Financial Resource Management in the Arts, Science and Commerce Colleges of Thane District

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Abstract

Financial Resource Management in educational institutions is necessary as the institute consists of several factors that fall under the category of public finance. Financial resource management in such institutions becomes an interesting academic and financial inquiry. University of Mumbai is the prime institute in Maharashtra with its affiliation spread over to Mumbai, Mumbai Suburbs, Thane, Navi Mumbai, Raigad, Ratnagiri, Sindhudurg and very recently, Palghar districts or academic blocks. The present paper attempts to examine the importance of Financial Resource Management in the Arts, science and Commerce colleges affiliated to University of Mumbai in Thane district. With the help of an elaborate questionnaire the researcher collected the responses from the Principals and Registrars of the sample colleges and has attempted to analyse the data tracing the practices, need and importance of Financial Resource Management in the sample colleges. Also, inferences are drawn on the basis of observations and further certain recommendations are made.
KEYWORDS: Financial Resource Management, Budget, Budgetary deficit.

Introduction:

Financial Resource Management in educational institutions is necessary as the institute consists of several factors that fall under the category of public finance. Therefore, budget, budgeting, budgetary control and financial resource management in such institutions becomes necessary. To reassert the idea of Financial Resource Management in educational institutions Sindhi (1984) states “budgets in most of the colleges are prepared by the accounts branch of the college with the help of the principals and teachers. In most colleges teachers helps the budget personnel in preparing estimates. Principals generally play advisory role in the budgeting process. After the budgets are prepared and consolidated they are forwarded to the managing body of the college for their approval. Principals are responsible to get the budget approval from the managing body.” (Sindhi1984)

Thane District is close to the Mumbai Suburban District with cosmopolitan culture in Thane city. There are 97 colleges affiliated to University of Mumbai Thane District, of which 8 colleges were selected as sample institutions for the present research. Number of students in pursuing higher education in degree colleges is high. The total number of students pursuing under-graduate courses in Arts, Science and Commerce colleges in Thane district is 109860 with 10741 students for Post-graduation courses in the academic year 2019-2020. The researcher has attempted to examine some sample colleges to collect the information from the Principals and Registrars; on the basis of the same the following observations have come to light.

The following tabulated information highlights the admissions of students in under-graduate and post-graduate courses in the academic year 2019-2020:

Sr. No.	Name of the Taluka	No. of Students at Under-Graduate level	No. of Students at Post-Graduate level
1	Ambernath	5,858	147
2	Bhiwandi	12,456	609
3	Kalyan	39,891	2,919
4	Murbad	3,178	362
5	Shahapur	7,254	244
6	Thane	10794	4,952
7	Ulhasnagar	19,688	1,508
Total	--	99,119	10,741

1) Sources of Revenue in Colleges:

Colleges obtain their revenue from University Grants Commission, Central Government of India, especially, grants for Scheduled Tribe students, State Government, fees from students and above all, the donations from donors-individuals and trusts/companies. Even the management of the college can provide funds to college, sometimes.

Table: The Sources of Revenue for Budget in Colleges:

Variable	**Response from sample colleges**					
Sources of Revenue	**Yes**	**%**	**No.**	**%**	**Total**	**%**
UGC Grant	7	87.5	1	12.5	8	100
Central Government (other than UGC) Grant	1	12.5	7	87.5	8	100
State Government Grant (Salary)	8	100	Nil	Nil	8	100
Fees from Students	8	100	Nil	Nil	8	100

It is evident that all aided colleges having with 2 f and 12 b status of U G C receive grants from the U G C. All aided colleges receive salary grants from the State Government. The major source of revenue for these colleges is the fees that they receive from the students.

2) Management of Financial Resources:

Management of Financial Resources compels business administration to think about management of financial resources in the future that is most likely the crucial characteristic of this system. *Dictionary of Accounting Terms* also defines budget control as, "budgetary actions carried out according to a budget plan. Through the use of a budget as a standard, an organization ensures that managers are implementing its plans and objectives and that their activities are appraised by comparing their actual performance against budgeted performance. Budgets are used as a basis for rewarding or punishing managers or perhaps for modifying future budgets and plans." (Siegel and Shim 200)Effective Financial Resource Management involves some steps, such as formulation of budgets, recording the actual performance, comparison between the actual and budgeted performance, calculation of differences occurs in both the performances (variances), analysis of the reasons of differences in between budgeted and actual performance, reporting the management for effective administration in future and taking corrective action for further development and effective budgetary control system.

