STUDY OF FINANCIAL MANAGEMENT PRACTICES OF SELF-FINANCING INSTITUTIONS FROM AHMEDNAGAR DISTRICT, MAHARASHTRA–A SYNOPSIS

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ABSTRACT

Self-financing institutions particularly in the semi-urban and rural areas are seen to be struggling with some major issues about financial management practices and funding. Consequences of these problems like the inability of the educational institutions to pay salaries on time, difficulties in raising long-term and short-term finances, stressed finances, etc. are quite evident. Ahmednagar, the largest district in the state of Maharashtra which is one of the leading states in education in India was chosen for the study. Findings reveal some teething problems faced in the areas of financial management practices in general, long-term funding, and short-term funding. Suggestions have been offered to overcome these.

Keywords: *Financial Management practices, Funding, Long-term funding, Self-financing institutions, Short-term funding*

Introduction

Faced with a steep demand for quality higher education on one hand and a declining quality supply on the other, the Indian education system is up against a stiff challenge of a huge demand-supply gap. Taking into account the importance of education in general and more so for a developing thickly populated country like India, expectations from self-financing educations are very high. Against this steep demand, supply however has serious limitations due to various problems faced by the self-financing educations reflecting badly on the quality of supply as well.

Significance of the study

National Education Policy (2019) states the objective of revamping the higher education system along with the creation of world-class multidisciplinary higher education institutions across the country and increase GER to at least 50% by 2035. Oxfam (2019), has observed that a growing body of evidence shows that education open private organizations (PPPs) which bolster private tutoring are time after time bombing the most helpless kids and hazard extending imbalance. Thus, the overall scenario is quite challenging. On one hand we are talking of reaping benefits of Demographic Dividend. This means education and higher education in particular is in huge demand. At the same time, the Government expects self-financing educational institutions to play an active and in fact major role as a provider of education. In the landmark Unni Krishnan Judgment delivered by Honorable Supreme Court of India (1993), paragraph 61 of the order states that self-financing educational institutions are a must for a country like India especially in higher education where the Government does not have the financial strength to meet the requirement of capital for medical and technical education. But on the other hand these institutions have their own set of finance-related problems that are acting as road-blocks in the starting, survival, and growth of these institutions. This is a matter of concern and hence the prime motivation for the study.

The study went into details of 34 self-financing institutions (10 MBA Colleges, 12 Engineering and 12 Pharmacy Colleges) in Ahmednagar district of Maharashtra which is a leading Indian state. Ahmednagar district is the largest district in Maharashtra. Based on the analysis of primary and secondary data three areas related to financial management – financial management practices in general, long-term funding practices, and short-term funding practices were investigated. Following objectives were set for the research –

- To study of Financial Management of Self Finance Educational Institutions in Ahmednagar,
- To study Problems faced By Self Finance Professional Educational Institute,
- To study the pattern of raising the fund and utilization of fund in Self Finance Educational Institution

Hypotheses formulated was as under -

Ho1 Self-Financing Professional Educational Institutions are not weak in Financial Management
Ha1 Self- Financing Professional Educational Institutions are weak in Financial Management
Ho2 Self-Financing Professional Educational Institutions are not facing problems with Financial Management (financial management practices in general, long-term funding, and short-term funding.)
Ha2 Self-Financing Professional Educational Institutions are facing problems with Financial Management (financial management practices in general, long-term funding, and short-term funding).

