DECISIONS RELEVANT IN FINANCIAL MANAGEMENT IN NIGERIA EDUCATIONAL SYSTEM

UDUMA, EMMANUEL OGBONNIA (Ph.D)., AND NWODE, NGOZI EZINNE

DEPARTMENT OF PRIMARY EDUCATION EBONYI STATE COLLEGE OF EDUCATION IKWO.

Abstract

Mangers at every level must not make difficult financial decisions continuously. Analytical tools or techniques are important in decision making, analysis, planning and control. Aspects of financial management are performed by most managers today, and it is important that mangers be able to apply analytical techniques to their specific financial decision. To this end, this paper focus on the definitions of some terms such as finance, management, financial management, and decision involved in financial management. It equally concludes that in financial management, every manager has to take three major financial decisions which include investment decision, financial decision and dividend decision. Based on the conclusion therefore, the paper recommended that managers should always make wise decision that will enhance successful investment, financial profitability and high dividend to enable organization or institution to sustain longer into their business operations

Key words: finance, management, and financial management

Introduction:

Finance is an important consideration in resource requirements whenever any human activity is contemplated. Berezin (2005), noted that financial resources are as indispensable as human resources requirement for managing any business, programs, organization or system. Success in achieving objectives does not just happen; it results from combination of resources among which finance is an outstanding one. Many activities in established organization dwindle or collapse because of major constraints or poor financial management decision. In fact, the financial health or fiscal condition of any organization, be it educational, church, business, to mention but a few, is usually the concern of every member of that organization.

In the educational sector, there is a pronounced emphasis on the financial resources requirement for the operation that must be performed. Education is known throughout the world as a big enterprise that requires a lot of financial investment in order to survive and succeed. Adequate financing of public education system and schooling is the nation's important investment which is necessary for socio-economic and political progress of communities and the entire nation.

Kazmi (2002) described financial management as that specialized activity which is responsible for obtaining of the business and therefore it includes financial planning, financial administration and financial control. The three main decisions involved in financial management include investment decision, financial decision and dividend decision. How these decisions could be handled by organizational managers so as to maximize profits in business endeavor, requires high level of articulation and wise decision.

Meaning of Finance

Financial Planning Curriculum (2011) explained finance to mean a study of how people allocate their assets over time under conditions of certainty and uncertainty. A key point in finance, which affects decisions, is time value of money, which states that a unit of currency today is worth more than the same unit of currency tomorrow. Finance aims to price assets based on their risk level, and expected rate of return. Finance can be broken into three different sub-categories: public finance, corporate finance and personal finance.

Relating finance to education, Board of Governors of Federal Reserve System of the USA (2010) saw it as the study of the process of collecting, analyzing, summarizing and presenting financial data relating to the receipts and disbursement of monies for educational costs so as to describe its financial position and any changes which relates to this. The function allows an educational organization, institution or the schools to run its financial system actively, in a more efficient way. Success in this depends entirely on the efficient management of funds and the wise financial decision taken which will result to progressive reduction of educational costs

Management

Briley (1972) defined management in all business and organizational activities as the act of coordinating the effort of people to accomplish desired goals and objectives using available resources efficiently and effectively. Management comprises planning, organizing, staffing, leading or directing, and controlling an organization (a group of one or more people or entities) or efforts for the purpose of accomplishing a goal. Resource encompasses the deployment and manipulation of human resources, financial resources, technological resources and natural resources.

Since organization can be viewed as systems, management can also be seen as human action, including design, to facilitate the production of useful outcomes from a system. This view opens the opportunity to "manage" oneself, is a prerequisite to attempting to manage others.

Decision Involved in Financial Management

Financial analysis is part of the financial decision making process. Financial decision making involves analyzing the financial problems that the company faces and deciding which course of action should be taken. In order to make financial decisions, you must be able to use the analytical techniques of financial analysis. The role of financial analyst may be assumed by any manager. Those managers who are involved in financial decision making but who may not perform the actual financial analysis should know the techniques and tools used to arrive at the recommendations the analyst make.

The financial manager and the financial analyst may or may not be the same individual. As mentioned earlier, one major difference in their roles is that the managers make the financial decision while the analysis recommend the best alternative (Barrett, 2003). The influence of the financial manager (and financial management in general) has increased substantially in recent years, Once, the manager's responsibilities were confined mainly to preparing financial statements, managing the company's cash position, and providing the means for paying bills and procuring additional funds. Now, financial management includes.

1. Investing idle cash and liquid reserves.
2. Synchronizing cash receipts and disbursements, and
3. Procuring financial sources of funds.

In addition to the roles of the financial management are the three main decisions involved in financial management. These financial management decisions include:

- Investment Decision,
- Financial Decision and
- Dividend Decision

Investment Decision

Investment decision is perhaps the most of the three types of financial decision, because of cash flows in future periods (Kotter and Dan, 2002). Investment according to Kotter and Dan, in this context refers to both short and long term real locations of corporate funds. Short-term investment decisions include the level of current assets (cash, account receivable, and inventories), necessary for day to day operations, whereas long-term investment decision refers to fixed asset purchases, mergers acquisitions, and co-operate reorganizations.In investment decision, capital investment is equally involved.

Manfred (2003), explained capital investment as major aspect of the long term investment decisions, the allocation of capital to investment proposal that will realize benefits in the future. Investment proposals necessarily involve risk, because future benefits are uncertain. Consequently, investment proposals should be evaluated both for their expected return and for their risk to the company.

