

Financial Management System and the Dynamics of University's Operations and Activities: The Case of A Malaysian Public University

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Abstract

Purpose – There have been increasing demands for public sector organisations in Malaysia to improve their financial management practices. Such demands are also extended to statutory bodies like public universities as they are expected to enhance their financial management efficiency and effectiveness in delivering their respective public services. In this study, we explore how a Malaysian public university has managed its finances using financial management system (FMS) and we examine the role of FMS in supporting the public university's activities.

Design/methodology/approach – This study adopts an interpretive case study approach comprising qualitative methods of semi-structured interviews and documentary review.

Findings – The results indicate that financial management has been largely used in the case university as part of its institutional practices. Nevertheless, the extent and scope of financial management used by various organisational actors seem to be different due to their peculiar roles and functions. Although it appears that the university has used different tools and applications to accommodate its key stakeholders' demands, rational decision-making is seen to be its main objective of managing the university's finances with budgeting and financial reporting heavily used to reflect its accountability commitment.

Research limitations/implications – There was a limited number of respondents when collecting the data. Some of the reported data could not be verified as a few respondents were unreachable thereafter. The data also might contain some potential sources of bias which could affect our interpretations.

Practical implications – This study has highlighted some pertinent issues associated with financial management in the context of a Malaysian public university.

Originality/value – This study has highlighted the need for FMS and the associated role that it can play in supporting a public university's activities.

Keywords: Financial management system, Statutory body, New Public Management, Public University, Malaysia, Case study

Introduction

Today's public sector landscape has undergone rapid scrutiny with growing focus on financial discipline and management, expenditure prioritisation, budget allocation and value for money. Despite the public sector's move towards having modern and efficient practices, negative remarks are still made concerning public sector organisations' service delivery. More recently, many have raised concerns over the ways in which finances in the public sector are being managed (García, 2014; Rahman et al., 2015). Such concerns have given rise to the need for public sector entities to implement financial management system (FMS). Notwithstanding this development, issues concerning the implementation of FMS in the public sector are largely unknown.

Generally, financial management is associated with the efficient use of funds. It is a methodology or tool that a public sector organisation utilises to monitor and control its income and expenditure as well as assets to achieve desired goals. Effective financial management might lead to improved public service delivery. A public sector organisation with sound financial management is not only capable of enhancing its decision-making but also optimising public funds and improving financial compliance and governance. Due to these reasons, an urge towards establishing sound public sector financial management has become a mantra in Malaysia.

Financial Management in the Malaysian Public Sector

There are many types of public sector organisations in Malaysia, which can be categorised into three main administrative group. These are federal agencies, federal operating agencies and state operating agencies. A statutory body is established by law in which it is authorised to enact legislation on behalf of the relevant state. According to the Royal Malaysian Customs (2014), the purpose of statutory bodies is to implement certain duties and responsibilities to achieve government objectives. Statutory bodies act as public regulatory bodies that implement regulatory and enforcement functions of the government. Examples of statutory bodies include Bank Negara Malaysia, Malaysian Industrial Development Authority (MIDA), the Securities Commission Malaysia, Malaysian Communications and Multimedia Commission (MCMC) and the Companies Commission of Malaysia. Statutory bodies are legitimate, responsible and purposeful organisations that serve to respond to the different autonomous and integrative arenas in which they are situated (Thynne, 2006). Thus, this study will examine the effectiveness of the financial management system (FMS) of one such Malaysian statutory body, which is a public university. According to Loeffler and Bovaird (2019), the main concerns of public financial management are related to the mobilisation of resources and management of public expenditure. The application of sound public sector financial management does not only directly influence the prudent and efficient use of public funds, but has a major effect on the establishment of a sustainable public sector culture that promotes better use of public funds (Iyoha & Oyerinde, 2010).

Financial Management in Malaysian Public Universities

Cameron and Guthrie (1993) state that public universities comprise one homogenous group of statutory bodies. In the context of Malaysia, public universities are recognised as Federal Statutory Bodies (FSBs) and therefore, are obliged to comply with Federal laws of Malaysia, for instance *Act 240 Accounts and Annual Reports of Statutory Bodies* and *Act 605 Statutory*

Bodies (Discipline and Surcharge) Act 2000. Malaysian statutory bodies have different types of governance such as state controlled and completely independent governance. Government-controlled or semi-independent public universities are statutory bodies that are subject to the Ministry of Education (MOE) or previously known as the Ministry of Higher Education (MOHE) or any related agencies affecting and controlling their activities. However, in 2012, former Minister of Higher Education, Mohamed Khaled Nordin made an announcement that five public universities in Malaysia would be provided autonomous status and be operated as research universities (Wan, 2017). One of them is the university that we studied, which we will refer to as UniSter. In October 2018, the MOE decided to grant all 20 public universities in Malaysia with autonomous status. Autonomy in this sense is defined as an independent organisation without government participation or self-governing freedom and management of its own finances. Although there is no complete autonomy and is still dependent on the governmental and ministerial policies as well as higher education strategies, public universities are able to manage their own resources through the complete control of the academic management of the university and freedom to set up FMS to handle their financial activities.

