

Budgeting Practices in Open Universities System with special reference to IGNOU

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ABSTRACT

Planning refers to the definition of mission, goals and objectives, the identification and evaluation of alternatives and the choices among the alternatives. Budgeting refers to the process of translating the decisions programmed in the long range planning framed into the annual budget format, with more precise measures of inputs, price tags and outputs which are possible and necessary.

The paper represents such budgeting practices in open universities with reference to Indira Gandhi National Open University (IGNOU).

PLANNING AND BUDGETING: A VITAL LINK

The planning and budgeting are vitally important complementary activities linked with each other. Planning separated from budgeting tends to be a sterile exercise, budgeting separated from planning tends to be short-sighted and not well-informed. It is vitally important that their complementary activities are linked. They are effective tools in the management of finances of an organization. The budget of an organization is prepared to have effective utilization of funds and for the accomplishment of the objectives as efficiently as possible. Planning is one of the vital functions of every manager and is the basis for every activity in an organization. The budget of University / Open University / IGNOU Institution is an effective management tool for the (a) procurement of funds; (b) allocation of funds; (c) control of funds; (d) policy and decision-making; (e) achievement of set goals and objectives; (f) effective use of funds; and (g) assessment of the financial health of a University Institution. Planning in a University Institution means the process whereby the educational institution establishes its long-run vision, goals and objectives, the identification and evaluation of alternatives and the choices among alternatives. Budgeting and planning in the realm of university administration hardly require any emphasis. Budgeting and Planning play a vital role in the management of university finances. Through sound and effective techniques of budgeting and planning, most of the maladies in the management of university finances can be settled. It is, therefore, desirable to examine the existing budgeting and planning system of University Institutions in India and suggest the most appropriate system of budgeting and planning to be followed in such institutions.¹

Budgeting is a process that transforms information into decision. Requests submitted by spending units or generated by central budget staffs are inputted into the process, and allocations to entities, projects and other recipients are outputted. The quality of these decisions depends on the data available to decision makers, as well as on the analytic tools they use to process the information. One of the perennial aims of budget innovation has been to influence the decisions that flow from the process by modifying the classification or content of budget data and by introducing new analytic methods. At one time, most countries classified expenditures by organization units and items to be purchased. Nowadays, most

have economic and functional classifications, and many also classify expenditure by programmes, activities or outputs. As the stockpile of budget information has grown, the means of analysis have multiplied. Innovative countries strive to measure performance, medium-term fiscal impacts, exposure to contingent liabilities and other financial risks, the unit cost of producing government services, the long-term sustainability of the government's fiscal position, the revenue forgone through tax preferences, the distribution of expenditure by region, social class and gender, and other contemporary issues in budgeting.²

The surge of data has spurred budget innovators to devise new rules for shaping the decisions that emerge from the process. They want information to be more than available: they want it to transform the way governments go about budget work. They want different information to produce different outcomes. This chapter focuses on two contemporary efforts to convert information into rules. One is performance budgeting, which seeks to base spending decisions on actual or projected results; the other is accrual budgeting, which calculates expenditure in terms of resources used or liabilities incurred. The first shifts budget decisions from inputs to outputs or outcomes; the second shifts them from disbursements to cost. Performance budgeting and the accrual basis are among the most prominent reforms on the budget agenda. Neither is new, and neither has made as much headway as reformers would like, but both are likely to be promoted within governments and by some international organizations in the years ahead.³

Budgeting: An analytical tool

Performance budgeting and accrual budgeting are analytic tools that provide information and insights which are not available through conventional approaches. Both can also be framed into decision rules that dictate the way governments allocate resources. One decision rule might specify that government should spend money to purchase outputs; another might require that government appropriate funds to cover the cost of goods consumed or liabilities incurred. Although both may seem to rationalize budget choice, this chapter argues that governments should move cautiously in codifying performance and accrual budgeting into decision rules. It is essential to develop a fuller understanding of these innovations and their implications before mandating that they be the basis of budget decisions.⁴ However, that government incorporates performance and accrual information into the mainstream of data available to policy makers.

