Chapter 1

Nature and scope of the study

1.1 Introduction:

Financial Management is an integral part of any institution just like a University Institution. Ever since, the globalization started, role and responsibility of the Financial Management have undergone a great transformation. It is concerned with the art and science of management financial resources including money as well as assets acquired with money. It is a part of total management of any type of organization whether business or non-business, public or private. Under financial management, various tasks that are normally performed are budgeting, financial forecasting, cash management, credit administration, investment of funds and so on. In recent years, changing regulatory and economic environment compelled with globalization have increased complexity as well as the importance of financial management. Another development that has taken place in recent times is that there are several reasons responsible for this. The ecology of education, especially higher education has changed completely.

In view of the concepts of human capital and knowledge economy, there are trends towards increasing investments in education, especially higher education and research by both the sectors, government as well as private.

This has necessitated the need for introducing sound financial management system in educational institutions.

1.2 Statement of the Problem:

It is clear that University finance is totally directed by University Act, 1994 and other private university institutions are governed by their own rules approved by UGC. The organization for the financial management function is clearly mentioned in the Act. So following are problem areas identified:
(a) Organization of finance function (This is related to accounting and audit system in place)

(b) Performing financial analysis and planning (This relates to efficiency and productivity studies)

(c) Measuring and controlling financial operations and results (This relates to cost price analysis of education as well as return on investment in education both by the institution and beneficiaries)

The Universities are at the epic centre of higher education system in India. Therefore enquiry into the problems and challenges of financial management of these bodies need to be addressed and studies properly. This is essential for the overall growth of higher education sector as well as economy as a whole. Hence the title of the study is “An analytical study of financial management in select university institutions in Pune”

1.3 Purpose of Study:

The study is justified on the following grounds:

1) There is a need for development of sound system of financial management in educational institutions. Most of the educational institutions at present do not have a well define and scientifically structure red financial management system. Which in turn influences the change of successes of these institutions? Unless and until approaches and efforts are match to synchronize the finance, success for effective resource utilization is not expected.

2) It is also necessary that a look be given to system of financial management by adopting appropriate accounting standard.

3) Most of the educational institutions lack in term of right approach towards resource planning and fund raising.

4) Financial disclosure and reporting system in these institutions are not in tune with the requirement of the contemporary accounting system.
1.4 Objectives of the study:

To streamline the Financial Management and to operate it in an effective manner while abiding the Financial as well as statutory rules, it is necessary to go through it. Profit maximization is not the main objective of University Institutions that is true but objectives are long term purpose and mission which state the reason for existence of the organization and declared what it wants to achieve in long run. They represent desired results of the organization who wishes to attain by its existence and operations. They indicate specific share of aims activities accomplishments. Following are the some important objectives of the study:

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

b) To know and understand Accounting and Audit system followed by the university institutions.

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

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

e) To assess process of reporting and controlling aspects.

f) To identity problem areas in management of finance and to suggest ways and means if any to overcome the same

1.5 Justification of the objectives:

There are two views in respect of Finance function, these are:

a) Traditional view

b) Modern View

a) Traditional view:

(i) Primary responsibility of a finance function is to raise necessary funds to meet operating requirements of the organization.

(ii) Take decisions with respect to the choice of the optimum sources from which the funds would have to be secured.
(iii) Timing of the borrowing or scale of stock and other terms and conditions of acquiring these funds.

(iv) Planning quantum and pattern of Funds requirement and allocation of funds as among different heads.

b) Modern View:

University Finance is viewed as an integrated part of the overall management. It is concerned with the funds raising operations; accordingly finance department has been assigned various responsibilities.

(i) To arrange funds and make sure that organization has sufficient funds to carry out its planes along with wide application of funds in the productive process.

(ii) The finance department is concerned with all financial activities of Planning Raising, Allocating Controlling.

(iii) To handle such financial problems as are encountered by an organization at the time of incorporation, consolidation and like situations that occurs in frequently.

1.6 Relevance of study:

The study is relevant for the following reasons

(a) Academic relevance:

Academic relevance of the study indicates utility of the study in understanding the functioning of educational finances and its implications on performance.

(i) It also shall help in understanding how financial activities are performed in educational institutions.

(ii) It shall also help a limitation in prevailing financial function in Academic institutions.

(b) Research Relevance:

The research relevance of the study indicates the following:
(i) The study shall help in understanding various facets of educational institutions.

(ii) It shall also explain in what way the educational institutions maintain and manage their finances.

(iii) It will throw light on the various important system of finance and their functioning applicable in educational institutions.

