CHAPTER 7
Conclusion & Suggestions

7.1: Introduction:
The present study is related with analysis of financial system and practices and its impact on financial management of educational institutions. Educational institution constitutes a major part of charitable and service institutions. They provide a basis to cultured and educational advancement to the society without development of this institution a society cannot survive and grow. Success of society often depends on quality of education and system of educational development. Nothing can be ever successes without developing educational system and institution. The true indicator of growth of the society is its educational advancement. How educational institution cultural and development decides what aim of advancement of society will have principle concern before every society right kind of educational institution. Most of the advance societies have a quality educational structure.

Higher education in India is often considered as merit good. Since last 160 years effort are made to build a right kind of higher educational system. The system has to be broader based extensive and that caters the needs and aspiration of different section of the society.

Higher education management was patronizing by government. However in most of the case it was the private initiative which has given a boost to the development of higher education. A large no of educational society, trust and other types of educational institutions were established to promote higher education.

There is having a very well established frame work of institution providing higher education. These institution have promotes higher education in multiple discipline. Most of the institutions are known for their contribution and achievements.
The conventional approach towards higher education has always given emphasis and given as a matter of social welfare. Education was never considered as a profit making activity, on the contrary its social and cultural work given higher importance. Often education is consider as to day as a pious activity.

Education is essential for personal and social development. Therefore it should not an activity for making profit; on the contrary it should be offer at a lowest possible cost or wherever offer it should be offer free of cost.

As education is consider as a life making activity. It was often taken as a priceless and most valued input for human development. Making profit from the education initiative is often considered as moral wrong. There are cultural and value barriers because of which offering education at a price are considered as a cultural stigma. However with time everything changes. The concept of education as life making social good has also change. Education is not only socially developed. It contributes for personal excellence also. Getting quality education is now become a important issue. However maintenance of quality of education is not that way. It requires funds, resources and infrastructure which add to the cost of education.

Offering quality education thus has a cost dimension; second important aspect is no of higher education aspirant has increase tremendously. Last three decades the no of young people searching higher education has enhance multifold naturally in order to meet the requirement of higher education of all these people. It is necessary that more investment be made in educational sector. However for additional investment more funds are required which also add to the cost dimension of education.

Many more education initiative, new progress and new course have also been introduced. Education is an ever expanding activity. As such it becomes essential that educational institution should provides opportunities to acquire new knowledge, unless and until new program, discipline of learning faculty are introduced education cannot remaining meaningful to meet requirement of
society. Under such circumstances more investment is needed to meet education time revealed and socially useful.

The concept of modern education is no longer restricted to information dissemination. It has many more contours, hence higher education has now two more dimension.

1. Research and development

2. Generation of new knowledge.

For both these activities heavy investment is required in Infrastructure laboratory, libraries and faculty development. Without deserving competent faculty and establishing quality infrastructure modern higher education cannot become relevant and competitive. This also requires heavy investment in various activities. Education is a long term activity. The result of investment in education cannot reap in sudden. It requires one generation time to value and life style of the society. It requires sufficient time to develop one generation and therefore the rate of return on education is low. The return on investment on education cannot be measured in conventional manner. Similarly one cannot look at investment on education as it invests for business purpose. There has to be new and pragmatic approach to look at investment in education.

Management of resources of education institution should also be looked from a new angle. How educational institution should deploy funds? What activity they should initiate and how they should manage their reserves and finance need to be rightly evaluated.

The approach of management in finance of educational institution should be properly restructured. These institutions should be reengineered to govern their present and future needs. This requires a more systematic, scientific and well define system of financial management. The present study aims at evaluation the core aspect of financial management in educational institution. The principle objectives of the study should be stated earlier are
To know and understand the pattern of finance and organizational structure created for management of finance in university institutions.

a) To know and understand accounting and audit system followed by the university institutions.

b) To review the pattern of financial decision making and financial operations across the administration and academic departments.

c) To examine the activities related to investment of funds, raising finances and adhering to financial self sufficiency and discipline.

d) To assess, process of reporting and controlling aspects.

e) To identify problems areas in management of finance and to suggest ways and means if any to overcome the same.

