

Financial Sustainability of Sorsogon State University: An Assessment

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ABSTRACT

The study aimed to analyze the status of the financial sustainability of Sorsogon State University. Determining the extent of financial sustainability as viewed by the administrative staff and the faculty members along with the strategic financial planning, income diversification, and; administration and finance. This study utilized the null hypothesis and tested it with a significant level of 0.05 to measure the difference in the perception of the two groups of respondents. This study could assist the SUC's administrators in formulating policies regarding financial aspects to improve financial literacy and promote the value of transparency, accountability, responsibility, and trust. This descriptive research used documentary analysis and survey questionnaires to measure and analyze the financial sustainability status of Sorsogon State University from the fiscal year 2010 to 2012 along the three pillars of financial sustainability. From this result, an intervention in the form of an income or resource generation manual

was proposed to serve as a guide/basis for implementing internally generated projects for Sorsogon State University. Following the findings of the study, it was established that Sorsogon State University has two main sources of budget and income that allow it to continue its operations: government allocations and income created internally by the university.

Keywords — Institutional Research, Financial sustainability, descriptive, Sorsogon State University, Philippines

INTRODUCTION

All organizations or institutions are involved in management, also in finance. The educational sector is concerned and engaged in bigger and more sophisticated financial activities. Money is the lifeblood of an organization or business. It is an essential resource for a business to achieve its fullest potential. Without it, no organization can operate or produce.

Similarly, the budget is the government's most important economic policy tool. The budget translates the government policy, political commitments, and goals into decisions on how much revenue to raise, how it plans to raise it, and how to use these funds to meet the country's competing needs, from sustaining security to improving health care and alleviating poverty. A good budget system is crucial to developing sustainable fiscal policies and economic growth. (Khoo, 2010).

Proper management of funds should be established. Budgeting is exercised because of the need to allocate public revenues for specific purposes. Therefore, financial management should ensure that funds are established in accordance with organizational objectives. It requires the managers to budget the funds and use them wisely. To be effective, it needs planning, organizing, and control. Funds should be adequate and meet those priorities, available when needed, now and for the future. Because of scarcity and limited resources, it is necessary to plan and manage their usage as efficiently as possible. As a result, it is necessary to monitor and analyze financial sustainability on an annual basis to identify how well financial resources are utilized efficiently and effectively in educational institutions (Briones, 1996).

As a result, in the age of globalization, inflation is one of the biggest problems facing the majority of national economies. It has a variety of effects on both developing and developed countries economic growth. According to its definition,

inflation is the prolonged increase in the average price of goods and services in a certain economy. Each income earner's purchasing power is diminished by inflation, which causes social and economic instability. This conclusion has been strengthened by studies that concluded that inflation is detrimental to the growth of an economy in the long run, who view price stability as one of the crucial instrumentalities of economic growth (Briones, 1996).

One of the biggest problems facing humanity is the eradication of poverty in all of its manifestations. Even though the number of persons in extreme poverty decreased by more than half between 1990 and 2015, far too many people still have difficulty meeting even the most basic necessities.

Over 736 million people, many of whom lack access to food, safe drinking water, and sanitary facilities, live on less than US\$1.90 per day as of 2015. Although millions of people have been lifted out of poverty by rapid growth in nations like China and India, development has been uneven. Because females earn less money, have less education, and own less property than men, women are more likely to be impoverished than men.

Other regions, including South Asia and sub-Saharan Africa, which account for 80% of individuals living in extreme poverty, have similarly made little progress. Much more effort is required to lift people out of poverty due to new dangers brought on by climate change, conflict, and food insecurity.

The SDGs are a bold commitment to finish what we started and end poverty in all forms and dimensions by 2030. Targeting the most vulnerable, expanding access to fundamental services, and assisting communities impacted by natural disasters and armed conflict are all part of this.

Therefore, if the government lacks financial support through budgetary allocation in the educational sector, the organizations or the institutions' budget will adversely affect the smooth operation flow. It will affect the entire society to function or perform their mandates. Representatives of ASEAN member states, the ASEAN secretariat, international and regional organizations, and national entities, including non-governmental organizations and the private sector, are engaged in activities related to the Blue Economy.

In Sorsogon State University, a study on its financial management was conducted by Mendones and revealed that the University is moderately efficient in its services. The lack of budgetary allocations from the national government hinders SUCs in their project implementations, where necessary adjustments are being undertaken to prioritize their projects. Incomes from the student's tuition fees were not sufficient to cover all project implementations or improvements.

