6. CONCLUSIONS AND SUGGESTIONS
CHAPTER VI

CONCLUSIONS AND SUGGESTIONS:

The study was undertaken with an intention of evaluating existing Accounting practices and type of financial administration as that is being adopted in non profit organization's in general and especially educational institutions. For the purpose of the study Thirteen Educational Societies working in the city of Amravati are chosen as a sample. Total size of the universe of educational societies is 53. Thus the sample is almost 25% of universe.

The study has many implicit objectives. The researcher tried to find out as to what are the guiding principles that are followed by educational institutions in management of their funds and whether existing practices are helpful in management of these institutions or not?

The idea of applying modern tools and techniques of funds management is new. Peter Drucker the management guru has tried to evaluate the working of non profit organization's by using certain parameters of professional management. According to him the management of non profit organization is equally skillful job as like management of business organization. According to him there is a need for understanding why modern techniques of management should be applied to non profit organization's,as non profit organizations also have started working on professional basis. To quote Drucker, "non profit institutions themselves know that they need management all the more because they do not have a conventional bottom line. They know that they need to learn how to use management as their tool least they be
overwhelmed by it. They know they need management so that they can concentrate on their mission. Indeed there is a "Management Boom" going on among the Non profit institutions large and small. 6.1

The major conclusions of this study, run parallel to the observation made by Drucker. Drucker has tried to project for the first time the profit image of Non Profit Organization's. For this purpose, he was often titled as the non profit Drucker. Drucker's strategy as a prescription for success of non profit organization's can be expressed in following simple words.

Three basic things, opportunities, competence and commitment can always mobilize the resources of Non profit organizations for getting the right things done" 6.2

CONCLUSION DRAWN:

On the basis of observations made in this study following conclusion are drawn.

1) Diversified nature of the organization:

A careful analysis of 13 different institutions working for promotion of educational services in the city helps us to conclude that such organizations are not uniform in terms of size, volume of activities and level of performance also. The size of institutions varies from a smallest one of having capital base of Rs. NIL to a very large organization with a capital base of Rs. 5.37 Corers. There is a diversity in terms of no. of

6.1 Peter F. Drucker : Managing the Non profit organization. Principles and practice Mcmillon India Ltd. New Delhi 1993 Page.NO. XII
employees and no. of teaching staff also. The smallest institutions employing merely 12 no. of teachers and 7 no. of non-teaching employees. Whereas large size organizations have 3410 no. of employees in teaching and 1292 of non-teaching employees.

The type of activities undertaken also vary significantly. Some of Institutions have only primary educational facilities whereas some institutions are almost of the size of university with good no. of collages. (125), medical and engineering institutions and sizable no. of schools. (131)

Apart from these activities the specialized services includes hostels, gyms and recreation activities also. Thus the institutions are though apparently uniform in nature providing educational services, there is internal variety so far as the types of services provided by these institutions.

2) Form and size of the organizations :-

All these institutions are registered under the Public Trust Act. The idea of registering the educational institutions under company law and then making it professional institutions is not in vogue in the city. The institutions like Gurukul Ltd. in Bangalore which are registered Co’s are earning good surpluses and providing quality education to the student of society. The same idea can be brought in to practice, helping educational institutions to generate own funds. This idea is not suggested here with an intention of developing profiteering attitude but to help the institute to stand on their own feet.

Most of the institutions are quite big in size. If one applied the norms applicable to Business organization, to (6.3)
measure their size, then on such yardsticks these institutions are if not big but can be labeled as small and medium sized units. The funds at their disposal are very high and there is a good amount of recurring income too, which invites immediate attention of funds management.

3) Principles Governing earning of the funds :-

In the study various sources of incomes and earning are identified. Accordingly these sources can be classified into different categories. A tabular form of classification of income source is used here.

<table>
<thead>
<tr>
<th>TABLE 6.1</th>
<th>Sources &amp; Income of Educational Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td>Non Recurring</td>
</tr>
<tr>
<td>1 Salary Grant</td>
<td>1 Incentive Grants</td>
</tr>
<tr>
<td>2 Non-Salary Grant (For Administrative Exp.)</td>
<td>2 Books Grants</td>
</tr>
<tr>
<td>3 Fees &amp; Fines</td>
<td>3 Development of Sports and playground maintenance grants</td>
</tr>
<tr>
<td>4 Donation</td>
<td></td>
</tr>
<tr>
<td>5 Bank Interest</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>Revenue</td>
</tr>
<tr>
<td>1 Building Grant</td>
<td>1 Salary and Non-Salary Grant</td>
</tr>
<tr>
<td>2 Incentive, Books, Equipments, etc. Grants</td>
<td>2 Fees &amp; Fines, Interest, etc.</td>
</tr>
<tr>
<td>3 Donation</td>
<td>3 Donation</td>
</tr>
<tr>
<td>Regular</td>
<td>Irregular</td>
</tr>
<tr>
<td>1 Fees &amp; Fines</td>
<td>1 Donation</td>
</tr>
<tr>
<td>2 Salary &amp; Non-Salary Grant</td>
<td>2 Grants of Capital Nature</td>
</tr>
<tr>
<td>3 Interest</td>
<td>3 Misc. Receipts.</td>
</tr>
</tbody>
</table>