In order to achieve these objectives the researcher has conducted a survey of ten institutions of higher learning in city of Pune. The various aspects related with collection of data are discussed. In the presiding chapter throws light on major conclusions and insight gain from the study.

Important observation based on the survey, the researcher has conducted a study on ten no of educational institution in the region in Pune.

All these institutions have following common features.

a. All the institutions are in the field of education especially higher education.

b. All the institutions are having the status of deemed university or autonomous institutions.

c. All the institutions have developed their own financial system and control mechanism.

d. All the institutions are registered under trust act or other.

e. The institutions under study are basically working for the cause of promotion of higher education.
f. The institutions under study are non-profit organization having the objective of achieving the social good through excellence in the field of higher education.

g. They are having their own monitoring and control system.

h. They are regulated by well defined set of regulation enacted by the government.

i. The internal management is regulated by articles of association, bylaws, ordinances and directives and statutes.

The researcher has analyzed the data by using simple method of tabulation and interpretation. The researcher has collected the information by two separate questionnaires as instruments of data collection. These questionnaires are circulated to following respondents.

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Questionnaire</th>
<th>Respondent class</th>
<th>Purpose of Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Part A:- General profile of the Institute</td>
<td>Assistant Finance Officer</td>
<td>Routine financial system and control mechanism.</td>
</tr>
<tr>
<td></td>
<td>Part (I) Information about Financial system.</td>
<td>Finance &amp; Accounts Officer or Controller of Finance</td>
<td>To collect information about financial policies system and foundation of financial structure.</td>
</tr>
</tbody>
</table>

Table No. 7.1: Class of respondents
Important conclusions based on the study are as follows

A. Regulatory frame work of financial system

The regulatory frame work of the financial system in institutions under study is that there is a standard regulatory frame work. This framework focuses at various important aspects of control. Silent features of regulatory framework are as follows

i. All the institutions under study are regulated by both external as well as internal regulations.

Internal regulation involves the following

a. Ordinances governing finance.


c. The finance code of the institution.

d. Accounts code of the institution.

e. Policy decision taken by management council.

f. Circular and guidelines issued from time to time.

ii. The external regulations include the

a. The Bombay Trust Act 19

b. Society registration Act.


d. Other statutes related with higher education.

B. The philosophy behind the foundation of financial system

The financial system and management practices of the institutions are based on following philosophical foundations
a. The university finance should be utilized for optimization of resources.

b. There should be proper and appropriate coordination between procurement and deployment of financial resources.

c. The principle objective of the fund utilization should be optimization of resources and not profit making but maximum result achievement should be the focus of financial function.

d. Beneficiary higher education through research extension and development should be the principle purpose of the functioning of the institution, providing cost effective useful and socially beneficial education to every deserving and more learning.

e. Contribution to human capital development for betterment of enhancing socio and cultural standard promoting research and higher education to achieve excellence to commence new discipline of learning and encourage new vestige of knowledge.

f. To acquire fund through appropriate and directed means of fund raising.

g. To develop innovative sources of finance.

C. **Silent feature of financial system.**

The important feature of financial system of the institutions under study can be highlighted as follows

i. Defined the present system of university finance. The prevailing financial system in university can be defined in term of its scope, areas of work.

ii. The systematic working. The prevailing system of finance is systematic in term of procedures, policies and functional
modalities. The financial function has to pass every financial activity through certain basic procedure to receive concurrence.

iii. The financial system as studied by the researcher indicates certain important features. These features are enlisted herewith.

i. **Standardize** – The prevailing financial system is extremely standard defined and procedure based.

ii. **Rigidity of approach** – A financial system is rigid in term of approvals, sanctions and performance; as such most of the issues are performed in a very conventional manner.

iii. **Lack of flexibility** – In many cases the financial system does not permit reforms alteration and adoptions to know system.