Application of Management of Financial Resources in Colleges:
The data stated in the following table focuses the present position of application of Financial Resource Management in the sample colleges.

Table: The Status of Effectiveness of Management of Financial Resources:

Variable	Response	
Do you have an effective Financial Resource Management in your college?	No.	%
Yes	7	87.5
No	1	12.5
Total	**8**	**100**

The present study projects that majority of colleges have effective Financial Resource Management. The rest of colleges also have the Management of Financial Resources but it is not much

3) **Budget Deficit in Colleges:**

Due to the hike in prices of the commodities in the market, it is oftentimes observed that a college feels it difficult to meet its requirements within the budgeted amount. This situation of exceeding of expenses over the budgeted amount is known as budget deficit or shortage of funds. Michael Burda and Charles Wyplosz in their book *European Macroeconomics* touch upon the definition of Budget deficit as, “The meaning of 'deficit' differs from that of 'debt', which is an accumulation of yearly deficits. Deficits occur when government’s expenditures exceed the revenue that it generates. The deficit can be measured with or without including the interest payments on the debt as expenditures. The primary deficit is defined as the difference between current government spending on goods and services and total current revenue from all types of taxes net of transfer payments. The total deficit (which is often called the fiscal deficit or just the 'deficit') is the primary deficit plus interest payments on the debt.” (Burda and Charles Wyplosz 1995)

When a college’s net amount received (revenues less expenditures) falls short of the projected net amount to be received, it can be said that the college has deficit revenue. This occurs when the actual amount of revenue received and/or the actual amount of expenditures do not correspond with predicted revenue and expenditure figures. Majority of the sample colleges complain that they are always facing this crisis of deficit budget.
It is evident that approximately 87.5% of the sample colleges face deficit budget. Generally, it is observed that in the Science stream, it is in the curricular activities the deficit is found, whereas in the Arts and Commerce streams it is in the cultural activities the same is traced.

4) **Analysis of Variance in Colleges:**

Generally, the comparison between the budgeted revenue and expenditure with the actual one is known as variance analysis. The Budget Committee or the principal studies the variation between the budgeted expenditure and the actual expenditure, which helps the concerned authority to arrive at the conclusion. Further, *Dictionary of Accounting Terms* also defines, “Variance analysis is aimed at tracing the difference of revenues, costs, and profit from the planned amounts. One of the most important phases of responsibility accounting is establishing standards in costs, revenues, and profit, and, establishing performance by comparing actual amounts with the standard amounts. The differences (variances) are calculated for each responsibility center, analyzed, and unfavorable variances are investigated for possible remedial action.” (Siegel and Shim 2000)

Variance analysis, in budgeting or management accounting in general, is a tool of budgetary control by evaluation of performance by means of variances between budgeted amount, planned amount or standard amount and the actual amount incurred/sold. Variance analysis can be carried out for both costs and revenues.

Table: Analysis of Variance at Colleges:

Variable	**Response**		**Variation Analyzed with reasons**		**Variation not Analyzed with reasons**	
Does your Financial Resource Management have a system to analyze the variances with a view to identify its reasons?	**No.**	**%**	**No.**	**%**	**No.**	**%**
Yes	7	87.5	7	100	Nil	Nil
No	1	12.5	NA	NA	1	100
Total	**8**	**100**	**7**	87.5	**1**	**12.5**

There are 7(i.e. 87.5%) of the respondent colleges where variation is found between the budgeted revenue & expenditure and, the actual revenue and expenditure incurred during the year and these colleges also analyze the reasons of such variations to take corrective actions.

The Data cited in the tabulated form exhibits that the colleges attempt to find out the variances in financial transactions. Also these colleges analyze the reasons and the causes of the variances. Further, they also take corrective measures to avoid the same.

5) Application of Activity Based Costing in Colleges:

The table states the status in the sample colleges as regards to the Activity Based Costing or to identifying most expensive activity.

