



# The Ministry of Higher Education's role in private Jordanian universities and the hidden tool of the budget

Jordanian universities and the hidden tool of the budget

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## Abstract

**Purpose** – The aim of this research is to shed light on the role the Ministry of Higher Education & Scientific Research (MoHE) plays in private Jordanian universities (PJUs). Private universities in developing countries struggle with their financial resources. There is an argument that a decision to adopt a new approach for the financing and management of Jordanian higher education (HE) has been taken because both funding and ownership belong to private sources. However, the MoHE plays a role in the Jordanian context.

**Design/methodology/approach** – This study explains the relations between the MoHE and PJUs and describes the PJUs' managerial context. It is based on the prior research related to HE and budgeting. A total of 16 budget preparers at 11 universities and a further three in the MoHE were interviewed. The research also uses observation to obtain direct knowledge of the research phenomena. It uses archival documents, guidelines and reports to accomplish the study's objective.

**Findings** – This research presents an overview for private HE across the world with particular concentration being paid to the role of the MoHE in PJUs by presenting the regulations and laws related to HE in Jordan. It proves that the MoHE uses a budgeting formula to significantly increase its control over the private HE sector. Simultaneously, no government subsidies or tax exemptions (such as those given to public universities) have been made available to private universities. The results indicate that the MoHE controls the private universities by using accreditation tools, such as their budgets.

**Originality/value** – Jordan has a unique situation in terms of the relationship between its MoHE and Jordanian universities.

**Keywords** Budget, International higher education, Ministry of higher education, Private Jordanian universities, Private university

**Paper type** Research paper

## Introduction

In recent decades, higher education (HE) institutions around the world have faced financial problems (Levy, 1999; El-Sheikh *et al.*, 2012). Rising numbers of university enrollments have been witnessed while, simultaneously, university budgets have declined, which has heightened the competition to attract students and enhanced demands for accountability in the HE sector (Vossensteyn, 2004; Mah'd, 2010). Such difficulties require university managements to improve their institutions' performance, and they require academic administrators to make appropriate decisions at relevant times. Previous literature has emphasized that these obstacles place some pressure on governments to change HE funding strategies so that they now favor market solutions, such as privatization and deregulation (Levy, 1999; Al-Lamki, 2002; El-Sheikh *et al.*,



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2012). Since 1990, a number of reforms have been notable for evidencing the trend toward market orientation or privatization. These management and financial reforms in HE that encouraged this movement addressed the shrinking of government funding in the sector. [World Bank \(1999\)](#) suggested that HE should be more accountable for how its diminishing portion of public financial support is spent.

In recent decades, HE in Jordan has developed steadily in terms of the content of its programs and its methods of teaching and learning. These developments have affected both the quality and quantity of Jordanian education ([Mah'd, 2010](#); [El-Sheikh et al., 2012](#)). It is notable that Jordan has achieved progress and expansion in HE despite limited natural and financial resources. Private universities in developing countries struggle with budgetary systems ([Mah'd, 2010](#)). In Jordan, a decision to adopt a new approach for the financing and management of HE has been taken, and both funding and ownership belong to private sources. Moreover, the Ministry of Higher Education & Scientific Research (MoHE) plays a significant role in the Jordanian context. The MoHE uses a budgeting formula to increase its control over the private HE sector significantly. Thus it has established norms and standards to encourage these universities to develop in the government's preferred direction and to facilitate the monitoring and evaluation of these institutions' performance. Simultaneously, there are no government subsidies or tax exemptions (like those given to public universities) available to private universities.

This research sheds light on the relations between the MoHE and PJUs. It describes the PJUs' context and provides an overview about their managerial structure. It is based on prior research that is related to HE and budgeting. This research presents an overview for HE globally, with its emphasis being on private universities. The role of Jordan's MoHE in PJUs is explained by outlining the regulations and laws related to Jordanian higher education. Despite the great importance of HE management and funding for developing nations, little research has been done on the HE sector in developing countries.

### Literature review

[Covaleski et al. \(2003\)](#) state that budget is related to all aspects of management accounting. According to the budget literature, budgetary importance comes from the fact that it enhances managerial performance and controls costs ([Covaleski et al., 2003](#); [Horngren et al., 2013](#); [Drury, 2012](#)). In general, PJUs manage their operations through the budgetary control of cost centers, such as faculties, schools and departments. [Mah'd \(2010\)](#) finds that managerial performance is not measured in any private Jordanian university by comparing the actual and the budgeted results. Therefore, it can be argued that private universities implement the budget only because doing so is compulsory.

### *International higher education*

Previous research conducted all over the world argues that increasing global competition in the HE sector has influenced the way it has developed ([Altbach, 1998](#); [El-Sheikh et al., 2012](#)). Worldwide, HE institutions have struggled to find the best means of allocating resources and structuring their budgetary systems, a fact which underpins the most effective and efficient means of consuming resources ([Thomas, 2000](#); [Mah'd, 2010](#)). Therefore, there is a trend to move the burden of university fees from governments to students or parents of students in most developing nations. [Trebilcock](#)

and Iacobucci (2003) have shown how governments have started shifting the burden of higher educational costs to students or their families and to philanthropists. In Jordan, this movement is well established. However, students in Jordan do not get loans from the government or banks, though a small number of loan schemes established by a few philanthropic enterprises exist.