iv. **Sense of innovation** – Many of the financial system has lack modernity and pragmatism. New technique system and approaches are not being adopted.

v. **Lack of adoption of accounting standard** – Though the changes have occurred in accounting practices and methods, however most of the institutions still continued with the old and conventional accepted standard which affects the adoption of new accounting system adversely.

vi. **Absence of innovation in fund raising** – Though many innovations have taken place in term of fund raising techniques and financial system, however most of the educational institutions are not fully aware in these innovation and have not incorporated these innovations in their system.

vii. **Conventional regulations** – The regulatory system and mechanism of educational institution is still conventional in nature. Many reforms are not yet rightly incorporated in the
finance code, accounting methods as well as regulations and rules governing the financial system.

viii. **Narrow approach towards expenditure management** – The educational institutions is even today adopting a very restrictive approach towards management, classification and ascertainment of expenditure. The new concept of classification of expense on the basis of incidence, occurrence and nature are not fully incorporated by these institutions.

ix. A fee structure ascertainment of per head of expense and assessment of various expenses on unit basis is not appropriately done which in turn results in inappropriate presentation of financial status.

x. **Lack of transparency and financial disclosures** – Most of the educational institution even today have a secretive approach towards financial disclosures and presentation of financial statement. In turn it affects the quality of financial disclosures as well as even knowledge of the stake holders of financial status of the institution.

7. 2: Financial planning and its implications

The financial planning in the educational institutions under study is done in a highly conventional manner. The approach and concept of financial planning is very narrow and restricted only to the extent of setting goals and procedures. The presumptions regarding financial planning are limited to the extent of setting financial goals, allocation of resources and making annual follow. This is being a very narrow approach which lacks various things. Such as

a. The financial planning does not include long term investment requirements

b. It fails to incorporate various futuristic aspects.
c. It restricts only to assessing income and expenses and their sources. However it does not consider potential to raise funds of capacity of the institution in term of developmental planning.

### 7.3: Lack of reforms in financial system

At present the financial system is quite conventional in nature. It lacks reforms on following system.

a. The budget system.

b. The investment system.

c. Financial control system.

d. Reporting system.

a. **Budging system**- The prevailing system of financial management is quite narrow in approach. It considers only current receipts and payments. The exercise of budgeting is performed in a mechanical manner, as such innovative aspects of budgeting such as perpetual monitoring, drawing budget manuals, continuous up gradation are not taken in to account. The budgeting system does not incorporate rational assessment of institution, needs and lacks futuristic approach.

b. **Investment system**- Most of the institution adopts a conventional system of investment fund management. New avenues of fund raising, acquiring more returns on investment, risk litigation etc is not rightly considered. This becomes a major hindrance in development of appropriate financial system.

c. **Financial control system**- The existing system of financial control also lacks a comprehensive control approach because of which many fine aspects of controlling and regulating the financial activities are often neglected.
d. **Reporting system**- The new concept of financial controlling system has gained significant importance. Maintenance of financial records is not the true purpose of finance department. But more than that it shows work to report the status of financial system and suggest appropriate measures to reform the system which is presently neglected aspect of financial management.

**7.4: Influence of technology in development of financial system**
Technology has become a major driver that gears up every operational system of management. However it is noticed that in case of educational institution technology is not the prime over. Computers and computer oriented system are used for maintenance of financial data. However the usage is not of comprehensive nature. Sparse in frequent usage of computer on piece meal basis is a common feature, because of this though frontline computerization is effectively done. However integration of computer system is not effectively under taken. There are many pitfalls in the development of total computerization oriented system. The basic and operation activities are computerized. However the total organization accounting and fund management system are not computerized. There is a lacuna in terms of system organization and computerization of accounting activities. Many of the system can be properly and totally integrated which will facilitate the functions of the organization. This will also reduced paper work, loss of time as well as many functional conflicts. It will minimize the reporting time, improve the quality of reporting and develop a rational approach towards financial reporting.

