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**MODERN FINANCE INSTRUMENTS FOR INSTITUTIONS
OF HIGHER EDUCATION AS A FACTOR IMPROVING
THE ECONOMIC SECURITY LEVEL**

The article deals with modern sources of funding the institutions of higher education. It has been substantiated that the most effective form of the organization relations supporting financially the education system development is the concept of participatory funding, which involves transformation of a set of forms, financing sources and financial regulation instruments involving stakeholders at different levels.

Keywords: *targeted financing; grant financing; charitable contributions; endowment funds; community development funds; crowd funding, fundraising.*

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**СУЧАСНІ ІНСТРУМЕНТИ ФІНАНСУВАННЯ ЗАКЛАДІВ
ВИЩОЇ ОСВІТИ, ЯК ЧИННИК ПІДВИЩЕННЯ РІВНЯ
ЕКОНОМІЧНОЇ БЕЗПЕКИ**

У статті розглянуто джерела фінансування закладів вищої освіти. Обґрунтовано, що найбільш ефективною формою організації відносин у фінансовому забезпеченні розвитку системи освіти є концепція партисипативного фінансування, що передбачає трансформацію комплексу форм, джерел фінансування та інструментів фінансового регулювання із залученням стейкхолдерів різних рівнів.

Ключові слова: *цільове фінансування; грантове фінансування; благодійні внески; ендавмент-фонди; фонди розвитку громад; краудфандинг, фандрайзинг.*

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**СОВРЕМЕННЫЕ ИНСТРУМЕНТЫ ФИНАНСИРОВАНИЕ
УЧРЕЖДЕНИЙ ВЫСШЕГО ОБРАЗОВАНИЯ КАК ФАКТОР
ПОВЫШЕНИЯ УРОВНЯ ЭКОНОМИЧЕСКОЙ БЕЗОПАСНОСТИ**

В статье рассмотрены источники финансирования высших учебных заведений. Обосновано, что наиболее эффективной формой организации отношений в финансовом обеспечении развития системы образования является концепция партисипативного финансирования, предусматривает трансформацию комплекса форм, источников финансирования и инструментов финансового регулирования с привлечением стейкхолдеров различных уровней.

Ключевые слова: целевое финансирование; грантовое финансирование; благотворительные взносы; эндаумент-фонды; фонды развития общин; краудфандинг; фандрайзинг.

Problem statement and its connection with important scientific and practical tasks. Ensuring sustainable growth is one of the main tasks of the state economic policy for any country in the world. There is a change of the economic system on the so-called knowledge economy in the conditions of society's transition to a new development phase, the so-called "informational" society or knowledge society, where information and knowledge are the highest values, and the ability to generate them quickly and use effectively is the basis of competitive advantage for the country and a prerequisite for social and economic growth.

The mentioned above requires a substantial modification of the existing education system. Given that information and knowledge are recognized as key factors in growth, there is a need for such a system that would ensure their constant updating and use. One of the most important requirements for a new education system is the introduction of the concept of non-stop or lifelong learning. However, its functioning is impossible without adequate financial support, as a key indicator of the security of education institutions.

Analysis of recent publications on the issue, unsolved study parts. The fundamental principles of the financial policy implementation in education are laid down in the works of O.V. Bashun [5], O.V. Dudkina [11], T. Krupsky [2], Yu.M. Petrushenko [11], V. Pokidina [7], K. Ryabkova [7], A.M. Sokolova [1], O.V. Cherniavskaya [1] and many others. At the same time, a complex set of issues requires further research. These issues are related, in particular, to the introduction of the concept of alternative financing and the development of a lifelong education system, to find the optimal balance between budget and extra-budgetary sources of financial resources.

The purpose of the study is to analyze the main financial sources for the higher education system, in particular, alternative financing as a factor in ensuring the economic security level in the context of the lifelong education system development.

The presentation of the main results and their justification. The main financial sources for higher education are the following: budgetary (state and local budget expenditures) and extra-budgetary (household expenditures, expenditures of economic entities, including targeted financing, grant financing, charitable contributions such as endowment funds or community development funds, humanitarian aid, crowd funding, etc.). Absolute exclusion from the financial mechanism of public or private financing is not effective, as there is a tendency towards convergence of these sectors and functioning under the conditions of public-private partnership in the world. As part of such a

partnership, the participative concept of financial support for the life-long learning system development becomes particularly relevant.

