

## **Financial Conditions of Educational Institutions. A Comparative Study of Private and Public Institutions**

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### **ABSTRACT**

*Private and public advanced education institutions have had the issue of financial un-manageability lately. Numerous nations have initiated projects to chip away at financial supportability of higher education a huge quantities of extra understudies are thumping at the entryways of advanced education institutions in the nation. With the public subsidizing being not any more in a situation to take-up the difficult assignment of development and expansion of the advanced education framework. The job of advanced education in the arising situation of information economy is urgent and multifaceted for any nation as a rule. The study recognized a bunch of financial proportions that sum up the financial state of an advanced education establishment. The proportions assisted with breaking down the financial dissolvability and reasonability of the advanced education institutions and zeroed in on the capacity of the institutions to meet current and future financial necessities. The significance of financial articulation investigation ought not be thought little of. The justifiable arrangement of financial proportions permits essentially any partner to secure a fundamental perception of the most basic financial approaches of institutions and their financial condition.*

**KEYWORD:** institutions, Private and public, education, development, challenging

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### **I. INTRODUCTION**

The financial state of advanced education institutions is at present being addressed and assessed. Numerous partners inspired by and engaged with the assignment of assets to advanced education are zeroing in on the effect of the economy on colleges and universities. This effect comes in numerous structures, with both short-and long haul impacts. The essential ability to help the asset cases of U.S. colleges and schools might be profoundly subject to the proceeded with vigor of U.S. financial development (Nicklin& Mercer; 1998; Schmidt & Selingo, 1999; Shapiro, 1993). Adams and Palmer (1993) finished up from their study that the public economy is disintegrating. With the beginning and proceeded with strength of the buyer market of the 1990s, major U.S. colleges have flourished (Cottle, 1998). In any case, the dive in the Dow Jones Industrial Average on August 31, 1998, and the proceeded with unstable conduct of the securities exchange has caused numerous college financial officials to contribute gifts with alert (Cottle, 1998; Nicklin& Mercer, 1998). Be that as it may, in March 1999, a few specialists guarantee the U.S. economy is the most grounded it has ever been in its set of experiences. However this has not improved workforce pay rates or government subsidizing at numerous public colleges in Oklahoma and Texas, who are far beneath the public normal.

Wellsprings of monetary and financial emergency and explanations behind worry for financial conditions incorporate the accompanying:

**1. Stock market volatility**— The positively trending business sector of the 1990s has permitted colleges to build their enrichments (Cottle, 1998), however has kept long haul venture methodologies within proper limits (Nicklin& Mercer, 1998).

**2. Economic recession**— Economic recession has eroded the financial resources of federal, state, and local governments (Brand, 1993; Duffey, 1992).

**3. National policy**— Public arrangement has (a) dissolved the assessment base; (b) sliced administrative help for homegrown needs; (c) created a deficiency that seriously limits government's capacity to meet the nation's essential necessities; and (d) moved duty to the states to fund significant human assistance projects, for example, medical services, government assistance, and financial help for public advanced education (AAUP Executive Committee, 1993; Schmidt & Selingo, 1999)

**4. Limited resources**— particularly HR (Brand, 1993). Government subsidizing has consistently lessened ("A Little Learning," 1997; Pratt, 1993).

**5. Expanding enrollments**—Baby-boomers' children are causing a demand for additional access to higher education. More nontraditional students are returning to higher education institutions, given the new educational requirements of the workplace (Brand, 1993; "A Little Learning," 1997; Pratt, 1993).

**6. Rising tuition and fees**—In contrast to expanding enrollments, rapidly rising tuition and fees have narrowed the pool of eligible students (“Adding It Up,” 1997; Brand, 1993; Brimelow, 1998; Flower, 1998; Jackson & Hammonds, 1997).

**7. Other sources of concern**— These incorporate swelling rates, charge arrangements, government spending approaches, public administrative strategies, public approaches with deference to intellectual property, distance education approaches, moving monetary adjusts among the different regions of the nation, and the elements of the scholarly work market (“Adding It Up,” 1997; Flower, 1998; Shapiro, 1993). Speculation arrangements of advanced education institutions are additionally in trouble (Murphy and Eddy, 1998).

The assessment cycle in advanced education is looking for data to help in the improvement of interior and outer responsibility, proficiency, and viability. In the writing, the much of the time communicated purposes behind the requirement for assessment measures are (a) the requirement for improving project or institutional adequacy; (b) the requirement for financial responsibility for both the organization and to outside powers; and (c) the requirement for improving system productivity or the requirement for improving asset allotment choices (cost viability) (Jackson and Hammonds, 1997; Lewis & Wasescha, 1987; “A Little Learning,” 1997). Advanced education institutions should build up a significant level of responsibility while allowing adaptability to address the difficulty of progress (Brand, 1993). These reasons are connected to the chief reasons of worry for financial condition (Murphy and Eddy, 1998)

### **Current reality of higher educational institutions**

Since the 21st century, the difficulties confronting the AHEIs have been developing. In 2005, the Review and Herald distributed that the main Adventist College was intending to close its entryways because of financial un-supportability. This is the longest serving higher educational organization that the congregation has. Aside from the issue of not discovering enough qualified Adventist teachers, said the foundation wouldn’t adopt the strategy of “framework thinking as an order for seeing wholes” (p. 34). The test called for approaches to handle and tackle issues. kept on saying that there was a need “for a structure for seeing between relationship instead of things” (p. 34). After six years, the Review and Herald in August 2011, revealed the conclusion of the said College. (as referred to in [38] took this thought further when he said that congregation related schools and colleges have disregarded the “intensity of participation, joint effort, collectivity, organizing, and long haul financial practical development” (p. 34). calls AHEI executives to change their point of view from “seeing parts to seeing entire” (p. 34). This will uncover the genuine reality about Adventist advanced education institutions and their condition.

