

# Financial Budget Planning & Optimization At Private Educational Institutes In India

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## Abstract

To overcome dwindling demand in admission of educational institutes like engineering sector, escalation debts have made the investment scenario even more risky. Only competitive and professionally managed institution can be expected to thrive in such unstable environment. Effective financial management is the only key to the survival of long-term success of these institutions. Here we are proposing a budget optimization for Private Higher Educational institutes through planning and optimization of budget.

**Keywords:** Financial Budget Planning; Optimization; Private Educational Institutes; Coding System; Implementation; Challenges;

## Introduction:

To run a business or an organization capital plays a vital role. And capital is part and parcel of Financial Budget. If we are setting up an organization budget is one of the initial step out of the set up. Budget management starts with planning an operating budget. Planning is key to the budgeting process, drawn from the short and long-term objectives of the institution. The plan must be aligned with the objectives, goals and visions of the institution, as well as the overall organization strategy. These should be your standards when planning the overall budget. By being focused on the strategic plan and objectives, your department will not be led astray by unnecessary expenditures on items or elements not in line with the organization strategy and objective.

An effective budget provides more than a forecast or tracking of income and expenses. A small business can use its budget to stay on top of financial trends it can use to take advantage of unexpectedly good performance and react in time to downturns in cash flow.

Effective and efficient budget management is the cornerstone of a successful organization operation. It is close to personal financial management, but more complicated due to the size, structure, and short and long-term objectives. It requires planning, commitment and discipline to the plan. It consists of planning and implementation that provides the standard for effective use of financial resources for institutional operations.

More importantly budget planning is very essential like private educational institutions, where institution has to manage only with student's fees. If not, it's a question of sustainability in long run.

### **Methodology & Working Principle:**

India's crisis of engineering education is quite visible. Several studies have pointed out low employability of engineering graduates except those from prestigious institutes.

Nearly 150 colleges are closed down voluntarily every year due to stricter AICTE rules. According to a rule of the council, colleges that lack proper infrastructure and report less than 30% admissions for five consecutive years will have to be shut down. AICTE has approved the progressive closure of more than 410 colleges across India, from 2014-15 to 2017-18.

Being a technical higher education institute it's a major responsibility to transform human being into human resources as skilled graduate to the society/nation.

In consideration of volatility of economy in the today's world of education institutes and rapid changes in the field of financial management, it requires lot of Updation in terms of managing with available funds efficiently.

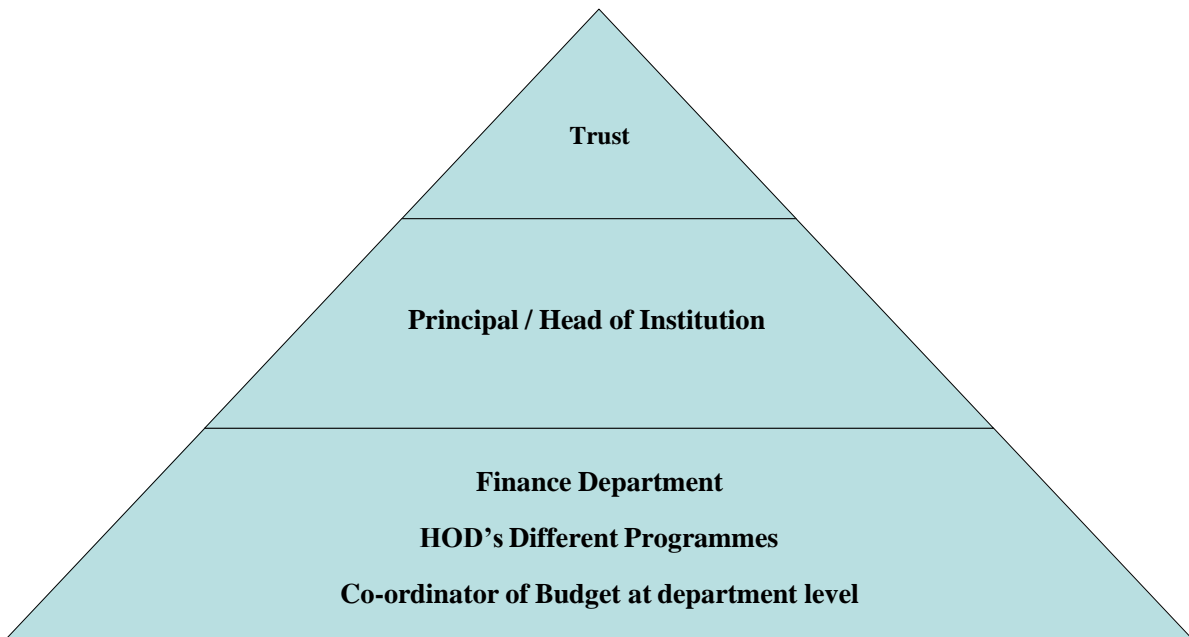
Using proper budgeting system can enhance the performance of an organization towards its objective.

### **Financial Budget Planning;**

To start with preparing and planning of a budget according to organization needs is very important. If we select a private engineering college as a sample, it consists of several departments / Programmes. Hence, budget to be de-centralized among all departments and to be reviewed frequently.

- First step of the budget is to prepare, budget template as per organization requirement. Here we are using coding system to code for each and every receipts and expense head which led organization to track budget effectively and there won't be any chances of astray.
- Standard format to be shared among the departments and information to be collected. Each department will have exclusive code which represent the particular department.
- Before current financial year ends, budget for the upcoming year to be consolidated and processed further for review before finalization with respective departments.
- Once finalized budget is ready can be shared with all departments along with tracker sheet with each and every expense head. So that it would be tracked very often either by the department or institution head to know where they stand, how much remains to spend.
- Monthly review to be done at department level, and then to be reconciled with finance department to avoid errors/mismatch in data.
- To handle budget properly at department level team has to undergo a specific training programme by experts of finance department. So that communication between department

and finance team will be seamless.