1.7 Research Methodology:

This is an exploratory research. Therefore the Techniques of collection of data and analysis cannot be applied uniformly to all the institutions to be selected for study.

1.8 Working Definitions:

Following are important working definitions:

(a) **Financial Management:** The term financial management for the purpose of the study indicates every system and method of allocations, applications and allotment of funds considering the objective of the institution.

(b) **Financial function:** The term financial function indicates that means techniques and function implemented by the institution for achieving efficiency of the financial system.

(c) **Educational institution:** For the purpose of the study Educational institution in the field of higher education working as deemed to be university or autonomous institution.

1.9 Hypothesis:

Considering the nature of the study the researcher has laid down the following two hypotheses:

I. The relationship exists between Finance function and changed educational scenario of higher education.
II. In order to achieve objective of Institution offering higher education in the modern context, it is necessary to redefine and synchronize the finance function in Institutions under study.

1.10 Research strategy:

The research strategy of the study covers the following:

(a) To decide the scope of the research strategy in terms of territorial coverage.
(b) For the purpose of the present study the territorial coverage is Pune city.
(c) Institutional coverage – For the purpose of the study institutional coverage means only the institutions working in the field of higher education especially deemed university or autonomous institution.
(d) Approach – The research shall be intensive analysis of financial system.
(e) System – The research shall conducted by collecting primary data of system of finance.

1.11 Research Design:

Research design of the study is formulated after considering following considerations:

(a) The nature of the study.
(b) Principle purposes of the study.
(c) Approach of the study.
(d) Consideration for conduct of survey.
(e) Institution to be selected.
(f) Method of data collection undertaking.
(g) Parameters for conduct of study.
(h) Variables which data shall be compared.
The researcher has adopted a two tier methodology for right understanding and perception of the problem. These two dimensions of the methodology are:

a) Collecting primary data regarding financial function system, System of Finance, Financial Planning & Fund management in the University under study.

b) Collecting information from annual reports and other published documents of the institutions under study.

As there are ten institutions and all are included in the study; therefore, this is a representation of study, where sampling method is not used.

### 1.12 Parameters of the study:

For the purpose of the study following parameters are used.

(a) System of accounting.

(b) Convention of accounting adopted by the institution.

(c) Method of accounting records.

(d) System of internal audit.

(e) Accounts control system.

(f) Budgeting system.

(g) Investment and fund allocation system.

(h) Capital budgeting system.

(i) Financial reporting system.
1.13 **Technique of Data Collection:**

For the data collection the researcher has adopted following ways:

*(a) Primary Data:*

With the help of two well drafted questionnaire focused at objective requirement of the study. Data is collected from:

(a) Finance Officer of the University

(b) Accounts Officer and other related Authority of the University

*(b) Secondary data:*

It is collected by analysing annual reports, Balance Sheet and other Financial Statements.

1.14 **Techniques of Analysis:**

The researcher has used following technique for data analysis:

a) Analysis of accounting system.

b) Analysis of financial reporting system.

c) Analysis of Financial Planning & Systems

d) Analysis of Budgeting Systems

e) Analysis of Cash Management system

f) Analysis of Accounting Conventions and system.

1.15 **Pilot Study:**

Though the representative study comprises of small no of institutions, initially two representative institutions were selected for pilot study. These are:

(i) BharatiVidtyapeeth

(ii) Symbiosis International University
1.16 **Quantitative nature of the data:**

The data collected for research is basically qualitative in nature. Most of the Institutions are in the field of higher education, because most of the institutions have provided with qualitative information. Furthermore, nature of study analyzed the system and method. The emphasis is on qualitative analysis of data. Following type and response is swot in using statement; questionnaire and pre determine interview and discussion:

a) Information about organization.
b) Information about accounting system and method.
c) Analytical aspect of budgeting system.
d) Examining investment and capital expenditure method.
e) Method of reporting and financial disclosures.
f) Audit and control mechanism.

1.17 **Method of asking questions and collection of information:**

The information is collected by using following method:

a) Asking direct question with Yes/No options.
b) Asking descriptive questions with option to write opinion.
c) Collection of views and opinions of respondents.
d) Analysis of existing system.

1.18 **Relevance of the Study:**

The present study is relevant for various reasons. The study shall throw light on different aspect of fund management of institute and technique of fund generation developed by educational institutes. The study also focuses on roll of financial planning and management in educational institution and their impact on success and development of the institution.
The relevance of study can be further elaborated as follows:

(A) Academic Relevance:

The study shall help new techniques and system designed by non-government higher educational institution. The study shall throw light on approach of private higher educational institution towards fund management.

