CHAPTER 2
Review of available Literature

2.1 Introduction
The present study deals with the financial management of educational institutions especially in relation to financial planning and budget practice. The study focused at analyzing prevailing practices in planning, budgeting in educational institutions. Management of educational institution is now emerging with new education. It is presume that management is basically required by professional management and management institutions. Non-profit organization did not have a scientific and professional approach towards management of their finance and funds. This has been resulted in organization of various functions in a non systematic and unprofessional manner. Non profit making organization should not necessary look at management sincerely, seriously because they are not meant for making profit. As such resource utilization, revenue generation and efficient requirement of fund are not considered in core function of such institution.

However, since last two decade finance of educational institution has become more scientific and well defines society. The approach towards nature of educational institute has gained importance due to expansion of educational services and sizeable increase in number of educational institutions.

Educational institutions are no longer considered as a small not so important kind of organization. Increase in demand for quality education growth of large size educational institution must scale an universal higher education are some of the important factor that have change the approach towards management of educational institutions.

How these institutions should be managed? What should be the guiding principles of organization and management of such institution are the key issues. The core issues regarding management of resources, generation of revenue and efficient fund utilization are the key area where Researcher writing and development of theory have started gaining importance.

The old approach of the educational institution should not bother much about fund and should not cater to demand for money and they do not generate
surplus. It is now replaced by new ideas regenerating efficient resource management, cost efficient system development and creation of appropriate management models.

Many experts authorities and researchers have started examine the issue of management of educational institution further. The key function issues such as developing suitable administrative system, enhancement of quality and efficient management of funds and financial planning have attended more attention of Researchers.

Today one comes across a variety of writings on various issues of educational institutions. In present chapter the Researcher has analyzing views and opinion of experts from different spheres of administration.

The research was done by experts, their approach and findings are also evaluated to know how these experts have review the structure of financial management planning and budgeting practices in educational institutions.

2.2 Objectives of Research

The review of literature has done with the following objectives.

i) To understand how different experts and scholars have analyze the process of educational administration, planning and management.

ii) To know about the finding, opinions, views regarding financial system, planning and management in educational institution.

iii) To examine prevailing practices regarding financial administration, management, financial planning, budgeting in the institution.

iv) To co-relate findings of the various experts with main objects of the study.
2.3 Order of review

The review of literature is divided in following phases

a) Opinion of various authorities on educational administration.

b) Views and opinion on research findings on financial management, planning and budgeting practices in educational institutions.

c) Empirical study regarding financial administration, budgeting and planning in various educational institutions.

d) New trends regarding management of finance and innovative practices in fund management adopting by educational institutions.

Review of some important books related with higher education, finance and financial management administration is presented herewith.

Chalam K. S. has written a book title “Deconstructing Higher Education reforms in India”. This book is basically devoted to key issues related with higher education in India. The book evaluates very important aspects prevailing higher education policies in India. The book is divided in ten chapters and main thrust area considered in this book is as follows:-

i) Higher education policy and reforms.

ii) Knowledge outcomes and evaluation.

iii) Equality and quality syndromes.

iv) Competency for good teaching.

v) Productivity of higher education and economic reforms inclusive education and social empowerment financial strategy for educational reforms.

vi) Addressing inequality in human capital under foreign for higher education.
Author has specifically considered the issue of financial strategy for educational reforms. The author has identified following problems related to education finance. These are as follows:

i) The formal system of education is increasingly turning out to be counter productivity.

ii) Issues related with resources allocation of higher education.

iii) Indirect expenses of higher education especially regarding infrastructure and amenities.

iv) Lack of private sources and incomes to meet educational expenses.

v) Low financial response of Government to private educational institutes.

vi) Issues in finance lower income and occupational background standard indiscriminate sub standardization of education.

vii) Lack of cost consciences in institute of higher education.