### **Budget Tracking System**

#### **Optimization;**

- As education institutes would get income only through the student's fees, it has to be collected within specified period which led institution to plan budget for the rest of the months.
- Private colleges have to adhere to strict policies and regulation of boards in terms of infrastructure, faculty ratio, quality education, campus recruitment etc. like, AICTE, UGC, NBA, NAAC, and affiliated university also central & state government policies on higher education.
- Private Institution's ultimate source of funds would be student fees. Hence, proposed a plan to collect student fees as the academic year starts.
- Within a month or two covered whole strength of the students and courses throughout the institution, still there was gap. To fill the gap circulated information through student app of the institution and messages, so that everyone completes the fee payment procedure.
- Once the fund is collected, here we get a challenge that where do we invest or else shall we keep with bank account itself.
- Then decided to invest as fixed deposit and keep funds in bank account only for the upcoming month expenses like, salaries, statutory payments, R & D, recurring expenses and academic expenses.
- By this we can invest rest of the funds as fixed deposit and whenever funds are required we

can remove and spend as forecasted.

- Once we started forecasting its very much apparent that how much institution has to keep in account and how much can be invested until the requirement of those funds in FD.
- By end of the year we will be having sufficient interest amount to handle other expenditures and also can fill gap of shortage in funds if there is shortfall of admissions.
- One more important thing is that research and development expenses plays an important role, since it has an impact on the institutional development for engineering institutions.
- Even though research and development expenses are considered in the balance sheet as revenue expenditure, still institution has a chance to convert it as an asset by getting patent, and generating income through their research. It can enhance the institution performance as well as can generate more funds from government and non-government agencies.

### **Forecasting;**

However, forecasting of income and expenditure recommendations issued within the framework of the study will support stakeholders to overcome the current challenges and improve financial management policy of higher education institutions, it is very important to have basic excel formats to track the budget throughout the financial year.

Example: If you are using a simple spreadsheet to track your income and expenses, create a column that tracks your average figures each month, while you track actual spending and income. For example, if you have a quarterly Gratuity premium of Rs. 400, your average column will show a monthly gratuity expense of Rs.100, while your monthly columns will show zero spending for this in eight months, and Rs. 400 in four different months. This will allow you to keep enough money on hand each month to cover all expenses and set monthly revenue goals to meet your annual debts.

The study has sound implications for academicians as it helps them better understand the capital budgeting practices being followed by Indian companies in actuality and redefine the theory accordingly.

**Challenges:** Adaptability for a change in system is a challenging task for all sectors, People have a tendency to look at the changes negatively. Implementation of a change in system falls very tough.

The budget process must include time for the review of performance measures and time for discussion of performance against expectations.

Whereas an activity-based budget awards funds based on the amount of revenue-generating activity a unit undertakes, a performance-based budget **awards funds based on performance**, which is determined by a number of defined outcomes standards. The most effective performance budgets will show “how rupees’ fund day-to-day tasks and activities, how these activities are expected to generate certain outputs, and what outcomes should then be the result.”

A performance-based budget should give an institution a good idea of how money is expected to translate into results. **Performance-based systems are often imposed on public systems of**

## education as a result of greater accountability demands

### Results & Discussion:

In fact, here we adopted mixture of centralized and decentralized budget. Centralized budgeting requires all decision-making powers to be in the hands of upper level administration. Typically, colleges use **combine aspects of centralized budgeting with decentralized budgeting**.

This can bring the journey to the destination of success. it is also important not to get stuck in errors which may occur during the process. We need to ignore or let go of them and carry on with determination on the road to success with our complete focus on the destination of success which our whole journey is dedicated to.

### Conclusion:

Without strengthening the education system, it is impossible to participate in a global competition. The increasing of financing of the education system over the years does not mean raising the quality of education. Developing the correct strategy and tactics of the reform and adequate and efficient distribution of financial resources is crucial. The aim of the paper is to study impact of the existing funding policy on higher education system in India.

After review of literature it is found that some research works have been done in the field of Higher Education giving emphasize on quality, HRD, economic development, budgetary control practices, budgetary allocation and organizational characteristics, return on investment on education, education spending and productivity, efficiency and waste in education, employability of graduates, unemployment of Higher Education graduates, etc. Most of the studies mentioned about inadequacy of fund for Higher Education. But no in-depth study has yet been conducted using field level data to find out productive or unproductive utilization of Higher Education budget. That's why the present study is an attempt to fill this gap and the study will contribute to the existing stock of knowledge.

“Let our study be enlightening “

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- [From Line-item to Program Budgeting, John Kim, Seoul, 2007](#)
- [Program and Performance Budgeting Enthusiasm in India -- IMF Training Course, Holger van Eden, IMF, 2007](#)
- **Output budgeting** is a wide-ranging management technique introduced into the [United States](#) in the mid-1960s by [Robert S. McNamara](#)'s collaborator [Charles J. Hitch](#), not always with ready cooperation with the administrators and based on the industrial management techniques of program budgeting. Subsequently, the technique has been introduced into other countries including [Canada](#) and the [UK](#).
- Planning, Programming, and Budgeting System (PPBS) is in effect an integration of a number of techniques in a planning and [budgeting](#) process for identifying, costing and

assigning a complexity of resources for establishing priorities and strategies in a major program and for forecasting costs, expenditure and achievements within the immediate financial year or over a longer period.

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