The study shall specially focus on critical issues associated with fund management in private educational institution.

(B) Policy Relevance:

The study of finances shall help the policy measures of higher education and designers of public policy to review the system of fund management, financial administration in private higher educational institution. The study shall help the policy makers in following ways:

(i) The approach of private higher educational institution towards fees and management of earnings.
(ii) How the capital and revenue expenditure are manage by these institutions? What are the financial issues related with growth of these institutions?
(iii) How private educational institute can contribute towards social, economic, culture development by offering different educational services.

(C) Research Relevance:

The study is relevant from the research point of view also. Given below are the issues related with research relevance:

(i) It shall help us to understand the new and innovative system of fund management developed by private educational institute.
(ii) It shall also help us to know what is the complex problem of fund management of private educational institute and what solution should be offer to address such problems?
1.19 Research Strategy:

Considering the nature of study the Researcher has developed research strategy. The silent features of research strategy are as follows:

(i) This research is based on primary and secondary data. Hence, a bifocal research approach is adopted.
(ii) The data is called by using primary and secondary sources.
(iii) The data is collected on standard parameters. The parameters of evaluation are designed after considering different dimensions of study.
(iv) The research approach is analytical in nature.
(v) The research presentation has both empirical and primary data sources.

1.20 Research Questions Addressed:

The research shall address the following questions:

(i) What are the issues related with financial administration and fund management of non-governmental higher education institutions?
(ii) How and why these institutes need a separate treatment of funds?
(iii) What are the critical issues associated with acquisition and development of finance of these institutions?
(iv) What are the peculiar features of financial system, planning, models and budgeting of these institutes?
(v) How these institutions generated funds to meet their expansion and developmental requirements?
(vi) What are the constraints and challenges regarding financial management of these institutes?

1.21 Need for the Study:

(a) The study shall help to understand the variation in the system of financial governance of non-governmental higher education institutions.
(b) It shall also throw light on silent features of financial system of these institutes.

(c) It shall explain how various innovations are made in fund management system by these institutes.

(d) It shall help to know how the government should plan and formulated its policy towards private higher educational institution. It shall also throw light on rational and judicious assessment of contribution of private higher educational institute.

1.22 Research Design:

Entire research process is defined and distributed in a systematic manner. The point of commencement of research process starts with conceptualization of the idea and research ends with defines of suggestion and models. The flow of research process is presented here with:

Process of data collection - The research requires sufficient and necessary information which is collected by using both primary and secondary data.

(a) Primary data:
The term primary data indicates basic first hand data collected from certain original sources. This helps to know the relations and throw light on basic aspects of the situations. From this point of view primary data becomes the foundation of the research process. Nature of primary data for this research:

(i) Data related with financial system, strategy and policy of the organization under study.

(ii) The data related with financial statements, policy documents and decision regarding financial decision making.

(iii) Data regarding budget and budgetary procedures as well as monitoring of the financial activities.
(b) Secondary Data:

The term secondary data indicates the data collected from secondary and print process or data already available and collected from some other sources. The nature of the secondary data for the purpose of the study is as follows:

(i) Data available through published reports and financial statements of the institutions under study.

(ii) Auditors report

(iii) Reports regarding finances and financial management of such institute.

(iv) Data regarding financial system and management of educational institution published in the form of books.

(v) Other research reports etc.

Sources and justification of data collected

<table>
<thead>
<tr>
<th>Primary sources</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Basis and relevant data collected from institute under study.</td>
<td>1) This data is required to collect financial and organizational information</td>
</tr>
<tr>
<td>2) Opinions, views and response of respondents of the working in appropriate capacities.</td>
<td>2) This data is useful to analysis the realities of the institutions.</td>
</tr>
</tbody>
</table>

3) This data is useful to evaluate the performance of the institute from financial point of view.

<table>
<thead>
<tr>
<th>Secondary sources</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary data – Books and other publish sources.</td>
<td>1) To know the study and development of various concepts related with the study.</td>
</tr>
<tr>
<td></td>
<td>2) Journal and research papers to know the present state of educational finance and view of experts regarding the same.</td>
</tr>
<tr>
<td></td>
<td>3) To know and collect statistical and other relevant information regarding development and status of educational finance.</td>
</tr>
</tbody>
</table>
1.23 Varsity Population and Samples:

The research requires the study of non-government aided university system, financial system of unaided universities, system which included autonomous bodies, deemed universities and national institutions. As such the universe of the study is defined as follows:

(a) It shall include all the institutes which are considered as deemed university, national institutes and autonomous bodies.

