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Original Article

Financial Sustainability through Strategic Financial Planning: A Study of Tier-II MBA Institutions

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Abstract

Financial sustainability has emerged as a major strategic concern for self-financed higher education institutions in India, particularly Tier-II management institutes that operate in an increasingly competitive environment. Declining student enrolment, rising operational costs, regulatory compliance requirements, and limited opportunities for revenue generation have intensified the need for systematic financial planning. Effective financial planning enables institutions to optimize resource allocation, strengthen financial governance, and ensure long-term institutional sustainability. Despite its growing importance, limited empirical evidence exists regarding the relationship between financial planning practices and institutional sustainability among Tier-II management institutes in Maharashtra. The present study examines the financial planning practices adopted by Tier-II management institutes and analyses their influence on institutional sustainability. The study contributes to the literature on higher education finance by providing empirical insights into the role of financial planning within self-financed management institutions. The findings offer practical implications for institutional administrators, governing bodies, and policymakers seeking to strengthen financial governance and improve the long-term sustainability of Tier-II management institutes in Maharashtra.

Keywords: *Financial Planning, Institutional Sustainability, Tier-II Management Institutes, Higher Education Finance, Strategic Financial Management, Maharashtra.*

Introduction

The higher education sector has undergone significant transformation during the past two decades due to globalization, technological advancement, changing student expectations, regulatory reforms, and increasing competition among educational institutions. Management education, in particular, has expanded rapidly across India with the establishment of numerous self-financed institutions aimed at meeting the growing demand for professionally qualified managers. However, the rapid expansion of management education has also intensified competition for student admissions, thereby creating considerable financial challenges for institutions operating outside major metropolitan centres (Altbach et al., 2017). Tier-II management institutes play a crucial role in extending access to quality management education by serving students from semi-urban and regional areas. Unlike premier institutions that benefit from strong institutional brands, diversified revenue sources, and substantial industry collaborations, many Tier-II management institutes depend predominantly on tuition fees for their financial sustainability. This dependence exposes them to considerable financial risk during periods of declining admissions, changes in regulatory policies, or economic uncertainty (Johnstone, 2018).Financial planning has therefore become an essential component of institutional management. Institutional sustainability refers to the ability of an educational institution to maintain financial stability while continuously fulfilling its academic, administrative, and social responsibilities. Sustainable institutions are capable of generating adequate financial resources, investing in infrastructure, attracting qualified faculty, maintaining educational quality, and responding effectively to changing external conditions (Salmi, 2009). Consequently, financial sustainability has become an indispensable prerequisite for institutional excellence. Recent policy initiatives such as the National Education Policy (NEP) 2020 have further increased expectations regarding academic quality, digital transformation, multidisciplinary education, research, and governance. Simultaneously, regulatory bodies including AICTE and NAAC require institutions to invest continuously in infrastructure, faculty development, quality assurance systems, and student support services (Ministry of Education, 2020).

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These developments have significantly increased the importance of strategic financial planning within higher education institutions. The present study investigates the financial planning practices adopted by Tier-II management institutes in Maharashtra and examines their influence on institutional sustainability. By focusing specifically on self-financed management institutes, the study seeks to provide practical recommendations for strengthening financial governance and supporting sustainable institutional development.