Review of literature

Oxfam (2019), has observed that a growing body of evidence shows that education open private organizations (PPPs) which bolster private tutoring are time after time bombing the most helpless kids and hazard extending imbalance. Despite this, the World Bank has been progressively advancing education PPPs in poor nations through its loaning and counsel. Cityvibes (2019), reported the meeting between a delegation of Punjab Unaided Colleges Association (PUCA) under the leadership of President, Dr. AnshuKataria, met Sh. Anurag Singh Thakur, Union Minister of State for Finance & Corporate Affairs at New Delhi in which Kataria made Anurag Thakur aware of the financial problems being faced by the small Unaided Colleges of the Country. Kataria further said that if the pending scholarship would not be disbursed soon then the colleges would be in one of the biggest ever financial trouble and simply would not be able to survive. CARE Ratings (2018) has stated that the education sector in India has seen a change in perspective as of late. Once worked fundamentally as a magnanimous or a country building activity, it has since changed into an 'area in its own right. Shankar A (2016), has observed that Private providers are typically driven by a profit motive, but for the past so many years, the Supreme Court of India (SCI) has interpreted the nature of educational institutions to be charitable one and not for profit. Therefore, supernormal or illegal profits just cannot be made by providing education. If a revenue surplus is generated it is to be used by the educational institution for its expansion and education development. Research agency India Ratings and Research Private Limited (2014), has estimated the Indian education market to be worth Rs.5.9 trillion in 2014-15 as against Rs.3.33 trillion in the 2011-12 financial year. The rating agencies' observation on finances is worth noting - "Even though the expense repayments plot (pertinent just to HE) pushed enrolments and made instruction reasonable to certain instructively impeded areas of the general public, delays in repayments by a couple of states fixed the liquidity for training organizations". An interesting observation is made by The British Council in its report (2014), Understanding India: The future of higher education and opportunities for international cooperation. The Indian higher education system is up against an unprecedented transformation in the coming decade. This transformation is being driven by economic and demographic change: by 2020, India will be the third-largest economy of the world, with correspondingly big growth in the size of its middle classes. Currently, over half of India's population is less than 25 years old; by 2020 India will outpace China as a country with the largest tertiary-age population. Despite significant progress over the last ten years or so, Indian higher education faces four broad challenges: The supply-demand gap, the low quality of teaching and learning, constraints on research capacity and innovation, and uneven growth and access to opportunity.
A common voice that emerges from the review is relating to 3 issues - access, equity, and quality in higher education. Researchers have also highlighted various deficiencies in terms of infrastructure, poor staff, absence of facilities, etc. However, only a few researchers have gone into the financial aspects of self-

financing educational institutions. Even those who have gone into the finances have highlighted apparent symptoms like inability to pay salaries on time or tight liquidity position etc. But the research gap can be found out in the area of ground-level problems faced by such institutions. Hardly any attempt has been seen to go into the operational aspects like difficulties faced in obtaining charity commissioners' permission for loans.

Research Methodology

Total number (34) of self-financing professional institutions in Ahmednagar District in the three streams of MBA, Engineering, and Pharmacy are 10, 12, and 12 respectively. (Source: Fee Regulatory Authority, website)

Methodology for Primary Data

For primary data the sample size was taken as 34, the size of the population itself. Similarly for secondary data the sample size was taken as 34, the size of the population itself. The sampling unit was senior employees from the Accounts Department of the institutes.
Methodology for testing the hypotheses –

- A questionnaire was designed to collect primary data in order to test the hypothesis as stated earlier. The same was tested for validity and reliability. Cronbach's Alpha for the overall questionnaire was 0.93.
- The responses under each of the sections were aggregated under two groups – weak/strong, Problem/Not problem,
- For each of the question, an average weak/strong count was calculated,
- Percentages to questions under one particular section of the questionnaire were averaged to get a single weak/strong percentage for that section,
- The average weak/strong percentage was compared with a hypothesized mean of the population of 50% weak/strong connoting a weak/strong by chance and not due to statistical significance,
- P-values were calculated and the null hypotheses were checked for rejection or non-rejection. These calculations were done at a 95% confidence level using a t-test since the standard deviation (SD) of the population is not known.

Methodology for Secondary Data

The methodology followed for this part of the analysis was as under –

1. Download 10 MBA + 12 Engineering + 12 Pharmacy = 34 college financial statements for the year 2018/19
2. Perform a 1st level consolidation at the college type level, that is, aggregate 10 statements for MBA, 12 for engineering, and 12 for Pharmacy.
3. Perform a 2nd level consolidation for all the 34 colleges from the 3 groups.
4. Extract key features, findings related to funding patterns.