(b) Territorial universe – The study shall be restricted to the territory of the University of Pune.

1.24 Population:

Pune city is rightly termed as educational hub of India. It is designated of ‘Oxford of the East’. This city is known for its educational culture. There is vast development of education of this city. As such the city has following kinds of institutions:

(i) State aided universities
(ii) Autonomous institutions
(iii) National institutions
(iv) Deemed university
(v) Affiliated colleges to state university
(vi) Affiliated colleges to deemed university

The population of these institutions is as follows:

<table>
<thead>
<tr>
<th>Selection of the Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Symbiosis International University</td>
</tr>
<tr>
<td>(b) Bharati Vidyapeeth</td>
</tr>
<tr>
<td>(c) National Institute of Bank Management</td>
</tr>
<tr>
<td>(d) Vakuntha Mehta Institute of National Co-op Management</td>
</tr>
<tr>
<td>(e) Indian Institute of Education</td>
</tr>
<tr>
<td>(f) Adharkar Institute of Science</td>
</tr>
<tr>
<td>(g) Gothale Institute of Politics and Economics</td>
</tr>
<tr>
<td>(h) Deccan college</td>
</tr>
<tr>
<td>(i) Bhandarkar Oriental Research Institute</td>
</tr>
</tbody>
</table>
For the purpose of the study the researcher has selected following institutes

1.25 Rationale of selection of Institutes:

The selection of the institute is done by using following criteria. These institutions are representative educational institutes and have well established reputation. These institutes have acquired a great credibility and standard. These institutes are working for promotion of education and developing a particular education culture. These institutes represent different but important aspects of certain selected educational area.

1.26 Sample Selection:

Out of 20 numbers of institutes, the researcher has selected 10 institutes. From each institute data is collected by communicating with following authorities and representatives.

(i) The Finance and Accounts Officer or Controller of Finance
(ii) Accounts Officer

Total sample of respondent shall be 20. In a way it is a small sample. The sample covers only those respondents who are directly associated with the process of finance and financial management. The data is collected through these respondents by communication and interaction.

1.27 Justification of sample:

The present research requires original and first hand data regarding financial systems, structures and processes in educational institutions under study and number of officer responsible for maintenance of financial records are limited. Naturally the responses are collected from small number of respondents. Respondents are a person who is responsible for maintenance of financial data and development of financial system. Therefore the sample is small.

Further the data shall be justified by way of supplementary and secondary data collected from the organization.
1.28 Nature of Questionnaire and data schedule:

In order to collect primary data the researcher has used questionnaire technique, data schedule technique. The questionnaire technique shall cover issues related with basic aspect of financial system, structure and methods of maintaining of books. This data shall be collected by using well defined, focused and directed questionnaire. The questionnaire is divided in sections. The information is collected from Accounts Officer of the institute under study.

1.29 Data Schedule:

This shall be used to collect and recorded information from the office of Finance Officer. This information shall be related with financial system and budgetary and controlled mechanism.

1.30 Note on Techniques of analysis:

This is a study of financial system and performance. Therefore the researcher has emphasized on collection of financial information which is analyze by using different financial techniques. The techniques are focused at various financial systems. An analysis of data is related with financial performance, achievements, systems and mechanism. Hence, following techniques of analysis of data are used.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Techniques</th>
<th>Purposes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ratio Analysis</td>
<td>To analyze financial performance and achievements</td>
</tr>
<tr>
<td>2</td>
<td>Fund Analysis</td>
<td>This shall deal with analysis of financial structure, sources and application of funds.</td>
</tr>
<tr>
<td>3</td>
<td>Working capital analysis</td>
<td>This shall deal with analysis of availability of funds and their utilization in short term</td>
</tr>
<tr>
<td>4</td>
<td>Analysis of financial planning and systems</td>
<td>This deals with prevailing financial system, their strength and weaknesses</td>
</tr>
<tr>
<td>5</td>
<td>Analysis of budgeting system</td>
<td>This examines budgetary system, performance and monitoring techniques</td>
</tr>
<tr>
<td>6</td>
<td>Analysis of cash management</td>
<td>This examines the working capital and receivable analysis</td>
</tr>
<tr>
<td>7</td>
<td>Analysis of accounting conventions and system</td>
<td>This examines how the accounting system is materialized and its implementations</td>
</tr>
</tbody>
</table>