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IMPACT OF INVESTMENT DECISION AND EFFICIENT RESOURCE ALLOCATION AS A MEANS OF BOOSTING INTERNALLY GENERATED REVENUE OF AMINU SALEH COLLEGE OF EDUCATION AZARE

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Abstract

The paper examines the concept of investment decision where methods, rules, and importance of investment decision are elaborated as well as efficient resource allocation , taking internally generated revenue as a proxy of revenue generation. The survey research design was used where data were mainly sourced from documentaries and use of questionnaire and interview which were also analyzed using tables and simple percentage, However, the results revealed evidence of direct relationships between investment decision and higher return of investment [profit] and also efficient resource allocation with profitability of investment. In the same vein, the study also revealed that feasibility study and financial analysis are an indispensable tool in making investment decisions and efficient resource allocation and as such highlights some problems affecting the pace of IGR where some recommendations were made such as(a) public institutions should consult private entrepreneurs and adopt the best method when making investments decisions , (b) they should employ professionals to head their investment projects, (c) school management should speed up release of fund in order to encourage the pace of IGR.

Keywords: Efficient, Resources, Financial, Investment, Allocation and Internally generated revenue

Introduction

The recent economic crisis which has extended to every part of Africa has worsened the regional and, national economic environments, Which has a significant negative consequence on the economic activities of many governments as the economy witnesses not only drastic fall in standard of livings, but also amplifying the poverty level since governments are financially incapacitated to discharge their mandates .This prompted agitations by governments for the review of Internally Generated Revenue ranging from federal, states and local governments up to parastatals and public institutions in Nigeria to aspire and devise some means of generating revenue in order to cater for themselves. The IGR motion implies that the federal government does not have to accept responsibility of providing funds for all its universities and colleges on every expenditure heading, that way, the universities and colleges are therefore persuaded to seek ways of earning additional revenue locally and to use it in any areas of their need . Education in general and higher education in particular in every society is obviously known to be an indispensable tool for nation's economic growth and development.

During the era when there were fewer universities and colleges in the country and the oil revenue was massively available, the Federal Government provided all the funding for operations and capital development needs of the universities and colleges, Akinsanya, (2007). Then came the recent phenomenal growth in the number of public institutions , again given the huge economic misfortunes facing Government, made worse by economic crises, the challenge of inadequate funding of the universities and colleges has become critically revealing. The federal Government through national university commission (NUC), has continuously directed all Federal universities and colleges to explore ways of generating revenues internally such that the managements would not have to look up to the Government for solving all their financial problems Akinsanya,(2007). As such, Colleges are now faced with responsibilities of making investment decisions that would increase their revenue drive in order to sustain their activities to meet their mandates. It is on the basis of these facts that prompted the researcher to evaluate the impacts of investment Decisions and Efficient Resources Allocation as a means of Boosting Internally Generated Revenue of public institutions. A case study of Aminu Saleh College Of Education Azare Bauchi State.

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Review of Related Literature

An investment is the current commitment of money or other resources in the expectation of reaping future benefits. (Kane, Bodie and Marcus, 2005). It also mean the present sacrifice for future benefits. In its generic term, it means creation of goods or capital capable of providing profitable return. On the other hand, to invest and allocate money or effort in the expectation of benefit. However, investment decision, means determination made of management as to how , when , where and how much will be spent on what as well as cost and returns analysis of the desired options available . On the other hand, it means the decision made by investors or top level officials with respect to the amount of funds to be deployed in the various investments opportunities. It also means an activity of spending resources {money, time, labor etc} on creating assets that can generate income over a given period of time .It also mean determination of where, when, how, and how much capital to spend and/or debt to acquire in the pursuit of making a profit (Mohanraj, 2016).

We firmly believe there should be a process for making investment decisions that involves these five steps in the following order: First, define the **purpose** of the investment or product, Determine the **time** frame to achieve the purpose and for how long the purpose will exist, Assess the **risk** from every angle,Choose your **tools** to achieve the stated objectives (Bintintan, 2005).

The Internal Rate of Return Rule: The IRR investment rule advises taking investment opportunities in which the IRR exceeds the opportunity cost of capital.