Public universities need to deal with governmental issues regarding the effectiveness, efficiency and responsiveness to the operating environment especially in handling its financial matters. According to Amran et al. (2014), demand for universities to fully account for their operations and expenditures is due to growing competition for publicly funded academic research and greater focus on project-based funding by governments and private companies. To be able to cope with the constantly evolving environment in their operations and services such as fast-changing technology, there must be an effective FMS and control mechanisms among public universities (see Parker, 2012). FMS is crucial to the financial management of universities especially in a competitive environment like Malaysia because they universities accountable in ensuring that public assets, and public monies are not misappropriated, but instead properly used. Thus, it is important to have FMS for public universities to ensure, evaluate, control and improve their activities in achieving their missions or goals and objectives. Additionally, managing a public university is difficult and challenging (Azhar & Rahman, 2009). The university's management must show that all activities, which are largely concentrated on providing education, are efficiently and effectively managed by FMS to satisfy the government which has oversight of its operations. Hence, it has been a concern for UniSter to adapt a strategic FMS to support the dynamics of its activities due to the challenges and difficulties of its daily operations.

To address the issues highlighted above, we have developed the following research objectives:

- 1) To explore the ways in which UniSter manages its finances; and
- 2) To examine the role of FMS in supporting UniSter's operations and activities.

Since our focus is on a public university's financial management, and drawing upon the above research objectives, we have developed the following research questions:

- 1) How does UniSter manage its finances?
- 2) What is the role of FMS in supporting UniSter's operations and activities?

Literature Review

Financial management with its objectives of achieving organisational goal, has always been an important element in both the public and private sectors. As noted by Berry et al. (2009), public sector organisations have borrowed some managerial processes from the private sector as they

need to respond to a competitive environment, which is close to that for the private sector. As a result, public sector organisations, including statutory bodies, are implementing FMSs to run their day-to-day operations and activities.

Overview of Financial Management

Financial management is an evolutionary instead of revolutionary concept (Valkama et al., 2013). According to Siddiquee (2006), the definition and scope of financial management has changed over the periods and has included numerous innovations. Financial management concerns analysing financial performance, finding methods to utilise resources efficiently, and trying to be innovative in using resources to generate more resources (Berry et al., 2009; Siddiquee et al., 2019). It transcends the traditional accounting emphasis on recording and reporting financial transactions, to emphasise on analysing and making decisions by using tools mainly employed in financial management. These include budgets; accounting policies and practices; and essential financial and data records (such as the chart of accounts). Financial management in the public sector organisations concerns certifying if funds are available when needed, as well as ensuring funds are sourced and used in the most effective and efficient way to benefit the general public (Bandy, 2014). Decisions can be either strategic or programme-based (i.e., programmatic). The role of a financial management model (FMM) in facilitating the strategic and programmatic decisions of an organisation is summarised in Figure 1 below.

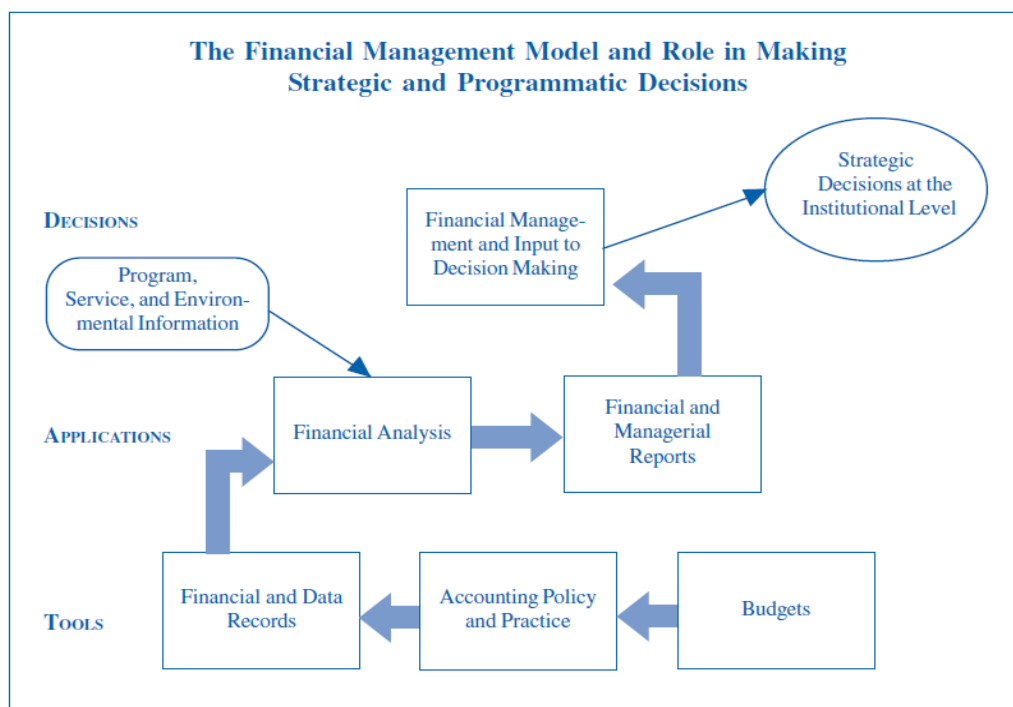


Figure 1: The FMM and Role in Making Strategic and Programmatic Decisions
(Sources: Zietlow et al., 2018; and Di Francesco & Alford, 2016)

Based on Figure 1 above, we can observe that the financial management pyramid is constructed on the tools of budgeting, financial records, and accounting policy and practice which will support the building blocks representing the applications of financial management. These are the analysis of budgeting and accounting information and the formulation of managerial reports that are meaningful. Subsequently, financial analysis and managerial reports support the management decisions and recommendations that represent the apex of the pyramid. These

decisions are dependent on informed managers who can make the best possible use of the applications and tools that they have. Accounting information roles in achieving the objectives of the organisation is well-established and became more crucial as the complexities characteristics of the organisations evolved over the centuries.