The shortage of chapel assets is a worry and its capacity to back the requirements of its higher educational foundation is needing. Despite the fact that the of the congregation expresses that “apportionments will be made to the associations in the division for their prerequisites as the division panel may decide” (p. 684), it isn’t sufficient to support these institutions. All things considered, these institutions can’t depend on these allocations alone. They should call for inventive activities to concoct programs that will help the current financial undertakings to improve their financial supportability In his article, uncovered that out of an example of six educational institutions in the Southern Asia-Pacific Division, none could act naturally supporting without allocations from higher associations, for example, the regional office. He recommended that “administration, protection inclusion, long haul speculation, financial execution, age of pay, and the feasible development rate, were the zones which these institutions didn’t focus on” (p. 3).

### **Challenges of the Conceptual Selection, Linkages of Factors for Financial Sustainability**

In spite of the fact that the congregation has set up increasingly more advanced education institutions, there were difficulties that the congregation looked in the previous 60 years. In particular, these difficulties are the significant expense of living, the increasing expense of education, and the financial dissolve down far and wide. These difficulties has negatively affected AHEIs as far as significant expense of educational cost that prompts low enlistment, low incomes, and the necessity for higher appointments which the congregation in numerous occurrences can’t give. During the 25-year time frame (1967 to 1992) for instance, the United States of America customer cost list went up from 33.4 to 140 at a yearly increment of 5.9%, which influenced each individual, family, and establishment in the nation .The covering financial maintainability of advanced education, uncovered that “the principle challenge for the individuals who lead, administer, and oversee advanced education institutions is to deal with the [institutions] to make sure about [their] financial and scholastic supportability when the subsidizing” (p. 9) was getting substantially more serious and testing. Thusly, the report recommends that consideration ought to be centered around frameworks of “administration and the board of advanced education with specific reference to their effect on the financial reasonability of advanced education institutions” (p. 7). It gave a vital beginning measure of data on the “current status and changing targets of strategies, administration, financing, and the executives of advanced education institutions in these nations”, p. 7). The proposed that an education organization should zero in on “recuperating its full financial

expenses and is putting resources into its framework [physical, human, and intellectual] at a rate satisfactory to keep up the future profitable limit expected to convey its essential arrangement, and to serve its [institutions] and different clients [or stakeholders]" (p. 35). This assertion recommends five key essentials in organization for financial manageability. The components are (a) a technique for bearing, (b) manageability by recuperating all costs, (c) age of pay by utilizing systems administration and public relations, (d) speculation that keeps up the suitable degree of beneficial limit, and (e) overseeing hazard properly to dodge likely issues. These components are pointers that can be utilized to "survey how well an organization is dealing with its own manageability" (p. 7).

## **II. LITERATURE REVIEW**

Lupton, Augenblick, and Heyison (1976) utilized a board of specialists, just as segregate investigation, to decide 16 separating pointers of financial condition. The markers incorporate institutional control, enlistment patterns in education and general uses, current asset incomes to uses, scholarly consumptions to education and general uses, green bean full-time counterparts (FTEs) to add up to undergrad FTEs, and educational cost and expenses to understudy help incomes.

Collier and Patrick (1978) directed hypothesis based examination and built up a bunch of measurements that depict financial condition. These measurements included financial freedom, income drawing power, financial danger, income soundness, and hold strength. Collier and Patrick additionally utilized specialists and separate investigation to decide the markers that segregated among solid and frail private institutions and among solid and powerless public institutions.

Jimenez and Tan (1985, 1987) found that in spite of the advancement in private schools, educational institutions actually didn't serve enormous extents of Pakistan's populace. The study discovered prohibition of young ladies in provincial regions generally disturbing. Analyzing educational cost and different charges in private schools, the study contended that private schools were providing just to the rich and presumed that the private education area would reach at its full limit for example an enrolment of 2.1 million youngsters.

Andrabi, Das and Khwaja (2002) considered another registration of private educational institutions in Pakistan alongside P opulation evaluation inferring that Private institutions especially at essential level were progressively significant factor in education both totally and moderately (towards public institutions). The study found that however the expenses are high yet were as yet reasonable to middleclass and even low pay bunch s. It likewise uncovered in opposition to assumptions that Private schools were not a metropolitan first class marvel but rather they are additionally reasonable to the low in gatherings in country zones. It was discovered that education of educators, use per understudies, instructor understudy proportions and school offices were superior to public schools. Greater part of private schools at essential level had more female instructors when contrasted with public schools and altogether corresponded with young lady enrolment.

Niazi and Mace (2006) analyzed the exhibition of private area degree granting institutions taking information from 10 chose institutions arranged inside Rawalpindi and Islamabad. The study zeroed in on the accompanying exploration question. "How much does the private area add to effectiveness and value in advanced education provision in Pakistan?" The study presumed that educational expense of private institutions were a lot of high which made the framework wasteful because of refusal of access towards poor permitting simple access just to the offspring of well off families. The study recommended financial help of government to private area institutions like diminishing assessments or expert viding financial guide to understudies going to private advanced education through credits and so on.

Jenny (1979) finished up the accompanying from his study: 1. Incomes in the short-and since quite a while ago run have esteem both in administration and in strategy making. 2. Studying an establishment's changing income structure can give administrative and strategy data. 3. It is conceivable to reason that comparative examinations ought to and can prompt more than genuinely inferred standards for making a decision about a foundation's financial exhibition. Brubaker (1979) orchestrated 40 investigations on financial proportion examination. He found that the writing uncovers no single summative pointer of financial condition. Truth be told, scholars and specialists, proving difference over meanings of financial condition and marker determination, have proposed a few hundred pointers.

Woelfel (1987) introduced a contention for financial proclamation investigation utilizing financial proportions. He suggested proportions in four classes: asset report, working, commitment, and distribution. He felt that, regardless of the restrictions of proportion investigation, it is a significant strategy for financial articulation examination "since proportions reflect major connections that exist in a foundation" (p. 96). He presumed that the four classifications of financial proportions give the premise to an exhaustive and coordinated study of advanced education institutions.

**Objective of study**

1. To compare the quality of education of both public and private institutions.
2. To analyze future challenges to both public and private institutions systems.

**III. RESEARCH METHODOLOGY**

**Data and types:** There are numerous wellsprings of information assortment that can be utilized like paper, media, web, overviews, survey, and individual meetings. We take essential information by utilizing survey, which were filled by understudies, instructors, and organization of the school. This study is a study and is elucidating kind of examination. Two gatherings were associated with this study; one gathering was from Private institutions and the other one from the Public institutions. The heads were taken from the arbitrarily chosen private and public institutions.