A long term investment decision is called capital budgeting decision. It is more important in financial management decision due to the following reasons.

a. Long term growth and affects: As capital budgeting decisions involve investment in long term in fixed assets, it affects the long term growth.
b. Large amount of fund involved. As huge amount of fund blocked for a long term period, the decision should be taken rationally.
   c. Risk involved. As such a decision affects the returns of the firm as a whole, it involves more risk.
   d. Irreversible decision. These long term decisions taken once cannot be reversed back, without in curing heavy losses. It will lead to waste of fund, if reversed. Thus capital budgeting decision should be taken after careful study of deep analysis.

Financing Decision:

There are various sources of obtaining long-term finance such as equity shares, preference shares, term loans, Debentures etc. For taking financial decision and deciding the capital structure; various factors are to be considered and an analysis of cost and benefit is made. Craig (2009) stated that financing decision varies depending on the size of the firm, the financing options available to the firm, the needs of the firm, and the location of firm. Small firms according to him generally do not have the same financing options that larger firms have; consequently, small firms are more likely to experience difficulties financing growth and or avoiding bankruptcy.

Large firms are more likely to be able to obtain bank financing and to issue stock. Furthermore, large, established firms may have the opportunity to issue commercial paper. Small firm, on the other hand, usually depend heavily on family, friends, and supplier for financing start –up and working capital. When making financing decisions, the manager must determine the best choice in the capital structure that allows the optimal valuation of the company for the shareholders. The important elements to consider in making financing decisions include.

1. The nature and riskiness of the business operation;
2. The capital structure (debt-to-equity ratio) desired;
3. The length of time the assets will be needed; and
4. The cost of alternative financing.

Dividend Decision

Dividend decision according to Demars (2006), refers to the decision related to the distribution of profit. The finance manager have to decide as to how much amount of profit is to be distributed as Dividend and how much to be retained in the business. If too much earnings are maintained, it dissatisfies the shareholders as they receive less dividend. Similarly, if a liberal dividend policy is followed thoroughly, the shareholders are satisfied but the firm does not have enough reserve for future growth, expenses, meeting contingency etc.

Furthermore, the dividend policy that the company chooses is also a subject of analysis in financial management. The three standard dividend alternatives-the stable dividend decision plus extra-must be evaluated according to the company's specific situation. In addition, the purchases of the analysis would be to determine which type of decision would maximize the value of the company's stock. To determine this, the analyst would compare the effects of different policies on the company's valuation. Choosing the dividend policy is a strategic decision, usually made by senior-level managers, with final approval subject to the board of directors.

Conclusion

Finance is an important consideration in resource requirements whenever any human activity is involved. Finance is explained to mean a study of how people allocate their assets overtime under conditions of certainty and uncertainty.

Relating finance to education, it refers to the study of the processes of collecting, analyzing, summarizing and presenting financial data relating to the receipts and disbursement of monies for educational costs so as to describe its financial position and any changes which related to this. Management was conceived by Birley (1972) in all business and organizational activities as the act of coordinating the efforts of people to accomplish desired goals and objectives using available resources efficiently and effectively.

In financial management, finical analysis is important because it is part of financial decision making process. Finical decision making involves analyzing the finical problems that the company faces and deciding which course of action should be taken. Decisions, involve in financial management include: investment decision, financing decision and divided decision. Therefore, every manager has to make three major decisions while performing the finance function.

Recommendations

For any business enterprises to succeed in its operations and achieve its predetermined goals, and equally make wise decisions in financial management, the following recommendations could be considered.

1. Managers of any organization should always take wise decisions that could lead to wise investment, capable of yielding high dividends to shareholders.
2. Managers should apply analytical techniques to their specific financial problems or decision since they are tools to be used in decision making.
3. In order to make financial decision, finance managers should identify potential financial problems and analyze the effect of alternative course of action.
4. Those managers who are involved in financial decision making but

who may not perform the actual financial analysis should know the techniques and tools used to arrive at the recommendations the analyst makes.

5. For educational system to achieve progressive reduction of educational cost, it should depend entirely on the efficient management of funds and wise financial decision.
6. Accounting educators should make accounting interactive and interesting for their students in order to make them master their courses.

References

Berezim, M. (2005). Emotions and the Economy" In Smelser, N.J., and R. Swedberg (eds) *The Handbook of Economic Sociology; Second Edition.* Princeton: Princeton University Press.

Birley, P. (1972). *Planning and education,* Britain: Rutledge and Kegan Part Ltd.

Barrett, R. (2003). Vocational Business: Training, Development and motivating people. *Business and Economic Journal Pg 51.*

Craig, S. (2009). Merril Bonus Caso Winens as Deal Struggles. Wall *Street Journal (1*).

Demars, L. (2006). *Heavy Vetting*: Boards of directors now want to talk to would-be CFOs-and vice versa, CFO Magazin.

Federal Reserve System (2010). *Mission of the Federal Reserve System*. USA: Dederal government reserve Accesses. *Webcite at webciation. Org.*

Financial planning Curriculum (2011). Financial planning Standard Board. *Retrieved 7 April 201.*

Kazmi, A. (2002). *Business rolling and strategic management*; new Delhi: Tota Mc. Graw Hill Publishing cop. Ltd.

Kotter, J.P. and Dan, S.c. (2002). *The Heart of change*. Boston: Harvard Business school publishing company.

Manfred, F.R. (2003). Kets de Vries The side of Leadership. *Business Strategy review,* vol.14 (3) pg 26