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FINANCIAL MANAGEMENT PRACTICES AND SUSTAINABILITY OF STATE UNIVERSITIES IN AKWA IBOM AND CROSS RIVER STATES, NIGERIA

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Abstract

The study investigates relationship between Financial Management Practices and Sustainability of State Universities in Akwa Ibom and Cross River States, Nigeria. Two research questions and null hypotheses were formulated to guide the study. Survey research design was used in the study. Thirty (30) heads of Department were selected from the two state Universities in the study area through stratified random sampling technique. An instrument titled “Financial Management Practices and Sustainability of State Universities Questionnaire” (FMPSSUQ) was used to collect data. The instrument was validated by three experts in measurement and evaluation and subjected to test of reliability using Cronbach’s Alpha method. Data obtained for the study was analyzed with Pearson’s product moment correlation at .05 level of significance and 28 degree of freedom. Result of the analysis revealed that financial budgeting and auditing as financial management practices has significant relationship with sustainability of state universities. Based on the result, the study recommends for the use of budgeting plan in financing school programmes and activities among other recommendations.

Keywords: Financial management, budgeting, auditing, sustainability, state universities.

1. Introduction

Educational system in Nigeria is among the items in the concurrent list of legislature. This means both the federal and state governments are responsible for the provision and funding of public education. While the federal government owned, control and fund federal institutions, the state government on the other hand owned,

control and fund state institutions including universities. Bassey, Akuegwu and Udida (2007) states that universities are parastatals of the state and federal governments depending on their ownership structure, and they depend on their owners for recurrent subvention and capital grants for day to day operation and provision of infrastructures. Even though funding of

education in Nigeria still fall short of United Nation Education Scientific and Cultural Organization (UNESCO) benchmark of allocating at least 25 percent of nation's resources to education in the national budget, a considerable proportion of federal and state governments resources have been allocating to universities over the years. Undie (2007) observed that the nation have been allocating every year a significant proportion of its resources to educational institutions. Similarly, Umar (2011) disclosed that one of the efforts of the government in improving quality education in Nigeria was increased in funding and budgeting allocation to all Universities in Nigeria.

Essentially, funding of universities by the government was to ensure that they are sustainable to achieve their goals as contained in the National Policy on Education (Federal Republic of Nigeria, 2013). Universities can only achieve their goals when there are sustainable. Sustainability refers to the ability of an organization to exist and function well at a certain level. Olumide (2014) viewed sustainability of universities as the continued existence and operation of the universities. Funding remains a key factor which ensures sustainability of any educational institution. Lateef (2010) posited that funds are critical to survival of university education. Funds are needed at all times to run the cost of education in terms of providing infrastructures, instructional materials, laboratory equipment, stationaries and other consumables. According to Ananu and Ukpabi (2007), the establishment and management of university education is a capital intensive project that requires ample investment necessary to sustain the universities.

However, it is pertinent to point out that sustainability of universities does not only depend on how much is invested but also how well the funds invested are managed. Reports from several authors revealed that poor

management of funds in the uniesities cause financial wastage which invariably results to infrastructural inadequacy and other problems of sustainability, for instance, Osezuah and Obahi (2011) reports that wastage of funds has influence on infrastructural inadequacy in universities. Undie (2007) posited that funding of universities can only yield desired result when sound financial management strategies are employed to provide sound accountability for the use of available school funds.

Financial management is the process of coordinating and utilizing financial resources in an organization. Onah and Edame (2008) defined financial management as the flow of money or financial resources in an organization whether a company, school, bank or government establishment. According to the authors, financial management concern itself with the actual flow of money or financial resources as well as claims against money in a more judicious way. On their part, Bassey *et al.*, (2007) viewed financial management as concerned with the control of financial resources in a way as will ensure the attainment of goals, free from waste, fraud and losses. The authors maintains that funds management in an effective manner is of paramount important to the survival of university education system. Management of funds in the school system should be given high regard because it is absolute requirement for the survival of the school (Okeke in Osezuah and Obahi, 2011). Stressing the need for effective financial management, Eyong (2017) stated that effective financial management enables the school to be sustained by making adequate availability of funds for day to day running of the school. Lateef (2010) noted that one of the major problems confronting the school system in any part of the world is the management of finance in an effective manner. School finance requires effective financial management practices which include budgeting and auditing to ensure proper coordination and utilization of available funds. Financial budgeting and

auditing are financial management practices that provide sound accountability and transparency for the use of funds in any organization.