(6.4)
All the institutions under study are governed by Bombay Public Trust Act. As per existing rule of government they are funded by government agencies as well as some grants are provided for certain regular activities. Most of these grants are to meet administrative expenses (Grant in aid for salary and to purchase books, equipment and other development activities). The types of grants received by such institutions are already explained in preceding chapters.

In this study it is observed that the assistance received as per grant in aid formula and the actual requirement of the educational institutions often do not match. There is a heavy gap in many cases in the expense of these institutions and the actual amount funded by the government.

There are various purposes for which grants are provided to the educational institutions. In practice these grants are not provided to the educational institutions (societies) but to the individual units like school and colleges. A careful enquiry regarding the system and types of grant helped to know that many of the institutions do not receive the grants well in time due to lengthy procedure, delay on the parts of accounts, improper scheduling of work procedures and in many cases bureaucratic and administrative tendencies of government officials. The simple principal of finance believes that a 'Note' in hand is more valuable than a Note expected. From this point of view the school management should try to reduce the delay in acquisition of grants. They should try to control the administrative and procedural delay by expediting the process. Societies having large no. of schools and colleges can easily prepare PERT and CPM (6.5)
chart of work schedule so that the simultaneous and individual activities are properly performed which will help them in acquiring the grants well in time. If such grants are received in advance then institutions can easily meet their expenses at the right time and many of their operational problems can be solved.

An informal interview with the officers of these institutions has helped the researcher to know that some grants which can be availed by the institutions remained to be utilized either for want of informations, delay in follow-up procedures, and in many cases improper planning of the activities. This appears to be a major lacuna as well as a lethargy on the part of management. Funds coming from such sources should always be availed, no opportunity should be lost.

There are a good no. of secondary sources of income. These sources include fees, donations, subscription, rent and membership fees. Certain institutions also collect funds by way of donations and capitation fees. The amount collected from these sources is very high as education is becoming a very important service in our times. Admission to a school or education programme attracts donation. The amount of such donation varies from institution to institution and from course to course. However the funds so collected are not very effectively utilized. The educational institutions avail tax concessions under Income Tax Law u/s 10 (22). Further the donors are also benefited u/s 80 (G) of the Income Tax Act. Taking this into account it is imprudent as the funds are not been properly utilized. No efforts are made to market the idea of fund raising through contribution to donation program's. This donation is a capital

(6.6)
receipt hence this has to be utilized for development and expansion. It is observed that no such norms are followed regarding revenue income and revenue expenses as well as capital receipt and capital payments. From the accounting point of view this leads to a very critical situation as in long run the problems of depreciation, charging of revenue and allocation of cost may become critical.

These institutions also have some non conventional sources of income like fees from recreation and other facilities, rents charged for irregular activities and programs, Rent from buildings and sale of old papers, stationery etc. So far as these sources of income are concerned it constitutes a small portion of capital receipt but a major portion of revenue receipts. The rent collected for temporary let-out of Halls, Classroom is often included in donation receipts, which actually is not a donation. The donation of buildings funds which is a capital receipt is not the same for letting out for halls and class rooms.

These institutions should try to increase their revenue by increasing non conventional sources of income. Very often the premises remain in the noon and evening period unutilised. Letting out these premises can increase their revenue and thus help them in reducing the gap between expenses and incomes.

Certain institutions have some other facilities which also can be utilized for funds generation. Guidance centers, counselling, performance development activities, gymnasiums are such sources of income, which these institutions can use for improving their financial standing. Efficient management of
these funds can help to solve a good number of financial problems of such institutions.

Thus the study of revenue generation activity of such institutions also helps to draw certain principles regarding that governs the sources of income of these institution.

i) The sources are limited and inflow of funds is time bound.

ii) In case of certain institutions donations form a major source of revenue.

iii) There are no well designed rules or policies governing the rate at which donation should be collected. Further no guidelines exist as to which source should be given higher weightage.

iv) The irregular and miscellaneous source of revenue are not efficiently used to generate surplus.

