Institutional Autonomy in Allocation of Income among the Various Categories of Expenditure in Higher Education: A Case of Makerere University

Rose Atugonza[1], David Mwanje Ssenabulya[1], Geoffrey Boaz Hiire[1], Richard Kanyerezi[1] & Joseph Kimoga[1]

[1] College of Education and External Studies, Makerere University, Uganda

Correspondence: Rose Atugonza, College of Education and External Studies, Makerere University, Uganda.

Received: March 30, 2016 Accepted: May 6, 2016 Online Published: July 20, 2016

doi:10.5430/irhe.v1n2p155 URL: http://dx.doi.org/10.5430/irhe.v1n2p155

Abstract

This study examined institutional autonomy in allocation of income among the various categories of expenditure at Makerere University. Drawing on case study design, secondary data was obtained and analysed thematically. The study revealed that Makerere University had the autonomy to generate funds; and existing policy indicates that various categories of expenditure were autonomously determined because approval authority lied with specific levels of management within organisational units; and block funds to Makerere allowed departments and faculties to autonomously allocate funds. However, the findings reveal that despite autonomous allocation of income and expenditure being stipulated by policy, actual allocation of incomes among different categories of expenditure remained with top management and was diminishing at lower units. Therefore, it was recommended that institutions of higher learning need to increase their incomes in order to promote institutional autonomy in allocation of income among the various categories of expenditure.

Keywords: allocation of funds, institutional autonomy, income, expenditure, higher education

1. Introduction

Today, management by which there is collective control towards common goals has attracted attention. The quest is for arrangements in which different actors participate in decision making. The issue is about interest articulation and goal realisation. The core questions is about who decides when on what (Boer & File, 2009). In institutions of higher learning, this has led to introduction of local autonomy through decentralisation of such areas as the hiring of teachers or the choice of curricular elements and decision-making. The prime argument favouring decentralisation is that local decision-makers have better understanding of the capacity of their institutions. This knowledge in turn permits them to make better resource decisions, to improve the productivity of the schools, and to meet the varying demands of their local constituents (Hanushek, Link & Woessmann, 2013). The objective of this paper was thus to find out how institutional autonomy in allocation of income among the various categories of expenditure in higher education was being carried out.

2. Literature Review

Institutional autonomy has been variously defined by different scholars. Tabish and Nabil (2013) defined institutional autonomy as an atmosphere where the pursuit of truth is untainted by external influence, political pressure, partisan politics, moral values, corporate interests, and so on such that the truth can be discovered. Tierney (2012) indicates that institutional autonomy refers to the ability of an institution to determine its own behaviours and be free of bureaucratic regulations and restriction. Tierney further distinguishes between "substantive" and "procedural" autonomy. Substantive autonomy refers to setting the programmatic mission and strategy of an institution. Procedural autonomy, in contrast relates to control over the general management of the institution, including budget decisions, personnel issues, contracts for goods, and services, and capital construction projects. Taiwo (2012) states that institutional autonomy refers to a high degree of self-regulation and administrative independence with respect to student admissions, curriculum, methods of teaching and assessment, research, establishment of academic regulations and the internal management of resources generated from private and public sources. Similarly, Coughlan, Divala, Enslin, Kissack and Mathebula (2007) indicates that institutional autonomy refers to the degree of self-regulation and administrative independence that an institution enjoys in making decisions on its goals, programmes and priorities and on the means and procedures by which these will be pursued. On a slightly different tone, Estermann and Nokkala (2009) suggest that institutional autonomy refers to the constantly changing relations between the state and higher education institutions and the degree of control exerted by the state, depending on the national context and circumstances. In sum, institutional autonomy in higher education concerns institutions ability to control their affairs such as income allocation in various categories of expenditure without external influence.