HE systems across the world have moved toward universal access. Latin America, North America as well as East Asian countries present examples of this movement (Altbach, 1998; Mah'd, 2010). Although universities all over the world are diverse and varied in their modes of resource funding and management, they still share some values and goals, and they face similar challenges and obstacles (El-Sheikh *et al.*, 2012). Previous research gives evidence that private universities consider a successful business to be one that provides a quality educational experience and at the same time achieves profitability.

### *HE in Jordan*

Jordan in the past 25 years has been moving to privatization of its HE sector. It is argued that this reform will enhance competency, satisfy parents' and students' preferences, make universities more accountable and, most importantly, reduce government expenditure (Kharman, 2005; Mah'd, 2010). This reform has been initiated to develop higher-educational capacity, as there is pressure to expand student numbers, reduce costs, enhance research and apply the result of such research more effectively (El-Sheikh *et al.*, 2012).

As Jordan was struggling to meet the rising demand for HE, its government took the initiative of granting licenses to commercial companies to establish private universities at an earlier stage than did its neighbor states (Issa, 2000; El-Sheikh *et al.*, 2012). Before the existence of private universities in Jordan, the number of general secondary school graduates there exceeded the capacity of public universities, even though only a small proportion of secondary school students qualified to continue their education at the university level. Moreover, as Jordan's financial resources are very limited, it was recognized that the number of existing public universities (not-for-profit organizations) simply could not expand as quickly as private universities do (Issa, 2000). While each year >50,000 Jordanian students qualify for university admission, the public universities can absorb only around half of this number[1]. Therefore, the surplus of students was going out of the country to study. Before 1990, around half of all Jordanian students were studying abroad each year, which affected the economy (Burke and Al-Waked, 1997). This situation caused both social and financial problems for the Kingdom. (See Issa, 2000; El-Sheikh *et al.*, 2012) As a partial response, the MoHE – the sole accredited body of oversight for the private universities – established a new system in 1989. This ended reliance on government subsidies and allowed the established private universities' system to pursue a for-profit model.

The new system ended the flow of hard currency out of the country, created new jobs and provided competition for the public sector. According to Issa (2000), Jordan leads the Middle East in running for-profit universities: the 17 private Jordanian universities (PJUs) (unlike private universities elsewhere[2]) are run on a commercial basis. Private universities are all owned and organized by non-governmental bodies (e.g. families, private institutions or the public).

In Jordan, private universities have won a great portion of the market for higher education. While public universities depend more on the students or parents of students, there are 21 private universities in Jordan which contribute to the achievement of HE business goals and educational objectives. In addition, previous research has shown that private universities in Jordan are independent and have autonomous governance of their own financial and administrative issues (Mah'd, 2010; El-Sheikh *et al.*, 2012).

The MoHE is in charge of developing the quality and excellence of the country's HE sector. Consequently, it has developed a strategy for HE and scientific research. This strategy includes monitoring the admission policies of Jordanian universities, as well as overseeing university legislation, developing human resources, university management and quality assurance (Mah'd, 2010). The MoHE's accreditation policy is the core component for implementing this strategy. The aim of this accreditation is to provide a friendly study and research campus for students. The MoHE decides the number of students an institution can admit up to a maximum of 8,000, depending on four main criteria. These criteria are set based on the student-staff ratio in every faculty, the overall availability and size of classrooms and laboratories, the scale of the library and the provision of all other university facilities.

These conditions and criteria have been implemented to maintain a good name for the country's private universities outside of the Kingdom. Jordan's good educational reputation encourages a high percentage of foreign students to study at the nation's universities. For instance, in one of the biggest and oldest of the PJUs >45 per cent of the total student population is foreign[3]. Nevertheless, although private universities have a good reputation outside the Kingdom, within the Jordanian community, private universities are perceived as providing a low quality of education. There are two main reasons for this view (Mah'd, 2010):

- The first is because strong competition for limited places (due to low tuition fees and high quality) enables public universities to attract the students who have the highest mark averages.
- The second is the view that private universities are profit-seekers that tend to set lower entry standards and give high grades to students to increase their intakes.

Jansen (2006) indicates that the rapid increase in state university fees and the acceptance of parallel programs, whereby students with lower grades but a willingness to pay high fees can be accepted to study in state universities, have diminished the public sector's two perceived advantages of low price and high quality (Mah'd, 2010).

### Research methodology

This research is exploratory, as it has set out to discover the views of MoHE staff and universities' management and sought new insights from those who are working in these institutions. The interview was directed to 16 budget preparers who are in charge of preparing the budget for their universities and to 3 MoHE staff members who oversee and prepare the Jordanian universities' budgets. Archival documents and future data were collected from five private universities and from the MoHE. Observations were recorded during the practical portion of the study sample.

