A Comparative Assessment of Internal Control System in Public and Private Universities in South-West, Nigeria

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Abstract

This study examined a comparative assessment of internal control systems in public and private universities in Nigeria and it confirmed the establishment of private universities in Nigeria as a recent development. Questionnaire was adopted for the study and 12 universities in South West Geo-Political Zone of Nigeria were selected as the study sample using purposeful sampling technique. Universities selected cover 6 public universities and 6 private universities. Data collected were analyzed using factor analysis and multivariate analysis of variance. The findings of the result confirmed that internal control systems are the same in public and private universities in Nigeria, but that fusion of duties is more pronounced in private universities than public universities. Similarly, the finding rejects the notion that private universities are better funded than public universities and that internal control system can be over-ridden by management in both public and private universities. Examination of the effectiveness of internal control system in the private university shows that ICS is effective in reducing cost of running the university and also strengthened the attainment of a university goal and objective but the findings do not show support for ICS as a means of facilitating timely condition of academic calendar. However, it facilitates management system review in the private universities while results indicate that ICS in public universities shows limited number of efficiency is effective as a cost reducing measure in running the university and as a monitoring tool via an identifiable internal audit department.

Keywords: Internal Control System, Effectiveness, Efficiency, Universities

Background to the Study

The importance of internal control in the day to day activities of individuals and corporate organizations cannot go unnoticed as everyone experiences internal control in their daily business activities as well as in their personal lives (DiNapoli, 2007).

Kirsch (2002) defined control as a set of mechanism designed in order to motivate individuals to attain desired objectives. Controls are fundamental to all organizations and these accounted for the reason why Ouchi (1979) argued that the design of organizational control mechanism should focus on achieving co-operation among individuals having divergent objectives.

Internal control has different meanings to different parties and that is why it is very difficult to give only one definition of internal control system, in view of the fact that it can be seen from different angles. Cahill (2006) defined internal control as the system of internal administrative and financial checks and balances designed by management and supported by corrective actions, to ensure that the goals of the organization are achieved.

According to Transparency International (2006) internal control is entrenched to guarantee transparency and avoid corruption. Corruption is defined as abuse of public office for private gains. Examples include: bribery, kickbacks and embezzlement of public fund.

According to the International Standard on Auditing (ISA 400), the term internal control system means all policies and procedures (internal control) adopted by the management of an entity to assist in achieving management objectives of ensuring , as far as practicable, the orderly and efficient conduct of its business including adherence to management policies , the safeguarding of assets , the prevention and detection of fraud and error , the accuracy and completeness of the accounting records and the timely preparation of reliable financial information . The internal control system extends beyond those matters which relate to the function of accounting system. Amudo and Inanga (2009) defined internal control as a process of integrated sets of activities originated by top personnel of an organisation and embedded within all the organization`s activities to achieve goals.

Puttick and Van Asch (1998) cited in Motubatse (2005) defined internal control as ' those methods and procedures adopted by the management of an entity to assist in achieving management 's objective of ensuring that the business of the entity is properly conducted in an orderly and efficient manner.' Internal control comprises the organizational plan and all of the coordinate methods and measures adopted within a business to

safeguard its assets, check the accuracy and reliability of its accounting data and promote operation.

Knechel (2001) defined internal control as a process that is designed by management in order to provide reasonable assurance that the organisation's objectives are being met. Nair (2000) outlined internal control as a process that is put in place by management and stakeholders and is designed to provide reasonable assurances that the institution's objectives are being achieved effectively and efficiently in compliance with applicable legal prescripts and that there is reliable and accurate financial reporting.

Millichamp (1992) defines internal control system in their guideline as the whole system of control, financial or otherwise established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the record.

The responsibility for prevention and detection of irregularities and fraud rests with the management who may obtain reasonable assurance that the responsibility will be discharged by instituting an adequate system of internal control. In a large organization such as university, the need for sound internal control is not just desirable, but very necessary. (Swanson, 1999) suggested that internal controls are the policies and procedures that enable management to know what is going on and to cause things to happen in accordance with their intentions.

Venables and Impey (1991) described internal control as "the regulation of activities in an organisation through systems designed and implemented to facilitate the achievement of management objectives".