Payback Period: This technique determines as to how long it will take (in years) to payback invested capital. This period can be determined using the following formula:

$P = C/R$ where, P = Pay-back period in year, C = Original capital investment, R = Annual return expected

Present Worth Method: This method is more accurate and reasonable and is used to evaluate the present value for the purpose of predicting future value of an investment at certain interest rate. Eg If we have #.50000 to invest and want to know what will be its worth in ten years at 10 percent interest, using the formula, $F = P [1 + i] n$ where, F = Worth of money in future, P = Present amount of money, i =Interest rate, n = Number of years.

Investment decision is a step by step process that businesses use to determine the merits of an investment project

(i) Investment decision is important because it creates accountability and measurability. Any business that seeks to invest its resources in a project, without understanding the risks and returns involved, would be held as irresponsible by its owners or shareholders. Furthermore, if a business has no way of measuring the effectiveness of its investment decisions, chances are that the business will have little chance of surviving in the competitive market place. The investment decision process is a measurable way for businesses to determine the long-term economic and financial profitability of any investment project.

(ii) Investment decision is also vital to a business because it creates a structured step by step process that enables a company to:

a. Develop and formulate long-term strategic goals investment decision creates a framework for businesses to plan out future long-term direction.

b. Seek out new investment projects – knowing how to evaluate investment projects gives a business the model to seek and evaluate new projects, an important function for all businesses as they seek to compete and make profits.

c. Estimate and forecast future cash flows – future cash flows are what create value for businesses overtime. Investment decision enables executives to take a potential project and estimate its future cash flows, which then helps in business value addition.

Resource Allocation

(a) Allocation: In economics is an analysis of how limited resources, also called factors of production, are distributed among producers, and how scarce goods and services are divided among consumers.

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(b) Resource allocation is a process and strategy involving an organization deciding where scarce resources should be used in the production of goods or services. A resource can be considered any factor of production, which is something used to produce goods or services. Resources include such things as labor, real estate, machinery, tools and equipment, technology, and natural resources, as well as financial resources, such as money. Resources are being allocated efficiently when they are being used to produce the proper quantities of the goods and services that consumers desire the most (Zait, 1987). In an economist's perfect world, resources are optimally allocated when they are used to produce goods and services that match consumers' needs and wants at the lowest possible cost of production. This basically boils down to creating what customers want as cheaply and efficiently as possible (Giurgiu, 2005).

Resource Allocation Process and Strategies

Strategic planning: Resource allocation begins at strategic planning when an organization formulates its vision and goals for the future. The vision and strategic goals are accomplished through achievement of objectives. For example, a consumer electronics company's goal may be to become the market leader in computer tablets. An objective towards this goal is the design and promotion of an innovative tablet.

Budgeting: Once you have set your objective, you will need to allocate sufficient resources to accomplish it. In practical terms, this is often a matter of project budgeting. In our example, the company will allocate money for market research to determine unmet consumer needs and wants for a computer tablet, money for product design and development, funds for production, and money for promotional activities, such as advertising. Each department may take its budgeted funds and allocate those resources for more specific purposes, such as hiring employees, commissioning marketing studies, and buying raw materials and components, Chandra (2011)

Logistical management: Resources have to be moved to where they need to be in order to accomplish the company's objectives that will bring it closer to its strategic goal. Logistics is the process by which a company manages the flow of resources coming into the company and flowing out of the company.

Concept of Revenue

In accounting, **revenue** is the income that a business has from its normal business activities, usually from the sale of goods and services to customers. Revenue is also referred to as **sales** or **turnover**. Some companies receive revenue from interest, royalties, or other fees. Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, earned during a period of time, Profits or net income generally imply total revenue minus total expenses in a given period. This is to be contrasted with the "bottom line" which denotes net income (gross revenues minus total expenses).For non-profit organizations, annual revenue may be referred to as **gross receipts**. This revenue includes donations from individuals and corporations, support from government agencies, income from activities related to the organization's mission, and income from fundraising activities, membership dues, and financial securities such as stocks, bonds or investment funds. In general usage, revenue is income received by an organization in the form of cash or cash equivalents, Sales revenue is income received from selling goods or services over a period of time. Tax revenue is income that a government receives from taxpayers. In more formal usage, revenue is a calculation or estimation of periodic income (Stojan, 2002).