Good financial management entails being accountable for not merely safeguarding, developing and utilising resources, driving and sustaining economic growth as well as growing income, but also managing all national resources effectively and efficiently (Siddiquee et al., 2019). It appears that public sector organisations require an integrated FMM for them to provide accurate and detailed information for strategic decisions. Reliable and timely data and supporting information have a significant role in policy formulation, implementation and assessment, and in improving the quality of public service delivery (Iyoha & Oyerinde, 2010). The role, operating mode, and even composition of the board of directors of an must be specifically for its unique context in terms of its history, present condition, and priorities. Each public sector organisation today has its own strengths, weaknesses, goals and challenges. Therefore, implementation must be structured modularly, so that organisations can adopt the FMS in its FMM that are most appropriate for their condition and pace.

New Public Financial Management (NPFM) and FMS

Public financial management focuses on aspects of resource mobilisation and management of expenditure in the public sector. Public financial management is vital in achieving the objectives of the public sector through its role in enhancing the outcomes quality of public service; operational and strategic decision-making, long term sustainability of public services, building public trust in the performance of the sector, and ensuring the efficient and effective use of public funds (ACCA, 2012). However, the evolution of accounting practices globally revolved around private sector businesses and organisations. Grossi et al. (2009) stated that some of the developed countries (e.g., Australia, New Zealand, Sweden, and the UK) began focusing their attentions on reforming the public sector accounting through several initiatives during the late 1980s and early 1990s. Besides, the public sector has long been criticised for, among others, inefficiency, inflexibility, red tape, suboptimal performance and poor accountability. These criticisms have led to administrative reforms and reorganisations in a bid to resolve these administrative ailments and improve the performance and efficiency of public bureaucracies. The main reasons of NPFM reforms are that they are believed to provide better value for money, greater accountability, and better control of expenditure (Azhar et al., 2021; Torres & Pina, 2002); and improved accounting practice via cash management, commercial pricing, and processes of provisions (Hodges & Mellett, 2003). Grounded in the neo-liberal economic theory, the NPFM ideology assumes that the existing structures and government policies are the primary causes of poor performance and inefficiency (Siddiquee, 2006). NPFM is often seen as the fundamental mechanism in global public sector reforms (Hodges & Mellett, 2003). Llewellyn and Northcott (2005), in describing ‘third way modernisation’, have explained that NPFM concerns accounting and financial management reforms in improving the accountability and effectiveness of corporate governance of the organisation via means such as accrual accounting, devolved budgets, output-based budgeting, transparent costing and performance measurement.

NPFM in Malaysia emerged as a direct response to global uncertainties and economic challenges. Hence, the Second Outline Perspective Plan (OPP2) was launched in 1991 until 2000. The OPP2 or more commonly known as the National Development Policy has outlined the socio-economic spheres targets and the strategies to be pursued to achieve developmental

objectives. Besides, Vision 2020 which is a 30-year strategic plan introduced by the then Prime Minister Dr Mahathir Mohamad in the same year has already outlined Malaysia's goals and policy so as to achieve the status of a fully developed nation. Hence, the government and public service were straddled with a new set of responsibilities to maintain the country's competitive edge in the global market.

A good FMM means that organisations are implementing FMSs in their operations and activities. However, the FMM that has been used successfully by post-secondary education sector for numerous years is under significant strain. Pincus et al. (2017) stated that in earlier times, such strains on the FMM that could be managed but were becoming less manageable. In recent years, higher levels of global competition have increased the challenges faced by managers and many experts have advised that in maintaining the relevance of financial management, it has to adapt to meet the evolving needs of managers. To address these concerns, a range of new FMS has surfaced in developing the FMM for organisations that have transformed the FMS into simpler FMMs for daily operations. Additionally, the public sector has had to face constant changes and new challenges especially rapid-advancement technology. Several studies have examined the adoption and benefits obtained from evolvement of FMS in the US, the UK and Europe. A study of the financial management of public universities in Kenya revealed that the of FMS of public universities there are generally weak and wrongly determine scarcity of resources conditions (Mathenge & Muturi, 2017). Eventually, a new objective was included to ascertain the regularity of assessing public management effectiveness. As argued by Torres and Pina (2002), the public sector's imperfections of the budgetary system and a limited quality financial information have prompted public sector organisations to adopt new accounting approaches or known as new public financial management (NPFM). Additionally, key performance indicators (KPIs) and key intangible performance indicators (KIPs) are used to monitor overall performance and the health of the public sector, establishing performance contracts linked to those KPIs and KIPs, defining NPFM that is aligned with performance-based funding, and monitoring and reporting.

The Malaysian approach of funding public universities reflects the European mechanism insofar that public universities are heavily reliant on government funding. In contrast to some European countries in which state or local governments partially or fully fund public universities, Malaysian public universities, with a few exceptions, are almost completely reliant on the Federal Government for funding. Nonetheless, regardless of which level of government provides funding, Malaysian public universities are still reliant on the government notwithstanding the autonomy power given. Although a study shows that the FMM of Malaysian public universities has evolved due to many issues encountered due to their reliance on the government (Siddiquee, 2008), it is unclear how FMS supports the operations and activities of these universities. Indeed, there is an absence of evidence on the adoption and benefits provided by both traditional and recently developed FMMs or the emphasis that public universities in Malaysia intend to place on future FMS (Ahmad et al., 2019). We aim to contribute to knowledge in this area regarding FMS of Malaysian public universities.