This situation enables every SUC to maximize their income-generating activities to augment their budget (Briones, 1996).

The Sorsogon State University, as the sole SUC in Sorsogon province, is estimated with 8000 enrolled students, including its satellite campuses. The MOOE allotted to the SSC of the national government is insufficient to cover the SSC's monthly operating expenses. Thus, it is being augmented through the income from its students' tuition fees. The administration carefully manages the remaining derived income from the tuition fees to pay some mandatory expenses, such as paying additional instructors for their salaries and benefits. Improvement of university infrastructure is being made after accumulated savings have been identified after every fiscal year. Therefore, this study will analyze how the financial sustainability of the University is being planned, diversified, and administered. The study will propose interventions on how the university can sustain its financial capacity to respond promptly to the changing needs of its stakeholders.

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Education is indeed basic to the forward movement of a nation. So far, education worldwide aims for quality, excellence, and development in all its endeavors. It is the most important aspect of people's lives. In today's world, education is essential to succeed economically and socially. Education is a partner in development; thus, development exists because of education.

Providing quality education at all levels is one of the major concerns of the state. The 1987 Philippine Constitution provides. 'The state shall protect and promote the right of all citizens to quality education at all levels and shall take appropriate steps to make such education accessible to all.' Philippine education's historical track showed how the state tried its best to make education relevant to the needs of the people and the society, knowing that it's not only the quality of educational efforts aimed at improving Filipino life by seeking quality education.

Commission of Higher Education (CHED) was created as part of the agenda of reforms in the educational system. Republic Act 7722, section 2,

states that the “State shall protect, foster and promote the right of all citizens to affordable quality education at all levels and shall take appropriate steps to ensure that education shall be accessible to all.”

According to Human Capital Theory, the economic development of a nation is a function of the quality of its education. In other words, the more educated people, the greater is the chances of economic development. This time the educational system is viewed from the perspective of its organization and structure as well as the issues of management at the systems level.

Management is a people-oriented discipline such revolve around people and business organizations. Management is vital in any organization-family, community, business enterprise, government, and nonprofessional organization. To a great extent, the core of the educational system has to do with how an educational institution is managed, and its function is to realize its established aims and goals.

Since the Aquino government started passing its budget in 2011, there has been a steady increase in the budget allocated for the Department of Education (DepEd), Commission on Higher Education (CHED), and State Universities and Colleges (SUCs). This year’s proposed budget is at P2.006 trillion budget for 2012 and almost 21.9 percent higher than the P1.816 trillion budget for 2012 and almost 21.9 percent higher than the P1.645 trillion approved appropriations in 2011. This budget level is equivalent to 16.8 percent of the Gross Domestic Product. The Department of Budget and Management (DBM), under the proposed 2013 National Budget, the state Universities, and Colleges received only P34.4 billion.

The figures, however, are not enough to meet the recommended budget that states should ideally spend for the education sector. Heart Dino (2013), chair of the Student Council Alliance of the Philippines, said that it is not only to increase the budget allocation for education but to allocate a sufficient budget for the education sector. Gonzales (2013), UP Diliman student council member and public information officer, also added that “there should be a policy for an automatic (budget) appropriation for education; because the ideal scenario is access for all. By access, that means full state subsidy for SUCs.”

FRAMEWORK

Determining the extent of financial sustainability as administrative staff and faculty members viewed in terms of strategic financial planning, income diversification, and administrative and finance.

