Plans as well as Five Year Plans are formulated in respect of their Universities in all the selected Universities.

Plan requirements of the Universities are discussed by the State Planning Board in case of State Universities while it is discussed in the Planning Commission, Government of India in respect of Central Universities.

All the selected Universities prepared their accounts as Receipts and Payment accounts. Income and Expenditure account is also prepared in case of Tezpur University and Gauhati University. All the Universities also maintained Balance Sheet. Manipur University also prepared Income and Expenditure account after the conversion into Central University.

All the selected Universities followed Cash based accounting system instead of Accrual basis. As a result accrued income and outstanding expenses remained unaccounted. However, in case of Manipur University accrual basis is adopted in some cases after being converted into Central University. The Retirement Benefits such as gratuity, leave salary etc., Retirement Pension and Interest on Term Deposits are accounted on accrual basis after the conversion.
A combined bank account for each grant is maintained and separate accounts for each grant is prepared in case of NEHU while bank account is maintained separately for each grant and separate accounts are prepared for each grant in respect of other four Universities. Accounts are maintained, Operated and Compiled centrally by the Finance Wing in all the five Universities.

Accounts are audited by the Comptroller and Auditor General of India once in every year in NEHU and Tezpur University and the accounts of Gauhati University, Dibrugarh University and Manipur University is audited by the Examiner Local Fund Accounts of the respective State Government.

All the selected Universities followed post audit with internal audit system excepting NEHU which followed post audit without internal audit system.

In internal receipts of Major activity centres ie Administration, Academic and Examination is insufficient to meet it expenditure in case of NEHU while it is sufficient in case of Gauhati University and Manipur University. Regarding Tezpur University and Dibrugarh University, it is sufficient in respect of Academic and Examination while it insufficient in respect of Administration as tested by using 't' test.

In regard to status of the financial management NEHU have effective financial management; Tezpur University and Gauhati University have neither effective nor poor financial management and Dibrugarh University and Manipur University have poor financial management as tested by using sign test for simple sample.
8.2 Suggestions of the study:

Effective financial management contributes a lot to the speedier development and growth of a University. It also creates a healthy atmosphere and feeling of securing in the University community. The effective and efficient financial management can help the University in bringing them out of the present financial crisis and also in achieving their set objectives/goals. In the light of this, the following strategies are suggested and also for the improvement of the existing financial management of the Universities in North East India in particular and Universities in India in general.

1. The mechanisms of determination of grants-in-aid should be suitably modified so as to make the flow of funds responsive to the requirements which are rising due to the assumption of newer roles by the Universities in the contemporary societal context. The allocation of resources for the State Universities is largely governed by the grant-in-aid codes adopted by the State. These codes adopted by the State Government are quite inelastic to the changes in enrolment, modernisation of teaching methods and support services and rise in price. Therefore, the annual block grants hardly meet the recurring deficits. Thus, the prevailing mechanism of distribution of fund i.e. grant-in-aid code is a matter of considerable urgency and importance.

2. The quantum of UGC developmental funding particularly the Development (Plan) grant of State Universities needs to be substantially increased so as to enable the Universities to improve the quality and relevance of higher education. Now, that "education is a subject in the concurrent list" 100 per cent assistance should be given by UGC to State Universities for salary revision as well as for specific items of development activities.
3. Functional and financial autonomy should be provided to all the Universities in general and more particular in North East India. The University should enjoy functional and financial autonomy for raising funds, plan pattern of expenditure and management of funds. They should be provided funds additionally when a new programme or scheme is stated and when there is increased in student enrolment. Once the grant is earmarked for the University, the same should be released as per time schedule mutually decided by the University and the funding agency.

4. The system of decentralisation and delegation of power should be adopted in all the Universities. The Head of Departments and other functionaries should be delegated adequate financial powers with supporting ministerial staff. Only the compilation of accounts and issuance of cheque should be centralised with Finance Section of the University.

5. To improve the internal sources, the creative and innovative method of funding such as hiking tuition fees, promoting University - Industry interaction, introducing job oriented courses of study, permitting foreign students to seek education, alumni association, consultancy activities etc. should be adopted by the Universities to generate additional resources. Further, it is also suggested to introduce few selected self-financial courses in the department to build the social responsibility of University in addition to awarding degrees to students.