The interviews were conducted to describe the features of the budget process in PJUs. Moreover, possible factors affecting the budget process and the relationships with the MoHE were gathered during the course of interviews. The secondary data were

implemented to review the relevance of the study, to refine the study scope and to gain more insight. Observations, archival records and documentary data were used to collect financial information, management processes, budget documents and other statistical information. These methods have been used extensively in prominent management accounting studies. (Parker and Kyj, 2006; Ezzamel and Bourn, 1990; Otley, 1978; Shields and Shields, 1998; Mah'd and Buckland, 2009).

### *The study population and the sample*

The HE sector (and particularly the university sector) has been chosen as the basis for this study. This research tends to cover different private and public universities. There is no definite information available concerning the precise number of universities in Jordan. However, the MoHE has granted accreditation to 29 independent universities. Public universities in Jordan are older and larger than private universities. Eighteen accredited private universities exist in Jordan.

Private universities were covered in this research, and a classification for these universities is prepared based on their years of establishment. The first establishment period is the early 1990s after the issuance of the Private Universities Law of 1989. The formative stage of the private university sector is taken to have been 1990 up to the end of 1991. Universities established between 1992 and the end of 1999 are considered to be in a second stage, whereas the third stage includes universities established between 2000 and the beginning of 2010. Table I presents a list of each university name, establishment year, location and student numbers in 2012 and 2013.

Several procedures were considered in selecting the study sample. Pollanen's (1996) criteria for selecting a sample in a specific segment was considered along with general criteria established for the sample selection. The rationale for every procedure is clarified here.

Interviewee selection for this study was guided by three main criteria.

- (1) The interviewee had to be one of the university decision makers, such as a financial manager or audit manager; otherwise he or she had to be one the MoHE staff.
- (2) The interviewee must have been employed by his or her university or in the MoHE for more than one year, as he or she should have had experience with the budget.
- (3) MoHE staff were interviewed to enrich the data gathered and to assess the universities' compliance with the governmental standards.

A total of 19 interviews were conducted with those who are responsible for taking the financial decisions or monitoring a university's budget. These interviews were carried out in 11 universities and at the MoHE.

The MoHE and nine private universities willingly opened their doors for this research. The main advantage of researching this number of universities has been to enable the researcher to gain an intimate understanding of organizational phenomena and to generalize results for all Jordanian universities. This research primarily seeks MoHE insights concerning the budget system.

The stage	University name	Establishing year	Students number in 2013	Location
Early Stage	Al-Ahliyya Amman University	1990	5,249	Amman
	Applied Science University	1991	6,345	Amman
	Philadelphia University	1991	5,214	Jerash
	Petra University	1991	6,440	Amman
	Isra University	1991	5,959	Amman
	Princess Sumaya University for Technology	1991	2,744	Amman
Second Stage	Educational Science Faculty	1991	1,188	Amman
	Jerash University	1992	4,778	Jerash
	Al-Zaytoonah University of Jordan	1993	7,870	Amman
	Zarqa University	1994	6,101	Zarqa
	Irbid National University	1994	2,905	Irbid
	Jordan Academy of Music		113	Amman
Stage of Postgraduate	Jordan Applied University College of Hospitality and Tourism Education	1991	272	Amman
	Amman Arab University	2001	1,423	Amman
	Middle East University	2005	3,100	Amman
	Jadara University	2005	3,601	Irbid
	Ajloun National Private University	2010	2,092	Ajloun
	Arab Open University	2005	1,261	Amman

**Table I.**  
University location, date of establishment and student population

**Source:** [www.mohe.gov.jo/Statistics/tabid/69/language/ar-JO/Default.aspx](http://www.mohe.gov.jo/Statistics/tabid/69/language/ar-JO/Default.aspx) (accessed 21 April 2014)

### The interview

The purpose of using this method was to shed light on the attitudes and perceptions of senior managers and key people in the study. The interview method is used broadly in qualitative research, which produces descriptive data and is considered one of the most important and essential sources of case study information (Yin, 2003; Saunders *et al.*, 2012). The interviewer can use his or her knowledge to ask specific questions on a specific topic, which could produce long responses and can clarify issues in regard to any point that is not understood. This study has used the semi-structured interview, which has been widely used in the literature (Yin, 2003; Tashakkori and Teddlie, 2009).

#### *Justification for using the interview*

This method can add more to this research in as much as it provides an in-depth examination of the data or of perceptions which budget preparers have about the budget format, the budget system, the university and the MoHE as well as other factors that might influence budget usage. Semi-structured interviews observe respondent behavior, obtain more data and suggestions (Saunders *et al.*, 2012) and cover new areas of research that cannot be covered by any other method.

Interviews offered the best option for increasing the ability to cover a wide range of financial managers' views because in most Jordanian universities, the financial manager is in charge of budgeting. Financial managers have different views concerning the relationship between the MoHE and universities, and without face-to-face interviews this relationship would have been almost impossible to assess. In addition, clearly, the



quality of the data that a questionnaire could provide would not possibly meet the study requirements of depth and detail, which are needed to explain several factors. It was particularly important that the interviews provided more information and generated in-depth and comprehensive answers.