The source was the Integrated Postsecondary Education Data System (IPEDS), a yearly arrangement of reviews directed by the National Center for Education Statistics (NCES) that gives an assortment of information on the United States' 10,500 public and private postsecondary institutions. Advanced education institutions report yearly on consumptions, incomes, enlistments, library possessions, and different elements, keeping a standard detailing design, which should make interstate and interinstitutional correlations more clear. IPEDS money overviews utilize the rules and definitions determined by the American Institute of Certified Public Accounts (AICPA) in Audits of Colleges and Universities

The reason for institutional correlations is to feature contrasts and to bring up fundamental issues about past and future approaches for inside and outside elements. Numerous advanced education institutions contrast from comparative friends for good and legitimate reasons. The contention may be that, when an agreement is reached concerning why an organization scores uniquely in contrast to its comparative companions, an end can be attracted with respect to what is interesting about that establishment.

**IV. DATA ANALYSIS**

**Table 1 Financial Analysis of East Central University**

| Measure   | Ratio  | 1989    | 1990    | 1991    | 1992    | 1993    | Trend* |
|---|--|---------|---------|---------|---------|---------|--------|
| <b>Liquidity</b><br>(Unrestricted)                | <b>Current Ratio</b>   | 5.078   | 4.039   | 3.364   | 2.700   | 3.245   | —      |
|   | <b>Quick Ratio</b>   | 4.459   | 3.970   | 3.063   | 2.454   | 3.048   | —      |
|   | <b>Available Funds</b>   | 4.201   | 3.075   | 2.867   | 2.356   | 2.949   | —      |
| <b>Debt structure</b>                             | <b>Debt to Equity</b>  | 8.50%   | 6.88%   | NA      | NA      | 6.17%   | +      |
|   | <b>Debt Service</b>  | .38%    | .32%    | .16%    | NA      | NA      | +      |
|   | <b>Restricted Income to Total Income (Current Funds)</b>         | 20.54%  | 21.12%  | 21.54%  | 24.13%  | 28.08%  | —      |
|   | <b>Restricted Income to Total Income (Total Funds)</b>           | 42.59%  | 39.23%  | 34.75%  | 6.86%   | 30.95%  | +      |
| <b>Contribution ratios</b><br>(to Total Expenses) | <b>Government Appropriations</b>                                 | 53.43%  | 53.37%  | 55.79%  | 53.08%  | 48.83%  | —      |
|   | <b>Tuition and Fees</b>  | 18.99%  | 20.36%  | 17.46%  | 20.94%  | 19.26%  | ?      |
|   | <b>Gifts and Private Grants</b>                                  | 24.45%  | 25.21%  | 26.16%  | 29.41%  | 33.25%  | +      |
|   | <b>Endowment Income</b>  | NA      | NA      | NA      | NA      | NA      |        |
|   | <b>Miscellaneous Revenue</b>                                     | 1.92%   | 2.07%   | 1.64%   | 1.31%   | .92%    | —      |
|   | <b>Total Current Fund Revenue to Total Current Fund Expenses</b> | 97.41%  | 98.22%  | 100.39% | 103.22% | 104.13% | +      |
|   | <b>Total Revenue and Other to Total Expenses and Other</b>       | 100.86% | 108.30% | 111.12% | 100.91% | 103.32% | ?      |
|   | <b>AE Revenue to AE Expenses</b>                                 | 91.18%  | 89.87%  | 97.23%  | 94.79%  | 117.76% | —      |

| Allocation ratios | Instruction                | 50.09% | 50.33% | 49.08% | 43.02% | 57.15% | — |
|-------------------|----------------------------|--------|--------|--------|--------|--------|---|
|                   | Research                   | .12%   | .01%   | .01%   | .50%   | .38%   | ? |
|                   | Public Service             | 1.42%  | 1.24%  | 1.06%  | .50%   | .84%   | — |
|                   | Academic Support           | 4.02%  | 3.66%  | 3.82%  | 4.70%  | 5.15%  | + |
|                   | Student Services           | NA     | NA     | 2.60%  | 2.67%  | 2.25%  | — |
|                   | Institutional Support      | 8.75%  | 8.40%  | 8.30%  | 7.93%  | 7.43%  | — |
|                   | Operation and Maintenance  | 9.24%  | 9.16%  | 8.26%  | 8.09%  | 7.50%  | — |
|                   | Data Processing            | .48%   | .55%   | .73%   | .76%   | .75%   | + |
|                   | Scholarship and Fellowship | 16.76% | 17.69% | 16.19% | 18.06% | 18.56% | + |

  

| Measure                       | Ratio   | 1989    | 1990    | 1991    | 1992    | 1993    | Trend <sup>a</sup> |
|-------------------------------|---|---------|---------|---------|---------|---------|--------------------|
| Net operating (Current Funds) | Net Current Revenue to Total Current Revenue    | -2.54%  | -2.08%  | -2.92%  | 1.09%   | 4.59%   | +                  |
|                               | Net E&G Revenue to Total E&G Revenue            | -.63%   | .02%    | 5.01%   | 3.35%   | 4.20%   | +                  |
|                               | Net AE Revenue to Total AE Revenue              | -9.67%  | 11.28%  | 2.84%   | 5.49%   | 15.08%  | +                  |
|                               | Tuition and Fees to Total Expenses              | 18.99%  | 20.36%  | 17.46%  | 20.94%  | 19.26%  | ?                  |
|                               | Current Fund Balances to Total Current Expenses | 13.78%  | 10.46%  | 10.78%  | 10.79%  | 14.86%  | +                  |
| Effect ratios (Liquidity)     | Current Ratio (Restricted and Unrestricted)     | 5.965   | 5.279   | 4.192   | 3.817   | 4.153   | —                  |
|                               | Receivables to Net Working Capital              | 3.14%   | 5.70%   | 9.64%   | 7.81%   | 10.68%  | —                  |
|                               | Total Revenue to Net Working Capital            | 382.29% | 387.25% | 588.15% | 459.60% | 495.49% | —                  |
| (Leverage)                    | Current Liabilities to Total Fund Balances      | 5.13%   | 5.57%   | 4.54%   | 5.16%   | 11.43%  | —                  |
|                               | Total Liabilities to Total Fund Balances        | 13.63%  | 12.45%  | 4.74%   | 5.16%   | 17.60%  | —                  |
|                               | Long-term Liabilities to Net Working Capital    | 33.35%  | 28.84%  | 1.35%   | NA      | 17.12%  | +                  |
|                               | Total Revenue to Investment in Plant            | 119.08% | 112.52% | 98.27%  | 78.24%  | 254.48% | —                  |
| Cause ratios                  | Investment in Plant to Total Fund Balances      | 81.79%  | 82.06%  | 86.79%  | 85.45%  | 70.14%  | +                  |
|                               | Total Revenue to Total Fund Balances            | 97.40%  | 92.34%  | 85.29%  | 66.86%  | 178.50% | —                  |
|                               | Net Revenue to Total Revenue                    | .85%    | 7.67%   | 10.01%  | .90%    | 3.21%   | ?                  |
|                               | Miscellaneous Assets to Total Fund Balances     | 5.39%   | 4.50%   | 3.41%   | 3.47%   | 6.20%   | +                  |
| Financial reserves            |   | 8.27%   | 6.28%   | 6.47%   | 6.47%   | 8.92%   | +                  |