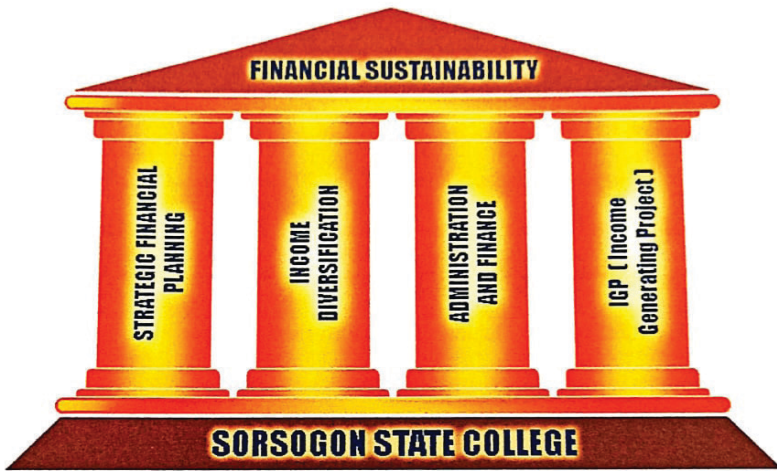


Figure 1. Financial Stability

The study centered on analyzing the financial sustainability of Sorsogon State University along with strategic financial planning, income diversification, administration, and finance and income generation (IGP) and the extent of financial sustainability as viewed by the members of administrative members and faculty along with the cited variables. It was also discovered that there was a statistically significant difference in perception between the two groups of responders. The findings of the study acted as an intervention as a result of the findings. The study’s research paradigm is depicted in this diagram.

Institutions must deal with the present and plan for the future to survive and grow. This study describes the present status as a viable and sustainable organization as an institution. At its most fundamental level, “sustainability” refers to the ability to support and maintain something, and keep it intact and function effectively. In any institution, financial sustainability—defined as the availability of sufficient financial resources and the appropriate allocation of those resources—is vital and has always been critical. Indeed, in today’s highly turbulent financial market, the assurance of financial sustainability becomes even more important to ensure long-term success. The researcher concentrated on four criteria to achieve financial sustainability, which is critical in view of the increasing relevance that institutions’ contributions to organizations and economic progress are gaining in importance.

To attain sustainability, the first pillar has to have complied which is strategic financial planning. For any organization, strategic planning is a valuable tool for ensuring success. It is a process of devising a series of attainable steps to propel it toward a more accomplished future and help it focus on successfully fulfilling its mission. Strategic planning is that the final documented plan will be of import and substance suitable to the organization. It is a snapshot of the organization, intending to move it toward its future. Targets, measurements, and timetables should all be included in plans. Since such a plan is a tool used to help the organization or initiative - and, more importantly, its goals. Furthermore, allow it to continue thriving over the long term.

Income diversification is the second aspect of financial sustainability to consider. The allocation of resources must be done in accordance with the priorities of the institution. A top priority for an educational institution is student learning and success. Resources must be allocated to support educational effectiveness and other activities that advance knowledge, develop human capital, and allow the institution to learn from its mistakes and adapt to continue to flourish. The third pillar is administration and finance. It involves how the administrator deals with the administration in financial aspects and managing them. All levels of the institution's leadership are defined by integrity, superior performance, appropriate responsibility, and accountability. The institution's organizational structures and decision-making processes are clear and consistent with its aims, facilitate effective decision-making, and prioritize sustaining institutional capacity and educational effectiveness over the short and long term. One of the predicaments that state universities and colleges face is the lack of funds to finance the existing and new projects to meet every institution's vision, mission, and objectives, so seemingly difficult with the challenges that affect educational institutions nowadays. In short, many institutions have to look for another source of income to serve their stakeholders and continue to survive. Hence, they are forced to look for other means and ways to earn additional income to finance their demands and needs.

Own income generation or income-generating projects is the intervention made in the study. It is one method by which a business might increase the variety of its revenue streams. Every organization must find another source of income to strengthen the budget allocated in the organization or institution to finance the various programs and projects, not be dependent on the national budget for its operation. The school administration, students, professors, and the entire community are the primary beneficiaries of the income-generating projects as an institution. Alvaran conducted a study on resource generation strategies

of selected state universities. The study aimed to assess the different income-generating projects (IGPs) as alternative sources of income for selected state universities in the National Capital Region and Region 3 from 1998 to 2000.

The Sorsogon State University can build a vision of its role in the 21st century in the higher education agenda if the administrators develop and implement these pillars collaboratively. It is possible to achieve the goals the Commission on Higher Education's Road Map set out. The decisions that institutions make amid these challenging circumstances will impact their long-term success.

OBJECTIVE OF THE STUDY

The study aimed to (1) determine the extent of financial sustainability as viewed by the administrative staff and faculty members, along with strategic financial planning and income diversification.

METHODOLOGY

Research Design

It was decided to adopt the descriptive method for this investigation. The survey questionnaire developed by the researcher, adapted from Patricia Léon, was the primary instrument used in the study. To gather the needed data observation, a survey questionnaire, unstructured interviews, and documentary analysis were used. The data was analyzed and interpreted with the use of appropriate statistical measures. The study determined the status of the financial sustainability of Sorsogon State University from the fiscal year 2010 to 2012 along the three pillars of strategic financial planning, income diversification, administration and finance, and income generation. It also determined the extent of financial sustainability along the pillars as viewed by administrative and non-administrative members.