Literature Review

Financial planning has become an indispensable managerial function in higher education institutions, particularly in self-financed institutions operating under increasing financial uncertainty. Strategic financial planning enables institutions to forecast financial requirements, allocate resources efficiently, control expenditure, diversify revenue sources, and ensure long-term organizational sustainability (Brigham & Ehrhardt, 2022). In the context of higher education, financial planning extends beyond annual budgeting and encompasses long-term decision-making that supports institutional growth, academic quality, and operational efficiency (Johnstone, 2018). Budget planning remains the cornerstone of institutional financial management. It enables educational institutions to allocate limited financial resources among competing priorities such as faculty salaries, infrastructure development, research activities, technology adoption, student services, and quality assurance initiatives (Brigham & Ehrhardt, 2022). Johnstone (2018) observed that institutions implementing systematic budgeting practices generally demonstrate greater financial discipline and improved organizational effectiveness. Effective budgeting also enables administrators to monitor financial performance, identify deviations from planned expenditure, and implement timely corrective measures. Sustainable institutions continuously invest in academic infrastructure, faculty development, digital transformation, research activities, and student support systems without compromising financial stability (Salmi, 2009). UNESCO (2021) similarly emphasized that sustainable higher education institutions require sound governance, responsible financial management, and strategic planning to achieve long-term educational excellence. The financial environment of higher education has undergone significant transformation during the last decade. Declining enrolment in certain professional programmes, increasing competition, digitalization of education, and regulatory reforms have created new financial challenges for self-financed institutions (Altbach et al., 2017). These challenges are particularly significant for Tier-II management institutes, which depend predominantly on tuition fees and possess comparatively limited opportunities for revenue diversification. Consequently, strategic financial planning has become an important mechanism for strengthening institutional resilience and ensuring sustainable growth. Several empirical studies have demonstrated a positive relationship between financial planning and organizational performance. Kaplan and Norton (2008) reported that organizations integrating financial planning with strategic management achieve better operational performance and long-term sustainability. Similarly, Brigham and Ehrhardt (2022) concluded that comprehensive financial planning contributes significantly to organizational efficiency through improved budgeting, forecasting, and financial control. Within higher education, Johnstone (2018) found that institutions implementing structured financial planning practices exhibit stronger financial governance and more effective resource utilization.

Research Gap

Limited empirical evidence is available regarding the financial planning practices adopted by Tier-II management institutes in Maharashtra and their influence on institutional sustainability. Most previous studies have focused on universities, public institutions, or general financial management rather than strategic financial planning in self-financed management institutes. The present study addresses this gap by examining the relationship between financial planning practices and institutional sustainability within the context of Tier-II management institutes.

Research Objectives

1. To examine the financial planning practices adopted by Tier-II management institutes in Maharashtra.
2. To analyze the impact of financial planning practices on the institutional sustainability of Tier-II management institutes in Maharashtra.

Research Hypotheses

Null Hypotheses

H01: Financial planning practices do not have a significant relationship with institutional sustainability among Tier-II management institutes.
H02: Financial planning practices do not have a significant impact on institutional sustainability among Tier-II management institutes.

Alternative Hypotheses

H1: Financial planning practices have a significant positive relationship with institutional sustainability among Tier-II management institutes.
H2: Financial planning practices have a significant positive impact on institutional sustainability among Tier-II management institutes.

Research Methodology

Research Design- Descriptive and explanatory research design
Population of the Study - Tier-II management institutes affiliated with universities and approved by the All India Council for Technical Education (AICTE) in Maharashtra.
The respondents consisted of: Directors, Principals, Finance Officers, and IQAC Coordinators, Senior Faculty Members involved in budgeting and institutional planning
Sampling Technique- Purposive sampling
Sample Size-50 respondents (20 Tier-II management institutes)

Sources of Data

The study utilized both primary and secondary data.
Research Instrument- A structured questionnaire

Reliability Statistics

Variable	Number of Items	Cronbach's Alpha
Financial Planning Practices	10	0.901
Institutional Sustainability	10	0.889

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Since both values exceeded the recommended threshold of **0.70**, the questionnaire demonstrated good internal reliability.

Statistical Tool Used- IBM SPSS Statistics Version 29.

Data Analysis and Interpretation

1. Descriptive Statistics

The first objective of the study was to examine the financial planning practices adopted by Tier-II management institutes. Mean and standard deviation were calculated to assess respondents' perceptions.

Descriptive Statistics

Variable	Mean	Standard Deviation
Financial Planning Practices	4.12	0.56
Institutional Sustainability	4.05	0.61

The mean score of 4.12 indicate that institutes normally follows systematic financial planning. Similarly, mean score of **4.05**, indicates that respondents observed their institutions as financially stable and operationally sustainable.

2. Reliability Analysis

The internal consistency of the questionnaire was examined using Cronbach's Alpha.

Reliability Statistics

Variable	Cronbach's Alpha
Financial Planning Practices	0.901
Institutional Sustainability	0.889

Cronbach's Alpha values exceeded the recommended threshold of **0.70** indicating excellent reliability of the measurement instrument. The questionnaire therefore demonstrates satisfactory internal consistency and is suitable for further statistical analysis.

3. Pearson Correlation Analysis

To achieve the second research objective, Pearson's correlation analysis was conducted to examine the relationship between financial planning practices and institutional sustainability.