6. The modern management accounting tools like Zero Base Budgeting, Performance Budgeting, the Activity Base Costing, Economic Order Quantity, Responsibility Accounting etc. can be employed by the Universities to avoid wastages and mismanagement of financial resources which is a serious issue in University financial management, today.
7. Each University Institution should constitute a planning committee under the chairmanship of Vice-chancellor consisting of internal and outside experts to be nominated by the Vice-chancellor for a period of minimum three years. While nominating membership to the said committee it should be ensured that all sections of the University are represented, may be by rotation and only those outside experts are nominated who are well conversant with an educational planning.

8. Universities should prepare their annual plan in consideration for achievement of long term plan on priority basis. The respective funding agencies like UGC and Ministry of Human Resource Development should provide the required fund after proper verification and investigation which will pave the way for further development of University specially in North East India.

9. Proper Supervision of accounts through internal control and checking must be strictly implemented in all the Universities which will enable them to prepare annual accounts and submit to the concerned authorities for timely release for further grants and aids.

10. Timely release of annual and long term Plan's Fund of Universities in one side and timely submission of annual accounts, annual reports and utilisation certificates to the funding agencies on the other side is highly essential for smooth functioning of Universities in North East India.

11. It is also suggested to the UGC and other funding agencies for sanctioning and allocation of fund purely on the basis of performance appraisal basis accredited by NAAC. This will pave the way for competition among the University of the region.
12. It is also recommended that the transfer or diversion of fund from one account to another account must be strictly control and check under certain guidelines and financial discipline which is found in almost all the select Universities for the present study. This will help in checking misutilisation of funds.

The adoption of the above measures will help the Universities to improve their financial management systems for the fulfilment of their set objectives and goals. Further it will also help utilisation of available resources more efficiently, generate additional funds, gain confidence of the Government and Funding agencies and make them feel that Universities through autonomous in character are exercising effective control over their finance.

8.3. Direction of Future Research:

In today's world of globalization, liberalization and privatization finance become an indispensable factor for the growth and development of the Universities. An effort has been made to analyse the importance of financial management in Universities in respect of Central and State Universities in North-East India. Keeping in view the importance of the topic under study the following agenda is suggested for future research.

- Cost and Benefit Analysis of University
- University Financial Information System - Application of Information Technology (IT) in University Finance.
- Budgetary Reforms in University: Application of Zero Base Budgeting in University Financial Management.
- Strategic Financial Management of University.
- Application of Activity Based Cost Accounting in University Financial Management.
8.4 Conclusion:

The financial management system is the backbone for efficient development and growth of the University. It helps in the smooth functioning of the Universities. The Government of India constituted various committees/commissions for University management from time to time. Based on the recommendations of such committees/commissions several important coordinating bodies like UGC, ICAR, CSIR, NAAC etc. have been established in the country for the promotion and coordination of University education. As such the number of Universities has rapidly increased since independence. However, the financial position of most of the existing Universities is far from satisfactory and many Universities in the country (especially in North-East) are facing financial crisis and are operating with heavy deficits. The management of University finance is presently undergoing several internal stresses and strains, resulting in low academic standard and performance. The problem of management of finance in University is attributed to lack of uniformity in the governance of Universities as well as in various parameters of management such as the compositions, powers and functions of authorities, representation of all sections of the University community to such authorities power and functions of Finance officers/Treasurer, pattern of funding and expenditure etc. Besides, there is no sound and uniform budgeting system and above all no serious thought seems to have been given to the planning process in selected Universities. Again, there is no proper and uniform system of maintenance of accounts and auditing in selected Universities.

Coming to the source of finance, the selected universities are almost entirely dependent on the Government for their maintenance. The Central Universities which are mainly financed by the Government of India/UGC are on a better financial footing as compared with the State Universities. However, almost all the selected Universities particularly the State Universities are facing financial crisis. In spite of substantial contribution of UGC the Central Universities (ie NEHU and TU) are also not free from financial insufficiency. The mounting inflationary pressure increased the expenditure of the
Universities but, the internal revenue generation remained stagnant, hence increase in the burden on the Government which was already hard pressed for fund.

The ideal strategy to be adopted by the Universities to overcome its financial crises is to make each activity centre of the University a self financing centre. This can be achieved only through higher level of internal resource generation and serious attempts to cost reduction. Proper accounting and budgeting can help significantly in cost reduction. Augmenting internal resources is a challenging task and many required some unpleasent options like hiking of tuition fees. Promoting University - industry interaction, foreign direct investment in higher education etc. can be useful measures to enhance the University’s resources.

Thus, in this era of self financing courses and self financing colleges, Universities have no option other than becoming self financing themselves. Therefore, the Universities should try to increase its internal revenue generation by adopting innovative and creative approach. Also the Government should encourage Universities to develop their own innovative and creative method of financing taking into account the local and institutes conditions.