**7.5: Disclosure practices**
The prevailing system of practice of financial disclosure has noticed in the study. Following are the limitations of the reporting system as noticed in the study.

- The reporting system is very conventional and close nit in nature.
b. The financial disclosure practices are extremely conventional and restrictive. There is a high degree of secrecy and lack of transparency in disclosure practices. The maintenance of accounts and preparation of financial statement is done in a systematic manner. However the procedure and system are quite old and conventional.

c. The disclosure in financial statement is also now limited in nature. Many of the aspects are regarding creation of reserves, development of funds as well as utilization of funds are not clearly stated.

d. A very small no of schedules are enclosed with the disclosed with financial statement as an annexure which adds to secrecy and non disclosure of many of the financial facts. The modern accounting standard and practices regarding disclosures are not yet implemented.

7.6: Implementation of accounting standard and uniformity in disclosure practices.

The accounting standards are modified and restructure from time to time. Presently Institute of Chartered Accountant of India has come out with many reforms in the accounting standard. This has been done to keep the records in tune with the changes taking place in accounting system and expectations of stake holders. New idea and concept of inflation accounting and responsive disclosure are also considered by ICAI. However educational institutions even of large size have not incorporated these changes.

7.7: Independency and autonomy of financial functions

Most of the educational institutions consider even today that finance is second aspect of total management system. They feel that managing finance is not a prime function of educational institution. These institutions are often equated with profit making. However this is not a correct understanding of financial function. Efficient financial function deals with the various other aspect of institutional fund management. Therefore equating finance function with profit
making is improper perception, as such these needs to be reconsidered. It is necessary to revisit the presumption of educational institution towards financial functions. In most of the institution's finance function is given secondary importance because of limited available funds and restrictive usage of funds for specific type of activities. There is autonomy, the institution have very marginal autonomy to decide usage and deployment of funds. As such to approach towards financial function becomes very narrow. Similarly the institutions are not having authority to raise funds by using different and independent means of funds because of which the role of financial function is restrictive.

7.8: Suggestions:-

Considering the nature of the study the researcher have offer few important suggestions useful to improve the quality of financial functions in the institutions under study. This shall defiantly help to develop right understanding of issues and problems related with upcoming institution of higher learning, issues of institution of higher learning. This shall throws light on the problem faced by the institutions and suggest to improve the quality of financial function in the institution. The present study, the researcher has offered few important suggestions for improving the quality of the financial function. These suggestions are based on the data collected and analyzed by the researcher and suggestion based on the problems realized.

1. Development of a comprehensive financial system.

At present the financial system in university is quite loosely structured and covers many aspects simultaneously. It lacks a rational focused and approach which can provide right states to the finance department. The conventional approach towards education administration towards finance is principle hurdle in developing a scientific system of financial administration. Furthermore the most of the educational institutions consider finance as a secondary function. Finance is wrongly equated with profit making. As educational institutions are not meant for profit making and hence it is presumed that finance is not main function of
educational institution. Furthermore the generation of more revenue and resource is not the principle activity of educational institution. As such the fee structure, per unit cost of education and even assessment of expenditure on different educational service is not rightly undertaken. Not only is this the finance department not given much of opportunity to participate in policy making and developmental activities. It is here suggested that the institution of higher education should come forward with a more pragmatic approach towards higher education. Unless and until the higher educational system is rightly given its due importance and wattage, the system of finance cannot be properly managed. Without having a rightly managed financial function, education cannot become meaningful and need based.

2. *Lack of rationalize financial system*

At present the university financial system do not meet the requirement of the institution under study. Presently following sub system of finance established.

i. Financial planning.

ii. Investments.

iii. Salary.

iv. Maintenance.

v. Development.

vi. Audit.

It is noticed that most of the system need appropriate reform.