Several previous studies have shown a lack of management resistance and significant improvements in the financial management processes of public sector agencies (Mir & Rahaman, 2007). However, the vast majority of studies in the past have suggested that financial management advocated by the public sector reforms is difficult to implement and usually faced with many challenges (see, e.g., Turner et al., 2022). This is because institutional and governmental goals may not always align (Bawole & Adjei-Bamfo, 2020) and the cross-

subsidisation of institutional activities is commonplace because many public services are seen as merit goods that provided for normative reasons rather than for pure commercial profit (Lewis & Stiles, 2004). Besides, according to Schick (2013), costs application that incurred through changes in work methods, information systems, recruitment and staff training may lessen the perks of financial management reforms. Rationality in the budgetary process may also be exacerbated by the execution of power within the organisation where certain individuals and non-finance professionals, political élites and coalitions control responsibility for allocating resources and monitoring performance and dominate the process meaning that they could pursue their own agendas instead of a commercial budgeting model (Verbeeten, 2008). Considering these findings, it is worth investigating the issues faced by Malaysian public universities in implementing their FMSs.

Methods

In this section, we describe the methods that were used to gather the data to answer the research questions posed earlier.

Research Design

In this study, the qualitative research approach is used to examine the FMS implementation from the organisation's annual reports. This approach allowed the researchers to analyse the various factors that have motivated the organisation to obtain positive results in achieving its target. According to Azhar (2015), the qualitative method has flexibility in the data collection which permits the alteration of the research plan as needed. The process of this research involved emerging questions and procedures. Data was mainly collected from the organisational setting and the organisational structure of the case university was gathered from various sources such as its unpublished documents and annual reports.

Description of the Study Area

The area of this study is the financial management of a Malaysian public university dubbed UniSter. This area was chosen as we would like to have a deeper understanding on how financial management has been implemented in a statutory body specifically in a public university throughout the years since it was established. UniSter was chosen as the subject for this study as access to the university and its staff was readily available based on our past connection.

Data Collection Methods

The data for this study were collected between June 2019 and February 2020 and involved both primary and secondary data. Primary data was collected through semi-structured interviews and secondary data through documentary review. These methods are explained below:

Semi-structured Interviews

Qualitative data collection is usually conducted for a small number of respondents using interviews (Auriacombe, 2005). The first data collection method for this study was semi-structured interviews using related questionnaires. Interviews serve as a data collection methodology that falls primarily within the interpretivist research paradigm. Cooper et al. (2006) describe three types of interviews, namely unstructured interviews (without specific questions and/or order of topics are addressed, and each interview is tailored to the participant), semi-structured interviews (generally begins with a few specific questions and/or topics, followed by the individual's natural 'flow of thought') and structured interviews (similar to that of a questionnaire to 'guide' the order of questions and/or topics). Semi-structured

interviews were conducted for this study because they provide reliable, comparable qualitative data. Semi-structured interviews were preferred because questions were prepared in advance. Most of the questions were created before the interviews, allowing us to have some flexibility to probe for details from, or discuss issues with, the respondents during the actual interviews. Each semi-structured interview lasted for about an hour. Semi-structured interviews were conducted with six staff of the Bursary and two entrepreneurs having their business located within UniSter's campus. Throughout the interview sessions, we posed questions in English, and we received responses from most respondents in mixed languages of English and Bahasa Melayu. All the responses were then transcribed, and emerging themes were then arranged for further data analysis.

Table 1: Details of the Interviews

No.	Respondent	Designation	No. of Interview	Information Derived
1.	Respondent 1	Ex-Bursar	1	Historical contexts, the concerns of the Ministry of Higher Education and the Ministry of Finance, and changes within the Bursary
2.	Respondent 2	Deputy Bursar 1	2	Accounting practices and financial management issues
3.	Respondent 3	Senior Deputy Bursar	2	Backgrounds of the budgetary practices
4.	Respondent 4	Senior Assistant Bursar 1	1	Involvement in UniSter's decision making processes and the Bursary's operations
5.	Respondent 5	Deputy Bursar 2	2	Changes in the Bursary and FMS
6.	Respondent 6	Senior Assistant Bursar 2	1	General overview of the budgetary process and expenditure control
7.	Respondent 7	Entrepreneur A	2	General overview of the business opportunities and activities in UniSter
8.	Respondent 8	Entrepreneur B	2	Sentiment of the business emphasis in UniSter and experience of dealing with the university's policies

Documentary reviews

Secondary data was also collected from various documented sources such as organisational policies and legislation through the official websites of UniSter and other relevant centres. These sources added richness to our findings.

Data Analysis Methods and Interpretation

As this study uses the qualitative approach, descriptive and interpretative analyses were employed to analyse the data. The documentation and analysis process served to present data in an intelligible and interpretable form that allowed for the identification of trends and relations based on the research aims. In this regard, Akinyode and Khan (2018) state that the analysis and interpretation of the data constitute the application of deductive and inductive logic to the study. Thus, the data analysis that entails some form of logic being applied to research could be then inferred. In this study, our data were analysed and interpreted from a number of interview sessions. We managed to record all interviews with the participants' permission. The data collected was appropriately interpreted. We also transcribed, recorded and documented information gathered to enhance the validity of the information. To improve

reliability, we deliberately utilised basic dialect (not bombastic words) during the interview sessions.

