



Effective Fiscal Management in Higher Education: Factors for Success

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Abstract

This research aimed to identify the factors that contribute to effective fiscal management in higher education institutions. The study used a mixed-methods approach, including surveys, focus group discussions, and document analysis, to collect data from six state universities and colleges in Eastern Visayas, Philippines. The results showed that the institutions have very satisfactory levels of compliance in their budget planning and preparation, disbursement, and liquidation processes. The factors that contribute to effective fiscal management include strict adherence to accounting rules and regulations, equitable allocation of resources, proper documentation, and the involvement of different school officials in the strategic development planning process. The study also revealed some challenges, including the lack of funding for certain priority projects and the need for better training and capacity-building for financial management personnel. The findings of this research can help higher education institutions in developing effective fiscal management strategies and policies that can lead to better financial performance and accountability.

Keywords: Effective fiscal management, Financial management, Higher education, Performance measurement.

Introduction

Higher education plays a critical role in fostering economic development and social progress. It has become a priority of governments around the world to ensure that universities and colleges are adequately funded to deliver high-quality education to their students. However, the funding landscape has become more complex, and the traditional sources of public funding are being challenged by the rising cost of education and competing demands for public resources. This has necessitated a shift towards more effective fiscal management in higher education institutions.

Effective fiscal management in higher education is critical for ensuring the sustainability of educational institutions and improving the quality of education provided. It is essential for universities and colleges to manage their financial resources efficiently to support their core missions of teaching, research, and public service. The importance of effective fiscal management in higher education has been emphasized in various studies.

For instance, a study by the Organisation for Economic Co-operation and Development (OECD) found that the quality of education provided by universities is closely linked to their financial sustainability (OECD, 2017). The study suggested that universities with effective fiscal management systems are better equipped to respond to changes in the funding landscape and to invest in the development of their academic programs, research, and infrastructure.

Similarly, a study by the World Bank on higher education financing in sub-Saharan Africa noted that effective fiscal management is essential for ensuring that public resources are used efficiently and that institutions are financially sustainable (World Bank, 2020). The study highlighted the need for universities to adopt effective fiscal management practices to improve their financial sustainability and support their core missions.

In the Philippines, the government has recognized the importance of effective fiscal management in higher education institutions. State universities and colleges (SUCs) in the country are required to follow strict financial management guidelines set by the Commission on Higher Education (CHED) and the Department of Budget and Management (DBM). SUCs are expected to manage their financial resources efficiently to ensure the sustainability of their operations and the quality of education they provide.

Despite the importance of effective fiscal management in higher education, there is limited research on the factors that contribute to success in this area. This research aims to fill this gap by identifying the factors that contribute to effective fiscal management in higher education institutions. Specifically, this research focuses on SUCs in the Philippines and aims to identify the factors that have contributed to the success of their fiscal management systems.



Theoretical Framework

Effective fiscal management in higher education institutions is a critical component for ensuring financial sustainability and improving the quality of education provided. To understand the factors that contribute to successful fiscal management, this research will be guided by several theoretical frameworks.

Resource Dependence Theory

Resource dependence theory (Johnson, 1995) suggests that organizations are dependent on external resources to survive and achieve their objectives. In the context of higher education, universities and colleges depend on a variety of resources, including public funding, tuition and fees, grants, and donations, to support their operations. Effective fiscal management is critical for ensuring that these resources are used efficiently to support the core missions of teaching, research, and public service.

According to resource dependence theory, the availability and control of resources are critical determinants of organizational behavior. In the context of fiscal management in higher education, the ability of universities and colleges to secure and manage resources is critical for their financial sustainability. This research will examine the extent to which SUCs in the Philippines have been successful in managing their resources and the factors that contribute to this success.

Institutional Theory

Institutional theory (DiMaggio & Powell, 1983) suggests that organizations are influenced by the norms and values of their institutional environment. In the context of higher education, universities and colleges are subject to a range of institutional pressures, including government regulations, accreditation requirements, and peer norms. Effective fiscal management in higher education is influenced by these institutional pressures, as well as by the norms and values of the academic community.

Institutional theory suggests that organizations are likely to conform to the norms and values of their institutional environment to achieve legitimacy and acceptance. In the context of fiscal management in higher education, SUCs in the Philippines are subject to the institutional pressures of government regulations and accreditation requirements. This research will examine the extent to which SUCs have conformed to these institutional pressures and the extent to which this has contributed to their success in fiscal management.

Stakeholder Theory

Stakeholder theory (Freeman, 1984) suggests that organizations have a responsibility to consider the interests of all stakeholders in their decision-making. In the context of higher education, universities and colleges have a range of stakeholders, including students, faculty, staff, alumni, donors, and the wider community. Effective fiscal management in higher education is critical for meeting the needs and expectations of these stakeholders.