4) Payments and Management of Expenses:

One important aspect of financial management of every type of organization, is to improve the management of its payments and expenses. In ordinary course of life every business organization tries to classify its expenses in following three categories.

a) Immediate Expenses

b) Expenses that can be deferred

c) Expenses which can be postponed for indefinite period.

It is found that the structure of expenses and disbursement of various payments in Educational institutions under study is not much well defined. The major reason behind improper definition of expenses can be summed up as follows

i) there are no specific guidelines as to when and how the amounts be paid.

ii) The management is yet to understand the concept of deferring
an expenditure or payment. Such a deferment helps in earning interest and proper movement of fund, is an idea, yet not digested properly by the managers of the institutions.

iii) There is a complete unawareness regarding certain principles of financial management. Control on expenditure is not systematic but it is mere a bureaucratic activity. In many cases amounts are paid because procedure is completed and not because there is a rational in making such a payment.

iv) The accounts or the administrative staff also needs a orientation regarding the concept of expenditure and how payments can be managed.

v) The entire procedure of maintenance of record for expenses, approval and payment of expenses itself is very lengthy and cumbersome. In many cases the end decision is taken by some one who is just not aware as to why such amount be spent. This has to be modified by installing a simple, short but well defined system.

vi) Establishing expenses Centre : The organizations under study have not found out what are the major heads of expenses, their incidence and occurrence, because of this expenses on certain activities continue to mount without any logical explanation. This also may give an opportunity for mis-appropriation and mis-management of funds. In business organizations there is a concept of profit centre and cost centre. Similarly a non profit organizations must establish expense centers because it may not be possible to increase revenue all the times but it is certainly within the reach of organization to improve its performance by curbing unwanted expenses.

(6.9)
vii) In the survey it is also noticed that some organizations often face a financial crisis. There is a period in a financial year when these organizations find their funds far less than the likely expenses. This means there is a great gap between time and volume of revenue that the organizations acquired in a particular period and quantum of expenses in some other period. If these organizations can plan their expenses according to the period of revenue acquisition then gap between revenue earned and amount of payment at a particular point of time can be significantly minimized.

viii) Grants and Expenses:

As most of organizations are funded by government in the form of grant, there are certain restrictions as to how such grants can be utilized. The objects of utilization of such grants and heads of expenses are well defined as per schemes of government. However it is found that the funds so acquired are not carefully utilized. This results into problems in acquiring future grants. It also invites criticism from the auditors. Not only this, image of the institution is not properly projected. Considering this fact it is concluded that the managers of the institutions should follow rules regarding utilization of grants meticulously. Further they should try to manage these funds, within the limits of regulation such that the most of the expense centres get the maximum share of the grants.

To conclude it can be said that the existing managerial policies regarding payments need complete revamping. The managerial insight and financial wisdom is missing so far as, management of expenses of educational institution is concerned.

(6.10)
5) FINANCIAL PLANNING:

Planning to accounting operations is well established concept in every business organizations. However most of the Non Profit Organizations are still far away from this idea. For them financial planning is merely deciding as to who will spent and when he will spent. The planning of accounting operations for Non profit Organization's should have following features.

i) The planning should be with a foresight to improve performance.

ii) There should be a clear and well defined policy as to how the operations and accounting activities will be classified.

iii) The accounting records should be maintained after considering the legal financial and tax implications.

iv) The planning phase should also consider existing sources of revenue and future sources of revenue. Further an attempt be made to find out whether these sources are adequate and properly utilized.

v) The expenses and payments should also be planned as stated earlier, so that there will be wherever possible a proper balance between income and expenses.

vi) There is a superficial budgetary system. The budgeting systems adopted by these institutions are very conservative in nature and almost have no practical relevance with existing requirement of the institutions.

Budgeting systems have following lacuna:

a) It considers only present income and expenses.

b) Projection are made by using this system about events in near future.

(6.11)
c) The budgeting system has no follow-up with the past (Previous years) performance and target laid down. Thus the budgeting system never makes an attempt to evaluate the extent of success of financial planning.

d) Separate budgets are not prepared for revenue and capital expenses.

e) It is observed in this study that there is a dire necessity of preparing two budgets. A budget of Government Grants and another budget of other source of revenue and expenses. These two budgets will help in understanding as to what are the activities for which revenue acquired from other sources is utilized and whether such an activity is justified or not.

The financial plan of the institutions also lies in one particular area and i.e. long term planning of resources. There are certain activities for which long term planning is needed. For such activities initially a sizable amount is invested but then the revenue is generated over a period of time. In such cases how this revenue will be obtained and in what manner it will be utilized should be given a prethinking. This will help these organizations in their financial soundness.

Thus it can be said that the entire system of financial planning is in its infant stages. The Non Profit Organization's should increase their revenue by installing a good collection system and controlling unwanted expenses.