Findings

As mentioned in the previous section, this study aims at exploring the financial management practices in UniSter and the support that FMS provides to the university's operations and activities. UniSter, a public university, was chosen as case university in this study due to its statutory body nature, its long establishment of practicing financial management and its formal FMS set-up that fitted into our research objectives. In 2010, it received a favourable audit report from an audit exercise conducted by the Ministry of Higher Education based on University Good Governance Index. This audit outcome paved the way for UniSter to be conferred with autonomy status from the Malaysian government, which has given much pressure to the university's management to shoulder big responsibilities in managing various stakeholders' demands. One of the responsibilities concerns managing university finances that has become part and parcel of UniSter's Bursary.

The Bursary's (also known as the Bursar's Office as shown in Figure 2) vision is to be financial management centre that supports university aspirations. Its main objectives include strengthening the university's financial planning and service systems through effective budgeting, procurement, asset management and loan processing, as well as managing university financials efficiently and effectively. Given those financial affairs are crucial in UniSter in promoting the long-term economic health of the university, the following section will describe the adopted FMM.

UniSter's FMM

The FMM used by UniSter concerns addressing some management and audit issues facing the university such as the need to improve the budget structure and reporting of financial information for stakeholders and internal management, to increase the participation of stakeholders in the budget planning and decision-making processes, to improve the organisation of budget preparation and implementation, and to strengthen capital investment planning. Public sector financial management monitoring is vital not only to be accountable for the efficient and prudent use of public funds, but also to signify the sustainable culture that has been the bedrock of UniSter. The FMM in UniSter has been monitored and supervised by the Bursary which is led by a bursar (i.e., treasurer) as shown in Figure 2 below.

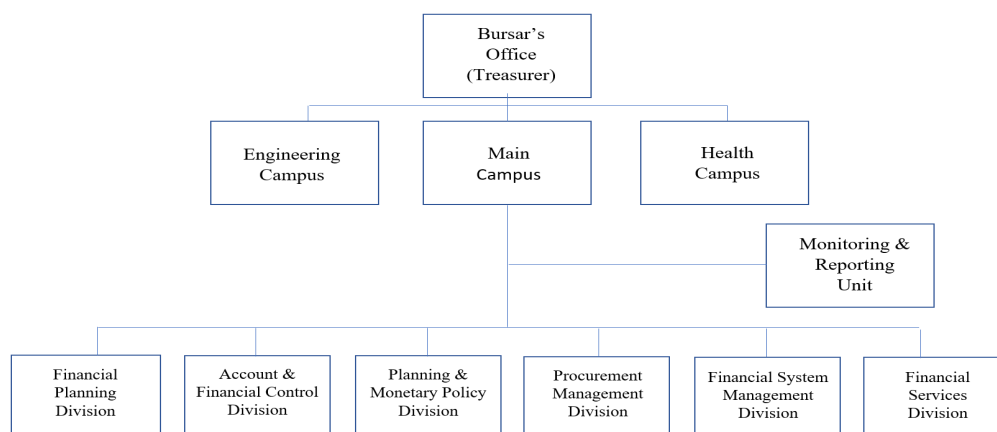


Figure 2: The Bursary Organisational Chart

The FMM is used as a tool to address major issues that UniSter confronts and to provide workable solutions for any emerging issues that require careful consideration on how the university's finances are going to be affected. More generally, its FMM is intended to facilitate the university's operations such as allocating government grants, generating revenues from commercial activities, and spending on items that are lawful and in accordance with the government's policies and procedures. As commented by Respondent #1:

We need to refer to the FMM. It is our guide. Whatever that we want to do [...] collecting money, allocating funds, and approving of expenditures, we need to look at this model. We look at it from two perspectives. Firstly, funds from the government [...] such as warrants and research grants [...] and another from non-governmental agencies [...] such as research and endowment. Secondly, funds from income generating [activities] as [additional] funding is [crucially] needed to run the university. From there, it will link to the system with the transactions coming in and recognise it upon receipt to help the management for the next step in allocating it, for example, on procurement.

In the past, UniSter faced very little pressure on financials without a need to worry about generating its own money (except to manage funds received from the government accountably). The previous FMM of UniSter was to collect revenue from its main operating activities such as revenue collected programme fees and to a much less extent, penalties imposed for any violation of rules by students. Apart from operating revenues, UniSter also received funds from the government and other non-government sources such as funds received from government annual allocations and special allocations, as well as from non-government sources such as research grants and endowments. These funds were then linked to the FMS for possible disbursements to relevant parties such as staff, contractors and suppliers. However, UniSter's FMM has evolved from a limited scope to a more complex scope and from merely providing subsidised education to introducing income generation initiatives and strategies. For example, endowments for creative investment activities including investing in profitable investment fund and business ventures. Other than that, in response to the decrease of the government's budget, UniSter generated its income through fees collected from conference talk and sponsors or grants for research innovations by lecturers instead of increasing its revenue from the establishment of a private university to commercialise their tangible products as many Malaysian universities have practiced. In addition to the fund generating activities, UniSter has also embarked on cost rationalisation to reduce unnecessary operational costs, or as Respondent #2 commented:

After many years establishment, our university must look around and adapt with the changing environment so that we can deliver better services to our stakeholders especially the students. We must change. From time to time, even in our financial management, we must analyse our situations and consider if our rules and methods require changes to ensure they are suitable with the current environment. We need to make sure that we can run our operations as optimal as possible by cutting unnecessary spending [...] go for cheapest cost but at the same time maintain quality.