#### *Interview and interviewee preparation*

To consider the validity of the interviews, pilot interviews were conducted with two finance and accounting researchers and with the manager of a small educational company. One of the MoHE interviewees was in charge of preparing the MoHE budget format, which is currently in use at all private universities in Jordan. The second MoHE interviewee maintains responsibility for monitoring all Jordanian universities' budgets and for following up the submitted budget forms from all Jordanian universities. The third interviewee is responsible for the task of monitoring all Jordanian universities in terms of educational matters; hence, information about Jordan's universities and educational accreditation was sought. These semi-structured interviews lasted for about one hour. All interviews were conducted in the participants' offices.

A total of 16 interviews were conducted with financial managers, internal audit managers and accountants who were responsible for decision making and preparing their universities' budgets. They were interviewed to improve knowledge of the budget process in general, of universities' relationships with the MoHE, the budget committee, the participation of the center manager in the budget and the budget policies and procedures. The interviews were all conducted face to face. Most of them were recorded. (Four respondents did not allow the researcher to make a recording, but they did permit him to take notes and gather data.) Unfortunately, it was impossible for the researcher to visit all Jordanian universities because they are distributed throughout the Kingdom, and some took a long time to provide a permit for interviewing their financial management officers.

To ensure that similar types of data had been gathered from all informants, an interview guide was prepared. The interview guide listed topics that the interviewer should cover during the course of the interview. The interview guide included questions and themes based on the review of previous research and considered the social and political context of Jordanian universities as well as the regulation of Jordanian HE. However, the sequencing of the questions did not have to be the same for every participant. The interview was flexible to gain spontaneous information about university budgeting (Kamla, 2005).

At the beginning of the interview, the researcher presented himself pleasantly to the interviewee and introduced the purpose of the research, including the interview's goals. The interviewer assured all participants that participant names and university identities would remain anonymous to eliminate any risk of them being compromised by their involvement.

The interview questions were concerned with three research areas:

- (1) the relationship between the university and the MoHE;
- (2) interviewee perceptions concerning the budget format; and
- (3) university policies and procedures, budget systems, the budget committee and any possibility of future obstacles.

*Observation*

“Much of what we know comes from observation” (Cooper and Schindler, 2001). Observation provides information by collecting data visually as well as via hearing, reading, smelling and touching and by monitoring behavioral and non-behavioral activities (Cooper and Schindler, 2001). Obviously, the objective behind observation is to obtain data concerning the study with the intention of answering the research questions (Saunders *et al.*, 2012). The benefit of this is to obtain direct knowledge of the research phenomena because actual behavior can be observed (Moll, 2003). This research requires gathering information concerning the physical environment (the budget system and the relationship with the MoHE). Moll (2003) thinks that there are some observations which the participant might willingly neglect. Nevertheless, the method of observation is considered a vital and critical component of most qualitative research (Patton, 1989; Marshall and Rossman, 1999; Cooper and Schindler, 2001). One of the key reasons behind using observations in this research was that data earned from observation could be useful for supplementing information gained from other sources. While this research could benefit by using observation methods to collect data, some obstacles occurred during the empirical work. The nature of internal data had made it difficult for this research to gain access to important information because some events and behaviors are not open to observation. The researcher could not attend university or MoHE meetings; therefore, the information obtained from observation was necessarily limited by comparison with information gathered through other methods. These observations have been collected in files, which record the date and time of the event and note all interview conditions and circumstances, such as who was interviewing, who was there and comments from the participants.

*Secondary data*

This research gathered secondary data on the subject to gain more insight, to review the relevance of such a study and to refine the study’s scope further. In addition to the interview and observations, documentary data were collected, which related to financial concepts, managerial matters, budget documents, university procedures and other information concerning Jordan.

*Archival records and documentary data*

According to Yin (2003), archival records, which vary from case to case, are an information source that can be used alongside other sources to produce a case study. These can provide interesting evidence which may not be discovered through other methods. Archival data are an effective means of reducing threats to internal validity (Tashakkori and Teddlie, 2009). It facilitates triangulation and minimizes the respondent bias, and it can eliminate data uncertainty (Yin, 2003). This research uses financial records and statistical reports from both the universities and the government.

Archival data have not been widely used in the budgeting literature. Covaleski *et al.* (2003) summarizes this with two main reasons. First, the mandatory standards do not include many budgeting variables, and consequently, data availability (especially in the private sector) is a key limitation. Second, it is difficult to test analytical results (which is quite a complicated process) using archival data.

Documentary data such as letters, written reports, notes, internal reports and newspaper clippings were also collected to obtain descriptions of accountability,



accounting and management practices, budget forms and structures. This secondary data source can provide key information for any research. HE policies, legislation, organizational reports, budgets, manuals statistics and other organizational publications have been addressed. Additionally, data from electronic Webs, newspapers and some books about Jordanian education and educational law have also been used.

## Results

### *Private Jordanian universities*

PJUs pay different kinds of fees and taxes to the MoHE, including a fixed amount for every student (general accreditation) and every major (special accreditation) as well as other fees. For example, in 2012, one private university paid about US\$600,000 in accreditation to the MoHE and >US\$2,800,000 in taxes to the government. Together, these taxes comprise around 20 per cent of the university's total expenses (Mah'd, 2010). This situation applies to all private universities. However, private universities struggle to pay these fees to the government, as student tuition fees are their only source of funding. This is one of the reasons why there is a tendency amongst these private universities to be more accountable and effective than public universities in terms of resource use.