6) FINANCIAL DECISION MAKING:

A quotation from management accounting a leading journal in the field of finance is appropriate to understand the importance of accounting in the process of decision making in any
type of organizations. It says "in today's troubled economy it is the successful funds management that separates the winners from the losers." 6.3 The role of accounts and financial managers is very important. The MAP statement regarding the objective of management accounting justifies this role very aptly. It says "Management accountants at appropriate levels are involved actively in the process of managing the entity. This process includes making strategic, tactical, and operating decisions and helping to co-ordinate the efforts of the entire organizations. The management accountant participates as part of management, in assuring that the organization operates as a unified whole in its long run, intermediate, and short period in the management's best interest." 6.4

In this study certain conclusion are drawn regarding quality of financial decision making, as it is reflected in the functioning of educational institutions under study. The study helps to conclude that most of the organizations have not been able to define their functions and missions properly. This creates a lot of confusion while making any financial decisions. There is another dimension to the procedure of decision making, who should take the decision is major issue. The term management in the context of education refers to group of people who are far away from actual scenario. In many cases those who are supposed to take decisions are not consulted or referred for discussion before taking decisions.

The qualitative aspect of decision making are often neglected by decision makers. Should we take this decision is a question which is often forgotten but not asked. Who should take particular decision and why is also not given much importance. In many cases necessary data for decision making is often inadequate, misinterpreted or outdated. Decisions are often taken by hunch or Intuition. This factor definitely deteriorate the quality of decision of these institutions. Improper financial transactions are the result of this lacuna. It is noticed that a good amount of fund remains idle or misutilised due to poor decision making. However no efforts are presently being made to improve quality of these decisions. The approach of management also is conventional and lacks dynamism. They are not yet understanding a simple principle that a wrong decision means taking two more decisions. One to ratify the old and the other to start a fresh. Unless and until these aspects regarding financial decision making are improved, loss of earnings, blocking of funds and undertaking low yield activities may continue.

7) TECHNIQUES OF FINANCIAL ANALYSIS:

Charles Mecimore and Michel Cornick have divided finance managers function in to five heads. These are preparing budgets, allocating costs, determining unit costs, evaluating variances and pricing sources.6.5

The views expressed by these authors imply that accounting techniques are applicable in almost all areas of activities. The recent development in accounting and finance functions have enlarged their scope to a large extent. These techniques are now applicable with some modification to different type of organizations if used carefully. In case of educational institutions these techniques are very useful to solve most of their functional problems. However a thorough discussion with accounting staff of these organizations helps to conclude that such an idea is not yet acceptable to people. The traditional view that accounting means book keeping and recording past or historical data is still dominant. Most of the accountants interviewed are of the opinion that there exist no such techniques, which can be used to solve certain operational problems of educational institutions. According to them techniques of financial analysis applicable to business organizations are not useful for educational institutions. It is here noteworthy that these staff members have not even yet understood what are the techniques of financial analysis that are available and how best these can be used. The views of accounting staff are based on the notion that educational institutions are charitable in nature and applying technique of financial analysis means going for profits which is a sin.

Revenue improvement is not possible unless and until a careful segmentation of different heads of expenses is made. Classification, proper allocation and distribution of costs can tell us as to what should be price for service or commodity. Pricing of services of educational institutions is a very
important issue. Most of the problems related to paucity of funds is the result of improper pricing. The fees charged for educational services, coaching, personality development, laboratory and library used, are not based on any scientific data. No principle of pricing is presently applied. The system of determination of fees is very orthodox, arbitrary and outdated. Further the fees structure remains unchanged for a pretty long period. This means no accounting is made for inflationary trends and loss of revenue. Techniques like BEP and marginal costing can be appropriately adopted in these circumstances to improve the volume of revenue and review surplus.

The grant provided by the Government is based on the grant determination formula. For different grants different formulae and considerations are used. Here also the grant in aid formula never takes in to account continuous and recurring changes in cost of inputs like stationery, materials, books, salary, repairs etc. Due to this inspite of increasing level of expenses amount of grants remains stagnant. Here again a suitable formula, method or technique from professional accounting can be adopted. So that, neither the grants will be more than requirement nor the grants will be far less than the actual requirement of the institutions.

Establishing a sound budgetary control system is another area of importance. At present educational institutions have a Budgetary Control system of ornamental value. A suitable and well defined Budgetary Control system can help in many ways to these institutions. The budgetary system should try to incorporate the earlier demands and estimates, actual and revised
estimates so that a follow up mechanism can be established. This will help in knowing where the funds are becoming inadequate or falling short of, and where the allocation becomes excessive than the required.