Historically, the rationale for institutional autonomy was framed in terms of benefits to the institution. Institutional autonomy was viewed as necessary to protect academic freedom from political intrusion (Tierney, 2012). Of recent, higher education leaders have linked institutional autonomy to the state of interests in economic competitiveness and human capital development (McLendon, 2003). Institutional leaders assert that they need management flexibility in order to respondent to a rapidly changing environment. They seek deregulation in the administrative domain and greater flexibility to initiate new academic programmes, that is, the ability to bypass state-wide coordinating board approval. Arguments linking institutional autonomy and economic development suggest that the state has a compelling interest in providing autonomy to higher education institutions, and that autonomy can actually help institutions become more accountable to state goals (Tierney, 2012). Institutional autonomy in allocation of income among the various categories of expenditure in higher education is important because autonomy of universities is the guarantor of academic freedom in the performance of scholars' professional duties (Tabish & Nabil, 2013). If scholarly independence is compromised by, say, corporate funding of a particular experiment predicated on producing a particular finding, then the integrity of the scholarly findings will be called into question in the short term and, in the long term, will likely be discredited. Finding truth depends on the independence of scholars and universities. Truth or discovery tainted by external interests produces neither genuine truth nor genuine discovery. Public funding in support of the university should be viewpoint neutral and disinterested in the scholarly findings that emerge from the research and teaching (Bowen, 2006).

A significant and complex aspect of university autonomy is the scope of universities' financial autonomy. Two major aspects of financial autonomy can be identified: the procedural framework of public funding and the universities' financial capacity. The former falls into a number of aspects that are namely; the extent to which universities can accumulate financial resources and keep profits, ownership of the buildings universities occupy, the ability to set tuition fees, the ability to borrow money from different sources, and the ability to make financial investments (Estermann & Nokkala, 2009). Universities should be free to allocate their budget, although some public funds can be allocated on a targeted basis, i.e. money for a particular purpose. Also, competitive funding (contractual funding) can be mainly based on assessing project proposals and is mainly designated to research (De Dominicis, Pérez & Fernández-Zubieta, 2011). In the developed countries such as those in the European Union, there is a perceptible trend, especially in Western Europe, towards the distribution of public funding through block-grants. Block-grants are those financial grants which cover several categories of expenditure such as teaching, on-going operational costs and/or research activities. Universities are mainly responsible for dividing and distributing such funding internally, according to their needs, though some types of restrictions may apply (Estermann & Nokkala, 2009). On the other hand, in direct and indirect ways, African universities have traditionally been subordinated to the state in matters of internal governance, as well as policy, finance, and student intake and distribution. Universities have had great difficulty extricating themselves from this model. However, starting in 1992, Makerere diversified its financial base and reduced its reliance on government in several ways: encouraging privately sponsored students; commercializing service units; enforcing user fees; and institutionalizing consultancy arrangements (Mayanja, 2001). These measures offered complementary and alternative measures to the public financing of the university to guarantee its existence (Bategeka, 2015). Despite the attempts by Makerere University to exert financial autonomy, there is need to there is need to assess the institutional autonomy in allocation of income among the various categories of expenditure by the university.

Several scholars (e.g. De Dominicis et al., 2011; Devarajan, Monga & Zongo, 2011; Gandhi, 2013; Jongbloed, 2008; Kohtamäki, 2009; Steyn & de Villiers, 2012) have looked at institutional autonomy in allocation of income among the various categories of expenditure in higher education. De Dominicis et al. (2011) investigated the structure of the budget in a sample of research-active European universities. The study findings revealed that institutions that declared to be completely autonomous were the ones that had the most diversified budget and the share of competitive-based government funds increased with increasing levels of institutional financial autonomy. Devarajan et al. (2011) carried out a study on how to make higher education finance work for Africa. Their study showed that granting public universities more complete autonomy made them responsible for their own objectives, financial management and hiring and firing decisions forcing them to become more competitive and to focus on the private and social benefits of their activities. Similarly, Gandhi (2013) carried out an overview on autonomy and accountability in higher education using the Indian perspective. The study revealed that a college should function without any outside intervention or pressures and should not involve itself in any power game from individuals or groups. Accordingly, financial autonomy was an essential requirement of any progressive University. In Jongbloed's (2008) study of funding higher education in Europe, he revealed that European governments had started to grant more autonomy to the institutions, allowing them to make their own decisions about the use of resources and the generation of new often external resources.

The financial autonomy of Finnish institutions was studied from the perspective of senior management (Kohtamäki, 2009). The study revealed that financial autonomy was a dynamic relationship between actors, in which dimensions of interaction were not merely unidirectional. Formal authority related to the budget appropriations and actual financial autonomy was related to, for example, continuous and stable availability of resources, legitimation as a higher education institution and the content of steering exerted by the state and maintaining bodies. A study on public funding of higher education in South Africa by means of formulae it indicated that funding based on a subsidy formula gave greater recognition to the autonomy of an institution, as the state did not prescribe how the allocated amount should be spent (Steyn and de Villiers, 2012). A subsidy formula ensured that the rules for funding are known in advance and therefore promoted medium and even long-term planning by an institution.

