

SUSTAINABLE FINANCING OF HIGHER EDUCATION IN NEPAL

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## DECLARATION

I certify that the idea, results, analysis, findings and conclusion reported in this dissertation are entirely my own efforts, except where otherwise acknowledged. I hereby solemnly declare that the work is original and has not been submitted to any other institution or university for any award or candidature for any other degree.

This work was carried out and completed at the School of Education in Kathmandu University, which is located at Balkumari, Lalitpur, Nepal.

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## DEDICATION

To my professor who paved the foundation of education for me.

.....

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## ABSTRACT

This study deals with the issue of sustainable financing of higher education in Nepal. The study has focused on intrinsic case studies of two universities, TU and KU, for assessing the financing situation of higher education in Nepal. I framed a principal research problem, '*How has financing been in higher education of Nepal?*' On the base of this research question, I conducted an in-depth study focusing on sustainable financing in higher education. This study reveals the higher education funding scenario particularly in relation to how the resources have been utilized in achieving the financial sustainability goal from the perspective of access, equity, and quality dimensions.

I followed the qualitative research design within the horizon of interpretive paradigm based on case studies methodology. The philosophical premises encompass ontological, epistemological, axiological, and methodological assumptions in this study. The ontological assumption for this study subscribes to the notion of multiple realities regarding financing and resource utilization in higher education in the context of Nepal. My epistemological framework brings in subjective discourse which argues that knowledge can be acquired through detailed interactions with the research participants and through intensified literature reviews. However, I was fully aware of the matter that acquainting of absolute truth is not completely possible. In regard to the axiological assumption, I believe in the role of value which states human nature is a deterministic factor in research.

I believe that what we uncover as 'knowledge' at present will not remain as it is because of the rapidity of change in time in the field of university funding. The prolonged discourse and intensive interactions based on subjective inquiry in

uncovering what research participants observed as real truth led me to claim that revealed knowledge is trustworthy, in spite of various limitations. I adopted the interpretive paradigm in order to extract substantive meaning from the uncovered knowledge in financing higher education. Therefore, adopting the interpretive paradigm, I derived meanings with analysis and interpretation on the comments, expression, beliefs and feelings expressed by the research participants about sustainable funding for the higher education in the present context of Nepal. I made my study more authentic by considering the concerned ideas that I assembled through literature review. In this study, I focused on different theories: human capital theory, equity theory and rate of return theory which were broadly discussed relating with the purpose of the study that offered me with a sound foundation for dealing with different research dimensions to be connected with sustainable higher education financing.

A prominent finding of my study revealed the essence of five pillars as state funding, financial administration, resource management, income diversification and cost sharing. Moreover, local support, internal resource mobilization and external assistance in maintaining the financial health of higher education sounder are other findings of the study. Hence, commercialization of university products, internal resource utilization and effective financial administration are found as prerequisites for improving the financial health of higher education.

The abstract of the thesis of *Shankar Thapa* for the degree of *Doctor of Philosophy in Education* was presented on October 25, 2013.

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## TABLE OF CONTENTS

ABSTRACT .....	i
ACKNOWLEDGEMENTS .....	iii
TABLE OF CONTENTS.....	v
LIST OF TABLES .....	xiii
LIST OF FIGURES .....	xiv
ACRONYMS .....	xvi
CHAPTER I .....	1
INTRODUCTION.....	1
Setting the Study.....	4
Research Problems .....	6
Worth of the Research.....	8
Purpose of the Study .....	9
Research Questions .....	9
Organization of the Study.....	10
Summary.....	11
CHAPTER II.....	12
LITERATURE REVIEW .....	12
Historical Review.....	14
Theoretical Review .....	17
Thoughts of Economists .....	17
Human Capital Theory .....	20
Rate of Return Theory .....	21

Equity Theory .....	23
Funding Modalities: Global Context.....	24
Formula Funding Model.....	24
State Funding Model .....	25
Cost Sharing Model.....	26
Donor Aid Model .....	27
Eclectic Business Model.....	28
Funding Modalities in Nepal .....	28
Empirical Review.....	30
Financing in Nepal .....	31
Financing Higher Education Till 1964 .....	31
Financing Higher Education: 1965 - 1995.....	33
Financing Higher Education: 1996 - 2007.....	34
Policy Review .....	36
Global Financing Policy .....	37
South Asian Context.....	38
Financing Policies in Nepal .....	40
Research Gap .....	41
Conceptual Framework .....	42
Summary.....	43
CHAPTER III.....	45
RESEARCH METHODOLOGY .....	45
Research Philosophy .....	46
Research Journey .....	46
Philosophical Assumptions .....	47

Ontology .....	48
Epistemology .....	48
Interpretative Paradigm .....	49
Methodology.....	50
Research Methods .....	50
Quantitative Method.....	51
Qualitative Method.....	51
Research Design.....	52
Qualitative Research Design.....	54
Research Approach .....	55
Qualitative Research Strategies .....	56
Case Study .....	56
Selection of Cases .....	58
Research Premises .....	58
Data Collection .....	59
Data Collection Strategy.....	60
Data Collection Tools.....	61
Primary Data Collection Process .....	63
Secondary Data .....	64
Data Collection: What, Why and How? .....	64
Data Analysis Process .....	66
Data Preparation.....	67
Data Editing .....	67
Data Coding .....	68
Analysis .....	68

Analysis Method .....	70
Ethical Considerations.....	70
Dependability.....	71
Sampling Strategy.....	71
Sampling Frame .....	72
Summary.....	74
CHAPTER IV .....	75
STATE FUNDING IN HIGHER EDUCATION.....	75
Tribhuvan University .....	76
Funding Trend.....	76
Bases of Allocation .....	85
Funding Policy .....	92
Kathmandu University .....	99
Funding Trend.....	99
Bases of Allocation .....	105
Financing Policy.....	109
Learning From Cross Cases.....	113
State Funding Trend .....	113
Bases of Allocation .....	114
Funding Policy .....	116
Summary.....	117
CHAPTER V.....	119
FINANCIAL ADMINISTRATION.....	119
Tribhuvan University .....	120
Budgeting and Planning.....	120

Financial Reform.....	126
Cost Recovery.....	132
Kathmandu University .....	135
Budgeting and Planning.....	135
Financial Reform.....	140
Cost Recovery.....	143
Learning From Cross Cases.....	147
Budgeting and Planning.....	148
Financial Reform.....	149
Cost Recovery.....	150
Summary.....	152
CHAPTER VI .....	154
RESOURCE MANAGEMENT .....	154
Tribhuvan University .....	155
Trend and Status.....	155
Resource Allocation .....	159
Financial Decentralization .....	163
Kathmandu University .....	169
Trends and Status .....	169
Resource Allocation .....	173
Financial Decentralization .....	175
Learning from Cross Cases .....	178
Status and Trend.....	179
Resource Allocation .....	180
Financial Decentralization .....	182

Summary.....	183
CHAPTER VII.....	185
INCOME DIVERSIFICATION.....	185
Tribhuvan University .....	186
Public Contribution .....	186
Research Innovation .....	190
Commercial Ventures.....	196
Kathmandu University .....	200
Public Contribution .....	201
Research Innovation .....	204
Commercial Ventures.....	209
Learning from Cross Cases .....	213
Public Contribution .....	214
Research Innovation .....	214
Commercial Ventures.....	215
Summary.....	216
CHAPTER VIII.....	218
COST SHARING.....	218
Tribhuvan University .....	219
Causes for Low Cost Sharing .....	219
Consequences of Low Cost Sharing.....	223
Kathmandu University .....	225
Causes for Low Cost Sharing .....	225
Consequences of Low Cost Sharing.....	228
Learning From Cross Case .....	231

Causes of Low Cost Sharing.....	231
Consequence of Low Cost Sharing .....	232
Summary.....	223
CHAPTER IX .....	235
ANALYSIS AND RESEARCH FINDINGS.....	235
Analysis and Findings on the Research Questions .....	238
Research Question: One .....	239
Research Question: Two.....	246
Research Question: Three .....	252
Research Question: Four.....	258
Research Question: Five .....	264
Principal Research Problem.....	268
Summary.....	268
CHAPTER X.....	270
DISCUSSION .....	270
Discussion on Research Questions .....	271
Research Question: One .....	271
Research Question: Two.....	277
Research Question: Three .....	282
Research Question: Four.....	285
Research Question: Five .....	288
Summary.....	290
CHAPTER XI .....	291
SUMMARY AND CONCLUSION .....	291
Research Summary .....	292



Conclusion .....	293
Knowledge Confirmation .....	297
CHAPTER XII .....	298
IMPLICATIONS .....	298
Theoretical Implication .....	299
Extension of Existing Literature .....	299
Sustainable Financing Framework .....	299
Identification of Stakeholders' Groups .....	301
Implications for Practice .....	302
Implications for Institution .....	302
Implications for Stakeholders .....	303
Implications for Policy .....	303
Implication for State .....	304
Research Implications .....	305
Limitations of the Research .....	305
Implications for Further Research .....	306
REFERENCES .....	307
APPENDIXES .....	
Appendix A: Interview Protocol: Head of Institutions/Departemnts .....	
Appendix B: Interview Protocol: Executives/ Policy Makers/ Experts	
Appendix C: Sample Unit – TU .....	
Appendix D: Sample Unit - KU .....	
Appendix E: Review Matrix .....	
Appendix F: World Declaration on Higher Education .....	

## LIST OF TABLES

Table 1	Education Budget.....	76
Table 2	State Grants- TU .....	79
Table 3	State Funding – KU .....	99
Table 4	Research Questions.....	238

## LIST OF FIGURES

Figure 1	Chapter One Outline.....	4
Figure 2	Chapter Two Outline.....	14
Figure 3	Human Capital Model .....	21
Figure 4	Formula Funding Framework .....	25
Figure 5	Conceptual Framework .....	42
Figure 6	Chapter Three Outline.....	45
Figure 7	Research Design.....	53
Figure 8	Research Model. ....	54
Figure 9	Research Approach.....	56
Figure 10	Data Sources .....	60
Figure 11	Interview Process .....	63
Figure 12	Data Processing .....	66
Figure 13	Research Process .....	69
Figure 14	Sampling Frame .....	73
Figure 15	Chapter Four Outline.....	75
Figure 16	Education Budget.....	77
Figure 17	Education Budget Growth.....	78
Figure 18	State Funding Trend .....	80
Figure 19	Grant Trend.....	81
Figure 20	Chapter Five Outline.....	119
Figure 21	Budgeting Process .....	138
Figure 22	Chapter Five Six Outline.....	154
Figure 23	System Development .....	167

Figure 24	Chapter Seven Outline.....	185
Figure 25	Research Innovation Framework .....	193
Figure 26	Commercial Ventures- TU.....	199
Figure 27	RCP Design.....	208
Figure 28	Commercial Venture- KU.....	212
Figure 29	Chapter Eight Outline .....	218
Figure 30	Low Cost Sharing... ..	220
Figure 31	Outcome Design.....	223
Figure 32	Chapter Nine Outline.....	237
Figure 33	Chapter Ten Outline.....	270
Figure 34	Chapter Eleven Outline .....	291
Figure 35	Chapter Twelve Outline.....	298
Figure 36	Sustainable Funding Framework.....	300

## ACRONYMS

AAAJ	Accounting, Auditing & Accountability Journal
ABES	Bibliographic Agency for Higher Education
AEDS	Asian Education Development Studies
AERA	American Educational Research Association
ANU	Australia National University
BURA	Brunel University Resource Allocation
CHET	Center for Higher Education Transformation
CIET	Center for Immigrants Education and Training
COPA	Committee of Public Accounts
CSAF	Campus Sustainability Assessment Framework
DOI	Digital Object Identifier
EER	Economic of Education Review
ESD	Education for Sustainable Development
GUNI	Global University Network for Innovation
HEFCE	Higher Education Funding Council for England
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institutions
HEM	Higher Education Management
HEQC	Higher Education Quality Committee
HO	Head of Institutions
IAU	International Association of Universities
IBR	International Business Research
IIEP	International Institutes for Educational Planning

MoE	Ministry of Education
QAE	Quality Assurance in Education
QCA	Qualitative Comparative Analysis
RAE	Research Assessment Exercise
RCESD	Regional Centers of Expertise on Education for Sustainable Development
RCIE	Research in Comparative and International Education
RCP	Research Consulting & Publication
SHE	Sustainability in Higher Education
SHEP	Second Higher Education Project
TSAS	Treasury Single Accounting System

## CHAPTER I

### INTRODUCTION

The existence of a strong university has symbolic significance in connecting higher education for the promotion of national development (Sai, 2013). However, it commonly comprises university education, training and research guidance at education institutions authorized by state authorities. Higher education institutions play a vital role through research, academic and social contribution in the development process of a nation (Misgeld, 2009). Tertiary education includes undergraduate as well as vocational education and training courses run by an institution recognized by the state. It is expected that higher education system will produce quality human resources required for the economic growth by using the right mix of inputs. However, in the past, higher or territory education was once an elite phenomenon (Herbst, 2007, p. 10).

A complete higher education system comprises three major functions such as education, research and social contribution. Higher education funding systems are continuously redesigned to achieve sustainable financial position in universities (OECD, 2010). Therefore the demand of higher education has been increased, which could play a decisive role in the least developed economies like in Nepal for the creation and transmission of knowledge. Moreover, the growth in shape of universities resulted in a need for sustainable funding with new methods of financing and effective financial administration (Goke, 2010).

When higher education funding is increased, the provision of education expands from the richest to the poorest section of the society (Ansell, 2008, p. 292).

Therefore, with the beginning of 21st century, the rise of knowledge society dictates that higher education will remain indispensable to the overall development of a nation. Despite the ability to strengthen financial sustainability in higher education, present funding process has not directly stimulated funding approaches or tools (Peter & Wilson, 2012, p. 293). Development and diffusion of knowledge is done by university in society. As society and higher education are interrelated, one cannot be isolated from another for the sustainable development of the Nation. According to Stoddard (2009), sustainable funding in universities raises higher education levels where knowledge and skill can uncover various sources of income and improve quality of life exploring more opportunities.

Shriberg (2002) described that a sustainable university is that whose long term prospect for continuing to exist is good. In higher education, the term sustainability is used to describe a positive movement toward financial strength, environmental accountability and social responsibility (Nicolaidis, 2006). Sustainable financing is the process of raising fund and utilizing it for operation as well as expansion of university programs. It is the ongoing process of raising permanent fund for operation and expansion through diversified sources which generate income by strong financial administration and strategic planning (Leon, 2001). Appropriate funding of a university is the need for running the programs in an effective manner to achieve the long term goal. Funding a university is not always for profit making purpose because university is basically a nonprofit making educational institution. Sustainable financing in non-profit making education institution develops the programs ability to survive in spite of challenges it faces in implementation (William, 2008). It strengthens the ability of the institutions for generating long term revenue by constantly meeting the student's needs without relying on finite resources. Financial



sustainability is the position at which the demand and expectation on universities both in teaching and research increases rapidly despite decrease in public investment in the context of Nepal (CEDA, 2007). Moreover, strong financial position of a higher education institution can be created by appropriate funding and generating permanent financial resources to achieve an institutional goal. In this connection, grant funding has become increasingly crucial for sustainable funding to universities even when government or private funding reduces (Lickilder, 2012). Achieving financial sustainability is the goal that nonprofit institutions strive for consciously. The role of universities in research for the private sector is gradually increasing due to companies shopping for innovation, encouragement to universities to spur economic development (ibid). It consists of effective financial planning and robust financial management together with an understanding of what funding and income opportunities are available and a willingness to diversify them.

The university executives must understand the corporate value of higher education financial sustainability in the development process of a nation (Black, 2012). Higher education's political standing among other social institutions including colleges and universities overshadows more instrumental concerns but invalidates higher education institutions components (Bastedo, 2012). Theoretically, financial sustainability will enable a university to cover administrative costs and to prioritize its academic and professional activities so as to accomplish institutional missions, without undergoing interminable negotiations with donors who may or may not agree with the vision or cost percentages (William, 2008). The costs of higher education activities are rising and hence the financial sustainability of their missions will certainly be the primary issue for universities in the 21st century (EUA, 2008).

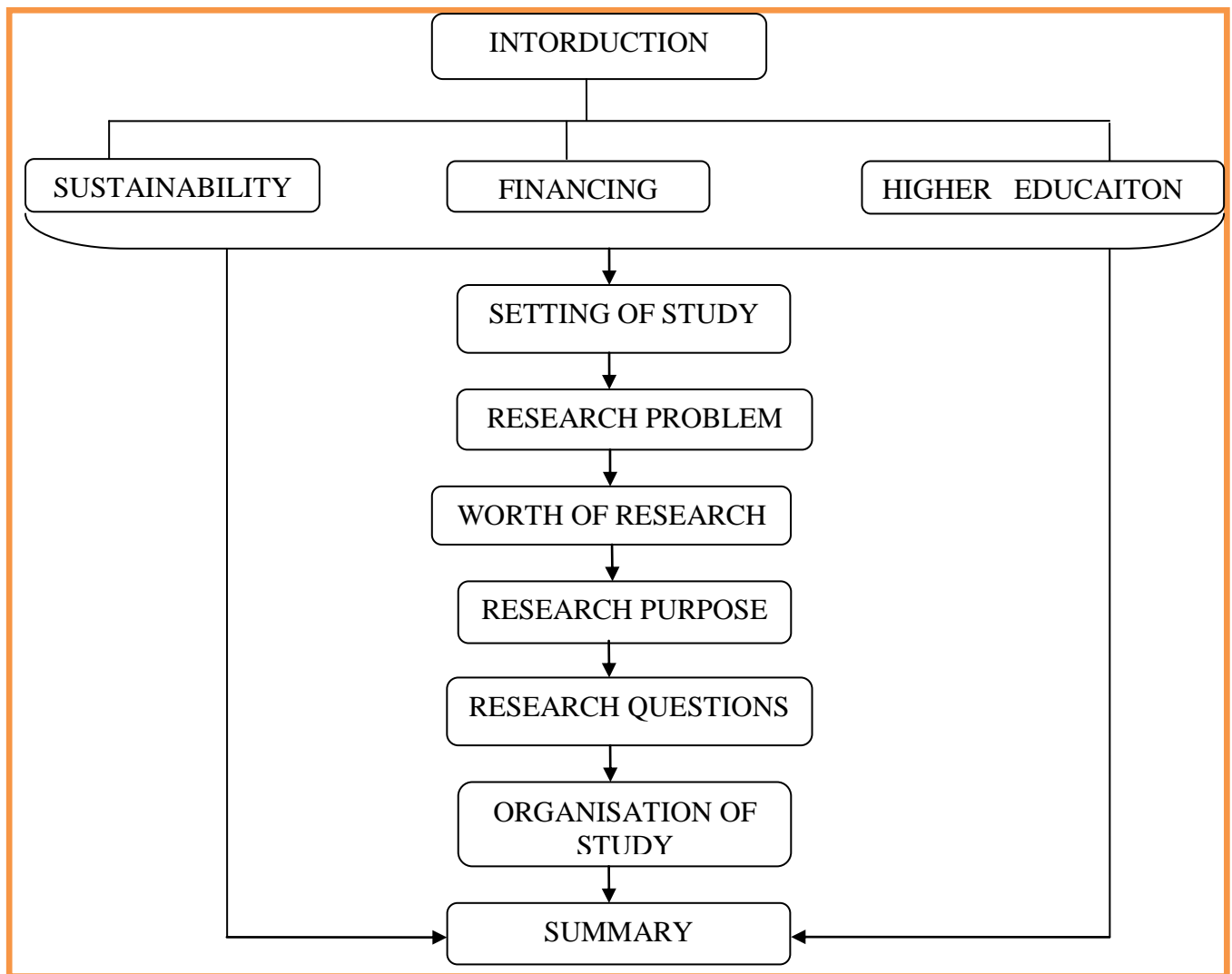


Figure 1. Chapter one outline

### Setting the Study

Higher education helps to create knowledge, skills and values that underpin a civilized society by producing economic growth which in turn contributes to national prosperity (Browne, 2010). So, to make the present research more concrete, this study described Nepalese and international modalities of higher education financing and also examined experience of the research participants. As financial return from higher education has become a matter of considerable policy interest, the most achievement in higher education is too complex to be accorded a single unambiguous grade (York, 2008). The research participants in this research were academicians, educationists,

professors, administrators, policy makers and politicians whose opinions about higher education financing were derived to make this research more meaningful. The views, observations and critical remarks of the research participants needed to be substantially processed and analyzed while drawing implications. The idea of higher educational career that involves whole range of possible pathways from schooling through university or college is relatively a new one (Furlong & Cartmel, 2009).

In order to explore the dynamics concerned with sustainable financing in higher education in Nepal, I particularly have reviewed books, journals, articles, past PhD theses, and research papers by making frequent visits to different libraries, research centers etc. Intensive discussions with university professors, students, parents, bureaucrats, top level university officials, policy makers, ex TU officials, politicians and donors would transmit greater relevance for digging out the ways regarding financial sustainability with reference to TU and KU which are the cases of this study. However, no matter how close the connections are, government investment in higher education has become inevitable in the context of developing countries (Din, 2008). From the interaction with the research participants, the requirements for financial sustainability in higher education were derived.

Higher education is fundamental to the social, economic and cultural health of a nation (Archer & Ross, 2003). Government Funding Model, Cost Sharing Model, Dual Donor Aid Model and Eclectic Business Model would generate meaningful perspectives for this study. Over the coming years, it is very likely that education policy makers and educators increasingly will demand more research and information and that especially will be in higher demand (OECD, 2003). With the help of an intensive literature review, five pillars for financial sustainability such as state funding, financial administration, resource management, income diversification and cost sharing were recognized as study variables. By analyzing different financing

modalities and theoretical as well as policy guidelines, I made the study more elaborative and authentic. With research participants' perceptions and literature review, I developed a framework of the study. The theoretical framework of present research was backed by financing modalities and prominent theories. Innovative higher education explores the difficulty of sustainable financing (Bryan, & Clegg, 2006). Therefore the blend of funding modalities and theories created a strong foundation of critically exploring reality in sustainable financing of higher education in Nepal.

### **Research Problems**

Universities are influenced by globalization, technology and management change at the expenses of ability for defending financial sustainability (Morley, 2003). In Nepal, despite the political commitment intending to increase state spending on higher education and research, it is not reflected in practice because of the state priority in other public sectors of development. As far as funding in higher education is concerned, the central consequence of the move to mass education is the inescapable need to draw in private funding (Barr & Crawford, 2005). In the context of Nepal, higher education needs to compete with other development areas like poverty alleviation, school education, health, defense, sanitation, etc. Higher education institutions like university cannot function to achieve their goals without having enough financial resource back up.

Resource generation and utilization aspect in university should strengthened, otherwise the major functions such as education, research and contributing to society will be badly hampered. Strach (2009) avers that state grant to ease the burden of higher education is not a new idea. A journey into the history of TU and KU shows that they have never been financially self reliant. In general, state funded universities

have been facing the problem of cost recovery. Although higher education enrollment expanded rapidly, the resource allocation to the universities did not keep the pace (Ziderman & Aldrecht, 1995). Theoretically, sustainable funding will increase the higher education equilibrium in the spending country (Kancs & Kielyte, 2010). Besides, the intense competition for financing of other activities, the higher education leading to the leveling of the growth in public spending is not scientific (CEDA, 2007). As enrollment is rapidly increased in public university especially in TU, yet the financial constraint is very severe over the years.

The goal of increasing sustainable financing could plausibly be linked to funding policies of higher education expansion (Goldthrope, 2013). As a corollary, international organization and donor agencies have been assisting higher education institutions of Nepal for upgrading research, education and infrastructural development despite unclear government vision in practice. The government became unable to express its full commitment to the funding institutions. Traditional explanation of political participation treats the acquisition of higher education as a stochastic process but it is not (Kam & Plamer, 2008).

The principal research problem is *there is a lack of sustainable financing in higher education of Nepal*. Therefore I have raised a question, *how has financing been in higher education of Nepal?* This question explores a wide range of problems concerning financial sustainability of university education in Nepal in response to the poor cost recovery status and heavy dependency on government grants. However, phenomena such as public higher education policy, system, academic status, learning and research are social constructions (Kogan, 2006). At the present context of Nepal, it is imperative to question "What are factors responsible for financial unsoundness of

higher education in Nepal, is it the state or lack of vision or financial administration or universities themselves?"

### **Worth of the Research**

University administration needs to explore the changing financial challenges facing higher education institutions from a macro perspective to address the burning issues (Heller, 2008). Higher education has, at present, been accepted as one of the major determinants for all round development of a country. In addition, higher education must be accessible not to all in general but to all the capable to observe in particular, it does not matter even though they are unable to afford. Higher education institutions are loosely coupled organization with a unique culture of collegial, bureaucratic, political and anarchical systems and values (McNamara, 2010). That's why; the concepts of 'education for all' and 'education for development' have become the global slogans. Educated human resources can generate employment for them and for others simultaneously and they consequently help to reduce the level of inequality in the society. The promotion of higher education in a pragmatic way would lead to a sustained and rapid development of a society or a nation because it produces capable manpower and enhances quality in living standard (CEDA, 2007). University education has a vested interest and special responsibility in establishing a strong foundation of development (Worth, 2002). Empirical evidence indicates a high positive correlation between the educational status and the pace of economic development. Financial resource constraint has become a major obstacle to the overall expansion and achievement of the university goals in Nepal.

Therefore, I developed this research framework to provide a thorough understanding of the components contributing to the financial sustainability of higher education in the present context of Nepal. However, I cannot claim that this study

would be a sole representation of the total higher education financing system in Nepal but it does make a comprehensive and critical case study of heavily state funded (TU) and self funded (KU) universities. As higher education is not the only determinant of overall development of a nation, it is likely to be more difficult in indicating a clear cause and effect relationship between higher education and development process. Thus, this research aims to scrutinize the components contributing to the sustainable financing of higher education in Nepal.

### **Purpose of the Study**

The purpose of the study is to assess the financial sustainability of higher education in Nepal with reference to TU and KU.

### **Research Questions**

Illuminating the purpose of the study, I focused on “*How has financing been in higher education of Nepal?*” as a principal research problem. Moreover, the following research questions were designed to study the main research question.

- R. Q. 1 How have trends of state financing been evolving in higher education of Nepal?
- R. Q. 2 What practices have been exercised in financial administration of higher education?
- R. Q. 3 How have resources been managed for income generation in higher education?
- R. Q. 4 What efforts have been adopted to make income diversification in higher education?
- R. Q. 5 How has cost sharing been contributing to achieve the goal of financial sustainability of higher education?

This study focused on seeking answers to the above questions, especially in regards to the financial sustainability of higher education institutions in Nepal.

### **Organization of the Study**

This research consists of twelve main chapters. The first chapter contains the background of the study, research problem, worth of the research, purpose of the study, research questions, and concluding remarks. Chapter two provides an intensive literature review on historical, theoretical, policy and empirical aspects of financing higher education. Likewise, chapter three discusses research methodology, research methods, research design, research strategy, and data collection and data analysis tools.

Other subsequent chapters form the core of the research since they contain the actual field data and their subsequent interpretations. Chapter four provides an overview of state funding in higher education discussing the trends, bases of allocation and funding policy. Chapter five presents the financial administration analyzing budgeting and planning of financial reform and cost recovery dimension. Likewise, chapter six gives a detailed overview of resource management analyzing status and trends, resource allocation and financial decentralization. Chapter seven analyzes income diversification containing several components such as public contribution, research innovation, and commercial ventures. Meanwhile, chapter eight presents cost sharing scenarios discussing causes and consequences. While chapter nine provides analysis and findings of the study on the basis all five research questions along with a principal research problem, chapter ten presents a discussion on the research questions. The penultimate chapter, i.e. chapter eleven, presents the summary and conclusion of the study. Finally, chapter twelve presents the implications of the study in terms of theoretical, practical and research perspectives.



## Summary

This chapter is a reflection of the overall research framework on financing higher education in Nepal. I have focused on assessment of financial sustainability of higher education with reference to heavily state funded (TU) and self funded (KU) universities as two heterogeneous cases. As TU represents 90 percent above enrollment and output in higher education sector of Nepal, it has been taken as a case for this study from equity perspective. Whereas KU covers a small portion of enrollment and state funding, it has been taken as a case from quality perspective. Public and private investment based on cost recovery principle is considered as a basis for financial sustainability. Higher education financing literature and the past studies reveal that the pillars of financial sustainability in context of Nepal are state funding, financial administration, resource management, income diversification, and cost sharing. By realizing this fact, I introduced the topic from sustainable financing perspective in this chapter. Therefore, a sequence of research problem, worth of the research, research purpose, and research questions has been presented in this chapter. For answering the main research questions, five major sub questions were deigned to assess the sustainable financing of higher education in Nepal. These questions move around analyzing the trends and situation regarding the factors of financial sustainability which provide the groundwork for this research.

## CHAPTER II

### LITERATURE REVIEW

The purpose of this chapter is to review the literature related to higher education financing practices in the Nepalese and global contexts. The analytical review has been divided into five separate parts. The first part focuses on the major historical issues concerning with the development of higher education financing in Nepal. The second part is concerned with the theoretical issues related to thoughts, theories and modalities of higher education financing. Similarly, the third part identifies major empirical issues related to financing and cost of higher education in the global and Nepalese contexts. The fourth part provides a review of financing policy in higher education. Finally, the fifth part summarizes the implications of the review of related literature.

To begin with I reviewed documents related to higher education financing in the international and national contexts by visiting different research centers and libraries. World Bank publications, University reports, UGC reports and UN publications related to higher education were reviewed and analyzed. Likewise, past publications and papers of SAARC nations have been examined. There could be several reasons for this dichotomy of university funding arrangements in higher education (Moore & Brown, 2010). In this concern, university administrators and policies makers are responsible for evaluating funding criteria by making evaluation of reliability and validity of financing policies (Heywood, 2000).

Afterward the major financing theories: human capital theory, rate of return theory, equity theory and modalities such as state financing model, eclectic business

model, donor aid model and cost sharing model have been reviewed. Social foundation of education scholars are reshaping the extant theories, conceptualizing new ones unapologetically re-theorizing internationalizing to foreground and understand phenomena that often lay dormant (Tozer & Herny, 2010). These theories and models provided a very sound theoretical foundation while analyzing and interpreting the findings on financial sustainability of higher education in Nepal. In this chapter I have presented my ideas in theatrical, critical and diagrammatical ways. One apparent outcome of the economic downtown was a substitution away from relatively more expensive private and out of state college to in state public higher education institutions (Ehrenberg, 2007). An extensive historical, theoretical, empirical and policy review provided a sound basis to explore the research variables and understand the higher education financial sustainability.

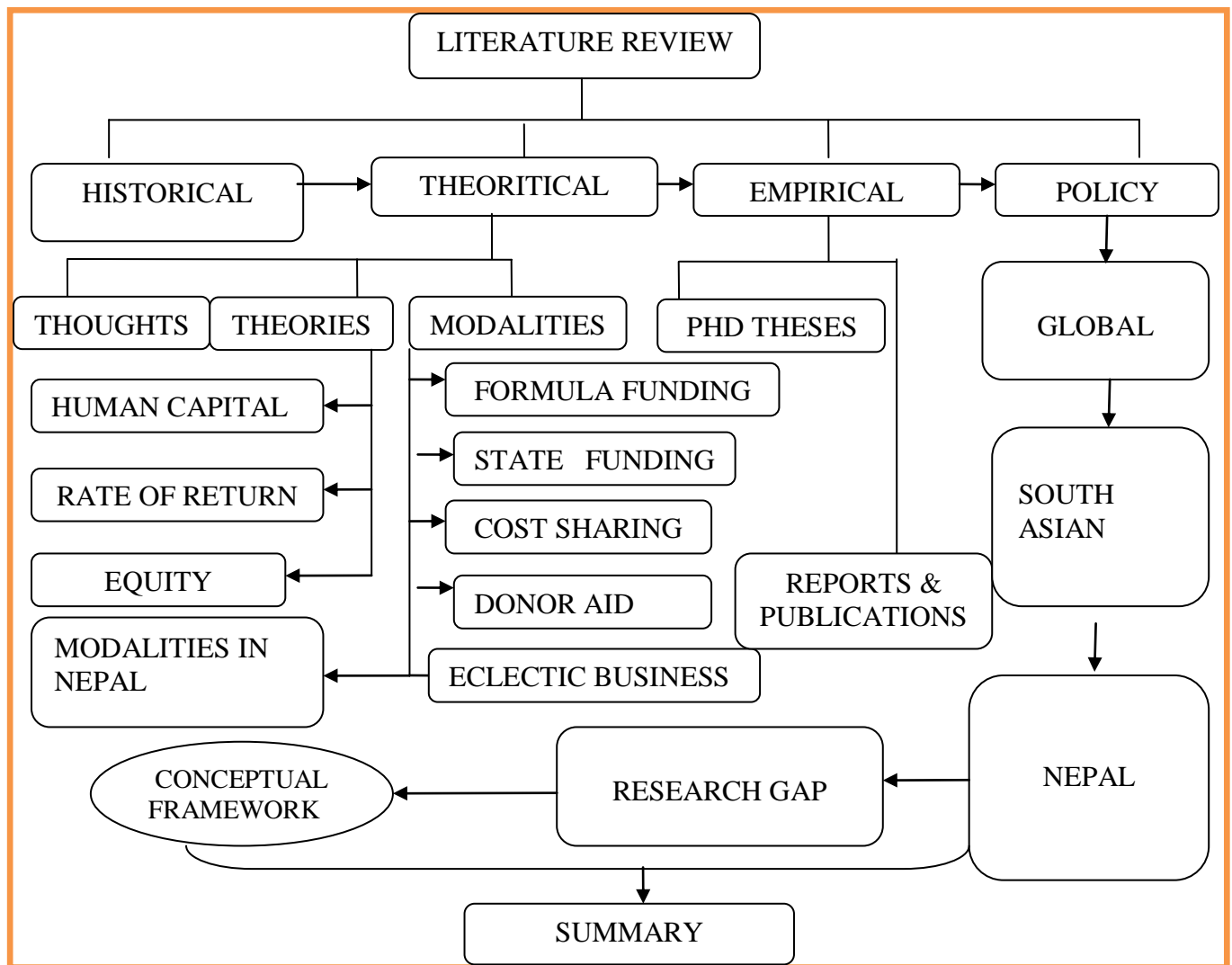


Figure 2. Chapter two outline.

### Historical Review

The financial model of higher education has changed dramatically during the last half century (Hansen, 2013). So, before going into the depth of inquiry about higher education financing trend in Nepal, I feel that it is necessary to present a brief historical review over the past financing situation. Historical review gives the idea about the role of state in financing the higher education sector in the past. Historical fact stated that the funding in education was done by the state in a negligible size due to lack of development. Historical development in university funding combines their passion for learning with their experience of working in higher education for teaching,

research and development roles (Arimoto, 2010). The successors of Prithwi Narayan Shah were also engaged in wars and very little was done for the expansion of formal education. The education was completely neglected during this period (Upreti, 1962).

Till early 1951, the autocratic regime did much to improve the administration of the country but paid no attention to higher education and its financing. However, higher education and teaching are more than the forcing of accepted knowledge and growth of character and personality (Thomas, 2007). As per this statement, it is so clear that till 1917 no colleges were established and state funding for these sectors were almost neglected. In 1918, Tri-Chandra College was established.

Privatization and the existence of private higher education institutions parallel to public one was one factor that had recently become apparent (Naphcha & Nir, 2007). So during 1920s, there was no university in Nepal, so Tri-Chandra College was affiliated to Calcutta University and later on to Patna University, India. But the college was not subject to inspection by the university authorities as it was considered an encroachment upon the sovereign and independent status of Nepal. Because there was no university in the country, the high school and college students had to go to India to take their final examinations. Differing funding mechanism in universities could also make the transaction more challenging (Adams & Brown, 2006, p. 16). The government used to give stipends and travelling expenses to students according to the division scores they received. Undoubtedly, the overall education system of the country influenced the financial condition of higher education, specially the university (Michaelowa, 2007). The entire cost of maintaining the college was borne by the government and the students attended tuition free in the past. However, in 1961, a tuition fee was introduced in the government college (except for Sanskrit).

A favorable environment for expansion of higher education was created with the political change in 1951, when the Rana rule was overthrown. With the dawn of democracy in 1950, a new era began in Nepal and the need for higher education was given opportunities. Higher education funding mechanism was felt so necessary in Nepal to improve the ability, quality and access to quality higher education for all including people from downtrodden and backward communities (Bajracharya, 2008). The NESP (1971-76) was launched with a view to bring about comprehensive change in the field of education. The NESP brought about academic and organizational changes in the field of higher education. The historical development of higher education financing showed that, as the expansion of higher education in Nepal was made in a significant way, funding sources remained limited. No policy for diversification of funding sources was formulated for strengthening financial conditions of higher education.

Mathema (2012) stated that “there had been a very rapid growth in the number of higher education institutions and also student enrollment in Nepal in recent times. This had given rise to a major concern about higher education development in the country which has been reflected in the quality and relevance of higher education programs, effectiveness and efficiency in the financial management of the institutions and expansion of access with equity and inclusion. The financial sustainability of higher education hinges on mechanism to share cost among students, state and stakeholders (Michaelowa, 2007). The challenge was building the capacity in terms of human resources, funding sources as well as institution set up in a sustainable way. As per this statement, higher education in Nepal needed more funding sources to maintain quality, efficiency, excess and equity.

## **Theoretical Review**

Higher education as one of the most cherished values of society continues to be regarded as an entrance ticket for successful development process (Olesia & Simona, 2006). The theoretical review contains the review on theoretical issues of higher education financing in the global context. It also deals with the thoughts of economists on financing of education. A reinvigorated central role in higher education comes from across the political spectrum and is framed by moral, financial and political imperatives (Samrt, 2009). It also contains the views of scholars about principles of higher education finance, rationale for public subsidy of education, appropriate share of government finance, need based resource allocation to education and general financing sources of higher education finance. In this part, there is a discussion on funding modalities of higher education financing.

### **Thoughts of Economists**

Increasing enrollment and competition for state resource heralded greater accountability for higher education (Burke, 2002). The literature of economics from the very beginning has clearly explained that education and material progresses are fairly related to each other. Adam Smith (1776) for the first time expressed the view that the growth and development was the effect of division of labor. Means through which people develop skills were habit, custom and education because for the most part, individual talents are acquired rather than natural (Benson, 1963). Smith further expressed that there should be compulsory education at the basic level and advocated in advance education control system (Garfield, 1996). The economic significance of education was mainly neglected until around the mid twentieth century (Benson, 1963). Marshall (1907) gave a similar view on education. As per his saying good education secures benefit both to the individual and to the nation as a whole.

Education stimulates individual's psychological activities and works as a means of material benefit. University education is a prerequisite to establishing a preferred white-collar career in the public sector (Durdan & Yang, 2006). For nations, higher education offers an immediate opportunity for financial and economic gain.

Marshall gave emphasis on improvement in general and technical education of people. He further advocated on the benefit of advanced education system which needs extra financing. Whereas Karl Marx spoke very few about advance education but he was in favor of free public education that trains the value system of government, controlled and financed by centralized government (Burrup et al., 1996). Marx's philosophy of public education can be found even today in most advanced economies like in EU where public education is free or heavily subsidized by federal government. University administration should take measure to ensure that their department develops activities with market orientation (Flavian & Lozana, 2006). As per Marx's view on higher education financing, the state rather than private sectors is more responsible for investment in education. So, the role of state is significant in higher education sector.

The paradox emerges because a double action and role of the educational system in the society, which in turn, causes a double identity towards society that is shown in two stages of planning and implementation of higher education (Lindel, 2006). However, Denison (1962) concluded that there exists sheer contribution of education to economic progress due to the effect of additional education on income. This finding is the justification of human capital theory. Schultz, Baldwin, and Groves (1963) developed the notion that investment in human capital increases in national output in a greater degree than investment in non-human capital like land and physical resources. Higher education is a big industry in term of expenditure or investment



(Johnson, 1963). Johnson further classified several ambiguities that existed in economics and education system and established a clear linkage between the two subjects. As an input, education requires factors of production like labor, land, building and machinery which are scarce resources while educators think about investment decisions. Policy makers hope that through the implementation of purposeful change higher education institutions will achieve positive outcome most essential to the public interest (Richard & Martinez, 2009). Therefore, educators and economists have a great deal of common relationship because economists usually are interested in deciding whether a given type of business is able to increase in output while holding constant scarce input factors over a period of time. In this regard, economists would try to solve these two problems: first being the produced product (educational services) is as cheap as possible and second being whether the educational service bears essential amount and is necessary or not.

The higher education sectors make an important contribution to the economy and society for the promotion of national development (NAO, 2011). In the view of economists, higher education institutions are education industry which requires very large amount of investment form the government and private sectors. Friedman (1963) urged that the principle of market economy can be extended by financing education for development. Wiseman (1990) urged curtailment of state intervention through the enforcement of contract in education. In the similar vein, Wiseman focused his discussion on various key issues such as imperfect competition, local monopoly, necessary education and minimum standard of education. On the contrary, Horobin and Smyth (1970) wrote a comment on Wiseman's idea as they found that competitive market forces might not control education services adequately due to the fact that education is heterogeneous commodity. Whenever there is a sharp and

significant reduction in public funding, universities are forced to diversify their source of funding (Kretovics & Michael, 2005). Kretovics and Michael clearly stated that there exists difference in kind between investment (purchase) in education and pots and pans. Therefore, the privileged position of rich parents further worsens the distribution system: rich growing further rich despite having fundamental goal of education as a natural movement toward equality.

### **Human Capital Theory**

Over the last decades, the relationship between higher education and the state has changed from a model of state control to a model of state supervision (Enders & Jongbloed, 2007). Robert (1991) developed a human capital model which shows that education and the creation of human capital was responsible for both the differences in labor productivity and in the overall levels of technology that we observe in the world. World Bank (1993) found that improvement in education is a very significant explanatory variable for economic growth. There are several ways of modeling how the huge expansion of education accelerated economic growth and development. In the recent years, higher education sectors are facing unprecedented change in moving to a more market based system in which the funding for university needs internal income generation (COPA, 2011). This theory advocates higher education as an investment in human capital.

The idea that education generates positive externalities is by no means new. The new policy context advocating in favor of higher education are confronted by a new sets of issues related to the rationales used to argue state funding for university education (John & Parsons,2005). Many of the classical economists argued strongly for government's active support of education on the grounds of the positive externalities that society would gain from a more educated labor force and populace

(Van-Den-Berg, 2001). Smith (1776) reflects such progressive contemporary thought when he wrote that by educating its people, a society derives no inconsiderable advantage from their instruction.

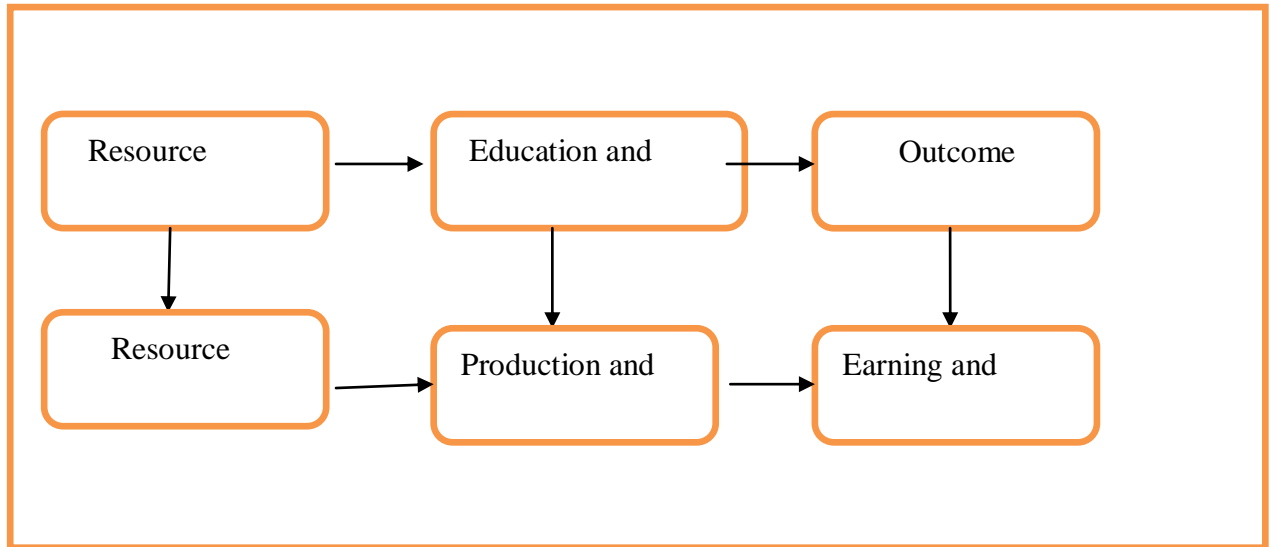


Figure 3. Human capital model (Source: Becker, 1994).

The review of empirical tests of the theory by Garba (2002) shows that cross-country regressions have shown positive correlation between educational attainment, economic growth and development. Odekunle (2001) affirms that investment in human capital has positive effects on the supply of entrepreneurial activity and technological innovation. Similarly, Ayeni (2003) asserts that education as an investment has future benefits of creation of status, job security and other benefits in cash and kind.

### **Rate of Return Theory**

Performance based accountability measure provides states with how colleges and universities spent current fund for maintaining financial sustainability (Dove, 2007). There are no empirical estimates of wide-social returns to investment in higher education in Europe (Psacharopoulos, 2007). The earnings of educated individuals do not reflect the external benefits that affect society as a whole but are not captured by

the individuals. Much of the discourse of sustainable development and of higher educational outcropping, higher education for sustainable development has become steeped (Kagawa & Selby 2009). Such benefits are known as externalities or spillover benefits, since they spill over to other members of the community. Globalization and its attendant forces for internationalizing education, technological change enabling mass delivery of education and shift in political ideology surrounding the governance and funding of higher education have wrought changes to the structure and context of academic work (Ninnes & Hellesten, 2005). If there is to be innovation and change in university education, as the new technology requires, as the knowledge economy requires, and as students demand, someone has to take responsibility for it (Ashwin, 2006). Financing of university education is a complex matter being dealt with large, complex higher education institutions, which is engaged in intensive activities that lie at the heart of university education (Joughin, 2009).

Universities are knowledge producing industries having social, cultural, ideological, political and economic responsibilities to society (Foskette & Maringe, 2010). Social rates of return should be based on productivity differentials, rather than earnings. Of late, mass higher education has become the global norm in the 21st century (Bruce & Joseph, 2010). The social returns to education are used to assess the efficiency of public spending on education, and as a guide on whether to expand or contract a particular university faculty. As competition increases in the international market, the provision of international higher education is a huge industry of national importance (Chen & Zimitat, 2006). The higher education reform program has jeopardized teaching quality in university as an unintended outcome with a heavy handed government intervention (Dollery & Murray, 2006). Despite the proliferation of the rate of return studies which followed the first estimates of such rate by most of

the rate of return found in literature, however, are based on cost and earning data. Incorporating sustainability as the main need of teaching in higher education does not necessarily mean adding issues to the present teaching programs (Ciurana & Filho, 2006).

### **Equity Theory**

Changes in political and economic environment do not deter government from continuing to invest in higher education (Preston, 2005). However, Adams (1965) stated that people desire the ratio of their outcomes and investments to be roughly equivalent to the ratio for some other referent persons or groups. If ratios are not equal, and the difference is beyond some individual threshold level, emotional responses occur and the desire to restore equity manifests itself. Issues of rights in education are increasingly being recognized as an important aspect of democratic education throughout the world (Panikkar, 2011). In order to restore equity, people have a number of choices. They can change their outcomes, change their inputs, distort the value of either their outcomes or inputs, leave the field, change the outcomes of inputs of another, or change the referent person or group.

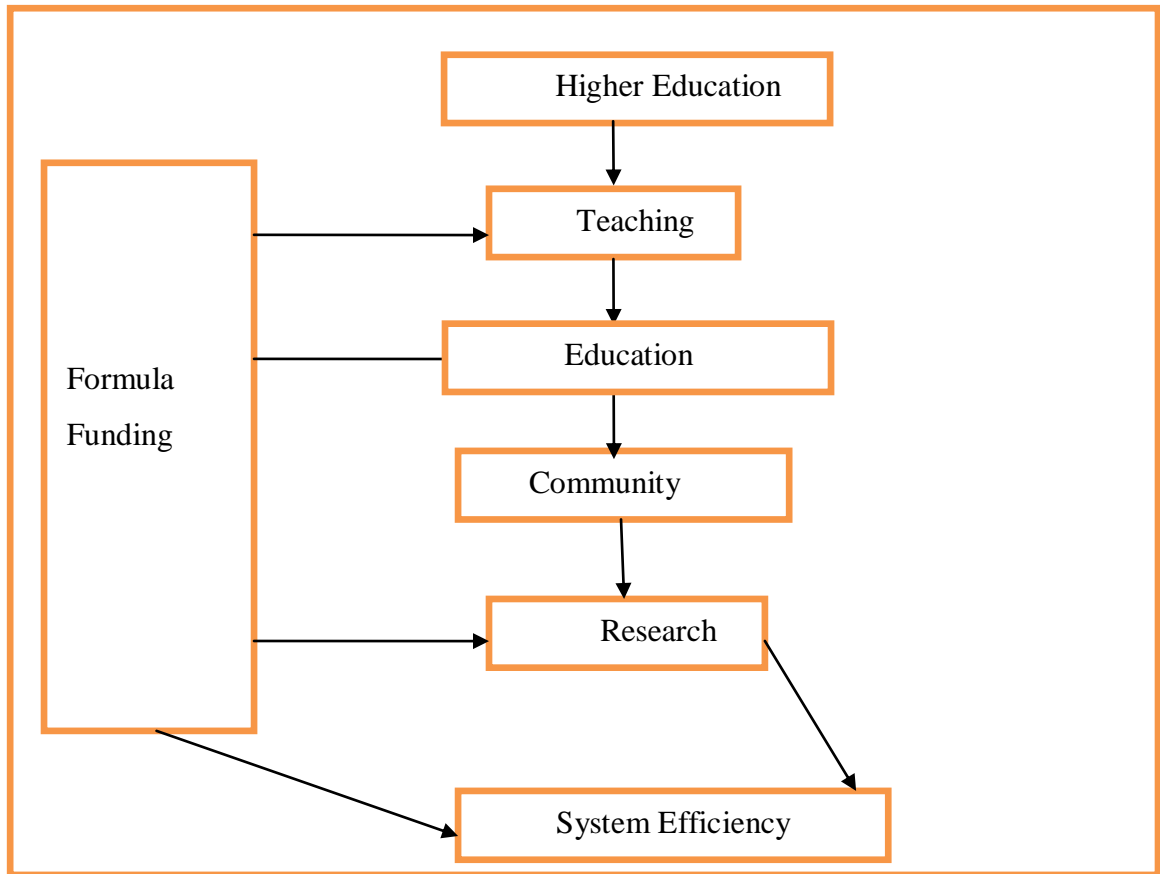
The findings of Hertel (2000) predict that, with additive tasks, workers would not change their work rates in response to the speed of others. Equity theory predicts that workers will be motivated to more closely match their work peers (Schultz, 2006). Experimental work with conjunctive tasks has found that the effort of the slower workers will increase while that of the faster workers will decrease (Schoenherr, 2006). Conjunctive tasks occur when the performance of the group depends on the least performing worker.

### **Funding Modalities: Global Context**

In an international context different funding models are in practice in the field of higher education. Global context of higher education funding modalities is so sophisticated due to heterogeneous nature of financing policies and practices adopted by a country.

#### **Formula Funding Model**

In some instances, funding modalities may involve shifting responsibility for producing capable manpower from the central to the local level higher education institutions (Ikoya, 2005). Formula funding is designed to define the financial needs of a public higher education institution or system, and aims that it is usually qualified by the desire for adequate funding or funding that is comparable to an external benchmark (Marks & Caruthers, 1999). However, a funding formula will not guarantee that a nation will appropriate money to higher education that it does not have. Strategic actions related to the financial sustainability questions every institutions of higher education (Comm, 2005). Therefore, in addition to defining higher education's needs, formulas serve to equitably distribute higher education funds that are available within and between competing institutions. Formula funding serves as a buffering agent or an equity guarantor, thus removing potential political influence from the fiscal distribution process (Rosalind & Kenneth, 1999). Therefore, formula funding in education institutions has been a feature of educational management, since the formation of public system of education.



*Figure 4.* Formula funding framework (Source: Akinsolu & Olatoun, 2009).

At the university level, under the enterprise in higher education potential confusion existed between the development of interpersonal and enterprising skills (Henry & Hill, 2005). From the above figure, the universal fundamental mission of universities is to promote the life of the mind through intellectual inquiry and to generate, store and transmit specialized knowledge and sophisticated expertise, higher forms of culture and ethical basis of conduct (Brubacher, 1982). The pursuance of this universal mission is through Teaching, Research, Publications and Community services.

### **State Funding Model**

Each university or college will need to make operational policy, programmatic, and instructional adoptions to ensure guidelines for advancing sustainability (Martin & Samels, 2012). The role of state investment cannot be

ignored in higher education funding. As government increases the financial investment for the expansion and operation of higher education in the country, the financial sustainability in the long run is not impossible (Caruthers, 1999). As per this model, government takes full financial responsibility of public higher education from construction of higher education development infrastructures to paying for student food and accommodation, higher education allowances, tuition fees and staff salaries and other emoluments, staff training, and research (Johnson, 2010).

This model is more relevant in case of higher education in Nepal. So, I take this government funding model as one of the foundations of the research. Financial sustainability can be achieved with the state financial support especially in public higher education in Nepal. Higher education is not only general education but it consists of technical studies too. The existing funding modalities in higher education are completely inadequate (Turner, 2005). Technical higher education is not affordable for the ordinary students in Nepal. So, government funding has become so vital. Consequently, the state must be more responsible for the funding of higher education so that there will be more easy access for the ordinary public.

### **Cost Sharing Model**

Although the business focus of university boiled down to more economical forms of higher education institution, the university funding system came to loom alongside sustainability (Newfield, 2008). The underlining theory and principle of cost sharing as well as the description of its worldwide reach were developed from 1986 to 2006 mainly by the work of Johnstone and his project 'International Higher Education Finance and Accessible' at the State University of New York, Buffalo. This model was adopted by the majority of African public universities in the late 1980's and early 1990's because of financial austerity. This model, essentially a business



model, incorporates the establishment of student loan schemes and allows universities to undertake revenue diversification activities to generate extra income to mitigate declining government funding.

However, transition of university into modernity is supported by cost sharing model of higher education funding (Ahier & Beck, 2003). This model allows public universities to conduct businesses and behave as business entrepreneurs or business corporations and it has potentials of transforming public universities into financially autonomous institutions. Cost sharing model significantly contributes to the expansion of the higher education development if extra income generated is invested in infrastructure but unfortunately this is not happening (Johnson, 2010).

### **Donor Aid Model**

The external funding policy priority for higher education development includes the development of a comprehensive and coherent vision for the future of tertiary education agreed with the relevant stakeholders (OECD, 2009). Higher education encompasses both social and economic dimensions that can contribute to development because university education is often regarded as an investment in human capital, which in turn raises the national growth (Tisdell, 2005).

Donor aid model is known as support and contribution model. Donor aid consists of bilateral and multilateral financial support to public higher education despite its unpredictability and precarious sustainability. It constitutes a model of its own for financing higher education for expansion, mainly through the support of capital development budget, research and operating costs of the majority of public universities (Johnson, 2010).

### **Eclectic Business Model**

There has been more pressure on university department and schools to show better financial performance through commercialization of intellectual product (Brown, 1998). The university acts as a “parent” or “holding” company with decentralized centers or organs acting as the entrepreneurial or cost or profit centers with the expectation that they will achieve self-sufficiency from a diversified funding base (Kiamba, 2005). This new innovative model is called market model for financing the public higher education expansion for long term sustainability. Against the above backdrop of higher education financing models, which seem not working effectively to enable universities expand at the desired pace, this model is suitable for financing higher education expansion while increasing equity, maintaining quality and sustainability in terms of financial stringency and austerity. Strategies for financing higher education vary according to the ideological orientation of the political process of the leading countries (Keeves, 2003).

This model leads significant transformation or evolution from a traditional development university to an entrepreneurial or corporate university without a radical shift from the conventional mission of the university. It is the state and university that are the primary policy makers for higher education funding to achieve sustainable goal (Altbach, 2011). Transformation in institutional governance from a traditional development university to a corporate model of higher education governance is needed for the optimum function of this model.

### **Funding Modalities in Nepal**

International collaboration and interchange encourage professionalism in developing sustainable financing modalities in higher education institutions (Alexander, 2003). Universities have been able to easily and comfortably provide the

needed and highly demanded quality education through financial help and support from public funds, state grants, funding research, private organization and alumni (Herath, 2005). It is evident that the responsibilities of UGC of Nepal for financing of higher education are important and enormous. Since the establishment of the UGC, it has initiated to develop some funding modalities for carrying out its functions to achieve financial sustainability in higher education institutions.

Agrawal and Thapa (1996) studied on “Policy for Allocating Funds to Institute of Higher Education” and recommended some funding modalities for universities and developed norms and criteria for allocating the public fund among universities. According to them, the government should continue to bear the responsibility for funding higher education by allocating 15 per cent of the total national budget to education sector and 30 per cent of that to higher education. The lack of visibility at the national policy making level and lack of financial resource is the serious problem facing the universities (Skov, 2003). The UGC has classified universities and higher education institutions in Nepal for funding purposes into three categories such as substantially funded by the government, partially funded by the government and substantially funded by the private sector.

Agrawal and Thapa (1996) further stated that grants should be provided under four major headings — maintenance, development, incentives and special grants. The sustainable agendas are those politics that are focused on modification on funding modalities in universities (Ashford, 2004). Criteria for allocating development grants should be based on perspective plan, needs, equity and cost-effectiveness, sustainability, utilization of existing infrastructure and matching grants to supplement the effort of recipient institutions. All institutions are eligible to complete for incentive grants whereas their teaching facilities should be eligible to compete for

special grants. Thapa and Agrawal (1996) further recommended five major options for funding maintenance grants, which are deficit funding, incremental funding, unit cost funding, students funding and core staff funding for higher education in Nepal. Moreover, the modernization of public funding modalities in university has become a major concern in order to make the financial state of university stronger (Spathis, 2004).

Efficiency standards for institution should be clearly laid down by the UGC. Institutions failing to meet such standards should face disincentives. The UGC may directly select campuses for funding to promote excellence and innovations. However, eligibility criteria for such funding should be specified. The differing situation is that sustainability increases the competitive climate in which the public university is now involved (Lozano, 2006). Since the establishment of the UGC, it has been involved in allocating and disbursing government grants to universities and some other affiliated campuses.

Due to various reasons, the specific norms or formula for allocation has not been developed. Instead, the budget proposals received from the universities are scrutinized by the sub-committee representing the Ministry of Education, Ministry of Finance and National Planning Commission. The magnitude and severity of the implications for global environment disruption have led sustainability crisis in university (Pearce & Miller, 2006). Representatives of respective universities are invited for the discussion. The budget proposal thus prepared is considered by the commission and final recommendations are made to the government.

