

# Research on Financial Management Issues and Countermeasures in Chinese Higher Education Institutions

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**Abstract:** With the continuous deepening of educational reform and the rapid development of higher education, as an important battlefield for knowledge dissemination, scientific research innovation, and social services, the financial management level of universities directly affects the efficiency of resource allocation, improvement of teaching quality, and sustainable development ability of the school. However, in the context of rapid expansion and diversified development, financial management in universities faces many challenges and problems. If not solved, it will inevitably negatively impact the management of universities and restrict their development. This article aims to deeply analyze the main problems in current financial management in universities and propose corresponding countermeasures and suggestions, to provide reference for improving the efficiency of financial management in universities.

**Keywords:** Educational and teaching reform; Financial management; Management efficiency

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## 1. Introduction

In recent years, with the vigorous development of higher education in China, the number and scale of higher education institutions have achieved significant growth. In this process, financial management, as an important support for the operation and development of universities, has become increasingly prominent in its position and role. However, facing the complex and ever-changing educational environment and the increasing demand for resources, Chinese higher education institutions have exposed a series of problems in financial management. Firstly, the financial management concept is outdated and the risk awareness is weak. Traditionally, as a national institution, the financial management of universities often focuses on the accounting of fund inflows and outflows, while neglecting the management and control of financial risks. This has led to some universities lacking scientific planning and effective supervision in their funding operations, making them prone to financial difficulties. Secondly, the financial management system is not sound and the execution is not strong enough. Some universities have deficiencies in their financial management system, such as unclear rights and

responsibilities, and inefficient processes, resulting in low financial management efficiency. Simultaneously, the implementation of financial management systems is often disrupted by various factors, making it difficult to achieve the expected results. Furthermore, the quality of financial personnel varies greatly and their professional abilities need to be improved. With the increasing complexity and specialization of financial management in universities, higher requirements have been put forward for the quality and ability of financial personnel. However, currently, some financial personnel in universities have problems such as insufficient professional knowledge and low skill levels, which make it difficult to meet the needs of financial management. In summary, it is particularly important to strengthen the research on financial management issues and countermeasures in higher education institutions. By conducting in-depth research on the specific problems and their causes in current financial management in universities, and exploring scientific and reasonable solutions and countermeasures, we can effectively improve the level of financial management in universities and provide strong support for enhancing the overall quality and level of higher education in China.

## **2. Problems in financial management of higher education institutions**

### **2.1. The internal financial management system of universities is inadequate**

A sound and effective internal financial management system is the key to ensuring the sustainable and healthy development of universities. The funding for higher education institutions in our country has begun to transition from being “solely funded by the government” to “mainly funded by national finances and raised through multiple channels.” Currently, some universities have inadequate, non-standard, and unreasonable internal financial systems, which affect the normal functioning of financial management in the development process of universities as a supervisory and guarantee function <sup>[1]</sup>. An unsound financial management system can affect the development and daily work of universities, mainly manifested in the following three aspects. Firstly, the internal financial system emphasizes theory over practice. Many universities have no problems in institutional formulation, but there are many problems in institutional implementation, which makes it difficult for the system to play its due role. Secondly, the lack of effective management of funds outside the budget often leads to unauthorized interception and illegal charging by secondary departments, which has a significant negative impact on university management <sup>[2]</sup>. Thirdly, the special nature of universities leads to the leadership neglecting the supervision of funds and setting the goal of avoiding fiscal deficits, resulting in some of the university’s funds being difficult to effectively utilize, and even leading to the loss of state-owned assets due to personal negligence of leaders <sup>[3]</sup>.

### **2.2. Shortcomings in budget management in higher education institutions**

Budget management is of great significance to universities, as it serves as a reference for the school management to apply funds and is a prerequisite for the school to carry out various financial work <sup>[4]</sup>. Therefore, universities should conduct medium and long-term financial budgets based on the development requirements and financial strength of the school’s cause. At present, the implementation of budget management work is relatively smooth in most universities, but there are still some shortcomings. Firstly, budget management lacks foresight and comprehensiveness <sup>[5]</sup>. At present, most universities in China do not have a long-term development goal. They mostly aim to achieve a balanced income and expenditure for this year, which leads to financial personnel being short-sighted when preparing budgets. Such financial budgets cannot meet the needs of universities. Although some universities have set specific long-term development goals, they cannot receive effective supervision during the implementation process, and the long-term goals of universities can only remain in words, resulting in a deviation between annual budgets and long-term development goals. Secondly,

there is a high degree of arbitrariness in budget preparation <sup>[6]</sup>. Higher education institutions did not use scientific budgeting methods when preparing budgets and did not conduct in-depth investigations and research based on first-hand data. The design of budget indicators lacked scientific rigor. Some even refer to the budget of other similar universities for preparation, which may not apply to the implementation of this university. Additionally, there are no corresponding incentive measures in budget management. Each university lacks an effective performance evaluation system in budget execution, and corresponding reward and punishment measures, and lacks proper assessment, supervision, and evaluation of the effectiveness of fund utilization <sup>[7]</sup>.