The Private Universities Ministry of Higher Education (2001) Law No. 43 organizes university activities and structures. Investors can apply to the Higher Education Council in the MoHE to establish a university. Each university enjoys financial and administrative autonomy, which enables it to own property and operate legally in the community. The private university has been defined by law as an academic institution which operates to achieve the aims and objectives of HE and scientific research. Thereby, the university must have a private, administrative and academic organizational structure which is headed by a president and is fully independent of its owners (Ministry of Higher Education, 2009 Law No. 20).

Different laws and regulations regarding PJUs were issued. Ministry of Higher Education (1989) Law No. 19 has defined private universities as every university, HEI or a college where the course of study is no less than four years, or its equivalent, and provides awards of at least BA degree standard. It is to be established, owned, managed and supervised by a non-government body (Younis, 2002). Private universities are commercial companies; indeed, most of them are owned by families (whether or not these institutions are listed on the Amman Stock Exchange), and they are profit seekers.

On the business side, the board of directors of the private university control all financial and management issues and sometimes the academic issues (El-Sheikh *et al.*, 2012). This board is the decision maker which manages the university. Therefore, it is clear that the interest of the university's owners is the engine that directs the university's actions. This can be summarized as the profit motive (Mah'd, 2010). In PJUs, there is a tendency toward concentrating on lower-cost programs, such as business and engineering courses, which are perceived as marketable and in high demand in the Jordanian market. Mah'd (2010) argues that this is another indication that PJUs tend to meet budget requirements in those departments that generate more revenue.

Prior research demonstrated that decision making in private universities has been affected by the MoHE (El-Sheikh *et al.*, 2012; Mah'd, 2010). In Jordan, there is a prevalent conception that state universities generally provide better education than private universities do. The MoHE thinks that private university managers (represented by the

board of directors) pay more attention to profit than to the quality of their educational services. For this reason, the MoHE gives academics (the presidents and the trustees of private universities) more authority and power to make proper educational decisions.

While in public universities, there is no board of directors, the Law of Public and Private Universities of 2009 documents how every public university must have a board of trustees consisting of 13 members who hold at least a bachelor's degree. The members of the boards of trustees are appointed by a royal decree for four years, and they are the universities' general policy makers, responsible for approving the budget and appointing the presidents of the universities.

The structure of decision making in these universities differs from that of other enterprises. While in universities the flowchart of authority is complex, normal businesses tend to operate using a simple, hierarchical decision-making structure (Covaleski and Dirsmith, 1988). There are two main decision-making bodies in each PJU: the board of trustees and the board of directors. Formally, the board of trustees is responsible for all financial, management and academic issues within the university and for appointing the university president. This board is the policy maker when negotiating the budget and discussing expenditures. While owners tend to minimize university expenses and the budget (Issa, 2000), trustees should guarantee that this tendency will not affect the quality of education offered.

The board of directors primarily comprised stakeholders and those who own the highest percentages of the university; it is in charge of the funding of buildings and estates as well as of representing the business side of the university. Issa (2000) states that the sole business of the company that owns a Jordanian private university is the formation of the board of directors. According to previous research, the board of directors controls all financial and management issues related to the university (El-Sheikh *et al.*, 2012; Mah'd, 2010). Although the level of authority and decision-making power varies between universities, all private universities are controlled primarily by their owners through the board of directors. Therefore, budget decisions are made and approved by the owners, and the MoHE policy is based on this. To protect quality of education, all private universities must be managed and controlled by academics through the trustees and the president. The MoHE apparently aims to separate the educational processes of the institutions from the commercial processes of the university owners in the private university sector. This has been one of the main concerns highlighted by MoHE policies. As an example of that the MoHE does not authorize any letter which is not signed by the university president. Moreover, the Private Universities Law states that university management must be independent of university ownership. For example, in the MoHE budget format, all expenses related to buildings, land or construction should be separated from the overall university expenses and financed by the parent company (the owner). In reality, private universities are all managed by the owners through the council of directors, in which management and strategic issues are decided most of the time. In fact, the head of the board of directors, who is typically the general manager, has power over all university actions. Universities' documents and informal hierarchical authority structures demonstrate that strategic plans and decisions are normally made by the general manager. The internal system in each university forwards all payment and purchasing orders to the general manager, who approves the budget and other strategic decisions. According to Mah'd and Buckland (2009), the internal system of the private universities states that the

president and the board of trustees should sign the budget proposal after it has been approved by the board of directors. The president and other academic managers manage educational issues, such as appointing academics, managing academic plans and representing the university.

The management of private universities should not only think about funding and revenue sources but they should also give more attention to finding ways of reducing educational costs while maintaining the quality of education (Mah'd, 2010). Until 2013, the MoHE restricted student numbers and did not allow any private university to accept >8,000 students. According to Mah'd and Buckland (2009), the MoHE thinks that the quality of education can be affected by increasing the number of students in private universities. Recently, the MoHE responded to the universities' pressure and began to allow private universities to accept >8,000 students.