### **Empirical Review**

In an international context, several studies have been conducted in higher education financing from the sustainability perspective. Shriberg (2002) carried out a

study in sustainability of U.S. higher education and submitted a PhD dissertation at the University of Michigan. He drew a conclusion that a sustainable university needs some special qualities such as image-seeking behavior, collaborative decision making structure, collegial atmosphere and progressive political orientation. As per this finding, sustainable university needs a clear political and ideological stance to lead the institution to the sustainable point by strengthening financial condition. He further advocated in favor of a dynamic leadership to lead the higher education successfully. In campus level sustainability, Shriberg concluded that cost-effectiveness and regularity compliance are other requisites for sustainability.

Another study was conducted by Holloway (2006) on *Financial Management and Planning in Higher Education Institutions* as a doctoral dissertation submitted to Brunel University. The study claimed that a successful financial management system needs to embrace the requirement that should be participatory not confrontational for the financial sustainability in higher education. He concluded that a higher education institution would face difficulty to function effectively in an absence of good academic and financial management system. As per his study, it has been clear that sustainability should be linked to a resource allocation model that is pro-active and that can translate a higher education institution in a sustainable situation.

### **Financing in Nepal**

Here I have reviewed the chronological development of the financing concept in higher education in Nepal.

#### **Financing Higher Education Till 1964**

The financial support for higher education came from three sources: government, foreign aid and local (Dutta 1964). So till 1964, the major sources of higher education financing were mainly state, foreign aid and local sources. During

that time there was very few higher education institutions in Nepal. TU was a newly established institution offering very limited programs. The funding of TU was made by state and to some extent foreign aids were also received. The state supported the government colleges and university financially. The university budget was not allocated item wise and it was given in lump sum that included development funds as well.

The subsequent epilogue takes a more speculative view of the possibilities of sustainable funding initiatives that might hold for the higher education sectors as a whole (Walsh, 2010). On the other hand, aid given by U.S. was a substantial amount for higher education in Nepal. Of course, there was a desire by the government to increase the amount. During 1963-1964, the education budget for college included building construction too. The private colleges were given grant out of this fund for different purposes such as construction, scholarship and stipend for students, and other expenses. The services that universities could offer were as rich and diverse as the institutions themselves (Kitson, 2004). The grant given to the different colleges was decided by the minister under certain rules. Provision of the grant was that if the college remained in operation and the money was spent only on authorized items, the grant would continue. If the minister wanted to give more than the rules prescribed, he had to get approval from the cabinet. That grant was more or less like a recurring grant and once it was provided, it became the permanent liability of the government. The factors that facilitate or hamper the transaction from higher education to work were complex and difficult to identify (Schward, 2004).

People generally did not object to such type of taxation for the improvement of educational institutions. Even the private colleges were heavily dependent upon government support. The Committee Report (1961) declared that the financial

condition of colleges was not satisfactory and if the government aid was halted for only a year, it would result in the closure of almost all colleges (Committee Report, 1961, p. 45). In some colleges, teachers donated a small percentage of their salary to the college fund. Sometimes at the harvesting season, rice was collected from the people. The cost of higher education was rising day by day and the government was not in a position to help the entire colleges, so the local people would have to bear the major cost for operating the regional colleges (Dutta, 1964).

### **Financing Higher Education: 1965 - 1995**

CEDA conducted a study on higher education financing in Nepal and published a report in 1995. According to CEDA (1995) report, the public financing of higher education was increased but not enough to meet the need of the university. Thus, the government had put higher education to non-priority area. Then education sector has got relatively less foreign aid. As a consequence, the university in general had not been able to expand the infrastructure since 1980 due to these financial constraints.

CEDA report (1995) stated that the university had covered about 11 per cent of its expenditure from internal revenue in 1978 which became 13 per cent in 1990. However, in 1993, the university financed 20 per cent of its total expenditure from internal sources. Thus, the dependence on external sources of financing has been high. Foreign aid has also played a crucial role in the creation of physical infrastructure and manpower development. External aid covered in university financing was 28 per cent in 1985 which declined to 12 per cent in 1993. At that time, four technical institutes shared almost all the foreign aids among themselves.

CEDA report (1995) stated that cost recovery was quite low in the past with eight per cent during the 1980's. It went up to 20 per cent in 1993. The fee revenue

contributed to 75 per cent in it. It means financial resource gap in TU was still wide, calling for additional efforts to augment internal revenue through increases in fees and other usual charges. The student teacher ratio and the unit recurrent costs were taken as proxies to gauge internal efficiency in the university. However, the latter phenomenon was basically the outcome of under-financing. Thus little improvement had occurred in internal efficiency in the university.

CEDA report (1995) recommended financing strategy to policy makers which included resource mobilization, funding allocation, institutional reform, internal efficiency and resource utilization. The report suggested that tuition waiver should be reduced immediately by 10 per cent. The higher education institution could generate fund from user charge and consultancy, training and seminar, too. Financial sustainability in higher education of Nepal could be made possible through commercial use of some assets, deposit mobilization, local resource mobilization, student loans, rational for state financing, foreign aid and increased financial allocation as well.

### **Financing Higher Education: 1996 - 2007**

In order to implement the financing modality for higher education, CEDA (2007) suggested several strategies such as increasing the government budget for higher education sufficiently to enlarge the access of socially excluded students to the higher education, fixing the scientific fee structure based on the unit cost, managing the financial aspects of universities or institutes or campuses applying the principle of cost recovery.

CEDA report (2007) further stressed on the encouraging donation and local resource mobilization for the state university, regional university, religious university and sectoral universities. Regional universities should be limited within their



respective regions. A closer look at universities, however, reveals that many higher education institutions have long been heavily dependent on government (Mazza, 2007, p. 31). The government should allow fixing the fee structure for universities independently in order to meet the required level of cost recovery based on the nature of the universities whether public or private. There would be a scientific distribution of the UGC or government grants to the universities in proportion to their students' enrollment and topographical coverage areas. Universities have to review and revise the fee of their constituent campuses. Universities have to reduce the proportion of regular nominal fee paying students and the government has to revise fee rates mainly in medical and engineering colleges (CEDA report, 2007).

CEDA report further described that the university must regulate fees charged by the private institutions particularly in medical and engineering colleges. There should be close monitoring system to provide student loans from Higher Education Project under World Bank. The development of funding modalities in higher education institution has become so imperative that the universities could gain financial stability in the field of program expansion and operation (Garibaldi, 1984). The concerned authorities should develop a strong monitoring mechanism to maintain the quality of education in order to produce competitive university graduates who can compete in the national and international market. Many universities tend to focus their fund raising effort on periodical major campaigns, but the successful higher education institutions are focused on donation and endowments as well as reinvesting return (Darden, 2009). For the overall financial reform to achieve financial sustainability, the university administration must improve the management and leadership capacity.

## Policy Review

The enormous funding policies complexities of modern universities made them almost unmanageable for institution growth (Trow, 2010). The present international higher education system has certain policy related complexities which provides directions, models and funding guidelines for achieving sustainable financial situation (Altbach, 1998). The governments of developing as well as advanced countries started big promotion in higher education investment (UNESCO, 1998). As a result of state investment in higher education, there had been rapid growth in higher education institution especially in South Asia region.

In the name of financial administrative efficiency and in combination of the contextual force at university, funding policy issues have become so important to address in time (Nidiffer & Bashaw, 2001). Resource arrangement has become the main issue to make appropriate financing in higher education. The importance of skilled workforce through technical and general higher education was realized by developing countries. These days, the governments of several developing countries are facing enormous pressure for more public financing in higher education.

In response to the changing political, economical and social forces that impact higher educational system required to integrate in university funding policies (Findlay, 2010). Against the backdrop of major institutional reform, the university needs to examine the financial sustainability in the long run (Gamoran, 2007). Indeed, many countries have seen exponential increases in the number of private higher education (Su, 2011). Hence, the promotional higher education policies were formulated in Asian nations by making a firm commitment from the state side to financing higher education adequately. Universities with their very deep roots are locked as urban institutions due to lack of funding policy (Wiewel & Perry, 2008).

## **Global Financing Policy**

University education quality depends on financial support and funding policy designed by the collaboration of institutions of higher education (Bjork & Brauer, 2003). In order to assess the education system and policy of the county, it would be better to have a brief review of education system in the Global and South Asian context especially in United Kingdom (U.K) and U.S. since both countries have been leading in the field of education. Higher education threats such as shrinking revenues, increase expenses and competitiveness are to be analyzed while designing funding policies in universities (Weinacker, 2008).

**United Kingdom (UK).** The central government provides funds for all higher education institutions. The polytechnics and colleges of higher education get grants from Polytechnics and College Funding Council. The Universities get grants through the UGC. For a long time discussion about higher education financial governance issues has become confined to the circle of policy makers and researchers (Huber, 2006). The public and private universities get grants without any difference for operating and capital expenditure. Universities have other sources of income besides grants from the UGC such as endowments, student-fees, and gifts from donors.

**United States of America (USA).** For funding purposes, the institutions of higher education are grouped as institutions supported and controlled by the Federal Government, institutions supported and controlled by the state government and public corporations and institutions supported and controlled by private and religious bodies. Several learning approach studies in higher education have revealed a strong connection between funding policies and universities academic administration (Rollnick, 2010). Institutions of higher education get some grants from the government. The private and religious institutions have to abide by government regulations and standards to be

eligible for government grants. Major funding source of the federal and state supported and controlled institutions are the governments either federal or state. All institutions, federal, state and private collect fees from students.

### **South Asian Context**

Nepal is one of the South Asian countries. The experiences gained by South Asian countries would be more beneficial for Nepal. Several issues arose in higher education funding policy formulation, which have to be addressed while implementing in university practice (Wright, 2000). That's why; the review of education system and financing policies of some South Asian countries has been done in this section.

**India.** UNESCO report (1998) stated that over the years, there has been a remarkable increase in expenditure on higher education. Although the proportion of government expenditure on higher education has been increasing, the burden of private costs is quite substantial. If the government has to meet the demand for equitable access to higher education, they need to move towards encouraging a delivery of smooth flow of funds in university (Vught, 2009). The private costs comprise fees expenses for textbooks, stationery, uniforms and other costs. The government of India established University Grants Commission (UGC) in 1956. The UGC discharges the constitutional mandate of coordination, determination and maintenance of the standard of teaching, examination and research in the field of higher education. University could find creative and effective ways to collaborate with the surrounding economic community in order to undertake productive, valuable and transformative research project (Strand, 2003).

**Bangladesh.** The Universities in Bangladesh are fully self governing institutions, each established according to the act of the Legislature. They enjoy full autonomy in

academic administration affairs. All Universities are heavily dependent on the government grants. There are chiefly three eras that characterize the evolution of higher education industry: traditional, mass and post secondary higher education (Wolverton, 2009). The University Grants Commission (UGC) was established in 1973. The main work of the UGC is to coordinate the activities of the Universities particularly in the areas of staff development and training. The UGC is also charged with the task of assessing the financial needs of universities. The government grants to universities are channeled through the UGC.

**Sri Lanka.** UNESCO report (1998) states that the operational and capital expenses are met by the state except in the fee charging private higher education institutions. The state supported institutions of higher education are allowed to levy facilities fee from students to cover the cost of extracurricular activities like sports. The advancement in higher education preserves the board education agendas required for the development process (Hughes & Adrian, 1997). Even though education is free from grade one to the first degree level in the university, students from poor (low income) families need financial assistance to sustain them in their studies. There are several support schemes to assist needy students financially.

**Pakistan.** The federal government provides funds for capital expenditure of the higher education institution and the provincial government provides matching funds for recurrent expenditure in Pakistan. There is a system of generating funds for education by imposing extra tax on imports popularly known as Iqra. The revenues from Iqra are intended to be used for the education sector. Many financial problems in higher education require advanced policies guidelines for upgrading university education quality (Sadd & Zawide, 2011). These days the collected revenue is used for other sectors of development as well. The universities are autonomous bodies supervised and controlled by their own syndicates, which are appointed by the

Governors of the provinces. The government grants are made available to the universities through the University Grants Commission. There are a number of private sector institutions of professional higher education studies in the country.

### **Financing Policies in Nepal**

Bhattarai (2002) stated several issues regarding higher education financing policy in Nepal. According to him, national policy for state funding of higher education has not been specified in terms of percentage of GDP or percentage of Annual National Budget. Designing the higher education financing policies, national development and local context are to be considered (Klein, 2009). There are challenges to provide higher educational opportunities to all the people capable to absorb irrespective of financial status for the development mission of a nation (NCES, 1998). It is needed here that these issues are to be addressed by revising fee structure in constituent campuses and increasing government grants to remotely located campuses.

Inequality of higher education opportunities themselves are pervasive and deep rooted in the socio political structure of the nation (Jennings, 2004). On the other hand, excessively high fee structure charged by private colleges could reduce living standards of ordinary people because a huge amount of family income has to be invested in higher education. Consequently, it widens the gap between poor and rich segment of the society in Nepal. Such inequity must be addressed to create equity and offering equal chances to excess in higher education.

Since 1971, the university situation has become so complex due to excessive enrollment of campuses (Sharma, 1995). Problem of huge enrollment and expansion of college without proper accreditation could be experienced in practice. The University Funding Policy should consist of tight curricular structure and focus

scientifically to meet the development need of a nation (Arthur, 2011). The above study mainly shows that there is an urgently need to be addressed in terms of education policies, planning policies, management systems, governance and quality control in academic programs for higher education. The UGC recommends funding policies in three broad categories such as government universities fully based on state funding, non-government public institutions would be funded jointly by the state, community, donors, students' fees and trust funds while private higher education institutions would be fully funded by private sector. Several major projects have been undertaken with the help of donors, for instance, primary education project, primary education development project, secondary education development project, higher education project, technical and vocational project (Bajracharya 1999).

### **Research Gap**

We have to realize the fact that TU represents the total higher education system of Nepal. Despite having a massive size, enormous amount of physical resource and large amount of foreign aid, TU has not yet been able to achieve financial self-reliance. During my preliminary study and literature review period, I found very few literatures, researches and past studies in sustainable financing of higher education in Nepal. Of course, financing higher education seems to be a quantitative measurement but it is more relevant to assess financial sustainability in terms of qualitative approach. The perception and experience of local stakeholders, donor agencies, and policy makers should be analyzed to assess the financial sustainability of higher education in Nepal.

I realized the fact that there are multiple realities of the measurement of financing higher education by qualitative approach but in real sense it is crucial to maintain proper application and better management of internal resources to achieve

sustainable goals. Therefore, my research would open wider arena to conduct further research and provide more literature in the field of sustainable financing of higher education for reducing the research gap.

### Conceptual Framework

This study has been conducted as per the conceptual framework developed in reference to the Nepalese higher education context. The research work was conducted with this framework to access financial sustainability of the Nepalese higher education institutions.

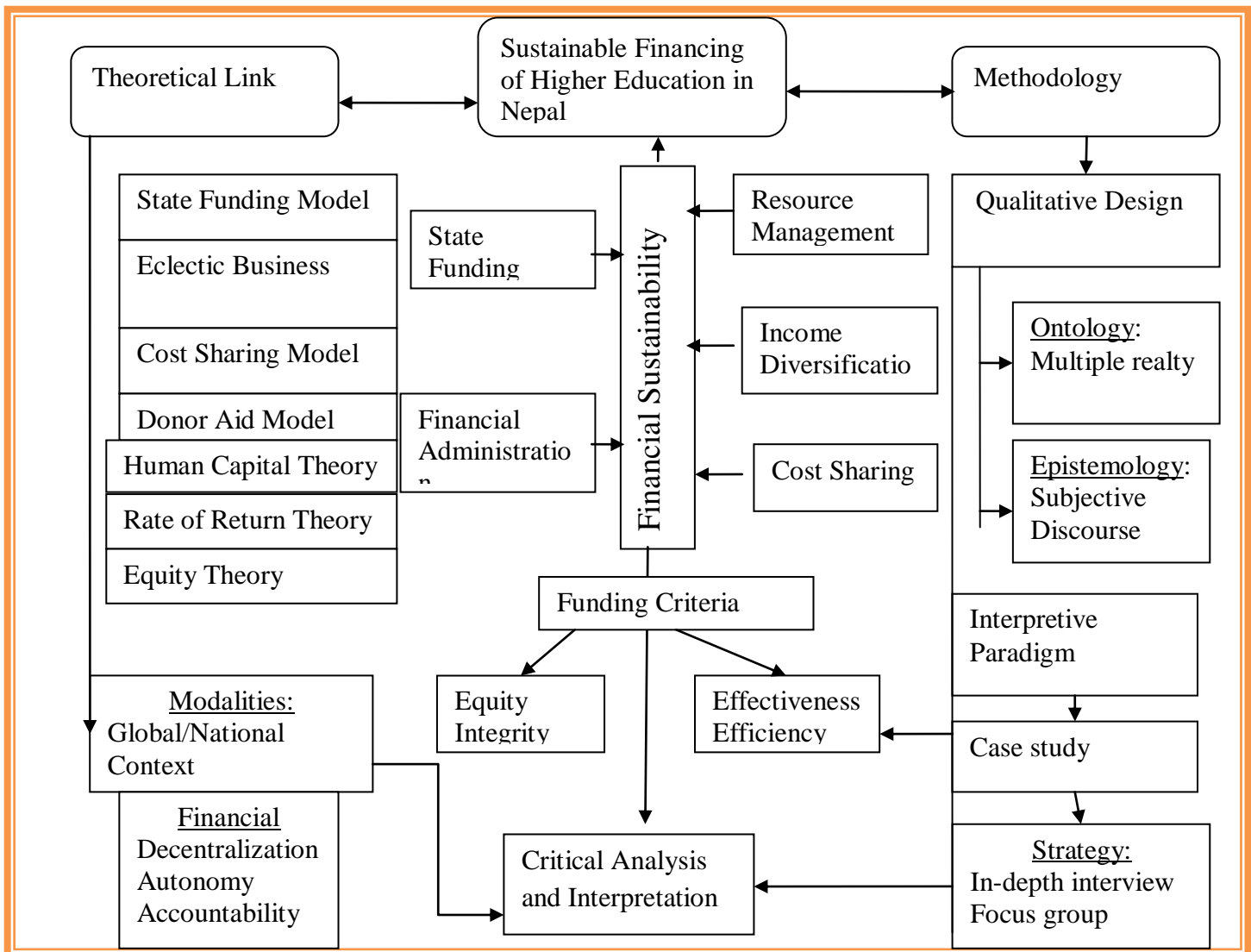


Figure 5. Conceptual framework (Source: Dutta, 1964; Singh, 2005; Agrawala, 1995; CEDA, 2007).



This framework was developed to obtain financial sustainability of universities in Nepal with reference to under developing countries. In this research framework, five research variables — state financing, financial administration, resource management, income diversification and cost sharing — were framed. From the extensive literature review, these five pillars for sustainable higher education funding were recognized to make a university financially self-reliant. But in our context, two major political and bureaucratic obstacles are expected which create barriers to getting financial sustainability. The university administration has to struggle to remove such barriers to achieve sustainability. The contributing factors for sustained university are autonomy, accountability and financial decentralization. These three factors could secure self-reliant status of the university.

Only then, the cost recovery would be achieved and a university could perform education, research, and social contribution in real sense. The result of self sustainability guarantees knowledge creation and diffusion for promotion of a civic social structure. Eventually, a self reliant university and higher education system could increase earning which leads to economic growth and ultimately to the overall development of Nepal. The development of Nepal never becomes possible unless universities are established as self sustained institutions.

### **Summary**

From the aforementioned review of literature, it could be concluded that the higher education is a very vital component for the overall development of the nation. Undoubtedly, higher education is the backbone of the overall development of Nepal because it enriches the quality and productive capacity of people and helps to fulfill the need of skillful human resources in the nation. Nevertheless, it has been noticed that higher education institutions are inadequately funded and much more dependent,

which hampered the quality and skill of students. Most of the previous studies were related to the cost recovery and cost efficiency of the higher education in Nepal. The present study specially seeks to identify ways to make higher education institutions more sustainable in financial point of view. To ensure financial sustainability, the cost sharing pattern of higher education can be improved. Therefore, the present study is different from the previous studies with regard to magnitude of the area or scope of investigation. In addition, this study would be a pioneer and innovative research on financing higher education with reference to long term sustainability to generate enough resources which can meet the challenges of future.

To achieve the research goal, special reference has been given to state funding, financial administration, resource management, income diversification and cost sharing pattern of constituent campuses and schools. TU receives more than 90 per cent of government investment, enrollment and human resource in the market, so it will not be wrong to state that higher education of Nepal is the higher education provided by TU. Extensive literature review has been done to develop the comprehensive conceptual framework for this study. From the literature review, the research variables or the factors determining the financial sustainability of university in higher education field were extracted by making in-depth study of related articles, previous study, theory and different modalities.

## CHAPTER III

## RESEARCH METHODOLOGY

In this chapter, the research methodology is described in detail. This research is based on interpretive paradigm, qualitative research design and case studies strategies. The specific area of study, research design, population, sampling frame are mentioned in this chapter. The data collection instruments and analysis tools are described along with dependability of research instruments and tools.

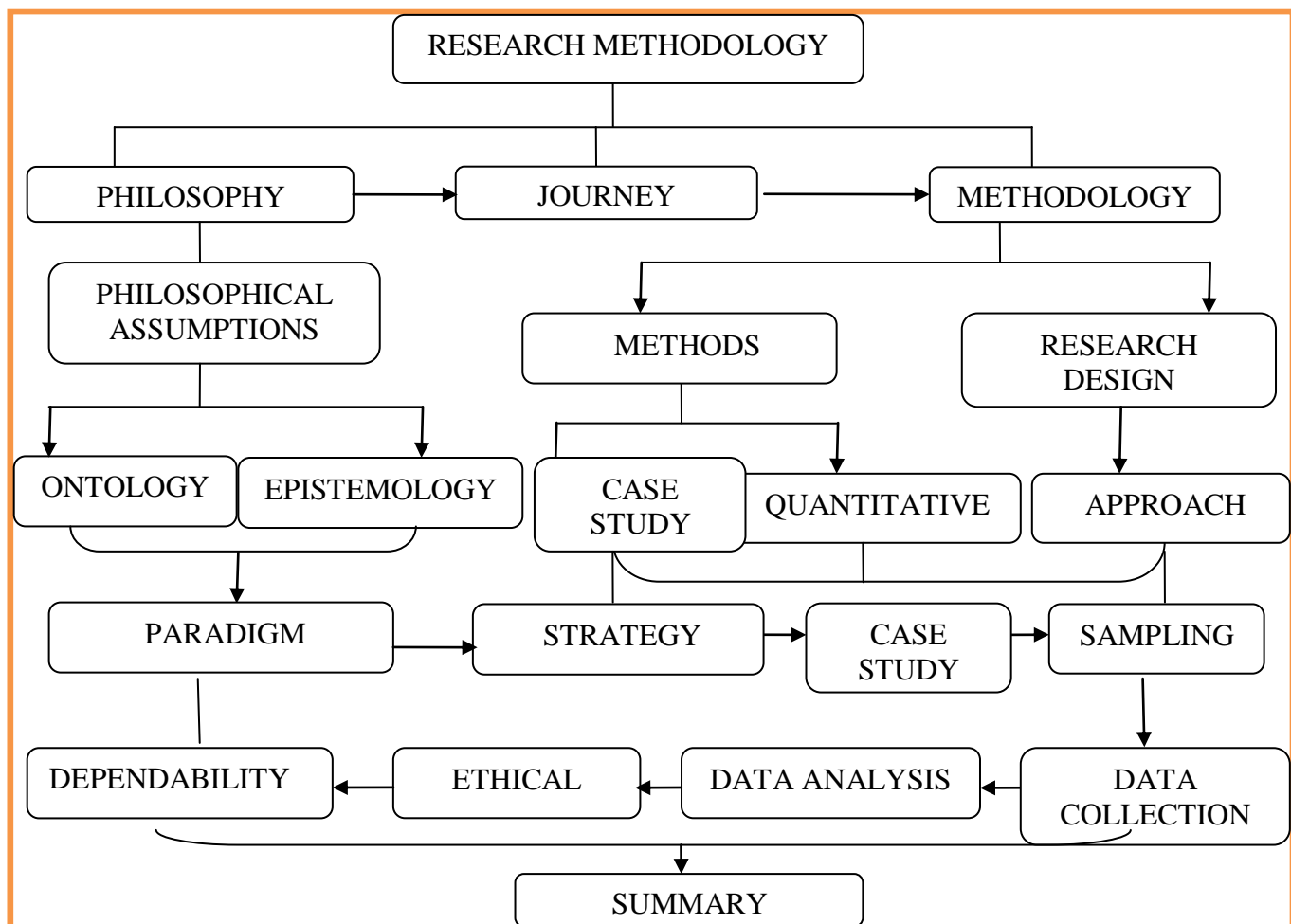


Figure 6. Chapter three outline.

### **Research Philosophy**

I believe that research methodology in education research sets a philosophical framework, truth value, assumptions and epistemological perspective to outline the investigative modes of inquiry. In order to situate a new qualitative methodology at the point of departure from its more traditional forebears, a brief recapitulation of its foundation is necessary (Rapport, 2013). A researcher should consider the most diverse array of methodological tools available to answer research questions through a process called methodological eclecticism (Tashakkori & Teddlie, 2010). However, education research methodology is the philosophical framework of human life, truth value and assumption in epistemological prospective that are related with a particular research method (Dooley, 2007). The investigation of the journey of human civilization in quest of knowledge in the present world to achieve aim and result is done by education research methods (Hostetler, 2005). Research methods establish a cause and effect relationship between research variables with the aim of describing and estimating the trend of events. However, experts asserted that any exact method is not the end of a research work.

### **Research Journey**

I set out on an adventurous journey to explore the reality on financial sustainability in higher education institutions in Nepal. At the initial phase of the research work, I identified the five pillars of financial sustainability in higher education system which became the basic guidelines for further literature review. During the literature review, I collected national and international reports, journals, books, publications and research papers to have in-depth knowledge of the concerned research topic. I designed a concept of this research work after an intensified review of sustainability factors, financing modalities and policy issues as well as challenges

of different countries. Regular consultation with the supervisor, professors, experts, policy makers and professionals was done during the entire thesis writing period.

Thus, I designed a thematic concept for ensuring the relevance of research topic and research questions. To assert the essence, I categorically consulted the personnel of UGC, World Bank Nepal, UNESCO Nepal, Ministry of Finance, National Planning Commission and Ministry of Education. The responses from these representatives came up with appreciation, ideas and theme. I incorporated the feedback and comments pointed on the vagueness of the research study. I also got sufficient suggestions from the supervisor, dean and professors of School of Education during the thesis writing process. This helped me to develop a complete research framework.

Therefore, as per the consultation with the supervisor, I adopted the idea of qualitative research with the case study of Tribhuvan University and Kathmandu University to assess the financial sustainability of higher education system in Nepal.

### **Philosophical Assumptions**

I believe that philosophical stance in my research is anchored in the philosophy of science that includes assumptions about the nature of the social world (ontology) and about the nature of warranted social knowledge known as epistemology (Greene, 2008). Most of the modalities and theories involve an element of benchmarking and performance measurement, however, they mainly involve lag with little emphasis on lead measurement (Anderson & McAdam, 2005). As a researcher, it was agreed to recognize that we are part of the social world, own interpretative processes and authorial position need to be taken into account.

The philosophical assumptions are basic beliefs about the world, we live in. At the philosophical level, organizational theories contrast in five sets of assumptions

(Burrell & Morgan, 1979) that are subjectivist or objectivist dimension; ontological, epistemological, axiological, methodological assumptions and assumptions about human nature. These assumptions trickle through to lower levels and influence the research process.

### **Ontology**

Qualitative technique can elicit research theme through interaction associated with the constructs (Storr, 2004). I believed that ontology in this research can be taken as the study of what we know or rather what we think we know. Ontological bases relate the research to the nature of social reality. It is the fact that the social world is tangible and made up of relatively immutable structures that exist independently of our individual descriptions (Williams, 1998). There is also a considerable variety of forms and uses of qualitative research in different parts of the world (Cassell & Johnson, 2006). Subjects are actively involved in the reproduction of these fields. The critical paradigm sees relations of force and conflict, systematic differences in power and opportunity. Ontological level in this research is regarded as the way of work within a paradigm.

### **Epistemology**

In this study, epistemology is regarded as the study of how we achieve knowledge or how we think and achieve knowledge of higher education financing from sustainability dimension. Epistemology relates the research to the nature of knowing and construction of knowledge and is divided into the positivist and anti-positivist stances (Williams 1998). However, the epistemology believes that the true objectivity as an external observer is possible and that the knower and known are interdependent and the social science is essentially subjective.

Qualitative study in education financing explores different opinion of the research participants to disclose an appropriate way for achieving sustainable goal (Bryant, 2006). The production of qualitative education research has grown exponentially over recent years generating an extensive stock of knowledge (Denyer & Tranfield, 2006). The critical paradigm assumes that knowledge involves a general understanding of society in addition to a description of specific cases, that people's interpretive schemes are vulnerable to systematic distortion, and that the local context must be seen in its relation to the larger social system.

### **Interpretative Paradigm**

Interpretive research synthesizes between social realism and constructivism which assumes that any human nature can be interpreted by the help of structural forces. As interpretive paradigm is concerned with the implication of the behavior, I selected it in this research to analyze the context of present state of higher education financing.

Interpretive inquiry is a research approach because the research study was guided by a set of beliefs and feeling of research participants about financial sustainability of higher education in Nepal. Kuhn (1970) who introduced the term as universally recognized and scientific achievements for a time, provided model problems and solutions to a community of practitioners and suspected that something like a paradigm is a prerequisite to perception itself. Qualitative interpretative research is a useful way of capturing genuine thick description (Patterson, 2005). As concerned with the research paradigm, I believe that interpretive research is essentially concerned with implication and it seeks to understand social members' definition of a situation. Thus, paradigm stands for the entire constellation of beliefs, values and techniques, and so on shared by the research participants and stakeholders.

Within the research process, the belief of the researcher will reflect in the way that research is designed, how the data are both collected and analyzed and how research results are presented (William, 1998). It is important to recognize that the paradigm allows identifying researcher's role in the research process, determining the course of any research project and distinguishing other perspectives. In this research, interpretive or subjective paradigm was used to explore the research questions. Therefore, interpretive inquiry was my research approach as it is based on a set of beliefs and feeling of research participants about the sustainability dimension of higher education financing.

### **Methodology**

Methodology describes the methods and processes applied in the entire phase of the study. This part included a description of the research methods, designs, approaches, research strategies, sampling frame, data collection instruments and analysis tools. Methodology is an essential part of an education research which integrates various steps or procedures to study the principal research problem in a logical and systematic way.

### **Research Methods**

I find selection of appropriate research methods is as difficult as topic selection in doctoral thesis process. At the initial stage of proposal development, I chose the mixed methodology. But after consultation with the supervisor and making pre-study assessment, I decided to alter the research design. I realized that in this study, qualitative dominated research methods were more appropriate to dig out the facts than examining the superficial facts. However, I could not deny the usage of quantitative methods to analyze a few numerical cases of the research area. The



research was heavily dominated with qualitative method although there was quantitative method in an insignificant scale.

### **Quantitative Method**

I found that the research topics needed quantitative data analysis for answering most of the research questions. The quantitative research method was also used for dealing with the numerical data related to the topic. Basically, secondary sources of data, published reports, experience and attitudes of respondents were analyzed in quantitative terms.

**Why quantitative method?** I used the quantitative method for answering some key research questions which were concerned with numerical data obtained from the publication, reports and participants' responses. Numerical data like trends and growth of state grants were analyzed with the use of quantitative method. Different grants provided by the state as development and regular purpose needed quantitative explanation so that the principal research problem would be addressed. I found a lot of strength of quantitative information to address the numerical nature of the research data and specific responses from research participants.

### **Qualitative Method**

I used qualitative method for answering all five research questions in my thesis regarding sustainable funding of higher education in Nepal. The qualitative approach was more relevant because I tried to discuss the financial sustainability indicators through stakeholders' perceptions in the present case of state funded (TU) and self funded (KU) universities. Application of qualitative methodologies within the educational research was not found as a new work in the research field.

**Why qualitative method?** I found a tremendous strength in qualitative method in the field of educational research. As per the consultation with the

supervisor and after having an intensified literature review, I was determined to apply qualitative research method to derive the succinct conclusion. The qualitative inquiry goes into the underlying process of human thoughts and actions that influence the progress of an education research (Smyth, 2006). I got several chances to appear seminar, lectures and preliminary doctoral thesis defense that motivated me to apply qualitative research method for identifying multiples realities of sustainable funding of higher education. The participant observation in qualitative education research is to gain insightful knowledge of institutional phenomenon (Oliver & Eales, 2008).

The quantitative and qualitative inquiries represent two legitimate ways to investigate the event. Researchers using one or the other tackle empirical research differently. Different traditions represent different 'interpretive communities' (Denzin & Lincoln, 2000). Qualitative researchers aspire to explain and show clear social meaning of the research topic. However, the uses of qualitative methods are exclusively for the complement or better interpretation of numerical data and to generate hypotheses for future quantitative studies. The qualitative study seems inevitable for an education funding research journey (Mansourian, 2008).

### **Research Design**

Research design primarily means a framework for collecting, organizing, interpreting and reporting the data in a research. However, it represents different models of researching for distinct means and procedures in the field of social science research. Hence, research design in education research is a complete strength of qualitative work which focuses on extracting meanings for facilitating the development of substantive areas and research questions. I used the following integrated research design in my study:

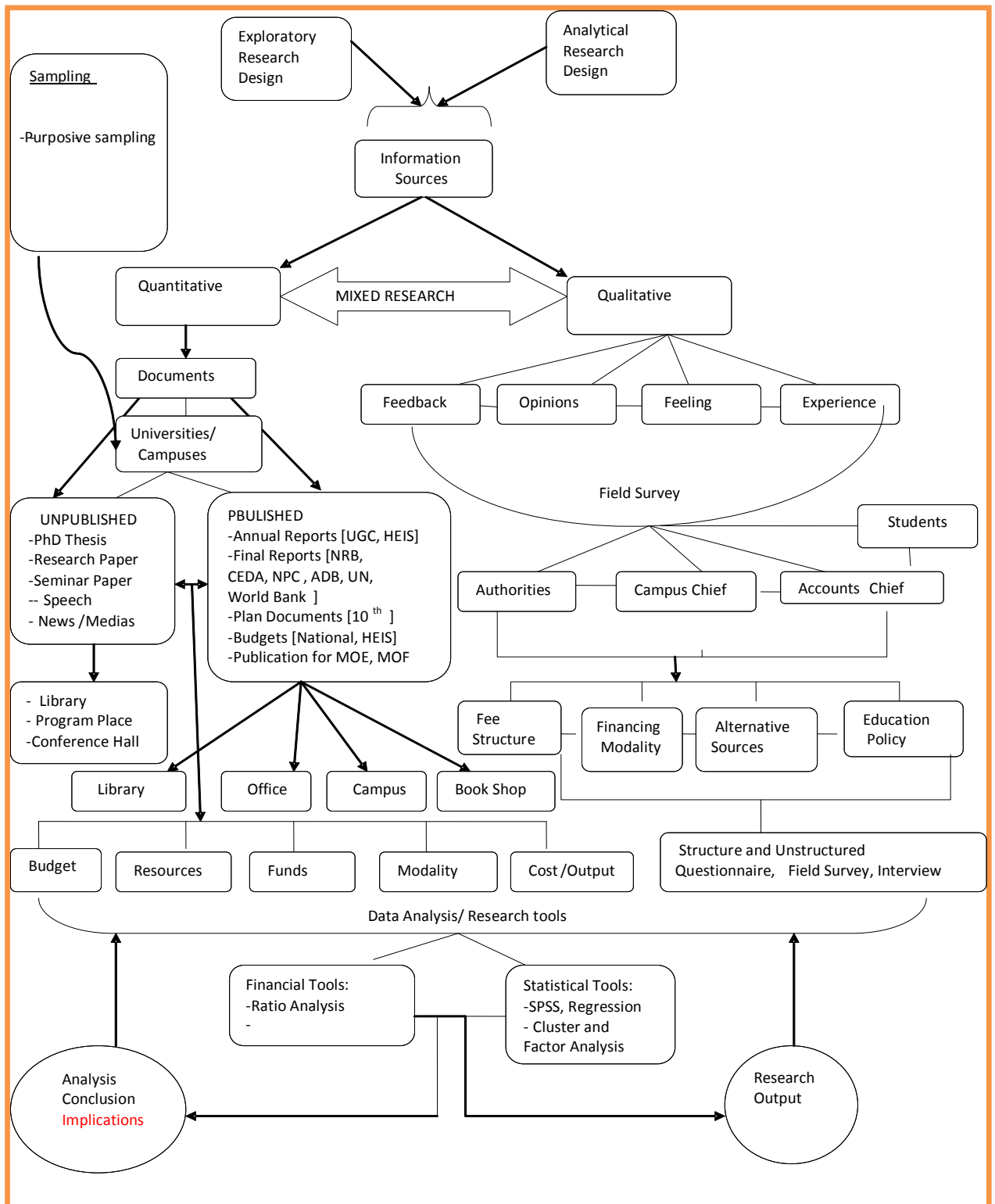


Figure 7. Research design.

I used this integrated research design for investigating both qualitative and quantitative data.

## Qualitative Research Design

The qualitative approach in education research deals with the complexity, content and multitudes of factors, relationship and fuzzy phenomenon (Gummesson, 2006). According to Schultz (1996), in organizational culture studies, functionalism and interpretive differ in the extent to which they define an analytical framework prior to entering the organization to be studied. It means that interpretive research design evolves over time as features emerge from the research that the initial design did not cover (Williams, 1998). However, interpretive research is primarily exploratory and descriptive in purpose designed to discover what can be learned about the area of interest (Williams, 1998). The model which I presented below is a methodology applying fundamental values for the creation of scientific knowledge sharing understanding and questions raised in my research.

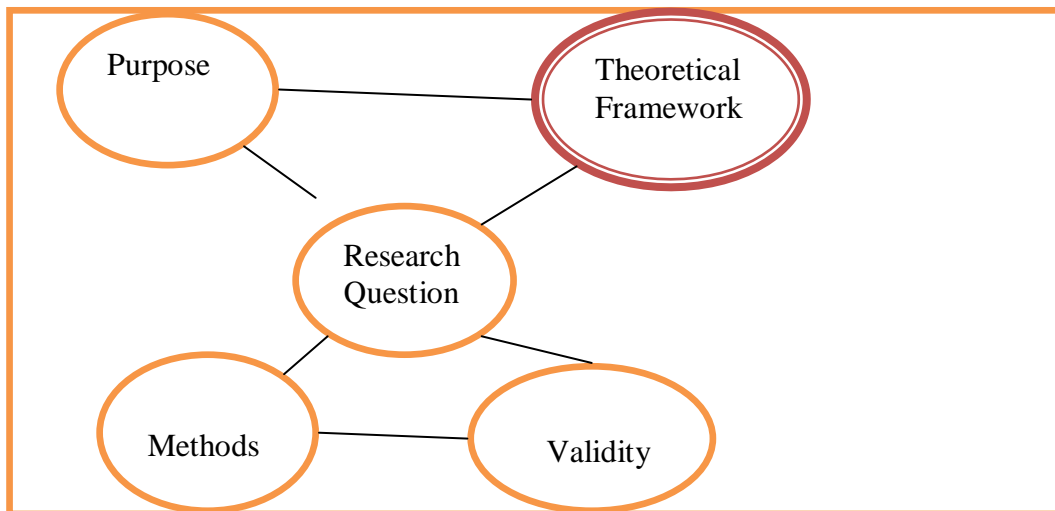


Figure 8. Research model (Sources: Maxwell, 2005).

There are five components in this model. First, Purpose: what are ultimate goals of the study? What issue is it intended to illuminate, and what practices will it influence? Why do we want to conduct it and why should we care about its results? Why is the study worth doing? Second, Theoretical Context: what theories, findings, and conceptual frameworks relating to these phenomena will guide or inform our

study? What literature, preliminary research, and personal experience will we draw on? This component of the design contains the theory that already has or is developing about the setting or issues that are studying. Third, Research questions: what specifically, do you want to understand by doing this study? What do not we know about the phenomena we are studying that we want to learn? What questions will our research attempt to answer, and how are these questions related to one another? Fourth, Methods: what will we actually do in conducting this study? What approaches and techniques will you use to collect and analyze our data and how do these constitute an integrated strategy? This component of our design includes four main parts such as relationship with the people we study, site selection and sampling decision, data collection method and data analysis techniques. Fifth, Validity: how might we be wrong? What are the plausible alternative explanations for validity threats to the potential conclusions of our study, and how will we deal with them? How do the data that we have or we could collect, support or challenge the ongoing process? Why should we believe our results? I used the above mentioned research design model in my research.

### **Research Approach**

In this research, inductive research approach is used. Thus, through this approach, I have tried to understand the nature of the problem, gather the required qualitative data, and analyze them to draw conclusions. Informally, this approach is a bottom-up approach. Hence, developing an understanding about the problem and making proper analysis of different dimensions are the strengths of inductive research. Qualitative research involves some balancing between pragmatic and aesthetic aspect of social science research (Modell, 2008). The result of this analysis would be the formulation of theory. Thus, in an inductive approach, theory is built from the

empirical evidences gathered through different sources whereas in deductive approach, data would follow a theory. Following are the steps of deduction and induction.

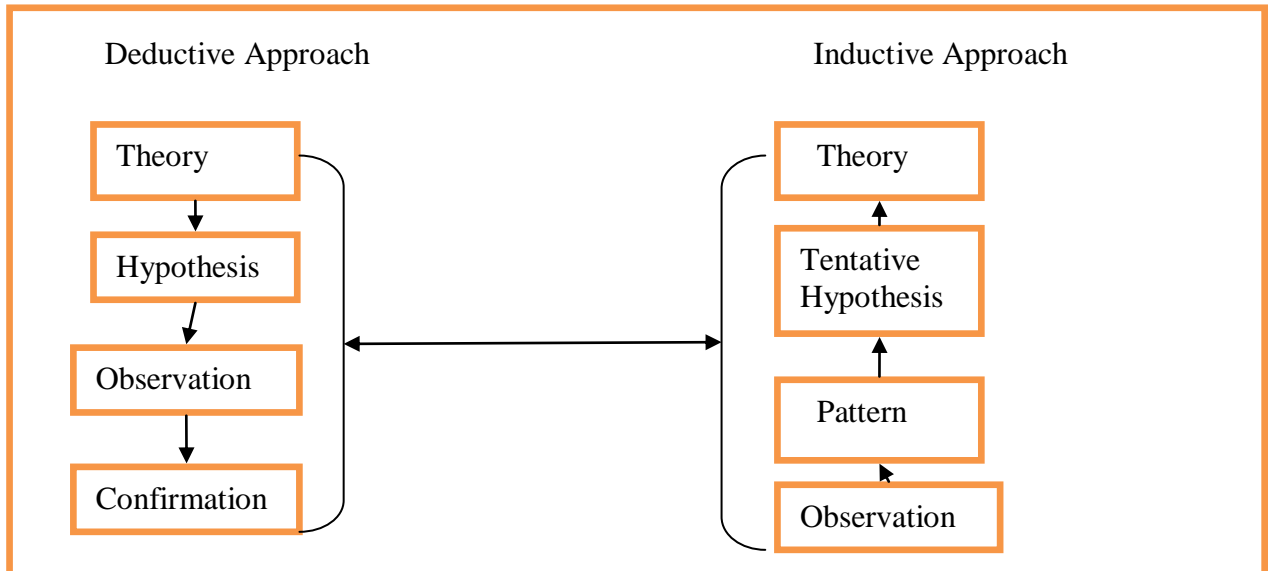


Figure 9. Research approach (Source: Wolf, 2009).

Inductive reasoning by nature is more open-ended and exploratory. Deductive reasoning, on the other hand, is narrower in nature and is concerned with testing and confirming hypothesis. Nevertheless, both of these approaches would yield valuable insights into the research problem.

### Qualitative Research Strategies

I took TU and KU two heterogeneous non comparable cases in this study. Mainly the research is based on the study of higher education funding from financial sustainability perspective.

### Case Study

Case study is an ideal methodology when a holistic in-depth investigation is essential to investigate the issue. Yin (1993) has identified three specified types of cases studies: exploratory, explanatory and descriptive. Stake (1995) introduced three cases called intrinsic (when the researcher has an interest in the case), instrumental

(the case is used to understand more than what is obvious to the observer), and collective (group of the cases are studied). Levy (1988) used the case design for study at the University of Arizona. Moreover, qualitative case study methodology affords an in-depth analysis of complex experiences (Castro & Kopak, 2010). Single case may be used to confirm or challenge a theory or to represent a unique or extreme case (Yin, 1994).

**Why case study?** As my research topic '*Sustainable financing higher of education in Nepal*' was of my interest, when it was approved by my supervisor, it gave me an enormous amount of excitement and encouragement to complete it. After literature review and consultation with the supervisor, I found the strong strength of case study strategy in my research. Initially, I was suggested to conduct a case study of one unit that was state funded university (TU). Later on, my supervisor suggested making a study of another non state funded university (KU) as well for comparative study. As the case study was constructed to describe, explain, assess and evaluate a phenomenon, I chose this strategy so that research questions would be rightly answered.

The case study strategy reported the subjective perception and phenomenon to be fully investigated (Leedy, 1997). Therefore I found this strategy more appropriate for the study that gave me encouragement to conduct this study to assess financing trend and status of higher education in Nepal. On the basis of the intensive literature review and frequent consultation with the supervisor, experts and stakeholders, I determined to apply case study strategy so that the sustainability aspect of higher education funding could be studied.

### **Selection of Cases**

Two cases of TU and KU were selected in this study taking the capacity to handle complexity of the phenomenon and external validity into consideration. Thus, these two cases were explored by gathering information regarding sustainable financing. These were enough to handle complexity of the research activities, variables and events. In the recent year, some of the strongest supporters of qualitative research like Denzin, Lincoln and Cuba made statement providing credence to mixed methods research (Turner & Johnson, 2007). Among these two cases, TU was selected from the equity perspective while KU was selected from the quality concern. Although multiple cases are required, only a small number could be studied, leading to the use of replication logic to select the final cases (Yin, 2003).

### **Research Premises**

I have selected two cases: TU and KU having heterogeneous nature in the area of higher education in Nepal. TU is a well known state funded national university that bears a greater chunk of responsibility to provide higher education to the citizens of Nepal. In contrast, KU is privately funded university that offers higher education to the elite sector of the society. As KU offers quality education in management, technical, medical and engineering fields, to some extent it has been able to retain abroad goers. So, the focuses of TU and KU are distinct and non comparable to each other.

With distinct qualities and nature, these two universities could not be comparable. Therefore, I focused on developing individual case for TU and KU each with regard to sustainable funding. After developing an individual case separately on all five pillars, I intended to gain some learning from both the cases. Therefore, as cross cases between TU and KU, I developed learning framework which would be



supportive for obtaining the meaning of the research. With the support of learning themes were drawn from cross cases and I have applied meaning making approach to claim a researcher's conclusion. The main strategy of this research was therefore not to make a comparative study to assert research conclusion for the role of five pillars.

### **Data Collection**

The data of education research are found in the form of human experience and work which are expressed and sometimes recorded or published in the form of research papers, articles and publications. The data collection process is not easy because the researcher needs to establish a deeper level of understanding while exploring, experiencing and realizing from the research participants. I followed the qualitative method as it aims at exploring the meaning and produces non- numerical data such as written, audio or visual, feeling and perception. In other words, the qualitative ways were focused on how people interpret the social worlds and explore the meaning of phenomena and events. Such data include virtual information that can be captured but which are not numerical in nature. The sources of data for qualitative research are shown in following figure:

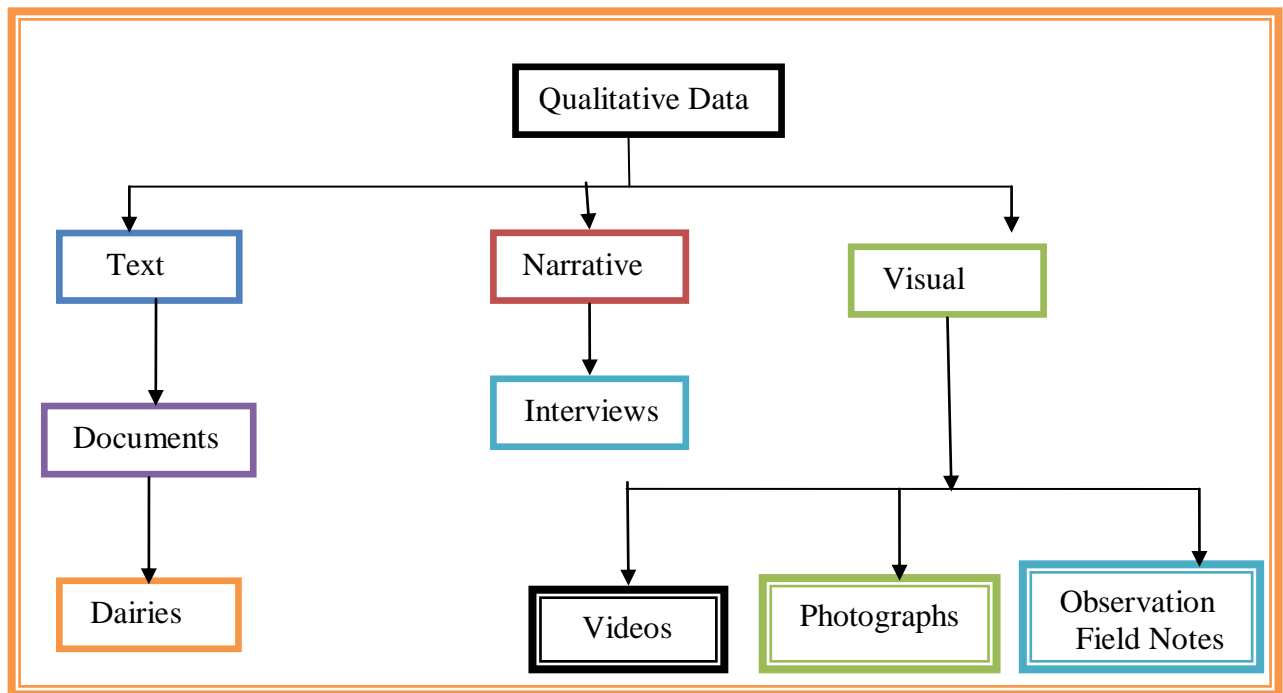


Figure 10. Data sources (Source: Wolf, 2012).

Qualitative researcher typically relies on three methods for gathering information: texts, narratives and visuals. However, I mostly used narrative way for collecting qualitative data. These methods can further be classified in several specific data collection techniques. In this research, in-depth interview was used to collect information from the participants. Regarding the secondary source of quantitative data, I used direct data collection approach by visiting concerned organizations from where reports, publication and research papers were collected. The additional data were collected by using electronic modes such as websites or specific sites. Therefore I collected quantitative data by visiting fields and websites.

### **Data Collection Strategy**

I used different sources to collect both primary and secondary data for the study. This allowed me to deal with a wider range of behavioral, attitudinal and historical issues in research. The data collection sources included in-depth interviews, policies, manuals, annual reports, organization structures, functional charts, among other relevant documents. The foremost criticism of qualitative methods is that

interview and observation methodologies are rigorous or structured (Jehn & Jonsen, 2010). Interview is a better way of getting quality information or data efficiently. In-depth interview is conducted with prominent participants and stakeholders.

### **Data Collection Tools**

Among the various qualitative data collection tools such as focus group discussions (FGDs), and interviews, I just used in-depth interview. I planned to conduct FGDs also but my research questions were fully answered by the participants in the in-depth interviews. Therefore, I did not use the FDG later. Most of the research participants of the in-depth interview gave enough information to answer all the five research questions which were verified from the same research participants.

Visiting the field, walking around and practicing the research design became more fruitful to me for collecting the primary and secondary data which were essential for my study. I was very clear about the fact that the research was never possible with a surface level study and a light determination; it needed efficient tools, enough time, effort, investment, dedication and skill for bringing about effective output. Therefore, I was so keen on clarifying the data collection tools: What are they? Why are they used? And how do they function? Thus, to make such queries clear, I selected in-depth interview to collect the perceptions of the research participants concerning my research questions since in-depth interview would collect the actual opinion of participants that could address the main research problem.

While conducting data collection procedure, I paid more attention to the orientation, informal discussion and relation building with the participants so that reliable data would be collected. I did everything possible to gather information to answer my research questions. As an effective interview mode, I used face to face, personal interaction and discussion with the participants. Interviews were conducted

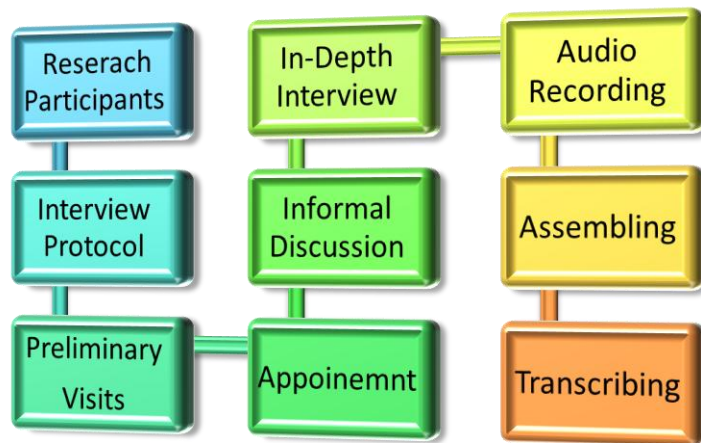
in both languages — English and Nepali. The interviews were recorded in an audio recorder and photographs were also taken with the consent of the participants. The interviews were transcribed content wise and then they were converted into texts. Direct sayings of the participants have been quoted in the analysis part of the research.

The main purpose of conducting the interviews in my research was for multi-dimensional perceptions of financial sustainability of higher education in Nepal. I found that in-depth interviews were effective tool in my context where there was no reliability on the secondary sources of data. The main aim of in-depth interview was to explore informant's opinion, feeling and perspectives toward my research topic. Therefore I introduced an interview protocol in a thematic basis to guide the shape and extent of open ended discussion questions. I emphasized asking or putting queries or questions only, but my total attention was focused on recording and documenting the essence of the principal research questions. So far as the data collection instrument was concerned, I did not leave anything else in applying the required skills, precautions and care in digging out the participants' perceptions until the saturation was reached. Eventually, I was well convinced regarding the standard, richness and quality of the assembled information.

**In–depth interview.** In a focused interview, the participants were interviewed for only a short time, and the questions asked came from the case study protocol. The unstructured interview was used in my research to receive opinions and views on the research questions. The tape recorder was used during the interviews to record the voice of the respondents. An interview was conducted for the data-collection that involved oral questioning of participants, either individually or as a group. Interviews were conducted with varying degrees of flexibility at the place of participants. I

myself went to the field to obtain their opinions and later on the interview narratives were transcribed. I did not take the support of any research assistants. All the data collection, preparation and analysis task presented here were my own efforts.

I used the following process for the collection of primary data from the in-depth interviews.



*Figure 11.* Interview process.

### **Primary Data Collection Process**

I followed this process for making an in-depth interview. First, I made an identification of the research participants among the stakeholders than a detailed interview protocol was developed. I consulted the supervisor for the approval of interview protocol which opened the way to make preliminary visit to the participants' places. In the next step, I took an appointment with the research participants which were followed by an informal discussion about the background of the topics. Finally, I conducted a complete in-depth interview in the next step. I concentrated on the audio recording during the interview. The same questions or queries were put to all the research participants of both the cases to address the principal research problem.

## **Secondary Data**

In this research, the sources of secondary data were documents, publications, reports, etc. which provided reliable information to answer the research questions. The quantitative analysis of data enhances the trustworthiness of the research work. From this point, I used secondary data sources such as UGC reports, university publication, financial statements, education ministry publication and red books as well. Additionally, I collected the data from different institutions like National Planning Commission, University Library, research centers, CEDA, UNESCO, World Bank, etc. I visited prominent sites from World Bank, UNESCO and other international agencies. During the secondary data collection and processing phase, I firstly gathered all the data, and then gradually they were reduced and evaluated according to the relevance of my research. In such a way, I selected the reliable data and denied the unwanted information.

## **Data Collection: What, Why and How?**

I defended my thesis proposal on September 23, 2010 and appeared the first qualifying exam on May 3 and 4, 2012. And I was asked to appear the second qualifying exam on June 16 and 17, 2012. Additionally, I was given an extra paper writing assignment, which was submitted on time and after the result of the final qualifying exam, I was permitted to go to the field for data collection. I designed a data collection protocol and submitted to the supervisor which was approved later. I devoted my day time for the completion of my research work since July 2012 and started field work for data collection on August 24, 2012 which was concluded on November 7, 2012.

My supervisor continuously encouraged and supported me to drive the research work in the right track. I maintained frequent consultation with the

supervisor along with updated progress report to handle the data collection work with a complete guideline. As a researcher, I put my queries to the supervisor about the mode of data collection and participant selection. And I finalized the complete data collection guidelines which were approved by the supervisor. As per the depth of the research questions, participants were categorized as deans, campus chief, finance controller, policy makers, former executives, experts and students' leaders. With several attempts, the interview protocol was approved in the mid of August, 2012.

I made a comprehensive matrix mentioning institutions, category of research participants, and schedule in which I selected the participants from TU, KU, UGC, MOE, MOF, NPC, and CEDA to answer the research questions. I formally conducted in-depth interviews with 37 research participants: 22 for the first case (TU) and 15 for the second case (KU). All the interviews were audio recorded and kept for verification of the data during the analysis period. However, I informally discussed with more than three dozen additional sources related to the research field for making a complete data sequence framework. To have the refined data, I maintained personal contact with the national and international service officials through telephone and e-mail to keep the information updated. Despite several inconveniences throughout the period, I got positive and encouraging responses from all of the participants.

The primary data were collected through in-depth interviews, formal and informal consultation and via electronic media. I used equipments and materials such as laptop, digital recorder, earphones, note books, research diary, etc during the data collection period. Initially, I transcribed the recorded audio in a note book and then transcribed in my laptop that was verified with the audio record later. I put several code numbers for recognizing the data concerning different categories of research participants from the two cases. I collected all the primary data with great care and

maximum restraint. However, I realized the fact that all the data collected may not be useful and many of them give the same sense, so I separated such unwanted and similar views from the primary data pool.