Stojan (2002) has define IGR as the creation of either tangible or intangible results within the confines of one entity, eg internally generated funds are those funds that are realized through the efforts or operations of the entity itself, i.e the funds are not borrowed or realized through other external means.

Methodology

The population of the study covered all sources of internally generated revenue of Aminu Saleh College Of Education Azare The researcher employed survey research design where the sample of the study covered the major types of investments such as(block industry, pure water factory, car wash and others) selected through random sampling technique. The instrument used was interview and questionnaire to the management of those selected investments in the college where simple percentage was also used to analyzed the data

Discussion of the Findings

A total of twenty five questionnaires were served in order to obtain data from the respondents based on the following questions , and the responses are summarized and analyzed below using tables and simple percentage.

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TABLE 1: Feasibility study plays important role in investment decision and efficient resource allocation on boosting IGR.

OPTION	RESPONSES	PERCENTAGE
AGREED	20	80
NOT AGREED	3	12
UNDECIDED	2	8

From the above table , it indicated that 80% of the respondents asserts that feasibility study is an integral part of investment and resource allocation while 12% believed it is not that relevant in making investment decision and allocation of resources on boosting IGR and 8% are undecided. Based on this premise, we can concludes that feasibility study is an indispensable tool in resource allocation and investment decision .

TABLE 2: High return of investment depends on efficient resource allocation and investment decision

OPTION	RESPONSES	PERCENTAGE
AGREED	19	76%
NOT AGREED	2	8%
UNDECIDED	4	16%

Table above showed that 75% of the respondents believed that high return of investments is solely depends on efficient resource allocation and investment decision ,while 8% assert it did not and 16% are undecided. Based on the data above , it means that efficient resource allocation and investment decision is directly related to higher investment returns.

TABLE 3: Does college consults private entrepreneurs when making certain investments decisions?.

OPTION	RESPONSES	PERCENTAGE
AGREED	7	28%
NOT AGREED	11	44%
UNDECIDED	7	28%

The above table showed that 28% of the respondents believed that the college are consulting private entrepreneurs when making investment decision while 44% asserts that the college are doing it on their own ,and 28% are undecided.

TABLE 4: Lack of funding and easy access to fund affects the pace of IGR in the college.

OPTION	RESPONSES	PERCENTAGE
AGREED	16	64%
NOT AGREED	7	28%
UNDECIDED	2	8%

Table above showed that, 64% of the respondents believed that Lack of funding and easy access to fund affects IGR of the college and 28% did not agreed and 8% are undecided. Based on the above data it shows that Lack of funding and easy access to fund affects profitability which leads to low IGR.

TABLE 5: What type of investment decision rule is operated in the college?

OPTION	RESPONSES	PERCENTAGE
AGREED	9	36%
NOT AGREED	11	44%
UNDECIDED	5	20%

From the above table , it shows that 36% of the respondents asserts that pay back rule is being used while 44% believed that internal rate of return is being used and 20% are undecided.

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TABLE.6. Lack of proper implementation and laser fare attitudes are among the problems encountered.

OPTION	RESPONSES	PERCENTAGE
AGREED	15	60%
NOT AGREED	8	32%
UNDECIDED	2	8%

The table above indicated that 60% of the respondents asserts that Lack of profer implementation and laser fare attitudes are among the problems encountered and 32% believed that are not among the problems, and also 8% are undecided. Poor implementations of decisions taken as opined by the respondents is among the problems faced by the college which goes hand in hand with the management of public corporation in Nigeria that led to idea of commercialization and privatization .

Conclusion

Based on the above findings, it clearly showed that investment decision has direct relationships with profit and as well as efficient resources allocation, therefore if our public institutions are to adhere with the processes and methods of both ,then higher return on their investments would be fully assured especially when the investment projects are spearheaded by professionals . As investment decision and efficient resources allocation creates accountability, direction, and enables executives to take a potential project and estimate its cash flows.

Recommendations

It is recommended that

1. Public institutions should consult private entrepreneurs and adopt the best method when making investments decisions
2. Public institutions should employ professionals to head their investment projects,
3. School management should speed up release of fund in order to encourage the pace of IGR and managers should carryout financial analysis in details so that to avoid over estimation
4. Proper and adequate record help in carrying out financial report which leads to assessment of viability, stability and profitability of any business. This also has to be adhered by both private and public sectors

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