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**STRATEGIC FINANCIAL PLANNING OF UNIVERSITIES:
CHALLENGES AND OPPORTUNITIES**

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ABSTRACT

Financial stability of higher education institutions (HEIs) is achieved through the formation of a positive financial space by balancing income and expenditure. The dependence of universities on the contingent and budget funding allocated for the current year does not create the

preconditions for long-term planning. However, the new paradigm of university functioning, transformation processes in HEIs, the crisis caused by Covid-19 and the war in Ukraine require a rethinking of approaches to financial planning. These processes will negatively affect budget funding, universities are forced to find other sources of funding to ensure financial stability and strategic directions of development. University management must respond quickly to challenges and implement effective financial management aimed at ensuring the financial stability of HEIs in both the current and strategic period, which determines the relevance of the chosen topic. The aim of the article is to identify challenges and opportunities for strategic funding for university planning. The research used such methods as analysis and synthesis to identify and systematize the challenges and opportunities of universities in the implementation of strategic planning; hypothesis for determining the impact of financial planning on the achievement of university strategy; a systematic approach to summarize the results of the study. The article identifies the challenges and opportunities of strategic financial planning of universities, content-filled periods of strategic financial planning in conditions of uncertainty.

KEYWORDS: *financial stability, strategy, financial planning, university, higher education institutions.*

JEL CLASSIFICATION: I22.

INTRODUCTION. The vector of development of a modern higher education institution is the strategy that determines the mission and strategic directions of its achievement. The university's strategy defines long-term development guidelines, concept, ideology, consistent action plan within the strategic development priorities to ensure a competitive position in the market of educational services and resilience in conditions of uncertainty. The strategy is based on long-term planning of key areas of activity, an integral part of which is strategic financial planning. Long-term financial planning is not fully implemented in higher education institutions, as they depend on budget funding and cannot accurately predict potential entries. Currently, the urgency of this problem is exacerbated by the violation of the financial stability of higher education institutions, due to both the new paradigm of higher education and the crisis of Covid-19, the war in Ukraine and more.

The aim of the article is to identify challenges and opportunities for strategic funding for university planning.

BODY OF PAPER. Modernization of university management requires strategic approaches to effective decision-making, which leads to the development of strategic directions for the development of higher education institutions, an integral part of which is strategic financial planning. In the scientific community, the issue of strategic financial planning is studied quite indirectly, due to the dependence of higher education institutions on budget funding, uncertainty in the recruitment of potential applicants and other challenges.

Marukhlenko O. [1] identifies strategic management tools (KPI, Activity-based management, Balanced scorecard, Benchmarking, Core competence, Corporate venturing, Stakeholder theory, Excellence, Model EFQM), which show the integration of financial planning into the strategy of HEIs [2]. Charles Kim, Jason H. Sussman, and Kermit S. Randa identify that strategic financial planning is inextricably linked to operational plans, helping to anticipate financial risks, respond flexibly, and adapt to changing environmental conditions. At the same time, researchers determine the stages of maturity of financial planning, assess the possibility / conditions of transition to a higher level, justify strategic steps to financial planning such as analytical foundation, data for evaluating and selecting a portfolio of opportunities, goal setting and performance monitoring [3].

Cropper P., studying financial planning at UK universities, hypothesizes financial strategy that substantiates the relationship between projected student numbers and budgeting accuracy, between financial sustainability and budgeting accuracy; between budgeting and significant budgetary control, leading to a small budget deficit / surplus and others [4, p. 67-68]. This approach allows us to conclude that financial planning should consider the strategic priorities of the university, the potential for the number of student enrollment, strict control of implementation.

However, there is a risk of distorting planned incomes and expenditures to achieve the expected results, manipulating the balance of net cash flow.

The introduction of strategic planning in HEIs involves a focus on results, improving efficiency through a combination of strategic planning indicators of efficiency and effectiveness. However, universities often have a formal approach to performance management to comply with the regulatory framework, without increasing the efficiency of the use of resources, including financial. Biondi L., Russo S. argue the need to integrate budget planning into strategic to determine the amount of financial and other resources to achieve strategic goals [5].

Spanish scholars López-Alcarria, A., Poza-Vílches, M.D., & Pozo-Llorente, T. study the impact of sustainable development goals as part of strategic planning implemented in public university governance models [6]. Strategic planning provides flexibility of management and the ability to adapt universities, harmoniously combines current and long-term planning, with both risks and resistance to the implementation of plans. Strategic changes in universities depend on the flexibility of strategic planning, considering the influence of external and internal factors, stakeholders, and the mission of the university [7].

The scientific community indirectly researches the tools of strategic financial planning of universities, due to the uncertainty and dependence on a combination of various factors that affect both the planning process and the financial stability of universities [8]. Therefore, it is advisable to identify the challenges and opportunities of universities in the process of strategic financial planning (fig.1).