Note. <sup>a</sup>Trend refers to whether the change over time is favorable (+) or unfavorable (-) and not to the direction of the change (Source: Chabotar, 1989).

Table 2 Financial Analysis of Northeastern State University

*Financial Conditions of Educational Institutions. A Comparative Study of Private and ..*

| Measure   | Ratio  | 1989               | 1990    | 1991    | 1992    | 1993    | Trend <sup>d</sup> |   |
|---|--|--------------------|---------|---------|---------|---------|--------------------|---|
| <b>Liquidity</b><br>(Unrestricted)                | <b>Current Ratio</b>   | 3.11               | 2.16    | 1.43    | 1.45    | 1.93    | —                  |   |
|   | <b>Quick Ratio</b>   | 2.53               | 1.72    | 1.04    | 1.16    | 1.65    | —                  |   |
|   | <b>Available Funds</b>   | 2.13               | 1.59    | .76     | .98     | 1.45    | +                  |   |
| <b>Debt structure</b>                             | <b>Debt to Equity</b>  | 2.24%              | 1.94%   | 1.07%   | 1.52%   | 1.21%   | —                  |   |
|   | <b>Debt Service</b>  | .15%               | .12%    | .09%    | .08%    | .00%    | +                  |   |
|   | <b>Restricted Income to Total Income (Current Funds)</b>         | 22.82%             | 22.1%   | 22.61%  | 22.83%  | 17.74%  | +                  |   |
|   | <b>Restricted Income to Total Income (Total Funds)</b>           | 23.85%             | 23.76%  | 24.89%  | 24.36%  | 22.68%  | +                  |   |
| <b>Contribution ratios</b><br>(to Total Expenses) | <b>Government Appropriations</b>                                 | 51.24%             | 52.54%  | 52.50%  | 53.34%  | 54.59%  | +                  |   |
|   | <b>Tuition and Fees</b>  | 20.67%             | 21.20%  | 20.09%  | 20.87%  | 22.32%  | ?                  |   |
|   | <b>Gifts and Private Grants</b>                                  | 22.08%             | 21.63%  | 22.08%  | 22.83%  | 22.97%  | +                  |   |
|   | <b>Endowment Income</b>  | NA                 | NA      | NA      | NA      | NA      |                    |   |
|   | <b>Miscellaneous Revenue</b>                                     | 2.75%              | 2.52%   | 2.99%   | 2.94%   | 4.12%   | +                  |   |
|   | <b>Total Current Fund Revenue to Total Current Fund Expenses</b> | 96.73%             | 97.89%  | 97.65%  | 99.98%  | 103.43% | +                  |   |
|   | <b>Total Revenue and Other to Total Expenses and Other</b>       | 96.22%             | 102.25% | 102.78% | 95.57%  | 108.29% | +                  |   |
|   | <b>AE Revenue to AE Expenses</b>                                 | 91.77%             | 97.96%  | 93.57%  | 110.35% | 101.17% | +                  |   |
|   | <b>Allocation ratios</b>   | <b>Instruction</b> | 48.66%  | 49.58%  | 42.81%  | 42.59%  | 43.53%             | — |
|   |  | <b>Research</b>    | 1.44%   | 2.24%   | 2.03%   | 1.64%   | 1.79%              | ? |
| <b>Public Service</b>                             |  | 2.77%              | 2.39%   | 1.32%   | 1.62%   | 1.08%   | —                  |   |
| <b>Academic Support</b>                           |  | 4.63%              | 4.69%   | 9.13%   | 10.26%  | 8.25%   | +                  |   |
| <b>Student Services</b>                           |  | 3.74%              | 3.93%   | 4.53%   | 4.43%   | 4.56%   | +                  |   |
| <b>Institutional Support</b>                      |  | 5.38%              | 5.37%   | 8.81%   | 7.86%   | 8.00%   | +                  |   |
| <b>Operation and Maintenance</b>                  |  | 11.13%             | 10.48%  | 8.30%   | 8.45%   | 8.12%   | —                  |   |
| <b>Data Processing</b>                            |  | .83%               | 1.03%   | 1.16%   | 1.13%   | 2.86%   | +                  |   |
|   | <b>Scholarship and Fellowship</b>                                | 21.03%             | 19.83%  | 21.51%  | 22.02%  | 21.81%  | +                  |   |
| Measure   | Ratio  | 1989               | 1990    | 1991    | 1992    | 1993    | Trend <sup>d</sup> |   |
| <b>Net operating</b><br>(Current Funds)           | <b>Net Current Revenue to Total Current Revenue</b>              | -5.14%             | -1.84%  | -2.43%  | 1.68%   | 3.26%   | +                  |   |
|   | <b>Net E&amp;G Revenue to Total E&amp;G Revenue</b>              | -5.28%             | -3.24%  | -3.11%  | -.03%   | 4.97%   | +                  |   |
|   | <b>Net AE Revenue to Total AE Revenue</b>                        | -8.97%             | -2.08%  | -6.88%  | 9.38%   | 1.26%   | +                  |   |
|   | <b>Tuition and Fees to Total Expenses</b>                        | 15.59%             | 16.60%  | 15.76%  | 17.055  | 22.00%  | +                  |   |
|   | <b>Current Fund Balances to Total Current Expenses</b>           | 11.63%             | 7.86%   | 4.77%   | 6.36%   | 9.56%   | +                  |   |
| <b>Effect ratios</b><br>(Liquidity)               | <b>Current Ratio (Restricted and Unrestricted)</b>               | 7.34               | 5.14    | 3.87    | 3.73    | 3.44    | —                  |   |
|   | <b>Receivables to Working Capital</b>                            | 9.16%              | 8.01%   | 17.39%  | 12.49%  | 17.68%  | ?                  |   |
|   | <b>Total Revenue to Working Capital</b>                          | 389.41%            | 489.90% | 607.09% | 532.85% | 611.33% | —                  |   |
| (Leverage)  | <b>Current Liabilities to Total Fund Balances</b>                | 3.05%              | 4.00%   | 3.24%   | 6.68%   | 6.23%   | —                  |   |
|   | <b>Total Liabilities to Total Fund Balances</b>                  | 5.29%              | 4.01%   | 4.31%   | 8.21%   | 7.44%   | —                  |   |
|   | <b>Long-term Liabilities to Working Capital</b>                  | .29%               | .05%    | 11.54%  | 8.35%   | 7.98%   | +                  |   |
|   | <b>Total Revenue to Investment in Plant</b>                      | 91.94%             | 95.09%  | 99.17%  | 116.62% | 116.93% | +                  |   |
| <b>Cause ratios</b>                               | <b>Investment in Plant to Total Fund Balances</b>                | 81.89%             | 85.37%  | 56.85%  | 83.29%  | 79.33%  | —                  |   |
|   | <b>Total Revenue to Total Fund Balances</b>                      | 75.29%             | 81.18%  | 56.37   | 97.13%  | 92.76%  | +                  |   |
|   | <b>Net Revenue to Total Revenue</b>                              | -3.93%             | 2.20%   | 2.70%   | -4.64%  | 7.66%   | ?                  |   |
|   | <b>Miscellaneous Assets to Total Fund Balances</b>               | 5.93%              | 4.75%   | 2.77%   | 5.76%   | 6.28%   | —                  |   |
| <b>Financial reserves</b>                         |  | 6.98%              | 4.72%   | 2.86%   | 3.82%   | 5.74%   | +                  |   |