### Data Analysis Process

This section discusses the data analysis procedure enriching deeper meaning and understanding of research participants as individuals. Qualitative research from the critical theoretical perspective uses interpretive framework but also reveals ways that power is embedded in social context (Lapan, 2011). The analysis of qualitative data is useful to produce an interview summary after each interview. This includes practical details about the time and place, the participants, the duration of the interview, and details about the content and emerging themes. The following steps in the data processing were useful in my research work:

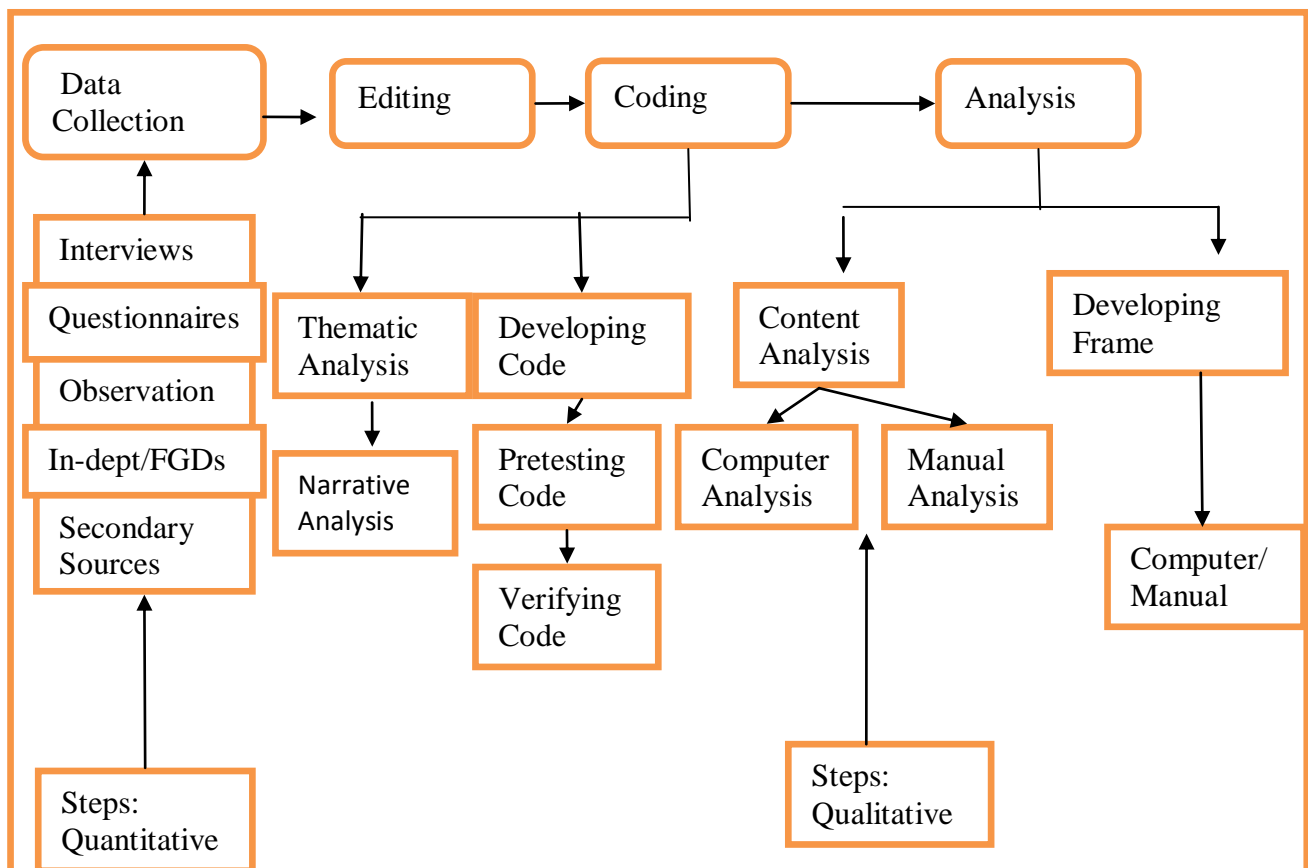


Figure 12. Data processing (Sources: Kumar, 2008).



I revealed the essential information through intensified literature review. I did data assembling, classifying and selecting work continuously time and again during and after the final research work. There are different types of qualitative data analysis. However, the method to use depends on the research topic, personal preferences and time, equipment and available finances. The qualitative data analysis is a very personal process, with a few rigid rules and procedures. However, it is a must to produce the data in a format that the researcher can easily analyze.

### **Data Preparation**

Tape recorded data were transcribed and transcripts were verified with the initial audio record for precision. Questions as well as interview protocols are required to design in identical way for all the participants in a qualitative research (Flick, 2011). The data collected from case study interview were checked, compiled and integrated with other evidence to answer the research problem question which had multiple levels and types of data analysis.

### **Data Editing**

The qualitative research gives a comprehensive perspective by recognizing several nuances of attitude and behavior (Rubin, 2010). The editors must decide what to do about such missing data. Editing is the first process in the data processing. I thoroughly checked and edited the research text. And I continued it for two times more as per the suggestion of the external evaluators. I finally made the editing of the research document by the professor of English working in the university. So even a minor text writing related errors were minimized before the preliminary viva.

The editing implies checking and correcting the data from questionnaire and interviews in a systematic way to ensure their accuracy and completeness. The framework of qualitative research looks for cause and effect in research (Boswell &

Cannon, 2010). What could be done with the missing data: How can fault be detected in the processing of editing and handled? There are four basic approaches used to handle such bad or missing data. They are going back to participants for clarification, inferring from other responses, discard responses altogether and leave the question blank and record it as non- response.

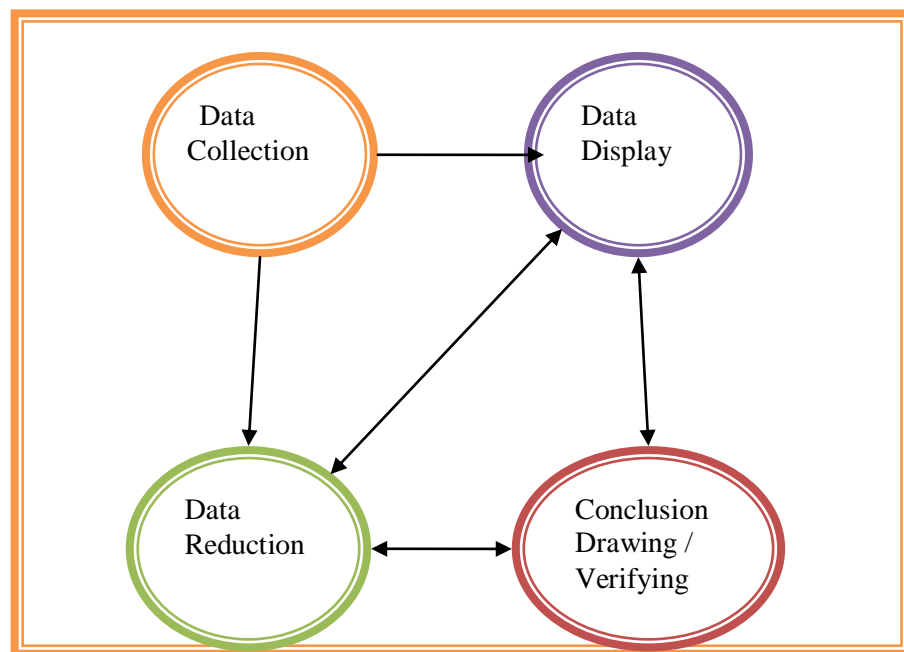
### **Data Coding**

Some special codes are developed to make convenient categorization of the textual case study data. Three main categories for codes were used in this research such as formation factors, institution's demographics and interviewees. I gave different codes like INT and INK, which signifies interviews from TU and KU participants respectively. I gave the code 1 to TU and 2 to KU while analyzing the responses. It has been noted that information relating to a particular category or code can be quickly extracted for analysis (Miles & Huberman, 1994; Yin, 1994). Thus, during the case study interviews of this research, some codes were developed to allow the easy categorization of textual case study data, and therefore to facilitate the analysis process. An additional category is also developed for coding data that did not fit into the main categories. The data analysis and collection were iterative. Data were organized and reduced for classifications that were organized by coding.

### **Analysis**

The qualitative data consist of words and observation, not numbers. Hence, they are varied. For reasons of convenience, most of the data were converted into written texts because analysis and interpretation of data were required to bring order and understanding even in qualitative data. Qualitative research is possible including case studies, ethnography , grounded theory, where the qualitative means examining quality of something rather than quantity (Cannon, 2010). Qualitative methods entail

talking to people, observing phenomena and process, learning from multiple sources of data and participating in social situations (Losifides, 2011). This requires creativity, discipline and a systematic approach. There is no single or best way though there are different approaches to analyze data in qualitative research. Some of them are more general, others more specific for certain types of data. In qualitative research, there is no separation of data collection from data analysis. In fact, analysis can and should start in the field. As the researcher collects data by interviewing or observation or by any other method, analysis can be started immediately.



*Figure 13.* Research process (Source: Miles & Huberman, 1994).

Data reduction: The amount of data collection in the qualitative study can be extensive . Data display: A qualitative research typically uses visual display to summarize data. These displays reduce and summarize textual data in a compact form. Display can be done in table, figures, diagrams, quotes, or comparative matrixes. Conclusion drawing: This step involves drawing inference and valid conclusion from the data display, sheet and charts. I followed manual data analysis

and presentation procedure in my research. In this study, there has been no use of any software for the analysis of qualitative data.

### **Analysis Method**

Case studies methodology is one of the most often used research method which rely upon or emphasize either qualitative or quantitative data (Luton, 2010). When data are analyzed by theme, it is called thematic analysis. This type of analysis is highly inductive, that is, the themes emerge from the data are not imposed upon it by the researcher.

Qualitative comparative analysis (QCA) is a methodology as well as a technique specifically designed to provide a middle road for data analysis (Spitzlinger, 2011). In this type of analysis, the data collection and analysis take place simultaneously. Even background reading can form part of the analysis process, especially if it can help to explain an emerging theme. The methodological development is informed by the development of qualitative research in the field of education (Delamont, 2012). Everyone knows that research will require time, resources and neither of these is unlimited (Yin, 2011).

### **Ethical Considerations**

Ethical considerations have been accepted as a part of research design (McDaniel & Gates 1991). Ethical issues are strictly taken into consideration while doing both case study and survey in this research. Davis and Cosenza (1988) stated that ethical considerations are proper conduct of research process and so critical for any research study where each person involved in research has some role and responsibilities. Similarly, the researcher has some rights and obligations during and after research. I was completely committed to follow the ethical considerations as a researcher.

### **Dependability**

Internal validity relies on logical analysis; it is virtually impossible to control variables in natural settings. Thus, it has become essential that full descriptions of the research site and subjects, data collection devices and procedures, are presented in a logical manner. Two strategies for arguing for internal validity include interpretive validity and trustworthiness. Interpretive validity is the degree to which data interpretation and conclusions are considered accurate so as to be reflective of the subjects' or phenomenon's 'reality'. Primary data sources are forms of evidence usually produced during the research period under qualitative investigation (Belk, 2007).

I found that the present findings are consistent with those of other investigators, conducting similar research. I drew on the procedures for establishing a study's trustworthiness. In combination, these strategies strengthen the reliability arguments. It has been agreed that the qualitative researcher does not share the same level of concern for generalisability as does the quantitative researcher.

### **Sampling Strategy**

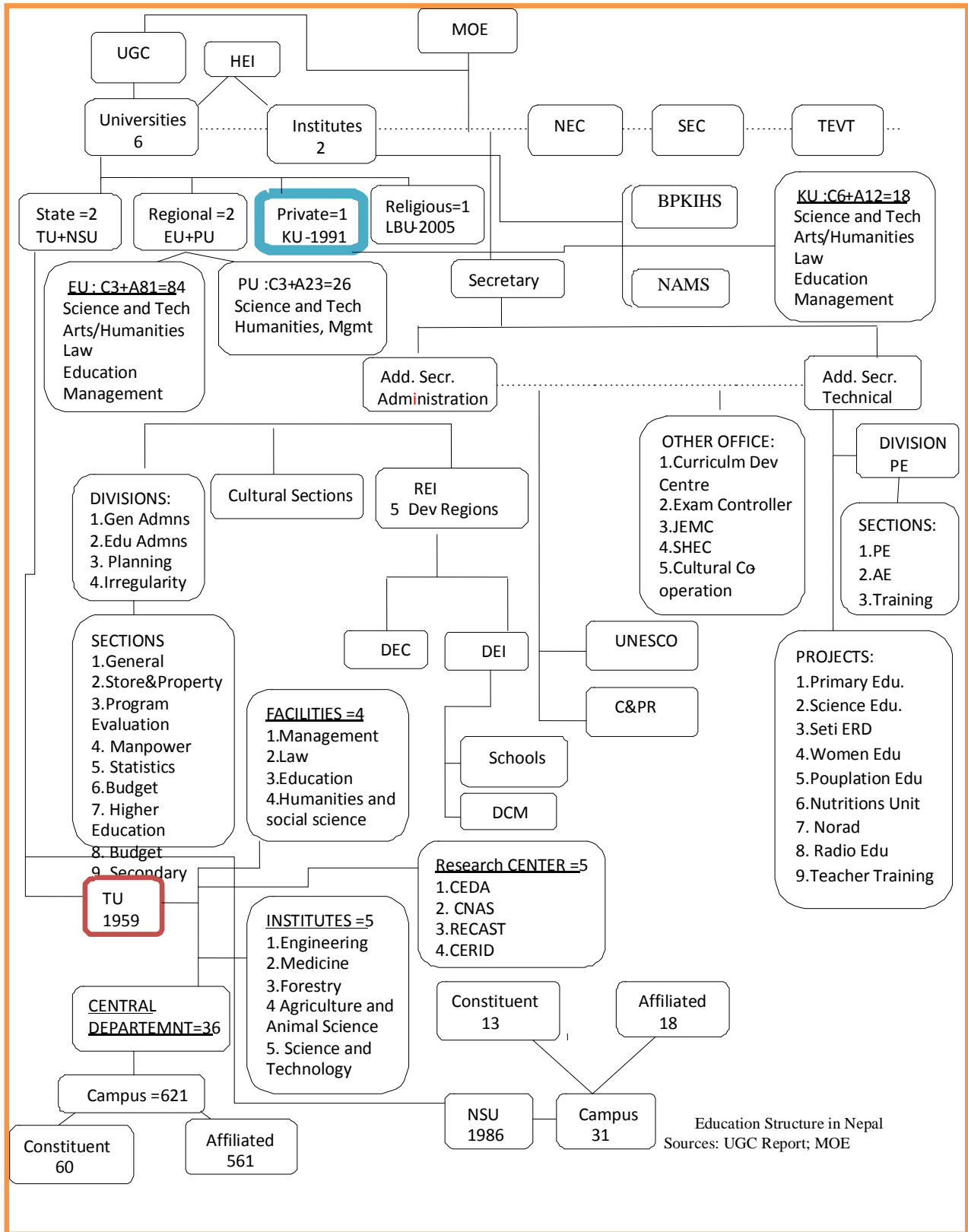
Particular attention is necessary to the principles of qualitative sampling, which is often misunderstood and leads to irrelevant criticism of qualitative methods (Barbour, 2007). The population for the study has been defined as all nine universities of Nepal. Out of the total universities, TU and KU have been selected as sample units for case study purpose. However, I followed purposive sampling strategy to select the samples. I selected TU as a heavily state funded university and KU as heavily self funded university to make a cross case study for analyzing sustainable financing of higher education in Nepal. According to the size, the first sample case TU is too big as compared to the second sample case KU, which is one of the smallest universities

in Nepal. Despite the inequality of size and nature, these two samples were chosen in the perspective of equity and quality.

Therefore as a researcher, I chose students, teachers, campus chief, officials, executives, professors and policy makers to gather information which would be supportive to assess the financial sustainability of higher education in the present context of Nepal. I chose TU and KU as sample units for case study because TU itself covers about 90 per cent of higher education financing and output in the present context of Nepal. In addition, KU has been a leading university in terms of quality and self sustainability in the higher education of Nepal in a short span of time. TU is the oldest university dominating the higher education since its establishment whereas KU has been growing in the field of higher education sector. Therefore, I selected these two universities as sample units for the case study.

### **Sampling Frame**

Perception analysis of different TU and KU constituent campuses and schools students, teachers, accounts chiefs, campus chiefs, heads of departments, deans, and UGC or MoE officials were done. Perceptions of different persons were gathered and analyzed regarding the sustainable financing of higher education with reference to sustainability dimension. I used the following sampling frame which consisted of all the population and sample units in an integrated form.



Education Structure in Nepal  
Sources: UGC Report; MOE

Figure 14. Sampling frame.

The study has made the use of cross-representative sample of higher education institutions in Nepal so it represented the heterogeneous nature of TU and KU. For this study, I followed a purposeful sampling procedure. In the course of sampling, the population units were sub-divided into two strata as state funded (TU) and self funded (KU) for research purpose. Hence, samples were drawn from each stratum independently so that the stratification of the constituent campuses was done purposefully. Therefore, this study has been made on the sample constituent campuses and schools of TU and KU.

### **Summary**

In this chapter, the terms and terminologies used in research methodology are discussed. There is an explanation of population, sample, data collection tools; data analysis techniques and research framework. The dominant research philosophy, prominent research assumptions and qualitative paradigm which guided epistemology and ontology of this research were also discussed. A comprehensive discussion and analysis of legitimacy and representation of the study has been presented. Thus, the whole technical aspect of the research is expressed in this section.



## CHAPTER IV

## STATE FUNDING IN HIGHER EDUCATION

The main purpose of this chapter is to analyze the trend of state grants in higher education of Nepal. The perceptions of my research participants have enhanced this analysis. After conducting in-depth interviews with the research participants and having a detailed study of literature, I consolidated essential information within the specified themes. Higher education is not a guaranteed right, what guaranteed is non discrimination and equal opportunity, as such state is not necessarily a dominant player in higher education (Panikkar, 2011, p. 62).

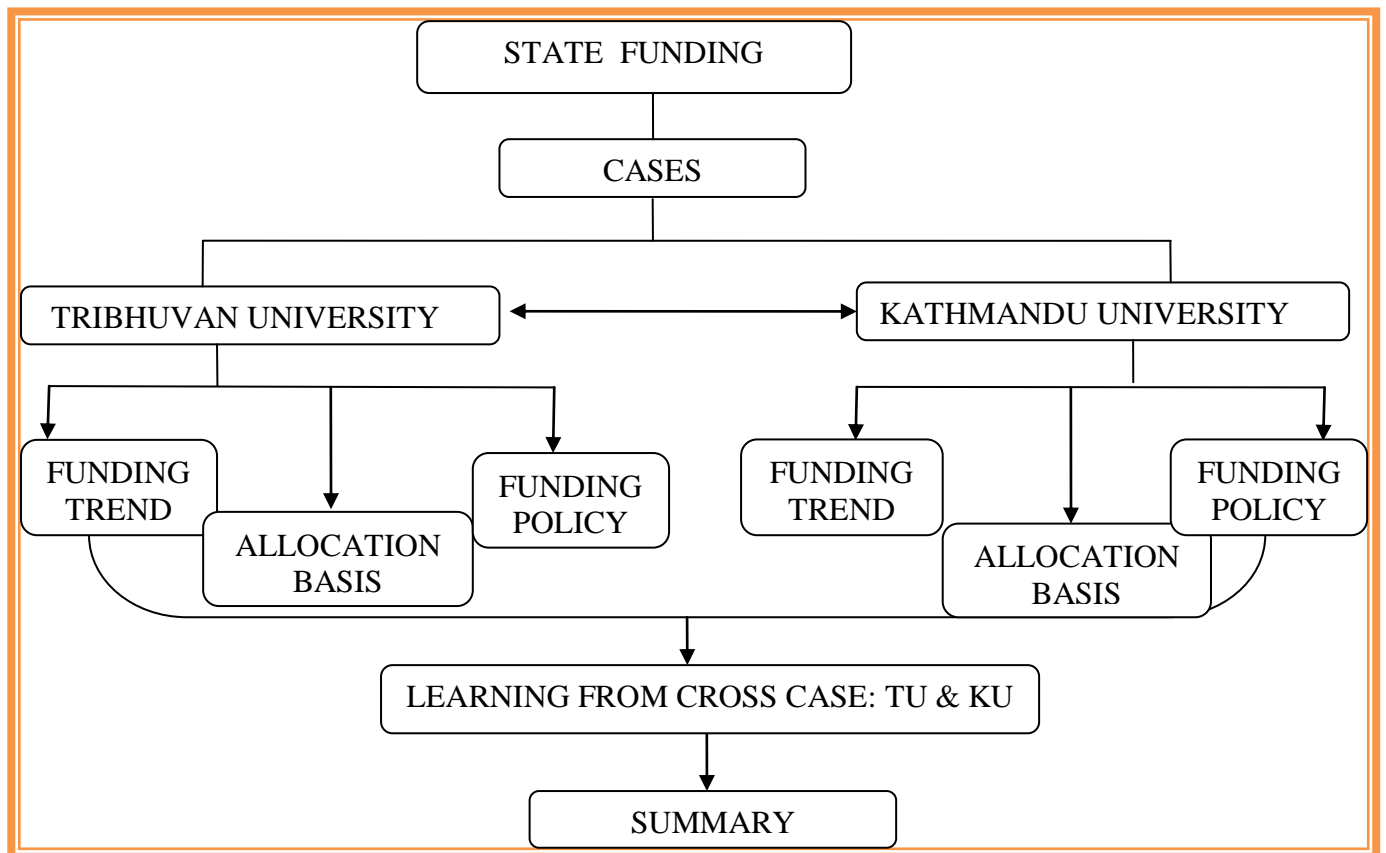


Figure 15. Chapter IV outline.

## Tribhuvan University

The higher education system is viewed as a very complicated sieve, which shifts good from bad for future citizen, the able from the dull, those fitted for the high positions from those unfitted (Roksa & Arum, 2011).

### Funding Trend

It is not rather difficult to trace out the recent history of state funding of higher education in Nepal. Modern state funding in higher education began in 1993 with the establishment of UGC. UGC works as a separate institution in distribution of state funds to universities. A number of universities in regional and private sectors were established in 1990's with the reinstatement of democracy in Nepal.

The state has been giving the government grants through UGC to TU and KU without having a fixed policy. However, here my concern is to focus on state funding for analyzing trends in the flow of grants in higher education. Of course, while identifying the trends of state grants, it may be essential to see the nature of trends concerning regular and development grants. Donor agencies support is found in the form of basket and direct funding in various higher education programs.

Table 1

#### *Education Budget*

Year	Government Budget (,000)				HE. Budget (,000)	HE Budget% Edu. Budget	Edu Budget % of GDP
	National Budget	Education Budget	% Edu. Budget	AGR% [Edu]			
1999/00	77238226	10176074	13.17	-			
2000/01	91621335	11749579	12.82	15.5			
2001/02	99792219	14072847	14.1	19.8	1680000	11.9	3.3
2002/03	96124796	14402421	14.98	2.3	1476000	10.2	3.2
2003/04	102400000	15613274	15.25	8.4	1528000	8.9	3.2

<b>2004/05</b>	111689900	18059654	16.17	15.7	1691000	9.4	3.4
<b>2005/06</b>	126885100	21250447	16.75	17.7	1974000	9.3	3.9
<b>2006/07</b>	143912300	23005525	15.99	8.3	2437000	10.6	
<b>2007/08</b>	168995600	28390000	16.8	23.4			
<b>2008/09</b>	236015897	39086407	16.56	37.7			
<b>2009/10</b>	285930000	46616672	16.3	19.3			
<b>2010/11</b>	337900000	57827542	17.11	24			

(Source: MOF, Red Books & Economic Survey Reports)

Small portion of national budget has been allocated in education sector.

Minimum 12 per cent to maximum 17 per cent of national budget is distribution to all sectors of education while focusing more on school education.

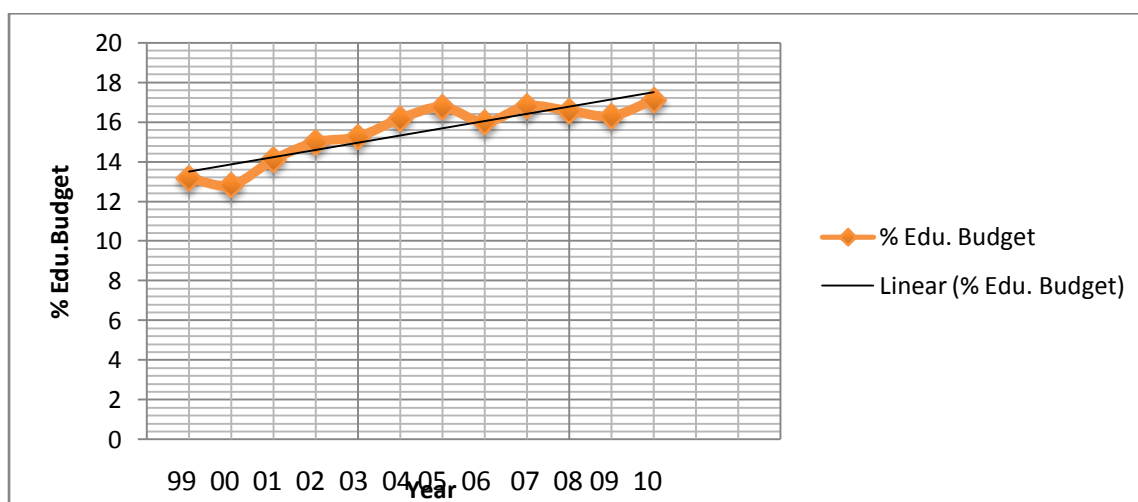


Figure 16. Education budget.

Over the past 10 fiscal years 1999-2000 to 2010-11, about 16 per cent of government expenditure has been allocated to the financing of education sector. In 2010-11, a sum of Rs 337,900 million was spent by the government on various programs and activities of different sectors of economy. However, in fiscal year 2010-11, expenditure on education sector rose up to 17.11 per cent of the total government

expenditure. This portion was the highest for the past 10 years. As we analyze the trend, education budget is in constant level fluctuating in very small margin.

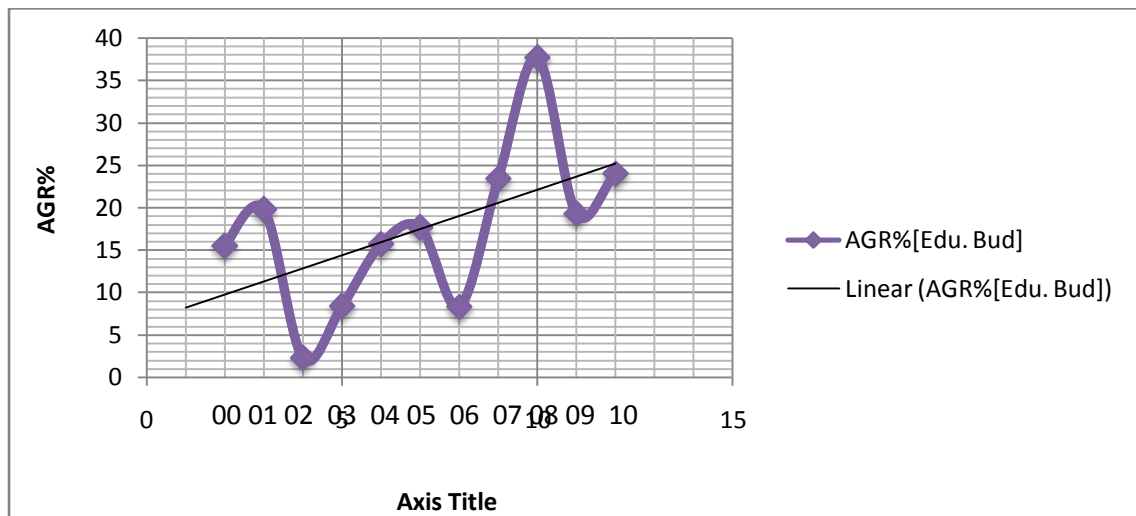


Figure 17. Education budget growth.

The annual growth rate is unstable. Maximum up and down in annual growth rate is seen. Growth rate lies between two per cent to 37 per cent in average. It indicates that government has lack of proper funding policy. Funding criteria are not defined, that may be the reason for unexpected change in growth rate to have been witnessed in budget allocation. The budget allocation for the higher education has been consistently decreasing in the recent years. Thus, the proportion of allocation for higher education sector has gone down gradually. The state education budget similar to the percentage of GDP has been increasing steadily in the recent past years. It was 3.3 per cent in 2001-02 but in 2005-06, it went up by 3.9 per cent, which was a big change.

The government is giving state fund to TU under two heading as regular and development grants. Regular grant is given for operational purpose whereas development grant is for capital expenditure.

Table 2

*State grants -TU*

Year	State Grants (,000)			Nos Students	Per Stu. Grants (,000)	AGR % [Per Stu.]
	Regular	Development	Total	Constituents	Total ÷ Nos Stu	
<b>1999/00</b>	857728	704692	1562420	123233	12.679	-
<b>2000/01</b>	1223150	674458	1896708	146749	12.720	0.323
<b>2001/02</b>	1200000	286938	1486938	142308	10.449	- 17.85
<b>2002/03</b>	1210000	33410	1243410	140412	8.855	- 15.25 5
<b>2003/04</b>	1250000	47770	1297770	123403	10.517	18.76
<b>2004/05</b>	1382466	40450	1422916	132779	10.716	1.89
<b>2005/06</b>	1577402	99348	1676750	152668	10.983	2.49
<b>2006/07</b>	1603402	62814	1666216	167114	9.971	9.21
<b>2007/08</b>	2027340	80900	2108240	176558	11.941	19.76
<b>2008/09</b>	2686947	95000	2781947	172375	16.139	35.15
<b>2009/10</b>	3000693	90000	3090693	186880	16.538	2.47
<b>2010/11</b>				159394		

(Source: UGC Annual Reports)

The figures of last 13 years show that TU has been getting both regular and development grants from state in the annual basis. During 1999 to 2001, in three years period, a sizable amount of development grants was given along with regular grant. Institutions of higher education must be willing to renovate their operating models profoundly if necessary being true to their mission of teaching and research with their value of independent inquiry and academic integrity (Ehrenberg & D'Ambrosio, 2007). However, during 2002 to 2004, development grants was slightly reduced. But

afterwards the state increased both development grants and regular grants. This trend indicates that the state is more serious about the infrastructure development of TU.

In fact, the amount of regular expense grants is in increasing trends each year by a small margin while development grants is in decreasing trend. Although regular grant is in rising trend, it is not proportionate with the increment of students' number. During 1999-2001, the development grant was around 45 per cent of the total grants. In 2000-01, it went down to 40 per cent of the total grants. With the declining trend, in 2009-10, the development grants persisted only around three per cent of the total grants. This trend shows that the state has been giving less budget for higher education development task. Therefore, it can be concluded that more than 97 per cent grants is provided for regular expenses.

It is clear that the previous government made a huge amount of investment for operating and capital expenditure in TU. Due to the lack of clear financing policy, matter of utilization is still questionable. The state has been allocating funds primarily for operational purpose. Therefore, focus on the effectiveness and quality is in shadow. The state funding on higher education shows a unique trend due to the lack of funding criteria.

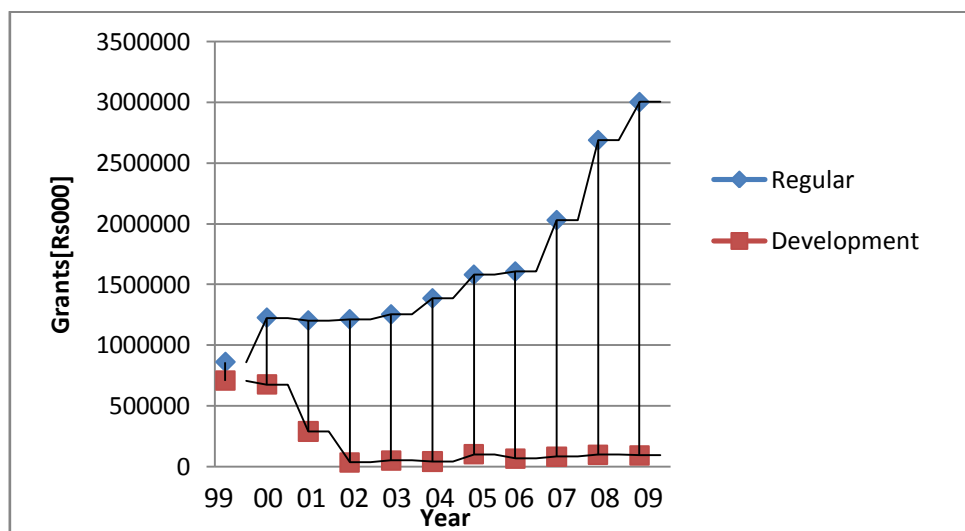


Figure 18. State funding trend.

While the regular state grant was increasing in slow pace, the development grant declined speedily until 2002-03. Afterwards, the development grants became stable till 2009-10. The state did not make any changes in terms of allocating development budget since 2002-03 till date. It showed that the state is not concerned about the infrastructure development of TU rather determined in operational purposes.

The grant trend of per student for the past ten years is shown below:

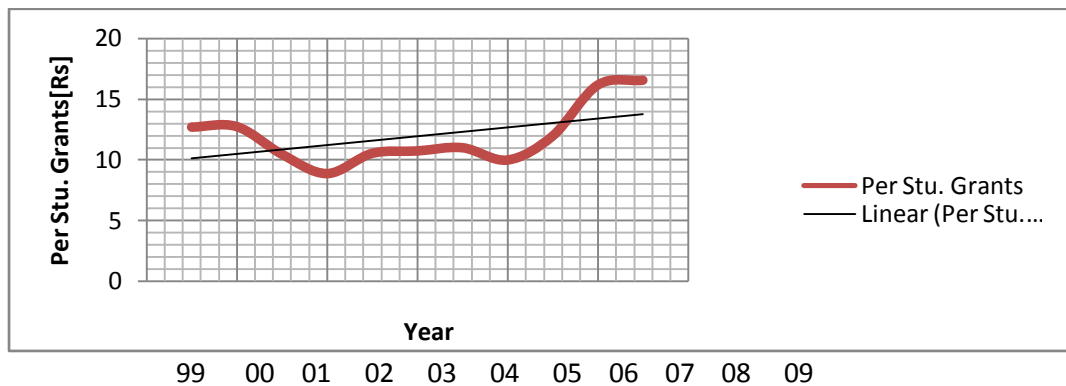


Figure 19. Grant trend.

Average per student total grant trend is seen as linear. The graph above does not show much fluctuation by big amount. The variation was seen in average by a very small rate during the last 10 years. Therefore, we can state that the government has not made sufficient funding as per the rate of increment of students. The grants are allocated without having a fixed funding policy. The state higher education loans are either subsidized or unsubsidized, subsidized loans are made on the basis of students need and unsubsidized are non need based (Peterson, 2011).

According to a director of CEDA, one of the research participants confirmed the decreasing trend of state funding with the observation, *“At present most of the fund comes for recurrent or operating expenses. Till now no enough fund is given for educational development activities. Overall state higher education funding is reducing.”*(Field Note, August 21, 2012). The state is giving a big amount of operational grant whereas development grants are insufficient. Total grants are not

increased as expected. Therefore, it is not proportionate as compared to the total enrollment.

A senior member of Central Accounts Committee of the government of Nepal agreed that in the context of Nepal total government investment is not practical for mass higher education. It is satisfactory that volume of state funding seems to be in the increasing trend. However, per student total state funding is decreasing. Thus, to substantiate the increase in the trend of state higher education funding, it has to be analyzed by how it increases.

Here the participant also observed, *“It is an excessively big grant. No expected result or output is given. It is not the time for total government investment in higher education”* (Field Note, September 5, 2012). Actually, state investment needs output in the changing context of Nepal. The participant stressed on differential higher education charge for positive discrimination to achieve sustainability goal. Increasing volume of state funding in higher education is in some sense positive for development of the country. But at the same time, such trend may lead to further dependency on the state.

The Account Controller of TU Central Office stressed that *“Higher education is essential for producing capable manpower required for the nation. For this work, the state should increase its funding role. Present development budget to TU is very nominal”* (Field Note, August 24, 2012). It does not make any fundamental difference whatever the trend of state funding is, but how to use it more effectively does matter a lot. Higher education is an industry for producing manpower which requires an investment. The participant agreed on the matter that state investment in higher education out of total education budget is declining. It is true that the



government budgetary allocation has steadily declined in the recent years, with higher proportion share devoted to school education (CEDA, 2007).

But how is sustainability achieved? There is no clear plan at the government level. In this context, a University Professor stated *“As system or government changed, no substantial improvement in funding occurred in Nepal”* (Field Note, September, 2012). It indicates that there is a lack of plan. Reduction of funding to TU may create questions about the commitment of the state on higher education system.

UGC is the main channel for state fund distribution. Regarding the role of UGC in fund distribution, the administrative staff of university stated his view blaming the role of UGC for reducing the state grants. According to him, *“UGC is a problem to TU. It is an unnecessary institution for the nation. Why do we need it? State fund to TU is just delayed and reduced by UGC. So-called academicians are gathered. It creates obstacle for getting budget from the government”* (Field Note, August 27, 2012). Therefore, restructuring of the state fund distribution channel is necessary for managing the funding in a better way.

Role of channel of distribution is expected to be that of facilitators rather than that of mediators. Public funding will have a critical role to support research, science, technology and mathematic because public resources are scarce, countries will also need to use them more efficiently and effectively and be innovative in mobilizing additional resources (Yusuf, 2011).

However, the size of funding is not too small. TU is too big in size. Internal management and financial reform is necessary for obtaining more state funding. With this reality, a campus chief of a constituent campus expressed his satisfaction about the size of state funding. He further added *“Funding status is relatively fine. Without having internal management, there will be no financial reform. We can't say that fund*

*is inadequate*” (Field Note, September 3, 2012). In fact, fund regulation is very much essential for obtaining regular state financial support.

Predominance of TU campuses and enrollment in the past decade is a notable trend in higher education. Total enrollment in element campuses accounts for about 95 per cent of the total enrollment in all universities in Nepal (CEDA, 2007). As TU consists above 95 per cent enrollment of the country, largest portion of state funding is given each year. The predominance is seen due to geographical distribution of campuses with low fee structure. As TU constitutes a large portion of campuses, it has created financial management problem.

However, one of the former vice chairman urged making TU status clear from funding point of view in the context of Nepal. He said, *“In my opinion, state fund has not increased funding in relation to increase in the number of students as per the government commitment. Perhaps, the state does not know what type of University is TU — state funded or state assisted. Still government is in confusion”* (Field Note, August 26, 2012). But this has not happened so far. The state mechanism is heavily engaged in school education. He further emphasized two alternatives status: state funded and just state supported. If TU is a state funded university, the government should take total funding responsibility, whereas if it is just state assisted, then the university’s current head counting funding style is fine to some extent. At present, the state has been funding for salary on head counting basis. Moreover, the state commitment has been changing as per the change in the government. Excessive proportion of salary grant and small funding for research and development may not expand quality concern in the university.

## **Bases of Allocation**

Internal governance structure processes may differ among universities depending on their status as public, private, secular or private religious depending on their sizes and degree programs that they offer (Lee & Kaplin, 2011). The long term vision of 10th plan had set that higher education will be made more effective and advanced to produce needed experts and capable human resource for overall development of Nepal. The utilization of higher education works as an effective means for all round development of the country.

The state is adopting principle of cost recovery that promotes opportunity, quality and diversification (CEDA, 2007). At least, half of state funding should be invested in research. A member of Public Account Committee suggested enacting effective funding basis:

*Fifty per cent of total state funding should be on research and remaining 50 per cent in administration. But at present, 100 percent state fund is for operation and administration. The state funding should be allocated in three major categories: academic, administration and research. (Field Note, September 5, 2012)*

Despite the traditional coupling of access and affordability, over the past decades, affordability has become an increasingly important policy goal that led to political presence for state policies which explicitly address affordability concern of middle class in higher education (King, 2008). The funding composition at present is conventional.

Here is a need of modification. A funding basis which encourages the research is necessary. For this concern, he further added that, *“While talking about state funding, matter of output can’t be ignored. The performance based funding system*

*will be more scientific. With regard to composition, mixed financing approach is practical”* (Field Note, September 5, 2012). According to him, half of the salary should be borne by the state and half should be borne by the university. Along with a scientific funding basis, a strict monitoring and evaluation system is required for introducing reward and punishment arrangement.

Qualitative and quantitative aspects have to be considered while deciding on the bases of state funding. About the significance of monitoring and evaluation system, the director of CEDA suggested:

*There is no any scientific fund allocation system. The allocation of fund should be based on students’ enrollment, numbers of teachers, programs and size of the university. At the same time, strict monitoring and evaluation system for reward and punishment is essential to encourage quality education.* (Field Note, August 21, 2012)

The tension between efforts to make the system more equitable while permitting the greater choice is examined, as is often unquestioned patterns of power, authority and control: specifically how these patterns can subvert effort to create more equitable and excellent university (Copper, 2008, p. 281). The provision of reward and punishment encourages for better performance. So, the goal of quality enhancement can be achieved.

Presently, UGC has been adopting incremental basis for operation grants. For development grants, need basis is followed to some extent. The account controller of the Central Office noted,

*UGC makes budget allocation in an incremental basis. If salary increases, regular grants increases in the same ratio. But no any scientific basis of funding is*

*adopted by UGC. For development, need basis grant upon request of the university is received.* (Field Note, August 24, 2012)

Hence, incremental basis of operational grant and need basis of development funding are also required to be modified. The scientific funding basis creates justice to universities. Doubts are expressed on the sincerity or professionalism of UGC on justifiable allocation of the state funds due to the lack of a scientific basis. Therefore, output basis of funding for the promotion of reward and punishment system is supported by one of the student leaders. He stated, *“Reward and punishment basis of funding is scientific. And output basis may be more appropriate. Need basis of funding may damage own creativity”* (Field Note, August 29, 2012). The intention of university should be to promote the existing performance. The output basis of funding may create competitiveness. This statement has been put forward as the stance of the student’s organizations.

Currently, UGC has adopted the head counting funding which is not much scientific. The internal revenue is deducted while getting state funding. TU has to show its internal revenue report for obtaining the fund. The Finance Controller of the Central Office noted, *“At present there is no scientific allocation of budget. UGC follows just head counting basis. TU is asked to show its total revenue to get more funds from the government”* (Field Note, August 26, 2012). Thus, UGC needs a scientific fund allocation basis since it not only a money distribution centre..The present financial condition is a byproduct of unsystematic fund allocation adopted by the state.

Reacting to unclear funding policy of the state, a university professor of management remarked, *“Without clear policy guidelines, UGC has been distributing money among universities. Regional universities are established although the work*

*area is not clear*” (Field Note, September 5, 2012). Due to the lack of policy guidelines, the status is not clear. As long as the status is not clear, no scientific funding basis can be identified. In this regard, he further expressed that, *“I don’t know about the status of universities. National, public, community or private, the status of universities is not yet clear”* (Field Note, September 5, 2012). In Nepal, a radical shift from the concept of university to universities was made after 1990’s. KU was independent since its inception. The state and private universities both are not clear about their status in terms of funding arrangement.

The pairing of the state and market has permeated the social science, public policy and the public imagination for almost a generation, seeping into higher education policy around the world (Conrad, Mendiola, & Schutze, 2012). In a larger spectrum, performance based funding system is popular. It considers the output of university. It encourages university to perform better to get good amount of funding. To some extent, it is scientific too. Performance based funding can be considered as one of the most effective mechanisms of state funding. A chief administrator of UGC, noted, *“Performance based grants allocation is very practical. The Second Higher Education Project (SHEP) has started formula funding. Formula funding is based on performance of the university”* (Field Note, August 31, 2012). The formula funding even discusses the salary of VC, rector, resister and professors of the universities. However, it is in the implementation phase. The SHEP has worked out about the formula funding. India practices the direct funding formula in which the state government directly provides funding to the national university.

In this case, the status of TU has not been made clear. It should be given a status of the national university that should be funded by the state. So direct funding is not an exception in Nepal. A coordinator of research division at the centre office

rightly put the issue of direct funding in the following statement: *“Like, you see India; center gives fund directly to the national university. The state gives fund to state university”* (Field Note, August 27, 2012).

UGC as a major channel of distribution has not made funding basis transparent and its allocation criteria are not clear. Both transparency and accountability are equally crucial in the context of designing the bases for funding in Nepal.

Transparency is concerned with clarity of approaches adopted for grant distribution.

According to a campus chief of a constituent campus, *“I just said that funding basis is not transparent. No any criteria like students, colleges, staffs, or areas are taken as the basis for fund allocation by UGC”* (Field Note, August 29, 2012).

On the one hand, the status of TU is not clear; on another hand, overstaffing has become a major problem. Human resource recruitment is not based on competency. Another campus chief of a management college added,

*First the government should declare whether TU is a state university or not. The status of university should be clear. If it is not a state and autonomous body then what is the responsibility of the state? The state is just bearing the salary. The recent funding is on contractual basis. Staff downsizing is very important by stopping unnecessary recruitment which demands more funds. The appointment of TU teachers at present is on the quantity basis rather on quality.* (Field Note, September 3, 2012)

This is all due to lack of having research funding. It is shameful that not even a single rupee is allocated for the research purpose. He further added that, *“TU doesn't allow own campuses to allocate research budget. Without research funding, a university can't sustain. No block grant should be given. It will be misused. The classified budget is required”* (Field Note, September 3, 2012). The university is

suffering from overstaffing and lack of research budget. It is a big issue for future sustainability. Almost no government in the world is able to support high grade university and college system exclusively from its own resources because it finds other areas of development as priority sectors (Isani, 2001, p. 264).

The cost recovery rate is to be fixed. A fixed percentage of the total budget should be recovered by the university. The state support should be done for the rest of the tasks. In this respect, a former VC added,

*The government has been providing around 86 per cent to 90 per cent operational grant for salary. There should be a fixed rate of internal financing from own revenue and the rest by the state. A sharing of TU expenses among the state and TU's own income is very essential.* (Field Note, August 26, 2012)

However, there might be something missing in this matter. The state has to take initiation for fixing the recovery rate. This provision may lead an institution toward sustainability. Gradually the state funding burden will be reduced and internal revenue creation capacity can be enhanced.

Providing fund without checking financial statement means irregularity. The present funding basis is traditional; therefore it calls for an acceptable basis for funding which can bring cost efficiency. The director of Office of Auditor General, contradicted this view and stated, *“Funding should based on the major indicators like internal resource, manpower, students, and new programs. But in Nepal, the government has been allocating fund on the conventional basis”* (Field Note, September 24, 2012).

Present lump sum allocation of grant is not based on any scientific approach. Therefore, this kind of fund allocation is not an acceptable basis. Funding indicators are to be recognized. The need of education for sustainable development is a major



challenge today for higher education institutions, however, it implies deep change, as to overcome the disciplinary division or to all transformative learning to take place (Barcelona Conference, 2008). The cost efficiency should also be analyzed and helped to utilize fund in a more effective manner.

The state sends the state grants without consulting with TU. The UGC having no idea how much grant is needed and without prior information to the university, it transfers the grant. In this regard, TU becomes unknown about the amount and time they receive the aid. A university senate member added,

*At present TU is not allowed to estimate its needs. Without asking, UGC gives funds. I am a senate member in TU. Delayed information will be given regarding the grants. Even top authorities don't know about the size and schedule of the state grants.* (Field Note, August 29, 2012)

UGC's own judgment may not be supportive in the funding matter. Therefore the state has to take a more serious concern regarding fund allocation to the universities.

The university is a universal institution. TU has a greater contribution to higher education sector in Nepal. In the Nepalese context, MoE is engaged in school education and UGC is not assessing the need of university. In this situation, there is a need of a separate body for funding the universities. Regarding the need of a separate body for higher education funding, former president of TU Teachers Association highlighted that *"Higher education is for national development and we need higher education ministry. As MoE is heavily involved in school education, the government sends budget to UGC through higher education ministry"* (Field Note, August 31, 2012). University is not only working within a fixed boundary. The concept of Multi

University came after 1990 in Nepal. But the state is still unprepared for its university funding plan.

The case of colleges or universities themselves bearing a share of the cost of higher education is even more complex (Teixeira, Johnstone, Rosa, & Vossensteijn, 2006) where need identification is crucial. In this respect, the state should provide a classified budget since the lump sum budget is not quite systematic. It is neither satisfying the internal need nor fulfilling the government target. So, search for practical bases of funding is vital. However, that will be a more practical basis which satisfies the internal need of the university.

### **Funding Policy**

The major objectives of UGC are to allocate government grant properly to universities and the institutions of higher education and to formulate policy on financing of higher education in Nepal (UGC Report, 2009). To support this argument the public committee member viewed:

*“State funding policy should be clear. Structural reform is needed. Without having a proper funding policy, financial structure can't be changed. TU structure is too bulky. Whatever money comes is spent on the administration cost”* (Field Note, September 5, 2012). As TU is too big in size like a very vast ocean, state funding has become just a drop of water. The state also has financial limitations so that only a little has been allocated for higher education funding. Moreover, such limited amount of higher education grant should be used to upgrade the quality. As per the suggestion, now the time has come for the structural change.

Familiar higher education policy issues involve access, affordability, accountability and the trend towards privatization (McMahon, 2010). So long as the university status is not made clear, a lot of confusion will remain intact. In this regard,

the director of CEDA stated *“State should not keep all university under the same category. What is TU? State funded or state supported organization? This needs clarity. The state funded universities are financed by the government whereas the state supported ones are autonomous institutions”* (Field Note, August 21, 2012).

State funded or autonomous - one of the statuses is required. If autonomous status is given, practically freedom in functioning is necessary. But this is the task of the government. TU itself cannot declare its own status. However, in practice, the status of TU is felt neither to be fully state funded nor to be an autonomous entity. This makes more difference in financial self reliance. The state is the ultimate beneficiary of higher education. So, it has the moral responsibility for allocating adequate funding for the university. The chief of accounts controller supported state funding and emphasized:

*Yes, in my opinion, this is the right time to rethink about the government’s higher education financing policy. At the central level, discussion for formulating funding policy among the institutions such as MOE, MOF, and UGC and the government, discussion for formulating funding policy has become too late.* (Field Note, August 24, 2012)

University can run under act to address the current challenges. Increasing number of new university may not give the expected output. Higher education has a pivotal role to play in helping the society to develop sustainability because sustainable development is fundamentally a process through which we can learn to build our capacity to live more sustainably. Thus the role of higher education far outweighs the size of the sector in terms of its resource (Dowds, 2005, p. 34). However, the university does not expect only money from the state. The state should provide policy with a fixed goal. In support to this context, a professor expressed:

*The state should formulate policy for, target and output standards of the university. Students of the government campuses are also competitive. There is a crowd, so mass enrollment policy is to be changed. Policies regarding standard, result and quality are to be defined.* (Field Note, September 5, 2012)

Future strategic plan and support policy should be fixed. Government higher education leadership is not capable to give a clear policy guideline. MOE and UGC are engaged in arrangement and distribution of the state fund. Unfortunately, still a clear financing policy is not formulated. The state should not be too much liberal. Neither should it simply distribute the taxpayer money to universities without any appropriate policy.

It is true that the ultimate investors in higher education are the taxpayers. Therefore, unproductive investment is the wastage of taxpayers' money. He further suggested *“No one can compromise on low standard education. But equal standard education is the bottom line. Wrong expectations of getting equal standard education at low price are not possible. However, TU education is not low standard in comparison with others”* (Field Note, September 5, 2012).

The issue of higher education financing must be considered in the context of the development of education sector so the quantitative and qualitative enhancement of higher education should not be viewed in isolation but must be considered in the context of financial sustainability of university (World Bank, 2010).

Policy design by considering these factors may improve financial condition of the university. The fundamental condition of higher education, especially in the low and middle income countries, is determined by the radically diverging trajectories of higher education cost and available government revenue underscoring the worldwide

search for other than governmental revenue source for higher education (Johnstone, 2007, p. 15).

In recognition of the significance of funding and monitoring, the president of students' organization supported: *"TU as the state university, government should take both funding and monitoring responsibilities. Planners should make a clear long term vision. The strategic plan is to be formulated and the long term target should be set"* (Field Note, August 29, 2012). Hence this statement indicated that there is a need of policy guidelines rather than excessive money. TU by nature looks like a state university in Nepal. Having greater higher education responsibility, it is obviously, not wrong for seeking more state support in financial matter. In support of state full funding, the financial controller viewed: *"If TU is a state university; the government should take total revenue and its expenses"* (Field Note, August 26, 2012).

He suggested that state should be more aggressive in funding matter. But at the same time university should focus on quality part. So, in this context, aggressive investment policy is to be considered. The growing dissatisfaction with the rigidities and inefficiencies of the public sectors in addressing higher education financing problem is driving reform in higher education financing structures (Pillay, 2010). In this context, policy guidelines that promote more students cost sharing can be considered as one of the most important mechanism of State Funding Policy. The chief administrative officer of UGC noted:

*What you have said, all are needed. Besides that, state funding plus student fees should be included in the university funding policy. Policy that guides for internal resource generation is required. No deduction of grants at present level should be done to maintain the massive sized university.* (Field Note, August 31, 2012)

State funding and internal resources from research or academic activities are to be included. The main tension at present is how to pay salary on time. Various subsystems in the higher education system will have to come together in a major co-operative effort to make our financing system the best through commitment and courage... to face challenges of the new global social order (Subramanian, 2004, p. 76).

The coordinator of research division at the Central Office rightly expressed the issues of state funding policy in the following statement: *“Unless TU generates its resources itself, it will never be financially sustained. It should focus on cost sharing and income generation”* (Field Note, August 27, 2012).

Investment in higher education is a long term process for the overall development of Nepal. Higher education is not only teaching but research, development and social service, too. The state must understand that research provides a foundation for development and social change. So, the state money to TU must be given to upgrade the quality education through research and teaching.

Higher education is not for all, it is for capable to absorb. Taxpayers' money should be utilized by the university. There is an immediate need of quality control from the entry point to the output level. In this connection, a campus chief from a management constituent campus voiced: *“Higher education should not be accessible to all but for capable to absorb. If incapable are allowed to enroll, it will be a wastage of taxpayers' money”* (Field Note, September 3, 2012).

Unless university controls at the entry level, no improvement will be maintained in quality. Enrollment should be done on selection basis rather than on collection. All the beneficiaries are to bear the cost. The higher education policy

should address such issues to make justice to the society. Supporting the fact that higher education is not for all, another campus chief remarked:

*Higher education is for capable to absorb who can contribute to the nation. Although it is for capable to absorb, unable to pay should not be excluded from the higher education. Just poor financial condition or inability should not be only reasons for exclusion for higher education. (Field Note, August 29, 2012)*

At TU, mass education system is applied which is not fair. So, there is no equity and social justice. Capable to pay may pay and unable to pay should be given scholarship or other facility. Positive discrimination among different classes of students is necessary. Principle of affordability is very applicable to TU.

The former VC and senior World Bank Consultant suggested, *“The government should decide which the state funded and state assisted universities are. There is confusion due to unclear policy. The state is just fulfilling the funding formalities”* (Field Note, August 26, 2012).

Funding is a serious issue. Therefore, it has to be taken as a vital responsibility not always as formality. It is done just for operation but not for research and development. To support this argument, the director of higher education division of Office of Auditor General viewed:

*What I think is these questions are to be asked to the concerned authorities like MoE. When we talk about financing policy, this is not 16th or 17th century. In the 21st century, the state must make the calculation of gain per student from the investment in TU. (Field Note, September 24, 2012)*

Strong institution of higher education that promotes access, that enable access with regard to financial circumstances or the ability to pay, that provides large

number of space for those who are able, regardless of their connections or their family wealth, are so important guarantor of the kind of social mobility that promotes the healthy society (Chapman, 2011). In support of this statement, the senate member expressed: *“We have no fixed system of monitoring constitute campuses. The management is not efficient. Private sectors claim that if that much money is given to them, they run 120 constituent campuses, not only 60”* (Field Note, August 29, 2012).

Unless a competency basis leadership is assigned, no more progress is expected in achieving financial sustainability goal. So, why not to introduce such skill oriented programs in TU. Cost efficiency is not gained. Still total focus is given on operation, not for expansion of demand driven program. According to the former president of TU Teachers’ Association and the professor of management: *“Strict monitoring policy should be prepared. Expenses regulation policy is not effective. We have no effective program expansion policy like under other regional universities. Policies which promote modern education by using scientific equipment should be developed”* (Field Note, August 31, 2012).

Technical and vocational program could have been introduced. University thus has a role for building a holistic approach in the development of the nation through higher education (Rohweder, & Kaivola, 2007). A former chairman of UGC also confirmed this reality. His statement showed how funding policy is working, *“All universities cannot be treated equally. Number of universities is increased and reached nine and five more are in the pipeline. No university in Nepal yet has been declared as the national university”* (Field Note, August 30, 2012).

Funding on the basis of political pressure is not appropriate. The government has not fulfilled its earlier commitment to fund completely. TU charges fees and



moreover funding policy has been badly affected by politics. Funding formula is a good start.

### **Kathmandu University**

UGC is mandated to advise the government to formulate policy on providing grants to different sectors. It is responsible for providing grants to universities and recommending for additional grants. But it is the matter of discussion whether these objectives are attended or not. The state financing policies should be oriented more toward meeting the needs of students and their families rather than helping institutions finance themselves (Heller, 2011). How the progress is on fund allocation task is also debatable since funding policy itself is also not clear.

### **Funding Trend**

Higher education has at present been accepted as one of the major determinants for all round development of the country (CEDA, 2007). In this line, the quality of higher education has to be enhanced to produce socially responsible citizens who are capable enough to face the challenges of the 21st Century. For the fulfillment of these objectives, KU was set up in 1991, since then it has been offering numerous academic and professional programs at all levels. Since the inception, it has been getting state financial support in the annual basis.

Table 3

*State funding- KU*

Year	State Grants(,000)			Nos Students	Per Stu. Grant(,000)	AGR%
	Regular	Development	Total	Constituents	Total ÷Nos Stu.	
<b>1999/00</b>	6908	-	6908	1284	5.380	-
<b>2000/01</b>	7100	-	7100	1497	4.743	-11.84
<b>2001/02</b>	7100	-	7100	1783	3.982	-16.04

<b>2002/03</b>	7200	-	7200	1808	3.983	-0.025
<b>2003/04</b>	7600	-	7600	2239	3.394	-14.78
<b>2004/05</b>	7956	-	7956	2476	3.213	5.33
<b>2005/06</b>	8649	1000	9649	2686	3.592	11.79
<b>2006/07</b>	9000	-	9000	2671	3.370	-6.18
<b>2007/08</b>	9000	-	9000	3330	2.703	-19.792
<b>2008/09</b>	9000	-	9000	3462	2.560	-5.290
<b>2009/10</b>	8800	-	8800	3048	2.887	12.77

(Source: UGC Annual reports)

Every year, the state has been providing financial support to KU in a regular basis. Each year operational grants is given, nevertheless, there is no any regular development grant. The promotion of higher education in a pragmatic way would lead to sustainability and rapid development of a society or a nation. Therefore, the state cannot ignore KU from making state financial support, as it is also the guarantor of higher education in the nation.

Regular state grant was in between seven and nine million in the past ten years. There has been a small change though no big fluctuation has been noticed. It shows that the state is making financial support just to fulfill its formality for higher education.

However a university administration official argued that the nature of KU is an important matter to analyze while taking about state funding in the present context. According to him,

*KU started working in the non- government sector as a totally autonomous institution. But later on, the state made different classification of education institutions. If we say as government institution, it is established as a private*

*initiation. If we say it a private institution, the VC is appointed by the government. So, it has the mixed nature.* (Field Note, September 27, 2012)

During the time of KU establishment, there were two universities TU and NSU. Both were government funded universities. Unfortunately, they never followed the academic calendar. Intermediate courses like ISc and IA which were two years courses would take four years to be completed. He further added, *“So, the society felt an institution which maintains quality and runs as per fixed academic calendar. In that context, KU was established”* (Field Note, September 27, 2012).

Diversity of institutional missions and higher programs play important roles within respective strata of higher education so permeability between strata has to be offered and the hard wired linking of educational or professional programs and higher education strata needs to be broken (Herbst, 2007, p.12). Private initiative for funding was made from the beginning. Therefore government has been making a fixed sum of funding just to fulfill its responsibility toward higher education institutions.

An economist and a senior visiting professor as research participant seemed disappointed while talking about the size of present state funding in KU. According to him, *“State is playing just a supportive role. Its financial support is very nominal”* (Field Note, September 16, 2012). As per this view, state grant is to be increased because KU has come from private initiative. So the state is to be more responsible for promoting higher education in Nepal. And at the same time, the state also cannot escape from funding responsibility as beneficiary of higher education.