From all the above definitions, it is clearly established that the main objective of internal control is to assist and support the organization in achieving its objectives. Besides, it confirms the responsibility of internal control setting on the management (Flesher, 1996).

Statement of the Problem

Usually, all efforts of the management of any organisation including a university are geared towards the attainment of organization goals and objectives by ensuring that the internal control system functions effectively and efficiently. To realize this, the management safeguards the assets, ensures adherence to management policy and secure as far as possible the completeness and accuracy of records (Flesher, 1996).

Internal control is built-in rather than built on. By building-in internal control, it is embedded with the management processes of planning, organizing, budgeting, staffing, implementing and monitoring. In doing this, an organization avoids unnecessary procedures and costs by not adding separate control but integrating controls instead into the management and operating activities (INTOSAI Guidelines for Internal Control Standard for the Public Sector, 2004). The built in characteristics of internal control minimize red tape and avoid duplication of functions, and thereby create conditions that promote economy and efficiency in the delivery of services.

Internal control is therefore a team effort which requires a collaborative effort of management (Flesher, 1996) devoid of rancour. In a situation where there is misunderstanding, distraction and struggle for power among top management staff or principal officers of a university, these tend to affect and disturb the internal control system from functioning effectively.

The unhealthy rivalry among principal officers in the university system and coupled with the tendency for sharing offices in order to ensure these go round has made government to limit the tenure of the Vice Chancellor to a single term of five years and presently ,a bill on the single term in office for other principal officers such as Registrar ,Bursar and Librarian in the university system has passed the first, second and third readings in the National Assembly (The Guardian 9th February 2012). What is being awaited now is the approval of the President of the Federal Republic of Nigeria. Meanwhile, the bill was eventually signed into law on 14th May, 2012 by President Goodluck Jonathan (National Mirror,15th May 2012)

Furthermore, the effects of shift in government policies, programmes and constant strike action embarked upon by unions often militate against internal control system established by the management. These actions often disrupt academic calendars and exert pressure on the limited resources of the university.

Closely associated with the above factors is the underfunding of the university education in Nigeria. Year in, year out, university administrators particularly in public universities often complain of lack of adequate fund to execute their programmes such as meeting the accreditation requirements of National Universities Commission (NUC) and staffing requirement while private universities also groan under the same condition .Olarewaju and Afolabi (1996) opined that the economic recession which started in the late 70`s affected the university system like the other sectors of the economy. This resulted in fluctuations in grant allocations to public universities. Funding for the system gradually became grossly inadequate for the level of quality expected from it.

All the above stated problems are the areas of interest that this study intends to examine in relation to internal control systems in public and private universities in Nigeria as they affect the attainment of a university objective.

Objectives of the Study

The general objective of this study is a comparative assessment of the internal control systems in public and private universities in Nigeria.

Hypotheses of the Study

H_{01}:   Internal Control Systems in public and private universities do not have any significant differences.

H_{02}:   Internal Control Systems have no significant effect on the (operational efficiency or performance) of the universities.

Methodology

In view of the nature of this research work, an empirical approach was employed by the researcher to allow for a through comparative assessment of the internal control systems in public and private universities in Nigeria.

The researcher went to the field to collect data and the research instrument used was questionnaire which was administered on the staff of the selected universities and served in the bursary, registry, student affairs, works, library, academic and internal audit. This assisted the researcher in obtaining information on the problems associated with the internal control system limitations and what can be done to overcome the difficulties. For the purpose of this research work, the population would be all Nigerian universities (including public and private Universities).

According to the National Universities Commission (2012) website report, there are One hundred and twenty four (124) Universities in Nigeria which are set up by the Federal Government, State Government and individuals. The table below shows the distribution:

Federal Government Universities   37
State Government Universities   37
Private Universities   50
                                      124

However, twelve (12) universities in the South West Geo Political Zone of Nigeria were selected as sample using purposive sampling technique method. The universities selected cover six (6) public universities (including federal and state universities) and six (6) private universities.