The transformation of UniSter's FMM might be due to the MOE's urge for public universities to have financial autonomy requiring them to generate 30% income to be at par with the standard practice in Europe. Such government policy has made the structure of UniSter's FMM to change that affecting on how it plans their operations. However, a lack of policy imposed by the government in guiding the transformation (given the autonomy granted) has enabled UniSter to introduce and implement various strategies with greater flexibility based upon the new FMM. This has led to massive improvement in income generation. The setting up of a new portfolio for commercialisation and business activities were amongst the examples of such transformation. Besides, the lack of modalities of the previous FMM was due to the restriction imposed by the government (through some of its ministries), which limited its capability to decide on tuition fees. As indicated by Respondent #5:

We have improved our system and we are still trying to find the best methods to generate income with a proper policy in place. We will produce that later without disturbing any of our mission and vision.

Philosophy of Financial Sustainability of UniSter's Income Generating Activities

With regard to the financial sustainability, Respondent #4 made the following comment:

Currently, more than 90% of the operating cost is funded by public funding but in future it is possible that the government will not be able to continue their support especially with the increase in the number of public universities in our country [Malaysia].

In line with its transformation plan, UniSter has established the philosophy of Financial Sustainability for income generation and cost reduction without impairing the ability to perform core functions (Figure 3). According to the official websites of UniSter, in 2010, UniSter's operational income obtained from the government was lower by 0.08% compared to the previous year. Additionally, the National Higher Education Strategic Plan (2007 - 2020) targeted a reduction of public funding for all public universities to 70% by 2015. Consequently, in 2013, UniSter's operational budget approved by MOE was reduced by 4% from 2012. Thus, taking all these situations into account as well as the likelihood of future unexpected events such as a reoccurrence of a global economic crisis, UniSter has prepared itself financially by finding paths to increase its financial resources as well as being able to lower its expenditure and dependency on government funds. The following view was provided by Respondent #3:

For us [UniSter] to move towards our agenda, it is vital that the University is financially sustainable. Therefore, we [UniSter] has come out with radical and innovative measures as one of our [UniSter] financial plan as the government gradually reduces its aid.

UniSter's strategies include ways to create and increase income as well as to reduce disbursement by optimising its resources and activities without discounting its ability to perform its core functions. Some of UniSter's strategies for generating income include diversifying financial resources in certain investment portfolios, setting full-cost recovery (FCR) involving products and services that can be commercialised, and implementing public-

private initiatives. These are in addition to the existing tuition fees rationalisation exercise that involves determining the cost involved in graduating each student.



Figure 3: Components of Financial Sustainability

Process of Financial Management in UniSter

Financial management is of paramount importance at UniSter because not only are funds of fundamental concern, but procurement is also an important area to be controlled. Generally, the process of handling financial matters at UniSter entails four steps which are the identification of revenue's fundamental sources, the determination of financial planning and targets, the mapping of revenues against spending according to budgeted areas, and the evaluation of performance for each budget. Firstly, other than the main income from education fees, the financial management team will identify the fundamental sources received from either government, non-government or income generating activities such as research projects. Sources from the government include allocated budgets to fund the university as a whole; while non-government sources are sponsors, grants provider, private donors such as alumni and income generating from universities activities. Respondent #5 explained the following:

Each fund given has its own rules. For example, funds given by the government must follow the [relevant] rules and funds provided by grantor must follow the criteria given as there is no open ended as we are considered as a semi-government or statutory body where we are subject to some governmental rules and procedures.

Even though UniSter has the power to manage its resources without referring to central authorities (e.g., the Ministry of Finance and the Ministry of Higher Education), it has to adhere to basic principles regarding the disbursement of funds because public universities' autonomy is not absolute, and they are still subject to the government and ministry policies and strategies on higher education. The autonomy power given by the government in 2012 has provided UniSter some freedom to formulate its own policies and rules that serve as a guide in generating income.

Secondly, financial planning and targets are determined by recognising the financial performance as reflected in the financial cash inflows and outflows during the year. Preparing the cash flow statement for the year can be hard and problematic. The financial management team needs to carefully allocate the appropriate amount and compare the current budgeted amounts with the previous years' figures to minimise the gap or to assign additional budget for activities that are not budgeted for. Indeed, the planning of cash flow in UniSter requires a very thorough considerations and it can be an extremely challenging exercise due to many unforeseen factors such as sudden reduction of funding amount received from the government and so on. Consequently, this has forced public universities like UniSter to step out of their comfort zones and to start planning on how to generate revenue from other means and sources. As expressed by Respondent #2:

We determine how much funds to use and how much to retain based on our cash flow condition. Of course, we need to provide a cash flow statement to help for the university to plan for short-term and long-term activities and to assess our performance although it's hard to plan and assess due to complex and fast-changing environment. Things can go out of our hands anytime without notice. So, we need to consider so many things and we must be ready all the time. We need to be mindful of how much money we have and how can we save and how can we generate more [...] the only way out that I can think of is through commercial means [...] innovation and commercialisation. The cash flow is a real indication how best we can do at a given period. It helps us to prepare for emergency and worst-case [...] during the year and to determine how much money needed from income generating activities to stay healthy financially.

Thirdly, the university maps the revenues against the distribution of university's sources according to its budgeted areas. This involves imposing close supervision by the financial management team to ensure resources are properly managed and wisely distributed for each activity. The budget allocated by the government mainly goes to various areas such as staff salaries and benefits, investment in university facilities, research and scholarships. Failing to generate enough income in this step may lead to a shortage of resources and failing to appropriately consuming disbursements will result in budget overruns. Thus, it is not uncommon for the top management of UniSter to require carefully planned activities that are likely to save money and contribute extra income other than the major income gained from students' fees. By so doing, UniSter may be able to deliver targets set.