Ratio analysis of interpretation of financial statement can prove a suitable technique especially for the top management i.e. the trustees and board of governors. It is found that the Balance Sheet presented before the trustees or the board members reveals no information suitable for decision makings. Discussion with the board member and trustees of such institutions helps to conclude that either most of them have very limited knowledge of financial accounting and they can not draw suitable inference by interpreting facts and figures stated in the books. Here ratio analysis can solve many of their problems. Increase in certain expenses can be verified and a justification for increase can be solved. The trustees can also understand what are the major heads of expenses, why they are so important. They can even lay down a suitable control system after analyzing these facts.

Responsibility accounting is another major technique that can be adopted for improvement of Non Profit Organization's performance. The accounting staff of these organizations can not improve their performance as well as organizations efficiency unless and until they are made accountable for the activities they perform. Responsibility Accounting can prove a very useful technique in this direction. It is noticed in this survey that the existing system of working gives lot of freedom to the accounting staff but in no way they are made accountable to the management. Quality of the decision can be evaluated only by
implementing techniques like responsibility accounting. At present the accounting staff is responsible only for routine nature of activities. Their participation in deployment of funds is either very minimal or not taken in to account.

A review of existing practices helps to conclude that the financial health of the educational institutions can be improved significantly if these institutions adopt a more professional approach in funds management. They should go for new techniques of funds deployment and analysis of their performance.

B) FINANCIAL CONTROL :

There are no two opinions as to the fact that effective management control can help in reducing many recurring problems and burden in routine activities. In many cases these hurdles occur in the field of administration and matter related with finance. The management of educational institutions under study works at two levels. On one plane it is guided by a committee system- management by elected executive. This committee provides only guidelines of functioning to institutions on the other level there is operational management which executes these guidelines and implements the decision taken. However it is noticed that there is a significant gap in the policies laid down by the committee management and decisions implemented. This is mainly due to limited and irregular report, lack of sufficient control and absence of regulatory mechanism. The organizations are supposed to follow instructions and guidelines regarding expenses, payments and acquisition of receipts issued by the top management. However the time gap between issuance of such instructions and follow-up is very wide. Further, whether such
instructions are properly followed or not is also not regularly monitored. Control mechanism has thus termed to be very delicate and fragile one.

It is also noticed that there is no single person who is held responsible for execution of all financial decisions. The dual form of responsibility results in escaping from the liability. The top management often takes decisions and executes them on their own, thus the supervisory and accounting staff has no power to know as to how and why these decisions are taken. There is almost an absence of a formal financial control system which can look after activities where sizable funds are involved. In many cases some activities remain incomplete for a pretty long period and thus amounts remain idle. This happens mainly due to lack of suitable control. In some cases the sources of revenue are not properly tapped. There are leakages in the flow of revenue which go unnoticed. The rates of services are not revised in a time bound manner nor a care is taken to control expenses if they are unreasonable and untimely.

Thus the entire system of financial control in these institutions has many pitfalls, because of which the revenue earned does not match with the type and amount of payments.

9) Computerization of Accounting function and its Implication:

Idea of mechanization of Accounting function is not new. Many business firms have practiced it for a petty long period. It is the size and volume of activity that decides the extent of mechanizations of accounting function. Due to advent of computer even small sized business organization have gone for having their records computerized. There are no two opinions about the
utility of computerization. However, the managers of schools and such other educational institutions are still continuing with the age old practices of simple manual record keeping. The opinions of accounting staff as well as management is not much in favour of computerization of accounting functions. The points raised by the staff for computerizing their record needs rethinking. In their opinion computerization will have a certain adverse average effects on their functioning like,

i) The process will turn complicated,

ii) The computerization is uneconomical and more tedious process,

iii) It will require special training to the staff and thus it will be unnecessary expenditure,

iv) It is a sophisticated system.

The staff of the institutions under study has many grievances against the system of computerization. They feel that the application of the computer techniques are not essential for management of accounts and funds of these institutions. Similarly the management - the members of the executives - and heads of the institutions also have a bias against computerization of accounts. From their point of view computers have no place in managing the financial affairs of educational institutions. This opinion is based on the opinion that computer is basically a tool for management of business and not the managing the affairs of non profit organization. There exists a confusion and illusive image of computer applications. This is mainly due to following reasons.

i) Improper understanding of the concept of Non Profit Organization
ii) Disbelief in the strength and wide area of application of computerization.

iii) An unproven belief that computerization is a costly exercise.

iv) A wrong notion that employees of the school & other educational institutions will not be able to use sophisticated equipment like computers.

v) A belief that they can do many things well manually and hence they don't need computers.

Thus it is observed that there is a significant gap between perception regarding computers and its real application in the field of administration of educational institutions especially in the field of financial administration.