**Table 3 Financial Analysis of Northwestern Oklahoma State University**

| Measure                                       | Ratio   | 1989    | 1990    | 1991    | 1992    | 1993    | Trend <sup>d</sup> |
|---|---|---------|---------|---------|---------|---------|--------------------|
| Liquidity<br>(Unrestricted)                   | Current Ratio   | 10.58   | 10.40   | 6.34    | 4.97    | 4.52    | —                  |
|   | Quick Ratio   | 9.78    | 9.59    | 5.89    | 4.67    | 4.29    | —                  |
|   | Available Funds   | 9.50    | 9.45    | 3.33    | 4.52    | 4.26    | —                  |
| Debt<br>structure                             | Debt to Equity  | .91%    | .81%    | .73%    | .64%    | 1.08%   | +                  |
|   | Debt Service  | .10%    | .09%    | .07%    | .06%    | .05%    | +                  |
|   | Restricted Income to<br>Total Income<br>(Current Funds)         | 16.14%  | 16.30%  | 16.22%  | 15.61%  | 16.68%  | +                  |
|   | Restricted Income to<br>Total Income<br>(Total Funds)           | 28.28%  | 25.88%  | 25.10%  | 23.27%  | 22.97%  | +                  |
| Contribution<br>ratios<br>(to Total Expenses) | Government<br>Appropriations                                    | 56.31%  | 53.40%  | 56.03%  | 55.48%  | 54.09%  | —                  |
|   | Tuition and Fees  | 21.01%  | 22.03%  | 23.32%  | 24.38%  | 25.98%  | +                  |
|   | Gifts and Private Grants  | 18.55%  | 18.47%  | 19.28%  | 19.53%  | 20.33%  | +                  |
|   | Endowment Income  | NA      | NA      | NA      | NA      | NA      |                    |
|   | Miscellaneous Revenue   | .97%    | 1.94%   | 2.14%   | 2.74%   | 1.99%   | +                  |
|   | Total Current Fund Revenue<br>to Total Current Fund<br>Expenses | 114.91% | 113.28% | 118.86% | 125.14% | 102.23% | +                  |
|   | Total Revenue and Other to<br>Total Expenses and Other          | 104.25% | 104.86% | 105.06% | 107.89% | 101.48% | +                  |
| Allocation<br>ratios                          | AE Revenue to<br>AE Expenses                                    | 99.42%  | 104.69% | 95.97%  | 112.65% | 101.43% | ?                  |
|   | Instruction   | 50.33%  | 46.83%  | 43.62%  | 42.23%  | 40.96%  | —                  |
|   | Research  | .88%    | .80%    | .30%    | .78%    | 1.48%   | +                  |
|   | Public Service  | 1.01%   | 1.60%   | 1.53%   | 1.34%   | 1.64%   | ?                  |
|   | Academic Support  | 4.69%   | 3.45%   | 4.60%   | 4.23%   | 4.37%   | ?                  |
|   | Student Services  | 5.17%   | 5.02%   | 29.11%  | 5.12%   | 5.26%   | ?                  |
|   | Institutional Support   | 5.75%   | 6.14%   | 11.64%  | 11.61%  | 11.95%  | +                  |
|   | Operation and Maintenance                                       | 12.08%  | 10.54%  | 9.38%   | 9.29%   | 9.49%   | —                  |
|   | Data Processing   | .62%    | .92%    | 1.35%   | 1.39%   | 1.56%   | +                  |
|   | Scholarship and Fellowship                                      | 19.50%  | 21.11%  | NA      | 5.82%   | 24.04%  | +                  |