Financial budgeting is the process of preparing annual revenue and expenditure of the government, institutions or cooperate organization. It is the process of estimating revenue and expenditure in a future period of time, usually one year as in the case of government. Undie (2007) defined financial budgeting as a process of preparing and affecting financial flow forecast of a plan, programme or project within an accounting year. According to the author, budgeting is a financial management and control instrument that provides the most rational forum for achieving planned and rational allocation of limited resources among competing educational programmes or projects. Budgeting enable school managers to prioritize educational needs rationally and also guide against fraud, losses and misappropriation in the management of funds.

Undie (2007) observed that financial budgeting introduces strict financial discipline and accountability into the management of ever dwindling financial resources to education. Budgeting as a financial management instrument enable institutions to allocate resources to different areas and activities effectively and also manage the cost of the institution in an effective manner. Okure in Obono and Aniah (2020) noted that financial budgeting is not just a statement of items and expenditure but also an instrument for strategic planning and sustainable development. Nwankwo (2009) observed that the problem of inadequate instructional facilities do not exclusively rest on funding as often depicted, rather the problem is most likely made complex due to poor financial management by the school managers. The author maintains that some of the school managers are accused of lacking necessary skills required of financial officers,

while some are accused of neglecting budgeting plan in financial school programmes and activities. In line with Nwankwo's view, Eyong (2017) asserts that neglecting budgetary plan if not checked can lead to the close of the school. Eyong added that some school managers despise budget preparation as a tool for financing management and even when a budget is prepared, implementing the budget always posed a major challenge. Ogbonnaya in Eyong (2017) noted that it is one thing to prepare a school budget, and yet another to implement the budget. A well prepared and implemented budget is significant in keeping the school functioning and thereby achieving its goals.

Eyong (2017) identified financial auditing as another effective financial management practice that has been useful in sustaining educational institutions. Financial auditing refer to the periodic assessment of financial resources to find out how efficient funds have been used in an organization. Onah and Edame (2008) sees auditing as the process by which a competent and independent person accumulates and evaluate evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of corresponding between the quantifiable information and established criteria. According to Tuovila (2019), financial auditing is an objective examination and evaluation of financial statements of an organization to make sure that financial records are fair and accurate representation of the transaction they claimed to represent. Grantz (2014) posited that financial auditing addressing accounting practices and compliance with financial reporting requirements of an organization about financial management. On his part, Marker (2017) viewed financial auditing as an investigation of financial statements and its accompanying documents and process. According to Marker (2017) financial auditing is a mechanism for fraud detection and financial accountability.

In the school system, financial auditing is carried out to ascertain if funds are properly spent or utilized in various education programmes and activities. It is a financial strategy used to check financial waste and fraud in a school organization. Abam (2016) disclosed that school financial auditing has a positive relationship with institutional productivity. Abam (2016) explained further that financial auditing ensure corruption free practices in handling school finances and also ensure availability of adequate funds to carry out projects that will ensure institutional goals attainment.

From the foregoing, it may be suggested that sustainability of any school system depend to a large extent on the availability of adequate funds to run the cost of education, which in turn depend on effective financial management practices put in place for proper accountability and transparency on the use of funds. It is based in this premise that the study seek to investigate the relationship between financial management practices and sustainability of state universities in Akwa Ibom and Cross River States, Nigeria.

2. Statement of the problem

Sustainability is a major issue in many state universities in Nigeria. It has been observed that inspite of government subvention, grants and other internally generated revenue available to state universities, many of them still face challenges in running the cost of university education. Many state universities cannot pay workers' salaries regularly, while some cannot provide educational needs such as infrastructures, library facilities, instructional materials, laboratory equipment and other educational consumables. These problems have led many lecturers to leave state universities to federal universities where better conditions of service are offered. More worrisome is loss of students patronage as many prospective students now prefers federal universities due to poor learning environment that characterized state

universities. This scenario may lead to closure of state universities in Nigeria.

In an attempt to make funds available, the managers of some state universities have over the years increased students' school fees and other charges, yet, the problems of facility inadequate and inability to pay workers' salaries still persist. Many scholars have blamed this problem on wastage of funds, fraud and misappropriation in the use of school funds. It appears that there are cases of financial fraud in state universities occasioned by inability of school managers to develop strict financial management strategies to ensure accountability and transparency on the use of school funds.

3. Purpose of the study

The main purpose of this study was to investigate the relationship between financial management practices and sustainability of State Universities in Akwa Ibom and Cross River States, Nigeria. Specifically, the study sought to investigates the relationship between:

- i. Financial budgeting practice and sustainability of State Universities.
- ii. Financial auditing practice and sustainability of State Universities.

4. Research questions

The following research questions were raised in the study

- i) What is the relationship between financial budgeting practice and sustainability of state universities?
- ii) How does financial auditing practice relate with sustainability of state universities?