THE HYPOTHESIS VERIFIED:

In the beginning of the thesis a researcher had laid down a hypothesis which reads as follows:

i) The financial administration of Non Profit Organization in Amravati is in its primitive stages.

ii) The present system of management of earnings and disbursement restricts growth of Educational Institutions.

iii) The existing techniques of budgeting, planning and controlling of resources are outdated.

The observations made by the researcher after analyzing available data helps to conclude that the hypothesis established is acceptable and it can be safely concluded that there is a strong ground to support the hypothesis. The organizations of financial functions in these institutions should be redesigned so that the institutions especially educational institutions under
study should be able to work in a more efficient manner. Finance is a core resource after time. A penny wasted is a penny not earned. Educational Institutions as well as many such Non Profit Organization’s acquire their funds after significant efforts. They have limitations of sources of income and revenue. They can not think of improving their financial position by adding new sources of fund all the times. Under such constraints it is prudent for these institutions to improve the management of their earnings which certainly invites a more cautious, professional and scientific system of financial administration.

SUGGESTIONS :-

The study of existing system of financial administration in educational institutions presents a very pathetic picture of state of affairs. Most of the institutions under study are still adopting a conventional and age old practices of administration. The term like efficiency, surplus, qualitative improvement and users satisfaction are yet to be acknowledged by the managers of these institutions. Furthermore these institutions are being controlled by managers who do not have a professional background of Institutional management. The staff that handles the accounting function is not trained. Not only this they are unaware of many important happening in their own field. Unless and until such barriers are removed, qualitative improvement in terms of performance, Service and user orientation is not possible. Revenue generation is the basic need for survival of every institution and that is true specifically to Non Profit Organizations which are considered foundation stone of the society.

(6.22)
Following suggestions are offered here in order to improve the quality of finance function and modes of revenue generation.

1) Changing the approach of Management and trustees.

The trustees, executives and the heads of the institutions of the organization under study are still governed by the tradition, modes and ideas of administering the Non Profit Organizations. Where a Non Profit Organization must not work for revenue generation and its income should always be equal to its expenses. The moto of these institutions should be to work on No Profit no loss basis, because these institutions have a social cause of upliftment of the society. They are supposed to work for common cause and common good and hence there is no place for profit. Profit is a dirty word. Earnings, profits or earning additional surplus means exploiting the societies.

Unless and until Such ideas are modified and revamped, these institutions can not adopt modern techniques of financial administration. Because it is the ideology that has to be changed first before introduction of technology.

Furthermore most of the trustees also have a feeling that managing an Educational institution is like rearing a holy Cow, where professionalism can not have any place. If one studies the method in which charitable and non profit organizations in the western world are managed then he can easily notice one glaring difference between, those institutions and Indian profit organizations. The difference lies in the approach in managing the situation and foundation on which these institution are working. No doubt both the type of organizations are working for
social development but in those countries, the idea is revenue comes first and development later. If there is no revenue then there can not be any development. Where as in our country the idea is development should be given priority even if we are put to loss, which seems to be somewhat irrational, because unless and until revenue is generated further development or continuation of existing development Programme is also not possible. Hence it is appropriate to suggest that approach of the managing the finance function should be changed first. With that change only there is a possibility of modifying the administrative practices in non profit organizations.

2) NEED BASED TRAINING TO THE STAFF :-

The employees of the institutions who are dealing with finance function should be provided with adequate and proper training to handle the financial function. Most of the employees lack in terms of understanding the finance and they do not have proper orientation in dealing with financial matters. Many of these even do not possess qualification in the discipline of commerce which works as a major barrier in handling financial affairs.

The employees of these organizations often have a feeling that mere record keeping and book keeping is the job of the employee in the finance section. Naturally they develop narrow thinking and have bureaucratic orthodox style of functioning. It is further noticed that the methods and convention of record keeping, adopted by these employees are not in accordance with standard and convections of accounting science. Considering these limitations a need based training related with finance
function is a basic requirement. Few suggestions are offered here in this connection to train the employees.

i) The employees should be given an opportunity to understand the fundamentals of accounting procedures by proper orientation.

ii) The Accounting Procedures should be simplified, regulated in such a manner that accounting should not be a mere bookkeeping function.

iii) Employees should be provided training in the areas like internal control, internal auditing and fund-based management.

iv) The approach of employees should be changed towards accounting and basically the concept of revenue, so that the accounting function will no more be historical record keeping but will provide additional information regarding funds positions.