### *Budgeting in PJUs*

Several researchers have clarified the importance of the budget (Moll, 2003; Covaleski *et al.*, 2003; Horngren *et al.*, 2013; and Drury, 2012). There is agreement among the respondents that the budget is one of the control tools which assists in decision making, provides accurate information and facilitates the matching of departments' revenue and expenditure. Budgets, as planning systems, provide better resource allocation to various departments and centers. (See Magner *et al.*, 1996; Drury, 2012). Magner *et al.* (1996) explain that organizations should engage in systematic operational planning for the near future and should consider how best to allocate limited resources among their various operating units. Private University Ministry of Higher Education (2001) Law No. 43, and its amendments by Temporary Law Number 63 in 2003, determines the private university budget and its sources. There follows a summary of the main points in this regard.

- There is an independent budget for the university.
- The MoHE council approves of the university budget.
- The university's budget income consists of:
  - tuition fees;
  - the revenue from real estate;
  - grants and donations; and
  - investment activities.
- The spending order must be decided by the president.
- The university should set aside 3 per cent of its operational expenditures for scientific research, publications, training and conferences as well as 2 per cent for sponsoring students for doctorate degrees.
- The university must open an account in a Jordanian bank (independent of the parent company owners' accounts).
- The university must possess financial accounts and entries, and these accounts must be audited by a certified accountant appointed by the company.
- The university must establish an internal audit unit which should present reports to the president.
- The parent company is directly responsible for capital projects (buildings and

maintenance) and should accommodate this fund as approved by the trustees' board in the budget.

- The parent company is not allowed to intervene in any university managerial affairs or equipment, and the company deals with university activities which are not related to academic issues from outside of the campus.

The university budget is an annual plan approved by the MoHE council; it includes operational plans for the university and encompasses the activities, programs and services that are forecasted for a specific period. The university budget consists of two main parts: revenue and expenditure. Revenue is a financial estimation assessed by the financial department mainly on tuition fees. Expenditure is a financial reflection of the university plan for the next year, including all university expenses. The university budget covers the financial period starting from January 1 and ending on December 31 every year.

The budget is classified into three levels. The components of the first level are referred to as chapters: every chapter includes sections, and every section consists of a number of items. The budget form is considered as a proposal for the university and the department's budget. If any other expenditure or revenue is not included in the form, the university can add it to the appropriate chapter and section. The law determines revenue and expense as follows.

#### *Revenues and their resource*

- *Tuition fees:* Tuition fees consist of two main types, namely, tuition fees for normal programs and tuition fees for private programs (evening programs). Every section consists of four main sources, namely, tuition hour fees, service fees, administration fees, documents, and graduation fees.
- *Endowments and investment revenue:* This consists of six sections:
  - credit interest revenue;
  - student revenue and staff delivery;
  - cafeterias revenue;
  - bookshops revenue;
  - stocks and shares; and
  - other revenue.
- Consultations, research and production activities.
- Grants, donations and contracts.
- Payable revenue (this includes students' payable debts and other payable debts).
- Loans for building and maintenance (which falls under the responsibility of the company and does not appear in the budget, but rather appears as a note for disclosure).

#### *Expenditures*

These should all be related to university activities and are classified as follows:

- operational expenditures (salaries, wages, pensions and their attachments), including four main sections, namely, salaries and wages, summer wages and extra time wages, recompenses and benefits and the compensation of the board of directors;

- other operational expenditures (seven sections are included in this chapter), namely, student activities and services, maintenance and necessities, shared expenses, contributions, accreditation, professional works and consultations, taxes and other fees;
- scientific research and sponsorships (this chapter includes two main sections), namely, scientific research, publication, training and conferences and sponsoring students for doctorate degrees;
- capital expenditure (five sections are included in this chapter), namely, equipment and scientific devices, furniture and office equipment, vehicles, computers and programs and books and journals;
- payable expenditures, namely, income taxes for the previous year; and
- building and maintenance expenditures financed by companies' loans: these are not included in the budget and appear as a note.

The MoHE distributes a budget form to private universities. This form should be distributed to all faculties and administrative departments within the university. The faculties have different forms from those in administrative departments. Some specific departments have specific forms, such as the library form, to accommodate the nature of these activities in that department. The budget format includes estimates for the current year, revisions for the current year and estimates for the next year. (See [Table II](#).)

The budget form has been devised by the MoHE, and it is typically prepared by each university's budget committee and financial department. The MoHE distributes the budget forms to all private universities and requires these universities to follow the forms. While adhering to these forms is compulsory, universities can add, remove or change items according to their activities. [Mah'd \(2010\)](#) shows that some PJUs rely on the budget committee and provide data to the committee through the financial department; others depend totally on the financial manager, thus demonstrating a central decision-making structure. [Mah'd \(2010\)](#) finds also that audit managers have a

Summary of the annual budget (2012)							
Summary of revenue and expense							
	Estimated revenue (2011)	Actual revenue 2011	Estimated revenue (2012)	Expense	Estimated expenses (2011)	Actual expenses (2011)	Estimated expenses (2012)
Revenue							
Tuition fees				Operational expenditures, salaries and attachments			
The income of endowment assets				Other operational expenditures			
Grants and donations				Scientific research expenditures and scholarships			
Investment activities				Capital expenditures			
Payable revenue				Taxes			
Total revenue				Total expenses Building and parent company accounts			

**Table II.**  
Summary of the annual  
budget as it appears in the  
MoHE budget format

**Source:** The private universities budget guide (2011/2012)

substantial influence on budget decisions and sometimes maintain the position of budget committee head.