According to stakeholder theory, organizations that are responsive to the needs and expectations of their stakeholders are more likely to achieve their objectives and ensure their sustainability. In the context of fiscal management in higher education, SUCs in the Philippines must balance the interests of their stakeholders with the need to manage their resources efficiently. This research will examine the extent to which SUCs have been successful in balancing the interests of their stakeholders and the factors that have contributed to this success.

Effective fiscal management in higher education is critical for ensuring financial sustainability and improving the quality of education provided. To understand the factors that contribute to successful fiscal management, this research will be guided by several theoretical frameworks, including resource dependence theory, institutional theory, and stakeholder theory. These frameworks will help to identify the key factors that have contributed to the success of fiscal management systems in SUCs in the Philippines, and to provide recommendations for improving fiscal management in higher education more broadly.

Research Methodology

For the research entitled *Fiscal Management in Higher Education: Factors for Success*, a mixed method design was employed to gain a comprehensive understanding of the factors that contribute to effective fiscal management in higher education institutions. The study utilized a quantitative method, which adapted a 5-point Likert scale, and a qualitative method, which used a Focus Group Discussion (FGD) Guide.

In the quantitative phase of the research, a survey instrument was designed to collect data from a large sample of higher education institutions. The survey included questions that aimed to gather information about the fiscal management practices of the institutions, such as their budgeting processes, financial reporting systems, and



resource allocation strategies. The questions were structured using a 5-point Likert scale, with responses ranging from strongly disagree to strongly agree. The survey was distributed to the participants via email, and the data was collected and analyzed using descriptive statistics and regression analysis.

In the qualitative phase of the research, a Focus Group Discussion (FGD) Guide was used to gather in-depth information about the perceptions and experiences of key stakeholders in higher education institutions. The FGD Guide included questions that aimed to explore the factors that contribute to effective fiscal management in higher education, as well as the challenges and barriers that hinder effective fiscal management. The FGD sessions were conducted with university administrators, financial officers, faculty members, students, and other relevant parties. The data collected from the FGDs was transcribed, and the transcripts were analyzed using content analysis to identify themes and patterns in the data.

The mixed method design provided a more comprehensive understanding of the factors that contribute to effective fiscal management in higher education. The use of a 5-point Likert scale in the quantitative phase allowed for the collection of numerical data, while the qualitative FGDs provided in depth information about the perceptions and experiences of the key stakeholders. The triangulation of the quantitative and qualitative data increased the validity and reliability of the research results, and the findings can be used to inform policy and practice in higher education institutions.

Results

The Budget Planning and Preparation of the Six SUCs

Indicators of Budget Preparation and Planning	Mean Score	Interpretation
1. There is an availability of Preparation of Project Procurement Management Plan (PPMP) after the budget planning in the university.	3.92	Very Satisfactory Compliance
2. The university observes formulation of sound financial strategies for the Annual Improvement Plan (AIP) based on the needs of each subject area as indicated in the PPMP during budget preparation and planning.	3.63	Very Satisfactory Compliance
3. Officers in charge of budget planning and preparation have thorough knowledge of simplified accounting system and all other rules and regulations governing school funds.	3.70	Very Satisfactory Compliance
4. The university budget is prepared according to generally accepted accounting principles, accounting rules.	3.87	Very Satisfactory Compliance
5. The public funds of the university are spent based on the procurement plan.	3.98	Very Satisfactory Compliance
6. Any amendment or supplementary budget are prepared and filed according to the accounting rules.	4.44	Very Satisfactory Compliance
7. The university budget observes equitable allocation of resources to each department.	4.42	Very Satisfactory Compliance
8. The amount appropriated does not exceed the downloaded allocation in the university/	4.53	Very Satisfactory Compliance
Total	3.98	Very Satisfactory Compliance

Legend: 4.6-5.0 = Outstanding Compliance; 3.6-4.0 = Very Satisfactory Compliance; 2.6-3.5= Satisfactory Compliance; 1.6-2.5 = Fair Compliance; 1.0-1.5 = Poor Compliance

Table 1 provides a detailed analysis of the budget preparation and planning of the six SUCs in Eastern Visayas, which highlights both the strengths and weaknesses of their fiscal management practices. Overall, the SUCs demonstrate a very satisfactory level of compliance with regards to their budget preparation and planning.



The strongest aspect of their fiscal management practices is the SUCs' ability to ensure that the amount appropriated for their budget does not exceed the downloaded allocation provided by the government. This reflects a high level of competency in managing the limited financial resources of the institution.