### **2.3. Unscientific asset management**

One of the important responsibilities of the financial management department in universities is to manage the assets of the university. The asset forms of universities have diverse characteristics, including not only tangible assets such as libraries, desks, and teaching buildings but also intangible assets such as scientific research achievements, software copyrights, patents, etc. How to effectively manage these assets is a key consideration for financial management personnel in universities. With the expansion of the university scale and the increase of scientific research achievements, the management of these new things has become a difficult problem in university financial management <sup>[8]</sup>. Firstly, the quantity of assets in universities is unclear. Some universities have chaotic internal management, resulting in unclear ownership of assets and registered assets that do not match the actual situation. Some departments use education funds to purchase teaching equipment without following proper procedures, and the purchase is not recorded, leading to a situation of “having items but not accounting” when the relevant management personnel conduct inventories. Secondly, there is a serious loss of assets in universities. Most of the assets in our country’s universities belong to state-owned assets, and the management only has the power to manage the assets. Often, there are situations where logistics departments or staff use the assets for a long time without compensation, resulting in the inability of the assets to generate the expected returns and indirectly leading to asset loss <sup>[9]</sup>.

## **3. Causes of financial management issues in higher education institutions**

### **3.1. Poor quality of financial management personnel**

The complexity and strict regulatory requirements of financial work in universities have placed high demands on professionalism and the quality of accounting personnel in this field. Currently, the recruitment of financial and accounting personnel in higher education institutions is somewhat lax, with many newly hired personnel lacking the necessary professional knowledge and information management capabilities, making it difficult to adapt to job requirements <sup>[10]</sup>. Since the implementation of the new accounting standards in 2013, most financial personnel still work according to the old standards and have not effectively integrated the new accounting standards into daily accounting. With the widespread application of accounting informatization, the demand for emerging accounting talents with modern knowledge and skills is increasing day by day <sup>[11]</sup>. Financial personnel in universities need to improve their computer information technology level and fully utilize the data provided by information systems to enhance their awareness of making decisions for universities. Enhance awareness of information security and reduce information security and financial risks brought about by the digital age. College financial personnel can constantly improve themselves to adapt to the use of new technologies, avoid the risks brought by “Internet plus AI,” build high-quality talent teams for the development of colleges and universities, and promote the development of scientific research and education in colleges and universities.

### **3.2. Lack of cost control concept**

The so-called cost control refers to the strict and accurate calculation of the possible costs that may be incurred before the economic activity is carried out, and based on this, the necessity of implementing the economic activity is determined <sup>[12]</sup>. For universities, it is inevitable to carry out various economic activities, so limiting costs within a certain range and considering actual benefits is a requirement for the long-term development of universities. However, some universities often engage in economic activities during the process lack foresight, and are willing to spend large amounts of publicity and business expenses to achieve phased goals, without considering actual benefits, which may result in high costs and low effectiveness. This is a great waste of education funds, and some universities even bear huge debts for it, leading to greater financial risks. How to effectively control costs and maximize returns from limited funds is something that every financial manager should pay attention to question <sup>[13]</sup>.

### **3.3. Poor risk control awareness**

Financial personnel often focus on verifying the authenticity of individual transactions, while ignoring loopholes such as embezzlement of funds from related parties in the business. Failure to check the transaction amount, economic classification, and other factors has resulted in data bias, which affects data analysis based on this and may even lead to decision-making errors, resulting in significant losses. The financial analysis report lacks practicality and specificity, and cannot provide reference for practical work. The analysis results of the financial report have not played their due role <sup>[14]</sup>.

## **4. Strategies for improving the financial management level of universities**

### **4.1. Enhance the risk awareness of financial management personnel**

Compared with corporate financial work, financial management in universities has distinct characteristics, and financial personnel need to fully consider the fixed nature of assets and the diversity of daily activities <sup>[15]</sup>. Firstly, financial management personnel should carry out financial operations. In the process of management work, we should be vigilant and aware of the existence of risks. Only by first realizing the risks can we avoid them in management work. Secondly, problems discovered in the financial management process of universities should be summarized and analyzed promptly, and the situation reflected in the financial statements should be carefully checked and verified to prevent errors. Simultaneously, corresponding measures should be actively formulated based on the existing problems, and the problems should be solved on time to prevent larger errors in subsequent work due to unresolved minor issues. Finally, improve the risk assessment ability of financial management personnel. Various uncertain risk factors may arise in the daily economic activities of universities, and risk assessment is to summarize and analyze these factors, based on which risks can be controlled to ensure the stable development of universities <sup>[16]</sup>.