The universities in South West were selected because of heavy concentration of a large number of established private and public universities in the zone. In all, there are six (6) federal universities, eight (8) state universities and twenty (20) private universities in the zone. The universities included in the sample were all licensed by the National University Commission (NUC)

The research instrument used for the purpose of this research work was questionnaire which was structured and designed on a 5-point Likert Scale. Questionnaire was adopted so as to facilitate data collection and for analyses to be properly done. The result of data collected were subjected to statistical analysis using both descriptive and inferential statics. Simple percentage (%) and frequency distribution were used to analyse some of the data collected. T- test of significance was used to compare the mean difference between variables of public and private universities. Confirmatory factor analysis was used to identify the special features of internal control put in place by private and public universities. Multivariate analysis was conducted in order to analyse the differences in the internal control system of public and private universities.

Data Analysis and Results

Bio data of respondents is shown in Table 2 highlighting socio economic characteristics of respondents. Table 2 indicates that 83.7% of the respondents were between 20 years and 49 years which can be regarded as an active working age white 16.3% were above 49 years in the public universities. In the private universities 80.4% of the respondents were in the age bracket of 20 years and 49 years which serves as the active working age and 20% were above 49 years. The result presented in the table also shows that there is no significant difference in gender and marital status of respondents. Furthermore the table presents further information on the qualifications of the respondents. In the sampled public universities about 82.9% of the respondents were B.Sc/HND holders while 3.5% of the respondents were OND/NCE holders and 1.62% were SSCE/GCE/NECO holders. 16% had M.Sc/Ph.D. In the private universities sampled, OND/NCE holders constituted 76.66% while B.Sc/HND holders were 15.65%, school certificate holders were 5.6% and M.Sc/Ph.D holders constituted 2.22%. Table 2 further highlights the working experience of employees. In public universities, majority of workers having more than 5 years constituted 65.1% while in the private universities 84.4% of the workers had more than 5 years experience and finally shown by the table is the administration of the questionnaire in nearly all units that make up the university system. However a total of 60% of respondents alone were from Bursary and Internal Audit in the sampled public universities and in the private universities a total percent of 74.5 were from Bursary and Internal Audit.

Table 2: Respondents Bio data

	Public		Private		
Characteristics	Freq	%	Freq	%	Mean difference
Age					
20-29	15	11.8	5	5.9	
30-39	4	38.8	37	41.2	
40-49	40	32.9	30	33.3	
50-59	16	12.9	18	19.6	
60 and above	4	3.6	-	-	
Total	123	100	90	100	3.56***
Gender					
Male	84	68.6	53	58.8	
Female	39	31.4	37	41.2	
Total	123	100.0	90	100.0	1.45
Education					
SSCE/GCE/NECO	2	1.2	5	5.9	
OND/NCE	4	3.5,	69	76.5	
HND/B.Sc	101	82.4	14	15.7	
M.Sc/Ph.D	16	12.9,	2	2.0	
Marital Status					
Single	21	17.4	18	19.6	
Married	102	82.6	72	80.4	
Total	123	100.0	90	100.0	1.67
Working Experience					
1-5	43	34.9	14	15.7	
6-10	31	25.6	24	27.5	
11-15	13	10.5	26	29.4	
16-20	20	16.3	12	11.8	
Above 21 years	16	12.8	14	15.7	2.45***
Total	123	100.0	90	100.0	
Department					
Bursary	43	34.9	39	43.1	
Internal Audit	31	25.6	28	31.4	
Student Affairs	3	2.3	2	2.0	
Registry	37	30.2	18	19.6	
Works	3	2.3	2	2.0	
Library	-	-	-	-	
Academic	6	4.7	2	2.0	

Source: Field Survey, 2012

Analysis of respondents using T test of significance shows a significant mean difference (t = 3.56, P < 0.05) between age of respondents in both private and public universities. Also, years of experience differs significantly (t = 2.45, P < 0.05) between respondents of the two institutions.

Differences in the Internal Control System of Public and Private Universities

In order to analyze the differences in the internal control system of public and private universities, multivariate analysis was conducted. Although descriptive analysis show a clear difference in the internal control system of public and private universities, inferential analysis (multivariate model) provide a more relevant basis for inference drawing.