In this context, one of the former deans and prominent management experts agreed that *“Around 10 per cent to 15 per cent funding is made by the state. Some additional funding is made time to time. But it was negligible in the past”* (Field Note, September 13, 2012).

Another research participant, a former secretary of MOE, expressed similar views. He also stated, *“There is no clear state policy toward KU. The state is not clear about the status. KU is different from other universities. The state has no any higher education funding guidelines”* (Field Note, September 14, 2012). Hence political commitment and support is very much essential in order to achieve the financial sustainability. He further added that state funding is based neither on any principle nor on any program. In fact, it is based on personal influence. So, there is no funding policy of the government towards KU.

KU has been using the government assistance in order to maintain university belongings. For the utilization of state grant, internal commitment is vital. On this, a university executive committee member made a strong point regarding use of the state grant and said *“Yearly KU has been receiving eight to 8.5 million from UGC. It is used in university maintenance”* (Field Notes, September 25, 2012). It has been supporting university to maintain the sanitation and other maintenance.

However, harmonization of financial assistance for expected higher education outcome is very necessary. A financial controller of UGC said, *“Yes, it is, in one sense, a privately run self sustained university. There is a state support in land and building and to some extent the state has been making financial assistance for running expenses”* (Field Note, September 24, 2012). Since funding trends and utilization are the basic elements of managing state grants, these elements are not properly addressed yet in the university.

Although the state is responsible for higher education, traditionally much of these responsibilities have fallen to the stakeholders (Guttek, Levine, & Ornstein, 2011, p. 237). Education grants in higher education subsector are decreasing gradually along with the increasing trend of enrollments which is paralleled with the grant

utilization. Research participants provided supporting statements to these arguments.

The dean of one of the schools of the university noted,

*It is negligible and nominal. Only around nine million annual grants to this institution, which is involved in the field of science and technology, are not significant. We are making more request to UGC for development grants. The state may make investment in students' support.* (Field Notes, November 4, 2012)

This statement pointed out the need of significant development grants which provide the university with a smooth pathway in achieving financial sustainability.

Another dean of the university who is also one of the research participants supported the argument regarding nominal state grant. He pointed out, *"In my knowledge, it is very low or negligible. Charity and philanthropic money should be used in infrastructure development"* (Field Notes, September 25, 2012). He further added that recurring expenses like salary, university has to use students' fees. For the purpose of achieving sustainability, financing policy should be finalized.

With regard to reliance on state funding, the educationist and a senior research consultant as a research participant stated his views that *"KU does not totally rely on the state funding. It is independent. However, KU has mixed nature - an autonomous body but not fully self reliant as it is getting government grants"* (Field Notes, September 15, 2012). The funding trend indicates that government has more priority on community and state funded university. KU is a privately managed non state funded institution. The rapid growth of private higher education including in several South East Asian states, is a striking development, often born of an internal mismatch between limited state capacity on the one hand, and burgeoning demand on the other hand ( Welch, 2011, p. 21).

The nature of state funding is centralized not based on any criteria. This is further supported by the professor and senior management expert when he said:

*The state has been making a very small contribution to KU. It has never gone beyond five to 10 per cent of our total budget. Each year more or less equal amount of funding is made by the state. In the senate meeting, we raised this matter.*"(Field Notes, October 5, 2012)

International tradition is that autonomous university runs under the separate act. So KU has been getting small financial support from the state. However, the role of UGC is described by one of the members of University Planning Coordinating Committee (PCC) as:

*Well, first of all, there is no clarity. Different types of funding systems are here. UGC has its own lengthy procedure. Due to which I don't say that we are not getting benefit. Whatever to receive is never received on time from the UGC.* (Field Notes, September 19, 2012)

This statement indicates that government has to rethink about the funding role through different channels. There has been a possibility of direct funding by passing a bill from the parliament. A student welfare council leader as one of the research respondents further stressed that:

*KU was established as a private institution and the state investment is still very small. About 8.5 million annual funding from UGC is received which covers only a small portion of the total budget.* (Field Note, October 7, 2012)

Despite the universal and growing importance of higher education, the policies and techniques for public financing and budgeting vary dramatically among the countries over the time (Faske & Ladd, 2012). Small size of funding encourages university to stand on its own feet. This is further clarified by a finance controller of

the university central office when he said that, *“The state is giving around nine million annually. Rest of the amount is managed by self income sources. The major sources of income are tuition fees, exam fees and others”* (Field Note, September 9, 2012). Consulting and external grants are also important sources of income; that is why, KU is working in collaboration with foreign projects as well.

### **Bases of Allocation**

There is both state and international support in higher education sector. However, KU is different from other universities from funding point of view. It is running with the state financial support. In addition to this, the chief administrator and member of planning committee remarked:

*SHEP II has been distributing grants in performance basis known as formula funding. Perform better get more income is the main principle of formula funding. So funding allocation should be made on performance criteria. Why does the state make 90 per cent funding to TU and NSU, then?* (Field Note, September 27, 2012)

According to this statement, performance grant is appropriate to universities. It encourages better performance to get more financial support as reward. It indicates that performance based funding can promote the quality. On the other hand, financial condition of the university cannot be isolated from the funding basis.

Right funding basis may help improve the economic condition so that better quality can be maintained. A prominent economist succinctly put his voice in support of performance funding, *“Output and performance basis funding is an appropriate process. Performance basis of funding may make better improvement in financial condition of the university”* (Field Note, September 16, 2012).

Following the decades of expansion in higher education, policy attention has now moved towards the outcome of university education and there is also a greater interest in how universities and other higher education institutions contributed to sustainable development of the nation (Puukka, 2008, p. 3). Need of funding is based on the nature of the program. Programs having fewer students need more support. So, program based funding is also a modified form of performance funding. The former dean of management suggested, *“State funding should be based on program. Lump sum contact basis is not appropriate. Programs as such management, law, engineering, and medicine are self sustained. But program like culture has less number of students”* (Field Note, September 13, 2012). Therefore, the state has to rethink on its funding criteria.

In order to strengthen the financial situation, it is important to adopt an appropriate funding basis by the state. Performance based funding seems appropriate. To support this statement, the management expert viewed: *“Performance based funding is very appropriate. World Bank SHEP II has started formula funding. The government may make funding as per these criteria”* (Field Note, October 5, 2012). As per this view, the state has to adopt performance based funding approach. Currently, a kind of bargaining based funding is in practice. If performance based funding approach is made, there is more chance of getting grants equitably by different institutions of higher education. But the state is unclear in what headings grants are to be allocated. The university PCC member stated, *“KU has not been receiving a regular development grant. Recently in senate meeting, the Chancellor - Prime Minister - committed to give 10 crore grants annually. But in what basis and condition are yet to be seen”* (Field Note, September 29, 2012).



Here the funding system seems to be in personal contact basis. Now it is clear that the state is adopting a bargaining or imaginative basis for funding. So, here is a need of realistic approach of funding.

Identifying the components of funding basis from all perspectives requires certain amount of policy guidelines at the state level. The student leader further supported funding basis criteria and emphasized, "*From state perspectives, normally excess, total enrollment, state responsibility, types of output, value, and role of output are to be considered. From the perspective of university, the capacity and contribution of university should be taken into account*" (Field Note, October 7, 2012). However, the university education is not yet accessible to all.

It is conceivable that external stakeholders such as local communities, nonprofit organizations and government organizations have a major impact on the process and the outcome of institutional decisions relating to sustainability (Puukka, 2008, p. 3). Therefore, the university should go for new program areas. Tradition programs are to be replaced as per the need of the nation. Different programs have different levels of performance. So program based performance should be a basis for funding. It is strongly supported by the dean of School of Engineering when he pointed out that, "*Performance basis of state funding is appropriate. Performance based funding should be targeted to new program areas. In the new areas where KU may not make funding due to resource constraint, state support is very essential*" (Field Note, September 25, 2012).

So, here is an acute need of funding management system which may be an established structure for managing and constantly improving the programs. According to the educationist and senior visiting professor,

*There should be an easy access to financially weak and poor sector of the society. Those who are back due to poor economic condition should get easy access to higher education even in KU. If KU formulates such policy of access to higher education, the state should make more financial investment. (Field Note, September 15, 2012)*

The state should bear certain cost of economically weak section of the society. And the university can subsidize such students from financially capable persons. It initiates a type of social justice among economically weak and sound people.

A similar voice is raised by the Central Office Financial Controller supporting the need of scientific basis when he said: *“At Present, no any basis has been followed. A regular grant is given on the lump sum basis”* (Field Note, September 9, 2012).

In the higher education system, which is still in embryonic state, efforts to reduce the unit expenditure should avoid reducing pedagogic expenditures that are critical to improving the quality of higher education (Foko & Brossard, 2008, p. 23). A clear policy for higher education funding is necessary for identifying a better basis. A former secretary of MOE said:

*The government should make higher education financing policy. The status of university should be declared. For example, NSU was established by the government and it is 100 per cent a state funded university. Other regional universities are partial state funded as community universities. (Field Note, September 14, 2012)*

As the nature of all universities is not the same, it is not appropriate to fund on its basis. First, the state should make the status matter clear for fixing the appropriate basis. Moreover, the University Executive Council Member and Registrar claimed *“We say in every place that the basis of allocation should be output. Even teacher’s*

*salary should be determined as per the output and performance appraisal”* (Field Note, September 14, 2012). Other universities were established with the heavy government investment. However, KU is getting quite a small fund. So, it is not a state funded university.

### **Financing Policy**

As per the priority of the government, it is exactly reverse now. At present nine universities are operating. Some more are in pipeline. The government needs a funding policy. The issue of state funding as viewed by the senior program administrator is *“The state funding in higher education is insufficient. Before introducing a new education system in Nepal, there was more budget in higher education than in school education.”* (Field Note, September 27, 2012). The government has no any plan. So, how can a university run? The university cannot operate like a campus. If it lacks finance, then how can it upgrade its quality?

However, higher education spending as a percentage of all education spending can also be misleading, although the World Bank and other donor agencies tend to rely on this measure to determine a country's commitment to its higher education system (Forest & Altbach, 2006). The demand driven approach of the state funding is necessary. UGC has not yet made a complete accreditation of the university. The prominent economist and visiting professor highlighted that *“No accreditation of university in Nepal is done yet. UGC has been trying. Demand driven approach of funding is very necessary”* (Field Note, September 16, 2012).

Whether to make an extra additional funding on traditional programs or a demand driven approach of funding to apply must be addressed by the higher education funding policy. Higher education institutions are important for the development of a nation by making effort to insert themselves into the global

knowledge economy (Canning, Godfrey, & Zelazewska, 2007, p. 5). A former dean of School of Management also agreed and confirmed to this reality. His statement showed where to make the investment: *“I have already mentioned that state funding should go on program basis. Need of the program should be assessed”* (Field Note, September 13, 2012).

The state should support the required area to produce intended manpower needed for the nation. The government has not made a clear vision. There is no clear vision on economic development, requirement and category of the manpower. The state funding is to be made as per those criteria. In university sustainability course in particular, the impact of policy or of other international forces are felt at the local level (Damask, 2007, p. 60). For making a funding policy, criteria are to be fixed. Performance and utilization aspects of funding are to be assessed. The dean of School of Management urged *“I have not made a deep study about it. Performance based funding policy will be an appropriate one. There has been a huge funding in some universities like in TU and NSU. The state has to consider utilization aspect as well”* (Field Note, September 13, 2012). KU has been getting around nine million constant grant each year. Nevertheless, it indicates that there is no effective monitoring and evaluation of the state grants.

The PCC member expressed his dissatisfaction regarding the present funding policy and stated that *“It is a very complex matter. It is clear that government funding or investment policy does not work properly at present. Unclear policy is the main reason behind unmanaged situation of higher education. It is improper, inadequate, and inappropriate too”* (Field Note, September 19, 2012). So, the state and university both should work together in the matter of funding policy design. Higher education institutions value the importance of interdisciplinary curriculum to different degrees

in the sustainability studies, these are particularly important and are undoubtedly essential for equipping students with knowledge (Domask, 2007).

A clear cut policy is required to implement the policy of higher education to the capable to acquire and contribute. The capable to acquire but unable to pay should be funded by the state. These matters are to be specified in the funding policy of Nepal. In support of the above statement, a student leader expressed:

*As per my knowledge there is no any funding policy guidelines declared by the state in Nepal. Here is a need of Umbrella Act to decide financing policy. The Umbrella Act was discussed at the top political level. We need that type of policy which makes access for capable to higher education.* (Field Note, Oct 7, 2012)

In general, there is ignorance about the state funding policy. So here comes the question whether there is a declared policy or not. It is a matter of interest of the higher education institutions. Even at the top executive levels, there is no any idea about a declared official funding policy. With respect to this issue, the Dean of Engineering noted, *“First of all, we don’t know government funding policy. KU is also a government established institution. We need a declared policy whether the government makes financial support or not in higher education”* (Field Note, September 25, 2012).

This statement clarifies that a declared state funding policy is the need in the higher education sector in Nepal. Human resources at the institutes of higher education will be able to support them in clearing the hurdles and in developing the international network to promote international mutual understanding and to raise awareness of global problem for sustainability (Matsuda et al., 2008). Furthermore, the educationist noted, *“Financial sustainability is a bottom up approach.*

*Sustainability should start from the bottom. Policy based on positive discrimination is required. Capable may pay, and weak should be supported. Uniform policy is not necessary”* (Field Note, September 15, 2012).

Reporting and monitoring are the essential parts of a higher education policy. KU runs its programs in a professional way. So internal as well as external reporting system should be strong. And a mechanism for regular evaluation is also very important. A Finance Controller followed the same tune. He viewed, *“We send report to UGC and MOF. They make some monitoring of university activities. Overall monitoring is very essential”* (Field Note, September 9, 2012). It shows need assessment is not done properly. On the one hand, the government thinks that fund is being dispatched regularly; on the other hand, the university is not feeling that it comes in time to meet the academic needs. This gap can be settled down by the help of a clear funding policy of the government. However, a former secretary of MoE and long time dean of Education at TU and KU commented:

*Regarding higher education policy matter, UGC as one of the responsible institutions has done nothing. Even it has not made any draft policy. Nothing is taken as a basis due to the lack of policy. The state should give policy rather than money.* (Field Note, September 14, 2012)

It is no easy task to outline the architecture of higher education system which is in a process of fundamental change, the most recent trends bears the danger of neglecting the enduring elements (Kretovics & Michael, 2005). By considering the relevant context of KU, the state has to make a policy mentioning a clear share of the state and the university. An Executive Council Member and University Registrar urged that *“There is a very rare case of full government investment in university even in the international context. In many places, maximum 50 per cent state funding is*

*found in the university*” (Field Note, September 25, 2012). Whenever, the government makes further funding, students charge can be reduced to some extent. So the state should not think that it has to provide fund to KU, but it has a moral responsibility to assist students.

### **Learning From Cross Cases**

It is learned from the case analysis that both universities are heterogeneous and non comparable in nature. Despite the different statuses of KU and TU, the state as guardian would encourage them to go ahead in the way of achieving financial sustainability. A strong nation needs a strong university (Johnstone, 2003, p. 354). It is clear that both universities need state support in order to enhance their quality. The state has moral responsibility for funding; on the other hand, both the universities are liable to produce required manpower for the development (CEDA, 2007). Therefore, the study found that the state grant could play a positive role in the higher education sector in Nepal.

### **State Funding Trend**

I learnt from the case analysis that during the past ten years the state funding is diverted more on school education rather than on university education. Therefore, funding is in a decreasing trend. Another reason of current unstable funding trend is because of unclear statuses of TU and KU (Field Note, September 5, 2012). The state has not made any formal declaration regarding the status of both the universities. Another point of learning is that unless the statuses of TU and KU are made clear from the state, there will always be confusion in the funding issue.

TU is engaged since its establishment in mass education as a state university. However, KU is working on the merit basis with relatively higher education charge. It has affected income generating capacity. It is true that TU is receiving more funding

for mass higher education (Field Note, August 21, 2012). These matters are not only private affairs of any university but it's the responsibility of the state to make some clarity. Comparative picture of annual growth rate of per student state funding has shown a common trend. Both universities' annual growth rate is changing in a normal trend. It indicates that the state has no any fixed funding policy, therefore, in some years, it has been negative and sometimes there is a positive growth rate. Overall, the growth rate is in decreasing trend. However, KU's per students state fund growth rate is negative most of the time during the last ten years (Field Note, August 24, 2012). It shows that the commitment of the state toward KU is not much encouraging. Both universities funding trend is in the same pattern. When grants for one university decrease, almost at the same time, there is decrease in the grants for another. So increase, decrease and negative growth rate were found in the same direction in both of these universities.

### **Bases of Allocation**

For not having a scientific funding basis, only state cannot be blamed. Universities themselves are equally responsible. Universities are autonomous institutions therefore they also need to take a serious initiation. Universities need to conduct a constructive dialogue with the government about their concerns. However relationship between universities and the state is not like a child and parents (Cusick, 2008, p. 246). University could drive higher education system. In this regard, both universities and state need to engage fixing a scientific allocation basis. So, I learnt that on the one hand, the state is not found so serious for introducing higher education funding basis; on the other hand, universities are not making any notable progress in utilization aspect of the state fund.



It has been learned that the state has no funding policy and at the same time universities have no fund utilization commitment. This is the point of stalemate. Another main reason for funding crisis is political instability in the nation (Field Note, August 26, 2012). During the last ten years, the state priority was limited to maintaining security than upgrading higher education. The state has failed to recognize higher education as a basic need in the 21st Century (Fallon, 2010). It is not a luxury good. So, the state has to redefine its priority.

Comparatively, TU is charging low fee than KU. But it does not mean that it is because of quality matter. However, the state funding reduces the fee charge. In TU, there is more state funding, so it is charging relatively low fee to the students. In contrast, state investment is nominal in KU, so a substantial amount of fee is charged to the students. Generally, mass higher education policy is seen at TU where as selection basis of higher education is practiced in KU.

KU is comparatively more self sufficient. But it is not the matter that TU is financially weak. TU has more public responsibility to educate general people at a cost of development as a state funded institution. As privately managed institution, KU is also doing justice (Field Note, September 5, 2012). As per the responses of the research participants from TU and KU, more focus is seen on performance or output grants. At the same time, research outcome shows that there is an urgent need of more concentration on the need basis of funding. TU has a massive size and has more responsibility as a state funded university. At present, more effort is required in making higher education more accessible. If performance basis is applied, it can't operate some of the programs which are of national importance. On the other hand, higher education is not a state business (Moravec, 2008). But for KU as a privately managed institution, performance grant would be more suitable.

## **Funding Policy**

The state policy is not declared, therefore unclear state policy and not having a commitment are some reasons for financial suffering (Field Note, August 29, 2012). However, the state is not the only institution to blame; universities have also a lack of determination. So, there is a mismatch between state commitment and universities determination. Universities cannot perform better in financial matter due to a lack of target and standard (OECD, 2010, p. 175). Financial target is a budget. Its evaluation can be done by evaluating standard with the help of a report. But evaluation and reporting is weak in the universities so a performance evaluation is more complex which is not done in time. Currently, KU is performing better financial performance due to its manageable size and regular structural reform. But TU is still in the same position as in establishment time sixty years back mainly because of its bulky bureaucratic structure. So, TU needs a structural reform urgently.

The present condition of low academic performance of both universities is mainly caused due to not calculating exact per students cost and rate of return on investment (Field Note, August 27, 2012). It is the responsibility of the state to formulate policy mentioning an expected output at the time of providing grants. The funding is a two way process. While the state gives grants, there should be an expected return to the state. Otherwise, funding will be a social service and wastage of taxpayers' money. Primarily both universities have the need of reviewing the state funding policy. However, due to a massive size and external intervention, TU is struggling hard to revive its financial strength (Field Note, September 29, 2012). KU being privately managed small university has been facing less side effects of not having a clear state funding policy. In the era of globalization, foreign universities are allowed to start their programs in Nepal. Thus, TU has to make more efforts in

general sources to make it more demanding (Field Note, September 16, 2012). In the technical and medical fields, despite having a lack of funding policy, TU is competent enough like KU. On the other hand, KU has been growing fast in the field of science, technology and medical sectors. Still there is not much competition between TU and KU due to a distinct nature of their statuses.

### **Summary**

The state funding policy and its effective utilization are the main agenda in higher education sector at present. To formulate the higher education policy to declare the statuses of universities, the issue of higher education to all or capable to absorb for development, is a prominent debatable matter. Thus, the challenges for the state are to incorporate uniform perception and the reality in practice about the higher education investment policy guidelines and their utilization in university in the present context of TU and KU. The government of Nepal has been struggling to arrange fund for higher education and policy formulation despite excessive need of money in other sectors of national economy.

The state funding policy is encourages universities to reduce over dependence and promote self revenue generating capacity to move towards the destination of financial sustainability. It is possible only with harmonization of state funding machineries and universities' bureaucratic financial administration structure. Contradictorily, local stakeholders, financial experts, economists, educationists, former executives, policy makers, government officials and education administrators have expressed huge dissatisfaction with the unscientific ad hoc basis block grants approach used by the government of Nepal. Therefore, the main objective of this chapter is to explore the reality of the essence of state funding in higher education

programs. To explore the reality of the essence of state funding in universities, I used the research participant's perceptions and available funding documents.

Apart from that, the essence of state funding and its utilization is concerned with the funding size, trends, basis and modalities in higher education funding patterns. So, I used various data related to UGC grants, growth rate, higher education budget and university expenditures which are related with the state funding policy of the government. Besides, internal revenue generating capacity, students benefit policies, and grants distribution system are also crucial in essence of state funding policy formulation. So, I drew various facts regarding state involvement in higher education development mission.

Similarly, I focused on state participation, effectiveness of distribution channel, funding mechanism, and university internal revenue generating efficiency. In addition, I emphasized more on funding trend, monitoring, reporting, and financial administration to maximize the use of state grant in producing a capable workforce required for the overall development of the country.

## CHAPTER V

## FINANCIAL ADMINISTRATION

The previous chapter analyzed the essence of state funding for financial sustainability of higher education in Nepal. This chapter elaborates the role of financial administration and its effectiveness on budgeting, planning, cost recovery and financial decentralization. In this dynamic competitive environment, the future success of higher education institutions rests on their ability to differentiate themselves and build meaningful relationship with existing and potential stakeholder through a sound financial administration (Seeman & Hara, 2006, p. 24).

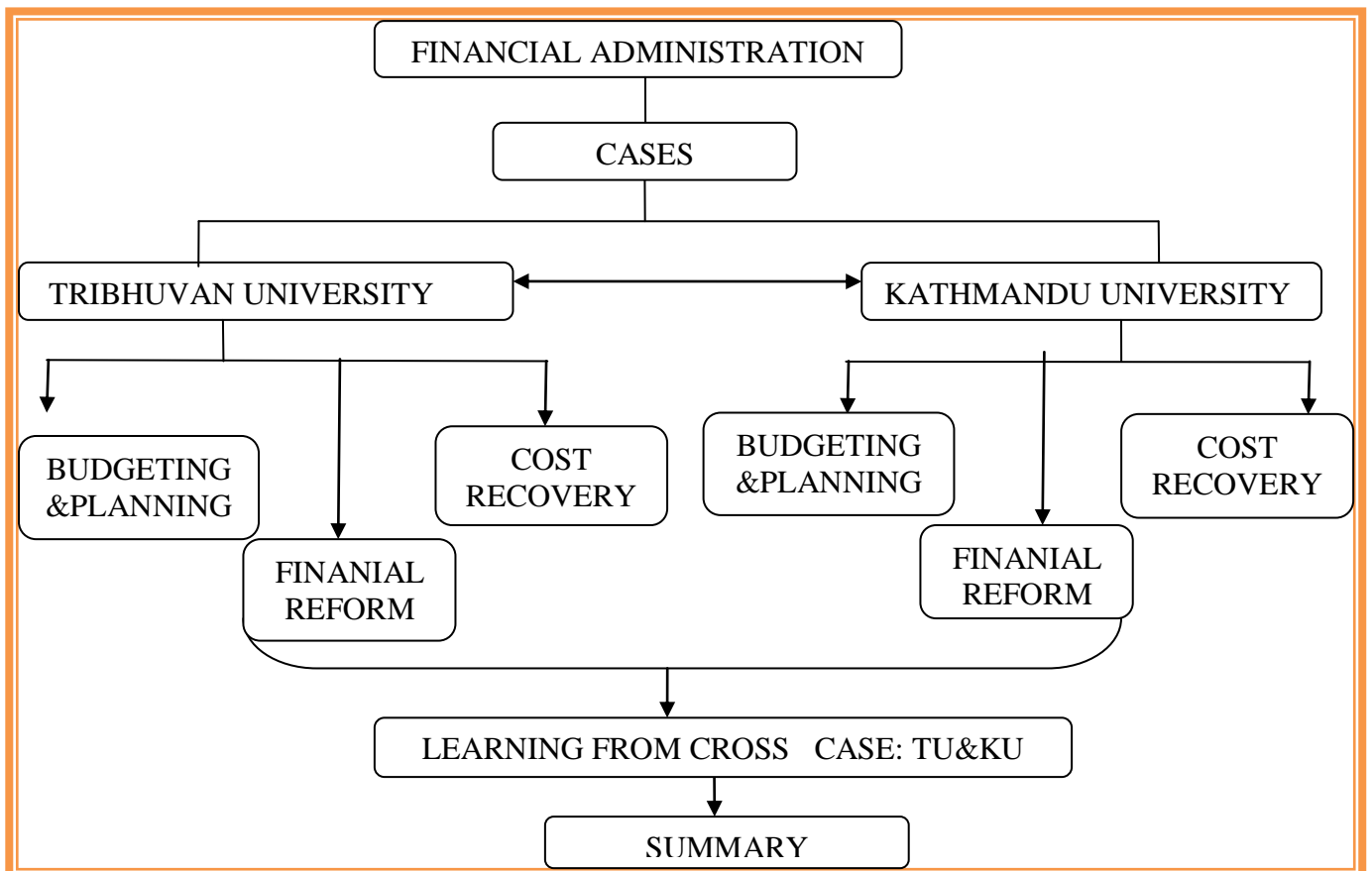


Figure 20. Chapter V outline.

## **Tribhuvan University**

Budgeting and financial planning is the backbone of the university. As far as financial administration is concerned, budgeting and planning system come together in the process of reaching the financial sustainability destination. A total financial restructuring of TU has become too late. The conventional budgeting and planning system is still in practice. The amount received from UGC is reallocated without making a perfect plan and schedule.

### **Budgeting and Planning**

Higher education may not be for all but it benefits all people who are living in deprivation and scarcity. Since sufficient investment in higher education requires enormous of commitment, financial resource, administration efficiency and resource plan so that university can recover from financial troubles, it is arguable whether universities might have the future market from which to draw their students and sustain their services as a result of their expensive nature without adopting a strong financial administration mechanism (Obasi, 2008, p. 95). So an efficient financial administration is the necessity of university to achieve a sustainable position. At present, a holistic development approach is backed by higher education.

TU was reported to have accumulated arrears worth a whopping Rs 10.15 billion by the end of mid- April 2013 (THT, August 9, 2013). As per the latest report released by the Office of the Auditor General, arrear of the MoE for the fiscal year 2011-12 was Rs 3.27 billion. Since the universities operate under a separate act and regulations, they are not required to report arrear to the MoE and report directly to the Office of Auditor General. According to the report, out of 122 TU offices including center office, 36 central departments, seven research centers, 60 constituents

campuses and other offices have not submitted the report of their financial transaction.

The member of Public Accounts Committee confirmed the use of traditional budgeting and planning with the observation that *“There is no systematic budgeting and planning system adopted. Regularly whatever amount comes from the government is used in administration”* (Field Note, September 5, 2012). Incorporating sustainability as the main aim of teaching higher education does not necessarily mean adding issues to the present, however, teaching towards sustainability in university is not only a declaration of good purpose and budget item, but the beginning of a long process that involves a change (Ciurana & Filho, 2006).

Emphasis on monitoring and evaluation ensures transparency in budgeting and planning. The senior director of CEDA agreed that in the context of TU where mass enrollment is taken for rapid acceleration of higher education, efficient budgeting and financial planning is necessary. It is not a satisfactory situation that budgeting and planning are systematically prepared and implemented where CEDA director observed, *“But it is still not clear that whether financial management has been done as per the prevailing rules and financial regulation or not. For financial sustainability, preparation and proper implementation of budgeting and financial plans are necessary”* (Field Note, August 21, 2012). TU has adopted a financial administration system but it is not yet said that whether that system is efficiently implemented or not in practice. Till now no central monitoring and control system is seen on the budgeting and planning part. Therefore a research participant, Chief Accounts Controller from the Central Office observed and stated,

*TU is very back due to lack of proper financial administration. TU has made some efforts to build strong accountability, transparency and internal control*

*system. First Single Treasury Accounting System (STAS) has been approved already to maintain central monitoring over expenditure and income. (Field Note, August 24, 2012)*

Unless unsystematic budgeting and planning system is reformed, the goal of financial sustainability remains an unsolved mystery. There is a huge gap between state funding and university need, so academic activities are also affected. In this context, the professor of management stated, *“Budgeting and financial planning are interrelated. The gap between budget and financial plan is to be reduced to achieve self sustainability. Unsystematic budgeting and improper financial plan are the major causes for self reliance”* (Field Note, September 5, 2012).

Financial austerity is caused principally by flat or declining government budget in support of higher education and is manifested by overcrowded institutions, deteriorating physical plans, declining faculty students ratios, increasing demoralized and distracted faculty, and in many countries higher fees, greater students debt loans, and a restive students body (Johnstone, 2007).

Budgeting framework would have to be decided. The state and university should decide on the future financial structure of TU which reflects its destination. The president of Central Committee of Students' Organization expressed his view blaming leadership and unsystematic budgeting procedure to have caused the financial crisis. According to him, *“TU leadership has no specific vision and long term plan. How can they make budget when there is no proper budgeting system designed? Poor mentality of over dependence on other has to be changed”* (Field Note, August 29, 2012). Here is the need of teaching professionalism. Moreover, financial rules and regulations should be followed while designing the future plans.



The emergence of new and advanced technology has led to an increase in jobs that require tertiary level qualifications even at the entry level; consequently demand for higher education has been and will be on the rise in the conceivable near future (Guruz, 2003, p. 18). A World Bank assisted project SHEP has been working on financial debt management program. So the present budgeting system should be modified for making a systematic financial plan and policies. However, UCG's chief Administrative Officer urged for a computerized based financial planning system in the present context. He said,

*It is too much traditional. Budgeting and planning system should be modernized and computerized. SHEP has started data management program. There is a debate on whether constituent campuses revenues to be deposited to the central accounts or spent by the campuses. (Field Note, August 31, 2012)*

In the past, TU suffered from financial crisis because of not having a classified budgetary procedure. However, at present, the capability of leadership is under a big question mark. In this context, a senior research coordinator of Centre Office Research Division seemed disappointed while talking about the budgeting system of TU. According to him,

*It is not systematic. I don't know how efficient I am at TU because I entered at later half of 1992. Those days TU remained not fruitful because there was not any fixed and classified budget. Financial administration was not so efficient. (Field Note, August 27, 2012)*

The decline in public expenditures on higher education has been a global crisis and the most important trend which is compelled by economic reform policies or convinced of the rational for the reduced role of the state in funding higher education, most countries have inflicted serious cut in public budget for higher education (Tilak,

2006). Implementation of a budget is another issue. Budget itself is inappropriate and lack of implementation creates more problems.

Another research participant, the campus chief of the Public Administration Campus expressed his views. He also confessed,

*We prepare nonsense budget each year. It is never implemented. The university collects budget from campuses but same money is given. No integrated budget is ever publicly published. Whatever budget is submitted by the campuses TU gives money on the head counting basis.* (Field Note, September 3, 2012)

Even periodic plan is not prepared. TU prepares just salary budget and nothing else regarding budget. Due to the lack of appropriate allocation of budget, demand driven programs are not introduced.

A former vice chancellor, as research participant concurred to this remark and said, *“What sum is coming from the government and what amount to be generated by TU should be clear first. A complete accounting of state investment and TU internally generated source of fund is necessary”* (Field Note, August 26, 2012).

Academically and from resource point of view, TU is stronger but financial aspect needs some improvement. Universities have experienced rising enrollments while simultaneously experiencing declining budgets, heightened competition in attracting students, and the demand for accountability (Sheikh & Al-Khadas, 2012). Research participants also provided supporting statements to these arguments. The director of Office of Auditor General from Higher Education Division noted,

*Budgeting has not been done in a systematic way. Expenses are not done as per the existing rules and regulation. It has been done without any plan in a*

*haphazard way. Some cases of expenses are against financial rules and regulations.* (Field Note, September 24, 2012)

TU has earned own old reputation. It has gained international credibility but financially it is paralyzed. But the university Senate Member denied the eventual collapse of TU. He made a strong point regarding these issues in the interview:

*“Unnecessary staff’s recruitment is a big problem. Need basis human resource hiring is necessary. Automatic contract renewal and permanent system has to be ended. More salary to professors is necessary to stop them going outside for classes”* (Field Note, August 29, 2012).

Public funding of institutions offering higher education is becoming scarcer, more complex and to an ever increasing extent performance based (Nesset & Helgesen, 2008). Budgeting and planning as a technical task needs broader knowledge. Such capable persons are not yet appointed at the planning level. This is further supported by the former president of TU Teachers’ Association who said:

*“It is not satisfactory. It is a technical task. Broad knowledge required for budgeting and planning is not found with any executive level staff. I never saw any such knowledgeable person appointed as executive level authorities”* (Field Note, August 31, 2012). It is known that TU has not prepared a consolidated balance sheet. How is the allocation of assets and position of liabilities? There is no information yet. Due to the lack of integrated financial statement, no one can figure out the proper picture.

Leadership and efficient financial administration are the foundations for scientific budgeting and planning. Increasing quantity and quality of investment in education is strong but question is the extent to which it applies to higher education and how to pay for mass high quality higher education (Barr, 2003). In this regard, the former UGC chairman shared his idea of good governance in this way, *"Yes, certainly*

*we need it for improvement in financial conditions. Transparency and good governance are necessary for resource mobilization. Good governance does not encourage political appointment in education institutions"* (Field Note, August 30, 2012).

According to him, leadership and governance are pivotal components for a better financial administration. Policy and transparency encourage more revenue generation process in the university.

### **Financial Reform**

Current and future leaders of the higher education environment need the background knowledge and skill to work towards fulfilling the university sustainability goal (Donnelly, 2004, p. 353). On the other hand, higher user charge and less state funding are present in the non state funded university. But both the case universities are facing more problems. A biggest university in Nepal, TU is extending autonomy practice in constituent campuses. One of the best criteria for better financial administration is expanding autonomous institution. The TU administration plans to press its 100 plus constituent colleges to clear dues and reduce its arrears that amounts Rs 10.5 billion as of mid April 2013 (THT, August 12, 2013).

Under its special initiatives, the country's oldest and the largest university plans to hold quarterly disbursement for 122 constituent colleges that have failed to submit their audit reports within the deadlines. Such initiatives are a must to reduce arrears as said by Rajendra Shrestha, Chief of TU's Finance and Administration Division. According to Shrestha, some of the arrears date back to the times when Nepal Sanskrit University was part of TU. The arrear have accumulated over the years because many offices are not seriously discharging their duty, TU sources said. The offices that did not work properly seem to have enjoyed political protection.

TU authorities said they will appoint taskforce with a special mandate and responsibility to lessen the arrears. The TU directives to constituent colleges and institutions did not have the desired effect. As a result, neither the taskforce took shape nor did the colleges bother to clear the arrears. Shrestha said that TU will not shape negligent college this time around. TU has not handed over its statement of assets and liabilities to newly established universities. The university plans to include some more retired government officers in the taskforce formed in 2012 to deal with the arrears.

A member of Public Account Committee said: *“Financial autonomy is not a bad concept. TU is too big may not be found normally elsewhere. Institution for producing nation building manpower has been in crisis. It is junk and inactive. We have to think in a constructive way.”* (Field Note, September 5, 2012). The key issue is the ability of the quality concept to facilitate the perspectives of a range of stakeholders who have differing conceptions of higher education (Cullin, Joice, Hassall, & Broadbent, 2003, p. 6). Let alone the reframing of the programs, present fee structure is not revised as per the need of university. A director of CEDA also highlighted: *“TU has to increase its fee structure. It should be given financial autonomy. Political intervention should not be there. Level of co-ordination between university and campuses has to be increased”* (Field Note, August 21, 2012).

But political intervention in decision making process of university should be removed for achieving the financial sustainability. Unless a computerized inventory record keeping system is introduced, little expectation is enough in financial progress sector. Particularly in higher education, experience in the process is often taken as a form of educational aims and outcomes (Cheng, 2003, p. 205).

A chief accounts controller commented:

*TU has owned tremendous amount of fixed property. The major concern is how to earn more income by the use of such assets. There is no proper updated inventory record. Inventory profile should be made. Computerized system is to be introduced to maintain appropriate record.* (Field Note, August 24, 2012)

Due to the lack of skill, frauds and financial embezzlement, control work is not so efficient. Consequently, it is often valuable to complement the general quality dimension with specific quality criteria of higher education that are developed for a particular situation (Lagrosen, Hashemi, & Leitner, 2004). Reflecting on the effective role of executives in the advancement of financial administration, a professor of management supplemented: *“Financial indiscipline should be stopped. Culture of resource utilization has to be maintained. Right person posting in appropriate place may make better improvement”* (Field Note, September 5, 2012). So an online payment system is very necessary. Embedding quality can be considered as requiring the development of a culture within the academic department, faculty or higher education institutions where staff members strive continually to improve the quality provision (Lomas, 2004, p. 158). A chief administration office of UGC claimed: *“Traditional staff members are working. Time needs new working style. Golden hand shake scheme can be introduced to reduce the excess staff. New skilled staff would have to take over TU”* (Field Note, August 31, 2012).

The existing physical facilities are too much older and incapable to meet the increasing demand of the university. Traditional physical facilities such as equipment and infrastructure require replacement. Outdated physical facilities are not yet modified or replaced in order to handle current financial crises. A coordinator of research division in central office repeated the voice:

Firstly we have to change the equipments. Everything should be computerized. Digital system in accounting is needed. And centralized accounting system based on high tech needs to be introduced. Why to come to Kathmandu to fill a bank voucher to take a transcript? (Field Note, August 27, 2012)

There is a big question mark about the skill of the present accounts division staffers. Internationally, there has been a steady move by institutions to commit themselves to the introduction of sustainability education. Researchers and practitioners have been working to develop appropriate pedagogy and support materials (Thomas, 2004, p. 44). A campus chief and former deputy exam controller expressed strong support for the need of financial autonomy. According to him: *“Financial autonomy is the need for better financial administration. Campuses doing extra effort and not doing anything extra are treated equally. Campuses that are generating huge extra revenue are to be given autonomy to mobilize it”* (Field Note, August 29, 2012). Due to the lack of financial autonomy, constituent campuses are unable to revise the fee structure or fail to implement it. Over dependency is being further deeper. The internal arrangement is a permanent source of fund. Thus bringing the social inclusion in university education and trilateral collaboration among state, university and outsiders have become very much essential. Along similar line, a former secretary of MOE urged that,

*TU is too bulky. Constituent campus must estimate the need of grant from center and owning income generation. I think campuses may manage 20 per cent by themselves, 70 per cent from centre and rest 10 per cent could be managed from extra sources. In extra sources, local community and public sources can be mobilized.* (Field Note, August 26, 2012)

So it is not the job of only state or university, but it is the responsibility of all. Higher education for sustainability has therefore attended both visibility and credibility in the universities (Pretorius, 2004, p. 76).

An integrated accounting system to analyze the financial affairs is not in practice. Improved financial administration can enhance financial condition of the university. Despite knowing the fact that accounting is a backbone of a university, it has never been seen in practice. A director of office of auditor general supported this argument and said:

*First of all, the improvement in financial system must be done. Financial analysis has to be done in a systematic way. Computerized and integrated accounting system is very necessary. Regular auditing and reporting system has to be established. Efficient financial administration can bring about more improvement.* (Field Note, September 24, 2012)

Total financial autonomy sounds very sweet in theory but may not be practicable in all institutions. Before introducing autonomy, university should rethink about its future side effects. Decentralization rather than total autonomy is so beneficial at present context of the university. A senate member of the university executive council expressed his strong dissatisfaction towards the total autonomy:

*Autonomy in principle is very good. In a short run, it may improve economic condition. But in the long run, it leads university towards privatization. No full autonomy to constituent campuses is to be given. So we don't agree on it. Digital system in exam could reduce the cost. In the exam section, there are enough staffers but we lack capable ones.* (Field Note, August 29, 2012)



So, instead of total autonomy, a semi financial autonomy model with enough freedom for decision making is suitable. A complete autonomy may make the state more irresponsible for university education.

Structural reform with a strategic plan is not yet started. A comprehensive discussion among all stakeholders for upgrading present financial condition is necessary. According to a former president of TU Teacher Association and a senior professor of management, *“They come up with a plan. Dynamic leadership with bold decision making power is very essential. I strongly suggest making structural reform. The structural change may bring leadership with power”* (Field Note, August 31, 2012).

And then only university structural change will be possible. Sustainability has become a critical factors and especially quality in teaching and learning also needs practitioners who base their approach on a sound and well found theory (Bornman, 2004, p. 374). Good governance rather than total autonomy is the present need of the university. As financial administration is the integral part of total governance, no financial administration is possible without having a complete support of the governant. It is also interesting to note that a service quality perspective is slowly beginning to be accepted in higher education (Wikhund & Klefsjo, 2003).

Commenting on governance, former chairman of UGC noted: *“Certainly financial decentralization is necessary. Governance plays the main role in financial administration. Financial administration is a part of total governance. So without improving total governance, no financial administration can be improved”* (Field Note, August 30, 2012). So, first governance and then only financial administration reform could be possible. Therefore, in the field of financial administration,

technocratic model would generate more financial resource in the present context of Nepal.

### **Cost Recovery**

Though market orientation has become a critical construct in terms of assessing the ability of the still essentially higher education institutions (Durden, & Yang, 2006), present cost recovery situation is still very poor. Operating cost recovery is below 20 per cent which is excessively not in the normal condition. According to a public accounts committee member, one of the research participants: *“TU could generate three times more funds than government grant if resources are used in research sectors”* (Field Note, September 5, 2012). So, university should not wait for more state funding. It should concentrate on internal revenue generating efforts. In order to change this and other problems involving academia not meeting the needs of industry, collaboration and alliance between higher education institution and business communities must be further developed and maintained (Elmuti, 2004). Sadly, however, no any fixed cost recovery policy has been designed thus far.

The director of CEDA expressed his dissatisfaction towards the political sharing of executive appointment: *“There is no any policy of cost recovery. The government must think on time about cost recovery practice to make it more sustainable. But the university education administration must be isolated from the direct political intervention”* (Field Note, August 21, 2012). Under the rapid expanding situation with multiplicity of expectations from the higher education system, it has become necessary to identify those attributes which distinguish a first rated institution from the financial point of view (Umashankar & Dutta, 2007). Therefore, research participant from accounts division, a chief account controller, observed: *“TU has the target of cost recovery. After 17 years, fee structure was*

*revised but a lot of pressure was faced and thus was forced to reduce”* (Field Note, August 24, 2012).

Annually one month fee per student should be sent to university but it is also not sent by the private colleges. In this context, a professor of management stated, *“I already said that around 80 per cent operating cost is paid by the state. So, cost recovery is 20 per cent by college and Dean's Office. There is a rule of paying one month tuition fee to university.”* (Field Note, September 5, 2012). It is a matter related with cost recovery to some extent.

A president of a national student organization states his views blaming the quality of higher education for low cost recovery. According him *“Cost recovery from students is a wrong concept. How can state escape from the responsibility of giving education to people”* (Field Note, August 29, 2012)? No academic calendar is yet prepared and implemented. Three years course needs around five years to complete in TU. Competitiveness and competency are the factors for which the users pay the charge. So, having an ambitious cost recovery plan, it needs more time to make substantial increment in the fee structure.

With this reality, a chief administrative office from UGC felt the urgency for university need assessment. He further added, *“Fee structure should be increased. Research centers are not doing enough research activities. TU should increase research activities”* (Field Note, August 27, 2012). There are undoubtedly different groups of students who may have both different objectives in studying and different perspectives of roles as stakeholders (Brennan & Eagle, 2007).

To ensure that higher education is able to deal with global, technological, and market change, it is imperative for university to use appropriate curricula, course materials, and teaching models that are not only up to date but also internationally

competitive (Colff, 2004). A research participant, Chief of Management constituent campus, expresses his identical views. He also stated, *“Overall cost recovery status is very low. Few campuses like Shanker Dev, Nepal Commerce, Tri-Chandra are earning extra income but other constituent campuses are not. Non management stream has low cost recovery - around 10 per cent”* (Field Note, August 29, 2012).

Demand driven approach is the best way for managing additional revenue. Masters and research level programs are self sustained. Basically, in management stream post master program is fully recovered from the cost point of view. The chief of Public Administration Campus expressed similar view, *“We have to introduce new Masters and post masters degree programs which may earn more revenue. At present MPhil and PhD programs are self financed programs. The university has not given even a single rupee to this program”* (Field Note, September 3, 2012). The same teaching faculties take the classes in self sustained and not sustained programs. Students pay the fee differently in such a program. A former VC made a strong comment on this issue and said, *“Regarding the cost recovery problem, management should make direct consultation and intensified discussion with the students. I hold the discussion with the students in my time. Time and again white paper should be published”* (Field Note, August 26, 2012).

In higher education, poor curriculum design could lead to quality failure which creates unsuitable academic system and procedure (Venkatraman, 2007). A treasurer of TU teachers association and professor of management concurred to this remarks, who stated *“As TU is a state funded university since its establishment, government must give further funding. The financial support of the state is very vital. However, government funding should not be for always”* (Field Note, August 29, 2012).

The former chairman of UGC provided supporting remarks to these arguments and noted,

*It is not bad. Fee from students are being collected. Even in rich nations, state funding to national university is not exceeding 80 per cent. In USA, university bears 20 per cent to 25 per cent finance. But economically Nepal is poor.*

(Field Note, August 30, 2012)

High fee charge may recover some portion of cost of the university but at the same time it may damage the aspiration of poor section of the society towards higher education.

### **Kathmandu University**

At KU, each school prepares budget annually in consultation with its departments. Integration of budget is done by the centre. So KU is making an integrated budget each year. The center gives a classified budget to each school yearly. There is a systematic budgeting and financial planning. A Coordinator and Chief Administration Official commented regarding budgeting process for better financial administration. Financial administration is designed for supporting various funding issues of universities.

### **Budgeting and Planning**

Broadly, there are five major objectives of financial administration as stimulating budgeting and planning, maintaining financial discipline and cost control, strengthening financial decentralization and cost reduction strategies, supporting financial challenges and cost recovery. According to the chief financial controller, *“Each school makes its budget. The center integrates the school wise individual budgets. So aggregate school budget is the KU budget. You know two schools, School*

*of Education and School of Arts are not self sustained yet”* (Field Note, September 27, 2012).

The university gives the target to schools in a classified way. So at KU, there is a system of classified budgeting. University students grew up in an era that supported more lenient attitudes toward higher educating debt financing (Collins, Serido, Lee, & Borden, 2007, p. 25). There are some rumors that KU has no systematic budgeting and planning. General perception is that as a privately run institution, it has not developed professionalism in budgeting and planning.

Supporting to this statement, one of the research participants, the economists and senior visiting professor stated, *“I heard that budgeting and planning system is not good at KU. However, as a private sector institution, KU is better than the Government University”* (Field Note, September 16, 2012). However, KU has been performing better than government universities in planning and budgeting part. General expectation from KU is professionalism in budgeting and planning, but it is not seen in practice.

Each school prepares its estimation in consultation with departments annually. It is submitted to the centre and Registrar Office integrates and forwards to the senate for final approval. The senate gives the final approval on the budget. The former dean of School of Education added that, *“School prepares classified budget and submits to the Office of Registrar. The centre integrates the budget and finally, the senate gives approval”* (Field Note, September 13, 2012). KU has a fixed budgeting and planning cycle to follow in practice. A classified budget is prepared each year for each school, department and programs. The centre integrates the budget each year. KU also has a Policy Coordination Committee (PCC) where all deans are the members and discussion on individual budget is conducted.

The dean of School of Management who is also a management expert added, *We have a fixed annual planning and budgeting cycle. Classified budget is prepared under different heads of expenses. Each school works out about individual budget. The centre integrates the school wise budget. Policy coordination committee discusses the budget and submits to the executive for finalization.* (Field Note, October 5, 2012)

One basket system does not work. Corporate universities are another form of competition that traditional universities will increasingly have to reckon with especially in the area of continuing education and some traditional higher education institutions have been quick to catch on to the potential of education and training brokering arrangements (Austin & Chapman, 2002, p. 31). At this point, it is the real situation that KU is not financially poor. It has enough ways to survive and achieve financial viability.

Regarding the reasons for self reliant financial situation, a PCC Member and the dean of School of Arts supported,

*We are not begging money to fulfill our deficit. We are still able to exist. So it is reasonable. KU has manage to survive by own resources with robust management. Whether this is the best approach or not, we can't say without making a study.* (Field Note, September 19, 2012)

The participants' remark indicates that KU is not a beggar rather it is a resource creator. KU is not small in academic field. It has been operating six main schools in different areas.

The leader of students' union emphasized and said, *“There are six schools in KU. We have a lack of financial mechanism and autonomy. Central campuses at Dhulikhel have got some autonomy for making small expenses. However, major*

*payments are made by the centre*” (Field Note, October 7, 2012). The government often allocates a small percentage of their education budget for distribution to higher education purpose (Tsang, 1996).

Regarding the cause of insufficient research and development budget, the dean of School of Engineering criticized, *“We as deans are learning in this institution. Research and development part is not much established here. However, budgeting and financial planning is systematic. It has made the university strong”* (Field Note, September 25, 2012).

In the budget development, from the initial preparation to the final approval, various stages are involved. He further stated the following budgeting and planning process presently operating at KU:

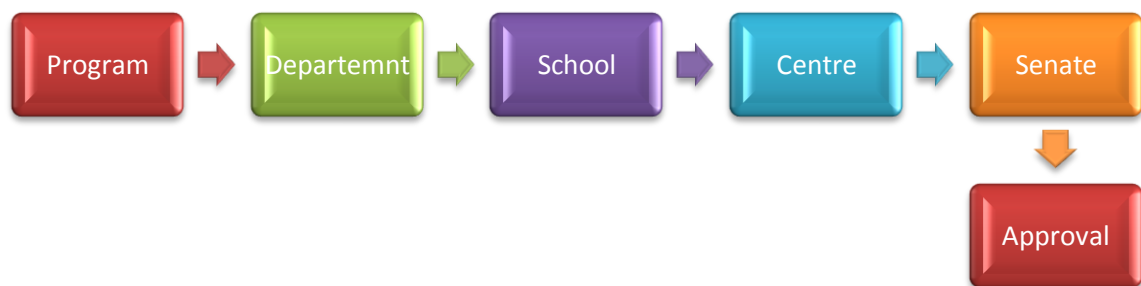


Figure 22. Budgeting process (Source: Field Note, September 25, 2012).

After the approval, the budget comes to individual schools for distribution to their departments and programs. It has an established procedure in planning and budgeting. Another research respondent, Dean of School of Science, supported this view and expressed: *“Till now budgeting and financing practice is alright. I don’t feel the need of financial structural change”* (Field Note, September 25, 2012). Budgeting and planning part is also in a satisfactory position. Generally newer growth model provide a more coherent explanation of the unexpected residual and stress the importance of education and training not as sufficient but as necessary conditions for sustained growth (World Bank, 2000).



An educationist and a visiting professor agreed with this statement and said: *“In comparison with the state funded university, it has a proper financial planning system. However, transparency has not become our culture yet”* (Field Note, September 15, 2012). It has been again seen that KU has a lack of transparency. Revenue allocation is not quite open. It has become a long time seen shortcoming. Auditing and reporting from budgeting and planning point of view are not conducted timely.

So, according to this statement, KU has a total financial system. As the demand for higher education accelerates, community colleges and open access policy provided valuable opportunities for diverse students who would otherwise be left behind (Diaz & Kim, 2013). KU has been making a short term plan up to two to three years. Resource plan is also prepared for estimation of revenue and expenses. But there is no any practice of estimation of external revenue.

A former Secretary of Ministry of Education and Former Dean of School of Education suggested likewise. According to him,

*Annual budget is passed by the Senate. KU has a short term plan for 2- 3 years. Just internal financial plan is prepared. Estimation of internal sources of revenue and heads of expenses are made. Now it needs estimation of external source of revenue.* (Field Note, September 14, 2012)

There has been a practice of making financial plan three months before the academic session starts. PCC makes the discussion and final decision regarding university financial plans framework. However, final approval of the plan is made by the senate.

## Financial Reform

Financial freedom is given to schools in collection and making expenses. A PCC member and senior administrator pointed out the importance of autonomy amongst the schools and institutes. According to him, *“KU is in the process of long lasting financial self- sustainability. Medical hospital was given autonomy. We are thinking to offer autonomy to other schools. Schools are given freedom for generating and making expenses”* (Field Note, September 27, 2012).

Schools are free to generate revenue and making procurement decisions. Whatever materials are required, schools can take purchasing decisions. Bill is forwarded to the centre for the payment of the bill. According to an economist, *“Maximum use of human resource and IT is needed. Financial autonomy and efficient human resources may make better financial management”* (Field Note, August 21, 2012) and (Field Note, September 16, 2012).

Since the satisfaction of higher education employees has many contributing factors, no complete models can be followed (Chen, Yang, & Wang, 2006, p. 489). A former Dean of Management and a senior management expert commented: *“Financial administration is still centralized. We raised voice for decentralization of financial administration. Decentralization is not only required for revenue collection, but for making expenditure decision”* (Field Note, September 13, 2012).

In the recent context of KU, it cannot carry on its service in the long run under the present centralized system. Therefore, greater policy coherence is also important for effective financial administration. To this end, the Dean of Management suggested: *“Decentralization and financial autonomy is very necessary. Financial control, system design and implementation should be enforced”* (Field Note, October 5, 2012).

Autonomy or complete freedom in financial functioning should lead greater productivity and institutional growth. In the realm of higher education, one cannot resist surprising with respect to how little concrete empirical evidence has been generated concerning financial reform (Koch, 2003). Similarly, the Dean of School of Arts emphasized and commented, *“Financial autonomy should be given within a certain framework. Financial autonomy is not financial anarchy. If autonomy may support to increase productivity and growth, it leads university to financial sustainability. If autonomy is misguided, it leads to anarchy* (Field Note, September 19, 2012).

But the proper use of autonomy increases productivity and institutional growth in the long run. The president of students' welfare council agreed with the need of a autonomous financial administration and said: *“There is no financial autonomy in six schools. So there is no decentralization. Obviously, centralized financial system has some problems. For introducing new programs, lack of proper financial administration has been creating barriers”* (Field Note, October 7, 2012).

Quality as effectiveness in achieving institutional goals implies efficiency in the use of resources or effective management and significant implication in higher education (Sahney, Banwet, & Karunes, 2004, p. 147). Here is a symptom of private culture rather than an institutional tradition. Individualization in financial administration cannot produce expected results.

The Dean of School of Science observed, *“We are making expenses as per the allocated budget. But we don't use cheque at the Dean Office”* (Field Note, September 25, 2012). So a type of bureaucratic financial administration is in practice. Schools are at different parts, all have to submit bills and vouchers to the centre

requesting for making payments. It takes more time and thus errors are at high possibility.

Within the present set up, a unit should be made responsible for financial administration. But a distinct body for handling financial administrative work will be expensive. The Dean of School of Engineering made a note by saying, *“We need financial decentralization and autonomy. Cost effectiveness should be achieved. Administration structure has been set up to achieve that goal. If separate unit is created to deal financial affairs at school level, more administration cost will be incurred”* (Field Note, September 25, 2012).

Total concentration is applied for just operation not in research and innovation sector. Therefore, growth is restricted. According to an educationist and a senior visiting professor, *“We can’t deny financial decentralization in the 21st Century. Everything should be digitalized and transparent. Openness is required. Decentralization is very necessary from financial betterment point of view”* (Field Note, September 15, 2012).

Decentralization is very easy to listen but not much comfortable to all the institutions to materialize. It depends on the implementation aspect. If it is not properly used, it will be counterproductive to university because it may lead to a complete disintegration of the university. The management of institutions of higher education should realize the importance of the auditing for examination of financial transactions (Zakaria & Selvaraj, 2006). It is their own convenience but whether it is beneficial to university or not is yet to see. The same voice was raised by a finance controller who further added, *“We encourage centralized financial system. Still total financial system is centralized. School may take procurement decision. Payment is just made by the centre. Schools should submit bills for payment”* (Field Note,

September 9, 2012). So university is running programs at the school level, financial administration is to be set for the settlement of such issues. Why to make procurement decision in school level and payment by the centre? It is more time consuming.

A former secretary of MOE commented regarding the issue of delegation of authority and power and stressed that

*KU is not like TU. It is small in size. It is not operating at different parts of the country. So no more decentralization is required. Authority and decision making power should be handed over to lower levels. It encourages for better financial administration. (Field Note, September 14, 2012)*

Most of the institutions are centrally located so there may not be any need of autonomy. But autonomy is not fixed as per distance, it is decided by the need or volume of financial transactions. Reform of the much dreaded university financial system has been difficult, resulting in the undue emphasis on collecting rather than utilization of resources (Tan, 2003, p. 79). In this respect, the executive council member and registrar added, *“Yes, I agree on autonomy and decentralization. We have been running six schools. As per the growth and turnover, autonomy is granted. Recently School of Medical Science has been given total autonomy”* (Field Note, September 25, 2012). KU has been using saving for creating scholarship and surplus is utilized for the development and welfare work.

### **Cost Recovery**

KU has been running at full cost recovery position. Internal revenue is sufficient for operating cost. All the operating cost is paid by students' fees collected from the schools at the program level. For the development work, donation is utilized. A coordinator and chief administrative executive observed, *“We are running in full*

*cost recovery model. Donation is used for infrastructure development”* (Field Note, September 27, 2012).

The university has been earning money for operational expenses. Both the growth in, and the form of higher education reflects an increasingly accepted assumption of the universality of cost recovery since the key determinant of university success is proper financial management (Adcroft, Willis, & Dhaliwal, 2004, p. 528). The economist commentated regarding the cost recovery position of KU, *“It may be fine. Otherwise, how could the social status and credibility be maintained? The future expansion picture is not clear, though”* (Field Note, September 16, 2012). No outstanding expenses are seen the financial statements. But still future expansion plan is not clear. So, cost recovery in future is also uncertain. Without having the future plan, the expected cost recovery position cannot be exactly surmised.

Supporting this statement and indicating the need of mutual cost subsidy, one of the research participants, the former Dean of School of Management, expressed his views: *“Some programs like management and technical programs have high cost recovery. But I can’t say about others. School of Education and School of Arts are not running at cost recovery. These are subsidized”* (Field Note, September 13, 2012).

University as knowledge institution is engaged in knowledge transformation activities which are integral parts of the work of higher education sector as they are the essential drivers for the government’s economic and modernization agendas, including enhancing competitiveness and quality of life (Li-Hua, 2007, p. 84).