Lastly, evaluation will be based on the actual amount allocated for the university's activities compared to the budgeted amount. This step is for continuous improvement in handling financial matters in UniSter. Any feedback gained from various activities of generating income and procurements may assist the financial management team to reorganise and to restructure FMS of UniSter. The financial management team will also evaluate policies to ensure that the university is sourcing materials that are not environmentally hazardous, in addition to ensuring that practices by UniSter reflect its identity as one of the top public universities in Malaysia.

Role of the Bursary in UniSter

In terms of the role that the Bursary play in UniSter's financial management, Respondent #2 gave a very direct response as follows:

Our role is to ensure the money is well-managed and used appropriately without giving any bad impact to university.

Generally, the Bursary acts as an advisor for financing activities to match with its main thrust to strengthen the university's financial governance by via best practices. The Bursary advises and monitors all finance activities occurring within the UniSter area by using one of main tools for financial management, which is charts of account (COA). The role of the COA in reporting is to provide background information about how the COA and is used mainly in the production of management information and financial statements. COA establishes the level of detail tracked in a record-keeping system. For example, it made a coding structure comprising

elements used to classify, record, budget and report financial transactions. A well-structured COA permits information to be organised and summarised based on the differing needs of program managers, the board of directors, auditors, donor agencies or the government. The Bursary also uses COA to keep track on activities of responsibility centres. This is because UniSter's responsibility centres are different from those in other universities as they provide services to external parties as a way to generate income. For example, collaboration projects with an external foundation earned RM6 million. COA will also help the financial management team of the Bursary to be able to segregate expenditures, revenue, assets and liabilities to quickly get a sense of the university's financial health. As a reflection of the university itself in recent years, UniSter's COA has started to become larger and more complex. This has made it harder for the financial management team to develop a well-design COA to meet the information needs of the top management and to comply with financial reporting standards of statutory bodies Malaysia.

Other than that, the Bursary's role is to make sure the money disbursed to any parties must be used properly for the benefit of the university. As per comment made by Respondent # 4:

We work closely with our responsibility centres. The participation of our team [the Bursary] starts when the proposal of the business activities is approved, and advice will be given accordingly to the budget drafted, for instance, full-cost recovery by using our formula and mark-up the profit to self-sustain and we will monitor the business activities until the project is closed.

The Bursary roles are the same for student activities, business activities occurring in the university area and university activities. These roles include providing advice on any activities that can be improved to increase the cash flow during the year. For example, all entrepreneurial-related activities are monitored by financial management team of the Bursary to sustain the business until the next cash flow by giving feedback to improvise and reorganise business activities to gain higher income. This role is beneficial to UniSter in both monetary terms such as funds and investment; and non-monetary terms such as recognition and publication. However, the Bursary is focusing more on assisting UniSter's students and entrepreneurs to grow the business instead of taking in some profits, since the percentage of net income on UniSter's financial statements is negligible. This role played by the Bursary has also resulted in UniSter being recognised as a recipient of an entrepreneurial award conferred by the Ministry of Education Malaysia. Respondent #7 commented the following:

They [the Bursary] has helped us [entrepreneurs] in monitoring our business activities since the beginning. They encourage us [entrepreneurs] to grow our business. Instead of taking some portion from our profit, we [entrepreneurs] just need to pay rent for our kiosks or cafes which is good because we can give more focus on how to generate more income for ourselves [entrepreneurs] and not for them [the Bursary]. For instance, my business in UpScale Plaza [a designated commercial area within the campus] needs to pay only RM 60 as a rent fee each month to the university.

Respondent #8 further provided the following comments:

We [entrepreneur] need to provide our budget and cash flow to meet the university requirements. Based on those financial statements, we [entrepreneurs] will get some advice on how we can improve our business in the future. They [the Bursary] will also call us for any special training if they think we [entrepreneurs] need it. I have attended entrepreneur talk and conference held by the Bursary last year before starting up my business in UpScale Plaza and I must say it really helped me in preparing my business before starting it.

Outcomes and Challenges

The major outcomes that can be seen in implementing a strategic FMS is that the Bursary is able to achieve its goals and objectives and maximise stakeholders' value over time. In line with the Bursary's objective of strengthening the financial planning and service systems through effective budgeting, procurement, asset management and loan processing, UniSter's FMS has evolved over the time to adapt with the fast-changing environment and maintaining its sustainability in executing the system. However, the role that the Bursary plays is constant despite all the changes made for simplifying the process of FMS in UniSter. Respondent #2 expressed her view as follows:

Nothing has changed except for the business model at the moment. Our roles [the Bursary] are not affected with the changes that occurred. From time to time, we will change the FMS to make it relevant to the current environment, for instance simplification of the steps of procurement from 10 steps to 5 steps or by using e-claim with the use of advanced technology from manual ways for efficient and effectiveness. (e-claim is an electronic travel and personal claim system which enables UniSter staff to apply through online).

A range of economic, social, and technological pressures are compelling UniSter to become more efficient, effective, and accountable for the use of publicly generated funds. For instance, the evolution of FMS from manual-based to technology-based has helped university to grow in many ways. One of the obvious examples is students of UniSter nowadays can check their outstanding bill on any date through the official portal website. Similarly, they can make online payment for their university fees using an online banking facility. Besides, as mentioned by UniSter's Vice Chancellor when delivering their New Year Message, starting from February 2018, UniSter started to adapt itself to the Fourth Industrial Revolution (4IR) by introducing UniSterStarPay which is an initiative taken between the Bursar and the Centre for Business Development in implementing on-campus cashless transactions in a smart, safe, and convenient manner by collaborating with a Malaysian bank and a cashless merchant. UniSterStarPay enables users to apply 'Quick Response' (QR) code and a touch card in adapting to cashless payment for effective and fast transactions.