Table 5: Multivariate analysis of difference in private and public universities

Variables	Statistics	F	P-value
Internal control systems in public and private are the same	2.6074	5.21	0.0025***
There is fusion of duties in private than public universities	1.1794	2.21	0.0881**
Private universities are better funded than public universities	2.4108	4.52	0.0058***
ICS can be over-ridden by management in private universities than public universities	2.7057	4.74	0.0056***
Shift in government policy affect public more than private universities	2.4524	4.29	0.0086***
Private universities are more prudent than public universities in the utilization of resources	1.9736	3.70	0.0140***
Interference is higher in private than public universities	1.2339	2.31	0.0768**
Collusion among officers is higher in public universities than private universities	1.4797	2.77	0.0422**

Source: Field Survey, 2012

Where *** means significant at 1%

Where** means significant at 5%

Where * means significant at 10%

As shown in Table 5, there exists a significant difference in all the constructs of differences in internal control systems (ICS) of public and private universities. However the implication of the results differs according to the formation of each construct. Explicitly, the result shows that internal control systems in public and private universities are the same (F = 5.21, p = 0025). However, the fusion of duties in private is no more than what is obtainable in public universities (F = 2.21), implying that both private and public universities experience similar fusion of duties which could be due to other exogenous reasons. The finding also reject the notion that private universities are better funded than public university (F = 2.41). Over-ridden of internal control system by management is not more in private than public based on the result (F = 2.71), implying that management is not only location- specific. Further, analysis show that the effects of shift in government policy may militate against internal control system in private universities as well as public universities. This could be due to the fact that effects of shift in government policy also depend on the nature of policy. The results also shows that 'prudency' is relative as the finding do not support that private universities are more prudent than public universities in the utilization of resources (F = 1.974). However, the result shows that interference exists in the day to day activities of private universities than in public universities (F = 1.23).

Effectiveness of the Established Internal Control Systems in Private Universities

Source	Partial SS	Df	MS	F	Prob. Value
Model	93.5083226	71	2.67166636	9.59	0.0000***
Reduction of cost	5.14266131	8	1.28566533	4.62	0.0125***
Attainment of goal and objective	17.8191748	8	4.45479369	15.99	0.0000***
Timely completion of academic calendar	1.52559454	7	0.508531513	1.83	0.1857
Value for money	2.66176814	8	0.665442035	2.39	0.0972
Management and system review	11.0385731	8	2.75964327	9.91	0.0004***
Effectiveness review	16.1772949	8	4.04432372	14.52	0.0000***
Compliance tests	18.3970637	9	3.67941274	13.21	0.0000***
Monitoring	3.52827151	7	1.1760905	4.22	0.0237***
Detection of irregularities	6.02534937	8	1.50633734	5.41	0.0067***
Residual	4.17795188	19	.278530125		
Total	97.6862745	90	1.95372549		
Number of Obs	90				
Root MSE	.52776				
R-squared	0.9572				
Adj. R-squared	0.8574				

Source, Field Survey, 2012

Results of analysis of effectiveness of ICS in private universities are presented in Table 6. The entire model is fit and significant (F = 9.59, P < 0.05) with a high coefficient of determination (0.96). Examination of the effectiveness of the established internal control systems in private universities shows that ICS is effective in reducing cost of running the university (F = 4.62, p < 0.05) and also strengthened the attainment of a university goal and objective (F = 15.99, P < 0.05). On the contrary, the findings do not show support for ICS as a means of facilitating timely completion of academic calendar (F =1.83, P > 0.05) and value for money (F = 2.39, P > 0.05). However, ICS is effective in facilitating management and system review (F= 9.91, P < 0.05) and effectiveness review of private universities. Similarly, compliance tests are carried out to test the operational efficiency of internal control system. Also there is an identifiable internal audit department in private universities that monitors and strengthens internal control (F = 4.22, P < 0.05) while suitable and accurate detective and control measures are put in place to detect irregularities (F = 5.41 P < 0.05).

Results of analysis of effectiveness of ICS in public universities are presented in Table 7. The entire model is fit and significant (F = 3.36, P < 0.05) with a high coefficient of determination (0.79). Examination of the effectiveness of the established internal control systems in public universities shows that limited number of operational efficiency subjects is significant at 0.05 level. Results only indicate that ICS is effective as a cost-reducing measure in running the university (F = 4.62, p < 0.05) and as a monitoring tool via an identifiable internal audit department (F = 3.62, p < 0.05). However, for the rest of the constructs (Table 7), ICS is not found to be effective in public universities systems.