Following suggestions are made to order to improve the quality of the system.

a. The financial system should more focused and need based.
b. There should be high degree of pagination and flexibility.

c. The system should be more need based and focus and according to specific requirement of the finance department.

d. The finance department should be given more autonomy for deciding its function and activity.

e. At present the finance department plays a second feudal and enjoys limited freedom. Most of the system have become rigid and do not having a comprehensive coverage.

f. The system are designed a certain consideration which need to be revisited.

g. There is a lacuna in role and scope of the system.

h. The purpose of objection of system is not well defined.

3. Development of automation and computerized system

   It is necessary to develop automated and computerized system for maintenance of financial records. At present many institutions under study have adopted piece meal and need base approach towards computerization. Finance function and system are not fully and systematically computerized. In most of the thing only the front line operations are computerized. As a result many of the activities remain neglected or less attended. There is absence of integration approach towards computerization. It is suggested that integrated and completed computerized system should be developed. It is necessary that the system and computerization should covered variety of aspects of different issues related with system development. All these issue should address critical aspects of reporting control and even data generation.
4. **Establishment of an appropriate management information system.**

At present the prevailing information system generates data as per requirements. In many cases information required is collected and generated when it is necessary. As such there is a absence of continuous and comprehensive and exhaustive management system. It is recommended that a total and integrated management system should be established.

5. **Development of technically sound management reporting system.**

The present reporting system is segregated and does not cover various aspects of finance as managerial issue. Management reporting system is not scientifically formulated; as such the reporting is not focused in many cases. Furthermore the reporting system comes in to action only when critical issues are arrived. This dominant nature of reporting system is not a healthy circumstance. It also does not represent a sound management practice. Therefore it is recommended that a perpetual, systematic, well designed reporting system should be established for the development of accounting standard for educational institutions.

Educational institution should developed appropriate accounting standard, considering the needs and requirements of the educational institutions. Accounting standard and convention should have to be designed. Presently for the want of such accounting standard and conventional accounting system in educational institution has recommend the development of such accounting standard which should be rightly and properly incorporated and implemented.

6. **Fair and transparent disclosure system.**

The present accounting system of educational institution is quite opal in term of disclosures and revalidation of financial information. There is a significant and secretive element. It is recommended that educational institution should go for more transparent, fair and high degree of
disclosures. Different stake holders should properly and appropriately inform all out performance of accounting of the institution.

7. Establishing appropriate costing mechanism.

The present system in educational institution does not evaluate the cost of various services and educational programs offered in a rational manner. It is recommend that scientific approach of assessment and cost should be adopted for evaluation, different service and programs. This will rationalize the cost structure and shall help educational institution to raise sufficient funds, Innovation sources of finance.

Educational institution should look for identifying innovative sources of finance to generate funds to meet the educational institutions requirements. This will reduce dependence of educational institution on stake holders and conventional means of fund generation.

7.9: Achievement of objectives:

The researcher has set six objectives for the purpose of study. To what extent these objectives are achieved is an important aspect of this study. In this study it is noticed that all the objectives are not totally and fully achieved. An explanation of objectives is presented herewith.

a. To know and understand the pattern of finance and organizational structure created for management of finance in university institutions.

After collecting the data regarding organizational structure and system of finance, it is noticed that most of the universities and institutions under study have not developed a full fledge, independent and autonomous finance department. As such there is restriction and limitations on the finance function. The finance department cannot take much decision independently. Thus it can be said that objective no 1 is rightly and fully achieved.
b. To know and understand accounting and audit system followed by the university institutions.

The researcher has collected data regarding prevailing accounting and audit system. Though researcher has collected some important information, however it is noticed that the university and institutions are unwilling share adequate and appropriate information. As such the objective could not be completely achieved.

c. To review the pattern of financial decision making and financial operations across the administration and academic departments.

In this case the researcher has collected information, data regarding information and reporting system. it is noticed that there is a restrictive, infrequent and opke system of reporting because of which there are many limitations on disclosures of information. The researcher had collected adequate and complete data; as such the objective is partly achieved.

d. To examine the activities related to investment of funds, raising finances and adhering to financial self sufficiency and discipline.

