



EDA834: BUDGETING AND FINANCIAL MANAGEMENT IN EDUCATION

NATURE AND SCOPE OF EDUCATION FINANCE AND FINANCIAL MANAGEMENT

MEANING OF EDUCATION FINANCE

The provision of education across various levels is necessary for human and national development. There is need to consistently provide funds to consciously train citizens who will spearhead the mixing of other resources to achieve scientific and technological development. The funding of education is expected to equip people with the requisite knowledge, skills and capacity to enhance their quality of life and increase their productivity as well as capacity to gain knowledge of new techniques for production so as to be able to participate evocatively in the development process (Ubogu & Veronica, 2018). Besides, the attainment of Education for All (EFA) of a nation requires funding particularly in areas of provision of physical infrastructure in the form of land, building, equipment and furniture in the form of capital cost. Recurring cost will come in form of provision of teaching and learning materials, paying teachers' salaries, training and continuous professional development of teacher, supporting staff, laboratory consumables, among others.

MEANING OF FINANCIAL MANAGEMENT

Finance plays a vital role in the running of any establishment. However, finance is limited when compared to its need to satisfy other business needs or demands which are always unlimited. As a result, starting a business and even running the business successfully, there is need for adequate knowledge of financial management.

Financial Management is the process of strategically planning, organising, directing, controlling and monitoring of financial resources with the aim of achieving the goals or objectives of an organisation or an institute. In educational institutions, financial management refers to that management activity that is concerned with decisions on how to procure funds, of an organisation's financial resources, disburse and give account of funds provided for the implementation of educational programmes.

THE PURPOSE OF FINANCIAL MANAGEMENT

The central purpose of financial management in educational institutions is the raising of funds and ensuring that the funds so mobilised are utilised in the most effective and efficient manner. This is based on the fact that resources are scarce and so heads of educational institutions should ensure optimal utilisation of funds.

A second purpose of financial management in educational institutions is to assist educational managers and administrators to keep a record of their stewardship in financial matters for the benefit of the government, the proprietors or the governing council of the institution. It is, also, the supervision of cash receipts and payments and safe guarding of cash balance. In addition, financial management aims at optimum and efficient utilisation of funds.

SCOPE OF EDUCATION FINANCE

The scope of education finance refers to the specific areas or of education finance. They include all of the following:

- a. Financial concepts like imprest, payment vouchers, finance virement, authority to incur expenditure, imprest, Bank statements, cash management and financial control.
- b. Taxation
- c. Budget
- d. Classification of government expenditure.
- e. Types of cost analysis - current versus capital cost, recurrent and capital expenditure.

SCOPE OF FINANCIAL MANAGEMENT

The scope of financial management also refers to the specific areas of financial management. They include:

- a. The procurement and raising of funds.
- b. The allocation of financial resources to different educational institutions.

- c. The effective utilisation of funds.

REASONS WHY PROSPECTIVE EDUCATIONAL ADMINISTRATORS, POLICY MAKERS AND PRACTITIONERS NEED TO BE INTERESTED IN EDUCATION FINANCE

Every prospective educational administrator should be interested in the study of education finance. We now begin to see the reasons why this is so. The first reason is that the study of education finance would enable them to understand and be conversant with finance terminologies, concepts principles. Such finance terminologies include budgeting, cost benefit analysis, financial accounting, taxation, auditing, short and long term sources of funds, imprest account, virement, authority to incur expenditure, payment vouchers, bank statements, real resource costs, factor costs, capital and recurrent expenditure. The knowledge of these terminologies will put practitioners at a vantage point in dealing with issues as they arise. It will also make them bold and confident when called upon to apply these terminologies in routine administrative tasks. Secondly, the knowledge of education finance would enable practitioners (such as Vice Chancellors of Universities, Provosts of Colleges of Education or Principals of Secondary Schools when appointed) to keep proper record of their stewardship. At the end of one year or at the end of their service year. They are called upon to give account of their stewardship in financial management.

Thirdly, the knowledge of education finance helps to provide proper and adequate information to accounting officers like Vice Chancellors of Universities, Rectors of Polytechnics and Provosts of Colleges of Education on when to apply for grants, which capital projects(s) to embark upon or to discontinue or when to seek financial assistance from individuals and organisations.

Fourthly, the knowledge of education finance would help educational administrators and practitioners alike to know when to employ staff disburse funds, allocate equipment and refurbish dilapidated equipment. Perhaps, without knowledge of education finance, heads of institutions would employ excess staff and may not refurbish dilapidated equipment as at and when necessary.

IMPORTANT EDUCATION FINANCE TERMINOLOGIES

FINANCE

What is Finance?

The word finance may be observed to be loosely used interchangeable as fund or financial resources. However, the concepts are not similar. Finance is the art and science of managing money. It involves the provision of money as at the time when it is needed for business activities. The concept of finance includes capital, funds, money and amount.

Finance can also be defined as the management of money as well as investing, borrowing, lending, budgeting, savings and forecasting. Paramasivan and Sunramanian (2009) perceive finance to involve activities such as managing money, provision of money at the time of need and its effective utilisation. Hornby (Ed.) (1974) defined finance as the issue of the management of money or funds. It involves planning for the procurement and effective utilisation of funds made available for the implementation of programmes or projects.

A more comprehensive definition of finance has been provided by Ezra (1969) who see finance as a body of facts, principles and theories dealing with raising and using of funds by individuals, business firms, educational institutions and government. Ezra listed some important routine finance functions as including:

- a. Supervision of cash receipts and safeguarding of cash balance.
- b. Custody and safe-guarding of securities, insurance policies and other valuable papers.
- c. Record keeping and reporting.

FUND

Individuals, firms, businesses and government require funds to stay in business. Funds may be required for emergency or rainy-day or payment for unforeseen expenses. Funds may also be used by individual and institutional investors can also place money in different types of funds with the goal of earning money. Mutual funds gotten from numerous investors and invested in diversified portfolio of assets of high-networth individuals and institutions in a way that is designed to earn targeted returns. The government also uses funds, such as special revenue funds, provision of social amenities, investment in human capital development (i.e. education), etc.

Fund is a sum of money that is allocated for a specific purpose. A fund can be established for any purpose whatsoever, whether it is a city government setting aside money to build a new civic center, a college setting aside money to award a scholarship, or an insurance company setting aside money to pay its customers' claims. Such sum of money is invested and professionally managed to achieve a stated target. Thus, fund is all financial resources of a firm or establishment to achieve a

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