3) INTRODUCING A FINANCIAL PLANNING:

A scientific financial planner can help these institutions to improve their financial planning to a great extent. This financial planner should aim at the following things.

i) Preparation of a database.

ii) Updating financial records from time to time.

iii) Preparing a proposed calendar of major financial events.

iv) Estimation of receipts and likely timing of their occurrence.

v) Estimation of Expenses and likely timings of such payments.

vi) Balance the dates of receipts and payments and finding out position of deficits and surplus in advance.

vii) Comparing the financial plan with estimate of income and expenses and trace out the gap between the two

(6.25)
viii) Comparing the previous earnings with current and establishing the trend of deficit of receipts that may occur.
ix) Using financial planner as a tool of decision making so that no receipt is delayed and no payments turn untimely.
x) Establishing a linkage between management information system and data received from financial plan.
xi) Using financial plan as a basis of budgeting system.

4) ESTABLISHING A SOUND BUDGETING SYSTEM:

The present system of budgeting in Non Profit Organizations appears to be a mere ritual. This system has become extremely mechanized and does not consider the actual requirement of institutions. Most of institutions prepare a budget because it is mandatory and it helps to receive grants. The approach of the management is still very orthodox and budget is not taken as a tool for evaluation of performance. The following suggestions offered here are given to introduce sound budgetary system.

i) The budgeting system should be as per actual requirement of Institution, hence it should consider not only estimated income and expenses but reasons thereof

ii) Budgetary control system should also be introduced along with budget so that any sudden increase and excessive rise in expenses on any particular head should be taken care of.

iii) As the sources of revenue are limited it is necessary for Non Profit Organisations to utilise their funds carefully and hence budgetary control system should pay attention to control of wasteful expenses and untimely expenses.

iv) Attempts should be made to introduce performance Budgetary Control System. It will help to know what are the activities
which yield revenue more than expenses (Surplus) and what are the loss leading activities. This can also facilitate in curbing expenses on loss leading activities and increasing the area of revenue generation activities.

ev) The budgetary system should also pay attention as to how grants can be increased. This will help in expanding the scope of activity and revenue. Proper, timely and accurately prepared budgets will help in acquiring more revenue.

5) INSTALLING A MANAGEMENT INFORMATION SYSTEM:

The management of educational institutions should also concentrate on improving the quality and type of informations. This means they should have a good management information system. At present there is a limited and irregular rapport between managers of the institutions and Executive body. Sometimes the person who holds particular information only knows how to use it. Where as the real decision makers have to depend on it and they never have processed and well defined information. In many cases this information remains unused and becomes stale. This so happens especially in case of information regarding grants and other sources of revenue. As most of the institutions under study are very small in size. They need not have a very sophisticated and technique oriented information system but they must have a well defined channel of information which is continuous and works in uninterrupted manner.

6) APPLICATION OF DIFFERENT MANAGEMENT ACCOUNTING TECHNIQUES.

Pricing of services is definitely a matter that falls in the purview of management accounting. The service provided by these institutions are not properly priced. It is here noticed that
following techniques of management accounting can be applied to a
great extent in order to improve the financial health of such
institutions.

a) Cost benefit analysis: This will help in knowing the extent of advantages that are offered to the society in the form of educational service and the cost borne by the institutions to offer such services. Further the institutions can also evaluate what advantages it really derives when such a service is provided. The cost benefit analysis can benefit in taking following three decisions.

i) To decide whether to continue or discontinue particular activity or service.

ii) To decide the ratio in which resources should be allocated for such activities.

iii) To decide the maximum and minimum volume of activity that should be undertaken by the institutions i.e. minimum level of activity (Point of abandoning or discontinuing) and the maximum size of activity (cut off point)

b) Marginal costing and Break Even Point:

Pricing of services especially regular services needs to be evaluated by using criteria like profit, volume of service, No. of users and time at which the services are offered. Consideration like fixed cost and variable cost to provide such services becomes basis of pricing. From this point of view services like class room education, guidance, sports facilities, recreation facilities, offering premises on rental basis and many such other activities can be priced by using Break Even Point technique. It is noticed that fees structure in most of the
institutions is decided by simple rule of thumb. No one really knows how the magic figure of particular fees is derived. The costs are not apportioned on the basis of fixed and variable cost and furthermore continuous rise in variable cost, the inflationary trends and other factors are also not taken into account because the fee structure which was offering surplus at one point of time, soon becomes obsolete and results into recurring losses. There is a need for continuous evaluation of the structure after taking into account proportionate increase in the variable and fixed cost and desired amount of surplus that the management wants to acquire.

7) INSTALLATION OF SOUND INTERNAL CONTROL SYSTEM:

The accounting system in the institutions is such that there is no control on maintenance of accounting except statutory audit. It is necessary that there should be a good internal audit and control. The accounting staff should try to balance their books with a device similar to that of self balancing system, so that the payments will not remain overdue and receipts also will be regularly charged.