The information has collected regarding financial planning, investment planning and fund management and budgeting with the help of the information. It can be rightly said that the organization under study have developed a scientific system of investment planning. However system is not governed by modern principles. There is a need for updating and rationalization of the system. As such the objective is fully achieved.

e. To assess process of reporting and controlling aspects.

f. To identify problem areas in management of finance and to suggest ways and means if any to overcome the same.
The researcher has enlisted the problems related with management of finance designing of appropriate system. Prevailing view of the organization towards innovation in finance with the help of the information so collected, the researcher has drawn few important conclusions. Hence the objective is totally achieved.

7.10: Justification of Hypothesis:

The researcher has laid down two important premises for the purpose of the study. The premises are justified and analyzed after collecting necessary data. The statement of justification of Hypothesis is as follows.

1. Financial management in Universities needs revamping in the light of contemporary changes in the educational sector.

For this purpose the researcher has collected information from Finance & Accounts Officer of the institution. The information has collected on following parameters.

   a. Nature of the finance function.
   b. Scope of finance function.
   c. Limitation of finance function.
   d. Need for reforms in finance function.

With the help of information collected and tabulated following observations are made.

There is a need to reform the finance function.

The present financial is instituted in narrow manner.

The finance function has a conventional and orthodox approach.

New concepts are not incorporated in finance function.
The data those collected helps to conclude that there exists a relationship between finance function and changed scenario of the higher education. Hence the hypothesis stand accepted.

C. Financial function in the universities is neglected due to paucity of funds and conventional approach.

In this connection the researcher has collected information regarding the following parameters.

a. Issues governing finance in university.

b. Limitations of prevailing accounting system.

c. Challenges before accounting system.

d. New role and duties of finance managers.

e. Challenges faced by the institution in the field of finance.

f. Need for coordinating various activities of finance.

After collecting data on these parameters, it is noticed that the prevailing financial function needs appropriate coordination and synchronization. Therefore the hypothesis stands accepted.

d. Financial management in the institutions under study needs total restructuring in the light of change objectives of education system and expectations of the stake holders.
### 7.11: A Model for development of dynamic system of financial management

Considering the change in education sector, it is necessary to develop a dynamic and multi factor model of financial management. The multi factor model of financial management shall help educational institution in different ways. It will help the institution to redesigned the structure and develop an appropriate need based system of financial governance.

#### Assumptions of the Model

The Model is based on the following assumptions.

1. Financial management in educational institution need a dynamic and continuously progressing, improving system of financial administration.
2. Financial administration is an independent discipline.
3. Autonomy to the finance function is prerequisite for successful financial governance.
4. Financial governance has to be multi faceted.
5. In order to satisfy different stake holder’s high degree of transparency and disclosure is essential for improving quality of finance.
6. It is necessary to adopt new accounting standard and system to develop a pragmatic financial system for educational institution.
7. The norms, conventions and system of accounting should be more realistic and in tune with the changes in time and accounting standard and conventions.
8. Usage of technology, computerization and information system should be given higher importance.
i. There has to be appropriate relationship between different sub system of finance and total finance system.

The total financial system should be based on following premises.

a. Transparency.

b. Continuity.

c. Accuracy.

d. Focused.

e. Perpetuity.

f. Need based.

g. Inter related.

h. Dynamic.

i. Systematic.

j. Rational and user friendly.

k. Comprehensive

Thus a good and efficient financial system for educational institution needs to be totally revamped. These restructuring should be focused at up grading, updating and improving the quality of financial system for educational institution.
Following Model is to justify proposed Model for development for financial system.
7.12: Comments:-

The Model advocates following things

a. The system should be properly integrated and focused at developing a comprehensive financial structure.

b. The system should meet expectations of different stake holders.

c. The system should give due importance to different sub system.

d. The system worked on a perpetual basis to maintained due degree of dynamisms and perpetuity.

e. The modern system should focus on new technology, convention and standard of accounting.

f. The emphasis should be on protecting stake holder’s interest and providing them maximum benefits.

g. The system should be interactive and responsive to internal and external factors.