The literature above has shown that with institutional autonomy in allocation of income among the various categories of expenditure in higher education, institutions that were completely autonomous had the most diversified budget. The literature showed that granting public universities more complete autonomy made them responsible for financial management. A college should function without any outside intervention or pressures and countries had started to grant more autonomy to the institutions allowing them to make their own decisions about the use of resources. Further the literature indicated that financial autonomy was a dynamic relationship between actors, in which dimensions of interaction were not merely unidirectional, related to the budget appropriations, continuous and stable availability of resources, and a subsidy formula of funding gave greater recognition to the autonomy of an institution, as the state did not prescribe how the allocated amount should be spent. However, none of the studies was carried out in the context of universities in Uganda. This contextual gap called for this study to assess institutional autonomy in allocation of income among the various categories of expenditure in public higher education in Uganda, particularly in Makerere University.

3. Theoretical Review

Analysis of institutional autonomy in allocation of income among the various categories of expenditure in higher education was based on the institutional theory developed by Meyer and Powell in 1974 (Amenta & Ramsey, 2010). The theory postulates that institutions are made up of social structures, values and varied norms. These are higher-order factors above the individual level, constraining or constituting the interests of actors without requiring authoritative intervention. Therefore, functions are located within sets of organisations or spread among different ones, each with their own autonomy and operating procedures. Autonomy thus is the ability to define independent lines of action (Amenta & Ramsey, 2010). The theory shows that with institutional autonomy, decision making such as allocation of income among various categories of expenditures should be taken independently among different sets in the organization. This theory thus provided the basis for analysing institutional autonomy in allocation of income among the various categories of expenditure at Makerere University.

4. Methodology

Basing on a case study design for rich descriptions (Bowen, 2009), data was obtained using secondary data analysis by which existing data was used as the basis for making findings. The findings were based on synthesis from multiple sources (Long-Sutehall, Sque & Addington-Hall, 2010) that included empirical studies and reports. The documents helped in carrying out systematic evaluation because they provided data on the context. The method enabled obtaining of information in less time and efficient way because of availability of documents. Basing on thematic analysis, emerging themes were categories for analysis involving careful, more focused re-reading and review of the data (Bowen, 2009). Data were summarised making meanings for presentation of the findings.

5. Findings

Makerere University largely has three sources of financing, namely, government subvention, internally generated funds and development partner support. Development Partner support includes bilateral support and off budget support in form of research grants and research capacity development (MAK, 2013). Makerere like any other public institution in Uganda is allowed by government to generate more funds to supplement government and donor contributions. These include fees from students, for-profit/commercial activities, endowments and funding from alumni. Such funds are collected on the basis of student enrolments or work performed and the university determines on how they are used (Magara, 2009). The Council Finance Committee, on Council's behalf, approves revisions to budgets and formulates policy on investment management. All University funds are consolidated in one basket and re-distributed according to a zero budget framework. Makerere University is a body corporate and thus may enter into contracts acquire, hold, dispose of, and deal with property, appoint agents and attorneys, engage consultants, fix charges, and other terms, for services and other facilities it supplies and establish or administer trust funds. The University is also empowered to exploit commercially any of its facilities or resources for the benefit of the University. Heads of individual responsibility centres are responsible for the efficient and effective management of all funds under their control and are bound by the policies and practices (MAK, 2012).

Faculties, divisions and institutes prepare and submit detailed reviews, their proposed annual teaching program budget, along with research-related budget submissions. Budget approval authority lies with specific levels of management within organisational units. Deans of faculty / heads of division / institute directors review and approve their proposed budget (MAK, 2010). To ensure autonomy in allocation of income among the various categories of expenditure by the university, Makerere has adopted new management structures such as decentralised management. Internal decentralisation has enabled managerial changes to facilitate the diversification of income sources. Faculties now determine their own development through financial committees that receive a portion of the earned revenue and decide on its allocation and distribution. The University Secretary has lost exclusive financial authority (Bategeka, 2015). Makerere University has three different budgetary units, namely operational units (academic departments), support Units (for example, the Library, Registrar’s Office, Directorate for ICT Support, etc.), and the central level (university leadership) that is responsible for combined operations of all units. Makerere University has consistently pursued the block allocation model of resource allocation, where decision making is decentralised by allocating money in blocks, in which the operating units decide what line item to fund (Magara, 2009). Block funds to Makerere allow departments and faculties to autonomously allocate funds to different uses without being influenced by central administration (Kabeba, 2010).