  

| Measure                          | Ratio  | 1989    | 1990    | 1991    | 1992    | 1993    | Trend <sup>d</sup> |
|----------------------------------|--|---------|---------|---------|---------|---------|--------------------|
| Net operating<br>(Current Funds) | Net Current Revenue to<br>Total Current Revenue    | -1.31%  | .15%    | 1.35%   | 3.09%   | 2.27%   | +                  |
|                                  | Net E&G Revenue to<br>Total E&G Revenue            | -1.88%  | -.78%   | 2.47%   | 2.56%   | 2.68%   | +                  |
|                                  | Net AE Revenue to<br>Total AE Revenue              | -.58%   | 4.48%   | -4.20%  | 11.23%  | 1.32%   | ?                  |
| Effect ratios<br>(Liquidity)     | Tuition and Fees to<br>Total Expenses              | 17.77%  | 18.89%  | 19.62%  | 20.24%  | 28.73%  | +                  |
|                                  | Current Fund Balances to<br>Total Current Expenses | 20.61%  | 17.85%  | 18.10%  | 20.23%  | 21.75%  | +                  |
|                                  | Current Ratio<br>(Restricted and Unrestricted)     | 16.49   | 16.96   | 10.26   | 7.65    | 5.40    | —                  |
| (Leverage)                       | Receivables to<br>Working Capital                  | 7.35%   | 28.74%  | .71%    | 6.32%   | 1.19%   | ?                  |
|                                  | Total Revenue to<br>Working Capital                | 258.23% | 284.33% | 315.86% | 323.75% | 391.19% | —                  |
|                                  | Current Liabilities to<br>Total Fund Balances      | 1.08%   | 1.04%   | 1.70%   | 2.51%   | 6.14%   | —                  |
| Cause ratios                     | Total Liabilities to<br>Total Fund Balances        | 2.00%   | 1.85%   | 2.43%   | 3.14%   | 7.22%   | —                  |
|                                  | Long-term Liabilities to<br>Working Capital        | 5.42%   | 4.92%   | 4.62%   | 3.83%   | 4.00%   | +                  |
|                                  | Total Revenue to<br>Investment in Plant            | 50.69%  | 55.72%  | 58.65%  | 64.33%  | 158.52% | +                  |
| Financial<br>reserves            | Investment in Plant to<br>Total Fund Balances      | 85.60%  | 84.29%  | 84.95%  | 83.87%  | 66.80%  | +                  |
|                                  | Total Revenue to<br>Total Fund Balances            | 43.39%  | 46.97%  | 49.83%  | 53.95%  | 105.57% | —                  |
|                                  | Net Revenue to<br>Total Revenue                    | 4.07%   | 4.64%   | 4.81%   | 7.32%   | 1.46%   | +                  |
|                                  | Miscellaneous Assets to<br>Total Fund Balances     | 1.04%   | .79%    | .87%    | 1.12%   | 15.61%  | —                  |

Note. <sup>d</sup>Trend refers to whether the change over time is favorable (+) or unfavorable (-) and not to the direction of the change (Source: Chabotar, 1989).

Table 4 Financial Analysis of Southeastern Oklahoma State University

Financial Conditions of Educational Institutions. A Comparative Study of Private and ..

| Measure                                       | Ratio   | 1989    | 1990    | 1991    | 1992    | 1993    | Trend |
|---|---|---------|---------|---------|---------|---------|-------|
| Liquidity<br>(Unrestricted)                   | Current Ratio   | 3.06    | 2.97    | 2.52    | 1.75    | 2.25    | —     |
|   | Quick Ratio   | 3.40    | 2.80    | 2.37    | 1.62    | 2.06    | —     |
|   | Available Funds   | 3.26    | 2.61    | 2.17    | 1.51    | 2.03    | —     |
| Debt<br>Structure                             | Debt to Equity  | 4.54%   | 4.29%   | 4.17%   | 4.11%   | 3.80%   | +     |
|   | Debt Service  | .15%    | .15%    | .15%    | .16%    | .20%    | Flat  |
|   | Restricted Income to<br>Total Income<br>(Current Funds)         | 24.78%  | 23.74%  | 22.17%  | 22.69%  | 24.28%  | —     |
|   | Restricted Income to<br>Total Income<br>(Total Funds)           | 39.47%  | 28.45%  | 26.66%  | 28.85%  | 28.81%  | —     |
| Contribution<br>ratios<br>(to Total Expenses) | Government<br>Appropriations                                    | 50.32%  | 49.46%  | 52.37%  | 48.27%  | 47.37%  | —     |
|   | Tuition and Fees  | 17.87%  | 20.07%  | 20.02%  | 20.29%  | 19.93%  | Flat  |
|   | Gifts and Private Grants  | 29.93%  | 28.67%  | 27.54%  | 26.65%  | 24.53%  | —     |
|   | Endowment Income  | NA      | NA      | NA      | NA      | NA      | —     |
|   | Miscellaneous Revenue   | 2.22%   | 1.97%   | 2.08%   | 2.97%   | 3.59%   | +     |
|   | Total Current Fund Revenue<br>to Total Current Fund<br>Expenses | 120.77% | 120.76% | 124.21% | 117.49% | 99.44%  | —     |
|   | Total Revenue and Other to<br>Total Expenses, and Other         | 111.32% | 103.16% | 104.65% | 103.91% | 102.48% | —     |
|   | AE Revenue to AE Expenses                                       | 90.58%  | 108.03% | 98.69%  | 92.26%  | 97.72%  | —     |
| Allocation<br>ratios                          | Instruction   | 46.79%  | 47.66%  | 43.58%  | 43.30%  | 42.86%  | —     |
|   | Research  | .22%    | .34%    | .56%    | .42%    | 1.87%   | +     |
|   | Public Service  | 1.30%   | 1.34%   | 1.14%   | 1.46%   | 12.48%  | +     |
|   | Academic Support  | 2.62%   | 3.30%   | 3.34%   | 4.25%   | 4.87%   | +     |
|   | Student Services  | 3.46%   | 4.76%   | 3.42%   | 8.23%   | 3.33%   | ?     |
|   | Institutional Support   | 4.95%   | 3.26%   | 9.21%   | 2.91%   | 8.42%   | ?     |
|   | Operation and Maintenance                                       | 9.01%   | 8.41%   | 7.14%   | 6.83%   | 7.04%   | —     |
|   | Data Processing   | NA      | .33%    | 1.94%   | 1.69%   | 1.70%   | +     |
|   | Scholarship and Fellowship                                      | 31.06%  | 30.62%  | 29.66%  | 30.91%  | 17.38%  | —     |