The distinction between analytic tools and decision rules may be explained by considering the approaches taken by national governments in incorporating medium-term projections into budget work. As recently as two decades ago, few governments formally projected the future budget impacts of the decisions they made for the fiscal year immediately ahead. Nowadays, however, many governments construct forward estimates or baselines that project expenditures and other budget elements for each of the next three or more years. Some governments have gone further by constructing medium-term expenditure frameworks (MTEF) that limit spending in each of the next three or more fiscal years. This "hard constraint" bars government from taking actions that would cause estimated future spending to rise above the preset limit. When it is used effectively, the MTEF converts projections from analytic tools into decision rules. The MTEF greatly increases the probability that medium-term projections will be used, but it also limits the budget options of government.

Experience with budget projections and the MTEF suggests the rationale for converting analytic information into budget rules. The MTEF becomes a decision rule that limits the freedom of cross pressured politicians. But just imposing a decision rule may not suffice to change budgetary behaviour or outcomes. Many – probably most – countries that have a formal MTEF regard it as a technical exercise that is separate from the annual budget

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process. The rule exists on paper, but is breached in practice. Disappointing experience with medium-term expenditure frameworks and other budget reforms has led this writer to conclude that changing budget rules may not suffice to change budget behaviour.⁵ Those who would add to tools and rules should be cognizant of a fundamental limitation of budgeting: it is a time-pressured, deadline-saturated process in which making decisions on schedule often is more urgent than getting the analysis right. The key development has been modification in the classification of expenditure data which has transformed budgeting from an insular process whose main task was to finance ongoing operations into an expanded process that contributes to economic stabilization, programme planning and efficient management. Significant progress has been made in the past decade in devising codes of good budgetary practice, but most of the standards pertain to matters that have long been recognized as essential to good budgeting.⁶

Criteria for establishing new budget rules:

Budget rules determine how spending decisions are made and reported. Some rules, such as annuality and comprehensiveness, have been accepted practice since the emergence of modern budgeting more than a century ago. Some are of recent vintage and rely on new techniques such as the medium-term expenditure framework (MTEF). In general, the older the rule, the more widely it is applied. Some rules are inherently country-specific and include the forms and schedules on which spending units bid for money. Many rules are formal and are codified in budget law and manuals, but some of the most important ones are informal, such as the conduct of negotiations between the finance ministry and spending entities. In every country, a vast body of rules dictates the compilation of the budget by the government and its review by the legislature. Many rules pertain to the implementation of the budget and determine the scope for virement and other modifications of the purposes and amounts of expenditure. Most rules are procedural but some, such as those which constrain fiscal aggregates, are substantive. Although rules have accreted, stability is important in budget procedure.

Performance budgeting:

Performance budgeting is easy to explain but has been hard to implement. The basic idea is that governments should budget for actual or expected results (typically labelled as outputs and outcomes) rather than for inputs (personnel, supplies and other items). When deciding the budget, governments should be informed of the services that public agencies will provide and the expected benefits and social conditions that will derive from spending public funds. As appealing and sensible as this idea is, putting it into practice has been exceedingly difficult. Governments have many things on their minds when they allocate resources; performance is only one preoccupation and usually not the most urgent.⁷ Strictly defined, only the budget systems which formally link increments in spending to increments in results would qualify. Under the first definition, many governments could claim to have performance budgets; under the second, few could. With such a wide range, one may justifiably argue either that performance budgeting has been truly successful or that it has dismally failed.

Keeping in view, the priority of Government of India, for social sector programmes, the Department of Higher Education was provided an allocation of Rs.16900.00 crores (Plan) and Rs.10756.00 crores (Non-Plan) during the year 2014-15. This covered allocation for Higher Education, Technical Education, Language Development, Book Promotion and Copyright and UNESCO related activities and Planning and Administration.

“Plan and Non-Plan” allocation for the department and the expenditure incurred for the year 2013-14 and 2014-15 by the Department of Higher Education is given in the tables

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below (Table 1-6). During the year 2014-15 out of the total allocation of Rs.27656.00 crores for Higher Education Department, Rs.16900.00 crores (61.11%) related to Plan and Rs.10756.00 crores (38.89%) was provided under the Non-Plan. The Revised Estimates of the Department was fixed at Rs.13000.00 (Plan) and Rs.10700.00 (Non-Plan) (Table 1).

Table 1
(Rs. in crores)

Year	Plan			Non-Plan		
	BE	RE	Actual Exp.	BE	RE	Actual Exp.
2013-14	16198.00	14698.00	14244.45 (96.91% of RE) 87.94% of BE)	10552.00	9787.00	10274.05 (104.98% of RE) 97.37% of BE)
2014-15*	16900.00	13000.00	9541.60 (73.40% of RE) 56.46% of BE)	10756.00	10700.00	8061.74 (75.34% of RE) 74.95% of BE)

*Actual for the FY 2014-15 is up to 31st December 2014.