Table 7: Effectiveness of the Established Internal Control Systems in Public Universities

Source	Partial SS	Df	MS	F	P-value
Model	83.731899	77	3.10118144	3.36	0.0022***
Reduction of cost	18.3009592	9	6.10031972	6.60	0.0022***
Attainment of goal and objective	6.09025308	10	1.52256327	1.65	0.1963
Timely completion of academic calendar	2.92530989	9	.975103298	1.06	0.3871
Value for money	4.72197617	10	1.18049404	1.28	0.3075
Management and system review	5.63290051	10	1.40822513	1.52	0.2282
Effectiveness review	2.54311435	8	1.27155718	1.38	0.2725
Compliance tests	3.7443588	9	1.2481196	1.35	0.2825
Monitoring	6.68450572	8	3.34225286	3.62	0.0430***
Detection of irregularities	1.69258349	8	0.846291745	0.92	0.4142
Residual	21.2484932	46	.923847529		
Total	104.980392	123	2.09960784		
Number of Obs	123				
Root MSE	.96117				
R-squared	0.7976				
Adj. R-squared	0.5600				

Source: Field Survey, 2012

Table 8: Comparative analysis of effectiveness of the established internal control systems in private and public universities

Variables	Private universities	Public universities
Reduction of cost	ICS is effective	ICS is effective
Attainment of goal and objective	ICS is effective	ICS is not effective
Timely completion of academic calendar	ICS is not effective	ICS is not effective
Value for money	ICS is not effective	ICS is not effective
Management and system review	ICS is effective	ICS is not effective
Effectiveness review	ICS is effective	ICS is not effective
Compliance tests	ICS is effective	
Monitoring	ICS is effective	ICS is effective
Detection of irregularities	ICS is effective	ICS is not effective

Source: Field Survey, 2012

Following the results in Tables 6 and 7above, Table 8 shows the comparative analysis of effectiveness of ICS in both private and public universities. The results indicate that ICS is effective in reducing costs and monitoring in both private and public universities. There is however clear difference in role of ICS in relation to other constructs. For example, ICS, in private universities, is effective in attainment of goals, management and effectiveness review and detection of irregularities. But, ICS is not effective, for the same constructs, in public

universities. Among the possible reasons that could be adduced for this is that, most private universities in Nigeria are 'generally' close to sole proprietorship form of business organizations and hence, advantages associated with the establishment of sole proprietorship form of business cannot therefore be ruled out for private universities. It should be noted that the proprietors of private universities provided the necessary capital for the take off the university.

4.3 TEST OF HYPOTHESES

Hypothesis One: *Internal Control Systems in public and private universities do not have any significant differences*

Statistic	Df	F(df1	df2)	= F	P-value
W 0.0001	124	248.0	109.9	1.00	0.5022
P 4.9345	4.9345	248.0	152.0	0.99	0.5022
L 25.3598	25.3598	248.0	82.0	1.05	0.4093
R 12.5005	12.5005	31.0	124	7.66	0.0000***

W = Wilks' lambda   L = Lawley-Hotelling trace   P = Pillai's trace   R = Roy's largest root

***, sig at 5%

The result of hypothesis testing using multivariate analysis of variance is shown in the table above. The result, considering Roy's largest root statistics indicated a rejection of the hypothesis which implies that internal control system in public and private universities differ significantly (F = 7.66, P < 0.05).

H_{02}: Internal Control Systems are not effective in Nigerian universities

Partial SS	Df	MS	F	P- value
73.9917082	128	2.64256101	2.45	0.0171

The result in the table above shows a rejection of the stated hypothesis at 5% level, implying that internal control systems are effective in Nigeria universities but as earlier results indicate, the degree of effectiveness differs.

Summary

Internal control system is essential to improve operating efficiency of the university system. Since universities serve the society through delivering teaching and conducting research, and have a diffuse group of stakeholders, it is important that internal control be entrenched. In recognition of this, the study seeks to identify the special features of internal control system put in place by the universities (Public / Private) , examine the differences in the internal control system of public and private universities , examine the effectiveness of the established internal control systems in public and private universities and draws a comparative analysis of the effectiveness of the established internal control systems in private and public universities.

The questionnaire technique was adopted for the study. The questionnaire method was used to gather primary data from appropriate and relevant officials of the universities selected using judgmental//purposeful sampling techniques. Twelve (12) universities were selected as the study sample. The universities selected cover six (6) public universities (including federal and state universities) and six (6) private universities. Data collected were analysed using Factor analysis and multivariate analysis of variance.