  

| Measure                          | Ratio  | 1989    | 1990    | 1991    | 1992    | 1993    | Trend |
|----------------------------------|--|---------|---------|---------|---------|---------|-------|
| Net operating<br>(Current Funds) | Net Current Revenue to<br>Total Current Revenue    | -1.49%  | 1.41%   | 1.37%   | -2.92%  | -1.13%  | —     |
|                                  | Net E&G Revenue to<br>Total E&G Revenue            | .16%    | -47%    | 2.69%   | -.75%   | -.31%   | —     |
|                                  | Net AE Revenue to<br>Total AE Revenue              | -.34%   | 7.51%   | -1.33%  | -8.39%  | -4.47%  | —     |
|                                  | Tuition and Fees to<br>Total Expenses              | 14.58%  | 16.86%  | 16.34%  | 16.78%  | 21.96%  | —     |
|                                  | Current Fund Balances to<br>Total Current Expenses | 12.73%  | 9.24%   | 11.27%  | 8.57%   | 7.21%   | —     |
| Effect ratios<br>(Liquidity)     | Current Ratio<br>(Restricted and Unrestricted)     | 6.48    | 4.31    | 3.51    | 2.98    | 3.33    | —     |
|                                  | Receivables to<br>Working Capital                  | 3.41%   | 7.27%   | 11.83%  | 9.76%   | 5.80%   | +     |
|                                  | Total Revenue to<br>Working Capital                | 431.21% | 447.21% | 489.89% | 576.67% | 661.48% | —     |
| (Leverage)                       | Current Liabilities to<br>Total Fund Balances      | 3.96%   | 5.91%   | 7.17%   | 8.32%   | 6.27%   | —     |
|                                  | Total Liabilities to<br>Total Fund Balances        | 8.50%   | 10.20%  | 11.34%  | 12.44%  | 10.07%  | —     |
|                                  | Long-term Liabilities to<br>Working Capital        | 20.95%  | 21.96%  | 23.15%  | 24.92%  | 26.08%  | —     |
|                                  | Total Revenue to<br>Investment in Plant            | 112.48% | 100.90% | 102.45% | 109.30% | 108.05% | +     |
| Cause ratios                     | Investment in Plant to<br>Total Fund Balances      | 83.07%  | 86.60%  | 86.15%  | 87.59%  | 89.23%  | —     |
|                                  | Total Revenue to<br>Total Fund Balances            | 93.43%  | 87.38%  | 88.26%  | 95.74%  | 96.41%  | —     |
|                                  | Net Revenue to<br>Total Revenue                    | 10.17%  | 3.06%   | 4.45%   | 3.77%   | 2.42%   | +     |
|                                  | Miscellaneous Assets to<br>Total Fund Balances     | 7.73%   | 6.33%   | 6.67%   | 7.20%   | 6.64%   | Flat  |
| Financial<br>reserves            |  | 7.64%   | 5.54%   | 6.76%   | 5.14%   | 4.33%   | —     |

Note. \*Trend refers to whether the change over time is favorable (+) or unfavorable (-) and not to the direction of the change (Source: Chabotar, 1989).

Table 5 Interinstitutional and Industry Comparison—1993



*Financial Conditions of Educational Institutions. A Comparative Study of Private and ..*

| Measure   | Ratio  | ECU     | NESU    | NWOSU   | SEOSU  | SWOSU   | UCO     | Industry |
|---|--|---------|---------|---------|--------|---------|---------|----------|
| <b>Liquidity</b><br>(Unrestricted)  | <b>Current Ratio</b>                                     | 3.25    | 1.93    | 4.52    | 2.25   | 3.02    | 2.21    |          |
|   | <b>Quick Ratio</b>                                       | 3.05    | 1.65    | 4.29    | 2.06   | 3.01    | 2.01    |          |
|   | <b>Available Funds</b>                                   | 2.95    | 1.45    | 4.26    | 2.03   | 2.96    | 1.92    |          |
| <b>Debt structure</b>   | <b>Debt to Equity</b>                                    | 6.17%   | 1.21%   | 1.08%   | 3.80%  | NA      | 44.98%  |          |
|   | <b>Debt Service</b>                                      | NA      | .00%    | .05%    | .20%   | NA      | NA      |          |
|   | <b>Restricted Income to Total Income (Current Funds)</b> | 28.08%  | 17.74%  | 16.68%  | 24.28% | 13.49%  | 13.31%  |          |
|   | <b>Restricted Income to Total Income (Total Funds)</b>   | 30.95%  | 22.68%  | 22.97%  | 28.81% | 20.21%  | 20.62%  |          |
| <b>Contribution ratios</b><br><small>(as a percent of E&amp;G expenditures)</small> | <b>Government Appropriations</b>                         | 48.83%  | 54.59%  | 54.09%  | 47.37% | 59.57%  | 52.46%  | 54.07%   |
|   | <b>Tuition and Fees</b>                                  | 19.26%  | 22.32%  | 25.98%  | 19.93% | 25.12%  | 30.83%  | 27.4%    |
|   | <b>Gifts and Private Grants</b>                          | 33.25%  | 22.97%  | 20.33%  | 24.53% | 16.62%  | 15.63%  | 19.2%    |
|   | <b>Endowment Income</b>                                  | NA      | NA      | NA      | NA     | .14%    | .16%    | .2%      |
|   | <b>Miscellaneous Revenue</b>                             | .92%    | 4.12%   | 1.99%   | 3.59%  | 1.21%   | 1.38%   | 2.8%     |
|   | <b>AE Revenue to AE Expenses</b>                         | 117.76% | 101.17% | 101.43% | 97.72% | 108.35% | 102.97% | 100%     |
| <b>Allocation ratios</b><br><small>(as a percent of E&amp;G expenditures)</small>   | <b>Instruction</b>                                       | 57.15%  | 43.53%  | 40.96%  | 42.86% | 53.19%  | 44.61%  | 43.9%    |
|   | <b>Research</b>  | .38%    | 1.79%   | 1.48%   | 1.87%  | .59%    | .82%    | 1.2%     |
|   | <b>Public Service</b>                                    | .84%    | 1.08%   | 1.64%   | 12.48% | 1.04%   | 2.89%   | 2.4%     |
|   | <b>Academic Support</b>                                  | 5.15%   | 8.25%   | 4.37%   | 4.87%  | 8.03%   | 10.29%  | 9.1%     |
|   | <b>Student Services</b>                                  | 2.25%   | 4.56%   | 5.28%   | 3.33%  | 3.76%   | 5.95%   | 7.1%     |
|   | <b>Institutional Support</b>                             | 7.43%   | 8.00%   | 11.95%  | 8.42%  | 6.09%   | 7.29%   | 11.6%    |
|   | <b>Operation and Maintenance</b>                         | 7.50%   | 8.12%   | 9.49%   | 7.04%  | 7.69%   | 10.44%  | 9.1%     |