In 2003, the MoHE created a committee to reestablish the budget format in a manner designed to suit activities in all private universities. Basically, this format is developed from the experience of public universities, and it contains two main streams (revenue and expense). In most cases, after the revision of the budget by the budget committee and the negotiation of any unrealistic or vague items, budgets will be finalized and summarized in the final revision. The approval stage will take place after the budget has been finalized, and the budget must be sent to the president, and then to the deans' council, to the board of trustees, and finally, to the MoHE council for approval. The MoHE council then revises the budget to ensure that the university is adhering to the law. [Mah'd and Buckland \(2009\)](#) found that the aim of sending the budget to the MoHE is to determine scientific research expenses, determine the responsibility of the parent company concerning the university's activities and to facilitate the comparison between universities based on the budget data. The budget format is enclosed with a separate budget form for each administrative department and faculty of the university. All administrative departments have the same budget format, which includes the same expense items, with the exception of a few departments that have unique features, such as the library and registry. While the budget form includes all expected expenses for the coming year, some managers or deans may require additional, unlisted expenses. Thus, they can add their required items to or remove any unwanted items from the budget at the time of preparation.

The Ministry revises this format after it has compared the actual and the budgeted accounts for the previous year. The difference between actual and budgeted accounts should be the same as the approved transfers or additions. Another issue that the Ministry monitors is university commitments to scientific research presented in the accounts. It also monitors the intervention of the parent company in the university's accounts. The MoHE emphasizes the fact that they created a budget committee to formulate a budget format that is applicable for all private universities.

#### *MoHE intervention*

The impact of external pressures on university management and governance is addressed by a considerable amount of literature. (See [Johnstone, 1998](#); [Modell, 2006](#); [Buckland, 2009](#); [Mah'd and Buckland, 2009](#)). Governments in most parts of the world have a responsibility to oversee the provision of HE (to protect HE quality, or to address issues created by market failure) ([Johnstone, 1998](#)). Thus, government intervention in university management and governance may have a major impact on a university's strategy. [Moll \(2003\)](#) states that Australian universities still resist external pressures, particularly, pressure from the federal government in favor of a managerial approach. She clarifies that Australian universities have restructured their governing bodies to accommodate government policies and changing community pressures to make decisions effectively as well as to display a higher level of managerial competency. [Covaleski and Dirsmith \(1988\)](#) describe how the University of Wisconsin rejects the state budgeting format when this format does not support the university's goals and interests. In Jordan, although the MoHE and the Universities Law claim that all universities are independent institutions, the MoHE is in charge of approving development and budgeting plans and supervising private and public universities in terms of their programs, educational performance and admission policies. This is



clarified by both the MoHE staff and universities' managements. The budget procedures, which have been established by the MoHE and which all private universities are supposed to follow, are an example of MoHE intervention.

The MoHE is formally responsible for higher education's development. It is in charge of HE's quality and excellence and develops a strategy for HE and scientific research. The law permits the MoHE to control the admission policies of Jordanian universities. Moreover, the ministry decides the university legislation, developing human resources, university management and quality assurance (El-Sheikh *et al.*, 2012). All of this is included in the accreditation policy. The accreditation policy consists of two main parts: general and specific. The accreditation process is always led by two main objectives: quality and excellence.

The MoHE claims that, while each university in Jordan maintains its autonomy, the MoHE is concerned about the quality of education in these universities. The MoHE thinks that the budget process is one way of protecting educational quality by insisting on an appropriate budget percentage being allocated to scientific research, keeping commercial companies away from the educational process and gathering budget information to match and compare for the purpose of research and development. Mah'd (2010) demonstrates that more than two-thirds of private universities think that the MoHE is trying to oversee private universities and to centralize strategic decisions into the hands of the MoHE through its budget oversight. Farhan (2000) finds that private universities are not well represented on the MoHE council, while there are more private than public universities, every public university is represented on the MoHE council by its president, while all the private universities are represented by just one person. The accreditation system is applied to private universities, but not to public ones. According to Burke and Al-Waked (1997), there is a conceptual bias that private universities provide lower educational quality than public universities do. The MoHE asks all private universities to implement different criteria regarding the quality of education, financing, management, and other issues, while this is not a requirement for public universities (Mah'd, 2010). According to Farhan (2000), there is discrimination in dealing with universities and this has a negative impact on the educational process. This means that inequality exists in the MoHE's treatment of private and public universities. Yet, there is evidence to suggest that some private universities perform much better than some public universities do in terms of educational services, development and student quality (Burke and Al-Waked, 1997; Mah'd, 2010).