However, there are some challenges faced by UniSter in adapting the changes on FMS such as resistance to change among UniSter's employees with regards technology advancement as well as lack of skills. UniSter has allocated some funds on FMS training to reduce resistance by and improve the skills of employees. Resistance to change and inadequate abilities can be hard for the financial management team to face the changes. However, good financial performance

throughout the years has proven that the financial management team of UniSter has succeed in overcoming these challenges. Respondent # 3 commented:

One of the challenges I can say is attitude as people cannot run with the mindset that we [UniSter] are the government sector whereas we are not. First thing is the willingness of human being on the changes, either you want or refuse to do so. However, it's good to see that our people [UniSter staff] have accepted the fact that we need to change to adapt with the current environment within two years for better future. That is one of the biggest challenges.

Discussion and Conclusion

This study has two objectives. The first is to examine the way financial matters are managed and to identify the role of FMS in supporting UniSter's activities while the second is to uncover the implications and results of implementation FMS within the context of UniSter. Based on the findings, there are some points that can be highlighted. Firstly, UniSter's FMS has changed over the time to adapt with the new and fast-changing environment following the rules given. UniSter's FMM originally was only subsidised education, however due to budgetary cuts by the government, UniSter has endeavoured to mobilise income generating activities to sustain its status as an education provider.

For example, other budgets (i.e., other than operational budgets) allocated by the government have been used to fund or organise events that can further generate commercial income. These include such budgets as research grants (other than education fees). Public universities operate in growingly competitive and entrepreneurial environments, which has also impacted their funding patterns. Although recent years have seen mounting competition for publicly funded academic research at universities and increasing focus on project-based funding rather than core funding (Lepori et al., 2009), UniSter has managed to secure many research projects due to its position as a pre-eminent university in Malaysia. The aims of funding research through competitive project-based mechanisms are not just to provide funds for new initiatives but also to elevate the quality of scientific work and enhance the efficient use of resources (Laudel, 2006). According to the literature on "academic capitalism" and "financialisation" of higher education and research, the prestige and success of a university are increasingly connected to its capability to obtain external funds (Parker, 2013). Thus, UniSter has adapting income generating in its FMM as NPFM for its organisation to gain extra funds in supporting its operating activities.

UniSter also has a simplified process to adapt to the current environment by simplifying the role of the Bursary in implementing more strategic FMS. It can be concluded that the Bursary's role is to fulfil one of the objectives of that department, which is becoming the executive agency in charge of promoting economic prosperity and ensuring the financial security of the university. The Bursary team operates and maintains FMS that is critical to the UniSter's financial activities, such as the production of services, the disbursement of payments to suppliers, revenue collection, and the collecting of funds necessary to run operations. Additionally, despite all the changes in the operating environment, one role has always remained constant. This is advising and monitoring all business activities within UniSter to have better cash flows for the year as well as constantly improving the finance operations of UniSter through good FMS. The implications in improving the FMS of UniSter is its

continuous struggles with the growing complexities of public FMS to follow the pace of change. Thus, UniSter's Bursary is concerned with improving financial management and budgeting, responding to financial reporting changes, obtaining better regulation, strengthening institutions, improving governance and risk management as well as eradicating corruption and fraud. The challenges in adapting the strategic FMS in UniSter included lack of guidance and clarity on KPI requirement by the government, resistance to change, and inadequacies in knowledge on advanced technologies. For instance, UniSter's staff need to learn how to use the evolved FMS implemented. However, problems such as resistance and unwillingness to adapt to the changes have made it hard to implement a better FMS due to difficulty in changing the people's mindsets.

In conclusion, our study has presented the financial management practices of a public university in Malaysia. It has explored how a Malaysian public university manages its finances using FMS and examined the role of FMS in supporting its day-to-day operations and activities. Our results indicate that financial management has been largely used in UniSter as part of its institutional practices. Nevertheless, the extent and scope of financial management used by various organisational actors seem to be different due to their peculiar roles and functions. Although it appears that the university has used different tools and applications to accommodate its key stakeholders' demands, rational decision-making is seen to be its main objective of managing the university's finances with budgeting and financial reporting are heavily used to reflect its accountability commitment. Our study has also highlighted the need to better manage such a complex and big university as UniSter. While this requires the Bursary's team to play rather significant roles to provide support to meet the university's aspiration and to improve financial health, the FMS is resisted by certain quarters of staff. Despite such resistance, the team has managed to stabilise the situation as they continue to provide explanations and design strategic plans to respond to the changing landscape confronted by the university. As a result, the staff appear to reconcile with the changes much better.

Limitations and Suggestions for Future Research

This study has several limitations. Firstly, there was limited number of respondents that formed part of our data collection. The interviews were conducted with only limited number of the Bursary staff and entrepreneurs. However, with a smaller number of respondents, the scope of data collected might not be conclusive and subject to biased views amongst the respondents interviewed. Moreover, our attempts to contact them were not really successful as most of the respondents could not allocate their time to review our analysis due to their tight schedules and other important commitments. Nevertheless, we managed to contact some of them and briefed on major findings for their verification, which nobody seemed to oppose. Thus, other researchers may need to consider interviewing more respondents from the same university and/or expand their studies to include other universities to increase the credibility and richness of the research findings offered by this study.

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