Correlation Analysis

Variables	Financial Planning	Institutional Sustainability
Financial Planning Practices	1	0.711**
Institutional Sustainability	0.711**	1

Correlation is significant at $p < 0.01$

The analysis reveals a **strong positive relationship** between financial planning practices and institutional sustainability (**$r = 0.711, p < 0.001$**).

The findings indicate that institutes adopting structured financial planning practices tend to demonstrate higher levels of financial stability, operational efficiency, and long-term sustainability.

4. Simple Linear Regression Analysis

Simple linear regression analysis was performed to determine whether financial planning practices significantly influence institutional sustainability.

Regression Analysis

Dependent Variable: Institutional Sustainability

Predictor	β	t-value	Sig.
Financial Planning Practices	0.707	6.91	0.000

Model Summary

R	R^2	Adjusted R^2
0.711	0.505	0.495

ANOVA

F-value	Significance
47.75	0.000

Regression analysis demonstrates that financial planning practices significantly influence institutional sustainability (**$\beta = 0.707, p < 0.001$**).

The coefficient of determination (**$R^2 = 0.505$**) indicates that financial planning explains approximately **50.5%** of the variation in institutional sustainability.

The statistically significant F-value (**$47.75, p < 0.001$**) confirms that the regression model provides a good fit for the observed data.

5 Hypothesis Testing

Hypothesis	Result
H1: Financial planning practices have a significant relationship with institutional sustainability.	Accepted
H2: Financial planning practices have a significant positive impact on institutional sustainability.	Accepted

Key Findings

The empirical analysis indicates that:

1. Tier-II management institutes have adopted reasonably structured financial planning practices.

2. Financial planning practices are positively associated with institutional sustainability.
3. Financial planning significantly predicts institutional sustainability, explaining approximately **50.5%** of its variation.
4. Systematic budgeting, financial monitoring, and resource allocation contribute substantially to long-term institutional stability.
5. Effective financial planning enables institutions to respond proactively to financial challenges arising from declining admissions, increasing operational costs, and regulatory changes.

These findings support the proposition that financial planning should be viewed as a strategic institutional capability rather than merely an administrative budgeting function.

Discussion

The primary objective of the present study was to examine the financial planning practices adopted by Tier-II management institutes in Maharashtra and analyse their influence on institutional sustainability. The findings indicate that financial planning practices have a statistically significant and positive relationship with institutional sustainability. Institutes that adopted structured budgeting, regular financial monitoring, systematic resource allocation, and expenditure control demonstrated better financial stability and operational efficiency.

Conclusion

Financial sustainability has become one of the most significant challenges confronting self-financed management institutes in India. Declining admissions, increasing operational expenditure, technological transformation, regulatory compliance, and rising expectations regarding educational quality require institutions to adopt systematic financial planning practices. The present study examined the financial planning practices adopted by Tier-II management institutes in Maharashtra and analysed their influence on institutional sustainability.
The study concludes that effective financial planning should be viewed as an integral component of institutional governance rather than merely an administrative budgeting process. Institutions adopting long-term financial planning are better positioned to manage financial uncertainty, allocate resources efficiently, maintain academic quality, and achieve sustainable organizational growth.

The study also contributes to the growing literature on higher education finance by providing empirical evidence regarding financial planning practices in Tier-II management institutes—a relatively underexplored area within Indian higher education research. The findings may assist institutional administrators, governing bodies, policymakers, and regulatory agencies in strengthening financial governance and improving institutional sustainability.

Practical Implications

The findings of the study have important practical implications for institutional leaders and policymakers.

1. Institutional administrators should integrate financial planning with strategic planning rather than treating budgeting as an annual administrative exercise.
2. Tier-II management institutes should establish regular financial monitoring mechanisms to evaluate budget performance and improve financial accountability.
3. Greater emphasis should be placed on optimizing resource utilization to improve operational efficiency without compromising educational quality.
4. Institutes should develop long-term financial plans aligned with institutional goals and anticipated regulatory changes.
5. Governing bodies should strengthen financial governance by encouraging evidence-based decision-making and periodic financial review.
6. Capacity-building programmes should be organized for institutional administrators to enhance competencies in strategic financial planning and financial management.

Limitations Of the Study

The study is limited to Tier-II management institutes in Maharashtra; therefore, the findings may not be generalizable to institutions operating in other states or educational contexts.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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