However, the weakest aspect of their fiscal management practices is observed in the formulation of sound financial strategies for the Annual Improvement Plan (AIP) based on the needs of each subject area, as indicated in the Project Procurement Management Plan (PPMP) during budget preparation and planning. This highlights a need for improvement in identifying and addressing the specific needs of each department or program, which is crucial for effective resource allocation.

Furthermore, the analysis reveals that another area for improvement is the knowledge and familiarity of the officers in charge of budget planning and preparation with the simplified accounting system and other rules and regulations governing school funds. This highlights the need for increased training and education to ensure that these officers have the necessary skills and knowledge to effectively manage the financial resources of the institution.

Overall, the findings suggest that while the SUCs in Eastern Visayas have established effective fiscal management practices in some areas, there is still room for improvement in other aspects of budget preparation and planning. By addressing these weaknesses, the SUCs can further improve their financial stability and sustainability, which ultimately supports their mission of providing quality education to their constituents.

Table 2: Disbursement Process of the Six SUCs

Disbursements Indicators	Mean Score	Interpretation
1. The cash Disbursement Receipt (CDR) are maintained for each type of cash.	4.11	Very Satisfactory Compliance
2. The CDR is prepared in two copies. The original copy is for the University Accountant upon liquidation while the duplicate is for the school file.	4.13	Very Satisfactory Compliance
3. The certified correct CDR (as to accuracy of the report) is submitted to the accounting section with the supporting document promptly.	4.04	Very Satisfactory Compliance
4. All disbursements are made only on a duly certified and approved vouchers and payrolls before payment.	3.76	Very Satisfactory Compliance
5. Payment is duly acknowledged by proper payee or his duly authorized representative and official receipt are always issued by the creditors before the release of payment.	3.83	Very Satisfactory Compliance
Total	3.97	Very Satisfactory Compliance

Legend: 4.6-5.0 = Outstanding Compliance; 3.6-4.0 = Very Satisfactory Compliance; 2.6-3.5 = Satisfactory Compliance; 1.6-2.5 = Fair Compliance; 1.0-1.5 = Poor Compliance

The analysis of Table 2 indicates that the disbursement process of the six SUCs in Eastern Visayas has an overall very satisfactory level of compliance. The strongest aspect in the disbursement process is observed in terms of maintaining the Cash Disbursement Receipt (CDR) for each type of cash. This is a critical control measure to ensure that funds are properly accounted for and to prevent any misappropriation of funds. In addition, it was observed that the SUCs ensure that the CDR is prepared in duplicate copies, with one copy going to the University Accountant upon liquidation and the other being kept in the school file. Furthermore, it was found that the certified correct CDR is submitted to the accounting section together with the supporting documents promptly, which is an important practice to ensure timely and accurate reporting.

On the other hand, the weakest aspect in the disbursement process is the failure to ensure that payments are duly acknowledged by the proper payee or their duly authorized representative, and official receipts are issued by the creditors before the release of payment. This is a crucial control measure to ensure that payments are made to the right recipient and that there is evidence to support the payment. Moreover, it was observed that all disbursements are made only on a duly certified and approved voucher and payroll before payment, which is a standard practice in



financial management. However, there is a need for improvement in terms of ensuring that all payments are properly acknowledged and supported by official receipts to enhance the transparency and accountability of the disbursement process.

Overall, the analysis of Table 2 suggests that the SUCs in Eastern Visayas have a satisfactory level of compliance with their disbursement process, with several good practices in place. However, there is room for improvement, particularly in ensuring that payments are properly acknowledged and supported by official receipts.

Table 3: Liquidation Process of the Six SUCs

Liquidation Indicators	Mean Score	Interpretation
Regular working fund is liquidated or reported within thirty days upon completion of the activity.	4.41	Very Satisfactory Compliance
Claims against government funds are supported with complete documentation.	4.43	Very Satisfactory Compliance
All resources and funds made available to the school is recorded, optimally utilized, reported and accounted for.	4.15	Very Satisfactory Compliance
There is on-time submission of liquidation reports.	4.71	Very Satisfactory Compliance
Disallowance from the account is prevented.	4.73	Outstanding Compliance
Total	4.44	Very Satisfactory Compliance

Legend: 4.6-5.0 = Outstanding Compliance; 3.6-4.0 = Very Satisfactory Compliance; 2.6-3.5 = Satisfactory Compliance; 1.6-2.5 = Fair Compliance; 1.0-1.5 = Poor Compliance

Table 4 shows the results of the assessment of the liquidation process in the six SUCs in Eastern Visayas. Overall, the level of compliance is very satisfactory, with an average score of 4.44 out of 5. This indicates that the SUCs have good practices in place to ensure that liquidation is done properly and in accordance with accounting rules and regulations.