| Measure                                 | Ratio  | ECU     | NESU    | NWOSU   | SEOSU   | SWOSU   | UCO     | Industry |
|---|--|---------|---------|---------|---------|---------|---------|----------|
|   | <b>Data Processing</b>   | .75%    | 2.86%   | 1.56%   | 1.70%   | 1.18%   | 3.64%   |          |
|   | <b>Scholarship and Fellowship</b>                                | 18.56%  | 21.81%  | 24.04%  | 17.38%  | 18.43%  | 14.08%  | 10.6%    |
|   | <b>Total Current Fund Revenue to Total Current Fund Expenses</b> | 104.13% | 103.43% | 102.23% | 99.44%  | 103.40% | 100.83% | 100.8%   |
|   | <b>Total Revenue and Other to Total Expenses and Other</b>       | 103.32% | 108.29% | 101.48% | 102.48% | 105.22% | 107.29% | 102.5%   |
| <b>Net operating</b><br>(Current Funds) | <b>Net Current Revenue to Total Current Revenue</b>              | 4.59%   | 3.26%   | 2.27%   | -1.13%  | 3.33%   | .46%    |          |
|   | <b>Net E&amp;G Revenue to Total E&amp;G Revenue</b>              | 4.20%   | 4.97%   | 2.68%   | -.31%   | 3.06%   | .57%    |          |
|   | <b>Net AE Revenue to Total AE Revenue</b>                        | 15.08%  | 1.26%   | 1.32%   | -4.47%  | 7.71%   | 2.99%   |          |
|   | <b>Tuition and Fees to Total Expenses</b>                        | 19.26%  | 22.00%  | 28.73%  | 21.96%  | 27.96%  | 30.83%  |          |
|   | <b>Current Fund Balances to Total Current Expenses</b>           | 14.86%  | 9.56%   | 21.75%  | 7.21%   | 26.60%  | 16.01%  |          |
| <b>Financial reserves</b>               |  | 8.92%   | 5.74%   | 13.05%  | 4.33%   | 16.14%  | 10.01%  |          |

## V. DISCUSSION

The objectives of advanced education institutions are effective administration of the assets focused on them and the achievement of educational goals. These institutions frequently work on a limited edge between their consumptions and incomes. The distinction among incomes and costs, or their net benefit, is the sum whereupon numerous institutions base their hold reserve targets. Proportion examination helps address four central worries about advanced education institutions: (a) financial condition as of the asset report date; (b) the financial state of the organization toward the finish of the monetary year versus that toward the start; (c) regardless of whether the foundation remained inside its spending plan during the financial year; and (d) the strategies and practices the organization should proceed or potentially change to improve financial condition. Advanced education heads accused of the obligation regarding keeping up the financial state of their institutions need to know such basic data to evade potential financial trouble zones.

## VI. CONCLUSIONS

The utilization of financial proportion examination has merit for the manager worried about the financial state of an advanced education organization. Various concerns were raised during this study. They are as per the following: 1. financial challenges emerge progressively, making potential troubles less clear. 2. The chance of time may turn into a factor with pattern investigation. 3. The choice of an example that is adequately homogeneous can take into consideration interinstitutional examinations. 4. Genuine announcing practices and individual organization choices concerning grouping of consumptions have become and remain an issue. 5. Grouping of incomes and consumptions isn't uniform among institutions. 6. Institutions may dispense and move assets starting with one asset balance then onto the next without adequate documentation. 7. A predetermined number of useable and reasonable public standards are accessible to evaluate financial condition. Contemplating the above concerns, this study distinguished an important arrangement of financial proportions that, when assembled, sum up the financial state of an advanced education establishment. This arrangement of financial proportions utilized for investigation is significant on the grounds that improved comprehension of advanced education organization execution decreases danger in dynamic. Because of zeroing in on a chose set of financial proportions, 62 financial detailing ought to be more reasonable and important. This should prompt improved dynamic. These proportions assisted with investigating the financial dissolvability and practicality of the six sister advanced education institutions under the authority of the Board of Regents of Oklahoma Colleges over the long run and comparative with one another as companion institutions. The proportions zeroed in on the capacity of the institutions to meet current and future financial necessities.

To apply the strategy, 10 focuses should be recollected.

1. Overlook secluded figures; financial equilibrium is relative.
2. Make progress toward decimal exactness. 3. Analyze likes; proportions of an organization under study should be identified with midpoints for the line of business in which the specific concern is locked in.
3. Relate singular midpoints to industry standards of the equivalent, or closest accessible, year.
4. Study any significant deviation from ordinary—either high or low.
5. Maintain a strategic distance from fixation on cosmically high rates or marvelous differences; the critical proportions might be less electrifying in appearance.
6. Recollect that a proportion measures the two parts.
7. Perceive the occasional factor and consider it.
8. Watch for patterns.
9. Be aware of remunerating preferences.

The distinctions in bookkeeping rehearse among advanced education institutions recommend vulnerability in making legitimate interinstitutional correlations. This ought not dispose of such examinations. They are valuable as benchmarks. The expanded utilization of normalized financial proclamation designs makes the cycle of financial proportion investigation more productive.

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