Participants

There were 19 members of the administrative staff and 120 members of the faculty that participated in the survey. The administrative staff includes the incumbent president, vice presidents, deans/campus administrators, staff directors, board secretaries, budget officers, accountants, faculty, and student federation presidents of Sorsogon State University. The respondents were derived from the 172 population using Slovin's equation and proportionality for each type of respondent (Khoo, 2010).

Instrumentation

The main instrument used in gathering data was a survey checklist questionnaire adapted from Patricia León (2001), who had the same variables as this study. It consists of items that describe financial sustainability status along the pillars of strategic financial planning, income diversification, administration and finance, and income generation projects. The dry-run was not conducted since it is no longer needed because the questionnaire was adopted from León.

Data Collection

Apart from the questionnaire, an unstructured interview was conducted to gather additional information needed. Answers were analyzed to help the researcher validate the responses obtained from the questionnaire.

To ascertain how many times a response was given by the respondents, a frequency count was employed, and a percentage was used to calculate how many percent of the indications from the questions were replied to by various respondents. The Four-Point Scale rating was used to establish the extent to which financial sustainability was seen by the two sets of respondents, and the weighted mean was utilized to ascertain this (Jaramiel, 2014).

Statistical Techniques

The statistical measure used in interpreting the data was a non-parametric tool: the Mann Whitney U—Test in Statistical Packages for Social Sciences (SPSS). If there is a difference between two groups on a continuous or ordinal dependent variable, the Mann Whitney U-Test (sometimes called the Wilcoxon-Mann-Whitney test) can be used to evaluate if there are differences between two groups. It is only appropriate to use a Mann-Whitney U test if the data “passes” four assumptions. A significant difference between the perceptions of administrative and non-administrative members or faculty members about the extent to which Sorsogon State University’s financial sustainability is a function of these three variables is determined by using this method, which is described further below (Lake, 2013; National Budget Circular 461, 2014).

RESULTS AND DISCUSSION

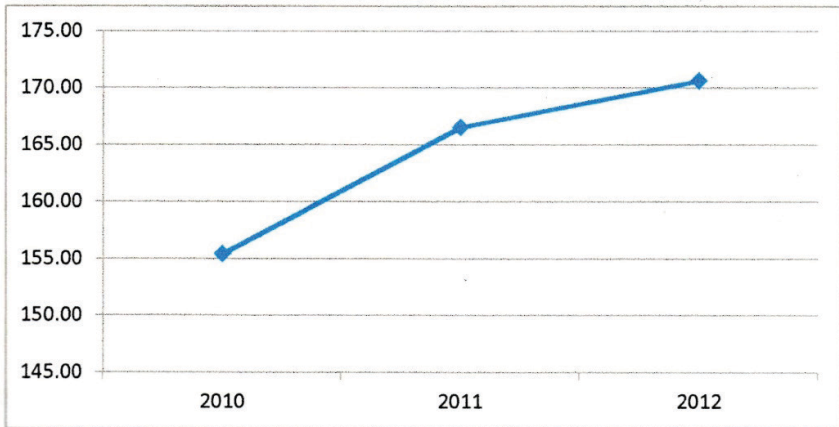


Figure 2. The Extent of Financial Sustainability of the University

The table shows the extent of the financial sustainability of the university along the three pillars as viewed by the two groups of respondents. Results show that faculty members rated the sustainability of the financial status of SSU along with Strategic financial planning, income-generation capability, and financial administration capability with high satisfaction with average weighted means of 2.71, 2.55, and 2.63, respectively. These outcomes imply that the faculty members are highly satisfied with how the university undertakes its strategic and financial planning activities. This may also mean that they are actively monitoring its allocations and expenses.

Furthermore, budget allocations are aligned with the goals and objectives of the university, as well as with the maximizing and proper use of university resources for delivering high-quality services to students and faculty. High faculty member satisfaction can also be ascribed to the university's success in maintaining its income and expenditures through the collection of tuition fees and other sources. This comes from the STF or special trust funds under CMO#20, which allows the SUCs to utilize collections to provide for the needs of the college to implement its trifocal mandates, which cannot be provided by the regular budget from GAA.