The strongest aspect of the liquidation process is the prevention of disallowances from the account. This means that the SUCs have measures in place to avoid any disallowance or rejection of expenses by the Commission on Audit (COA), which is responsible for auditing government funds. This is a crucial aspect of the liquidation process as any disallowance can result in financial losses for the SUCs and affect their credibility.

The second strongest aspect is the on-time submission of liquidation reports. This means that the SUCs are able to submit their liquidation reports promptly and within the required timeframe, which is usually within 60 days after the completion of the project or activity. This is important as delays in the submission of liquidation reports can result in penalties and can also affect the availability of funds for future projects.

The weakest aspect of the liquidation process is ensuring that claims against government funds are supported with complete documentation. This means that some of the SUCs may not have complete or sufficient documentation to support their liquidation claims. This is a concern as incomplete documentation can result in disallowances by the COA and may also indicate poor financial management practices. It is important for the SUCs to ensure that they have complete and accurate documentation for all expenses incurred.

In summary, the assessment of the liquidation process in the six SUCs in Eastern Visayas shows that they have good practices in place to ensure compliance with accounting rules and regulations. However, there is room for improvement in ensuring complete documentation to support liquidation claims.

Mixed Method Analysis



Effective fiscal management in higher education is crucial for the smooth operation and sustainability of higher education institutions. This meta-analysis focuses on the findings of the study that explored the factors for successful fiscal management in six State Universities and Colleges (SUCs) in Eastern Visayas, specifically on the budget planning and preparation, disbursement process, and liquidation process.

The study found that the SUCs have a satisfactory level of compliance in their budget planning and preparation, disbursement process, and liquidation process. The participants reported that meetings with school officials were conducted to determine the top priority project of the university, which serves as the basis for the classification of expenses based on their purpose and need. This process follows the strategic development planning, which results in the Annual Procurement Plan and the Project Procurement Management Plan. This finding suggests that the SUCs have a systematic and strategic approach to budget planning and preparation, which is crucial in ensuring the optimal allocation of resources.

In terms of the disbursement process, the participants highlighted the importance of proper documentation. They mentioned that the disbursement process is fast and efficient when there are enough allocated funds, necessary attachments, and approved DVs. This finding emphasizes the significance of adhering to proper documentation and compliance with accounting rules to avoid disallowances, which may affect the financial stability of the institution.

Moreover, the participants reported that claims against government funds are supported with complete documentation, and all resources and funds made available to the school are recorded, optimally utilized, reported, and accounted for. This finding suggests that the SUCs have an effective liquidation process, which is crucial in ensuring accountability and transparency in the utilization of resources.

The findings of the study highlight the importance of effective fiscal management in higher education, particularly in SUCs. The systematic and strategic approach to budget planning and preparation, compliance with accounting rules, and proper documentation in the disbursement and liquidation process are crucial in ensuring the optimal allocation and utilization of resources, accountability, and transparency in the financial management of the institution.

Furthermore, the findings suggest that SUCs can achieve effective fiscal management through the implementation of proper accounting and financial management systems, training and capacity building for personnel involved in the financial management of the institution, and regular monitoring and evaluation of financial performance. These measures can enhance the financial stability and sustainability of the institution, which is crucial in ensuring the delivery of quality education to students.

In conclusion, effective fiscal management is a critical factor in the success of higher education institutions. The findings of the study emphasize the importance of a systematic and strategic approach to budget planning and preparation, compliance with accounting rules, and proper documentation in the disbursement and liquidation process. The implementation of proper accounting and financial management systems, training and capacity building for personnel involved in financial management, and regular monitoring and evaluation of financial performance can enhance the financial stability and sustainability of the institution.

Conclusion

The research on Effective Fiscal Management in Higher Education: Factors for Success reveals several key factors that contribute to successful fiscal management in higher education institutions. The study emphasizes the importance of effective budget planning and preparation, disbursement processes, and liquidation processes in ensuring the optimal use of resources and funds.

The findings of the study suggest that successful budget planning and preparation involve collaboration and communication among school officials to identify top priority projects and to classify expenses based on their purpose and need. Following a strategic development planning process, the end products are the Annual Procurement Plan and the Project Procurement Management Plan.

In terms of the disbursement process, the study highlights the importance of proper documentation, specifically enough allocated funds, necessary attachments, and approved DVs. The research also emphasizes that following a strict process in terms of disbursement helps to avoid disallowances and ensures that all disbursements are made only on duly certified and approved vouchers and payrolls before payment.

Lastly, the study finds that the liquidation process should involve the complete documentation of claims against government funds. The participants affirmed that all resources and funds made available to the school are recorded, optimally utilized, reported, and accounted for.



Overall, the research underscores the importance of effective fiscal management in higher education institutions. The findings of the study can serve as a guide for institutions to improve their fiscal management practices and to ensure the optimal use of resources and funds.

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