The resources sharing formula adopted in 2006 reflected autonomy in allocation of resources. With internally generated incomes, the governing council established a division formula between the centre and the income-generating units whereby units retained 49% of the tuition on undergraduate private students from day programmes, 51% from undergraduate evening students, 75% of the postgraduate tuition and 87% from external programmes. Faculties with the largest number of students had the highest percentage share of disposable income from the private programmes. For instance in 2006/2007 the faculty of computing and information retained a total of 7 billion Uganda shillings (12% of the total revenue generated by the university) while the faculty of Arts retained 4 billion Uganda shillings (7% of the total revenue generated. In the laboratory-based units, the faculty of Technology which ranked highest retained 1.1 billion Uganda shillings (only 2% of the total revenue generated in Makerere University). With less finances to these units, staff in these units put their energies to generating resources for research through publication. They became more inclined towards heavy donor –dependent research (Pillay, 2010). However, with introduction of incentives for staff, this has long stopped. Funds have since been transferred to the centre and for those colleges who have big numbers of students on both day and evening programmes, their college percentage was reduced and this is paid according to the availability of funds to cater for college requirements. These include petty cash, procurement of stationary, supervision of internship and some minor repairs and payment of staff members who teach extra hours on top of their routine of 12 hours per week (MAK, 2014). Therefore, autonomy in allocation of incomes among different categories of expenditure currently remains with management and has diminished at lower units.

6. Discussion

The findings revealed that the university had the autonomy to generate more funds to supplement government and donor contributions and determine their use. This finding is consistent with Jongbloed (2008) who revealed that governments had started to grant more autonomy to the institutions, allowing them to make their own decisions about the use of resources and the generation of new often external resources. The findings also revealed that various categories of expenditure were autonomously determined because approval authority lied with specific levels of management within organisational units. This finding concurs with the finding by Kohtamäki (2009) that financial autonomy was a dynamic relationship between actors, in which dimensions of interaction were not merely unidirectional. Further, the findings revealed that block funds to Makerere allowed departments and faculties to autonomously allocate funds to different uses without being influenced by central administration. This finding resonates with Estermann and Nokkala (2009) who indicates that public funding to universities was through block-grants that covered several categories of expenditure such as teaching, on-going operational costs and/or research activities. Accordingly, universities were mainly responsible for dividing and distributing such funding internally, according to their needs, though some types of restrictions may apply. On the other hand, the finding showed that, despite autonomous allocation of income expenditure stipulated by policy, allocation of incomes among different categories of expenditure remains with top management, and it was diminishing at lower units. This finding agrees with Kohtamäki (2009) that formal authority related to the budget appropriations and actual financial autonomy was related to, for example, continuous and stable availability of resources. Therefore, reduction funds at Makerere after internally generated funds were relocated to incentives affected continuity and stable availability of resources.

7. Conclusion

Basing on the findings and discussion above, it is concluded that by policy institutional autonomy in allocation of income among the various categories of expenditure in higher education exists. Indeed Makerere University had the autonomy to generate more funds to supplement government and donor contributions and determine their use. Various categories of expenditure were autonomously determined because approval authority lied with specific levels of management within organisational units. Besides, block funds to Makerere allowed departments and faculties to autonomously allocate funds to different uses without being influenced by central administration. However, despite autonomous allocation of income expenditure being stipulated by policy, allocation of incomes among different categories of expenditure remained with top management and was diminishing at lower units because of relocating internally generated funds to incentives. Therefore, institutional autonomy allocation of income among the various categories of expenditure remained a policy matter but not a practice. This paper not only highlights the need for institutional autonomy in allocation of income but also provides benchmarks for managers in institutions of higher education to autonomously allocate funds in an appropriate way that enhances effective performance of the institutions.

8. Recommendations

Institutions of higher learning need to increase their incomes in order to promote institutional autonomy in allocation of income among the various categories of expenditure. This could be through negotiating with governments for increased funding, attracting more donors and increasing internally generated funds from students, for-profit/commercial activities, endowments and funding from alumni. This will access institutions more resources which will enable existence of resources to the various categories of units such that they are able to make autonomous allocation of income.

References

Amenta, E., & Ramsey, K. M. (2010). Institutional Theory. In Kaplan, H. B. (Ed.), *Handbooks of Sociology and Social Research*. New York, USA: Springer Science+Business Media, LLC.