The finance controller of Centre Office suggested enacting cost recovery policy guidelines and said, *“Cost recovery is observed at KU. It is not excessive but at an appropriate level. Cost is recovered by fees. Student’s revenue is used for operating purpose. State grants are used for maintenance. Outside sources are*

*arranged for infrastructure development*” (Field Note, September 9, 2012). Operating cost is recovered from students but rest of the expenses is partially paid by the state and stakeholders. In this matter, KU's financial administration seems to be smart. The traditional elite mode of higher education system is challenged by market- driven course with flexible delivery aimed at widening access for students with a wide range of abilities (Morgan, 2004).

The Dean of School of Management added, *“We believe in cost recovery and partial funding for capital investment. I don’t agree on only cost recovery. Cost sharing for capital expenditure is necessary. Capital expenditure could be funded from the retained earnings”* (Field Note, October 5, 2012). Cost recovery for bearing expenses and cost sharing for capital expenditure are the best combination.

Sometimes the development expenditure can be funded by university's past surplus.

Similarly, the Dean of School of Arts added, *“Now cost recovery, what is it. At present fee is collected from students. We are not getting any subsidy for student’s education”* (Field Note, September 19, 2012). It should be mixed funding so that public ownership is created. But KU is getting very less support from the state in student facility matters.

If this is the situation, why should the state make investment in KU?

Universities not only need to be effective in teaching and in widening participation, they should also be efficient to operate in a manner with makes the best use of their resources (Pursglove & Simpson, 2007, p. 103). Regarding the inappropriate provision for student’s scholarship, a president of student’s welfare council criticized:

*Students do pay fees. There are fewer schemes for scholarship at KU. We have been demanding at least 10 per cent scholarships. With KU, we had*

*made an understanding about 10 per cent scholarship but it has never ever been implemented.* (Field Note, October 7, 2012)

Some of the programs may not be much popular but are so much important from the national need like culture, history, political science, etc. There may not be more students. The university should not think from the profit point of view all the time. The Dean of School of Engineering emphasized and commented, “*Definitely KU has been running at cost recovery. Otherwise, our performance will be questionable*” (Field Note, September 25, 2012). However, cost recovery does not mean that university should be a profit making institution. University should think from the practical, social and national importance angles for upgrading the current financial situation. Another dean of School of Science agreed on the principle of cost recovery and stated that, “*Yes, KU is running as per the cost recovery principle*” (Field Note, September 25, 2012).

No university should be allowed to charge unnecessary cost to students in the name of cost recovery principle. As a consequence of the demand, more managerial modes of Operation University have to introduce result oriented management control system (Mir & Rahaman, 2003, p. 299). Fixing a real charge at university is not a simple job.

The educationist and senior visiting professor suggested similarly. According to him,

*It is hard to balance. We need to look from two points of view. On the one hand, education cost is expensive every day. The university has to pay more for new technology and better manpower. On the other hand, students are pressing forward for cost reduction.* (Field Note, September 15, 2012)



It would also appear that a proven track record is considered more important than familiarities with the university structures, governance and operation (O'Meara & Petzall, 2007, p. 221). In cognizance of the significance of cost recovery principle, the former secretary of MoE suggested that, *“If cost recovery is not, how KU operates. It is one of the financially self reliant institutions. Cost recovery is the main foundation. Financial support to some schools is required but not forever”* (Field Note, September 14, 2012). In the initial stage, programs may need financial support. Gradually they may develop income generating capacity. So, KU is not moving towards a destination of necessary cost recovery position without making injustice to the society. Given the nature of change, the issue of university education is even more critical (Roberg & Bonn, 2004). The cost efficiency can be considered as one of the important mechanisms for cost recovery in the university. The registrar and member of executive council noted, *“KU has no loss till now. It has been operating at cost recovery. Unnecessary expenses are under control. The saving is used for scholarship purpose while surplus is used for school development and teachers or staff welfare”* (Field Note, September 25, 2012). Not having a loss is not the indicator of cost recovery efficiency.

### **Learning From Cross Cases**

Both universities need to introduce a robust management policy in financial and planning areas (Field Note, September 13, 2012). It is found that improvement in financial management can make some positive changes in the financial condition of TU and KU. There is an immediate need of the university authority to make an analysis of the requirement and budget since there is a huge gap between university plan and budget. The study analyzed that for better financial condition of the university, such gap is to be narrowed down. At the same time universities require

making a budget that is required and possible to implement (Hall, 2010). It is learnt that while making a resource plan, the planner should focus on the target. So, in each area of budgeting and planning, the target is to be set so that evaluation can be done effectively.

### **Budgeting and Planning**

Budgeting, planning and implementation need more reform in both the universities due to the lack of a formal monitoring and evaluation mechanism (Field Note, October 5, 2012). KU has a systematic budgeting and planning procedure because it is operating in a more professional way. But in TU, there is an external intervention in each sector and due to lack of leadership skill, financial administration aspects are badly affected. Reasons for not having a classified budget at TU are the matters related with financial professionalism (Field Note, September 19, 2012). TU is too big in size and KU is a tiny university. So, the size of budget may differ but budgeting procedure is a little bit complex in TU. One of the reasons for this situation is that TU is almost fully relying on the state funding and it has to wait for the government budget each year. But in KU, just 10 per cent budget is given by the state, so it can make a plan independently.

Traditional techniques are used in financial administration due to lack of having a fully computerized system (Sharkey 2008). The use of IT is less so still manual accounting system is in practice. Therefore, in terms of budgeting and planning, both institutions are in slow progress. Since both universities are engaged in operational matter, mainly internal resource plan is made (Field Note, October 7, 2012). But in this stage, outside revenue projection gives a clearer picture. The present financial condition of TU is caused by not having a proper management strategy. There is an external intervention in the day to day administration and

decision making process. But KU is moving ahead in this sector due to slightly improved and robust financial management. Proper financial performance is based on financial governance (World Bank, 2010). For governance especially in both institutions leadership skill is very important. Leadership needs to be capable and competent. Incompetent officials can do little for the betterment rather than more harm in every aspect of financial administration (Field Note, September 15, 2012). Comparatively both universities are struggling still for running programs based on market demand. With the sixty years of effort, TU is limited to operate but very little progress has been made in the field of research and development. KU as a teenager is also engaged in operating rather than in research and innovation. So, both universities are required to make a shift from teaching to research sector. But in the matter of budgeting and planning, TU as a big institution is heavily dependent on government funding facing so many complications and restrictions from outside. However, KU as an independent and less state funded institution is performing better because there is little external intervention. But budget preparation is not the final work of financial administration; implementation is more important (Johnstone, 2007). Both institutions are facing some difficulties in implementation aspect. Budget implementation strategies are not pre-determined. So due to the lack of monitoring and evaluation mechanism, expected outcome is not achieved. As concerned with financial transparency, KU and TU both have to put more extra effort so that public faith can be secured.

### **Financial Reform**

Psychologically, public perceptions towards TU and KU with regard to fee structure are totally opposite (Field Note, September 5, 2012). The fee structure of TU is nominal due to a huge state funding whereas in the case of KU, it is exactly

opposite due to less state financial support. Self reliant institutions charge relatively higher fee than the state funded university (Mazzarol, 2008). Centralized accounting and financing system does not solve the problem of the universities because both are expanding in different respects. Centralized system in KU and decentralized system in TU are seen in practice due to the size of the institution (Field Note, August 21, 2012). KU schools and institutions are situated in limited locality but TU is scattered in a very large geographical area. So, centralization of accounting is not possible. Overstaffing situation in TU is caused by a bureaucratic structure and political influence. But it is normal in KU because there seems to be no politics in the day to day affairs. Idle time is another biggest issue created due to not having monitoring system (Comm & Mathaisel, 2008). In this regard, TU fails to prepare consolidated financial and income statements because of the lack of initiation and corrective actions.

Comparatively, KU is adopting more centralized financing policy and TU has been moving towards decentralization (Field Note, August 30, 2012). As compared to TU, KU has been using more banking transaction. Still in TU, cash payment and collection system are in practice. It is an outdated mode and they are not yet able to replace it with the online system. Both universities are lagging behind in scheduling and system design due to less attention to innovative projects. Just operation and conducting academic activities have become the day to day functions. Not much attention in demand driven programs has been paid in both the universities.

### **Cost Recovery**

The main reason of different levels of fee structure is the state funding trend (Saginova, 2008). TU is getting a huge amount of operational grants so it charges less to student. But the same situation is not there in KU. The reason behind high cost

recovery in KU is self realization for covering the cost because there is no other way. But the state is making total operating cost funding for TU, thus TU has no such self realization for making efforts in fund generation (Field Note, August 24, 2012). There is not the same cost recovery situation in different programs because some programs are not demand driven and some are demand driven. Modern and skill oriented technical programs generate more revenue but other general programs earn less (Manyaga, 2008, p.165). So, the reason behind different recovery rate is the importance of the program. The extent of cost recovery must be fixed. The cent percent cost recovery from students is a wrong concept. How the state being a largest beneficiary of the university education can escape from funding responsibility. So, a scientific recovery rate is to be decided in the programs. Lesser the cost recovery, higher the state involvement in the university education is another reality (Dickson, Solomon, & Weaver, 2008).

Comparatively TU has more traditional programs, so its cost recovery position is very restricted than that of KU. Market oriented or demand driven program are introduced in KU, so the cost recovery rate has quite improved. TU campuses are not regularly paying its annual affiliation fee to the centre but in KU it is not as a big problem (Field Note, August 26, 2012). The government policy towards university is also responsible for cost recovery issue. The state assumes that TU is a national university and higher education to economically weak section of the society should be reached through it. But the government perception towards KU is that it is a self reliant university; that is why, morale support of the state is enough rather than financial support (Field Note, September 5, 2012).

## Summary

Financial administration is one of the main pillars of financial sustainability in higher education of Nepal. Achieving cost recovery goal and maintaining cost consciousness is the most relevant issues in university education sector. Thus the challenges for state and university are to maintain financial discipline and cost control for solving vital financial problems faced by the universities. University authority and the state both are having hard time to fix a comprehensive budget and financial plans to forecast universities' financial need to enhance higher education service in the society for the overall development of Nepal.

This goal is not possible unless decentralized financial administration is established with the units of university's central administration. Financial autonomy through decentralization among the different units of academic structure may not disintegrate the total university system. However, it assists to achieve a goal of self sustainability in the long run. There may be different contradictory responses and opinions about the decentralization in financial decision making process, but without it, the mission of university reaching the final destination of self sufficiency situation will remain just a dream. Therefore, the main objective of this chapter is to disclose the significance of cost efficiency in financial administration mechanism to develop university a center for sound financial base in the process of enhancing quality higher education to those who are capable to absorb and contribute to the national development. To explore the reality of a sound financial administration, I mainly used research participants' perceptions and relevant documents, publications and reports to receive necessary data and information.

Apart from this, the financial administration is associated with a systematic budgeting and planning for estimating university financial need to run and expand the

programs in several dimensions to address the hunger of higher education in all the sectors of the society. Besides, former university executive and policy maker's role is also decisive in making the university self reliant. So I made an interaction with them regarding the better financial administration. Similarly, I focused on comprehensive resource plan, overhead management, cost consciousness, cost recovery, financial decentralization and a scientific budgeting to achieve a goal of sustainability. So, I agreed to emphasize mainly the waste control, coordination, overstaffing, quality concern, cost acceleration, resource sharing cost stagnant and financial reform. The qualitative progress rather than quantitative is more vital to achieve self reliance in course of financial administration in the university education in Nepal. Therefore, I used teacher staff ratio (TSR), and student teacher ratio (STR) as indicators during the process of evaluating financial sustainability. I finally linked various prominent theories and principles to support the reliability of responses of research participants.

## CHAPTER VI

## RESOURCE MANAGEMENT

Internal fund mobilization is a crucial factor in running the higher educational institution, without it the university cannot run in a sustainable way (CEDA, 2007). In the Nepalese context, the status of internal fund mobilization is poor in universities. However, in the interest of accountability, it is suggested that the universities needed to be more explicit and transparent in specifying system for monitoring and controlling resources management (Harvey, 2005, p. 267).

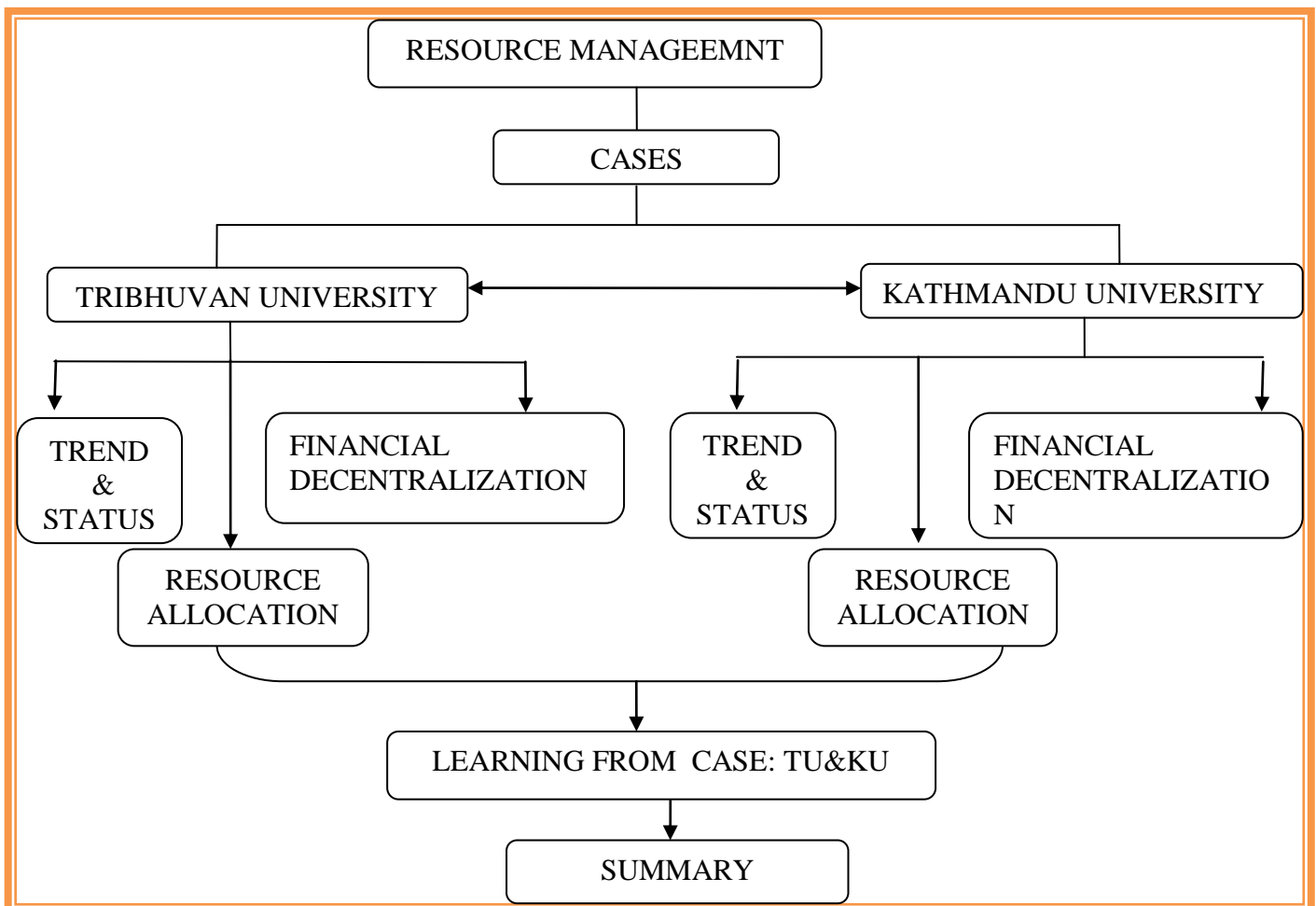


Figure 22. Chapter VI outline.



### **Tribhuvan University**

University human resources are not properly utilized in other sectors such as research, consultancy and project work. Traditional use of workforce just in teaching could not sustain the university. As university enrollment is increasing, but the funding is seen in the decreasing trend shows that the mismatch is a big issue to address.

#### **Trend and Status**

Financial soundness of the university depends upon the proper utilization of all three resources: financial, human and physical. University has to bear the cost of underutilized or unutilized resources which may cause further damaging effect on the financial condition in the long run.

The member of public account committee, one of the research participants, confirmed the decreasing trend of state funding despite increasing demand of higher education. He said, *“Except in teaching, there is no mobilization of manpower. TU size is increased but funding is in decreasing trend. Yes, resource allocation and mobilization are done but I feel it is very negligible”* (Field Note, September 5, 2012).

University has to implement a detailed process of approval for offshore ventures which involves the development of scoping documents that sets out the parameters of the projects, a business plan, financial projections, and detailed risk analysis (Shanahan & McParlane, 2005, p. 225).

The senior director of CEDA agreed that university has a lack of updated record of internal resources which is so much important for financial self sufficiency. However, he also observed, *“TU has been practicing historical financial data based system of resource allocation. It has no updated record of human, physical and financial resources”* (Field Note, August 21, 2012). The ability for making best

possible utilization of resources has a particular significance in higher education (Wankel & Wankel, 2011, p. 110).

There is a question mark on the utilization of human and physical resource of the university. While talking about the phasing out of the intermediate program, where has that manpower gone now? Therefore, a research participant from centre office, an account controller, observed *“There is no proper utilization of human and physical resources. In case of HR, where has the manpower gone after intermediate program phase out? In the age of computer, there is a need of total modification in human resource”* (Field Note, August 24, 2012). People in charge of sustainability in higher education institutions often complain about the significant portion of the university resources which are underutilized (Velazquez, Munguia, & Sanchez, 2005, p. 385). There is no updated record of physical property in the university. Nobody knows about the actual amount of land, building or any other physical property. Timely maintenance and revaluation of fixed assets is also not done. So, property accounting is in a very weak situation. In this context, the professor of management stated, *“In human resource, TU is richest across the country but the financial resource shortage is high. Physical resources are not properly developed. It is in the process of decentralization autonomy”* (Field Note, September 5, 2012).

The president of national level student organization expressed his views blaming university management for poor handling of the resource utilization. According to him,

*The resources of the university are not mobilized and utilized properly. From the human resource perspective, teachers, staffs and executives to financial resources and physical property are not mobilized. There is an immediate need of level phase out of teachers and staff.* (Field Note, August 29, 2012)

Across the globe, higher education is a heavily regulated industry which remains under tight supervision (Schierenbeck, 2012, p.165). The university has enormous amount of resources. With this reality, UGC administrative officer felt a need of resource management for proper utilization to strengthen the financial condition of the university.

He further added, *“I have not studied on it. It has enough resource but not properly utilized. With regard to HR, it has top manpower in Nepal. But it is excessively worked outside the university”* (Field Note, August 31, 2012). Manpower is more engaged in outside work than university activities. Each authority hires more staff which has become the reason for overstaffing now at a very terrible level.

In some instances, decentralization may involve shifting responsibility for producing materials and educational service to privately owned or controlled enterprise (Ikoya & Ikoya, 2005, p. 504). However, a coordinator of the research division at the centre office argued that capability driven approach than political inclination approach should be adopted in designing the human resource structure. He commented:

*We have to remove the overstaffing and reduce overhead cost. Professors’ salary is not to be discussed as a political issue in the campus premises. They are high sounding academic figures. As per my knowledge, more than 30 per cent manpower should be reduced to save TU.* (Field Note, August 27, 2012)

The problem of overstaffing in TU is severe. The overstaffing can be controlled by applying voluntary retirement system or by the way of golden hand shake program. For such retirement program, the university could get financial assistance from World Bank and other international donor agencies.

In this situation, the campus chief of deputy exam controller expressed his dissatisfaction with the present resource mobilization status. He asserted:

*At present, TU has enough manpower but not used properly. Despite having efficient manpower, the research work is not fine yet. There is no budget allocation for the research. Budget is given only for salary and allowance but not for research activities.* (Field Note, August 29, 2012)

The university has failed to make a commercial use of land and academic use of human capital. State funding without making a need assessment is another fault. Without a comprehensive resource plan, smaller colleges and universities may be unable to successfully recover from the major financial disasters (Schloss & Cragg, 2012, p. 242). It is an exceptional case in university education. The proper basis for staff appointment should be competency rather non academic criteria. On this, a former VC made a strong point and said:

*Physical resources are used very less. Due to political pressure there is carelessness in recruitment of staff. Without any resource plan, staff members are admitted. I found in my study that in the placement of five, there are 15 staff members.* (Field Note, August 26, 2012)

Voluntary retirement scheme should be adopted to replace an existing traditional manpower. The philosophical and ideological foundation of higher education theory and policy has been as powerful as political environment in shaping the system with the help of higher education management for appropriate resource management (Huisman & Pausits, 2010). A member of university senate concurred to this remark and stressed that,

*There is a huge quantity of manpower which is highly reputed even in abroad universities. But they are not properly utilized. Research is necessary in this*

*matter. With the quarter facility provided, they don't work much for university.*

*They are taking very few classes only.* (Field Note, August 29, 2012)

No retirement policy has been introduced to discourage the trust deficit in day to day administration work. A research participant, treasurer of TU Teachers' Association, offered a supporting statement to this argument. He noted that, *“There is no proper utilization and mobilization of three resources — human, financial and physical. If resources are utilized in a productive way, there is enough potential of financial sustainability”* (Field Note, August 29, 2012). It is not fair to blame teachers only. In some colleges, there is no space to locate computers to conduct research and other works. Strategic actions relate to sustainability question that every institution of higher education faces under much tighter financial constraints both in their source of revenue and in their freedom to spend it (Comm & Mathaisel, 2005, p. 27).

The former chairman of UGC made a strong point regarding the need of multiple sources of revenue saying:

*When we look at the funding process of the world class universities, single source of income does not give strong support. Universities having multiple sources of income are performing better. Income sources diversification is an established general tradition of a strong university.* (Field Note, August 30, 2012)

Universities may get industrial support to programs because users of the university product are business communities too. Students fees can be used for operation purpose and other sources can be utilized for development purpose.

### **Resource Allocation**

University resource should be distributed among different competing programs in a scientific way to secure the expected benefit. University has to assign

available resources in such a way that optimum economic benefit can be achieved.

The growing impact of globalization in higher education has unquestionably drawn a number of people to believe that here are many aspects of resource allocation that goes beyond the control of university mission (Mok, 2003, p. 413). The member of Public Account Committee confirmed the declining resource allocation trend with his observation. He said:

*It has become very late to think about it. If it continues, there will be the question of existence of TU. In 10 years from now, TU will be in the level of Durbar High School. We need to run a "Save the TU" campaign for further funding. TU is surviving due to technical and medical institutes. (Field Note, September 5, 2012)*

University can survive by existing conventional programs. These are to be replaced by demand driven programs which can sell the products at a good price. The senior CEDA director agreed that existing conventional programs are to be modified to offer market driven programs for what the younger generation are going abroad. According to him, *"TU has to introduce demanding programs as per the need of the market. Fee structure should be revised so that economic condition of TU could improve"* (Field Note, August 21, 2012). In TU, it is observed that the fee structure is not revised timely. Fee structure in general course is not much attractive so financial problem always appears. The government's widening participation to encourage resources allocation to participate in higher education is highly relevant to students from lower socio- economic group (Brown & Berry, 2005, p. 271).

The fund for the research project is not enough, it is too negligible. Therefore, a research participant, an account controller, observed that:

*As a financial support, the government gives just salary expenditures. Now we have Rs four billion annual budget out of which Rs 3.16 billion is funded from the government. All government grants are paid for salary expenditures.*

*Internal resource mobilization is done for research funding, educational equipment and materials. We have no substantial funding for research. Even TU has fund problem to buy chalk and duster. (Field Note, August 24, 2012)*

Irregularities as well as financial mismanagement are mounting in a terrible rate each year. Basically, in the urban area idle land can be given on rent to business houses which can make a financial support to the university.

Resource allocation policy will ultimately advance higher education institutional missions and aspiration working best when aligned with the other elements (Toma, 2010, p. 136). Therefore, if appropriate allocation of available resource is not made, the productivity will not be as much as expected. In this regard, the professor of management stated, *“TU is certainly the richest institution across the country in terms of resources. As an autonomous institution, its property can't be used by others, not even by the government's decision. Road side land could be used for commercial purpose”* (Field Note, September 5, 2012). He indicated that the commercial use of physical property is also one of the most effective ways towards sustainability. At the same time, university has to think about the waste control mechanism.

So, diversified or multiple use of available resources can make the university financially more sound in the long run. The research division official stated his views emphasizing the use of human capital in the innovative sector. He stated, *“Use of human resource should be in the more innovative sector. Globally sellable products*

*should be lunched. Teaching, research and development have to be forwarded simultaneously”* (Field Note, August 27, 2012).

A university should produce competent products which are globally sellable. Collaborative work in resource allocation matters provides a setting for flexibility and innovation so that students having a learning experience meet their needs (Parry, Blackie, & Thompson, 2007, p. 85). However, the former VC argued that leasing out physical property needs more initiation to create a systematic environment for better resource allocation. According to him,

*Lease out policy is the best way of optimum resources mobilization. Like centrally located land at Jamal could be given on lease to business people. George Washington University also gave its land building on the lease to World Bank. Stanford University invested surplus money in diamond mine in South Africa.* (Field Note, August 26, 2012)

So, idle money kept in fixed deposit accounts can earn more financial benefits. Quality in higher education, in various guises, is often referred to in terms of: efficiency, high standard, excellence, efficiency and value for money which can be gained through scientific resource allocation (Watty, 2005, p. 122). The director of University Division in the Office of Auditor General seemed disappointed with the present resource allocation efforts. According to him, *“Maximum effort is essential for making optimum utilization of resources”* (Field Note, September 24, 2012).

First of all university has to prepare the resource database in a very comprehensive way. For the development of resource plan in an extended form, firm determination of leadership is essential. On this, a former president of TU Teachers Association made a strong argument and described *“Planning and broad discussion on possibilities of resource utilization are to be made. Proper record of idle physical,*



*human and financial resources must be made*” (Field Note, August 31, 2012). An extensive dialogue is required for making a discussion on a broader study for the potentiality of resources allocation.

There is an increased internationally recognized need for sustainable development to be embraced within the higher education industry (Price, 2005, p. 162). Traditional use of human resources in teaching is not sufficient. A treasurer of TU Teachers Association and a professor of management concurred to this remark, who said, *“Human resources should be used not only in teaching but in research also. Proper utilization of liquidity and resource management at present is essential”* (Field Note, August 29, 2012).

A senior professor should be given a class so that student may get more benefits academically. A research participant provided a supporting statement to these arguments. The former chairman of UGC noted,

*Need of new programs is realized. University is not only for teaching, but research work has to be operated simultaneously. Factors for human resources utilization are to be analyzed. Compulsory class to professors should be assigned to upgrade the quality.* (Field Note, August 30, 2012)

The goal of university is not only having a proper utilization but making an optimum allocation as well. Job design of administrative staffs and work load arrangement of teaching faculties should be made in a scientific way. Unless a scientific job design is done, the objective of resource allocation will remain in the vision which can never be reflected in practice.

### **Financial Decentralization**

In principle, financial decentralization is an established tradition in the university, but it is very rarely found in practice. Financial decentralization is the

integral part of total resource management which is essential for increasing internal resource utilization efficiency. It may seem surprising that university staff working at professional level would express such a strong need for development as researchers in the area of higher education have shown (Chievers, 2007).

According to a member of public account committee, it is confirmed that decentralization with financial decision making power is essential for campuses. He further added: *“Decentralization brings a culture of independent mobilization of resource by campuses. However, decentralization is not working effectively. Constituent campuses should ask to the centre even to hire a peon”* (Field Note, September 5, 2012). Decentralization does not mean that each campus should bear the cost or expenses of a program. Really decentralization is not found in practice. No financial freedom in decision making process is enjoyed by the university campuses and schools. Holding a degree in higher education has never been of more personal, social, or financial significance that it is today (Smart, 2010, p.185).

A senior CEDA director agreed that there has been a weak implementation process of decentralization that affects the resource mobilization procedure. The proper implementation of decentralization process in universities and campuses need a commitment of financial administration. He stated: *“It is not in practice in TU. Even constituent campuses are not free to make major financial decisions. The central accounting system maintains the total control over financial affair of campuses”* (Field Note, August 21, 2012).

A frequent reporting system is in decentralization and time to time, a progress report evaluation and feedback should be collected. Unfortunately, it is not really happening in practice. Therefore, the Chief Account Controller observed *“In 1997, TU passed decentralization act on the experimental basis. It was practiced but could*

*not give an expected result and did not work properly*” (Field Note, August 24, 2012). However, decentralization process in university is in early stage so it is necessary to take more patience to see its maturity. The management awareness of the pitfalls of uncoordinated supports has led to the introduction of framework agreement between agencies and the university rather than with individual department or institutes (Cooksey, Mkude, & Levey, 2003, p. 33).

The aim of university is financial sustainability through decentralization and a complete autonomy. The chief of a public administration campus concurred to this remark when he said, *“Autonomy through decentralization is the ultimate goal. University has made a plan for financial decentralization. Decision making power is centralized at present that won’t allow constituent campuses to exercise autonomy”* (Field Note, September 3, 2012).

A finance director, however, expressed his dissatisfaction towards the unplanned decentralization and informed: *“Here is no practice of financial decentralization. But we need centralized financial administration. There will be monopoly of constituent campuses under decentralization”* (Field Note, August 26, 2012).

Nowadays, higher education institutions face important challenges such as expansion of system, necessity of responding to diverse social demands, increment of educational spending, and the need to adapt to the new age of information and knowledge (Mora, Leal, & Roldan, 2006, p. 141). In this context, a professor of management stated: *“It is needed but not for monopoly. Decentralization may be helpful to control the existing financial indiscipline. The feeling of ownership will be created in the mind of management”* (Field Note, September 5, 2012).

Postgraduate certificate programs are a quick way to immediately enhance the earning potential (Finkelstein, 2000, p. 146). But why this trend is established is due to a trust deficit. Definitely, a proper financial decentralization practice reduces the chance of misappropriation of resources. University is operating under a bureaucratic administrative model so the need of a professional resource management structure has become too late to introduce. The president of a student organization stated his views blaming the present administrative structure for being incapable of making proper resource management. According to him,

*Transparency mechanism is required at every level of financial activities. Yes, autonomy is very rare and the concept is not clear here. Financial freedom for revenue collection and making expenses is essential. However, autonomy in functioning doesn't mean the space for political smell in decision making.*

(Field Note, August 29, 2012)

Universities and colleges of higher education became actively involved in improving educational decision making and raising the aspiration levels of those from lower economic background (Greenbank, 2006, p. 250). Unless a complete decentralized atmosphere is created, just a slogan does not make any progress. With this reality, a senior administration official felt the need of decentralization for resource management. He further added, *"It is necessary everywhere, not only in TU. Decentralization may reduce the administrative barriers. Decentralization with monitoring and supervision could generate more financial efficiency"* (Field Note, August 31, 2012).

The chief of a constituent campus urged that decentralization should be in practice not only in principle, but in making progress in the resource management. According to him, *"TU can't handle 62 constituent campuses and four research*

*centers. On the basis of nature, there are different campuses. Financial decentralization may support university to sustain in the long run”* (Field Note, August 29, 2012).

A complete guideline and implementation policy for centralization is to be made first. A senior research division official seemed to be disappointed with the direct decentralization practice of the university campuses in Nepal. According to him, *“There should not be decentralization. If I were an authority, I would centralize all financial resources first. First of all, the state needs to focus on centralization then only decentralization. If you decentralize now, the present system will be collapsed”* (Field Note, August 27, 2012). First of all, the whole financial affairs should be centralized to establish a sound basis for monitoring, evaluation and transparency. And in the next phase, a decentralization practice should be started to introduce a scientific resource management. He further suggested a framework for system development as:



Figure 23. System development (Source: Field Note, August 27, 2012).

Core business processes of higher education institutions are divided into six main processes which are: product development, marketing, registrar activities, teaching learning, assessment and evaluation (Sohail, Daud, & Rajadurai, 2006, p. 283). There is more frustration in resource management sector due to the lack of complete accountability. Another research participant, the former VC, expressed similar views.

*Yes, it is necessary, I support it. I did a lot on decentralization of the campuses. Unspent budget amount was to be sent to the centre. I managed to keep such amount with the decentralized campuses. It helps to control the unnecessary expenses for finishing unspent budget before the end of current fiscal year. (Field Note, August 26, 2012)*

Decentralized campuses are operating research and consultancy task to collect additional revenue. Revenue collection and disbursement freedom is given under a decentralization practice. Thus campus is free in financial functioning to make better resource management since higher education is a knowledge industry (Martinez & Wolverson, 2009, p. 141).

In the case of Nepal, a clear policy guideline is not prepared yet. On this, a director of the Office of Auditor General made a strong point when he said: *“It is a major part of financial sustainability. Either centralized or decentralized financial system is adopted, without having a good policy no improvement can be made. A capable leadership with competency is the present need”* (Field Note, September 24, 2012). The need of a university is the policy guideline. And policy guideline cannot be made without a competent leadership with a clear vision.

However, a complete decentralization leading to the autonomy process is not much beneficial at the present context of Nepal. The treasurer of TU Teachers Association noted: *“Not complete autonomy. Semi autonomy for revenue collection and making expenditure is the best option. Financial decision making authority is required. Asking to center all the time delays important decisions”* (Field Note, August 29, 2012). So a real decentralization can improve present financial condition of a university. Higher education has faced the problem of budget cut or constraint budget, so managing the process of higher education system is a crucial and urgent

task for the decision makers of university in order to improve their performance or competitiveness (Ho, Dey, & Higson, 2006, p. 319). As an autonomous academic institution, due to the complexity in work culture, decentralization is the only way to operate. The former chairman of UGC made a strong point regarding the need of real decentralization in the interview saying: *“In fact, TU is a big institution and the concept of decentralization has been introduced to manage this massive sized institution. Autonomy is also started for proper handling”* (Field Note, August 30, 2012). Still external intervention in the decentralized campus is more. To some extent, decentralized campuses and autonomous institutions are exercising financial decision making power. Freedom in financial functioning gives university a further progress.

### **Kathmandu University**

KU is making an effort towards utilizing the resources in academic sector so that service charge can be taken to support financial condition. It is important to reduce the misuse or idle payment in resource mobilization mission. Mobilization of physical property is very much important for the expansion of programs.

### **Trends and Status**

For the best utilization of physical property strong commitment of the university authority is necessary. On this issue, a senior administration official put a strong point and said *“As much as possible, we are trying to mobilize available resources. Utilization of physical resources is needed for program expansion. As concerned to human resources, we try to avoid misuse or idle labor. Because it is a self funded university”* (Field Note, September 27, 2012). So, there is a culture of resource sharing. Resource mobilization status at the initial time of university was satisfactory but now there is a gradual decline.

The economist, one of the research participants, provided supporting statement to this argument and noted that, *“It was fine in the beginning. But now as per the audit report, it has been gradually weak”* (Field Note, September 16, 2012). In the recent days, university resource mobilization part is not much encouraging. In order to ensure an equitable, sustainable and productive higher education system that will contribute to the social, economic and intellectual development of the nation, a range of new regulatory framework policy and provision for resource allocation are required for implementation by higher education institutions (Kistan, 2005, p. 243).

So, a very big amount of financial resource is mobilized in the development of physical infrastructure. The former dean of School of Management shared the example of allocation of financial resources in infrastructure development of university. According to him, *“KU has made more investment in construction. In the initial phase, more investment in capital expenditure has been made. However, internal transparency is maintained”* (Field Note, September 13, 2012). It indicates that the university has maintained the financial transparency while constructing its buildings.

Resource allocation cannot be done freely without having a financial decision making power. The dean of School of Management appreciated the resource sharing practice and remarked, *“There is lack of financial autonomy and accountability in each unit (school). So KU is not operating with the highest level of efficiency. Physical resource is used at the maximum as KUSOM building is shared by three schools”* (Field Note, October 5, 2012). KUSOM building is fully utilized from early in the morning to late evening by different schools. Many universities have research units but their focus tends to be on providing data to meet accountability requirement



but rarely includes an assessment of resources distribution effectiveness (Tony & Sangra, 2011, p. 136).

Without having a resource map or a complete plan, it is very difficult to say about the extent of resource utilization. The dean of School of Arts observed, *“It is very well. What is our optimal planning or goal for what we need to use resources? We have to use resources for teaching, research, physical facility development”* (Field Note, September 19, 2012).

But the human resource is busy and fully engaged in their concerned jobs. Economic recession and trend towards globalization have also influenced the resource distribution status, which has an inherent relationship with the higher education system (Nguyen, Yoshinari, & Shigeji, 2005, p. 204). The president of Student Welfare Council said, *“The University has utilized human resources properly but about the financial resources, it is heard that unnecessary construction and infrastructure development has been done”* (Field Note, October 7, 2012).

This happens because of not having a proper resource map. So, modernization of resource mobilization procedure has come to the right phase. According to the dean of School of Engineering, *“Till now we claim that we are using physical resources in the optimum level along with human resource in a greater extent in the productive sector”* (Field Note, September 25, 2012).

There is no technology bullet to solve the problems with which higher education is more grappling, such as shrinking funding from the public purse, the need to teach more with less resource mobilization with the responsiveness of traditional universities (Wood, Tapsall, & Soutar, 2005, p. 430). So any serious gap in resource distribution part can be easily located. However, a satisfactory level of resource utilization has been maintained till now. The same voice was raised by the

dean of School of Science who further added, *“In resource allocation and mobilization, we have here the best practice. Resources are in proper use rarely only one-two percent resources are idle not much than that. We try to use maximum physical resources”* (Field Note, September 25, 2012).

However, research and innovation part is severely lacking. The educationist commented regarding lack of research work and expressed, *“School of Education is running in the KUSOM building. Physical facilities are shared such as classes, lab, and library, et cetera. Education is gradually grooming”* (Field Note, September 15, 2012). University has not maintained any good ranking in the world due to the lack of research culture. No any research tradition has been established yet.

So, in this respect a finance controller added, *“It is fine. No idle resource is recognized. KU has limited resources of which financial resources are kept in fixed and saving accounts. There is low return”* (Field Note, September 9, 2012).

University has limited amount of resources, therefore there is resource constraint. Indeed the globalization of higher education will probably increase pressure for effective and reliable resource mobilization procedure which provides indicators of quality and standard in higher education (Bloxham & Boyd, 2007, p. 158).

The highest level authority is responsible for generating funds for the university development project. Student’s money is utilized for the operational expenses and state funding is used for regular maintenance of the physical property. Commenting on the present resource mobilization, the Registrar remarked, *“We prepare manpower plan according to the program or department. The total allocated posts are not yet fulfilled. So, there is no overstaffing and budget is given as per the allocated posts”* (Field Note, September 25, 2012). As a national institution, university should use the resources as much as possible for the benefit of all. Being a

non-state funded national university, the resource mobilization is very much essential so that it can gain more from financial point of view.

### **Resource Allocation**

The present resource allocation effort is not sufficient. Better financial condition of university can be achieved by making a better resource allocation. An economist and senior visiting professor added,

*There is a need of special effort. In education enterprises, the main targets are students and teachers. Upgrading facility and optimum use of resource create better financial condition. Use of modern technology does support to have optimum utilization of resources.* (Field Note, September 16, 2012)

Both resource evaluation and allocation would be carried out in the light of the departmental and university plan, which in turn would pay attention to the levels of student's satisfactions and achievements (Anderson, Briggs, & Burton, 2001, p. 46). As per the need of a university, available resources are to be utilized in the optimum level. Regarding the optimum allocation of resources, a former dean of School of Management criticized the insufficient present efforts and said, *"Yes, here is optimum possible utilization of all resources. But present university initiation is not enough"* (Field Note, September 13, 2012).

Financial health of a university depends on a scientific and systematic distribution of resources among various competing programs. The dean of School of Management emphasized and expressed his views: *"First of all there should be a good financial management system. With the help of financial decentralization and autonomy, optimum utilization of resource could be achieved. However, accountability should be created in the financial administration sector"* (Field Note, October 5, 2012).

A senior university administration official agreed with the statement and said: *“Schools are autonomous in making procurement decision. Just the payment is made from the centre since cost control is very essential”* (Field Note, September 27, 2012). Historically, there have been few legal regulations focused on resource efficiency measures and so more measures have to be implanted for the resource allocation (Price, 2005, p. 163). It is very easy to talk about the optimum allocation of resources. But without having a comprehensive resource plan, it is not possible. Thus, for the best allocation of resources, it needs the best financial plan which can address the real problem. The Dean of Schools of Arts also suggested: *“For optimum utilization of resource we need optimum plan. Such plan has not yet been prepared”* (Field Note, September 19, 2012). But a complete goal achievement needs more patience and further exercise. The Dean of School of Engineering suggested enacting a strategic plan for making a scientific allocation of university resources. *“You know that optimum utilization of resource is an ongoing process. The concept of optimum allocation is wrong. It’s a long term practice. Every year, regular review is required in utilization of human and physical resources”* (Field Note, September 25, 2012).

Universities are forced to investigate new means to revamp the educational process utilizing the resource and technologies (Babo & Azevedo, 2011, p. 117) since the universities are facing resource constraints. Moreover, there are not enough financial resources for additional program expansion project. University is not a private limited company. It is operating as per the University Act. There is a financial administration procedure in each act. KU is fully adopting its guidelines in the resources distribution aspect. A finance controller noted, *“KU is operating as per the special university Act 1991. It is not financially weak. There are sustainable conditions”* (Field Note, September 9, 2012).

Until the higher education sectors develop a way of measuring institutional contributions to students' learning, it will be difficult to properly assess the resource utilization (Comm & Mathaisel, 2005, p. 135). Reacting to the tradition of resource sharing among different schools, the President of Student's Welfare Council remarked: *"Sharing building, lab and library by three schools at Balkumari is a very positive matter. But at some points, that may create inconvenience to students and hamper acquiring expected academic benefits"* (Field Note, October 7, 2012).

The former secretary of MOE rightly put the issue of optimum utilization of resources in the following statement: *"As a self reliant institution, KU has been making the best utilization of limited resources. It should take care of resource allocation and mobilization"* (Field Note, September 14, 2012). The only way to a self reliant institution is the best composition of resource distribution. Otherwise, resource arrangement will be impossible to operate an institution. But in the name of so called cost efficiency, there should not be any negotiation in the quality, relevancy and competency in the university education. The public accountability should increase as public funding decreases; it could be seen as a paradox (Fraser, 2005, p. 8). The Registrar and member of University Executive Council said: *"Take our case, me and even VC are not using revolving chair in the office. However, new younger generation teachers and staff need revolving chairs"* (Field Note, September 25, 2012). An official in the university should not be luxurious in physical facilities but should be more laborious in institutional benefits since a university is not a manufacturing industry or a commercial bank where work culture is business oriented.

### **Financial Decentralization**

At present, the schools are doing financial activities as per their own judgment in an independent way. To some extent, university's constituent campuses and schools

are exercising decentralized financial procedures. Revenue collection and procurement decisions are made at the school level in an independent way. Self financial decision making practice is a must to make university financially sound. A chief administrative official stated that, *“We claim that schools are practicing financial decentralization to some extent. Schools are conducting independent projects. However, regular budget is centralized”* (Field Note, September 27, 2012). Schools are conducting projects independently to strengthen economic condition and manpower skills.

However, budgeting is totally centralized in the university. This is supported by the economist who said: *“Decentralization reduces the financial dependency. It encourages the feeling of “earn and eat”* (Field Note, September 16, 2012). A psychological feeling of self reliance can be created with the help of decentralization. Since the universities and university colleges differed in their development and tradition, it might be expected that decision making among their managers would also differ (Meek, Santiago, & Carvalho, 2010, p. 61). Support the decentralization issue, the Dean of Schools of Arts said: *“It should be encouraged. Decentralization helps in developing a state of self sufficiency in the long run. Gradual decentralization in financial decision making power can improve the economic condition of the university campuses”* (Field Note, September 19, 2012). Therefore decentralization in financial administration can ultimately promote a culture of best resource management.

Schools are not commercial banks where more financial activities are done. But in the university, the priority is to be given to conduct academic activities. The President of Student’s Welfare Council shared his observation about the decentralization practice in this way: *“There is no proper financial decentralization among different schools. Financially, KU is a fully centralized institution. Dhulikhel*

*has been doing major financial decision making task. To meet the need of present context, it should be decentralized”* (Field Note, October 7, 2012).

The managers of university through the approach of strategic management can play the main role of leading their higher education institutions towards international market (Ayoubi & Al-Habaibeh, 2006, p. 381). So, a need of collaborative work culture is necessary. The Dean of Engineering appreciated this approach and remarked: *“In administrative and academic decision making process, dean plays a greater role. However, in the financial decision making process, centre plays the decisive role. In this situation also, semi-decentralization or mixed approach is appropriate”* (Field Note, September 25, 2012).

Buy why a beneficial system is not in practice for financial reform is the matter of investigation. The Dean of Science observed: *“It is not yet practiced in KU. In the KU context, it is not fine. I don’t want to sign on the cheque”* (Field Note, September 25, 2012). Deans are not much eagerly engaged in financial matters. The core task of a dean is to maintain academic excellence. However, as part of the change higher education is undergoing, the increasing importance of internationalization and globalization is perhaps the most noticeable element (Stensaker & Harvey, 2010, p. 7).

According to the Educationist and senior visiting professor, *“I know that financially schools are not autonomous. All payments are made from the centre - Dhulikhel office. Schools are doing the job of collection centre”* (Field Note, September 15, 2012). However, some central level financial officials are speaking in favor of centralized system, but it is not much beneficial to big institutions where several decentralized units are working differently to achieve a common goal.

The same voice was raised by a financial controller of the university who further added: *“We need complete centralization. Decentralization is in process. It is a policy level matter. At present KU is running in a centralization system”* (Field Note, September 9, 2012). Central office officials are in favor of centralization because it is their own ambition to oversee the whole finance of all units.

The former secretary of MoE commented regarding the need of decision making authority to the deans with transparency and accountability in the university financial structure. He further stressed: *“Schools Deans should be given revenue collection and expenditure decision. However mutual help among schools is very much important. Limited or semi financial decentralization is required to promote self sufficiency”* (Field Note, September 14, 2012).

The extent of decentralization depends on the size or need of a particular decentralized unit. But the essence of decentralization should neither be ignored nor denied totally in the process of financial modernization of a university. In this matter, the Registrar added,

*The scale of decentralization depends on the size of institution financial activities. Gradual decentralization has been going on. Medical Institute at Dhulikhel is a newly decentralized institution. School of Management is in process. The audit reports state that there are no irregularities.* (Field Note, September 25, 2012)

Decentralization is very much supportive for the control of financial irregularities.

### **Learning from Cross Cases**

While making the mobilization of resources, a university needs to consider competency, need and return. In case of human resource allocation, staff competency can be the basis and scientific physical resource allocation is more practical



(Malandra, 2008, p. 57). Through the study, it is learnt that for the mobilization of financial resources, the high yield should be the basis. The implementation of a resource plan needs clear guidelines. So resource mobilization guidelines are to be designed by the university in consultation with different stakeholders. The study shows that the state has a greater concern about the efficiency of resource distribution. Internal financial transparency regarding the resource utilization aspect should be improved soon.

### **Status and Trend**

TU does not seem to be performing well in the resource allocation field because there is around three times overstaffing as stated by the research participants. Even KU needs more improvement in this field because there is a lack of a concrete resource plan (Field Note, August 31, 2012). Universities are not earning much from the internal resource mobilization because most of the land is idle and financial resources are invested in low yield sector. Due to the lack of free cash flow, universities are facing sometimes liquidity crisis. Universities are running the research level program but just in a mechanical way (Field Note, August 27, 2012). No any way for making the use of research scholars is seen in the research work form where earning could be made. In both KU and TU, a research culture needs be improved so that resource allocation can be done in a more systematic way.

Expected outcome is not achieved because of the lack of efficient financial administration. A good financial administration may create a favorable working environment required for the best possible mobilization of universities resources (Field Note, August 29, 2012). Where is resource management guideline? It is not yet drafted by the university administration. The university is engaged in operating academic calendar fully. Therefore, financial crises are still stronger in day to day life

of higher education institutions. Presently, universities are relying on single or few sources of income. This is the time to use multiple sources of income to meet the need of present day funding requirements (Manning, 2008, p. 97). TU has become a riciest land lord rather than a renowned higher education institution in the world. It has owned unmanageable amount of physical resources but very less efforts are made to manage them effectively.

TU physically is not like KU. The recent lease out project is also not successful or profitable (Field Note, September 3, 2012). But in KU, limited physical resources are seen to be used in as many beneficial fields as possible. No any idle physical resource is found in KU whereas a large amount of land is unutilized in the case of TU. It is learnt that university self sufficiency is decided by the condition of a program (Field Note, August 26, 2012). So, some of the programs are self sufficiently running and some are not. Despite this fact, KU has a culture of resource sharing whereas it is yet to develop in TU. It has been claimed that that the best human resource practices are in operation in KU and very few idle resources are seen. But in TU, most of the resources are lying idle. Getting salary from the university and doing work outsides sector has become a common trend among the professors in TU.

### **Resource Allocation**

Resource reallocation strategy is required to be prepared to make better utilization. Currently, TU is financially not weak but it has been mismanaged. Lacking professionalism, the University is not making proper use of resources (Dhliwayo, 2008, p. 337). Even the current lease out scheme is not so successful in the case of TU, so once again the university management has to rethink over this policy. In this matter, KU is a bit ahead to manage the available resources by making a reasonable distribution among university programs (Field Note, September 24,

2012). Being a state funded university, TU is making a slow progress in the field of resource utilization whereas KU as a non state funded privately managed university there is much progress in the financial area. So, the reason for not having self reliance is the dependency on state funding.

TU has been using resources basically in a very traditional way. Use of teaching staffs heavily in teaching is just an engagement, not utilization (Barr & McClellan, 2010). Unless teaching manpower is used in research and innovative sector, even the cost of project cannot be recovered. Teaching and administration are traditional ways of making use of financial and non financial resources (Field Note, August 31, 2012). Internal resource utilization capacity should be increased to make the best possible utilization of resources.

There is a vast difference between TU and KU from the point of view of available amount of financial and non financial resources. As a state funded university TU has large quantity but as self reliant institution, KU has some non financial resource constraints. TU is the victim of financial mismanagement and to some extent as a private management KU is operating in a more managed way. But it does not mean that one is better than another only in term of financial management.

As an education enterprise, university needs to make moderate amount of liquidity to meet regular expenses need (Odhiambo, 2008, p. 418). For development expenses, creation of fund or fixed deposit can be use. But there is a lack of a scientific resource management. Financial and non financial resources are not systematically utilized in the revenue generating sector. Existing facilities in academic teaching and learning sector are not enough (Field Note, September 27, 2012). It should be upgraded to make the system more effective. Teachers, students and staff facilities are very nominal. University management should not delay making

increment in all facilities so that the whole system will be motivated. Limited facilities may not fulfill the even basic needs of the staff members, teachers and students. They are forced to go elsewhere to satisfy the financial need.

### **Financial Decentralization**

Concerning the size and volume of financial activities, TU is intensifying its decentralization efforts with the help of World Bank Project (Field Note, September 13, 2012). According to the act, universities are autonomous institutions, so they themselves could take the decision for decentralization. Uniformity cannot be violated if decentralization is properly practiced. However, decentralization is not so much successful because of the weak base or foundation for it. Before starting a decentralization practice, the university needs to prepare a system design (Heller, 2011, p. 332). But in Nepal, without making a policy guideline or proper system, decentralization is randomly practiced. So, lots of problems have appeared in the implementation. Therefore, a university requires finalizing decentralization system guidelines and then only it can be properly operated. The real reason for not having the expected success in decentralization practices is the lack of self realization for the feeling of ownership. Unless the feeling of “mine” instead of “others” is created, not much progress can be achieved (Field Note, September 19, 2012). Among the staff members, students and officials in the university, the feeling of “my university” requires to be instilled and then the decentralization does work properly.

KU is more conservative in decentralization practices because of a unique nature of non state funded privately managed institution. TU is more open in implementation of decentralization mechanism to constituent campuses scattered around different parts of the country. However, participants remarked that decentralization practices should be limited to the collection of fees and making

revenue expenses (Field Note, October 7, 2012). On the other hand, the major financial decision making power is to be handed over to the decentralized units. More open policy guidelines on the delegation of required authority with accountability are required in both the universities.

### **Summary**

The main objectives of this chapter are to explore the effectiveness of resource mobilization in the university education on the basis of the principle of necessity. To explore the effectiveness of resource mobilization, I primarily used the perceptions of the research participants.

Resource management for optimum mobilization is the main agenda during the course of achieving financial self sufficiency in the university education system of Nepal. To determine the effectiveness of resource management, universities should make maximum effort for proper allocation of financial and non financial resources. Hence, the challenges for the university authority are to make a balanced mobilization of internal as well external resources in the best possible manner. However, universities need to pay total attention to the systematic arrangement of resource allocation, proper utilization of external aids, financial decentralization and appropriate resource mobilization.

University authority of Nepal is struggling hard to make scientific resource management by making proper allocation and mobilization in academic programs so that higher education system could be promoted to secure financial self sufficiency. However, it is possible only with the harmonization of external and internal resources for making a best possible distribution among competing demand driven programs. Contradictorily, stakeholders, funding agencies, civil society members, locals and educationists have grave dissatisfaction towards the ineffective resource management.

Therefore, the present resource allocation, distribution and mobilization part needs massive reform to make the best possible utilization for the enhancement of university education.

Resource management effectiveness is deeply concerned with internal financial, nonfinancial and external aid mobilization trend in the university academic activities to upgrade the quality as well as competencies. Thus, I used a variety of data and necessary information related to human, financial and physical resources relating to the university education system. Apart from that, the role of donor agencies is also crucial in resource allocation effectiveness. Hence, I extracted numerous facts regarding stakeholders' involvement in resources distribution for the operation and development of the overall university financial status.

Similarly, I focused on internal management role, university resource mobilization guidelines, monitoring mechanism, transparency and bottom up approach of resource distribution in the effective total resource mobilization mission of universities. Therefore, I emphasized financial irregularities, idle resource, corruption control, mismanagement and lack of implementation to minimize the wastage and misappropriation. However, universities cannot deny the role of resource updating, record keeping, reporting and frequent supervision of the condition of all types of available resources. Therefore, I tried to use different indicators and practical assumptions to answer how to have both qualitative and quantitative progress data in the field of scientific resource distribution work. I finally tried to link different resource management principles and theories to assist the responses of the research participants.

## CHAPTER VII

## INCOME DIVERSIFICATION

Income diversification follows the multiple revenue perspectives which view the cost of higher education as realized not by finite source (Johnstone, 2007). The international demand for higher education service grew strongly throughout the last century, driven by raising levels of affluence within the key sending countries and the income diversification of higher education institutions (Mazzarol & Sautar, 2008, p. 222).

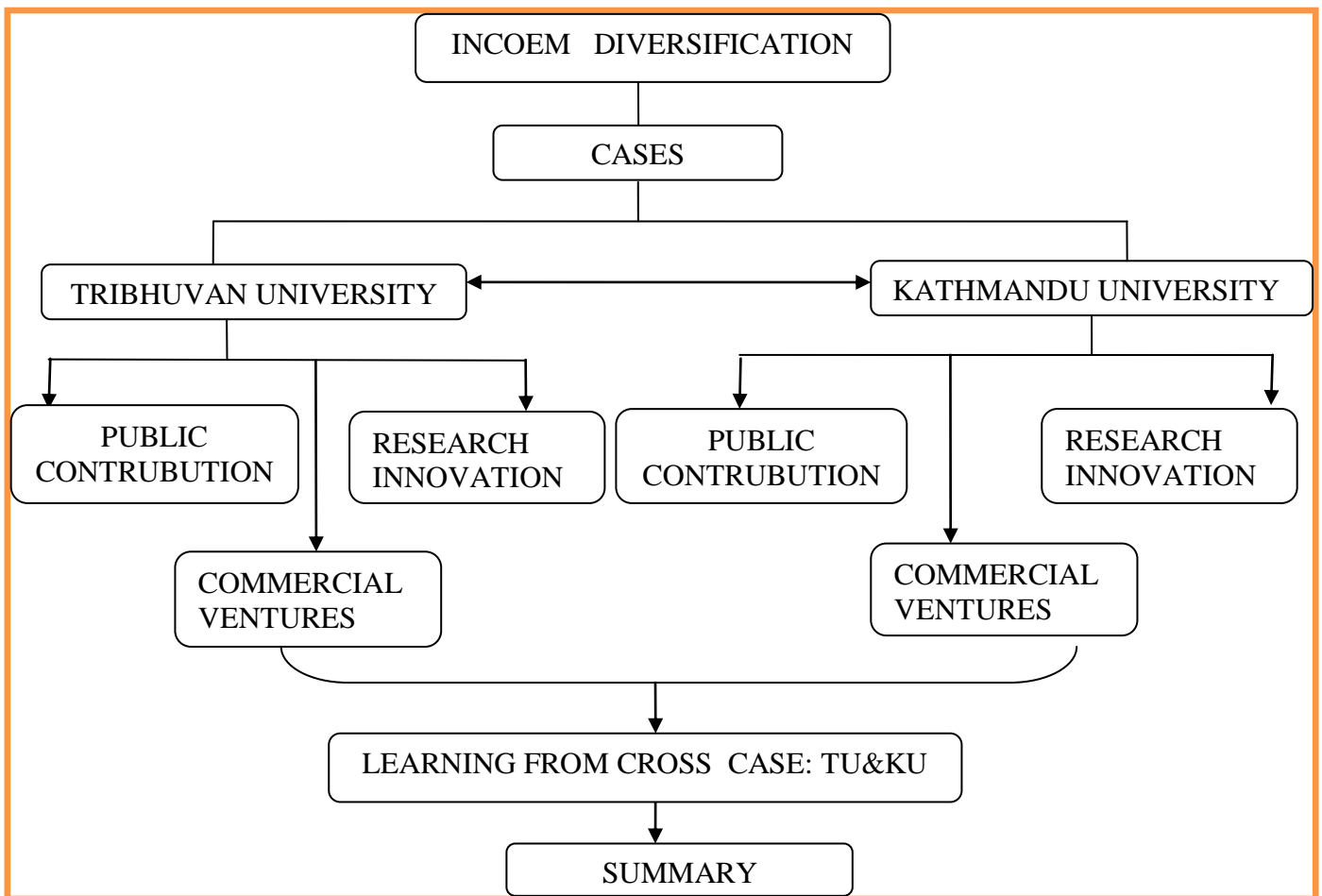


Figure 25. Chapter IV outline.

## **Tribhuvan University**

TU actually belongs to people because the land was contributed by the public at the time of its establishment. Public participation is very important for the establishment and operation of programs. There is a public participation in the establishment, operation and expansion of university programs in different part of the nation. However, overexpansion of university campuses and education scale has also caused a serious financial burden on universities (Ngok, 2008, p. 553).

### **Public Contribution**

In the higher education industry, a proper pricing is necessary to provide justice to the society. University education is a social as well as economic product which should be delivered in an appropriate charge to the public for the development of a society.

A member of public account committee noted, *“Yes, it is true that TU is owned by the public as total land was donated by the public. So it is a public owned state funded university. It can be considered as people’s university in Nepal”* (Field Note, September 5, 2012). Almost all land is donated by the people. Further contributions were made time and again which showed people's participation in higher education industry for the overall development of the nation. On the other hand, private higher education is growing worldwide due to excess in demand for advanced level of knowledge and technological skills, ability to provide more choice or differential products (Gupta, 2008, p. 567).