Fig. 1. Challenges and opportunities of strategic financial planning of universities

Strategic financial planning in universities poses certain challenges, such as:

1) Pragmatism in financial planning can create a conflict of interest of the academic community regarding the feasibility of educational programs, the existence of faculties / institutes, departments, etc. This is because currently most universities do not evaluate the effectiveness of a particular program and compensate for losses at the expense of more profitable or special fund.

2) Dependence on budget funding forces to move to strategic financial planning. This is due to the reduction of the contingent, changes in the budget policy of financing educational activities, changes in the priorities of budget financing of certain specialties and considering the performance of higher education institutions in the dynamics. Short-term planning is aimed at meeting operational needs related to the financing of the employee payroll, which accounts for a significant share of the budget, administrative costs, utility bills, electricity, rent, etc. Capital investments aimed at strengthening the university's competitiveness because of achieving strategic development goals are often not considered.

3) Increasing competition in the market of educational services is dynamically integrated from the local to the international level, which is reflected in the ranking results, increased financial

autonomy, ability to commercialize educational and research products, receive grants and implement international projects. Competition forces universities to develop strategies, respond flexibly to the challenges of the educational environment and adapt to change, the quality of strategic planning as a result is reflected in financial performance.

4) The complexity of strategic financial planning is determined by the variability of income and expenditure of universities in the long run, due to changes in student enrollment, their structure, cost of education, ability to create new, market-demanded educational programs, changes in operating costs, their distribution, and others external and internal environmental factors.

5) A significant challenge for universities is the lack of modern digitalization of financial processes. Financial planning is almost manual, which requires significant time, labor, attracting a significant number of employees. It is impossible to quickly form an analyst, adjust targets, assess different scenarios for the development of higher education. Along with this, digitalization is an opportunity to reach a new level of financial planning, to make it flexible, comfortable, and multifunctional, which will allow you to make the right financial decisions in a changing environment.

6) The ability to combine financial strategy with key performance indicators makes it possible to reconcile strategic, tactical goals with key performance indicators of structural units, research and teaching staff and financial resources needed for their implementation.

The challenges facing universities in the process of strategic financial planning create certain opportunities that have a positive impact on the level of competitiveness and sustainable development of higher education institutions. The key features are:

- Achieving strategic goals. The circulatory system of any institution is finance, so the alignment of the mission and strategy of the university with the financial strategy allows you to realistically assess available and potential financial resources to achieve expected results, diversify funding sources, increase income and rationally allocate available resources to enhance reproduction.

- Flexibility of financial planning provides a timely response of the financial management of the university to the volume and dynamics of income, stimulating cash flows, restraining costs and forming their optimal structure depending on the impact of external and internal environment. Flexibility helps to balance the income and expenses of the university through rational financial decisions.

- Diversification of funding sources have a positive effect on the financial stability of the university and is a component of competitiveness. Currently, the ability of universities to create and commercialize value proposals (educational programs, trainings, certified educational programs, professional courses, etc.), receive additional funding from grants, projects, research, synergies in business, education and science is the result of strategic financial planning.

- Increasing competitiveness has a positive effect not only on the image of the university, but also the development of partnerships, increasing the contingent, creating value proposals for stakeholders, commercialization of educational and research activities and more. All this determines the generation of income of the university and are tools of strategic financial planning.

- Digitalization of strategic financial planning is the ability to flexibly make the right financial decisions, the ability to implement business models, model the value of financial indicators in accordance with certain parameters, apply effective financial decision-making tools, etc.

- Ensuring financial stability in the long run is manifested in the university's ability to form a positive financial space by creating a value proposition through the introduction of economic development, increasing and differentiating incomes, reducing dependence on budget funding, rational allocation of resources, maintaining acceptable liquidity and solvency, flexibility to change the demand for educational services, research, to make flexible and effective decisions to ensure the current activities and strategic directions of the university [9].

- The integration of strategic and financial planning is due to the coordination of functional strategies with financial, because ensuring a sufficient level of funding for university development plans is one of the conditions for their implementation.

CONCLUSION. Summarizing the results of the study, we must recognize that one of the components of the sustainability of universities is the presence of strategic planning, which in the transformation of higher education is realized in conditions of uncertainty. The successful implementation of the university strategy depends on the availability and degree of integration of the financial strategy. At present, higher education institutions do not pay enough attention to strategic financial planning, focusing more on operational plans. This is due to the challenges faced by universities and inefficient financial management, depending on budget funding. Identifying and justifying the challenges of strategic financial planning (pragmatism in financial planning, dependence on budget funding, increasing competition in the market of educational services, digitization, variability of income and expenses in the long run, ability to combine financial strategy with key performance indicators) provides an opportunity to understand the problems, obstacles and uncertainties of the conditions faced by higher education institutions in the process of financial planning. The ability to meet challenges and achieve strategic development goals creates opportunities (achieving strategic goals, flexibility of financial planning, diversification of funding sources increasing competitiveness, digitalization of strategic financial planning, ensuring financial stability in the long run, integration of strategic and financial planning) , which have a positive effect on the competitive position of higher education institutions and their ability to function in the long run.

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