Table: Tracing the Most Expensive Activity:

Variables	**Response**					
	Yes		**No**		**Total**	
	No.	**%**	**No.**	**%**	**No.**	**%**
Do these comparisons help in finding the most expensive activities in the college?	7	87.5	1	12.5	8	100

There are 7 (i.e. 87.5%) of the respondent colleges which consider that due to the Management of Financial Resources, they can trace the most expensive activity either from the curricular or co-curricular activities, which does not give performance in the ratio of expenditure, whereas 01 (i.e. 12.5%) college does not think the same, these colleges treat every activity on the same footing.The present study shows that most of the sample colleges trace out the most expensive activity through variance analysis. They consider Activity-Based Costing helps them to trace the most expensive activity either from the curricular or co-curricular, and accordingly either make provisions for extra funds if necessary or curtail the expenses.

6) Management of Financial Resources and Activity Evaluation:

In Management of Financial Resources, Activity Cost analysis shows the average cost and revenue for all instances of each activity in the current model result. This analysis enables an institute to determine quickly, where in a process the most money is spent or earned. One can also determine the relative importance of expenses that result from the inherent cost of completing each activity, from resource costs, or from idle time while waiting for resources to become available. By understanding where costs and revenues are generated throughout the process, one can identify potential areas for improving revenues or reducing costs.

The concept of Activity Account is elaborated by Lou Qualtiere, (2011), Associate Dean of Research, College of Medicine and Co-commitment Leader, Finance Resources Commitment in the second integrated plan in the manual of University of Saskatchewan, says, “the new budgeting system “will push our thinking about priorities and ensure that decisions will be made on the basis of academic merit and cost. This method is called the Transparent Activity-Based Budget System (TABBS). Using this model, you know exactly what your revenue and costs will be,” he said. “Once all those numbers are known, there may be units, departments or programs that lose money so the responsibility centre will have to recover those costs somewhere else if it believes that maintaining that unit or program is critical to its mandate. It informs the academic decisions we’re making with numbers that reflect the actual cost of the activity.

Transparent, Activity-Based Budget System (TABBS) will result in a new model that will inform decision-making about budget levels and reduce dependency on historical agreements. This new model will help align college and unit budgets with activities in a more transparent, comprehensive, and systematic way; link budgets to cycles of integrated planning; ensure resources are put behind strategic priorities; and place responsibility for budgets at the appropriate college/unit and university levels.” (Qualtiere 2011)

Table: Comparison of Revenue and Cost of an Activity at Colleges:

Variables	Response					
	Yes		No		Total	
	No.	%	No.	%	No.	%
Do you compare the revenue from the activity and cost attached with it?	7	87.5	1	12.5	8	100

There are 07 (i.e. 87.5%) of the respondent colleges compare the revenue and cost of activities. This enables them to control the cost incurred for an activity, whereas 01 (i.e. 12.5%) of the respondent colleges do not compare the revenue and cost of an activity.The analysis indicates that majority of colleges compare the revenue and cost of every activity. This method of activity accounting helps them to control the expenditure that exceed than the budgeted one. Further, nearly 13% of the sample colleges do not bother to have the method of activity accounting. They prefer to follow the traditional method of accounting.

7) Financial Resource Management: Aim Orientation and Performance:

By providing target to every department, Financial Resource Management provides a tool for measuring managerial performance. Budget targets are compared to actual results and deviations are determined. The deviation in budgeted and actual performance will enable the determination of weaker areas. Efforts are concentrated on those aspects that are creating problems. The performance of each department is reported to top level management.Henri C. Dekker, Tom Groot, and MartijnSchoute in their scholarly article entitled, “Determining Performance Targets” (2012) define, “Performance targets direct organizational participants toward firm strategy, provide guidance for allocating effort, and induce effort toward performance goals. Key aspects of the setting of performance targets are how specific they should be and at which levels they should be set. We develop a structural model that aims to explain the specificity of targets set for subordinate managers and the information sources used to set target levels for defined performance dimensions, which sources include past performance, future planning, and benchmarking information.”(Dekker, Groot &Schoute 2012)

The tabulated information stated below showcases the present scenario of acceptance and its application of budgetary control system in determination of aims and measuring the performance of the departments/groups or/ and individuals in the sample colleges.