The R.E. (Plan) of the Department was reduced by Rs.3900.00 crores due to economy measures, non-utilization of funds provided for New Institutes / Schemes and slow pace of Expenditure in some schemes. The R. E. (Non-Plan) of the Department was reduced by Rs.56.00 crores. As against the R.E. the Department had utilized an amount of Rs.9541.60 crores (Plan) and Rs.8061.74 crores (Non-Plan) up to December 2014, which work out to 73.40% and 75.34% in Plan and Non-Plan, respectively in respect of R. E. (Table 2).

Table 2
Scheme-wise Expenditure vis-à-vis Budget Estimates/Revised Estimates in Recent years.
(Rs. in lakhs)

Name of the Scheme / Programme / Project	2013-14			2014-15		
	B. E.	R. E.	Actuals	B. E.	R. E.	Actuals Upto 31-12-14
1. University and Higher Education	740373.00	670936.00	73780.73	736723.00	736034.90	565440.77
2. Open and Distance Education and ICT	841.00	632.00	649.22	800.00	726.30	624.98
3. Planning, Administration and Global Engagement.	3920.00	4437.00	3398.76	4274.00	4522.24	3146.34
4. Technical Education	287221.00	280579.00	265483.01	307838.00	306763.18	222747.45
5. UGC including Central University	506674.00	480846.00	512438.70	545771.00	566694.00	399524.28
6. Improvement in Salary scales of University & College Teachers	225000.00	180000.00	217500.00	180000.00	160000.00	159080.35
7. Assistance to IGNOU & State Open Universities	100.00	33.00		100.00	33.00	
8. Setting up of Commonwealth University	500.00	500.00	575.00	600.00	600.00	600.00
9. Indian Scholars going abroad – scholarships offered by Foreign Governments	80.00	99.00	68.88	90.00	90.00	24.98

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The total expenditure of the department has also been analyzed object head wise and the details of percentage expenditure budget head-wise are given at Table 3. As can be seen from the statement about 99% of the expenditure is incurred in the form of Grants-in-Aid. It may be noted that since many of the programmes of the Department are implemented through the autonomous bodies and other agencies under the Department through grants-in-aid, all the expenditure incurred by these autonomous bodies and organizations including the capital expenditure by them is shown as Grants-in-Aid in the revenue section of the Demand for Grants.

Table 3
Object Head-Wise Expenditure Plan and Non-Plan for the year 2013-14
(Rs. in crores)

S. No.	Object description	Actuals Plan	Actuals Non-Plan	Total Actuals (Plan & Non-Plan)
1	Salaries	4.29	64.66	68.95
2	Overtime allowance	0.00	0.09	0.09
3	Medical treatment	0.03	1.60	1.63
4	Domestic travel expenses.	0.79	1.94	2.73
5	Foreign travel expenses	0.00	1.15	1.15
6	Office expenses.	2.73	15.77	18.50
7	Publications	6.08	0.10	6.18
8	Banking cash transaction tax.	0.00	0.00	0.00
9	Other administrative expenses.	40.39	0.89	41.28
10	Supplies and materials	0.00	0.00	0.00
11	Advertising and publicity	0.02	5.86	5.88
12	Minor works	0.00	0.00	0.00
13	Professional services.	0.00	0.12	0.12
14	Other contractual services.	0.00	0.00	0.00
15	Grants-in-aid General	5601.99	4184.28	9786.27
16	Contribution	0.02	20.16	20.18
17	Scholarship/stipends	243.30	16.40	259.70
18	Grants for creation of capital assets.	7827.62	0.00	7827.62
19	Grants-in-aid salaries	562.56	5952.46	6515.02
20	Lump sum provision	0.00	0.00	0.00
21	Other charges.	21.94	8.71	30.65
22	Deduct recovery	-67.31	-0.14	-67.45
23	Actual recoveries			
	Grand total: -	14244.45	10274.05	24518.50

Department has been making efforts for incurring expenditure as evenly as possible keeping in view the balances available with the institutions/organizations, their pace of expenditure and their requirement of funds. With effect from 1st October 2005 the Department has been covered under the Monthly Expenditure Plan (MEP) and Quarterly Expenditure Allocation (QEA). The Department had projected a cash requirement of 16.46%, 23.54%, 27% and 33% for Plan funds and 20.81%, 29.19%, 25% and 25% for Non-Plan funds during the four quarters respectively during the year 2014-15. The Department had broadly spent according to this target during 2014-15. A statement giving actual expenditure vis-à-vis Quarterly target and the target up to March 2015 is given below as Table 4.