Low pricing couldn't bear the cost of quality education. Excess pricing signifies social exploitation in the case of public institutions. Reacting to the proper pricing in higher education industry the director of CEDA remarked, *“It is a good thinking but difficult in practice because education is considered an object or a*



*product. Whenever university education is considered as a product, there should be a proper pricing”* (Field Note, August 21, 2012). Recently, higher education has been recognized as a social and economic product so it needs exact pricing.

In the international consensus and framework of action that emerged from a series of international conferences organized by the UN in the recent decades, higher education institutions are given paramount importance in achieving sustainable development because of their roles as knowledge generating and knowledge transferring institutions (Mochizuki & Fadeeva, 2008, p. 377). Public participating can be promoted by decentralization practices in the university.

The chief accounts controller noted: *“Reasons for decentralization are also promoting public participation and contribution. It has good prospective. The support of locals and community is vital along with the help of municipalities and local government agencies”* (Field Note, August 24, 2012). It will create a platform of dialogue among various stakeholders in the region and promote collaboration with the initiative of the institutions of higher education (Itoh, Suemoto, & Matsuoka, 2008, p. 481). Excessive amount of further contribution from the public is not required because they have contributed enough in the physical term.

The Professor of management rightly put the issue of additional public contribution in the following statement:

*Not much amount of public contribution is required for the university. You know, increase in fee is also paid by the public. Reasonable amount of fee should be determined if there is an investment of public in higher education. As per the principle of necessity, fee determination has to be set. Capable to pay may pay full fees and unable to pay should bear the subsidized price.*

(Field Note, September 5, 2012)

In addition to this, the president of student organization remarked:

*Where is lack of resource? Existing resources should be utilized properly. If any lack is found we may even go to public for further support. At present, the resources are enough. It is their inability that they could not manage them properly and stated they lack resources.* (Field Note, August 29, 2012)

The present situation of resource in the university shows that there is no any lack of physical property. Proper utilization of past public donated resources should be reviewed. The administration official of UGC provided his suggestion thus, *“Community colleges are doing well with it. Promotion of public contribution and the feeling of public ownership are vital”* (Field Note, August 31, 2012). The University has lost the public faith in this matter. Financial education gap appears to be more acute in the field of higher education (Hussain, Matlay, & Scott, 2008, p. 49). To support these arguments, a University Research Division Official viewed: *“Already people have contributed a lot to TU. In its history of 60 years, Nepali people made a big contribution in terms of property. Look at the case of Patan Campus and Jamal, we may construct shutters around them”* (Field Note, August 27, 2012). The leadership has no clear vision about income diversification from a scientific way due to politically polluted atmosphere in the university.

The chief of a management constituent campus stated: *“Prior to new education system, all public colleges were fully supported by the society. New education system in 1972 took over all public colleges and kept under TU. Colleges were separate from community but state failed to make proper financing”* (Field Note, August 29, 2012). Consequently, higher education currently faces a number of interrelated challenges of governance, demographic and finance (Welch, 2008, p. 25). Only land is not the matter of public donation. Interested people can create Chair or

set up or raise scholarship funds in the name of their relatives which can give some assistance to the deserving students. According to the former VC,

*Chair can be established in the name of some body. Let's assume that I may establish a Chair in my father's name. Public may offer endowment. Even foreigners also may create an endowment fund to support. TU must be active. It is too slow to generate income. It should go further aggressively.* (Field Note, August 26, 2012)

Public contribution in the form of endowment or chair can assist academic atmosphere of the university and strengthen the mutual ties in more friendly manner.

Moreover, the director of the Office of Auditor General claimed that: *"Extra public contribution is not necessary at the present context. A lot of complaints about the improper utilization of resources have been heard. So no, there is no shortage of land and building in TU* (Field Note, September 24, 2012).

The issue of public ownership as viewed by a university senate member is such: *"Present position of TU is just because of public contribution. Public have a good faith and TU is a People's University. If it appeals, public are ready to contribute. For technical area, the university may need extra infrastructure"* (Field Note, August 29, 2012). An important consideration in the decision making of many university students is the availability of loan finance (Birch & Miller, 2008, p. 4). Public ownership is not yet easily viable to all who are concerned with university education system.

The TU Teachers former president highlighted how a public ownership occurs:

*It can be or must be done. But utilization of external or public support is not done satisfactory. When I was the president of the Teachers Association, I*

*established a medal of Rs 25 lakhs. We don't have a culture of honoring the donors.* (Field Note, August 31, 2012)

Therefore, both should come together sooner or later. System in this context is normally understood to be a group of several institutions participating in a common enterprise, often within policy established by the government (Moodie, 2008, p. 11). UGC chairman agreed to this statement and observed:

*People contributed maximum to the universities for instance Janakpur Campus. The land of the campus was not given by the state, all donated by the public. People stopped contributing land when total campuses were nationalized in 1971. People started thinking why to contribute to campuses; if it would be owned by the state.* (Field Note, August 30, 2012)

However, for the modernization of university, local and external all types of support are essential. Contribution in the non financial matters as well as in assets can be done. Before asking for public contribution, the university has to modify its internal management so that best utilization of the existing resources can be assured.

### **Research Innovation**

Research innovation is not only for making university academically sound but for earning more revenue which supports achieving the goal of self reliance. In many countries, higher education funding system includes mechanism to guard against universities taking decisions that may increase government liability (OECD, 2000, p. 127). Research involves innovative works such as consulting and publication of reports. In course of income, diversification research innovation supports substantially in the university education. The public account member followed the same tune. He viewed: *“Research can generate extra fund. It is an aspiration system of a university. Unless research division becomes strong, no university could be well developed”*

(Field Note, September 5, 2012). Institution of higher education has particularly interesting potential in research innovation to facilitate societal responses to the plethora of sustainability challenges facing communities all around the world (Stephens, Hernandez, & Roman, 2008, p. 318). So, need of a collaborative work in assistance with national and international agencies and state is very essential. The research itself needs more funding as an investment which generates additional revenue by producing knowledge economy.

The director of CEDA argued that: *“Yes, it can be done but TU can’t do it alone. The research can be done with the collaborative effort with donor countries and government agencies”* (Field Note, August 21, 2012). One of the major research related works, i.e. consulting can also earn more income for supporting university education. Institute of Engineering has its own consultancy department which is engaged in different technical consulting works. The following observation of a chief account controller highlights that when we have outside engagement in research innovation work, then the fund income diversification mission is substantially supported. He added: *“We have engineering consultancy department as a separate unit. University earns revenue from that consultancy. Remaining revenue is properly utilized within the Institute of Engineering. Likewise, the Institute of Medicine conducts such consultancy and research works”* (Field Note, August 24, 2012). Similarly, the university authorities are fully determined to conduct research consulting work in other technical institutes also such in agriculture, forestry and medical sectors.

The chief finance controller said: *“TU has its own research division. Four research centers are in operation for quality development. They play a very significant role in fund generation. UGC is running mini research under World Bank*

*funding*” (Field Note, August 26, 2012). Higher education has come to be an economic and social productive investment in the age of global economy (Chan & Tan, 2008, p. 465). Research innovation and consulting are not secondary areas of university education but these are the primary or core tasks. A professor of management commented: *“These are core works in universities. A main reason for not upgrading teachers’ standard is not having research works”* (Field Note, September 5, 2012). Higher education quality depends on the quality of teachers to some extent. A separate research unit is essential in every institution for upgrading research skills which can be used in teaching.

Modernization of university tradition could be done by starting research work not only in the lab but in the place of teaching and learning. University and individual leaders must continue to seek help to move forward in the field of research innovation (Macha & Bauer, 2011, p. 38). A president of student organization further added: *“That is necessary. Hospital may make research to produce doctors. Research based education is practical. There is a strong need of research in the university”* (Field Note, August 29, 2012). Unfortunately, the university is lagging far behind in the field of research innovation sector.

Reflecting on the dissatisfaction regarding the performance of so-called research center, an official from the university research division supplemented:

*Yes, we need to do it. Bad Luck is that research center even CEDA is doing nothing. Central Department of Economic is self capable, then why does it not establish a research centre. Look at the position of RECAST, what is this? So, TU has to develop a research culture.* (Field Note, August 27, 2012)

Research innovative work could earn in multiple as compared with what currently state is giving to university but it has become late to think in this matter.

Dependency on state or outside can be reduced to a certain level by emphasizing effort on creative work. In this regard, he further suggested a research framework for the development of the university.

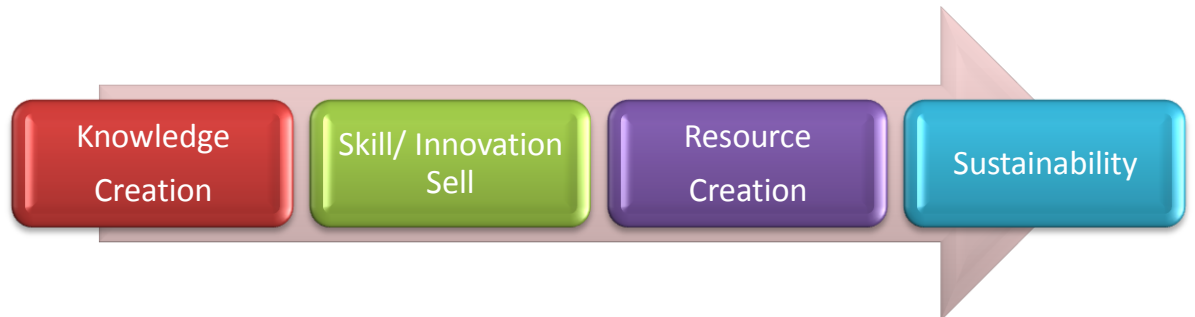


Figure 25. Research innovation framework (Source: Field Note, August 27, 2012).

Tightening of the central government financial control might have been attributed to the dependence of higher education on the public purse but in fact by the 1999's, institutions of higher education have been successfully diversifying their income base (Shattock, 2012, p. 249). Research innovative work generates huge amount of income for operation and expansion of the university programs.

The chief of management constituent campus commented: *“It generate tremendous amount of revenue. Management has to encourage to do further research project. Research consultancy has been individualized. It should be institutionalized for financial support”* (Field Note, August 29, 2012). Research consultancy is done in an individual basis; therefore no any revenue is received by the university. But outside projects are done by the teachers in the college time. Internal research project work publication is not done so systematically. The Chief of Public Administration Campus further added: *“University is a universal institution. Public Administration Campus has been publishing a peer reviewed journal named NGPC. We need research based books. International seminars are counted as an output of the university”* (Field Note, September 3, 2012).

The contribution of national higher education system based on research to the economic success of the national economy is undisputed (Lauterbach, 2008, p. 212). Research innovative works are done not only in technical or physical science area. An Ex VC claimed that, *“In this field also why not? Political science may run short course for diplomacy to Ministry of Foreign Affair. I know that TU may run crash courses”* (Field Note, August 26, 2012).

Some crash course during a particular season can be conducted to upgrade the financial and non financial condition of the program. A director of Office of Auditor General expressed strong dissatisfaction towards the overall income diversification progress. According to him,

*Present challenge is to sustain university in the international sector. The conventional pattern of working could not sustain TU. New research has to be made and it should work in different and diversified sectors. Use of IT in teaching and learning is another challenge for the university. Identification of new dimension in international market may lead TU to a stronger financial position”* (Field Note, September 24, 2012).

The conventional source of income just like fees is insufficient to meet the total needs of a university. So, diversified sources of revenue have to be recognized in order to strengthen the financial condition. A separate unit which engages in quality accreditation is very necessary. The academic quality and financial revenue both can be improved so that financial self reliance could be achieved. A university senate member expressed his grievance towards the quality of a product,

*Yes it is a reliable source. Fixed royalty could be given to the writer or inventor. There should be uniformity in dealing. How to keep professors in*



*campus premises is a challenge. It can be settled by creating environment and introducing obligatory act.* (Field Note, August 29, 2012)

University is really a knowledge industry but knowledge management is not much more advanced in the Nepalese universities. The team work is an integral component for enhanced productivity in research based higher education (Okechukwa, 2011, p. 34). Even the research cell in university is weak which is not giving an expected output to the university.

A president of TU Teachers Association argued that:

*Yes, it is required. But it has not given expected output. There is a lack of good intention. TU has its own press. Book and educational materials are published. Research centre and research hospital are in operation. Still it is not clear regarding the nature of education offered. A just traditional stereo type of education system is in practice.* (Field Note, August 31, 2012)

The stereotype of teaching and learning does not work in the modern education system. As for teaching, academicians are hardly experienced in the field, resulting in a shortage of adequately trained research based professionals (Achtenhagen & Aufsess, 2008, p. 398). The former chairman from UGC further expressed: *“Research consultancy could be funded from private firms. Academic dialogue should be started. We have to mobilize outside funding agencies to generate multiple sources of income generation. Teachers are involved in research publication”* (Field Note, August 30, 2012). Hence, research consulting and publication all are to be operating simultaneously so that financial support to university program can be made.

## Commercial Ventures

University needs a huge amount of income which is not possible just from the traditional sources such as from student's fees. Commercial venture could be one of the reliable options for diversification of income sources. Higher education systems are challenged by dysfunctional management style in the area of commercial use of university products (Usman, 2008, p. 69). However, it is a debatable issue in the field of university which should be settled with the understanding between different stakeholders. Differences in opinion regarding the issues of commercial ventures create the need of further discussion.

The director of CEDA commented regarding the commercial ventures for diversifying the income sources: *"No, TU can't do business but can work in knowledge industry. TU should engage in producing capable manpower having enough skill for the promotion of business"* (Field Note, August 21, 2012). Analogy with higher education is instructive and suggests that the central planning of higher education is no longer feasible or desirable (Lin & Pleskovic, 2008, p. 144). In normal course of activities, university can do commercial activities without compromising the higher education quality. Supporting this statement, one of the research participant, the chief accounts controller, presented his views as:

*Yes, it is necessary. Why to keep spare land and why not to use for business purpose, it can be done. In my opinion, it is necessary. We need to go for joint venture in super market and commercial complex. At present, TU joint venture concept is an appropriate for upgrading quality of education.* (Field Note, August 24, 2012)

From the profit making point of view, not any direct business should be done which may keep the core higher education function in shadow. Sustainability is

becoming an increasingly important issue for university which is not possible without adopting commercialization of university services (Beringer, Wright, & Malone, 2008, p. 49). Regarding why direct business demonstrates noncore area of university, the finance controller stated:

*No, TU can't do business. But leasing out and renting of its property is fine just to sustain. TU can't invest directly or in shares. It has to focus on mobilization of resources. How do we allow it to do business? It is a nonprofit making higher education institution.* (Field Note, August 26, 2012)

The public accounts committee member emphasized commercial ventures and commented: *“Direct commercial ventures like petrol pump is a wrong concept. University has to concentrate on knowledge industry. Production and dissemination of knowledge product in the market is the best way of doing business. Academic product related business is fine”* (Field Note, September 5, 2012).

Higher education funding policy and research work remained as much divorced from commercialization of university product as they were divorced from each other (Jones, 2012, p. 126). The normal commercial activities such as leasing, sublet and mobilization of idle physical and financial resources can be done for the diversification of income source. Higher education marketing is another best way of making money.

The president of student organization agreed with these statements and said: *TU could not do it. But education related work can be done. We may develop TU as a research centre and create jobs. To generate extra income, it can be considered. But core work of higher education cannot be ignored in the name of fund raising business. Income from research and consultancy should be transparent.* (Field Note, August 29, 2012)

Thus, direct buying and selling of industrial goods is not appropriate but commercial activities on academic product could be allowed for the reduction of financial dependency. The chief administration official from University Grants Commission also suggested along: *“We can’t deny it. But it should be in limit. Commercial ventures should not be only for money making. Revenue from commercial ventures should be used in academic activities. Direct business like petrol pumps is not suitable to university”* (Field Note, August 31, 2012). Not only among politicians but also among academicians, the prevailing opinion was that higher education needed a new approach in which more autonomy in commercial ventures should be granted to the IHEs (Taylor, 2008, p. 45). The university research division official suggested enacting effective monitoring system on commercial work:

*I am not agreed on it. TU can’t do business. It has no trade line. Tripureswor Trade Tower is not paying the lease rent. I want this university to be a National University which cannot do direct business. TU should guide the state in the field of higher education.* (Field Note, August 27, 2012)

The core area of university is the enhancement of higher education for the overall development of a nation. Therefore, beyond the core area, university cannot expand activities in the name of income diversification. Regarding the reason for not going on non core areas, the Chief of a management constituent campus criticized: *“No, TU is just for development of higher education. Business is not a core area of the university. Main task is teaching and learning. University can’t do it and go ahead towards it”* (Field Note, August 29, 2012). But university or decentralized units can go for the commercial use of physical property. To ensure the management and development of higher education, commercial use of university resources is essential in competitive age (Berard, 2008). In the international context, world class

universities also make investment in industrial or business sectors. Moreover, the former VC claimed that: *“Take the case of Stanford University; it has invested in diamond mine of South Africa. So TU can also do the same but its revenue must be used in the research and education field”* (Field Note, August 26, 2012).

A university senate member also confirmed this reality. His statements showed how commercial ventures give double benefits: *“Investment in hydro power can be done. Why not to start department store. Provident fund should be utilized. But this leadership can’t do it. Extra sector like farming, lab, herb processing, fishing are possible areas for generating funds”* (Field Note, August 29, 2012). With the help of investment, the universities can subsidize the fee structures. He suggested a commercial ventures design:

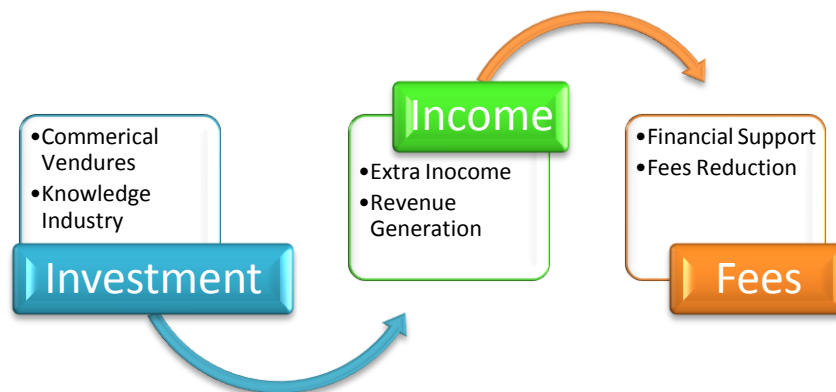


Figure 26. Commercial ventures design (Source: Field Note, August 29, 2012).

The intention of university is not doing a commercial activity, instead doing a core academic work. But for income diversification point of view, it is an obligation for gaining financial independency. Mainstream higher education literature has shown academia’s common sluggishness in identifying and analyzing fast-changing phenomena in income diversification of universities (Altbach & Levy, 2005, p. 293). The former president of TU Teachers Association’s agreed with this statement and observed: *“TU needs to do a lot. It needs revolutionary reforms. The environment*

*setting is necessary and it can construct a commercial complex. It may go for a party palace, nursing home, hospital and shopping complex as extra income sources”*

(Field Note, August 31, 2012).

In support of this context, the treasurer of TU Teachers Association expressed: *“Doing business is wrong. But commercial use of its resource can be done. Use of resource in productive sector is enough. It is not allowed to do direct business as per the University Act”* (Field Note, August 29, 2012). Combining practice and theory, income diversification in higher education develops an understanding for commercialization of university product to enhance the financial conditions (Cacerer, 2008, p. 197). The history of government investment in different enterprises is also not so good.

The former chairman of University Grant Commission followed the same tune. He viewed: *“Discussion was made on it. For example, Amrit Science Campus plans to start a petrol pump. But the thing is whichever enterprises are run by the government or government agency, they are not performing better”* (Field Note, August 30, 2012). University can work in different commercial sectors in collaboration with various local as well as international agencies. A good governance and financial transparency are the foundations for conducting successful service sector commercial ventures.

### **Kathmandu University**

A university is established with a social motive for producing capable manpower required for the overall development of the nation. Public, business community and society are the ultimate beneficiaries of the university education. So in return they have moral responsibility to contribute to the development of the university.

## **Public Contribution**

Financial, non financial and moral support of people is always necessary to survive and continue a service in the society. Public assistance in both tangible and intangible forms is necessary to any university education system. In this context, university administration official expressed: *“We are here for people service. So in return we need their support. Financial as well as non financial supports are expected from the people. Now for handling politics in university, we always need local support”* (Field Note, September 27, 2012). The public are the genuine owners of the university, so they have a right to know about the proper utilization of their contribution.

However, former Dean of School of Management noted: *“It depends on the community’s will. Yes, it is good for sustainability”* (Field Note, September 13, 2012). The role of public for all types of support is very important. It can’t be denied. In the modernization of university mission, public support like other is equally important for the sustainability of university education. University can function only under the assumption of this income diversification goal (Holdsworth, Wyborn, & Thomas, 2008, p. 133). In the establishment phase, the public donated land in a substantial amount. It came from the ordinary people, community and local agencies. As time rolled on, the relationship with the local community has been continuously renewed by making discussions with them. Really the university belongs to the people. So, as the owners, public are responsible for their contribution.

An economist stated: *“Yes, it is still a necessity”* (Field Note, September 16, 2012). So, need of different types of public contribution is still very valuable in the university income diversification mission. The reality is that no university can run in a sustainable way devoid of public support. Undoubtedly, public contribution to

university is the most appropriate support but it should be in certain limit. The Dean of School of Management agreed with this statement and observed: *“I don’t say that is not necessary. But we don’t have to expect too much. Whenever we introduce a high yield program, there is no need of further public contribution”* (Field Note, October 5, 2012). For reducing the need of public contribution, high yield programs are to be introduced so that self income generation capacity can be enhanced. It will be a good help in making university more self reliant. In support of this context, the Dean of School of Arts expressed: *“In the establishment period, who donated secured a big recognition. After that it has not become an obligation to call public for further support. Whenever a massive expansion is made, at that time we may need it”* (Field Note, September 19, 2012).

Public support in financial term should be for certain purposes like for the establishment or expansion. Normally for operational matters, financial support of the public is not appropriate. Everybody should be allowed to enter for higher education purpose. Achievement of the higher education development goal will depend in large measure on the deployment of resources (OECD, 2012, p. 127). The president of Student Welfare Council noted: *“First of all, the public perception towards KU must be clear. Present perception of public towards KU is quite contradictory. The feeling of the general public is that there is no easy access for ordinary public”* (Field Note, October 7, 2012). University is not a place to a particular class of people, it is for all. In this regard, economically weak but academically sound should be supported by the state. But the university has not yet declared a clear policy about scholarship.

The public have a strong misconception. According to the Dean of School of Engineering, *“From engineering perspective, still we need more land. We are coordinating with the government bodies, public and institutions for support. It is*



*required for expansion of new system, and lab and infrastructure facility*” (Field Note, September 25, 2012). Public in the sense of local government bodies, institution, communities or individuals may support in infrastructure development for the expansion of services. For extra land or physical property to develop the infrastructure set up, public support to university is so much essential. Moreover, the Dean of School of Science claimed that: *“When it was required, public and government made a very big contribution. But now, it may be required if expansion programs are launched”* (Field Note, September 25, 2012).

For the expansion technical program, without public support, university alone cannot make the total investment. However the Dean of School of Engineering suggested: *“Yes, we need it. However, public contribution is very rare in foreign universities. Dignified personality may contribute in the name of their family. Like NRN may make substantial amount of contribution”* (Field Note, September 15, 2012).

Possible sector of public contribution are prominent individuals, NRN community and business professionals can contribute to the development of the university. Creation of fund in the name of family members is a way of assisting the university. A finance controller also confirmed this reality. His statement showed how public support is occurring: *“KU can't sustain without the support of public. We expect financial as well as non financial support”* (Field Note, September 9, 2012). The former secretary of MOE who was also a former Dean of School of Education agreed with this statement and observed that it does not prefer bulky structure which is unmanageable to have progress in academic perspective. Big size may not be fully manageable due to external factors, so currently, the university has not been thinking of making massive expansion. *“If it is required, KU may go for program extension.*

*KU has no any program expansion scheme to different parts of the country. It does not prefer much bulky structure. Mini size is manageable” (Field Note, September 14, 2012).*

But time to time public support for extension of programs is required in higher education, evidence of a strong and close relationship between education and economic development in general, and higher education and economic development in particular (Pillay, 2010). The main intention of public support is not only generation of revenue sources but seeking public for public ownership is the main purpose. University should belong to the public or community or state for that their contribution is very important. Not only this, the educationist noted: *“We seek public relations to KU. The land has been donated by the government, and local people. Khetan, and Rana Bahadur Shah contributed to KU. They donated as per their will”* (Field Note, September 25, 2012). Financial and nonfinancial service support is also a best way for making support to the university. So service sectors may also contribute by offering their service to the university.

### **Research Innovation**

Research investment is not sufficient, so creating revenue from multiple sources is limited. The best investment in higher education is investment in research but in two decades of its history, only a nominal amount is spent for research. An administration official pointed out the importance of the investment in research. According to him, *“KU has paid 37.5 crore aggregate in research since its establishment. In 20 years of time, it has no big investment in research. So KU has to work a lot in research so that it could create more resources”* (Field Note, September 27, 2012). The university is lagging behind in research work, so income generating capacity is limited. Pragmatically, marketization (privatization) may be the only way,

given the difficulties of cutting costs of sustaining an expanded higher education if quality is to be protected (Molesworth, Scullion, & Nixon, 2010, p. 18). As a non state funded university, more investment in research is the present need to upgrade the academic standards as well income diversification mission. There is no doubt that the progress of a university is decided by the research culture. More research innovative works for rapid progress and all round development are necessary for financial soundness to be secured.

According to the economists, *“KU has to make more investment in research. Progress of university can be made by research activities. In the government university, no research fund is allocated. Even KU has not created enough research funds. It should be increased”* (Field Note, September 16, 2012). Even in the government funded university, the lack of research fund is seen. Unless the increase in research investment is made, no expected output can be achieved. Research related work in university could upgrade the quality of higher education which ultimately gives better financial returns.

According to the former Dean of School of Management: *“KU is back in research. It can earn more from research. Research is the foundation for the long term financial sustainability”* (Field Note, September 13, 2012). Financial self reliance with the support of research innovation will never be sustainable. So, long lasting financial self reliance is possible only with the advancement of research culture in the university. Research in physical and social sciences both sectors is very back, now it must be improved for the overall development of the university education.

To this end, the Dean of School of Management suggested,

*Small budget is allocated for research at present. There is a need of research grant at all schools. As compared to our high status in higher education, we have not attracted enough grants. Schools like Education, Management, Engineering and Medicine may go for consulting and training. In foreign universities, apart from Alumni, 30-40 percent income is generated from consulting and research. (Field Note, October 7, 2012)*

The Institutes of Technical Science could do a major consulting work whereas general science could conduct research innovative work for the overall development in the university education. Traditional pattern of teaching learning does not fulfill the present challenging needs, so a shift of traditional to research based study is so much important. According to the Dean of School of Arts, *“Big potential is there. May not be at present but in future, it is right. Research may create knowledge. It builds funding linkage. Schools of Arts has two-three journals like in medical science. Research publication is the main outlet”* (Field Note, September 19, 2012).

If this work is done continuously, sooner or later the financial condition will be improved which drives the university to the destination of self reliance. Thus decentralization is enhancing effective management of the university resource fund in the process of income diversification (Ikoya, 2008, p. 634). Research should be done as per the bottom up approach. Research and innovation should be started at the local or decentralized unit of university to move up gradually. But no top down approach is to be used. Research is carried out as per the centre level instruction.

Commenting on the importance of research innovation in income diversification sector, the president of Student’s Welfare Council noted,

*It is so important to generate fund. Creation of research unit based on program and subjects has been necessary. Publication of journal promotes*

*research participation. So, KU publication is extremely essential. In some schools, research publication has been going on but not on a regular basis.*

*KU has lack of publicity” (Field Note, October 7, 2012)*

In each decentralize centre, a research unit should be established which will run under the central research cell. But no such research cell is actively operating in the decentralized units. Publication centre should be systematized so that university press could work as per the plan. In the university, three major centers - academic administration, research innovation and publication - should be more active. Thus a rapid growth can be secured. Again according to the Dean of School of Engineering,

*A significant part of budget is allocated for research. However, not much work has been done on consulting. Consultancy and research are overlapped. In the School of Engineering, there is no clear boundary between these two major activities. We have separated own revenue in research. That is used by faculty for project preparation. (Field Note, September 25, 2012)*

Some of the decentralized units have allocated own internal budget for research work. So project work on scientific research is in operation in a small scale. Now, there is the need of a rapid development in this sector which can be possible by carrying out the research innovation work to create credibility and additional income which are very much essential to be self reliant. Comprehensive and institutionalized empowerment of teachers to promote research culture is still in progress in universities (Lo & Gu, 2008, p. 506).

But in future, it has a optimistic situation. In this concern, he further suggested a research framework as:

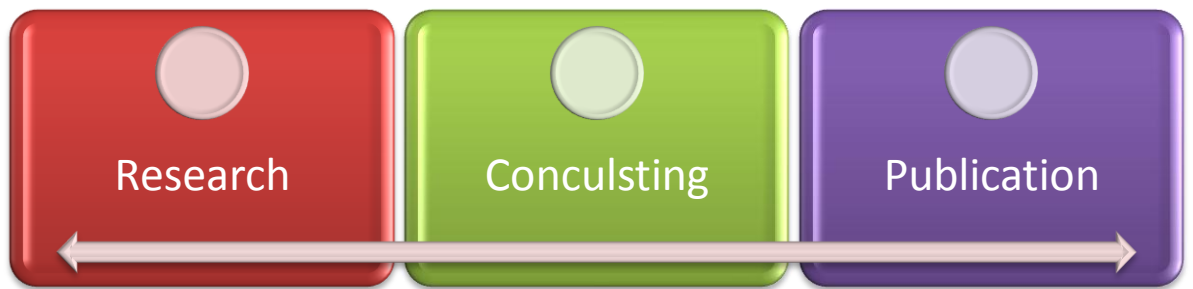


Figure 27. RCP design (Source: Field Note, September 15, 2012).

Any examination of the relationship between globalization and higher policy has to include the impact of research in income diversification of the university (Lo, & Gu, 2008, p. 288). In this regard, multiple research works are going on in different decentralized units. Schools, departments, institutes and campuses are conducting different programs. The finance controller informed that: *“So many research projects are going on. KU receives certain overhead cost. Certain revenue is received for the use of physical facility. KU has allocated research budget. External budget is also allocated for research”* (Field Note, September 9, 2012).

Research work is not a personal affair of any university. The ultimate beneficiary is the state and business communities. Thus, mainly the state has a moral responsibility for financing the research. But here it is not satisfactory. The state has not been making any substantial amount of financial contribution in the field of research.

Thus, the former secretary of MoE and a former Dean of School of Education argued that,

*It is necessary. But the government has not made much support. Research and consulting can earn adequate money. In the present situation, it is not possible as the government is not supporting much. Internal source of income is not enough to invest much in research; hence KU is not in better position in*

*research. So there is a room for improvement in research.* (Field Note, September 14, 2012)

Internal source of revenue is not sufficient for making a huge amount of research funding and at the same time, external support is too much nominal. It is one of the factors for not doing expected progress in the research field. In this part, the need of improvement is necessary. A coherent two way flow of knowledge, practice and experience between university and society requires the participation of individual actors (Balas & Buckland, 2008, p. 457).

The Registrar expressed strong dissatisfaction towards the overall research progress. According to him, *“KU has not done much better in the field of research. It has to focus on research activities. The aim is to become a research university”* (Field Note, September 25, 2012).

So far, no satisfactory outcome is seen in the research area. The goal of making university a residential research centre will take more time. However, it is a gradual process. Gradual development in institutional reform is going on. A good research plan is necessary for achieving this complex, not impossible, goal in future.

### **Commercial Ventures**

University has started some commercial ventures in the field of mechanical and hydro power sector with the collaboration of foreign agencies. However, direct business is not matching with the education enterprises. Direct buying and selling of industrial goods should not be done by the university. The university administration official rightly put the issue of commercial ventures in the following statement: *“We have installed a turbine testing lab. We are engaged in it. But we should not do any business directly”* (Field Note, September 27, 2012). But there is not any restriction on working in the field of knowledge industry. Production and dissemination of

knowledge products in commercial market can earn more revenue which supports the mission of income diversification. The necessity of a public scheme becomes less compelling when better endowed individuals are increasingly willing to accept higher education risk (Wigger & Weizsacker, 1999).

In addition to this, the economist remarked: *“Yes, we need it. Commercial activities are a worldwide phenomenon. KU could do it. Commercial ventures carry market driven approach. There will be new research product identification”* (Field Note, September 16, 2012). Commercialization of university product in market driven approach is the best way of removing the revenue constraints. The entire university product should be commercialized in the profitable way so that academic activities can be upgraded to meet the needs of the changing market.

The former Dean of School of Education suggested *“Not direct commercial ventures because KU is an academic public institution. Physical property can be used for commercial purpose. But directly buying and selling of commodities is not within the boundary of university”* (Field Note, September 13, 2012). Instead of direct business, commercial use of physical property is the best approach for income diversification. So, making a balance between the core academic and noncore commercial activities needs clear policy guidelines from the centre. To support this argument, the Dean of School of Management added: *“I am not in its favor. Commercial motive in university is not fine. Unused property could be given on lease. KU does not have much property to make commercial use. University could go on related domain rather than in pure commercial activities”* (Field Note, October 5, 2012). Education related sectors like research publication can be done but totally industrial sectors are completely unacceptable. Business incubation centre, marketing, financing, are some possible sectors of non academic activities for diversifying



income. There is a need to ensure accountability, efficiency and managerialism which advocates commercialization of higher education (Gamage & Suwanabroma, 2008, p. 182).

The Dean of School of Arts further supported non academic work and emphasized: *“You asked a very important question. In China, various universities are in collaboration with business communities. In Nepal, one of the most potential areas is medicinal herbs, non-timber forest and sustainable energy system”* (Field Note, September 19, 2012). Policy to promote private initiative in non academic activities is so much important. Public relation decides the success in the income diversification field. A strong mutual understanding with business communities enhances the revenue generating capacity of the education enterprises. Moreover, the president of Student’s Welfare Council claimed that:

*In fact the university could do such commercial activities because it supports academic activities. School of Engineering has started working in Micro-Hydro. Students’ knowledge would be transferred to the society through commercial ventures. The state has to be clear regarding the policy guidelines for commercial ventures. Principle of CSR should be adopted by these types of institutions.* (Field Note, October 7, 2012)

A variety of tangible aspects are evaluated by a university’s target market, ranging from the teaching materials to the appearance of buildings and physical facilities at the university (Ivy, 2008, p. 290). Not only this, the professor noted:

*Yes, it is an international norm. Patents may be useful. We may create business incubation centre. KU may invest in small and medium scale enterprises. We need to sell our invention to others. Investment in hydro-*

*power is not acceptable. We could do business in knowledge industry.* (Field Note, September 25, 2012)

So selling knowledge product or invention is not a direct business, it the normal course of actions and a part of academic work. He suggested a commercial ventures system as:



Figure 28. Commercial ventures (Sources: Field Note, September 25, 2012).

University is established for the promotion of higher education for the development of a nation. However, to support academic programs, normal knowledge product related commercial activities can be done. But direct involvement in business work would distract university from its core task. An educationist and senior visiting professor followed the same tune. He viewed: *“Direct business is not appropriate and KU has to follow self realization mode. Commercialization of university activities may put the academic mission in shadow. Business by leaving academic line is the matter of going out of track”* (Field Note, September 15, 2012). The role of creativity of entrepreneurial intentions also has implications for income diversification arena of the university (Hamidi, Wennberg, & Berglund, 2008, p. 317).

According to the University Act, normal commercial activities are permitted to support the overall institutional growth. Money making mission is not the prime work but an obligation is created to be self reliant from the income diversification approach. However, the Registrar commented:

*KU Act has permitted to make investment in commercial venture. But it has not been in practice. KU Act has given clear permission for business dealings like buying and selling of property. But we are not doing it.*

*Commercialization of intellectual products has to be done. We can work on incubation centre. (Field Note, September 25, 2012)*

A partnership or joint venture in commercial work should be preferred. So not a direct engagement in business but indirectly knowledge product related activities are good for income diversification.

### **Learning from Cross Cases**

It is witnessed that the present problem of income diversification can't be achieved without having a visionary leadership (Redmond & Keenan, 2008). Unfortunately till now, no any competent visionary leadership has been assigned due to political appointment (Field Note, September 25, 2012). The creation of an academic rather than a political environment is necessary for fostering income diversification mission. There is a lack of clear policy regarding public contribution. University authority has to introduce a public contribution guidelines, terms and conditions. Public contribution should be unconditional, otherwise academic atmosphere will be distracted (Field Note, September 15, 2012).

The study showed that establishment of good public faith is another intention of public contribution to the university. For the expansion of science and technology or medicine sectors, more institutions are to be opened, and thus more land is required. Land may not be available for purchase but public may be interested in making donation for the sake of name.

### **Public Contribution**

There must be conceptual clarity about the main intention of a university for accepting public donation and contribution. KU is a growing institution so the need of public donation in physical as well non physical term is almost compulsory. But, for TU, public donation is already huge in terms of land, so further physical contribution is not compulsory. Instead of taking more support, universities have to focus on utilization of the existing property. There is a big problem of trust deficit. In 1971, the state nationalized the whole public donated property and kept under university ownership. Then how to convince public for further contribution once university lost its trust (Field Note, September 14, 2012)? In the international sector, public contribution to higher education institution is seen very less or in a negligible amount.

But in the least developed countries like in Nepal, the state has fewer resources to make total funding, so public or local communities are the more reliable sources of additional income especially for academic development (Field Note, September 14, 2012). However, the need assessment is very necessary before getting the public contribution. There is a lack of a clear policy regarding public contribution. Therefore, university authority has to introduce a public contribution guidelines, terms and conditions.

### **Research Innovation**

International ranking of university is based on development research (Harvey, 2005, p. 267). TU and KU are not maintaining good positions in the World University ranking because of their weak research conditions. In this regard, publication or university press can be a research outlet (Field Note, September 5, 2012). Research, consulting and publication all three major components are to be run simultaneously for the development of a university. Comparatively, technical

institutes are doing little in consulting part whereas in the social science sector, research work is in practice. But the publication part is still idle. In both the institutes, university presses are not actively working in publication of reports or research papers. Thus, the universities have to create a plan for research innovation development on the short as well as long term basis (Shanahan, 2005). Resources required for research work can be internally generated or arranged from collaboration with international agencies. So-called research centers are operating as white elephants. No any output is noticed in return of huge state investment. So, research should not be just for formality but it should be taken as a practical approach for doing academic work and an effective way of making income diversification.

### **Commercial Ventures**

University could go for indirect commercial work because it supports in the reduction of dependency on others (Field Note, August 21, 2012). Financial dependency on the state or international agencies can be minimized with the support of such commercial works. The need of commercial activities in a limited form has become so explicit to support the university from income diversification point of views (Wankel & Wankel, 2011). Almost all the income of university is based on the traditional sources like fees, state support and international support (Field Note, August 24, 2012). But this has become insufficient to meet the challenging need of the university. Instead of doing direct business, universities can work on manpower training, technical service and research experiment. Normal commercial activities are not against international norms. In the international sector also, universities are involved in noncore commercial activities for income diversification purpose. It is not possible by the single effort of a university. Therefore, collaboration with local and

international agencies is so important to conduct research innovation for the enhancement of the financial condition (Field Note, August 24, 2012).

### **Summary**

Income diversification strategy and its effectiveness is the main issue in higher education today. Developing efficient diversification strategy and effective implementation is the most debatable matter among the university administrations. Hence, the challenges for university administration and state are to develop common diversification policy guidelines for achieving income diversification objectives to meet the present day financial need. Universities are struggling hard to go beyond the conventional sources of revenue for making more internal revenue generating capacity which leads an institution towards the way of financial self reliance. Therefore, the main objective of this chapter is to explore the recent reality of income diversification strategy for the modernization of university financial structure. To explore the reality of diversification policy guidelines, I used research participants' perceptions and available important documents, publication, reports and directives.

Income diversification strategy is concerned with the modernization of financial structure of the university in the context of higher education of Nepal. Therefore, I used various data and information available concerning non conventional sources of income to promote additional revenue beyond students' fees and state grants. In addition to the role of conventional approach of revenue generating activities, I drew several alternative sources regarding income diversification policy guidelines. Similarly, I focused on research invention, consulting, publication, natural resources related projects, knowledge industry, agro, hydro-sector and their roles in extending present revenue sources in the mission of income diversification. Thus, I emphasized developing monitoring mechanism, resource utilization, financial

administration, intellectual product, policy guidelines and state commitment towards university education for the overall development of the nation. Unless a qualitative progress in the field of income diversification is occurred, a quantitative achievement has less significance in the dimension of real development. I tried to make both qualitative and quantitative dimension of information to check the real progress to lead university in the destination of financial self reliance. Therefore, I finally linked different theories, practices and principles to support the responses of research participant and published document information.

## CHAPTER VIII

## COST SHARING

Progress on cost recovery is low due to the lack of policy guidelines from the state and university authority. Moreover, internal revenue generating capacity is also moving ahead quite slowly. Resource mobilization process is just in the initial phase, which takes more time to give financial return to the university. It is in light of these forces and consequent financial struggles that national system of higher education and institutions nearly everywhere in the world have to supplement their governmental revenue, not only with cost sharing but with entrepreneurial revenue (Johnstone, 2003, p. 354).

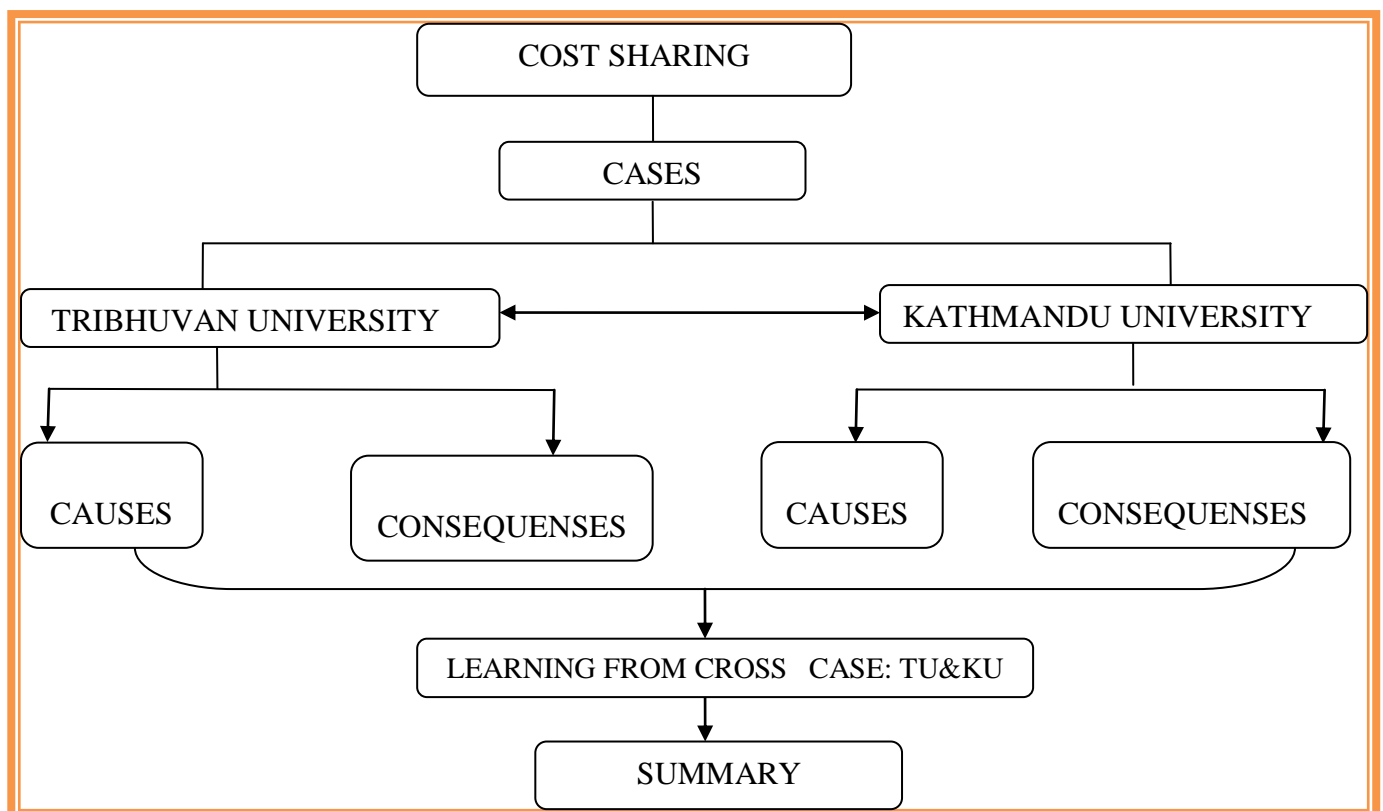


Figure 29. Chapter VIII outline.



## **Tribhuvan University**

Present enrollment procedure is not scientifically based. A mass enrollment in general education cannot increase students' fees due to the quality concern. Higher education is not for all, it is for those who are capable to observe and contribute to the nation. University wants to become a dynamic driving force within national and international society and culture, working to improve international relations and achieve sustainable development (Wickenberg, Axelsson, & Sonesson, 2008, p. 472).

### **Causes for Low Cost Sharing**

Mainly internal as well as external factors are responsible for low cost sharing. Cost sharing with the students, state and stakeholders should be in a scientific composition so that future financial crisis can be settled. The main reasons for not having satisfactory cost sharing are overdependence, political intervention and lack of policy guidelines. The university has not prepared a comprehensive plan for cost sharing and thus expected progress has not been made by the universities.

According to the university administration official, *“Still enrollment is based on collection basis rather than on selection. Perception of higher education is not good. Higher education should be capable. Overdependence on government is still increasing”* (Field Note, September 5, 2012).

Higher education should not be for all, it should be on the merit basis to the capable to absorb only. So, mass admission cannot make any improvement in students as well as state cost sharing in higher education. Therefore, here is the need of an enrollment policy. And at the same time, the government limit in cost sharing is to be defined. Higher education system is under pressure to meet the demands imposed by a globalized knowledge society without compromising quality deliverance (Bonser, 2009, p. 17). Overdependence on state is the main reason for not having better

students cost sharing. University is not worried about generating more internal revenue because state gives the operating budget annually. So, overreliance on the government grant is one of the main reasons for not having satisfactory student cost sharing.

The same voice was raised by the director of CEDA who further added:

*“Dependence on government budget is one of the reasons. However, if TU is given a status of the state university, government should increase the present level of budget. If autonomous status is given than present budget does work.”* (Field Note, August 21, 2012).

Political pressure from students unions and conventional thinking toward university are some more real reasons for low cost sharing. University cannot increase the fee freely and at the same time, public misconception about the status of university is also playing a greater role. Public thinking is that state must make funding so students charge should be low. But state has more sectors for investment besides university education. He has further suggested a cost sharing design as:



*Figure 30.* Low cost sharing (Sources: Field Note, August 21, 2012).

Two major factors for low cost sharing are political intervention and public misconception. So, improvement in these two factors is very necessary for upgrading the cost sharing status. Potential improvement in physical performance as well as to improve higher education quality standards, a systematic cost sharing approach is very much vital (Lavy, 2008, p. 303).

The chief finance controller commented regarding the reasons for low students cost sharing in state funded university, *“People’s participation in public awareness is to be developed by public relation division. It is done for the construction and development of infrastructures which are necessary for financial sustainability”* (Field Note, August 26, 2012).

People’s conception should be clear towards the university status and its financial reality. In the real sense, the state is not only liable to pay full cost of the university but a wrong conception is deeply set on people's mind that university belongs to the state, so students should pay less. There should be breakthrough in the feeling of public so that university can get more support for the promotion of higher education.

A professor of management again emphasized and said:

*There is a poor mentality of people as TU is the state university, so why to pay fees. It is totally a wrong concept. Government had made one major mistake by taking the total funding responsibility of TU. So suddenly the state cannot remove its funding. Gradual reduction in expenses may support TU.* (Field Note, September 5, 2012)

It shows that the present dependence should gradually be reduced by making increase in students cost sharing part. Diversity of institutional missions and educational programs play an important role within respective strata of higher education (Herbst, 2007, p. 12). A president of students organization also suggested:

*Hot cake products like BBA MBA, Medical and Engineering are the centre for attraction. Market driven education is the present need. We need to seek market oriented programs. Now TU has become the centre for all. Poor or rich both class students are getting enrollment.* (Field Note, August 29, 2012)

Semester system programs are covering own cost but the cost sharing is essential in other general programs having national importance. Uncontrolled affiliation without making a proper long term planning is causing more cost of operation. The university should focus on quality concern, public are ready to pay for quality university education.

The administration official from UGC suggested enacting effective monitoring system: *“Students political pressure is the most dangerous cause for low student cost sharing. Politicization on appointment is not a good thing. Political appointment could not be in favor of the university”* (Field Note, August 31, 2012). Political sharing on key officials is degrading the administrative efficiency of the officials. No fair environment for academic progress is set, so the quality of education is not satisfactory. Because of these reasons, the students cost sharing is lowering down. With the emergence of new economical leading actors, new types of issues have raised in the cost sharing pattern in the university (Worasinchai & Arntzen , 2008, p. 507).

Reacting to the low cost sharing due to poor economic condition, the official of the research division remarked:

*It is due to low economic condition of the people, overdependence on government funding is also responsible to some extent. Decentralization Act 2055 introduced the community participation concept. Local bodies made contribution to the physical infrastructure development. 21st Century government has to give policy rather than money to the university. Within the framework of policy, resources are to be created.* (Field Note, August 27, 2012)

Community participation is emphasized by decentralization Act, but implementation part is a bit weak. Still the participation of local government bodies is not so much encouraging. At this situation, university has to be given policy not more money by the state. Money can be made by implementation of a good policy.

### **Consequences of Low Cost Sharing**

Multiple effects of insufficient cost sharing on different dimension of university education are seen practically in the present context of Nepal. Calls for increased accountability and improved assessment have been reverberating throughout all levels of higher education over the past decade worldwide (Lydell, 2008, p. 107). University will have limited resource for the investment in academic and research sectors so that future growth is also affected negatively

However, it does affect the drop out, repetition and failure in academic result. To some extent, academic result is also affected by the level of cost sharing. Financial autonomy is another buzzword in higher education (Doherty, 2008, p. 263). Quality and university managerial efficiency will be affected by the insufficient cost sharing. He further suggested an outcome design:



*Figure 32.* Outcome design (Source: Field Note, August 21, 2012).

As cost sharing becomes unscientific, all the dimensions of academic activities are affected and ultimately an impact on university education quality will be seen. So, the university should maintain a scientific cost sharing composition for achieving the goal of financial sustainability. In this regard, the chief finance controller commented: *“It cannot be said in this way. Quality depends on teachers also and at TU teachers are highly qualified. So despite having low cost sharing, education quality may not be degraded”* (Field Note, August 26, 2012).

Institutions having low cost sharing may be giving best quality and whereas in high cost sharing institutions may not be delivering good quality. So, to some extent cost sharing and quality are related but not fully all the time. Any implementation of cost sharing initiative will directly affect university financial sustainability (Wright, Ironside & Jones, 2008, p. 288).

Insufficient cost sharing can affect the regular operational works such as program operation and day to day academic events. Due the lack of sufficient funding, the support system on education may be interrupted and there will be less use of high technology. So, the quality to some extent is affected. A professor of management argued that, *“Even it affects the regular classes. Poor working condition may be there. There is less quality and non- competitive output. In such a situation, the university may collapse any time in the long run”* (Field Note, September 5, 2012).

Next the competitiveness of the university will be affected in the long run. Unscientific cost sharing leads to resource constraints; if it continues for a long time, it may be reflected on the eventual collapse of an institution. Therefore, insufficient cost sharing is not a common agenda but it should be treated in a special way. He added: *“Yes, but we can’t abandon public responsibility. University and public*

*relationship is not only for cost sharing. It is a natural and inseparable relationship forever”* (Field Note, August 29, 2012).

A permanent public – university relationship will be further strengthened by making the cost sharing task. Whatever is the responsibility of both parties, but university education is only the indicator of national development, so it does not matter higher or lower amount of financial support, the main matter is the intention of the assistance.

An administrative chief from UGC also highlighted: *“Good input may give the expected output”* (Field Note, August 31, 2012). So, a fair merit basis enrollment practice can secure the quality of output rather than the volume of cost sharing. Volume based cost sharing is a quantitative matter but the best allocation and utilization is very much necessary to secure better results.

### **Kathmandu University**

University should be more concerned with quality. Openness regarding students benefit is lacking at present. Similarly, academic calendar preparation and implementation should be more effective. Moreover, the relation with the state should be more professional.

### **Causes for Low Cost Sharing**

Regarding the cause of inappropriate state sharing, administration official criticized:

*KU has to realize the fact that it has some weaknesses. Education quality is degrading due to not finishing course on time, no exam on time, uncertain result, unscientific evaluation and grading system. Now there is a need of curriculum reform.* (Field Note, September 27, 2012)

Additional responsible factors are poor economic condition, ineffective academic performance, environmental effect and quality of education. Students' facilities are to be in declared form but they are not shown in the form expected. On the other hand, state contribution is also restricted. Moreover, due to academic effectiveness, students cost sharing is affected. So both aspects should be improved.

The mutual relation should not be defined as only financial supporter and recipient. So the cost sharing with the state is poor because of which more charge is laid to the students. In spite of several cost sharing efforts, the higher education sector is still underfinanced and it relies heavily on government financing and donor support (Msoroka, 2012). An economist rightly put the issue of state cost sharing basis in the following statement:

*You need strong policy. Poor mentality of overdependence on others has become a disease. The state has to decide for how long a child (University) to be under the protection of the parents (state) up to 18 or forever. The same situation persists in higher education in Nepal. (Field Note, September 16, 2012)*

A strong higher education cost sharing policy is required to manage the present imbalanced situation. The double misconception is seen. The public are assuming that the state has to provide higher education at a lower charge; on the other hand, university has the mentality of dependence on others. In addition to this, the former dean of School of Management remarked:

*KU policy is not capable to address the current cost sharing issues. Merit basis of enrollment is to be strictly followed. Higher education is not for all. It is for capable only. But school education is for all. Merit basis of enrollment is required. (Field Note, September 13, 2012).*



Higher education is not for all but it is for the development of a nation. Mass enrollment in higher education is wastage of money, it does not give any quality and better result in the field of cost sharing. So merit basis of selection procedure may maintain the dignity of a university. The Dean of School of Engineering provided these suggestions: *“We have a misconception regarding the status of the university. Ordinary public perception is that KU is totally a private university, so the education will be expensive. So students are charged total fees”* (Field Note, September 25, 2012).

Different beneficiaries are trying to maintain a type of a strong presence in the competition of gaining populism. So, university activities are affected. The students, teachers, and staff are competing to secure own gain through unified force. University leaders are responsible for creating and maintaining a responsive, communicative and useful environment for introducing a scientific cost sharing pattern in higher education (Douglas & Davies, 2008, p. 19).

Saving the university has become the prime task than operating programs. Interruption or low cost sharing has direct impact on regular maintenance of the system. Physical as well as non physical property cannot be maintained due to insufficient cost sharing. In support of this context, the Dean of School of Management expressed:

*Direct impact of low cost sharing will be no maintenance of physical property. Quality of education and library facility will also be affected. In general it has multiple chain effects on every part of higher education. No proper financing, no efficient education. So we have to think how to save KU.* (Field Note, October 5, 2012)

Lack of sufficient cost sharing creates funding crises which may have multiple effects on each and every part of higher education dimension. On the one side, state is quite silent about the status of university and on the other side; university has not finalized any cost sharing policy guidelines. In this regard, the ex-VC noted: *“Those perceptions you say work a lot. People’s misconception is that KU belongs to private individuals, so they are charged high. Private education is more expensive. When you compare private, community and constituent colleges, you will find different scenarios”* (Field Note, September 14, 2012). In private institutions, the fee charge is higher than in public institutions. The nature and status of university decides the size of cost sharing. Different scenarios are seen in different institutions regarding cost sharing. So, the nature of the university is another factor which affects cost sharing. The institutions of higher education interested in expanding programs would do well to alleviate the concern of the cost sharing (Kulchitsky, 2008, p. 167).

The state cost sharing is low and very nominal. The state is not showing honesty about the property handling of the university. So public are totally scared to donate more physical resources. The university Registrar commented: *“Yes, there is low state cost sharing. Public are scared to donate due to 1971 nationalization. Government is giving very nominal amount. Even grant is not given on time. Students can’t bear the whole remaining cost”* (Field Note, September 25, 2012).

### **Consequences of Low Cost Sharing**

Cost sharing is not the real problem, the lack of a concrete policy guidelines is the main challenge. If university formulates the clear cost sharing policy guidelines, cost sharing may not be an important thing because university may earn money. So university needs a clear policy, not money from the state. The former dean of School of Management further added: *“The problem of cost sharing is not the real obstacle;*

*lack of strong policy is the one. If a good policy is introduced, campus can earn money”* (Field Note, September 13, 2012).

Decentralized campuses need a comprehensive cost sharing policy guidelines from the centre rather than money. Policy guidelines can open up ways to earn money. So, money can be the byproduct of a comprehensive cost sharing plan. Moreover, the perception of tertiary students as customers or products is not necessarily straightforward (Yeo, 2008, p. 155). Insufficient cost sharing affects almost all the dimensions of an academic activities such result, academic performance and the university education quality. Due to insufficient resources in teaching and learning activities, the quality of graduates is also affected by low cost sharing.

The Dean of School of Engineering expressed strong reservations on the insufficient cost sharing which affects all the academic aspects of the university education: *“What you state here like low quality, high dropout, repetition is correct. Ultimately it affects the efficiency of the graduates too”* (Field Note, September 25, 2012). Competency and academic competitiveness both can be degraded due to low cost sharing in university education. A scientific cost sharing pattern can develop financial investment in programs so that use of technology may increase the quality of education.

Overall academic activities such as operation and expansion all are affected by the status of cost sharing. A healthy cost sharing can improve the academic performance of the university whereas an unsystematic cost sharing will degrade the existing standards. The Dean of School of Science expressed his grievance: *“Low cost sharing has direct effect on all academic activities”* (Field Note, September 25, 2012). Therefore, university needs to pay special attention to maintaining a balanced cost sharing avoiding over or under dependence. University is not a business

institution, so it needs a good relationship with students, states, externals and local communities.

Reduction in quality, failure, drop out, inefficiency all are not only caused by cost sharing matters, these are affected due to managerial inefficiency. University management should be strong and responsive. Inactive management does more harm in financial as well as academic development sector of the university. The former secretary of MoE argued that, *“It is not because of these, but by the management failure”* (Field Note, September 14, 2012).

An effective management is very much essential for the better academic performance. Only money does not give a better solution to the problem. Whatever amount of money is gathered from cost sharing, without having a proper management, no any better solution can be expected. Thus, universities need to establish information structure to integrate department (Degkwitz, 2008, p. 655). Besides the academic outcome of low cost sharing, some other administrative outcomes are also important. University administration does not work properly and effectively if the appropriate funding is not made. So, the effect of low cost sharing can be seen in every aspect of university structure besides academic activities. The Registrar of the university supported these arguments: *“All you say such low quality, less managerial efficiency, high failure, more repetition are the outcomes of low cost sharing. Competitiveness is also affected due to traditional manpower and less advanced instructional materials”* (Field Note, September 25, 2012).