Results showed that private universities are characterized by distribution of staff manual containing internal control (IC) procedures and directives. Results also show that authorization and approval are granted before fund is committed on a programme or project while adequate supervision is mounted by appropriate responsible officers for day to day transactions. This finding is highlighted by index values of the analytical tools.

On the contrary, the finding indicates absence of absolute segregation of duties in private universities, implying a rejection of their identification indicators. Similarly, authority and responsibility are not commensurate with each other. Findings also showed that assets are not physically secured in these institutions just as acknowledgement of work done by the subordinate is poor. However, organizational structure exists to indicate the hierarchy of authority and internal control set by the management is communicated to the members of staff. Furthermore, results show that in public universities, internal control systems were put in place, however, unlike private universities, public universities distribution of staff manual containing internal control (IC) procedures and directives were lacking. Segregation of duties was not 'absolute' although funding of programme or project is only granted with authorization and approval. Adequate supervision by appropriate officers for day to day transactions is also lacking contrary to the situation in private university set up. Authority and responsibility are also not commensurate with each other but organizational structure exists to indicate the hierarchy of authority. Assets are physically secured but work done by subordinate are not adequately acknowledged.

Meanwhile, communication of internal control set by the management exists. There exists a significant difference in all the constructs of 'differences in internal control systems (ICS) of public and private universities. Explicitly, the result shows that internal control systems in public and private universities are the same (F = 5.21, p = 0025). However, the fusion of duties in private is no more than what is obtainable in public universities (F = 2.21), implying that both private and public universities experience similar fusion of duties which could be due to other exogenous reasons. The finding also rejects the notion that private universities are better funded than

public university. Over-ridden of internal control system by management is not more in private than public based on the result (F = 2.71), implying that management is not only location- specific. The result shows that interference exists in the day to day activities of private universities than in public universities (F = 1.23).

Examination of the effectiveness of the established internal control systems in private universities shows that ICS is effective in reducing cost of running the university and also strengthened the attainment of a university goal and objective. On the contrary, the findings do not show support for ICS as a means of facilitating timely completion of academic calendar and value for money. However, ICS is effective in facilitating management and system review and effectiveness review of private universities. Similarly, compliance tests are carried out to test the operational efficiency of internal control system. Also there is an identifiable internal audit department in private universities that monitors and strengthens internal control while suitable and accurate detective and control measures are put in place to detect irregularities.

Examination of the effectiveness of the established internal control systems in public universities shows that limited number of operational efficiency subjects is significant at 5% level of significance. Results only indicate that ICS is effective as a cost-reducing measure in running the university and as a monitoring tool via an identifiable internal audit department.

Conclusion

The results of the analysis lead to the conclusion that internal control systems are in place in both private and public universities. However, in private universities, ICS are characterized by distribution of staff manual containing internal control (IC) procedures and directives while same is lacking in public universities. It could also be concluded that, internal control systems in public and private universities are the same and both private and public universities experience similar fusion of duties. Findings of the study also lead to the conclusion that ICS is effective in reducing costs and monitoring in both private and public universities. Specifically, ICS in private universities is effective in attainment of goals, management and effectiveness review and detection of irregularities. But, ICS is not effective, for the same constructs, in public universities.

Recommendations

From the conclusion reached, it is recommended that distribution of staff manual containing internal control (IC) procedures and directives should be encouraged in public universities. Also efforts should be increased to ensure that in public universities, ICS should be made effective in attainment of goals, management and effectiveness review as well as detection of irregularities. Concerning private universities, efforts should be intensified by the management in ensuring that assets are physically secured as it is the practice in the public universities. The interference being witnessed in the day to day activities of private universities as evident by the deeds of the proprietors should be reduced to the barest minimum if not completely eradicated.. It is recommended that a clear cut demarcation be drawn by the National University Commission (NUC) which is the statutory body that is vested with the responsibility for supervising and regulating the activities and programmes of universities in Nigeria. In view of the above, appropriate policy measures should be designed by the National University Commission to ensure that ownership is being separated from control as it is the practice in public liability companies. When this is done, there is every assurance that the traditional objective of establishing universities can be met and fulfilled in private universities.

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