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Table 4

**Statement showing quarterly expenditure Plan and Actual Expenditure for the year 2014-15
(Rs. in crores)**

	BE (Plan) Rs.16900.00		BE (Non-Plan) Rs.10756.00		BE (Plan & Non-Plan) Rs.27656.00	
Quarters	RE (Plan) Rs.13000.00		RE (Non-Plan) Rs.10700.00*		RE (Plan & Non-Plan) Rs.23700.00	
	Target	Actual Expenditure/ % of BE	Target	Actual Expenditure/ % of BE	Target	Actual Expenditure/ % of BE
Upto June	2781.00	2782.64	2238.00	2238.61	5019.00	5021.25
	16.46%	16.47%	20.81%	20.81%	18.15%	18.16%
Upto Sept.	6760.00	6404.11	5378.00	4898.72	12138.00	11302.83
	40.00%	37.89%	50.00%	45.54%	43.89%	40.87%
Upto Dec.	11323.00	9541.60	8067.00	8061.74	19390.00	17603.34
	67.00%	56.46%	75.00%	74.95%	70.11%	63.65%
Upto March	16900.00		10756.00		27656.00	0.00
	100.00%	0.00%	100.00%	0.00%	100.00%	0.00%

The department is also regularly monitoring the receipt of Utilization Certificates from the Grantee institutions. A data base has been created and necessary steps have been taken to ensure that no fresh grants are released to the institutions against whom the Utilization Certificates for the past grants are still pending. As on 01-04-2014, Utilization Certificates for an amount of Rs.15153.04 crores were pending. Due to persistent efforts at the Departmental level and through CCA's Office, 1639 Utilization Certificates worth Rs.13825.80 crores are still pending as on 28-02-2015. The status of outstanding Utilization Certificates is at Table 5.

Table 5

**Utilization Certificates Outstanding in respect of Grants / Loans released – Up to 31st Dec. 2014
(Rs. in crores)**

No. of UCs Outstanding in respect of Grants released up to 1.4.2014	Amount involved	No. of UCs received during 1.4.2014 to 31.12.2014	Amount involved in respect of UCs received	No. of UCs outstanding as on 31.12.2014	Amount involved in outstanding UCs.
4259	15153.04	920	2002.27	3339	13150.77

Unspent Balances with various Grantee institutions under the Department are being reviewed from time to time. Review of unspent balances with State Governments and autonomous bodies is monitored in the Department every quarter. Release of further grants is subject to utilization of earlier grants released earlier and also on the basis of progress of expenditure. The unspent balances are invariably taken into consideration while releasing the further Grants to these institutions. The position of unspent balance for 2012-13, 2013-14 and 2014-15 are given in Table 6.

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Table 6
Position of Unspent Balances.
(Rs. In crores)

Unspent balances in respect of implementing Agencies / Autonomous Bodies / Schemes	
As on 1.4.2013	1789.72
As on 1.4.2014	779.50
As on 30.9.2014	1393.58

Governments allocate scarce resources to programs and services through the budget process. As a result, it is one of the most important activities undertaken by governments. As the focal point for key resource decisions, the budget process is a powerful tool. The quality of decisions resulting from the budget process and the level of their acceptance depends on the characteristics of the budget process that is used.

A budget process that is well-integrated with other activities of government, such as the planning and management functions, will provide better financial and program decisions and lead to improved governmental operations. The National Advisory Council on State and Local Budgeting (NACSLB) was created to provide tools for governments to improve their budgeting processes and to promote their use. The practices are appropriate for a variety of management and political styles.

CONCLUSION

It is thus concluded that as a result of the evolving nature of good budgeting practice, these practices are not intended as mandatory prescriptions for governments. Rather, practices are set forth as recommendations only, and can serve as a blueprint for governments that want to make improvements to their budget processes. Implementation of these practices is expected to be an incremental process that will take place over a number of years.

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