If the financial constraint is created, the traditional pattern of working cannot be replaced by a newer one. The old pattern of working style can give less quality in academic and non academic arena.

### **Learning From Cross Case**

The cost sharing can be as per the need of a program (Velazquez & Sanchez, 2005). It is learnt that the program which needs more support should be shared by other programs. So, there could be a fixed criteria and plan. Unfortunately, it is found that there is no such plan prepared so far. The principle of positive discrimination is very necessary so that capable may pay full and the incapable will be charged subsidized fees. This creates a social justice because of which access to higher education will be guaranteed. But this is not applied. The state is sharing cost without any monitoring and evaluation practices. The study shows that each year KU is receiving almost the same amount which indicates that the state has no any vision but just performing formalities (Field Note, August 26, 2012). This trend has been in practice for a long time, so the cost sharing progress is very slow.

### **Causes of Low Cost Sharing**

Due to more political activities, TU is not making increment in fee structure (Field Note, September 5, 2012). But KU is less politically affected; therefore, there is time to time review of the student fees. Because of this reason, KU is less dependent on the state but TU is totally dependent on government funding. Principally university is an autonomous institution but freedom in functioning is not fully exercised because of external influence.

Cost sharing and quality both are interrelated with each other (Field Note, August 29, 2012). Because of less cost sharing, the quality of university education will be deteriorated, likewise if the quality is not disclosed, students cost sharing is affected. That may be the reason why KU is getting less and TU is receiving more state support. This question is related with the publicness of the institution. TU has declared students facilities such as scholarship policy but KU has not declared any

scholarship policy. Moreover, state support is not for maximizing surplus for supporting the economically poor section of the society (Schierenbeck, 2012).

Comparatively, TU is a more state dependent institution whereas KU is more dependent on the student fees (Field Note, August 31, 2012). The degree of publicness is more in TU than in KU. TU has declared student benefit scheme whereas no such publicly declared policies are seen in practice in KU. The freedom in functioning is more exercised in KU than in TU (since TU faces more external interventions). Gradual reduction in the overdependence is one of the best ways to narrow down the problem concerning the cost sharing issues (Ikoya, & Ikoya, 2005). Entering the multiple sources of revenue and diversifying the sources of income are the ways to narrow down the overdependence. Both the public and university should come out from the conventional thinking regarding the cost sharing issue since cost sharing is the reasonability of all the beneficiaries in a practical sense (Field Note, August 27, 2012). So, neither the state alone nor the students is solely responsible for full cost sharing. All the stakeholders are morally responsible to bear some portion of higher education cost. Introduction of demand driven programs which generate more revenue and attract more quality circle of students should be introduced. So, cost sharing should be monitored on the basis of programs not in an aggregate way. Some programs with semester system like management and science do not need any external support. But other general courses need more support.

### **Consequence of Low Cost Sharing**

The real reason behind unsystematic cost sharing situation is just because of the lack of commitment and total determination in the mind of the politically appointed officials in the university (Field Note, August 29, 2012). Appointment is done as per the political sharing and in such a situation, how and why to expect more

output. The low cost sharing is caused by inappropriate internal resource mobilization status of the university. Neither systematic cost sharing nor resource mobilization is done in the university, therefore financial structures are a bit weak. However, the situation is not about to collapse. No any concrete and comprehensive plan for institutional growth is developed so that clear cost estimation is not done (Schloss & Cragg, 2012). What is the need of the university, nobody knows. Then why to blame cost sharing process? A scientific cost sharing pattern can drive universities from degrading to upgrading the quality. If the situation is reverse, then upgraded quality can come down to the degraded standard. Application of a mixed cost sharing approach is the best solution of the present crisis. In the name of cost sharing, university should not be extremely concentrated on only financial matter. Quality and standards are some more important aspects to pay more focus (Field Note, September 3, 2012). Public relation division should actively engage in promoting local or external linkage. Even in more than six decade long history, the Alumni culture is not well cultivated in the university.

### **Summary**

Financial sustainability through cost sharing is one of the main issues today in higher education of Nepal. Formulation of scientific cost sharing composition and effective utilization of resources is the most challenging matter to the universities. Hence, the challenge for the university is to make a common perception among the stakeholders and beneficiaries for arranging appropriate cost sharing which helps to establish a sound financial health.

University administrations are struggling to obtain enough volume of cost sharing and maintaining an effective utilization of the resources for creating financial self reliance. However, it is not possible without maintaining a clear understanding

with all the stakeholders and beneficiaries. Therefore the main objectives this chapter is to explore the cost sharing reality in higher education for financial self sufficiency. To explore the reality of cost sharing, I used research participants' perceptions and the important documents which are available in different education centers.

Apart from that, a scientific cost sharing is related to university need, effective utilization, state policy and economic condition of the nation. Therefore, I used various data and information concerning different dimensions of cost sharing pattern in Nepal. Besides, beneficiaries' role is also crucial in cost sharing pattern so I drew various facts concerning the involvement of students and state in cost sharing matters. Similarly, I focused on the involvement of community, industrial and donor agencies to make cost sharing more effective and transparent.

Moreover, I emphasized close monitoring, reporting, public relation, internal policy, education quality, academic dimension and effective utilization of the resource. Quantitative progress does not give the final settlement of cost sharing issues unless a repaid qualitative advancement is made. Therefore, I used different indicators, target, and cost estimations while evaluating both qualitative and quantitative progresses in cost sharing sectors. I finally linked different cost sharing principles and theories to support the research participants' perceptions and document information as well as facts provided during the research period.



## CHAPTER IX

## ANALYSIS AND RESEARCH FINDINGS

This chapter recapitulates the analysis and major findings of my research on sustainable financing of higher education in Nepal. The main objective of the research was to investigate the research problem — *There is a lack of sustainable financing of higher education in Nepal. So, how sustainable has financing of higher education been in Nepal?* — was only the research question I had taken in my thesis since the development of my conceptual framework. The entire research work was conducted with the periphery of this question. However I developed five other sub questions to clarify the research issues which address the statement of the research problem. Findings on all the research questions are presented and discussed from the relevant theoretical perspectives.

It has already been six and half decades that state started higher education financing formally for the overall development of the nation. Initially, the state made full funding in higher education but gradually after the implementation of multiple universities approach, it started diverting funding responsibilities to other sectors of development (CEDA, 2007). However, even at present, TU is producing ninety percent of the total output of all universities operating in the country and getting state funding in the same proportion. Recognizing the growing demand for higher education, National Education Commission Report (1992) stressed on the need of establishing new universities. In light of growing demand, KU appeared in private initiative as a non state funded university receiving nominal amount of state funding. In fact, a huge amount of state grant has been allocated in higher education of Nepal

through University Grant Commission. In the present context, a large number of contributors such as students, state, local stakeholder and donor agencies are willing to support more in higher education. However, the donor agencies and stakeholders are looking for better quality in higher education to make their contribution more effective in operation and expansion of the programs. They criticized state and university administration for not formulating a concrete funding policy in the higher education sector. They suggested that the state should develop a comprehensive funding policies, rules and regulation for the development of a sound foundation of sustainable financing based on funding modalities and principles of higher education financing. State, students and donor agencies claimed themselves to be contributing to enhancing higher education but they just do not want any inappropriate utilization of available resources. The major stakeholders such as state, students and donor agencies claimed that they have not intervened in the university administration affairs but in practice it has been found that state politics enter university through funding. Their imposition of conditions and restrictions on the university internal affairs with their interests is seen as intervention.

In addition, state and students are only the prime sources of funding in higher education. But the role of local stakeholders and donor agencies cannot be denied in the field of infrastructure development of universities in Nepal. The proportion of funding composition is different as per the nature of the universities. In the case of TU, the state is the major contributor whereas students are the major suppliers of funding in KU. The role of local community and donor agencies in the infrastructure development is significantly vital. Stakeholders and donor agencies provide university funds but not unconditional and without the influence of their own interest, which has been affecting university's financial and administration decision making process.

Therefore, it is the moral responsibility of donor agencies, stakeholders and beneficiaries to contribute to the university education with pure academic purpose rather than influencing major internal affairs which hampers the freedom in functioning of an autonomous higher education institution. With these realities, various specific findings based on individual research questions were illuminated during the research process. Thus, in this chapter, I extracted those research findings and analyzed on the basis of research participants' views, literature review and theoretical perspectives.

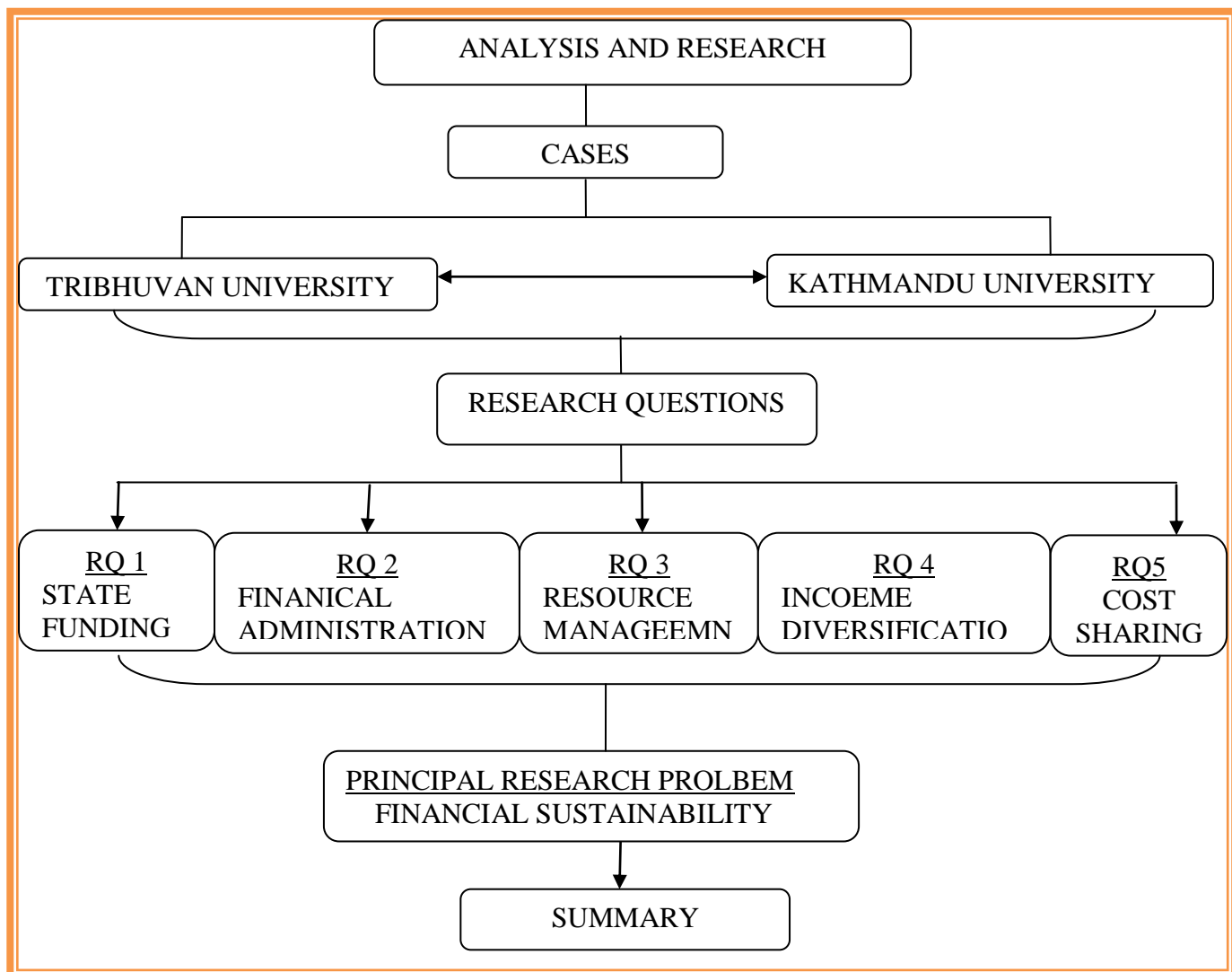


Figure 32. Chapter IX outline

### Analysis and Findings on the Research Questions

This section presents the analysis and findings on the main and five sub-research questions to investigate the major research problem: *There is a lack of sustainable financing of higher education in Nepal*. The main research question was: *how sustainable has financing of higher education been in Nepal?* The research question along with the five other questions has been answered with the detailed study.

Table 4

#### *Research Questions*

<b>R. Q. Number</b>	<b>Research Questions</b>	<b>Focus on</b>
<b>Principal research problem</b>	<i>Lack of sustainable financing of higher education in Nepal</i>	State Funding, Financial Administration, Resource Management, Income Diversification, Cost sharing.
<b>R.Q.1</b>	How have the trends of state financing been evolving in higher education in Nepal?	Trend, Allocation Basis and Policy
<b>R.Q. 2</b>	What practices have been exercised in financial administration of higher education?	Budgeting /Planning, Reform & Cost Recovery.
<b>R.Q. 3</b>	How resources have been managed for income generation in higher education?	Status, Resources Allocation, Financial Decentralization.
<b>R.Q .4</b>	What efforts have been adopted to make income diversification in higher education?	Public Contribution, Research Innovation and Commercial Ventures.
<b>R.Q. 5</b>	How has cost sharing been contributing to achieve financial sustainability goal of higher education?	Causes, Consequences.

This discussion starts with a brief summary of the literature and findings from the case studies of this research which answers the research questions. Then the findings of research participants' perceptions are discussed to address the research questions.

**Research Question: One**

This section summarizes the findings on the first research questions about the role of state financing of higher education in Nepal. To find out the factors affecting state funding, it was necessary to first examine the relevant literatures that have been found to impact the role of state funding on financial sustainable condition.

*Research Questions1: How have the trends of state financing been evolving in higher education in Nepal?*

The literature on state funding in higher education identifies several critical components playing roles in deciding on the size of university grants. The literature has further recognized some important components such as trends, need, basis, policy and roles ensuring state funding in university education for the development of the nation. Moreover, the literature focuses on fundamental issues for ensuring state funding: operation, expansion and development needs. The literature together with the findings from the case studies were combined and discussed to analyze the role of state funding in higher education. However, this first research question focuses on mainly three major components of state funding extracted from the literature which are present trends, allocation basis and funding policies for financial sustainability.

The need for the effective role of state funding in higher education is quite high in the countries like Nepal which has not been well managed in the present context. Therefore, I viewed state funding dimension of higher education with the support of intensified literature review, theories, knowledge and ideas of research participants. I took state funding model as a theory for this research question. Johnson (2010) urged that the state is responsible for public higher education in development and operational matters. In my research also, most of all the research participants agreed on the continuation of state funding in university to achieve financial

sustainability in the long run. Hence, the research participants reiterated the essential role of state investment in higher education. The general views of the research participants were also not to isolate higher education from the state support, which is fully backed up by the state funding model. However, the views from the research participants were focused on making more development funding rather than operational grants to universities.

As state funding model says that state could make both development and operational support to public higher education universities, there were some differences with the research findings. Research findings showed that state funding should be more focused on infrastructure development. However, there was not much debate between state funding model and research finding in the case of continuing state support in the development work of higher education. Secondly, I took formula funding model for analyzing the funding allocation basis. As per the formula funding model, state funding should be allocated as per the need of higher education institutions. No any formula has been formulated yet, thus state funding is allocated on the estimated or lump sum basis which may sometimes be higher or lesser.

**Funding trend.** As concerned to the state funding trend, it was found that state funding in higher education is in decreasing trend irrespective of increasing demand in society for the development of the nation. Most of the research participants pointed out that they did observe gradual increment in the demand of higher education whereas state grant is decreasing as compared to the increasing enrollment. Some of the research participants like university official, and finance and account controller, also emphasized that since this decreasing trend was unable to address the funding issues, there was a challenge of increasing better utilization of state funding to achieve the sustainable goal. The research finding further highlighted that with the trend of

state funding decreasing in general, economically weak section or marginalized community will be excluded from the main stream of university education which causes ineffectiveness in bringing about social transformation towards creating a just society.

Most of the participants from both the cases agreed that the state funding alone is not sufficient to address the financing issues in higher education until and unless internal financial administration works effectively in fund utilization. While discussing whether state funding trend is state driven or need driven, the intense debate was deep, it was found that neither the state nor the need but national development driven state funding is still prevalent in higher education. However, this realization of national development driven approach of state funding could not be understandable to some research participants like students' leader, professors and educationist where as the other research participants recognized this as one of the practical realities with respect to the recent past state funding trends. The research data analysis pointed out that the funding trends paradigm, instead of addressing university financing issues has largely been formality centric which was not capable to relate university need with the state higher education budget. Research participants like VC, UGC chairman and member of public account committee were able to accept this formality centric state funding trends.

**Bases of allocation.** No matter how big is the amount of state funding, there has been no any tangible progress in enhancing quality higher education unless a concrete policy guideline for scientific allocation is formulated. In this concern, it was found out that state funding allocation system of Nepal was completely surrounded by bureaucratic administration mechanism instead of scientific distribution system. Receiving fund is not only an agenda in university education but a justifiable

allocation basis is the need of the present context. Making funding more effective is the main challenge to state and university administration by designing a proper distribution in the required areas of higher education. For making state funding more effective a scientific allocation basis plays an important role. Scientific distribution and proper allocation of government grant as per the principle of effective grant allocation are the main concerns in the present context of Nepal. For that a complex state grant allocation basis is essential which modernizes the conventional allocation approach which meets the desires of all the stakeholders.

It was observed that the scientific matching between sustainability and dependency was measured by the appropriate allocation basis of state funding. Lack of a scientific allocation basis is a setback in encouraging donor agencies and local stakeholders to participate in funding the university education. In fact, the need of a scientific state fund distribution basis and an effective monitoring and evaluation system were the burning queries among my research participants. Actually, I also asked the students' leaders and the member of Teachers Association, about their intervention but in response, they denied outright any political interference in the university internal resources allocation procedure. They presented themselves strongly in favor of check and balance in university fund allocation and distribution affairs to enhance the academic atmosphere. They further added that if the government fixes fundamental procedures for state fund allocation basis, university administration can handle some complex funding issues with the help of allocation guidelines. Otherwise, the intervention will remain a major threat in implementation of the funding policies. I asked the president of a student organization about students' intervention, and he claimed that not any such obstacle are created and that they just



did for keeping state and university administration in a academic tract to deliver to those who are unable pay but capable to absorb for the development of the nation.

During the research, a scientific approach of state fund allocation was the focal point where it was found that still a conventional head counting or block grant is continuing in practice since the start of university education. It was also observed that the present head counting and block grant allocation basis is not scientific but convenient to the state and university because it is very simple to apply. However, the need of a performance or output based funding system is realized as most essential for enhancement of the university education towards the destination of exclusive higher goal. Most of all, the research participants mainly focused on performance or output based funding but in case of the national importance program, need base funding allocations basis was said to be practical. While fixing the funding allocation basis, the state should think program wise, not all the time in an aggregate manner. They suggested making classified funding to the university as per head count which can address the need and is also easy to monitor the progress. Thus, a classified budget allocation to different heads is the best approach to manage present university funding need. To some extent, incremental funding basis is practical but it does not cope with the challenges of higher education system. So, some of the research participants emphasized direct funding rather than conventional channels so that higher education could reach to the grass root level where marginalized and economically poor section of the society are expecting to get involved in the main stream of development.

**Funding policy.** Even though higher education is mainly concerned with university going graduates; it is not meaningful with the state funding policy and better implementation for the achievement of sustainable goal. Higher education financing policies and university policy implementation awareness are equally

significant to make proper utilization of the tax payers' money in enhancement of higher education. Therefore, state funding policy is the key agenda for the effectiveness of higher education. Moreover, university willingness to implantation process of higher education policies supports university to achieve financial soundness so that optimum utilization of state funding could be possible. The policy guidelines are very much concerned with achieving the sustainable financing of higher education. However, in this concern, it was found that no clear state higher education policy is declared to decide the status of universities from the funding approach which may address the recent confusion about the real status of the universities. Unfortunately, the state is not making this matter clear. Another finding in this regard was that neither the policy nor the university status is clear, and in such a situation, present funding is just in an ad hoc basis which is too much traditional because it still makes the head counting or every year more or less similar amount is allocated without monitoring the situation.

Moreover, when qualitative and quantitative dimensions of state funding progress are compared thoroughly for evaluation purpose, it was found that although documents showed significant quantitative achievement in terms of operation and expansion, the research participants did not agree on qualitative progress on quality, excess, equity and inclusion matters. Document study showed that budget was increased but not in proportion to the increase in enrollment or program modernization need. For how long can conventional programs support university in financial dimension despite rapid change in market competition and the need of more demand driven program? This situation shows that university itself is not a failure but the need of program modernization as per driven approach has become too late to think. Therefore, the university management capability is under big question mark.

The initiation for making a state funding policy should be taken by the state in collaboration with the university, local stakeholders and donor agencies which may fix the status and criteria for funding mechanism. However, the present funding policy is not supporting the monitoring and evaluation of the progress. According to the research participants, funding policies and guidelines were found weak. They requested to the state, universities and stakeholders to make supportive policy guidelines for the allocation and utilization of state financing in higher education. They wanted to make the state funding more transparent and accountable by making independent mechanism for monitoring and evaluation of the progress. So the funding policy should integrate such matters which are essential to achieve sustainable financing.

For quality in higher education, policy should be strategic and should have a clear vision. Now and then, higher education has neither been properly developed nor effectively implemented. Most of the research participants agreed that without proper formulation and implementation of the state financing policies, achievement of sustainable goal is useless, it remains a dream for ever. Therefore, formulation and proper implementation of state funding policies is too late to think in the present context of Nepal. But while talking about the state funding policies in higher education, no clear and comprehensive plan was found.

The financial administration of universities is supported by the rate of return theory. As the rate of return theory says, social rates of return should be based on productivity differentials, rather than earnings. Mass higher education has become the global norm in the 21st century (Bruce & Joseph, 2010). The social returns to education are used to assess the efficiency of public spending on education, and as a guide on whether to expand or contract a particular university faculty. As competition

increases in the international market, the provision of international higher education is a huge industry of national importance (Chen & Zimitat, 2006). According to this theory, the investment in higher education should be more productive or it should give return to the society. In addition, this theory assumes that the investment should be made in profitable sectors. However, the research finding showed that some time state or private investment in higher education should be made in less profitable sector, especially in regards to high social or cultural values. So the findings challenged the rate of return theory by making an argument that education is not a totally business project where direct return is the target. The research found out that the present budgeting planning, financial reform and cost consciousness are not satisfactory of higher education in Nepal. Unless a university improves in financial administration aspect, no expected return can be expected. So, while making higher education planning, management must think about the social as well as economic returns otherwise development as well as operational dimension would be affected badly.

### **Research Question: Two**

This section analyzes and summarizes the findings on the second research question about the practices of financial administration in higher education in Nepal. To examine the practices of financial administration, it was necessary first to discuss the policies and practices in the relevant literature that have been found to impact the role of financial administration on sustainable financing.

*Research Questions: 2 What practices have been exercised in the financial administration of higher education?*

The literature on the financial administration practices in higher education identifies several vital components playing role for utilizing the internal and external resources of the university. The literature has recognized some important components

such as budgeting and planning, financial discipline, financial problem, financial reform, cost recovery and cost efficiency ensuring better financial administration in the university education. In contrast, literatures on financial administration focus on the fundamental issues for better financial administration which in turn promotes better resource utilization. The literatures together with the findings from the case studies were combined and analyze to find out the role of financial administration in higher education. However, this second research question focused mainly on three major components which were budgeting and planning, financial reform and cost recovery for financial sustainability.

**Budgeting and planning.** In regards to the budgeting and planning, it was found that preparation and implementation both aspects were in the urgent need of improvement which was unable to contribute to the proper financial estimation for future university programs. Most of the research participants pointed out that they did not observe an efficient financial planning, however, some participants such as university officials, finance and account controller, also emphasized that since this inefficient budgeting was unable to make any positive changes in the existing financial administration, there was a danger of eventual system collapse in the university. The research finding further highlighted that although the framework of budgeting and planning is good in general, ineffective implementation of the budgeting framework causes inefficiencies in bringing about the progress in the overall financial administration. Most of the research participants agreed that budgeting and planning was really not done systematically in a classified manner, moreover, a budgeting framework does not work until and unless an effective budgeting system.

While talking about whether the budgeting and planning is donor driven or need driven, debate was deep, however, it was found neither the donor driven nor need driven, budgeting was yet not efficient to address the requirements of financial administration. Other research participants recognized this as one of the major stumbling block in making the budgeting and planning ineffective. According to them, need driven budgeting and planning would help estimate and prioritize events which can lead to the proper financial administration. The research data pointed out that budgeting and planning paradigm, instead of decentralizing into a local context, has largely been centralized which was unable to relate university financial need with the investors' willingness to participate in the financing affairs. Research participants like campus chief, ex VCs, UGC chairman, Teachers Associations officials, were able to recognize that this centralized budgeting and planning structure needs more effort to transform traditional financial administration into the modernized pattern. This means that the centralized budgeting and planning practices would not be able to contain the need of decentralized practice for the overall development of university education.

It was also found out that monitoring and evaluation mechanism was highly mechanical even though the practical complication and contradictory picture was observed through external intervention in implementation process. The extent of perplexity was high due to unsystematic monitoring and evaluation mechanism. The research participants viewed that this centralized conventional budgeting and planning system could do little and argued that the classified budgeting system has become too late to introduce. While talking about the volume, quality and modality of budgeting and planning, preparation was found satisfactory because a bottom up approach has been followed. However, the implementation part is not free from defects. It was

found that in one case (TU), never ever an integrated budget is prepared so there was no questions about the financial success. Even the University Grants Commission is releasing government grants without checking the previous years' progress.

**Financial reform.** During the interaction with the research participants, it was revealed that university financial administration reform was one of the prime issues where coordination between centre and decentralized units was lagging behind. It was also observed that community participation has gained enormous amount of credibility where stakeholders' support is also required in financial transformation of the university into a more efficient and professional pattern. However, the participation of stakeholders in financial reform is not easy to introduce due to changes in social structure which has created a different type of feeling towards the university education. All the research participants mainly focused on effective accounting and inventory updating computerized system for smooth reporting purpose. All the research participants suggested that reporting, monitoring and evaluation of financial performance may be done on a regular basis.

They suggested financial and academic autonomy to the decentralized units for the financial reform since it would be more effective if decentralization was exercised in practice by handing over the financial decision making power. So far as the financial reform is concerned, computerized accounting and record keeping system was desperately needed to make financial transformation in the university education. Since financial autonomy was given to decentralized units, some positive indications were seen in the overall financial administration of the university. One of the ex VCs said that golden hand shake scheme was much essential to make the manpower resources effective. Likewise, university can introduce other various reform schemes like digital accounting system, resource updating, and delegation of

financial decision making authority and centralized monitoring system to make financial administration more accountable, transparent and manageable.

Even though, financial reform is mainly concerned with an efficient financial administration, it is not meaningful without making a resource plan to regulate revenue collection and payment for operation as well as for development. Financial reform is equally important to make proper utilization of the resources. Moreover, when the qualitative and quantitative progress indicators in financial reform were compared side by side, it was found that although the documents showed significant quantitative achievement in revenue collection, more effort is needed in qualitative dimension such as access, equity and inclusion. The research participant did not feel that these were achieved in the actual sense. According to the research participants, allocation and proper distribution of financial resources was found weak.

They requested to the university, state, stakeholders and donor agencies to make supporting role for the financial reform. They also wanted to make financial administration more transparent and accountable by making independent monitoring and evaluation of the financial progress. Of course, quantitative indicators are indeed important but more important part is qualitative progress. So, it was found that all the research participants focused on total financial reform. Similarly, one of the Deans suggested that the financial reform program should be set in different phases deepening on the financial administration skill but should not compromise higher education quality.

**Cost recovery.** So far as cost recovery situation is concerned, most of the research participants expressed strong desires for eliminating the political intervention in the internal financial decision making process of the university. The research participants believed that the weak monitoring and carelessness in financial



administration led the external intervention in financial decision making process so that the cost recovery had been affected. In addition, it was found that cost recovery rate had not increased due to a weak financial administration. Thus the current cost recovery situation is unable to contribute to the overall financial administration. It was found from case one (TU) that the cost recovery rate is below one fifth of the total expenses. This indicated that the present cost recovery rate never exceeds one fifth of the total budget. However, cost recovery in case two is around two third of the total expenditures but it has been in the same level for many years. The research participants reported that in both cases, the cost recovery situation was not improving as compared with the volume of need. Most of the research participants pointed out that they observed no expected progress in cost recovery, however some of the research participants like students leaders, professors, educationist, and university executive members also emphasized that since this decreasing trend was unable to make cost recovery more effective, there was a danger of crisis in financial administration of the university. The research finding further highlighted that the framework of cost recovery modality was not so scientific in both the cases due to internal managerial inefficiency and external intervention which caused ineffectiveness in bringing about the better financial results for achieving the sustainable financing.

Most of the research participants agreed that the cost recovery framework was actually not scientific due the lack of cost recovery policy guidelines. However, it was found out that cost recovery status cannot be improved without having fee structure revision and creating a political intervention free academic atmosphere in the university. While talking about whether cost recovery framework is donor driven or

need driven, the debate was big, however dominance of need driven framework was found to be prevalent in higher education.

This realization of cost recovery being need driven could not be fully supported by some research participants like ex university Deans, VCs and chairman of UGC. However, other participants recognized that cost recovery is one of the major foundations for sustainable financing of the higher education in Nepal. According to them, need driven cost recovery framework would help in prioritization of the university needs such as operation, maintenance, research, development and other essential expenses.

### **Research Question: Three**

This section analyzes and summarizes the findings on the third research question about the resource management for income generation purpose in higher education of Nepal. To find out what factors affect resource management, it was first necessary to examine the factors identified in the relevant literature that have been found to impact on the role of resource management for income generation to support the financial sustainable condition.

*Research Questions3: How have resources been managed for income generation in higher education?*

The literatures on resource management in higher education identify several critical components playing role for deciding the extent of resource management which contribute to the income generation. The literatures recognized some important components such as status, resources allocation, foreign aid, financial decentralization and ensuring the role of resource mobilization in the university education for the development of the nation. Moreover, the literatures focus on fundamental issues for ensuring status, allocation, external aid, financial decentralization and mobilization.

The literatures together with the findings from the case studies were combined and discussed to analyze the roles of resource management in higher education. However, this third research question focuses mainly on three major components of resource management extracted from the literature which are present trends, allocation, and decentralization for achieving sustainable financing.

Regarding resource management of the universities, human capital and equity theory were taken as theoretical lenses. Robert (1991) developed a human capital model which showed that education and the creation of human capital was responsible for both the differences in labor productivity and in the overall levels of technology that we observe in the world. A good investment in higher education would create a better human capital required for the development of the nation. The findings of my research supported this theory in such a way that in Nepal the higher education financial management is poor, so the human capital production for the overall development of the country is not satisfactory. Unless financial management is not properly improved, the investment alone in higher education cannot guarantee the production of capable manpower. On the other hand, human capital theory says that educated manpower can produce better performance, my research finding shows that manpower production is not as expected due to financial management reason.

**Status and trend.** With regard to the present status of resource management, university resources include all major three resources, namely financial, human and physical. Almost all the research participants wanted to know the real status of resources management but due the lack of computerized updated record keeping system the actual information were not obtained. Therefore, large amounts of financial and non financial resource were misused by authorities and very nominal portions were used for institutional development purpose. Financial resource was also

leaked in various sectors while managing them for the revenue generating areas. It means universities resources were extremely underutilized for the university development reasons.

Therefore, accountability and transparency agendas were the central focus among the research participants. Moreover, most of the research participants focused on giving importance to updated computerized record keeping and performance based program which could generate additional revenue so that the investment could be secured. Principally they agreed that present resources management approach is too much traditional or historically based so that expected outcome is very far away from the destination because the system is completely surrounded by irregularities, corruption and unaccountability. So, the present conventional resource management approach hinders transparency, rather it provides chance for the ineffectiveness which leads to further irregularities.

It was also observed that when idleness, wastage and misuse control mechanism is weak, even a huge amount of resources would not be able to bring about any qualitative progress or positive change since the major thing is managerial efficiency not the quantity. Almost all the research participants in case one (TU) were able to provide specific incidence of overstaffing and traditional manpower, making it clear that being part of the university system, they quietly witnessed and watched the inefficiency in human resources, but they could not do anything for reducing this problem except from not being involved directly. When available resources are not identified or properly utilized, university work like teaching, research and development cannot be promoted altogether. After all, when the external funding is invited, outside intervention is inevitable. Most of the research participants of both the

cases pointed out that present resource management capacity is very weak and underutilized.

**Resource allocation.** In fact, resource allocation part was the burning issue among my research participants. Actually, I also asked them about the proper distribution of all three resources in academic activities. The participants of case one (TU) highlighted that there was enormous amount of physical and human resources which were not properly distributed due to the lack of priority sectors. However, it is observed that in case two (KU) there was resource constraint, not extremely large amount of physical and human resource was collected. Consequently, I asked the university officials and executives who claimed that present resource allocation is not scientific enough to meet the need of the university moving towards sustainable financing goal.

They clearly admitted that the current resources distribution approach is too traditional and insufficient to address the current university funding requirements. It was also found out that recent lease out project is not effective enough to generate regular income for the university. All the research participants mainly focused on golden hand shake project for retirement scheme which may reduce the unproductive allocation in human resources, and such money could be diverted to other academic sectors. They suggested making more funding on research and innovative sector or demand driven program which generates enough income for self sufficiency.

Even though resource allocation is concerned with diverting investment in revenue generating programs through commercial use of physical property and producing capable manpower competent even in international market, it is not easy to achieve without having a complete scientific resource distribution. Moreover, the qualitative and quantitative progresses are to be discussed together, so it was found

out that although the document data disclosed the collection and distribution of resources to have been satisfactory, it was yet to see about the return of such allocation. Unless a positive return is found from the current allocation of resources, it is too early to guess about the real progress. Quantitative indicators are indeed important, but qualitative dimension of resource allocation is much vital for achieving sustainable financing. Therefore all the research participants focused on qualitative dimension of resource allocation so that financial and academic condition of the university could be improved. The research participants believed that traditional resource allocation system was the main cause of financial complication in the universities.

The need for effective allocation of resources for the development of higher education is quite greater in the countries like Nepal. Therefore I viewed resource allocation with the support of literature, theories, knowledge, and ideas of participants and expert views for getting a better way to make a scientific reallocation of all three resources. The major finding in this field was that there were no proper policy guidelines for the resource allocation so that universities were making resources distribution without any resource plan.

**Financial decentralization.** As decentralization sounds so sweet in principle, it is very difficult to transform in real practice in the university financial management field. Therefore, most of the participants pointed out that current centralized resource management as well as governance system is weak and not effective and therefore this long culture of centralization becomes detrimental to empowering the local stakeholders like teachers, campuses, community and parents in taking part in higher education development. It was also found out that centralized resource management system in the present context is manifested with the traditional bureaucratic

administration, making it more complex for practice. Also it was observed that the balance between centralization and decentralization weighed down on to dependency which is a major setback in motivating decentralized units. In coherence with this, most of the research participants were not able to identify a better solution where they vaguely talked about the implementation of decentralization practices. It was pointed out that in the name of decentralization, university cannot allow decentralized units for a complete disintegration from the center. Therefore, some research participants like student leaders and teachers association officials did not agree on the complete decentralization due to the fear of disintegration. So, in the process of decentralization there should not be any concession in the matter of accountability of financial decision, as most of the research participants stressed.

A major portion of research participants denied decentralization but suggested for semi decentralization in resource management sector so that the danger of total disintegration would be avoided. On the other hand, a significant number of research participants from both the cases emphasized financial decentralization with decision making power to make better utilization of the financial and non financial resources collected from internal as well as external sources. The research findings further highlighted that although the concept of decentralization was good in principle, poor or unmanaged implementation of it would cause further ineffectiveness in achieving sustainable goal.

Therefore, most of the research participants did agree on a proper implementation of decentralization otherwise it may create a situation of monopoly which eventually leads to a complete disintegration. University executive council member strongly suggested that misuse of decentralization would lead institution to the way of privatization. The research data pointed out that the financial

decentralization paradigm, instead of integrating local stakeholders in the main resource management work, was unable so far to relate the need of decentralized units and the centre which has maintained the monitoring role of each financial event. It was also found out that decentralization mechanism in resource management sector was highly recommended by all the research participants and even though in principle it is simple to apply, a conflicting outcome was observed through existing complication in the resources management.

#### **Research Question: Four**

This section analyzes and summarizes the findings on the fourth research question about the income diversification efforts for revenue generation purpose of higher education in Nepal. To find out what factors affected income diversification, it was first necessary to examine the factors identified in the relevant literature that have been found to impact on the role of income diversification effort for revenue generation to support financial sustainability.

*Research Questions 4: What efforts have been adopted to make income diversification in higher education?*

The literatures on income diversification effort in higher education identify several critical components playing roles for deciding on the extent of income diversification which contributes to revenue generation. The literatures also recognized some important components such as trust, public contribution, research innovation, and diversification strategy ensuring the role of income diversification efforts in the university education for the development of the nation. Moreover, the literatures focus on fundamental issues for ensuring trust fund, public contribution, research innovation, commercial ventures and diversification strategy. The literatures together with the findings from the case studies were combined and discussed to



analyze the role of income diversification in higher education. However, this fourth research question focused mainly on three major components of income diversification extracted from the literature which are public contribution, research innovation and commercial ventures for achieving sustainable financing.

The research question is supported by eclectic business model of higher education. Eclectic business model says that university acts as a “parent” or “holding” company with decentralized centers or organs acting as the entrepreneurial or cost or profit centers with the expectation that they will achieve self-sufficiency from a diversified funding base (Kiamba, 2005). This model allows to do open business besides research and academic activities. But in my research, most of the research participants rejected an idea of open business in commercial sector on the part of the university. The findings highlighted that university cannot do business at the stages of higher education system in Nepal in the name of sustainability.

However, commercialization of intellectual products can be done as said by the theory and mentioned by the research findings. This model leads significant transformation or evolution from a traditional or development of university to an entrepreneurial or corporate university without a radical shift from the conventional mission of the university. However, research participants were not convinced of the entrepreneur university model which can do direct commercial activities.

**Public contribution.** In regards to public contribution, almost all the research participants wanted to know the real amount of financial and non financial contribution made by the public but due to the lack of updated record actual information was hard to receive. The participants claimed that a large amount of fund is mismanaged or misused and very small amount of resource is used for the development of the university. According to them, there was leakage of fund while

channeling public contribution, it means only a very few portion of public contribution was properly utilized for the development of university education. Thus issue of transparency and accountability was the central point of discussion among the research participants.

Moreover, most of the research participants focused on giving special attention to the utilization of already contributed resources rather than to receiving further support from the public and community. As higher education is a social as well as economic product, it needs a proper pricing. With this reality, most of the research participants agreed that financial audits alone could not stop mismanagement, so the need of performance audit for proper pricing of higher education was very much essential. According to the research participants, just obtaining or collecting public contribution hinders transparency and accountability as well as it provides chances for ineffectiveness and misuse.

It was also observed that public support in financial and non financial terms cannot be denied but there is a problem of deficit of trust with the state when all the public donated properties were nationalized in 1971 under NESP provision. My research participants reported that the public contribution was made enough so the university should pay more attention to the utilization aspect rather than to gathering further property. University has no proper record of the public contribution due to a weak monitoring mechanism. Most of the research participants agreed that there is a need of capable leadership rather than further public donation. When internal resources are not identified or utilized properly, dependency on others will increase, so the future financial condition of university cannot be improved.

As per most of the research participants, internal property management and resource utilization aspects were very weak so public were not much encouraged to

make further contribution. However, it was realized that receiving public contribution is not only the agenda but making it more effective is the main concern today. Thus as per the research participants, receiving and managing public contribution was not done systematically. It was also observed that conventional approach of collecting and utilizing public contribution was not done as per the need of the university due to the lack of concrete policy.

In fact the need of public contribution could not be denied for the establishment and expansion of university education system. But for the operational expenses internal revenue should be created so that dependency would be managed. While talking about the volume, quality and modality of public contribution, volume was found huge because it was collected in large amount in physical as well as in non physical terms. Most of the land was found to be donated by the public or community but the property management was not found effective.

**Research innovation.** As concerned with research innovation aspect, both cases are too back which are far away from being research universities. From this research, it was found that research budget was decreasing so it was unable to yield or contribute to the university from academic as well as financial point of view. Most of the research participants pointed out that they observed decrease in research budget. However, other research participants also emphasized that decreasing trend in research innovation was unable to address the present requirement of the university. So, there is a danger of eventual financial crises in future due to the lack of proper focus on research innovation sector. The research findings further highlighted that although the teaching task is going on well, poor research innovation work causes not only academic but also financial weaknesses.

There has been a common consent that unless and until research, consulting and publication part are improved, no university would be financially or academically strong enough. In this context, all of the research participants agreed that the focus on research innovation was not enough and thus universities were engaged only on teaching and operation. The university from case one (TU) is too big in size but far behind in research. Likewise, the university from case two (KU) is also not well ahead in research. So the prospective of higher education is not yet improved at an advanced level despite more than six decades long history.

The research data pointed out that the research paradigm instead of being the backbone of a university, due to the lack of special attention and commitment it has become just a part of academic affairs. The mission and vision of both universities are to be residential research universities in the long run but it was found out that this slow progress could not meet this goal in the foreseeable future. The research participants like Deans, VCs, and professors were able to identify the research innovation potentials in science and technical field so that there would be an academic progress, and on the other hand, a foundation of financial sources could be created.

It was also detected that lack of research budget was the reason for not having proper development. Additionally university was found very poor in policy aspects. No any fixed research policy was developed, so policy rather than money is the most essential need in this field. Perplexed by this difficulty, the research participants viewed these wastage of state funding in research centers which are doing nothing in the field of research, consulting and publication. It was also observed that research outlet also known as press was found weak in universities. So there was lack of knowledge creation as well as dissemination because university press was not operating effectively.

**Commercial ventures.** With regard to commercial ventures, it was found that all of the research participants were completely against direct business but they were more liberal for the indirect commercial activities on knowledge production. The research participants like university ex executives, deans, administrative officials, economists gave green signal for commercial activities on research products. University could be engaged in producing and distributing knowledge products in the market. But none of them were agreed on direct business activities like buying and selling of industrial products in the open market.

University by the Act is an education enterprise, so direct commercial activities were not suggested to do by all the research participants. It was observed that recently university started leasing out own fixed property but it was not found to be more successful from financial point of view. All the respondents realized that commercial activity was not the core area of the university, but it was an obligation to conduct some such activities to reduce financial dependency in a gradual basis. So, according to the research participants, commercial ventures not on the industrial area but in the knowledge industry field were found to be compatible with the University Act and its core area of work.

However, in coherence with this, all the research participants agreed that university could work on the commercial ventures on knowledge product of agro, herbs, medicine, non-timber forest and sustainable energy system. But the intention of such commercial activities should be to promote higher education and social development. Many of the research participants responded that the best way for unique types of commercial ventures was the collaboration with industrial and business communities in domestic or international sectors.

They also claimed that university could start some business incubation centre in the university premises from where revenue could be generated. According to almost all the research participants, university could be allowed to work in commercial use of idle physical and intellectual property. However, few other research participants like economists, former executives, students' leaders were agreed to allow university to work in the field of micro hydro and department stores for the financial growth of the university.

### **Research Question: Five**

This section analyzes and summarizes the findings on the fifth research question about cost sharing of higher education in Nepal for sustainability purpose. To find out the different dimensions of cost sharing, it was first necessary to examine the factors identified in the relevant literatures that have been found to impact on the role of cost sharing to support financial sustainable condition of the university.

*Research Questions 5 How has cost sharing been contributing to achieve financial sustainability goal of higher education?*

The literatures on cost sharing in higher education identify several critical components playing roles for deciding on the extent of financial sustainability which contributes to the revenue generation. The literatures also recognized some important components such as pattern, causes, consequences and outcomes ensuring the role of cost sharing with the state, students, local stakeholders and donor agencies in university education for the development of the nation. Moreover, the literatures focus on the fundamental issues for ensuring pattern, causes, consequences and outcomes. The literatures together with the findings from the case studies were combined and discussed to analyze the role of cost sharing in higher education.

However, this fifth research question focuses mainly on two major components of cost sharing: causes and consequences for achieving sustainable financing. Cost sharing model of higher education financing has been taken as the foundation of research question five which is concerned with generating additional income through multiple sources. Universities should not rely on some limited revenue sources such as tuition fees. But the revenue could be generated from students, state and stakeholders.

These multiple sources of income are necessary to any university for having financial sustainability. This is the major finding of this research which is as per the assumption of the cost sharing model. This model-essentially a business model-incorporates the establishment of student loan schemes and allows universities to undertake revenue diversification activities to generate extra income to mitigate declining government funding.

**Causes for low cost sharing.** Concerning with the causes of low cost sharing, it was found that dependence on state fund, political pressure and conventional thinking were prominent factors which caused lower cost sharing. Almost all the research participants wanted to identify the real reasons for a lower cost sharing situation in the university. So they claimed that other additional causes for unhealthy cost sharing, which were concerned with academic performance, were not finishing course on time, no exam on time, uncertain results, unscientific evaluation and grading system. Unsystematic academic performance also caused lower cost sharing in a general sense. Moreover, most of the research participants pointed out that there were some psychological causes such as misconception and wrong public perception, that meant people thought that state should take total responsibility for higher education, so fee structure should be nominal.

Another strong but wrong thinking about the misconception was that higher education institution like case one (TU) belongs to the state, so higher education is the right to all. But in reality higher education is not to all, it is for those who deserve in terms of academics. On the other hand, it should also be for the economically unable to pay from the inclusion perspective. But exactly opposite situation was found in the state funded university, which means higher education to all in general courses. Therefore mass enrollment has been made. In general enrollment would be based on merit, not on right.

However, most of the research participants focused on giving importance to some external causes like low economic condition, overdependence, policy rather than money. So, the tendency of traditional dependency on outsider also played a decisive role for low or insufficient cost sharing in the university. They agreed that internal, external, financial and non financial all the causes of insufficient cost sharing were created due to not having proper policy regarding this issue. So, it was proved that unclear cost sharing policy hinders the effectiveness of the university education quality. It was also pointed out the recently universities are unable to maintain a healthy cost sharing composition because of the major factors such as lack of strong policy, poor mentality, overdependence and economic condition of the nation. The research participants were able to identify several reasons for unsystematic cost sharing position which could not make any contribution towards sustainable financing in future.

Additionally, it was found out that university cost sharing was badly affected by corruption, leakage, irregularities, and overstaffing. Unless and until these inefficiencies were controlled no any significant improvement in cost sharing position could be expected. Another crucial finding was that present cost sharing governance



system in university is not scientifically developed, so drastic improvement has become essential.

**Consequences of low cost sharing.** In fact, the consequences of insufficient cost sharing were the burning questions among my research participants. Actually, I also asked them about the consequences of insufficient cost sharing and in response they expressed “Yes, it affects adversely with quality, educational materials, equipments, and research and library facility.” Thus it found multiple effects of lower cost sharing; some consequences were deteriorating quality, and less donor support. On the one hand, it affects the quality and consequently the donor agencies would be more reluctant for further support. They further added that if low cost sharing was created, there would be direct effect on development expenditure capacity.

Therefore, according to the research participants, there would be a question mark about the survival of the university in the long run. University did not pay more attention to maintaining the balance between cost sharing and need, so that as research participants stated, a black cloud has surrounded the total financial system of the university. Consequently, I asked a senior university official who claimed the lack of cost sharing policy does not make any significant change in the existing level of financial condition. During the research, cost sharing management was the big issue where it was found that in practice not much effort had been made for modernization of tradition mode of cost sharing. It was also observed that community participation had secured a large degree of credibility. However, stakeholders participation was not well developed as needed to keep cost sharing at the optimum level.

Moreover, qualitative and quantitative progresses in cost sharing were not so good for the development of higher education. Quantitative indicators were indeed found to be important but more important part is qualitative progress in cost sharing

position. Therefore, it was also observed that both qualitative and quantitative dimensions of cost sharing should be managed to make universities more sustainable.

### **Principal Research Problem**

This section presents the findings of the main research question on the sustainable financing in higher education of Nepal. To find out what affects sustainable financing, it was first necessary to examine the factors identified in the relevant literatures that have been found to impact on the financial condition.

*Principal Research Problem: There is a lack of sustainable financing in higher education of Nepal.*

The literatures on sustainability in higher education identify several critical components playing roles for achieving the sustainable goal. The literatures also recognized some important components such as state funding, financial administration, resource management, income diversification and cost sharing. Moreover, the literature together with the findings from the case studies were combined and discussed to analyze the role of sustainable financing in higher education. However, this main research question focuses mainly on five major components of sustainable funding. After the case and cross case analyses, it has been unfolded that the sustainable funding remains one of the important issues of higher education financing which cannot be denied in the context of state as well as non state funded universities.

### **Summary**

This research contributes to the literature by discussing five major pillars of sustainable financing, viz. state funding, financial administration, resource management, income diversification and cost sharing. These pillars impact on the sustainable higher education financing. Most of the research participants strongly

requested to the state for eliminating the state political intervention in freedom of functioning of the autonomous education institutions.

However, the research participants believed that poor state monitoring mechanism and negligence in formulation of higher education financing policy were the main channels for external intervention. Higher education institutions should remain 'peace zone' and under the principles of equity and access, higher education financing policy should be formulated. The essence for sustainable financing in higher education for the overall development of the nation is quite inevitable in the countries like Nepal. Therefore, I viewed sustainable financing with the support of literature, principles, theories, knowledge and ideas of experts as well as research participants in a deeper sense.

## CHAPTER X

## DISCUSSION

Decentralization without monitoring mechanism does not give any tangible benefit in internal resource management for better financial progress. Decentralization is not for monopoly but for better resource mobilization. In practice, the real sense of decentralization is not reflected due to the lack of precision. Decentralization is actually not for disintegration of university financial system.

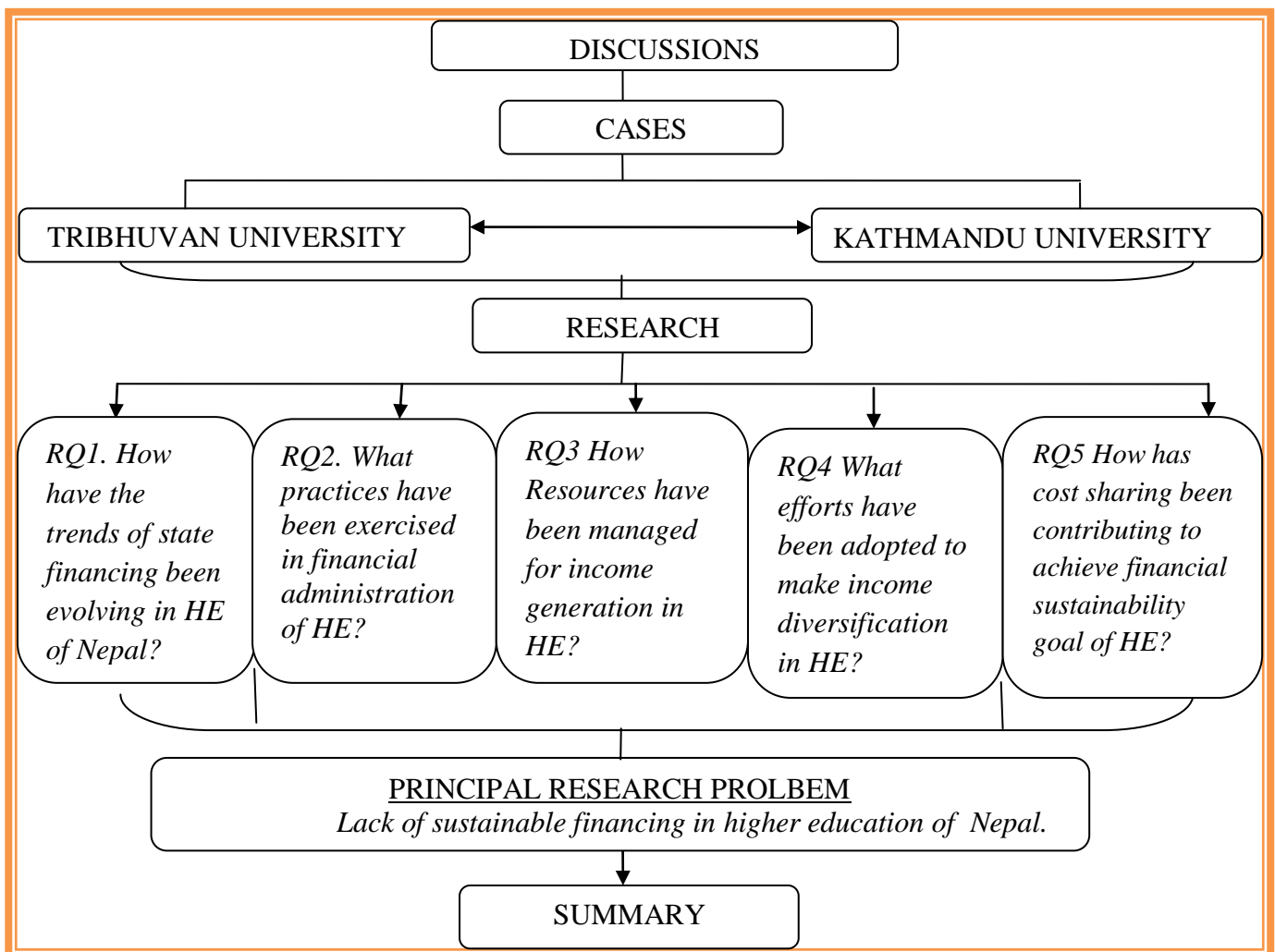


Figure 33. Chapter X outline.

## Discussion on Research Questions

### Research Question: One

My first research question was "How have the trends of state financing been evolving in higher education of Nepal?" I have discussed the answer to this question under the following different subheadings.

**State funding trend.** Both the universities are getting operational grants annually. However, funding criteria for TU and KU are not yet fixed. Lump sum basis of funding has been adopted by the government. Grants are distributed through University Grants Commission. However, an unstable growth rate in regular grants is seen in the past 10 years' time. Research grant has been very less in both of the universities. The state has not been making research and development support in a substantial manner. So, the focus of funding is on operational part rather than on research or infrastructure development activities in both the cases.

With regard to the volume of state grants, there has been a deep difference between these two universities. TU is getting around 90 per cent operational grants where as KU is obtaining about 15 per cent of its total budget. TU is using internal resource for just 10 percent operational expenses but KU is managing above 90 percent operational expenses from its own resource. Therefore, the funding situations in TU and KU are exactly opposite. Although both are contributing to higher education sector, KU is established by private initiative and TU by the state. Obviously, state funding responsibility is inclined towards TU, as it works like a public university. Unlike this situation, KU is a privately run non-government institution, getting less per student state grant. Another aspect of differentiation is purpose of the state grant. KU has been using state grant for repair and maintenance but TU is using it for the payment of staff and teachers salary.

TU is managing internal sources for maintenance but KU is using internal revenue for salary payment. In regards to dependency, TU is more dependent on government grants whereas KU is in the direction of self reliance. If state funding is stopped KU may not face serious problem but if this situation occurs, TU will be badly affected which may affect its survivability.

**Bases of allocation.** The research respondents of both universities unanimously agreed that present lump sum funding basis is not scientific. Most of them feel that current funding basis is too much traditional. It is not capable to meet the funding need of the university. The need of monitoring and evaluation mechanism has also been suggested by the participants. To some extent, there is a general agreement on reward and punishment basis of the state funding. On the other hand, present bargaining and personal contract basis are not acceptable to both universities. Therefore, common funding criteria guided by funding policy are very necessary in both the universities. There is a common suggestion to rethink on the existing funding basis in time by the state. The state is looking passively in funding policy matter; it has been repetitively expressed by the participants.

Moreover, participants suggested that direct funding may improve the present difficult situation. In both the universities, funding norms, criteria and processes are not clear. So, who is responsible for this confusion is the matter of debate and as such a concern of investigation. But the state and the university are accountable for having a better funding basis to minimize the present financial crisis. Unclear status of universities is another thing to address for fixing a clear funding basis. Whether a university is national, public, community or private, should be made clear by the state. The statuses of TU and KU are not clear. Then, how a funding basis works here? In this regard, to ensure justice to all, positive discrimination is suggested in both

institutions. Capable to pay may pay the agreed charge whereas economically weak class should be charged a subsidized fee. This is the scenario of both the universities.

Transparency lacks in the state funding. The state is not asking any of the universities regarding funding need. So, university has no any information about the size and schedule of the state grants. No classified funding on a transparent basis is sent to TU and KU. General perception regarding a basis of funding is a mixed funding basis where university and state both should participate. Performance or output based funding has been strongly urged by the respondents of both the institutions. But practical aspect of performance funding is another aspect. No any appropriate procedure for funding basis is adopted. Not only a concerned body, but also executives are not properly informed about amount and conditions. In general, there is a feeling for the need of a separate government body overseeing higher education at the ministry level. Due to the working style of UGC, it has been suggested to have another body which allocates budget in a justifiable way. However, there is a general support for formula funding basis. It is recently introduced by UGC in a World Bank project.

As universities are not confined within a fixed boundary, they have to compete with domestic and international institutions. Competitiveness development has become urgent but it is not possible without having adequate funding. There is no unlimited time for thinking on it. So, both universities need a radical shift in state funding basis to develop as internationally competitive institutions. Unfortunately, the state has no any such strategic funding plan. Therefore, there is a need for policy guidelines from the state rather mere monetary support. It has been suggested that the state should offer research similar to the operational grants to both universities. Both institutions are very back in research. Thus, funding is required which promotes

research and operation. The state does not know that it has been making a big financial irregularity. Providing state fund without checking financial statement is a big financial irregularity. It has been seen all the time in the past. There is no any evaluation mechanism. How to say whether the state fund is properly utilized or not? TU has never prepared any consolidated statements. KU has been making but never audited by the Office of Auditor General. Where is the authenticity? Where is GAAP? Where has the double entry book keeping system gone? So, it has been guessed that a lot of funding related issues are not yet addressed in both the universities.

In the concern of access, TU is more accessible to wider range of society due to state investment and low fee charge whereas KU has limited access to economically weak people. This has been described by most of the research participants. However, the present level of access to higher education in both institutions is not enough. Till now, head counting basis is followed for TU but for KU the funding basis is just a formality. The state is making nominal amount of funding to KU, having an intention for showing the state presence. There is no any specific policy towards any of universities.

TU has been receiving operational grant in an incremental basis. But KU is receiving the fixed grant almost to Rs. eight to Rs. nine million for the last 10 years. Almost similar amount for the last 10 years is an irrelevant matter. It shows that the government has no time to rethink. As a public university, TU prefers need based funding whereas being a privately run institution, KU argues for performance based funding. But the scientific method consists of the better qualities of both the bases. So, in some cases, funding basis of the programs is also discussed. There is no any appropriate procedure for funding basis adopted by the state.



In KU, overstaffing is not a serious problem. So the state funding is not a waste. But in TU, staff downsizing is urgent. While the state is making more investment in TU, it is suffering from overstaffing. There is a question mark on the utilization aspect of the state fund.