The concerned personnel managed the financial flow and reported to the accounting office to record and check all documents supplied for cash disbursement as checked by the internal auditor. This aspect of financial management allows the faculty member to realize that the funds allocated for implementing the university mandates and objectives were being disbursed and appropriately utilized. This implication is supported by Khoo that the manager or owner must understand and pay more attention to managing the institution's cash flow to prevent short of funds to sustain its project implementation. (Khoo, 2010).

Table 1. The Extent of Financial Sustainability as Viewed by the Respondents

Pillar	Administration	Interpretation	Faculty	Interpretation
Strategic Planning	2.74	High Satisfaction	2.71	High Satisfaction
Income Generation Capability	2.26	Low Satisfaction	2.55	High Satisfaction
Financial Administration Capability	2.55	High Satisfaction	2.63	High Satisfaction

On the other hand, the administration personnel was highly satisfied with the university's strategic planning, finance, and administrative capability, which gave average weighted means of 2.74 and 2.55, respectively. This indicates that this personnel from the administration office, like the faculty, positively confirmed that the college has financial sustainability along these two pillars.

This result also suggests that members of the administrative council undergo intensive planning with the faculty members to come up with achievable objectives within a considerable time frame based on the university's strengths and weaknesses. As stressed by Lake, considerable ways of strategic financial planning and stakeholders allow a meaningful output and achievable objectives based on the mission and vision of the university. Further, the university can boost that for more than eight years. It has not implemented an increase in tuition fees, unlike other SUCs or HEIs in the country. The administration has cautiously managed the resources of the university to sustain the implementation of its plan as indicated in the Three-Year Medium Term Development Plan (Lake, 2013).

However, the administration's perception of the university's ability to generate income was low satisfaction, as measured by an average weighted mean of 2.26.

This rating can be attributed to the non-implementation of tuition fee hikes. The staff knows that income was mainly used to sustain the professional services and common maintenance and operating expenses, even including the subsidized funds allocated by the national government. As a result, some university projects for research, instruction, extension, and production services implementation were delayed due to insufficient funds. Likewise, this low rating given by the administration staff may be due to a lack of viable income-generating projects in the college, which minimizes the capability to augment its income. Thus, other benefits for the faculty members that can be derived from the university's savings are being deferred for implementation, like the increase in salaries resulting from the faculty classification and compensation system or NBC 461.

The financial administration capability of the college was rated 2.25 and 2.63 by both respondents, respectively. The respondents expressed high levels of satisfaction with the university's capacity, which may be ascribed to improvements in the processing of cash liquidation and reporting the balances of the university's financial resources, among other things. These tasks enable the stakeholders to check their remaining cash allotment in their expenditures as stated or reflected in their plans as the fiscal year starts. The regular reporting of status on charts of accounts becomes useful to both the stakeholders and the college in making decisions regarding their plans and projects to prevent the overhead cost. Moreover, all expenses incurred in implementing the projects or activities undertaken by the university are carefully monitored by the internal audit to check whether transactions conform to existing auditing rules and regulations.

In summary, the administration and faculty perceived that Sorsogon State University has a high level of financial sustainability to undertake its mandates and deliver its services efficiently to the intended clients. However, it has to improve its income-generation capability by planning and implementing sustainable projects that could generate income for the college while extending its services.

CONCLUSION

There are two major sources of budget and income for Sorsogon State University to sustain its operation- the government allocation and the internally-generated income of the University.

The extent of the financial sustainability of Sorsogon State University, as viewed by the faculty members, is high on the three cited pillars of strategic financial planning, income-generating capability, and financial and administrative

capability. The administrative staff also have the same rating except for income generating capability, which was perceived to have a low extent of sustainability.

The administrative staff and the faculty have a similar level of perceptions on the financial sustainability of Sorsogon State University, along with strategic financial planning and financial and administrative capability. However, they differ in the level of perception of income diversification or income-generating capability. There is a proposed income/resources generation manual that the University could adopt to serve as a guide in the implementation of income-generating projects.

TRANSLATIONAL RESEARCH

For transparency purposes, the administration may consider of quarterly report to all stakeholders about its income and balances for all the projects and plans undertaken by the university. In this way, it will allow all the stakeholders to be familiar with the balances on the income. It may also be worthwhile for university key personnel to consider allowing other faculty members to participate in some university undertakings, such as the planning and management of projects and activities, to become more familiar with the status of the university's revenue and expenditures.

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