Table: Effects of Financial Resource Management at Colleges:

Variables	**Response**					
	Yes		**No**		**Total**	
	No	**%**	**No**	**%**	**No**	**%**
Does Financial Resource Management determine targets of performance of each department, in this sense; is it aim oriented for achieving given objectives?	7	87.5	1	12.5	8	100

Out of 8 respondent colleges, 7 (i.e. 87.5%) colleges agree with the view that Budgetary Control System is an aim oriented and is very useful in achieving a given objective. They also agree upon the idea that each department’s performance becomes target oriented due to Budgetary Control System.It becomes clear that the almost all the colleges agree that budgetary control system is certainly an aim oriented and enables the colleges in achieving the targets fixed.

8) Management of Financial Resources: Coordination and Decentralization:

Majority of the functions in an organisation cannot be done in isolation. The functions, be it accounting or administration, are to be performed in a greater coordination for smooth completion and better results. Budget exercise develops team spirit amongst the employees to work in co-ordination. The role of Budgetary Control is immense in integrating the activities of different departments.*Dictionary of*

Accounting Terms defines co-ordination as, "a process that involves a decision by management as to how best to put together the resources of the firm in order to carry out established plans. Coordinating also requires directing. In directing, managers oversee day-to-day activities and keep the organization functioning smoothly." (Siegel and Shim 2000) In the modern times, it is a commonly found practice that a single authority does not take all the decisions. The power of decision-making is handed over to the subordinates in the organisation. This act is known as decentralization. *Dictionary of Accounting Terms* defines the term, 'decentralization' as, "an act of delegation of decision-making to the subunits of an organization. It is a matter of degree. The lower the level where decisions are made, the greater is the decentralization. Decentralization is most effective in organizations where subunits are autonomous and costs and profits can be independently measured. The benefits of decentralization include: (1) decisions are made by those who have the most knowledge about local conditions; (2) greater managerial input in decision-making has a desirable motivational effect; and (3) managers have more control over results. The costs of decentralization include: (1) managers have a tendency to look at their division and lose sight of overall company goals; (2) there can be costly duplication of services; and (3) costs of obtaining sufficient information increase." (Siegel and Shim 2000)

Table: Management of Financial Resources: Coordination and Decentralization in Colleges:

Variables	Response					
	Yes		No		Total	
	No	%	No	%	No	%
Do you agree Financial Resource Management coordinates various activities of the college?	7	87.5	1	12.5	8	100
What is your opinion about Financial Resource Management facilitates the managements to decentralize responsibility and delegate authority?	7	87.5	1	12.5	8	100

It is observed that 7 (i.e. 87.5%) respondent colleges agree that Financial Resource Management helps them to co-ordinate various activities of their colleges, whereas 01 (i.e. 12.5%) college does not agree that Financial Resource Management helps them for the same.There are 7 (i.e. 87.5%) respondent colleges which consider that Financial Resource Management facilitates the managements to decentralize responsibility and delegate authority in their colleges for better performance, whereas only 01 (i.e.12.5%) college does not agree with the idea of decentralization of responsibility and delegation of authority.It is clear that most of the colleges agree with the view that Financial Resource Management enables them to co-ordinate between various departments and activities. Further, they agree with the idea that Financial Resource Management helps them in decentralizing the authority.

9) Effects of Management of Financial Resources:

The canvass of Financial Resource Management is becoming wider, as every business and venture is considered global and local at the same time. There have been many attempts to overcome the limitations of budgeting systems by introducing many innovations such as flexible budgeting, zero based budgeting, and performance budgeting.The biggest benefit of Financial Resource Management is that it allows managers the freedom of decision making as long as they do not exceed the budgets. It also enables a company to lay standards of performance and levels of activities of different functions and departments within the company. This ensures that various departments and functions operate within the framework of a common overall plan. Budget also serves as a means of evaluating the performance of different functions and managers within an organization. This makes it clear that budget is no more the traditional concept.