**Funding policy.** Both universities cannot be kept into a single basket for funding purpose. The participants from both the universities agreed on introducing different policy to different universities. So differentiation in funding policy is another need in the financing field. The natures of TU and KU are not similar, so a common policy may not fit to both universities. The study has viewed that there is a need for both institutions to be competitive in the globalized market. The common need of restructuring universities enhances the financial condition. The funding policy should address the need of the structural reform. However, there is a general feeling that program based funding may create more output in both the universities.

It is a very interesting matter that no fixed manpower plan has been prepared by TU and KU. Universities have to prepare manpower plan required for the nation. But it has not been done yet. It is a very serious concern. With regard to UGC's role, both universities are in the same stance that it has not been acting for the betterment of higher education. UGC is passive since it has not even drafted a single funding policy. So they suggested the state to rethink on the role of UGC. Universities need policy rather than money from the state which is not taken seriously till date. Even TU needs a clear policy than more funding. Money can be generated if adequate policy guidelines have been prepared by the state.

In case of KU, the importance of policy has been seen more vital. It has good internal revenue but the state policy cannot be made by a university. It is a complete mismatch. In the matter of students' charge, there is a general perception in both the

universities that there is a need of a positive discrimination in funding policy. Capable to pay and unable to pay cannot be kept in the same category. The state should take the side of unable to pay for education charge. It creates a social justice. None of the universities are accredited yet. So, how to assess their international credibility? Policy of compulsory accreditation is very essential. Universities are not getting the funds in time. So a policy of making the state funding timely is very important. Due to the lack of a fixed schedule, there is a lack of timely allocation of grants. Sometimes, TU is not giving teachers' salary for three – four months. But unfortunately, state has not yet made any concrete funding policy.

Monitoring and reporting system in KU is seen on a regular basis. However, in TU there is a need of improvement. Internal and external reporting system in TU needs to be regularized. However, as per the nature, TU is heavily state funded and KU is state assisted. Therefore, for the formulation of funding policy to heterogeneous universities, the state would prepare the policies accordingly. In the case of TU, there is more response in support of full funding as being the only national university. The state can use TU as a national university to deliver higher education. It is obvious that with a bigger size, the state investment is required. But KU being a privately owned institution does not need to have total state funding.

Sustainability is a bottom up approach. But the state is trying to apply top down approach. Firstly, all the institutions within the university should be financially rich and than a university can be a sustainable in the long run. Unfortunately, the state wants to make university more sustainable without giving direct funding to campuses. Although KU is too small and TU is too big in size, bottom up approach is scientific in both the cases. Demand driven approach of funding policy is suggested in KU whereas need based funding is applicable for TU. KU can introduce more demanded

programs, so that more state fund can be attracted. Government should understand that funding is not to university but to higher education represented by different programs. Therefore, funding to TU and KU is not a right concept but funding for higher education would sound better since the state is accountable for higher education of its citizens.

There is a debate on whether funding for operation or for revenue generation. The state has to be clear that state funding should be for internal fund generation rather than for operation. At the same time, funding should be for research promotion. Research and development funding is not enough, so research oriented funding policy is very essential. Political interference in KU is not so much strong than in TU. The state funding policy is determined by political consensus. Political perception toward TU and KU is totally different. KU is politically less affected, so it has more freedom in functioning. However, leadership is affected by politics.

### **Research Question: Two**

My second research question was "What practices have been exercised in financial administration of higher education?" I have discussed the answer to this question under the following subheadings.

**Budgeting and planning.** In both the universities, financial administration and financial management are not separate. Financial work is jointly done. But the implementation procedure is not clear. There is a lack of budgeting and planning for the effective implementation in both universities. Financial measurement and budgeting control system are not enough in both the institutions. No any standard for expenses and revenue generation are developed. Budgeting performance analysis is also done in a very traditional way. Till now, in both the universities, internal resource plan is expressed in budget and in short term projections. However, there is a need of

external resource projection to make a complete budgeting for strategic plan. Unless external revenue is expected, no real budgeting picture can be drawn. As per the participants' views, TU and KU both institutions should improve financial transparency since transparency is an ornament of financial administration.

Both institutions are mainly concerned with operational aspect. They need to focus on research and innovation by allocating enough budgets as the current budget is insufficient. That's why; both universities are lagging behind in research. The mission of making a research university needs extra effort for more allocation of funding in this area. The present problem is not the lack of money. Both universities have a huge amount of budget but they lack vision. KU has already been practicing centralized budgeting and planning system since its establishment whereas TU is now thinking to centralize the financial matters.

Budget preparation procedure is not apparent in TU. The budgeting and planning work is not much well established here whereas in KU it is done systematically. Budget preparation and approval bodies are specified. In KU, a unique body known as PCC is responsible for discussion and finalizing the budgeting framework. But in TU, this type of official body is not declared for preparation and approval of the annual plan. Despite having a big brain, TU does not have proper budgeting and planning. The big brains in TU are working in outside sectors. On the other hand, KU has limited human resources but are used for the institutional purpose.

KU has classified budgeting and planning system whereas in TU no such classified budget is prepared. Integrated budget is prepared by KU but it has never ever been prepared in the 60 yeras long history in TU. The present budgeting and planning in TU is not done independently due to overdependence while KU can make forecasting for future income and expenses for its independence. The traditional

approach of finance in TU is costly. Comparatively, KU has a little bit modern manpower and technology in finance section which gives more output. But the case of TU in this sector is very terrible. As per the views of the participants, some of the officers in finance section have no idea for drawing even a cheque. So skill upgrading program is very urgent in TU.

Target based budgeting system is more suitable for TU and performance based budgeting and planning system is better for KU. In the case of both universities, standards are to be fixed for assessment of progress according to the budget. TU has introduced Treasury Single Accounting System known as TSAS for centralizing the accounting system. Revenue of all constituent campuses is regulated by the centre under this system. But KU has a separate planning and budgeting body as Policy Coordinating Committee which is engaged in discussion regarding budgeting. Mainly in the name of budgeting, TU makes salary budget. Other aspects are totally ignored. But in KU it makes an integrated or aggregate budget.

The financial condition needs more improvement in TU. A systematic budgeting and planning can rescue TU from financial complication. On the other hand, KU has limited resources, so with the help of resource plan it can gain financial strength. Bureaucratic model of TU's financial structure is so complex. Lots of processes are introduced in the planning and budgeting. So, TU needs urgent restructuring in the financial set up. KU is doing pretty well in this matter, so there is no any urgent need of financial restructuring. However, a gradual improvement is necessary in both the universities.

To settle the condition of present budgeting and planning matters, both universities have to prepare an integrated basis for short and long term. Presently, most focus is on preparation but evaluation and monitoring mechanism are also to be

developed well. Budget preparation is a type of technical task, so consultation with the financial experts is required and need assessment of the programs is essential.

Both universities want to be research universities in the long run. So from today more budget allocation may be made on research area in both the universities. Development of a university is measured by its involvement in research and innovation work, not only by the production of traditional manpower.

**Financial reform.** Both universities need to maintain an environment of good coordination between centre and schools or campuses. Inventory management also needs a drastic reform. No updated recorded of property is made in both the institutions. Decentralized accounting and financing system is demanded in both the cases. Whatsoever is done at present, both universities need financial autonomy with necessary power.

Still both universities are adopting conventional practices in managing financial transaction. But this is the right time to introduce online or digital payment and collection system. However, the situation of manpower is quite similar. The skills and capacity of the existing manpower have to be improved. Uncontrolled expenses are to be controlled by minimizing wastage and idle time. Wastage and idle time are the financial burdens. Therefore, cost control and system design are so much essential component of financial reform today.

TU needs to increase its fee structure but in KU quality focus policy has to be adopted. Procurement decision is made at school level and all the payments are made by centre in KU. But in TU, all the operating decision and payments are made by constituent campuses. Even a dean has no authority to sign in the cheque in KU but in TU, a chief of constituent campus can make the signature. KU is running in cost recovery situation whereas TU is on the cost sharing basis.

TU has very vast amount of old and outdated physical property. For a long time, they are in idle or unproductive form. So, these are to be replaced by newer or smarter generation of technology. But this situation is not seen in KU because it is not a much older university. It has a history of around two and a half decades. Definitely TU is not only suffering from overstaffing but it is suffering from unskilled manpower. In KU this situation is little bit improved. Outdated or conventional manpower is to be managed. Complete autonomy in TU is not a big deal but KU may need a semi- autonomous financial system. KU has a culture of preparing an integrated statement to analyze the financial position of the university. But it is never ever done in TU.

**Cost recovery.** Political intervention is a bigger problem than cost recovery in both the universities. An external politics free and completely academic environment is much more important than other matters. Both the universities are on the way of full cost recovery but achievement is very far away from now. Different programs in the same university have different levels of cost recovery position like technical and medical science sector programs are recovering all costs from the internal revenue but other general programs are in financial trouble. Nevertheless, the university cannot close those programs which are important for national interest though they could not recover the cost. So, different cost recovery policy within the same university is necessary. Thus, program wise different cost recovery policy should be introduced.

Both the universities have to realize the fact that research and innovation are the vital organs of cost recovery. Unfortunately, both universities are very back in it. Research and innovation projects are to be promoted to enhance the cost recovery situation. At the same time, physical and human resource management should be strengthened. TU has very vast amount of land and KU is also not poor in physical

resources. So, both the universities can make further efforts in the areas which contribute a lot for cost recovery.

As a heavily state funded university, TU has relatively low fee structure than in KU. On the other hand, nominal state investment is seen in KU and thus, there is relatively high fee structure. Cost recovery rate in TU is around less than 15 percent but in KU it is above 90 percent of the operating cost. Internal revenue generating capacity of TU is limited than in KU due to financial administration ineffectiveness. Decentralized campuses are not maintaining uniformity in financial administration so there is an undeclared type of monopoly. But in KU, constituent campuses are little bit systematic even in financial administration. KU's cost recovery is in appropriate level but it is very low in TU. However, TU cannot be blamed because government support is continued and how can it charge more fees from the students. Despite having a satisfactory level of cost recovery position, KU has not declared its expansion policy in future. TU has both low cost recovery position and lack of future expansion policy.

### **Research Question: Three**

My third research question was "How Resources have been managed for income generation in higher education?" I have discussed the answer to this question under the following subheadings.

**Resource management status.** Updated record of resources is not maintained in a scientific way in both the universities so that the problem in allocation is noticed. Still historical or conventional allocation of resource is made though performance or program based allocation of available resources is appropriate. A lack of a concrete resource map is seen in both the institutions since the initiation of the program. A clear cut resource plan is not prepared ever before in these universities. Thus



utilization of resource is done without proper guidelines. Likewise, excessive amount of construction of physical property is made in universities, so financial resource is blocked in the unproductive field. It has been suggested that more and more commercial use of land may make financial support to universities' programs. TU and KU own very vast amount of physical property. Moreover, commercial use of knowledge product cannot be rejected for earning additional revenue.

With regard to human resource utilization, KU does not have a big problem of overstaffing. In some programs, there is staff deficiency. So, existing staff members are fully engaged in teaching, administration and research. But the reality of TU is quite terrible. Teaching and non teaching staff members are in almost equal number which is not a normal ratio. According to the research participants, there is around three times over staffing. So, state budget is used for the payment of the staffs' salary. KU is comparatively quieter than TU in terms of political activities. No any academic activities are performed on time in TU where political activities are heavily exercised which is not the case in KU till date.

**Resource allocation.** Introducing a demand driven approach would have been one of the best ways of making proper allocation of available resources. Most of the existing programs are too traditional. A big number of students are going abroad for higher education where modern courses and subjects are offered. However, in the name of demand driven program, universities cannot close such programs having national importance. Programs may be related to culture, history and national identity. University is not a totally commercial enterprise.

The traditional financial administration approach is not supporting this great mission of having financial sustainability. So, both universities should make more use of IT and computerized system in resource management areas. Manual work culture is

not capable to meet the increasing need of the university. Therefore, a technocratic rather than bureaucratic model must be introduced to lead the university to drive the development process towards the destination.

Lack of appropriate resource plan caused further disarrangement of financial as well non financial resources. An optimum allocation is not possible without having a comprehensive resource plan. In both the universities, there are no good resource plans to support resource utilization and proper distribution. Excessive affiliation has created some problems of handling situation to both universities. TU may not have a proper record of funds collected from affiliation. Even about the deposit, university authority is ignorant. Where and what about affiliation related revenue, the university has not kept a proper deposit record.

As the largest land lord, TU can make a lease out scheme of idle land. In addition, it is has unlimited amount of non financial resources, so a scientific allocation system is very urgent. Whatever land or physical property belongs to the university, that is to be used in more productive sector for the promotion of higher education. From the financial resource point of view, KU is on the way towards sustainability but TU is still facing more problems. TU's financial condition is not in the self reliant position, nor is it moving toward self sustainability because it is heavily state funded. Excessive staffing in TU is a burning problem. University should not develop as a training institute where staff members join for learning purpose on the permanent basis. There should be a productive work to upgrade the university's academic status.

**Financial decentralization.** In principle, autonomy is endorsed but in practice still centralized financial system is in operation. So, both the universities lack commitment for implementing decentralization. Decentralization process has been

started in both universities in the past and it is in operation or in gradual progress. As autonomous institutions, both universities are fully agreed on decentralization practice but implementation process is not as much as expected due to internal and external influences.

The present leadership is really not appointed on the competency basis. Political power sharing or individual influence basis of leader could do very little in these types of public institutions because their loyalty is divided. Decentralization is for reducing the dependency on state or outsiders. Self decision making power may expand earning capacity of the decentralized units. A self realization of “earn and eat” and contribute to the institution is in shadow.

However, gradually, decentralization practices are in more speed in TU campuses. Being a massive sized institution, TU is more eager to hand over the financial decision making power to the local level. However, KU is concentrated in the capital city and thus the need and speed of decentralization is a bit slow. The mentality of leadership is quite unique in the university. Before appointment, a person is close to a certain ideological thinking and after getting the appointment, the same person wants to work in a very neutral way.

#### **Research Question: Four**

My fourth research question was "What efforts have been adopted to make income diversification in higher education?" I have discussed the answer to this question under the following subheadings.

**Public contribution.** Public contribution in financial and non financial mode is very much essential for making proper pricing of higher education product. The general perception of the university education is that there should be proper pricing of higher education product which is recognized as social as well as economic goods.

So, for this purpose also, public contribution is very much essential. Local participation is not only concerned with the physical help but contribution to management and running is also very vital. So, campus management committee is formed for maintaining a linkage with the public.

In the past, there was active public participation in contributing to the university campuses by donating land. But the whole land donated by the public was seized by the government in 1971 and then public hesitated to donate further land. So, later, no more flow of public contribution was received. However, from university side, further public donation or contribution is essential for the expansion of university programs and for decentralizing campuses in the remote parts of Nepal. Most of the participants suggested that TU does not need much additional public support because it had already received a lot but in case of KU, it is still in the growing phase, so it is in need of public contribution.

**Research innovation.** Research innovation is essential to both universities for income diversification purpose as well as for upgrading the present standards to maintain a good ranking in the world university class. But the collaboration with international agencies is also necessary for conducting the research work. Presently both universities are not well developed in the research innovation sector therefore the income diversification is also restricted. Universities are engaged in teaching and administration, and they have little budget in the research area. On the one hand, research budget is insufficient and on the other hand, university has no any planning. This is so unfortunate. In both the universities, internal resources are not sufficient for research funding, so outside support is very essential. State, business communities and international agencies are the potential donors for research related activities. In technical sector like medical, engineering, science, agriculture and forestry, there is

more possibility of research oriented projects, which in turn can ensure better income. TU is a state funded university, so research budget is also supported by the government but in KU research budget is also to be arranged from the internal sources.

**Commercial ventures.** Both the universities are agreed on doing commercial ventures on knowledge industry but are completely disagreed on direct business like buying and selling of industrial products. At the same time, commercial use of idle physical property for diversifying income sources is also agreed to strengthen the financial health. Skill and invention could be distributed in market for earning more money. University research based product could be distributed at a reasonable price in the society. Industrial community could buy such innovative products of the universities. Common areas of commercial works are identified as natural sector such as agro, herbs purification, hydro, farming etc. where both research and commercial work can be done together.

University Acts are not the same in all the universities since universities are autonomous bodies. Therefore, all the provisions are not commonly designed. So whatever work are done that must be supported by the University Act. Any commercial or non commercial work against the Act and existing rules should be stopped to maintain the dignity of the university. Mostly TU is being a state funded university cannot go directly to any commercial activities without making a proper plan and gaining approval from the government. However, for KU, it is easier to go for commercial works, yet protecting the core academic interest.

### **Research Question: Five**

My fifth research question was "How has cost sharing been contributing to achieve financial sustainability goal of higher education?" I have discussed the answer to this question under the following subheadings.

**Causes of low cost sharing.** Towards both the universities, the public have misconception in a deep level. TU is perceived as a state university, so fees should be nominal. And KU is viewed as a private university, thus higher charge is not unfair. But both conceptions are not fully correct. This confusion is created by the lack of a clear policy. State is the authorized body which could fix or declare the real status of the universities. Next, both universities are influenced by political environment. State politics and students' politics both are affecting cost sharing issues. In principle universities are autonomous institutions but in practice excessive pressure from unseen sector is strong. Both institutions are not maintaining a balanced cost sharing approach among different parties. Excessive dependence on state or students is the main problem. So such overdependence should be maintained under a limit so that a healthy financial situation could be maintained. The effect of poor economic condition of the nation is seen in the university's poor cost sharing pattern. So, payment is not the individual matter of parents, it is connected with the national economy issue.

Higher education is not for all but for the capable to absorb and contribute to the nation. However, economic factors do not play more roles. As per the principle of positive discrimination, unable to pay should be subsidized by the state. So, higher education to those who deserve but are unable pay is to be guaranteed by the state. But TU is adopting mass enrollment in general courses which is not affordable due to the present cost sharing and resources constraints. On the other hand, KU is adopting

the so called merit based enrollment in principle; in practice it is a bit different. So both the universities are not able to follow the principle of merit based selection. Contact or personal recommendation basis of admission is dominating the universities' student enrollment system.

**Consequence of low cost sharing.** The direct effect of inappropriate cost sharing is on the student facilities and education materials. University should take more charge from students as fee if the state support is less. So that the educational material support system is not affected. This situation is seen in KU, and to a minor extent in TU. And higher education quality is ultimately affected due to insufficient cost sharing which can be seen in both institutions. Degrading the quality may not happen but upgrading process cannot be fully forwarded in the case of weak cost sharing. Finally, the development expenditures will be restricted so future expansion will be affected. Therefore, both the universities are not making rapid growth. Unsystematic cost sharing does not allow institutional advancement to go ahead as financial resource constraints are so strong.

TU is sharing cost with the state and KU is sharing with the students. The difference is just in the matter of dependency. Both are dependent universities where internal non academic revenue generating capacity is limited. It is not totally true that cost sharing directly affects the quality standard of a university. Even the institutions having less cost sharing are maintaining quality standards. So, the reality is that insufficient cost sharing does not allow university to take aggressive expansion steps for the overall institutional development. Everything is decided as per the state cost sharing policy which is not still in practice because no such concrete policies are declared. So, an invisible type of financial darkness is spread in the cost sharing sector due to not having a clear guideline from the state.

### Summary

In conclusion, the present funding basis is not appropriate to provide fund to both universities. A search for a more advanced and practical funding basis is a common need. TU and KU both are running in different contexts in Nepal. KU is comparatively free in its functioning due to its self-reliant nature. But TU is working in quite a different situation. It has to work as per the state higher education guidelines, as it receives a huge funding from government. However, complete freedom in functioning has been affected by political appointment. Vested interest of all the stakeholders such as students, teachers, staff, state and political arena are indirectly affecting even academic or operational affairs in TU.

Political presence in executive and administrative structure in TU is a big issue to improve to bring about cost efficiency. TU and KU are not the opposite sides of a coin in the field of higher education; instead they should walk hand in hand for enhancing the university atmosphere. To get more funding, both universities have to rethink on the resource utilization part. As both universities are back in research, there is a need of extra funding on it. TU and KU should divert their effort from obtaining more state fund to better utilization in academic sector. Lack of monitoring and evaluation part in state funding in universities is needed to improve. Preparation of integrated statements and its proper reporting system has to be established in both institutions. At the same time, the state should not provide funding without checking financial statements.



## CHAPTER XI

## SUMMARY AND CONCLUSION

This chapter summarizes and concludes the major findings of my research. It also discusses the sustainable financing of higher education in Nepal. As this research is concerned with probing sustainable financing in higher education, it is in fact a rooftop of education development of the nation. Several researchers reveal that higher education promotes social and economic status of ordinary people for the overall development of the nation.

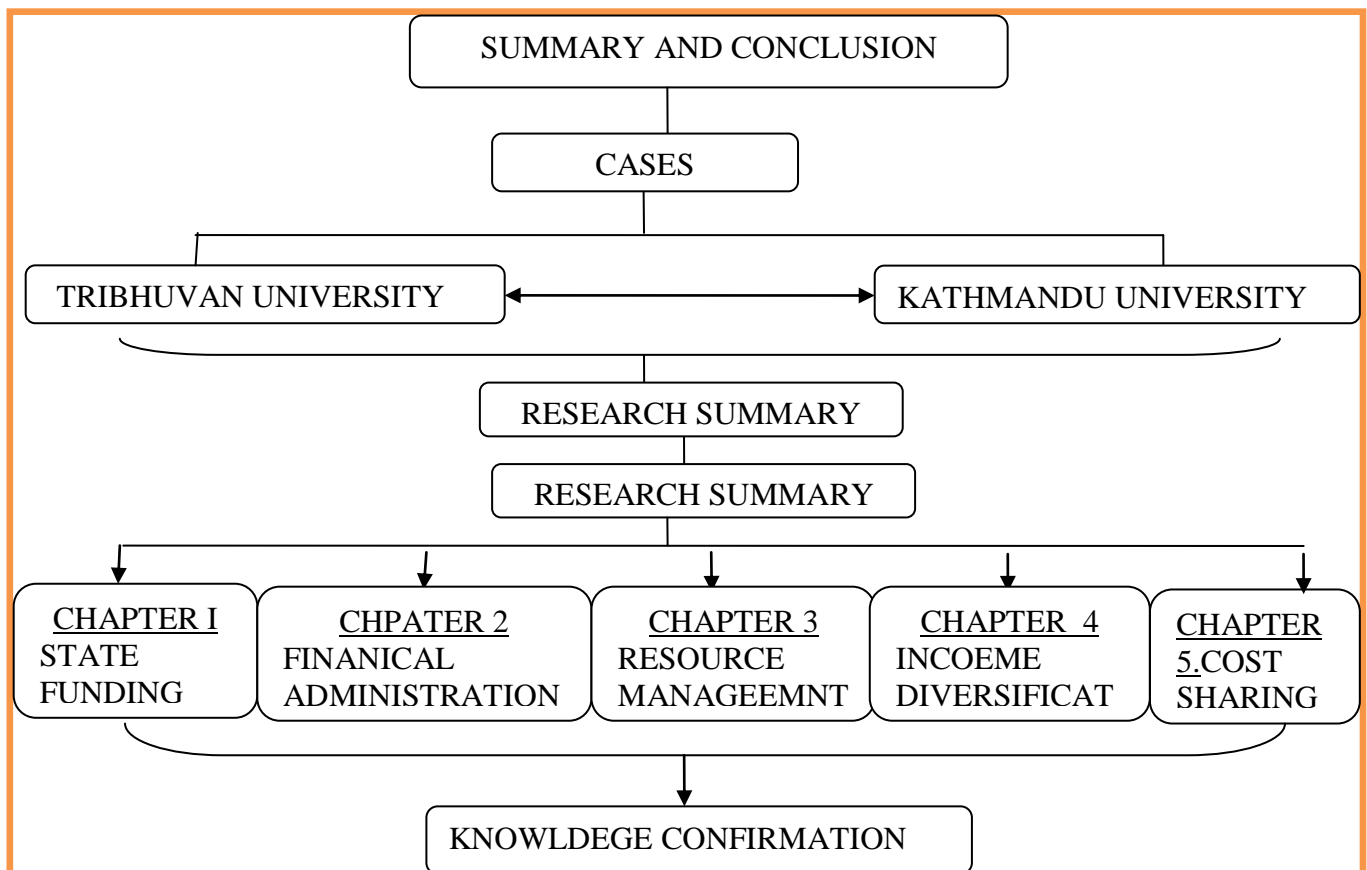


Figure 34. Chapter XI outline.

### Research Summary

In fact, my research journey commenced in February 2008 in search of knowledge about sustainable financing of higher education in Nepal. Through a continuous engagement and search of knowledge for almost five and a half years, ultimately, I got a real destination to my long research journey. Actually, I began my journey with the 15 points principles of World Declaration on Higher Education by UNESCO (1997) trying to relate with the sustainable financing in higher education. Initially, I went through the study report '*Financing the higher education in Nepal*' by CEDA (2007) and learnt about the different dimensions of financing. Next I went through the state funding model, donor aid model, formula funding model and eclectic business model. I found human capital theory, rate of return theory and equity theory more relevant in the context of higher education in Nepal to open up the bottlenecks of different dimensions of sustainable financing. Thus, this research strongly argued the need of sustainable financing in higher education of Nepal.

Undoubtedly, there are critics of funding modalities and policies of higher education in Nepal. They have criticized on the weak monitoring mechanism and unclear state financing policy as well as external intervention on freedom in functioning. They have analyzed the funding pattern from the state funding and eclectic business models of higher education financing. I thoroughly read out the literatures strongly supporting the essentials of the sustainable financing in higher education of Nepal. I did not get any such literatures that argued higher education to all, however, literature supported that higher education was also to those who were capable to absorb even though they might be unable to pay. So higher education is for capable to absorb but able or unable to pay who can contribute for the development of the nation. The fact which cannot be denied is that deserving people from the wider

section of society are still not integrated in the total higher education system due to the lack of policy which regulates the social inclusion in the national development. However, to make higher education accessible to the deserving and also to economically poor section of society is indeed a great challenge of the present context of Nepal.

Internal resources are utilized in limited scale and external funding is not enough to face the financial challenges. Nevertheless, universities do not have any other alternatives than expecting more from the state grants or foreign aids, and making an effective use of the available resources for the overall development of higher education.

### **Conclusion**

The objective of this research was to investigate into the principle research problem: *There is a lack of sustainable financing in higher education of Nepal.* Therefore, this research mainly discussed the financing in higher education and formulation of financing policy for effective resource mobilization. The research also explored the issues of state funding, financial administration, resources management, income diversification and cost sharing pattern from sustainability, transparency and accountability perspectives. It emphasized monitoring mechanism for effective utilization of resources for promotion of quality in higher education for the all round development of the nation. Throughout the research including the discussion and findings, research participants' perceptions were maintained in a holistic approach.

Chapter one outlined the research problem describing the importance of sustainable financing in higher education and its implications for success. The justification for the research was discussed in terms of lack of enough prior research about higher education financing from sustainability perspective and possible benefits

to research practice. In chapter two, I reviewed the extant literatures relating to higher education financing and identified gaps in the body of knowledge. First, the higher education financing related literatures were reviewed which helped to identify the contributing factors which were later proved as five pillars for sustainable financing known as state financing, financial administration, resource management, income diversification and cost sharing pattern. The review revealed that not many studies empirically examined the factors for sustainable financing in higher education and this led to five research questions.

Chapter three outlined and justified the appropriateness of the case study research strategy within the methodological framework in the scientific realism and interpretive paradigm to investigate the lack of sustainable higher education financing. The chapter also consisted of a detailed work plan for case study data collection and analysis techniques. Finally, the ethical considerations were also discussed.

The next chapter, i.e. chapter four, analyzed the data collected from two cases TU and KU by conducting interaction and interviews with different stakeholders within each institution, which consisted of at least four groups. Both within and across case analyses were provided with extensive citations of the case study participants that developed significant insights about the issues that had been addressed. The main purpose of this chapter was to analyze the trend, need, allocation, policy and role of state funding in higher education of Nepal. The perceptions of my research participants were analyzed linking with appropriate theories. After conducting in-depth interview with the research participants and a detailed study of literature, I consolidated essential information within the specified themes.

Chapter five analyzed the data collected from the research participants from both cases (TU and KU) concerning the financial administration of the universities. The valid responses from both cases were separately analyzed and later, they were compared and analyzed as a whole in a cross case basis. It was mainly concerned with the financial administration of the university which consisted of budgeting planning, discipline, challenges, reform, cost recovery and cost efficiency. And it also included the intensified analysis on different dimension of financial administration.

The next chapter, i.e. chapter six, analyzed the data collected from both cases by conducting interaction and interviews with different research participants within the sample study units. Both within and across case analyses about resource management were provided with extensive citations of participants' valid responses that developed significant insights about the main research problem. The main purpose of this chapter was to analyze different dimension of resource management like status, allocation, foreign aid, financial decentralization and resource mobilization in higher education of Nepal. The perceptions of my research participants were analyzed in detail to investigate the resource management condition. After conducting interview with the research participants and a thorough study of literature, I integrated essential information within the related themes.

Chapter seven analyzed the data collected from research participants from both the cases concerning income diversification strategy of the universities. The valid responses from both cases were differently analyzed and later they were compared and analyzed as a cross case study. This chapter was mainly concerned with the income diversification dimension of university which consisted of public contribution, commercial ventures and research innovation. This chapter also included

the intensified analysis on various components of income diversification that were found more important for sustainable financing of higher education.

The next chapter, i.e. chapter eight, analyzed the data collected from two cases by conducting interaction and in-depth interviews with the research participants. Both within and across case analyses about cost sharing pattern were provided with extensive citations of valid responses that developed significant insights about the principal research problem. The main purpose of this chapter was to analyze the different dimensions of cost sharing like causes and consequences in higher education of Nepal. The perceptions of the research participants were analyzed in detail to investigate the resource cost sharing pattern. After conducting interaction and interviews with the research participants and a detail study of literature, I consolidated essential information within the concerned themes.

And in chapter nine, after case and cross case analyses, it was found that the sustainable funding remains one of the important needs of higher education financing which should be accepted in practice. This research contributes to the literature by disclosing five major dimensions of sustainable financing. Most of the valid responses strongly argued for eliminating the political intervention in freedom of functioning at the autonomous education institutions. However, the research participants expressed that the insufficient monitoring mechanism was the main channel for external intervention.

With an intensive literature review, interaction, consultation, observation, and information gathered from in-depth interview with the research participants and document analysis, I came up with the conclusion that state funding, financial administration, resource management, income diversification and cost sharing are five pillars for sustainable financing of higher education in the context of Nepal.

### **Knowledge Confirmation**

With an extensive single and cross case analysis based on the valid responses from the research participants, I came to confirm the existing knowledge in the present context of Nepal as:

- ✚ University financial sustainability initiative arises from a unique combination of five pillars of sustainable funding as state funding, financial administration, resource management, income diversification and cost sharing in the context of Nepal.

So far, this claim is fully supported by the relevant research participants' responses and past published higher education related documents in the present context of Nepal. This knowledge would be relevant in other similar contexts as in the case of the least developed nations like Nepal.

## CHAPTER XII

## IMPLICATIONS

The findings and contributions of this research have several theoretical and practical implications. In fact, there is no debate on the need of sustainable financing in the present context of higher education in Nepal due to the lack of proper mobilization of resources for income diversification. Financial need of higher education is expanding in the recent years, so the essence of sustainable financing is justified by this research.

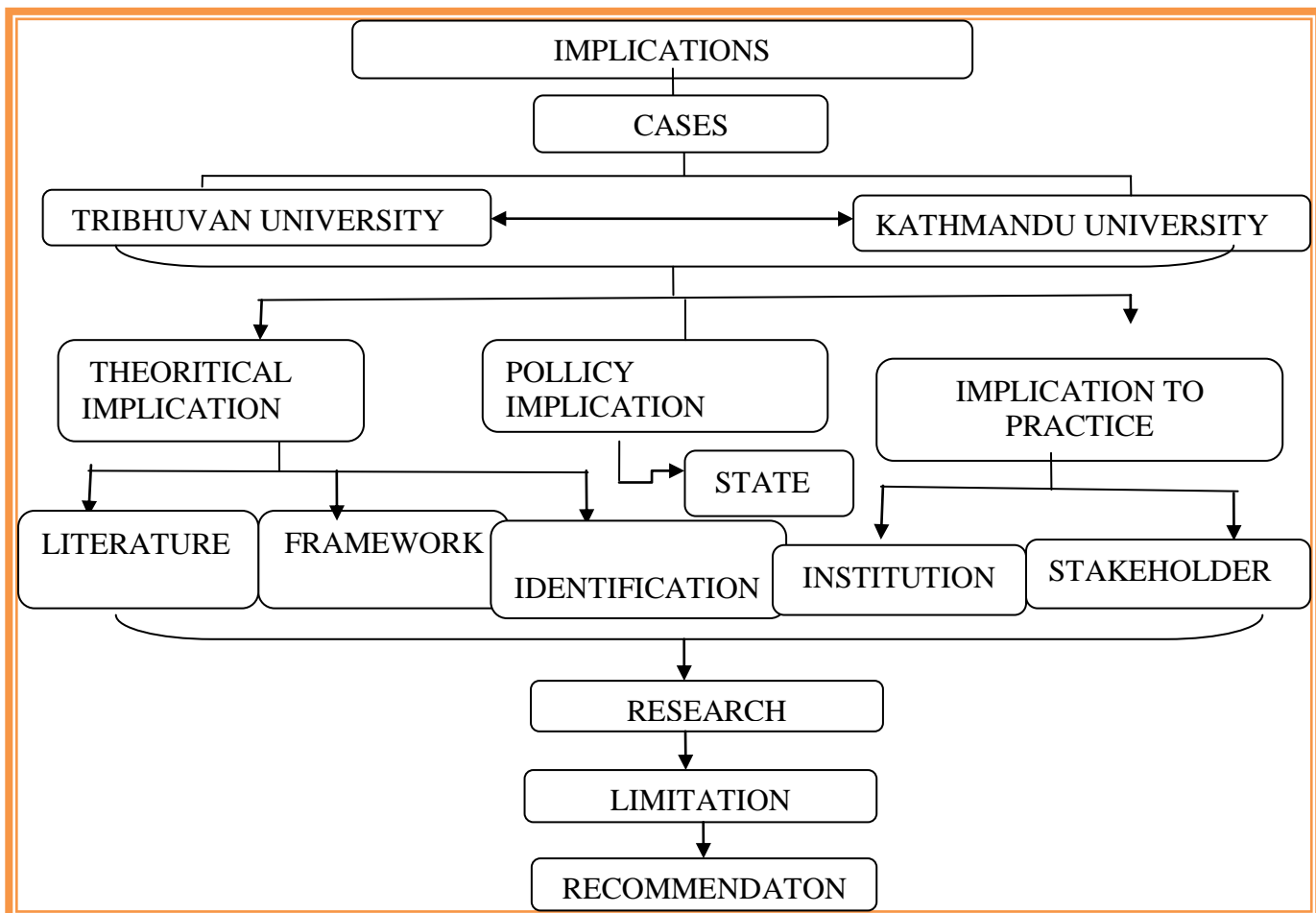


Figure 36. Chapter XII outline.



### **Theoretical Implication**

The research carried out and reported in this thesis has some important theoretical implications in the following keys areas:

- Extension of literature to sustainable financing area on the previous study.
- Development of a research framework on the critical pillars of sustainable financing in higher education.
- Identification of major stakeholders' groups for higher education financing.

The implications of this research to these theoretical concerns are discussed in greater detail in the subsequent headings.

#### **Extension of Existing Literature**

This research made a contribution to the body of knowledge of higher education financing by discussing sustainable factors explained as pillars in this research for sustainable financing. The finding of the research would help to find which factors are more important than others. It filled the research gap of sustainable factors in higher education financing. This research provides a detailed investigation into the factors that affect higher education financing. However, the five pillars for sustainable financing had remained largely unexplored in the context of Nepal.

#### **Sustainable Financing Framework**

One of the major weaknesses in the existing body of knowledge regarding financing higher education was the lack of an explanatory framework on the factors that impact on sustainability. The development and approval of sustainable funding framework of higher education financing in this study filled up the research gap and made substantial contribution to the existing knowledge.

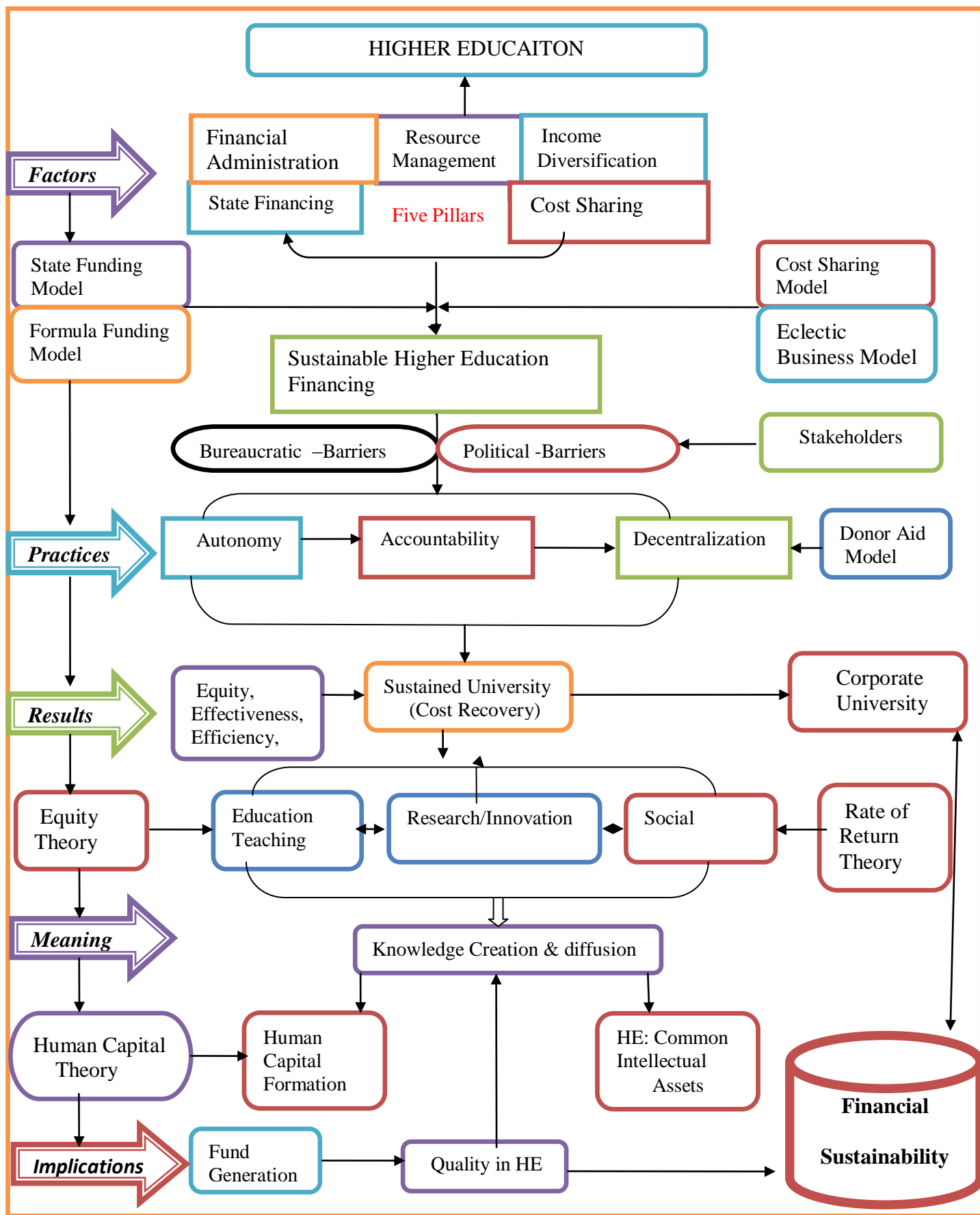


Figure 37. Sustainable funding framework.

The final research framework is developed in this study which is built upon the empirical study that explored contributing factors influencing higher education financing and their relationship with stakeholders, groups and higher education equity and quality perspectives. That is, it is now clear which factors have a greater impact on sustainability and which factors are significant for ensuring high quality performance. In addition, performance levels of factors were also incorporated into the research framework. Since, the actual contribution of such factors for optimum mobilization of university resources has not been highlighted in earlier studies. Therefore, this research has added new theoretical insights to the extant literature.

### **Identification of Stakeholders' Groups**

There are a few studies on the stakeholders in higher education financing, and some have focused on perceptions. However, this thesis research identified stakeholders' groups as state, students, policies makers, donor agencies, local communities and commercial sectors which have been taken as research participants. The framework for understanding the relationship between stakeholders' groups and sustainable higher education financing developed in this research provides a picture as to disclose how stakeholders are related to financing and how they contribute to education quality. In addition, this study also attempted to evaluate the importance and performance of contributing factors for higher education financing, which is another addition to the extant literature.

Moreover, the final research framework has connected stakeholders' group with higher education quality outcomes and identification of factors which evaluates the resource utilization and income generating capacity of the universities. I found very few prior literatures which discussed how the dynamics of funding network and factors work in relation to stakeholders' groups in financing. Thus this research further

extends the literature by adding new insights into the understanding of overall stakeholders' groups involvement in sustainable financing. In brief, identification of stakeholders groups and their contribution with sustainable financing and quality of higher education outcomes in this research adds to the literatures.

### **Implications for Practice**

The previous part discussed the theoretical implications of this research. In turn, this part addresses the practical implications of this research in the higher education financing areas. In essence, this study is a reminder of the significance of sustainable financing in higher education. The final research framework of the contributing factors for sustainable financing figure provides the foundation for practical implications. To be more specific, the findings of the study would make a contribution to practice in the following ways:

### **Implications for Institution**

First the research findings have the potentials to help universities to focus on the important sustainable factors for achieving sustainability with lesser effort. Such an outcome is helpful to universities in making optimum utilization of resources. There are multiple contributing factors that impact on financing, so this research provides specific insights into the sustainability dimension that could have most positive effect on the quality of higher education. University governance should be aware of the most important sustainability factors that have not performed well in practice. University financial administration can use these factors as checklist for financial sustainability in improving the university quality. Moreover, sustainable factors for higher education financing have explicitly been elaborated in this research, which university financial administration would use as guidelines for focusing their attention on appropriate resource distribution and income diversification.

### **Implications for Stakeholders**

Higher education stakeholders are those who would obtain the most value from the findings of the research. As identified by this study, there are several major stakeholders' groups involved in higher education and most of them are concerned with the expansion of higher education for the overall development of the nation.

Firstly, this research clarifies the role of different stakeholders on performance in financing higher education, which provides stakeholders with a clear image of their roles and how others also can contribute toward higher education quality outputs. To keep the whole picture in mind, the collaboration between different stakeholders would become more efficient. The findings of this research supply fresh information to various stakeholders as the front line beneficiaries; they would take an active approach of financing and university governance. In particular, this research provides policy makers with knowledge of specific sets of factors that can impact on the higher education quality. It may lead to a deeper level of understanding of sustainable financing issues. This knowledge can assist in developing a sound foundation for a strong university for strong Nepal.

### **Implications for Policy**

One of the managerial implications of this research is to higher education policy makers. Policy makers or the executives would benefit greatly by the insights and information gained through this research as input to the formulation of policies in relation to sustainable financing. Therefore, this research has the potential to allow policy makers or university executives to be well informed while developing and reviewing funding policies. Moreover, the framework developed in this study provides insights into what stakeholders perceive as important factors that influence higher education financing system. If this does correspond with what the policy

makers consider being most vital, the policy makers may take different measures to change the importance of several sustainable factors. Therefore it is implied that policy makers pay attention to these sustainable factors and also keep control of the better performance. It is therefore suggested that a frequent monitoring and evaluation of vital sustainable factors is very much important for efficient implementation of the higher education financing policy.

### **Implication for State**

The state has moral obligation for funding higher education as a responsible body to promote development. Therefore, the primary concern of the state is to develop funding policy in the field of higher education. However, without having a concrete and comprehensive national higher education policy, no sustainable development could be expected. This research study seems to be more useful for having the tradition of financial management rather than shortage of funding to achieve a goal of sustainable university for sustainable development of Nepal. A university does not have the problem of money and resources, but there is a lack of a clear financial regulation system. Therefore, this study discloses the fact that a university may need a policy or system rather than money. With the help of these findings of this study, the state may make a financial plan for university funding. The distribution channels have been found not much effective, so the state would have to rethink on the existing funding modalities. Many questions were raised in support of direct funding modalities on a scientific basis, not as per an ad hoc basis; the state is the appropriate body for the regulation of complex issues.

Another finding from this research is that the present monitoring and evaluation system is not much professional as required for the financial reform. In this regard, the state has to make a monitoring mechanism to secure the best utilization of

state grants. However, it was found that the role of state funding in sustainable financing is inevitable, the state can play a constructive role in enhancing financial decentralization practices. A major blame on the state is a political influence on the university matters. It has strongly been suggested to the state through the finding of this research that any university's academic and administration leadership should not be as per the political power sharing basis. Another finding stated that the public have a misconception regarding the neutrality of the state in university affairs, it has been too late to correct the past public feeling established as a misconceptions. University belongs to the people, not to any particular ideology or any political trap. The state could take other findings of this research as university education is not only to those capable to pay, however, it is also for those unable to pay but able to absorb.

### **Research Implications**

This research was conducted in the present context of Nepal. Only two cases were taken from the total nine universities among which case one (TU) is a too big sized state funded university and another case two (KU) is too small in size but non state funded. The whole research was focused on how to have a sustainable financing situation in higher education of Nepal. Therefore, there are lots of limitations and potentials for future research in this sector.

### **Limitations of the Research**

Higher education has many stakeholders from the financing perspective, and different stakeholders may have different perspectives of sustainability factors that impact on the quality of university education. This study included only the major stakeholders in higher education financing as students, state, policy makers, donor agencies, intellectual, educationists or economists, administrators, finance controllers because the key stakeholders' perspectives in financing are vital. However, other

minor stakeholders' perspectives may also be important and therefore further research may be conducted. This study was constrained among two Nepalese state funded (TU) and non funded (KU) universities. Therefore, the conclusion drawn from this study may have a potential problem in generalisability in the present context of extraordinary socio, economic and political complexity of Nepal.

However, some evidences suggested that the differences of financing issues among other universities in Nepal are likely to be minor. Although the results of this study were only drawn from Nepalese universities, there may be similar results if a study is conducted in other least developed countries like Nepal, whether or not there are similarities and differences needs to be further investigated.

### **Implications for Further Research**

Mainly there were three implications for further research. Firstly, replication of this study in other least developed or under developed countries may give interesting insights into the international practices. The similar research on cross-country and across university comparison of sustainability factors that impact on higher education financing would be very important and useful for theoretical as well as practical implications. It could not only support the literature but also provide a useful benchmark for real world practice, as universities nowadays need to become more competent in order to exist in the more competitive commercial environment. Secondly, researches on finding the contribution of sustainability factors on better financial conditions of university are required. This research focused more on the sustainability factors so further research may link the contributions to the better financial conditions of higher education. Thirdly, a large scale survey may be appropriate to further strengthen the reliability and credibility of this research.



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## APPENDIXES

### **Appendix A: (Interview Protocol: Campus chief/HOD/ Accounts officer)**

#### **TITLE: SUSTAINALBE FINANCING OF HIGHER EDUCATION IN NEPAL.**

Interviewee's Name:

Institution Name:

Designation:

Location:

Date:

Start time of Interview:

Finish time of Interview:

<b>General Information: Interviewee's</b>
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Could you please tell me about yourself?

Background : Education, Experience

Institutions:

Department: Financing, Accounting, Administration, executive, other

Main role and responsibility

<b>Section One : State Funding /Government</b>
--

Could you please tell me about your institution regarding state/ government financing? Do you think that the state financing will support financial sustainability of higher education?

- What is the status of UGC/University grant to your Campus/ University/ department and for what purpose you are using it?

- Adequate, inadequate, how much do you expect
- Recurrent, Capital Expenditure, Research Project
- Is government budget allocation for higher education enough for future operation and expansion? Please comment on it.
  - to be increased,
  - to be decreased
  - to be removed
- What should be the basis for scientific allocation of government funds among the universities/ campuses? Please mention.
  - Inputs, outputs
  - Performance
  - Need
  - Program
- What types of government higher education financing policy would make improvement in the present financial condition for long term sustainability?
  - Scientific allocation
  - Timely distribution
  - Output / performance monitoring
  - Financial monitoring
- How a state/ government play a crucial role for achieving financial sustainability in higher education?
  - Direct/ major investor
  - Indirect/ supporter
  - Environment setting

<b>Section Two: Financial Administration</b>
--

Does financial management help to ensure and improve financial sustainability of higher education? Please your view.

- Do you think budgeting and financial planning are important to ensure financial sustainability of higher education in Nepal.
  - Revenue/ expenditure
  - Setting standard
  - Financial Transparency
- What sort of financial structure and evaluation system do you have to maintain financial discipline for cost control measurement?
  - Accounting system
  - Auditing
  - Financial reporting
- Do you find any problem in financial management in your institution? if yes please specify the problem which hamper the financial health of an institution.
  - Lack cost recovery, high per unit cost.
  - Unskilled manpower, high administrative cost,
  - Mode of payment, low fee structure,
  - Lack of budget, political interference, repayment of loan.
- What measure do feel necessary for better financial management to strengthen financial soundness for achieving sustainable position?
  - Financial Autonomy, financial decentralization
  - Coordination between University and campuses.
  - On line payment system.
  - Fair treatment to all campuses by university.

- What measures do you suggest for the improvement in the status of cost recovery? Please provide your opinion.
- Please specify the major unit cost reduction strategies in higher education institutions.

- Overhead Management

### **Section 3: Resource Management**

- What factors do you think may influence optimum allocation and best utilization of available resource to institution?
- What is the status of Resource allocation and fund mobilization for your institute/ campus? And would you please mentions your views regarding ways for making better resource mobilization?. Where do you utilize the Resource/fund collected? Could you please give your opinion with regard to optimum utilization of resources?
- Do you feel the foreign aid and grants utilization in higher education sector may help in upgrading the financial status of Institution in long run? Please provide your remark.
- What will be the impact of financial decentralization in higher education on the long term sustainability of campuses/college and University? Please specify.
- Please furnish your suggestions if any for the sustainable ways of financing the higher education through best possible resource allocation and utilization of available fund.

### **Section Four : Income Diversification**



- Does your institution have trust/ endowment fund? If so have policies been established to maintain or increase its value over the time? If you don't have trust fund is it a projected goal?
- Has your institution undertaken any initiative for income generation through public contribution? If it is so could you please mention? Do you think such initiative contributes to generate fund for sustainability? Please put your opinion.
- Has your institution undertaken initiative for income generation through research and consultancy? If it is so could you please mention it? Do you think such initiative contributes to generate fund for sustainability? Please put your views.
- Has your institution undertaken initiative for income generation through commercial ventures? If it is so could you please mention it? Do you think such commercial ventures contributes for financial sustainability? Please put your views.
- Does your Institution articulate income diversification plan focusing on additional sources of income? How does your Institution move towards income diversification strategy to secure financial sustainability?

#### Conclusion

- If anything else I have not asked you that you feel important and would like to tell us about sustainable financing of higher education in Nepal, We would be highly appreciated if you please give your suggestions.
- Is there any one else that you would recommend talking to in relation to sustainable financing the higher education?

- Would like some of the feedback from this research regarding higher education issues or findings of the research?
- If you would like, we will supply a copy of what we believe you told us, how we have interpreted what your said, so that you can correct the impression that we have taken from your response.
- We will also provide you with factors for sustainable financing suggested by other respondents, you could then comment on the responses of others and accept or reject such factors.

Your contribution to this research is very greatly appreciated. Confidentially will be strictly maintained during and after this research work.

**Thank you very much for your precious time and valuable help!**

**Shankar Thapa  
Kathmandu University  
School of Education  
April 2012**

Appendix B **Interview Protocol: Expert/Policy Makers/ Executive Staffs**

**TITLE: SUSTAINALBE FINANCING OF HIGHER EDUCATION IN NEPAL.**

Interviewee's Name:

Institution Name:

Designation:

Location:

Date:

Start time of Interview:

Finish time of Interview:

**General Information: Interviewee's**

Could you please tell me about yourself?

Background : Education, Experience

Institutions:

Department: Financing, Accounting, Administration, executive, other

Main role and responsibility

<b>Section One : State Funding</b>
------------------------------------

Could you please tell me regarding state/ government financing? Do you think that the state financing will support financial sustainability of higher education?

- What is the status of Government grant through UGC ? what should be new role of state for sustainable financing of higher education?
  - Adequate, inadequate, how much do you expect
  - Recurrent, Capital Expenditure, Research Project
- Is government budget allocation for higher education enough for future operation and expansion? Please comment on it.
  - to be increased,
  - to be decreased
  - to be removed
- What should be the basis for scientific allocation of government funds among the universities/ campuses? Please mention.
  - Inputs, outputs
  - Performance
  - Need
  - Program

- What types of government higher education financing policy would make improvement in the present financial condition for long term sustainability?
  - Scientific allocation
  - Timely distribution
  - Output / performance monitoring
  - Financial monitoring
- How a state/ government play a crucial role for achieving financial sustainability in higher education?
  - Direct/ major investor
  - Indirect/ supporter
  - Environment setting

<b>Section Two: Financial Administration</b>
--

Does financial management help to ensure and improve financial sustainability of higher education? Please your view.

- Do you think budgeting and financial planning are important to ensure financial sustainability of higher education in Nepal.
  - Revenue/ expenditure
  - Setting standard
  - Financial Transparency
- . What sort of financial structure and evaluation system do you have to maintain financial discipline for cost control measurement?
  - Accounting system
  - Auditing
  - Financial reporting

- Do you find any problem in financial management in your institution? if yes please specify the problem which hamper the financial health of an institution.
  - Lack cost recovery, high per unit cost.
  - Unskilled manpower, high administrative cost,
  - Mode of payment, low fee structure,
  - Lack of budget, political interference, repayment of loan.
- What measure do feel necessary for better financial management to strengthen financial soundness for achieving sustainable position?
  - Financial Autonomy, financial decentralization
  - Coordination between University and campuses.
  - On line payment system.
  - Fair treatment to all campuses by university.
- What measures do you suggest for the improvement in the status of cost recovery? Please provide your opinion.

Please specify the major unit cost reduction strategies in higher education institutions.

- Overhead Management

### **Section Three : Resource Mobilization**

- What factors do you think may influence optimum allocation and best utilization of available resource to institution?
- What is the status of Resource allocation and fund mobilization for institute/ campus? And would you please mentions your views regarding ways for making better resource mobilization?

- Where do we need to utilize the Resource/fund collected? Could you please give your opinion with regard to optimum utilization of resources?
- Do you feel the foreign aid and grants utilization in higher education sector may help in upgrading the financial status of Institution in long run? Please provide your remark.
- What will be the impact of financial decentralization in higher education on the long term sustainability of campuses/college and University? Please specify.

Please furnish your suggestions if any for the sustainable ways of financing the higher education through best possible resource allocation and utilization of available fund.

<b>Section Four : Income Diversification</b>
--

Does your institution have trust/ endowment fund? If so have policies been established to maintain or increase its value over the time? If you don't have trust fund is it a projected goal?

- Have universities/ campuses undertaken any initiative for income generation through public contribution? If it is so could you please mention? Do you think such initiative contributes to generate fund for sustainability? Please put your opinion.
- Has university undertaken initiative for income generation through research and consultancy? If it is so could you please mention it? Do you think such initiative contributes to generate fund for sustainability? Please put your views.

- Has university undertaken initiative for income generation through commercial ventures? If it is so could you please mention it? Do you think such commercial ventures contributes for financial sustainability? Please put your views.
- Does university articulate income diversification plan focusing on additional sources of income? How does an university move towards income diversification strategy to secure financial sustainability?

#### Conclusion

- If anything else I have not asked you that you feel important and would like to tell us about sustainable financing of higher education in Nepal, We would be highly appreciated if you please give your suggestions.
- Is there any one else that you would recommend talking to in relation to sustainable financing the higher education?
- Would like some of the feedback from this research regarding higher education issues or findings of the research?

If you would like, we will supply a copy of what we believe you told us, how we have interpreted what you said, so that you can correct the impression that we have taken from your response. We will also provide you with factors for sustainable financing suggested by other respondents, you could then comment on the responses of others and accept or reject such factors.

Your contribution to this research is very greatly appreciated. Confidentially will be strictly maintained during and after this research work.

**Thank you very much for your precious time and valuable help!**

**Shankar Thapa  
Kathmandu University  
School of Education  
April 2012**

### Appendix C : Sample Unit – TU

University/ Campuses

[Interview Team: Shankar Thapa]

University	SN	Campuses	Levels			Location	Types		
			UG	PG	Research (Mphil/PhD)		Own	Cons	Affil.
TU	01	Shankar Dev Campus	×	√	×	Putalisadak KTM	×	√	×
	02	NCC	×	√	×	Minbhavan KTM	×	√	×
	03	School of Management	×	√	√	Kritipur	√	×	×
	04	Tri-Chandra	×	√	×	Ghantaghar KTM	×	√	×
	05	Jana Prasashan Campus	×	√	×	Jamal KTM	×	√	×
<b>Total Nos of Interview:</b>			Interviewee: Campus Chief/ Account Chief						

### Appendix D: Sample Unit - KU

Sample University/ Campuses

[Interview Team: Shankar Thapa]

University	SN	Schools	Levels			Location	Types		
			UG	PG	Research (Mphil/PhD )		Own	Cons	Affil.
KU	01	Management	×	√	√	Balkumari Lalitpur	√	×	×
	02	Education	×	√	√	Balkumari Lalitpur	√	×	×
	03	Arts	×	√	√	Balkumari Lalitpur	√	×	×
	04	Science	×	√	×		√	×	×
	05	Engineering	×	√	×		√	×	×
<b>Total Nos of Interview:</b>			Interviewee: Deans/ Account Chief						



### Appendix E: Review Matrix

CLASSIFICATION				LITERATURES									
Year	Review Nos	Types	Review Nos	Publication	Journals	Reports							
2013	7	Books Articles Reports Thesis	227 250 30 7	84	27	14	125						
2012	23												
2011	43												
2010	46												
2009	24												
2008	93												
2007	55												
2006	60												
2005	57												
2004	29												
2003	37												
Others	40												
<b>Total</b>	514							-	514	84	27	14	125
<b>Year =12</b>								Materials =4		Books	Articles	Study	=3
CLASSIFICATION				LITERATURES									

### Appendix F- World Declaration on Higher Education for the Twenty-First

Century:

#### Vision and Action

- Financing, access, improving quality and sustainability, employment of graduates, etc.
- Human rights and democracy, sustainable development and peace;

#### Missions and Functions of Higher Education:

- Mission to educate, to train and to undertake research
- Ethical role, autonomy, responsibility and anticipatory function Shaping a

New Vision of Higher Education:

- Equity of access
- Enhancing participation and promoting the role of women

- Advancing knowledge through research in science, the arts and humanities and the dissemination of its results
- Long-term orientation based on relevance
- Strengthening co-operation with the world of work and analyzing and anticipating societal needs
- Diversification for enhanced equity of opportunity
- Innovative educational approaches: critical thinking and creativity
- Higher education personnel and students as major actors

**From Vision to Action:**

- Qualitative evaluation
- The potential and the challenge of technology
- Strengthening higher education management and financing
- Financing of higher education as a public service
- Sharing knowledge and know-how across borders and continents
- From “brain drain” to “brain gain”
- Partnership and alliances