Bategeka, O. (2015, June 12). Financial reforms in higher education in Uganda: The case of Makerere University. *Elimu Insight Magazine*. Retrieved from elimuinsight.com/.../financial-reforms-in-higher-education-in-uganda-th...

Boer, H., & File, J. (2009). *Higher education governance reforms across Europe.* Brussels, Belgium: ESMU, European Centre for Strategic Management of Universities

Bowen, G. A. (2009). Document analysis as a qualitative research method. *Qualitative Research Journal, 9*(2), 27-40. http://dx.doi.org/10.3316/QRJ0902027.

Coughlan, F., Divala, J., Enslin, P., Kissack, M., & Mathebula, T. (2007). Systemic governance, public accountability and institutional autonomy. *Review of Higher Education in South Africa,* The Council on Higher Education.

De Dominicis, L., Pérez, S. E., & Fernández-Zubieta, A. (2011). European university funding and financial autonomy: A study on the degree of diversification of university budget and the share of competitive funding. Seville, Spain: European Commission Joint Research Centre Institute for Prospective Technological Studies.

Devarajan, S., Monga, C., & Zongo, T. (2011). Making higher education finance work for Africa. *Journal of African economies, 20*(3), 133-154. http://dx.doi.org/10.1093/jae/ejr020

Estermann, T., & Nokkala, T. (2009). *University autonomy in Europe: Exploratory study*. Brussels, Belgium: European University Association.

Gandhi, M. M. (2013). Autonomy and accountability in higher education an Indian perspective. *Journal of Research and Method in Education, 3*(5), 33-37.

Hanushek, E. A., Link, S., & Woessmann, L. (2013). Does school autonomy make sense everywhere? Panel estimates from PISA. *Journal of Development Economics, 104*, 212-232.

Jongbloed, B. (2008, October 13). Funding higher education: A view from Europe. *Paper prepared for the seminar organised by the National Trade Confederation of Goods, Services and Tourism (CNC).*

Kabeba, M. R. (2010). Financial reforms and governance and the crisis in research in public universities in Africa: A case of Uganda. *Journal of Educational Administration and Policy Studies, 2*(7). Retrieved from http://www.academicjournals.org/JEAPS

Kohtamäki, V. (2009). *Financial Autonomy in Higher Education Institutions-Perspectives of Senior Management of Finnish AMK Institutions.* Tampere, Finland: Tampere University Press.

Long-Sutehall, T., Sque, M., & Addington-Hall, J. (2010). Secondary analysis of qualitative data: a valuable method for exploring sensitive issues with an elusive population? *Journal of Research in Nursing, 16*(4), 335–344. http://dx.doi.org/10.1177/1744987110381553

Magara, E. (2009). Financing a public university: Strategic directions for Makerere University in Uganda. *Journal of Higher Education in Africa, 7*(3), 61-86.

MAK. (2010). *Budget policy.* Kampala, Uganda: Makerere University.

MAK. (2012). *Policy on financial management.* Kampala, Uganda: Makerere University.

MAK. (2013). *Annual report 2013*. Kampala, Uganda: Makerere University.

Mayanja, M. K. (2001). Makerere University and the private students scheme. *Higher Education, 25,* 11-12.

McLendon, M.K. (2003). The politics of higher education: Toward an expanded research agenda. *Educational Policy, 17*(1), 165-191. http://dx.doi.org/10.1177/0895904802239291

Pillay, P. (2010). *Higher education financing in East and Sothern Africa (Editor).* Somerset West, South Africa: Centre for Higher Education Transformation (CHET).

Roger, W. Bowen. (2006). *Institutional Autonomy, Academic Freedom, & Academic Responsibility.* Retrieved from http://mtprof.msun.edu

Steyn, A. G. W., & de Villiers, A. P. (2012). Public funding of higher education in South Africa by means of formulae. *Review of Higher Education in South Africa,* The Council on Higher Education.

Tabish, S. N., & Nabil, S. (2013). Towards establishing world-class universities: A conceptual approach. *International Journal of Science and Research (IJSR), 4*(1), 614-633.

Taiwo, E. A. (2012). The regulatory bodies, academic freedom and institutional autonomy in Africa: Issues and Challenges-Nigerian Example. *The Journal of Higher Education in Africa, 9*(1 & 2), 63-89.

Tierney, W. G. (2012). *Governance and the public good*. New York, USA: The State University of New York Press.