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FINANCIAL EFFICIENCY INDEX AS FINACIAL MANAGEMENT TOOL FOR HIGHER EDUCATION INSTITUTIONS

Abstract:

Financial management of the higher education institution is becoming more complex and requires tools and methods to insure sustainable development of the organisation. Based on the literature review the authors are able to claim that, on the one hand, there is an extensive research on the field of efficiency measurement and management of the higher education institutions, while, on the other hand, the topic of financial health within this discussion is less covered. A few authors are seeing the necessity to discuss the issue, while financial efficiency and financial performance are critical factors to insure sustainable development of the organization of any kind. The objective of the current research is to cover the existing gap and to provide management of the higher education institution with a financial efficiency measurement tool – financial efficiency index – useful in the process of setting the institution’s strategic goals, developing and implementing strategies, as well as performance measurement. In order to achieve the research goal, the authors are using the methodology of Ratio Analysis in Higher Education developed by KPMG and Prager, McCarthy & Sealy, adjusting it to the current situation in Latvia – selecting necessary and potentially sound financial criteria, determining their weight in the model based on experts` opinion and applying several weight-optimization algorithms as described by W. Becker (2017). Based on the research the authors could develop financial efficiency index and would like to argue that the paper contributes to the fundamental discussion of evaluation tools and methods of financial performance.

Keywords:

financial management; financial efficiency index; higher education institutions

JEL Classification: G39, I23, C52