Analysis of data

The inferential data analysis is shown in Table 1&2 –

Table 1 Testing of Null hypothesis (Ho1) @ 95% confidence level

Parameter	FMP-Gen	FMP-LTF	FMP-STF
Average (Sample mean)	91%	89%	88%
SD (Standard Deviation)	1.04576	1.00146	1.18768
H1 (Hypo. Mean of population)	50%	50%	50%
Ho (Sample mean)	0.91	0.89	0.88
n (sample size)	34	34	34
t-value (t-statistic)	2.30	2.25	1.84
p-value (probability)	0.013973	0.015616	0.037181

As the p-value is <0.05, the null hypothesis that Self-Financing Professional Educational Institutions are not weak in Financial Management stands rejected.

Table 2 Testing of Null hypothesis (Ho2) @ 95% confidence level

Parameter	Value
Average (Sample mean)	85%
SD (Standard Deviation)	1.12324
H1 (Hypothesized Mean of population)	50%
Ho (Sample mean)	0.85
n (sample size)	34
t-value (t-statistic)	1.81
p-value (probability)	0.039650

As the p-value is <0.05, the null hypothesis that Self-Financing Professional Educational Institutions are not facing problems with Financial Management stands rejected.

Based on the 2nd level consolidation a cash-flow was plotted as shown in Table 3.

Table 3 Cash flow statement for all the 34 colleges (Rs. Crores)

Cash Flow	MBA-C	Engg-C	Pharm-C	Total
Short-term sources	14.93	132.44	23.47	170.84
Short-term applications	15.66	115.65	21.52	152.83
Gap	-0.72	16.79	1.94	18.01
Long-term sources	2.30	3.46	1.48	7.24
Long-term applications	2.12	28.30	5.03	35.45
Gap	0.17	-24.84	-3.55	-28.22
Total inflow	17.23	135.90	24.95	178.08
Total Outflow	17.78	143.95	26.56	188.28
Total Gap	-0.55	-8.05	-1.61	-10.21

Findings and interpretation

Out of the 34 self-financing institutions, 10 were MBA, 12 were Engineering and 12 were Pharmacy colleges from Ahmednagar district. 15 out of the 34 respondents were Accounts or Finance Managers while 19 were Accountants. Out of the 34 institutes, 32 were in existence for more than 10 years. 2 were less than 10 years old. 8 were located in the urban area, 19 in semi-urban, and 7 were from the rural area. 2 out of the 34 institutions were holding A grade from NAAC/NBA, 14 were having B grade while 18 were having C grade of accreditation. All the 34 institutions were having a bank loan. As against outflow of Rs.188.28 crores the inflow has been reported at Rs.178.08 crores (both the cash flows are adjusted for the outflow of the scholarship of Rs.4.92 crores) that shows a deficit of Rs.10.20 crores. This must have been met from borrowings and other sources. Thus, revenue inflows are not adequate to cover the entire outflow. This showed a gap in the availability of funds. A short-term surplus of Rs.18.01 crores was applied for meeting a long-term deficit of Rs.28.22 crores, resulting in a net gap of Rs.10.21 crores.

All the 3 types of financial management practices studied, namely, general, long-term finance, and short-term finance were clearly rated as very weak by the respondents. General practices like financial planning, budgetary control, financial accounting, etc. were found to be very weak. Similarly the self-financing institutions' long-term funding practices have come under severe criticism from the respondents. Areas like robustness of system, number of sources, timing of availability of long-term funding, etc. were rated as performing at very poor levels. Also the self-financing institutions' short-term funding practices like simplicity in practices, offering of security, data submission, etc. were poorly rated. A wide range of problems are being faced by self-financing institutions regarding financial management. These include lack of professional approach, poor work environment, low pay scales of staff, lack of training, clashes between orthodox and modern accountants, etc.

Conclusion

If the Government is dependent on self-financing institutions, it will have to take serious measures to bring in discipline and professionalism in the financial management of these institutions. Ad-hoc financial management has created serious problems in the delivery of higher education including that of quality. Equally responsible are the self-financing institutions to adopt professionalism in their financial management practices. Unless this is done, the education of millions studying in the semi-urban and rural areas is at risk of poor quality.

Suggestions were offered for all the three areas in the form of Training, Computerization, Professional Consultation, access to private banks, availing factoring services, etc.

Overall the scenario is quite bleak. On one hand, the Government wants self-financing institutes to come-up but the ground reality is that the financial management of these institutes is lacking way behind. They need a quick turn-around.

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