The author has also visualized various issues related with budget under investment through budget provisions. In this connection the author has made following important observations:

i) The budget provisions appear to be disheartening, as the finance minister in his economic survey recognized the shortage of skills and the need for universalization of secondary education. But the allocation did not match the size of the big task. There is no provision for development for infrastructure under capital account.

ii) The financial allocation made by different state government and the central government combined are presented in the table No. 1. The data clearly show that there is no clear indication as to the inclination towards education among different items of social service expenditure.
Table No. 2.1

Trends in social services expenditure by Central Government
(Central and State Governments Combined)

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<td>Total Expenditure</td>
<td>8,69,757</td>
<td>9,59,855</td>
<td>11,09,174</td>
<td>12,95,903</td>
<td>16,59,109</td>
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<tr>
<td>Expenditure on Social Services of which</td>
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<tr>
<td>i. Education</td>
<td>1,72,812</td>
<td>2,02,672</td>
<td>2,39,340</td>
<td>2,88,500</td>
<td>3,98,828</td>
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<td>i) Health</td>
<td>37,535</td>
<td>45,428</td>
<td>52,126</td>
<td>60,489</td>
<td>76,489</td>
<td>89,314</td>
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<tr>
<td>ii) Others</td>
<td>51,166</td>
<td>60,879</td>
<td>72,470</td>
<td>1,00,084</td>
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As per cent of GDP

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<tr>
<td>Total Expenditure</td>
<td>28.85</td>
<td>25.90</td>
<td>28.89</td>
<td>26.19</td>
<td>29.76</td>
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<td>i) Education</td>
<td>5.33</td>
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<td>5.59</td>
<td>5.83</td>
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<td>i) Education</td>
<td>2.60</td>
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<td>2.68</td>
<td>2.58</td>
<td>3.01</td>
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<td>ii) Health</td>
<td>1.16</td>
<td>1.23</td>
<td>1.22</td>
<td>1.23</td>
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<td>iii) Others</td>
<td>1.58</td>
<td>1.64</td>
<td>1.69</td>
<td>2.02</td>
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<td>As per cent of total expenditure</td>
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<td>Expenditure on social Service of</td>
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<td>24.0</td>
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<td>i. Education</td>
<td>9.7</td>
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<td>iii. Others</td>
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<td>6.3</td>
<td>6.5</td>
<td>7.7</td>
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<tr>
<td>i. Education</td>
<td>48.7</td>
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<td>ii. Health</td>
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<td>iii. Others</td>
<td>29.6</td>
<td>30.0</td>
<td>30.3</td>
<td>34.7</td>
<td>38.7</td>
<td>35.4</td>
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Source: RBI as obtained from Budget Documents of Union & State Governments.
BE: Budget Estimate; RE: Received Estimate
Box No.1

From this review the Researcher has gained the following insights

a) **Higher education is still a neglected issue from financial point of view.**

b) **Higher education needs in India more rational and appropriate strategies of financial management.**

c) **Without developed a rational budget approach towards University and higher education institution, the issue related with them education can be rightly address.**

Belfield Clive and Henrey M.V. Leviya have addressed the issue of economic of higher education in the light of various aspects related with funding, financing and management of resources. The author has stressed upon the fact that the higher education funding is a key issue related with management of institute of higher learning.

Punnaya K has prepared a report on funding of institute of higher education. This report highlights following issues:-

i) Economic of higher education should be based on issues of consideration of social development and human capital development.

ii) The higher education in India should not be linked with end benefits in terms of utility and relevance. The social and invisible dimensions of culture advancement should also be taken in to account.

iii) Higher education should have relevance from the view point of human capital development advancement of knowledge research and development.
Bloom, Canning and Chang have written a report on higher education and economic development in Africa. This report is submitted on recommendation of World Bank. The sole purpose of this report is to identify reasons for low education advancement, poor standard of higher education and difficulties and constraints in development of quality higher education.

Chalam K.S. has written a report titled “Financial Cost and Productivity of Higher education”. This report deals with certain basic issues related with financial methods of financing higher education, issues in ascertaining of cost and productivity of prevailing higher education system in India.

FICCI has presented a report related with private initiative in higher education. This report basically deals with how private universities can address the issues and problems related with development of quality higher education and research in universities in India.

Ambari M and Birla A have presented a report on policy frequently works for reforms in education. This report deals with need for pragmatic changes in the prevailing higher education system and it also highlights new initiatives to be taken to develop quality higher education in India.

Planning commission has revised the status of higher education through CABE commission on financing higher education. This report is published NIEPA. The report observes need for a systematic and planned changes in policies of financing and reconstruction of Indian higher education.