8) REDEFINITION OF THE REVENUE CONCEPT:

At present the concept of revenue in the institutions is very narrow. It is often felt that the revenue for these Non Profit Organisations should be just equal to meet their expenses. In other words there should be no additional revenue. This idea is inappropriate in changing concepts. Expansion, diversification and addition of new activities has become the way of life even for Non Profit Organisation's. Non Profit Organisation's are not meant for the present generation of
society only, but they should also work for upcoming and future generation. This means they must have sufficient and higher level of revenues. There should be continuous increment in the level of revenue so that they can absorb the present cost as well as have some revenue to meet the future costs. The concept of inflation Accounting also stresses on this point, hence there should be growing volume of income. This growth may come from regular sources, from new avenues or from some certain occasional means of income. Unless and until the idea of revenue is redefined these institutions will not be able to survive.

9) ADDING NEW SOURCES OF INCOME:

Many institutions under study have certain facilities which are under utilised. These institutions can increase their level of income by proper utilisation of the facilities like premises, buildings, equipments and grounds. The institutions can let out their classes during the period of vacation or vacant hours. When there are no regular teaching classes, they can also offer their equipments and ground on rental basis so that additional revenue can be earned and there is no unnecessary expenditure on maintenance. Introduction of new sources of earning is also possible by offering some new services or appealing to the society to accept such services.

The institutions can also avail donation from the past students, well wishers, philanthrops, and trusts and bodies willing to donate for better management of institutions.
10) CHANGING THE PATTERN OF GRANTS AND REDESIGN THE FORMULA OF GRANT IN AID:

The existing pattern of Grant in aid should be altered and redesigned in such a way that the amount of Grant should be in proportion with real requirement of the institutions. It should be such that either the institutions should not have the amount far more than the requirement, nor the grant be far less than the real needs of the Institutions. Thus grants should be realistic in amount. There should be periodical review of Grant-in-aid formula so that the grants should increase with the growth of the institutions. Further grant in aid formula should be linked with quality of educational standards, various schemes and plans executed by the institutions and it should lead to standardisation of education.

11) RATIONAL DECISION MAKING SYSTEM:

The decision making system should also be redesigned. The opinions of the accountants and office staff dealing with financial matters and heads of the institutions should be given due weightage. The trustees and executive instead of imposing their decision on the office staff should take a more scientific decision.
LIMITATIONS OF THE RESEARCH WORK:

The present Project is a study of 13 educational societies in the city of Amravati. The data regarding finance function, financial planning and financial administration is collected for this purpose. Though this study tries to analyze various dimensions of functioning of these institutions in terms of management of funds, till it has certain limitations which can be enlisted as follows:

(1) The sample size is proportionally small hence the conclusions drawn from the study can not be generalized to a large extent.

(2) Finance being a delicate issue, the respondent institutes have not offered information on certain matters because of which the study suffers from certain limitations.

(3) Definite conclusions can not be drawn on the basis of this study regarding what should be the formula for grant-in-aid for institutions in different phases of life cycle, because sufficient data regarding existing pattern of grant-in-aid is not fully available.

(4) The study is based on a mix of secondary and primary data, but availability of limited volume of primary data discounts the reliability of this study to certain extent.

(5) The research being academic in nature, there is a limitation of time, labour and analytical tools.

(6.32)
GUIDELINES FOR FUTURE STUDY:

The researcher on the basis of this study suggests following area for future research.

1. There is a need to analyse the pattern of grant-in-aid and life cycle stage of educational institutions.

2. A research enquiry is possible to understand how different pricing techniques can be utilised to decide fee structure of various courses and educational programs.

3. A microlevel enquiry in connection with finance function of Non Profit Organisations can help to understand how the monetary resources be managed by these institutions.

4. There is a scope to evaluate the budgeting system of educational institutions and application of fund flow analysis.

5. An in-depth enquiry regarding application of Computers for funds management of educational institutions is also a viable area of research.

EPILOGUE:

The study was undertaken with a view to analyse the position of finance department and the quality of financial administration in Non Profit Organisations. It is no doubt true that some of the organisations are well managed and have given very fair results in terms of growth as well as service to the society. Still it is noticed that the quality of financial function is not up to the mark. These institutions can do even better than what they are doing today. They can outperform the professional organisations if they manage their resources in a more systematic and disciplined way. However the approach of managing the Non Profit Organisations in Indian Society is still
conventional where there is no place for revenue generation. Unless and until this approach is modified, the quality of financial administration can not improve. Nevertheless the quality of administration of such inspections can not attain the level of excellence. Hence it is right time now to revamp the philosophy and approach of financial administration in Non Profit Organisations.