In a public university, the dean is responsible for his own budget; he has a specific amount for the whole faculty, and he can distribute this amount according to the various needs and requirements of faculty activities. Conversely, in private universities, there is a specific amount for every budgeted item and neither the dean nor the department head are able to order in excess of their item allowance. In general, both public and private universities allow the dean to establish his own budget and they negotiate it with him. In public universities, the dean can control and organize his activities within his overall allowance; however, in private universities, there is an items budget controlled by the financial management administration and the dean is able to make decisions only according to the budgeted item allowances. This helps to control expenses, enhance the attribution of responsibility and facilitate decision-making.

El-Sheikh *et al.* (2012) clarifies that MoHE is interested in comparing the performance of private universities and in protecting the overall quality of university services. By

law, all private universities are required to spend 5 per cent of their operational expenses on scientific research and development, while public universities do so at their discretion. According to the MoHE, this percentage in the budget is a primary concern. In addition, the MoHE's access to private universities' budgets allows it to oversee university accounts and establish reliable statistics and figures about the Jordanian education system (El-Sheikh *et al.*, 2012). One of the effective methods that the MoHE uses to control universities is the budget format. The MoHE prepares and discusses this format with financial managers in private universities, and it is applied in each private university.

Mah'd (2010) states that private universities spend more than their public counterparts in terms of costs per student. Therefore, the budget practices and treatments in private universities would seem to sustain the effective use of university resources, which helps in maintaining a good position for private universities.

It was previously explained that the income of private universities is limited and depends mainly on student tuition fees. In the context of PJUs, where there is high competition between universities to attract students, controlling expenses is a vital issue. In public universities, the government is responsible for covering any annual budget deficits, while in private universities, no government support is available. Therefore, controlling university expenses is one of the important issues which make effective allocation of resources a central issue of interest to PJUs. This encourages universities' managements to pay more attention to their budgets. Therefore, PJUs make better use of their budgets than public universities do; hence, the budget directly benefits private universities more than it does public ones.

Although PJUs are educational institutions, they are also commercial companies seeking profit and competing in a complex sector. PJUs depend on tuition fees and at the same time have to compete with public universities, which are supported by the government. They must also provide high-quality educational services to attract students. Each university prepares its forecasted budget (expenses and revenues for the coming year), which are summarized in the third column of the MoHE budget form, providing data about university plans. The Ministry revises this format, matching the previous budgeted accounts with the current ones. Moreover, the Ministry compares the actual and the budgeted accounts for the previous year. Another point explained by the Ministry staff is that the Ministry is interested in checking university commitments when examining the science research projections as well as in monitoring interventions by the parent company in the university's accounts. The MoHE emphasizes the fact that they created a budget committee to devise a budget format for all private universities.

This research suggests several points that may help in explaining the relations between the MoHE and PJUs. PJUs are experiencing rises in enrollments and simultaneous declines in their budgets, and they are seeking to provide quality education while simultaneously achieving profit. Therefore, this research suggests that the Jordanian Government should search for different methods to support PJUs. This research precisely recommends that the fees and taxes that the government forces PJUs to pay should be reduced. Moreover, PJUs are following strict standards that are not applied to public universities. This biases the perception of competency in the HE sector in favor of the public universities. PJUs are not fairly represented on the MoHE council, and this affects the debates concerning education strategy in the country. Therefore, this

research also recommends more representation for private universities on the MoHE's council.

#### *Direction for future research*

Although the focus of this research is on private rather than on public universities, this study recommends that more attention should be given to the management control systems of public institutions and to compare and contrast forms of public and private university management. Moreover, further studies are needed to highlight the relationships between management control systems and the performance of universities worldwide. This research also suggests studying the comparisons between a private corporation and a corporatizing university.

Further research should be conducted to explore how government policies can help universities to improve the efficiency and effectiveness of their operations. The research also explores the criteria that the government uses to establish policy for HE practices, and this could also be researched further. Examining the reverse relationships might be relevant to verify governmental expectations about universities' compliance and to highlight the importance of adopting a unique standard for all Jordanian universities.

#### **The conclusion**

The role of the MoHE in the oversight of Jordanian universities and their governance has been discussed in this research. An overview about HE worldwide was also given to draw attention to the importance of this study. It presents and underlines why the Jordanian HE experience is of especial interest and why it is worth examining in some detail.

This study has been based on management accounting literature and gives broad coverage to budgeting. The study seeks to clarify the MoHE role in the Jordanian HE sector. It provides information about the Jordanian HE system. It explains why this system is a unique one, as it includes private and public sectors, and because it has grown increasingly in recent years. This research focuses on the decision-making structures of private universities and highlights the governance role of the MoHE in the universities' activities. It points out that the education laws are modern, with major universities being privately owned, and this enhances opportunities for foreign investors to operate in the Jordanian HE market. Worldwide, there is a trend toward private HE. Private universities are mainly financed by student tuition fees, and sometimes they do not receive any subsidies from the government. The research has explained that a proper budget system might facilitate the need for effective management of university resources and sound decision making.

#### **Notes**

1. See [www.mohe.gov.jo](http://www.mohe.gov.jo)
2. Private universities in most parts of the world receive financial support: they are even considered to be charities and receive public funds or tax exemption. None of them pays fees to the government.
3. See [www.mohe.gov.jo](http://www.mohe.gov.jo)

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