UNESCO has also analyzed the issue related with financing education. In the report titled “Financing education – Investment and returns”. The report has highlighted key issues related with higher education, universities and development of university education in India.

V.C.Kulandai Swamy has written a small monogram on Reconstruction of higher education in India. The book highlights principle problem related with quality of higher education, enrolment ratio and fund allocation for higher education. The author has advocated private participation in higher education.
However he has cautioned that such an idea cannot work efficiently in countries like India due to limitation of facility, structure of funds and faulty.

In his words – ‘It is realized that postgraduate education at levels of excellence and basic research at the frontiers of knowledge cannot be sustained in adequate numbers by private providers who could depend mainly on tuition and special fees. It will take a long time before we could witness private institutions in the horizon with the rich research tradition as in the USA. The immediate responsibility is that of the state even though we do not rule out modest participation of private universities in research. Many of them may need projects which the government departments may offer.

Similarly V.C.Kulandai Swamy has also argue for subsides for promotion of higher education. The observation made by Swamy is as follows

Benefits of subsides accrue primarily to the recipients. A significant portion of subsides in higher education is appropriated by the middle class and high income groups because shortages of seats in the sector are cleared by quality based clearing in the shape of entrance examination, interview, group discussion etc. where the poorer sections of the society are competed out.

Peter Scott has reviewed reforms in higher education book titled “Higher education Re-formed”. Key issues highlighted by author are as follows

i) Prevailing issue regarding strategy and management for development of university.

ii) The roll and impact of corporate universities.

iii) Globalization of higher education.

iv) Reconfiguration the universities.

Dr. M.H.Syed has written a book titles “Education in emerging India”. This book basically a conceptual analysis of various issues and policies related with higher education in India.
R.K. Sahoo and T. Senapati have edited a book titled “Resources Mobilization for higher education”. In this book the authors have consider following issues

i) Financing of higher education in India.

ii) Resources mobilization for higher education in India.

iii) Trends in policing, planning of financing higher education in India.

iv) Privatization of higher education.

In the article financing higher education in India the author Vidyanath Mishra has identifying the following issues

The Government resources are limited and there are many competing agencies which require financial support. The industries also derive substantial benefit from higher education and as such they should participate in the sharing of financial responsibility. It may be mentioned that there is sharing of educational expenditure of higher education among different agencies in developed countries.

In another article by Bimal K. Mohanty the author has noticed that higher education in India is still consider as a merit good. The idea has to be further broadened. Therefore it is necessary that we should encourage in private participation in education. The conclusions of the article is as follows

From the above analysis it is inferred that ‘state funding of higher education in India is no more a valid proposition and leaving it to the private control and financing disagrees with the principle of equity and social justice’. In view of this contradiction the resource mobilization for higher education in India does not seem to be a trouble – free exercise. Indian conditions do not support full withdrawal of financial involvement in higher education. It has to stay and the state has to provide for higher education out of its own resources.

S.N. Tripathi has made a few important suggestions for financing higher education which are as follows

i) In order to recover a part of the education expenditure graduate tax may be imposed on those who are educated manpower. It is
paradoxical that in India while the cost of the education is borne by Government, but the products of the educational system are used by the public and mostly by the private sectors. The educational sector provides manpower to the production sector where the employers generate huge profits but there is no return for the Government. Hence, there should be education cess to be collected from the employers of graduates produced through higher education system in India.

ii) Wastages, misdirection, misapplication of funds and mismanagement of financial resources at the university level should be minimized. The unnecessary meetings, committees, file movements delays in decision making etc. should be reduced with the streamlining administration.

R.C. Pandit in his paper ‘Finances higher education in India’ has made following observations

The financing of higher education is a wildering issue which needs to be tackled in a holistic manner. Higher education should be viewed as public good, neglect of which would necessarily mean neglect of society. Therefore the present trend of Government funding towards higher education should be reversed and a higher percentage of G.D.P. should be earmarked for investment in higher education. Till the higher educational institutions become financially sound by mobilizing their own resources and capable of managing their own affairs. Hiking of tuition fees, introduction of different fees, rising of donations, utilization of waste resources, introduction of self financing courses, and provision of student loan will go a long way in achieving the goal of equity, accessibility and generating additional resources and at the end making the institutions of higher education learning financially sound.