### **4.2. Emphasize the management and utilization of state-owned assets within universities**

State-owned assets are an important component of university assets. In recent years, the country has introduced a series of regulations on fixed asset management, such as the “General Office Equipment and Furniture Configuration Standards for Administrative Units” and the “Interim Measures for the Management of State-owned Assets in Public Institutions.” The competent departments of universities have also issued a series of rules and regulations on asset management, supervision, allocation, disposal, performance evaluation, etc. in conjunction with finance, state-owned assets, and other departments based on the characteristics of universities, to regulate the asset management behavior of universities <sup>[17]</sup>. To attach importance to the management and



use of state-owned assets, universities first need to implement a strict registration system, formulate strict management standards, arrange dedicated personnel for management, and assign specific responsibilities for the use and maintenance of assets to individuals. Concurrently, regular inspections of state-owned assets should be carried out, scrapped assets should be cleared, and newly purchased assets should be registered and recorded on time. Secondly, in the process of asset inventory, the existing assets should be managed in a coordinated manner to achieve a comprehensive understanding of their condition and prevent them from being idle due to a lack of knowledge about their distribution, which could lead to a decrease in their utilization rate and waste of resources. Finally, with the help of modern information technology, problems such as personnel shortages and difficulties in storing paper materials can be solved, and assets can be systematically entered into the information system<sup>[18]</sup>.

### **4.3. Comprehensive improvement of the overall quality of financial management personnel**

The core of financial work in universities lies in having an excellent management team. Therefore, cultivating and attracting numerous professional and technical talents has become a key task in improving the level of financial management in universities. Financial management personnel should receive regular theoretical knowledge training after joining to ensure timely updates of their professional knowledge. At the same time, by exchanging and learning from other excellent institutions, we can promote mutual learning and common improvement. Furthermore, strengthening the professional ethics and service awareness of financial personnel in universities is also very important. The finance department should guide financial personnel to improve their service level and use service awareness as the standard for evaluating personnel performance, thereby comprehensively enhancing the satisfaction of teachers and students with financial and accounting work<sup>[19]</sup>.

### **4.4. Strengthen budget management**

Budget management is an important component of financial management in universities and an indispensable link in the financial work of universities. Scientific and effective budget management is of great significance for universities to plan strategic goals, control daily income and expenditure, diversify economic risks, and optimize resource allocation, which helps promote the healthy and long-term development of universities<sup>[20]</sup>. The establishment of budget management departments in universities should draw financial management personnel from the school's finance department, audit department, asset department, and various secondary departments to jointly form an authoritative and executable budget management department. The purpose of selecting personnel from different functional departments and secondary departments to form the budget management department is to ensure transparency and fairness in the process of budget preparation, implementation, and supervision, to monitor the entire budget process, and to provide timely feedback on budget execution. Additionally, budget management is closely linked to secondary departments, which is beneficial for universities to fully understand the work content and development goals of secondary departments, allocate educational resources reasonably, and improve the efficiency of education fund utilization.

Actively conducting budget evaluation is an effective means for universities to allocate resources reasonably and improve the efficiency of fund operations. The appropriate analysis method is a prerequisite for making a fair and objective evaluation. The year-end comprehensive evaluation method commonly used in universities cannot accurately reflect the budget execution situation and is also difficult to guide the budget work for the next year. Therefore, universities can conduct quarterly, monthly, and shorter period regular assessments of each department and department based on the year-end comprehensive evaluation, to timely and accurately grasp the use of budget funds. It should be noted that not all budget execution results can be assessed

within the same budget year. Some evaluation indicators are long-term assessments, and some projects require long-term tracking. Therefore, a long-term evaluation mechanism must be established to assess them reasonably and effectively.

## 5. Conclusion

The reform of financial management in universities is a continuous process of exploration and innovation, which requires universities to embrace advanced concepts with an open mind and innovate boldly based on their own circumstances. This reform aims to fully leverage the positive role of financial management in the development of higher education, by strengthening internal controls, risk management, information technology construction, and professional talent cultivation, to improve the efficiency and transparency of fund utilization. At the same time, a performance evaluation system is established to ensure the continuous optimization of financial management strategies and provide solid financial support and strategic assistance for the development of the school.

## Disclosure statement

The author declares no conflict of interest.

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