Table: Variant Effects of Application of Management Financial Resources in Colleges:

Variables	Response					
	Yes		No		Total	
	No	%	No	%	No	%
According to you, is Financial Resource Management innovative, prepared and approved prior to a defined period?	7	87.5	1	12.5	8	100
Do you think that expenditure as an application component in Financial Resource Management?	7	87.5	1	12.5	8	100
Financial Resource Management provides basis for the comparison of actual performance with The predetermined targets. Do you agree with this statement?	7	87.5	1	12.5	8	100
Do you agree with the idea that Financial Resource Management enables in analyzing the difference between projected and actual revenue and expenditure, and to determine their causes?	7	87.5	1	12.5	8	100

It is observed that 7 (i.e. 87.5%) respondent colleges agree with the view that Financial Resource Management is innovative, prepared and approved prior to a defined period for the overall development of colleges, whereas 01 (i.e. 12.5%) respondent college does not consider it as innovative.There are 7 (i.e. 87.5%) respondent colleges which consider expenditure as an application component in Financial Resource Management, whereas only 1 (i.e. 12.5%) respondents do not agree with this statement.It is observed that 7 (i.e. 87.5%) respondent colleges agree with the statement that Financial Resource Management provides a basis for the comparison of actual performance with the expected targets, whereas 01 (i.e. 12.5%) respondent does not consider it so.It is found that 7(i.e. 87.5%) respondent colleges agree with the idea that Financial Resource Management enables them in analyzing the difference between projected and actual revenue and expenditure to determine their causes; whereas 01 (i.e12.5%) respondent college does not consider it so.

Therefore, it showcases that the budgetary control system is considered as an innovative and useful for the overall development of the colleges. They also consider that the prime component of a Financial Resource Management is expenditure. As this system enables them to compare the variances, it can be used for analyzing the difference between the budgeted revenue and expenditure with the actual revenue and expenditure along with the causes for differences.

10) Degree of Importance of Financial Resource Management:

Financial Resource Management is primarily concerned with operational planning which ensures the administrators about successful implementation of an action and monitoring plans by team work. An Operational Plan is required to conduct a broad analysis of the human and other capacities required to implement any project – and current and potential sources of resources and active constituents to strengthen the capacity building process. This analysis should build on the earlier work in setting up a project team. The *Dictionary of Accounting Terms* traces the term, performance evaluation as, "Cumulative consideration of factors (that may be subjective or objective) to determine a representative indicator or appraisal of an individual or entity's activity, or performance in reference to some subjective (or standard) over some period of time. Factors to consider may include degree of goal attainment, how items are measured, and what standards are to be applied." (Siegel and Shim 2000)

Table: The Degree of Importance of Financial Resource Management:

Variable	**Operational Planning**		**Decentralized Decision**		**Performance Evaluation**		**Controlling Cost**	
Degree of importance of Financial Resource Management	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Little Important	1	12.5	1	12.5	1	12.5	1	12.5
Moderate Important	2	25	2	25	2	25	2	25
Very Important	4	50	4	50	4	50	4	50
Critically important	1	12.5	1	12.5	1	12.5	1	12.5
Total	**8**	**100**	**8**	**100**	**8**	**100**	**8**	**100**

Conclusion: It is evident that in operational planning out of 8 (i.e.100%) respondent colleges 01 (I.e. 12.5%) respondent considers that Financial Resource Management is critically important, 4 (i.e. 50%) agree that they are very important, 2 (i.e. 25%) admit that they are moderately important, whereas only 01 (i.e. 12.5%) respondent college considers them of little importance.It is observed that 01 (I.e. 12.5%) out of 8 (i.e.100%) respondent colleges consider decentralization of decision is critically important, 4 (i.e. 50%) respondents agree that it is very important, 02 (i.e. 25%) admit that is moderately important, whereas only 01 (i.e. 12.5%) college considers it of little importance.In evaluating the overall performance Financial Resource Management, it is observed that out of 08 (i.e.100%) respondent colleges 01 (i.e. 12.5%) consider it critically important, 04 (i.e. 50%) agree that it is very important, 02 (i.e. 25%) admit that is moderately important, whereas only 01 (i.e. 12.5%) respondent considers it least important.In controlling the cost on various activities conducted by the institution Financial Resource Management, it is observed that out of 08 (i.e.100%) respondent colleges 01 (i.e. 12.5%) considers it as critically important, 04 (i.e. 50%) agree that it is very important, 02 (i.e. 25%) agree that is moderately important and only 01 (i.e. 12.5%) college considers it as not important.Therefore, Financial Resource Management in operational planning in the colleges is very important. Even the decentralization is reported to be very important. Also Financial Resource

Management is equally essential in evaluating the performance. Further, Financial Resource Management is useful in controlling the cost on a number of activities.

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