4.1 Hypotheses

The following null hypotheses were formulated to guide the study

- i) There is no significant relationship between financial budgeting practice and sustainability of state universities

- ii) Financial auditing practice does not have any significant relationship with sustainability of state universities

5. Methods

The study adopts survey research design. According to Idaka and Anagbogu (2012) survey research design is a research approach that allows the researcher to collect opinions from a proportion of a given population and generalized result in the entire population. This design was chosen because the study intend to sample a proportion of population of Heads of Department in the two Universities. Conducted in State Universities located in Akwa Ibom and Cross River States. The two states are located in South-South geopolitical zone of Nigeria and shares common boundaries. Thirty (30) heads of departments were selected from the two universities through stratified random sampling technique. An instrument titled "Effective management practices and sustainability of state universities questionnaire (EFMPSSUQ) was use to collect data in the study. The instrument

was validated by three experts in measurement and evaluation. The instrument was carefully scrutinized and some items were modified to suit the purpose of the study.

To ascertain the reliability of the instrument, a pilot test was carried out using heads of departments who are not part of the study. Data generated from the test was subjected to test of reliability using cronbach's Alpha method. The instrument returns reliability coefficient of 0.72 and 0.74 which is considered statistically reliable for use in the study. Data collection was carried out by the researchers and recorded 100 percent success. Pearson's product moment correlation was used to test the hypotheses at .05 level of significance.

6. Results

Hypothesis one: There is no significant relationship between financial budgeting practice and sustainability of state universities. Result of this hypothesis was presented in Table 1.

Table 1: Pearson's product moment correlation analysis of the relationship between financial budgeting practice and sustainability of state universities (N = 30)

Variables	$\sum X$ $\sum Y$	$\sum X^2$ $\sum Y^2$	$\sum XY$	r-value
Financial budgeting practice	491	628		0.83
Sustainability of state universities	472	546	13646	
Significance at .05 level, critical r = .361, df = 28				

From table 1, the calculated r-value of 0.83 was greater than the critical r-value of .361 at .05 level of significance and 28 degree of freedom. Hence, the null hypothesis was rejected and alternate hypothesis was retained. This means there is a significant relationship between

financial budgeting practice and sustainability of state universities.

Hypothesis two: Financial auditing does not have any significant relationship with sustainability of state universities. Result is presented in table 2.

Pearson's product moment correlation of the relationship between financial auditing and sustainability of state universities (N = 30)

Variables	$\sum X$	$\sum X^2$	$\sum XY$	r-value
Financial auditing practice	505	632		
Sustainability of state universities	472	546	13658	0.78

Significance at .05 level, critical $r = .361$, $df = 28$

From table 2, the calculated r-value of 0.78 was found to be greater than the critical r-value of .361 at .05 level of significance and 28 degree of freedom. From this result the null hypothesis was rejected and alternate hypothesis was retained. This means financial auditing practice has significant relationship with sustainability of state universities.

7. Discussion

7.1 Hypothesis one

Hypothesis one revealed that there is a significant relationship between financial budgeting practice and sustainability of state universities. This result was in line with Okure in Obono and Aniah (2020) who reports that financial budgeting is not just a statement of item and expenditure but also an instrument for strategic planning and sustainable development. The result also agreed with Eyong (2017) who reports that neglecting budgeting plan can lead to the closure of the school. Budgeting practice is a veritable tool to regulate financial resources in any organisation such as school. It ensure that school financial resources are allocated among the programmes and activities of the school effectively to achieve school goals. Through financial budgeting plan, managers are able to make choices rationally and prioritizes projects that makes organizations functional and sustainable.

7.2 Hypothesis two

Result of hypothesis two revealed that financial auditing practice has significant relationship with sustainability of state universities. This result agrees with Abam (2016) who reports that financial auditing has positive relationship with

institutional productivity. Financial auditing in any organization ensure corruption free practices in handling finances. It ensure that funds allocated to any project are spend according to planned budget so as to achieve organizational goals and objectives. Financial auditing addresses waste, losses and fraud usually associated in spending organization's funds. It ensures that funds are spend only on projects that guarantees continuity in the operation of the organization. This is in line with Obi in Eyong (2017) who identified financial as auditing as effective financial management practice that has been useful in sustaining educational institutions.

8. Conclusion

Based on the findings, it was concluded that budgeting and auditing as financial management practices are veritable tools for sustainability of state universities in Akwa Ibom and Cross River States and Nigeria in general.

9. Recommendation

The following recommendations were made based on the findings of the study

- i) University administrators/managers should always adopt budgeting plan in financing school programmes and activities toward achieving set goals.
- ii) Financial budget should always be prepared in a way that projects with capacity to sustain the universities are given priority.
- iii) University administrators/managers should always ensure that funds are spend according to budget by

conducting annual financial auditing for sustainability of universities.

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