We will focus on modern instruments of participatory funding used in the world for more details. First of all, let's consider such a kind of activity as fundraising.

The concept of "fundraising" from English means an increase in means, funds, resources, etc. Initially it was used in project management, but then fundraising gained somewhat wide extensive use. It was particularly popular in the United States, due to the developed "third sector" and the state-sponsored donation through a variety of privilege arrangements. For Ukraine, this concept has a new character, which necessitates an approach analyses to its interpretation. In scientific circles it is considered as:

– "the professional activity in mobilizing financial and other resources for the implementation of socially meaningful and scientific research nonprofit projects requiring fundraiser's special knowledge and skills that may influence the donor's positive decision" [1];

– "the activity involving the attraction of financial, material and human resources for non-profit organizations' work and their projects implementation that set socially significant goals" [2];

– "the search for funds or resources for projects implementation, certain activities in a specified territory at a specified time and for a specified purpose; collection or attraction of funds or resources for the organization activity; skills or art of attracting resources" [3].

Within the framework of the participatory concept of funding education throughout the life the fundraising tools is absolutely logical. Fundraising is very closely linked to philanthropy, patronage, sponsorship.

Let us separate the essence of these concepts in accordance with the legal framework, namely, the Law of Ukraine "On Charitable Activity and Charitable Organizations":

– charitable activity – voluntary personal and/or property assistance for the achievement of the goals specified in this Law, which does not provide any profit for the beneficial owner, as well as payment of any remuneration or compensation to the benefactor on behalf of the beneficiary;

– philanthropic activity – charitable activity in the spheres of education, culture and art, protection of cultural heritage, science and research, which is carried out in accordance with the procedure established by this Law and other Laws of Ukraine" [4].

Fundraising is a somewhat broader category than the above analyzed categories, because it involves activities for search and attraction of various resources, including the charity or philanthropic activities.

One of the main terms in fundraising and the main subject is the donor, who provides these resources on an irreversible basis. Donors can be classified according to different criteria. The most common is the following:

– state donors are state-owned entities that provide funds from the budgets of a particular country. They usually have a highly specialized subject, which is a priority for the country's development. They are often described as the most rigorous and discouraging donors (for example, the United States Agency for International Development (USAID), the US Information Agency (USIA), the British Council, the Government of Canada, etc.);

– private donors are private entities, providing funds in the form of investments, irreversible financial assistance or charitable help, etc. They may be in the form of foundations (for example, Victor Pinchuk Foundation, Robert Bosch Foundation, Soros Foundation, Ford Foundation, the Renaissance Foundation, the “Heart to Heart” Foundation, etc.);

– "semi-private" donors are public organizations that receive funds from state donors and distribute them to the applicant organizations. For example, IREX Council for International Research and Exchanges, Eurasia Foundation, DVV International and others. They may include international organizations similar to the World Bank [5].

The main forms of fundraising are funding from various levels of budgets, private sector charity, gifts, financial assistance, scholarships and grants from various funds, income from their own activities (for example, social entrepreneurship), etc.

Let us elaborate on the concepts of funds and grants as the main sources of financing for fundraising activities. The term "fund" means the amount of money saved or prepared for specific specified goals and objectives, which are built on the principles of:

– owning the capital that is formed by its founders (grant maker is a founder of the fund, an individual or an entity);

– investing in accumulated capital, and distributing profits on a competitive basis in the form of grants for financing socially useful programs and projects;

– not being a budgetary structure and an independent Supervisory Board, as a rule, carries out the control over its activity;

– being created on a long-term basis and it does not require the search for new financial resources for the implementation of current programs [6].

Nowadays there are a large number of funds based on various sources of financing, activities, geographic features, etc., which can finance education projects. An enormously popular form of financing education services in foreign countries is endowment funds. According to Ryabkova K. and Pokidina V., the endowment fund is, in a narrow term, construed as "the amount of funds or securities in a non-maturity fund, which is created on the basis of charitable

contributions from donors", and in broad terms, "an act or process of charitable assistance with the purpose of ensuring the institution with financial stability in the future" [7]. Consequently, the foundation of such funds can be single-use charitable donations both from individuals (for example, from graduates that is sufficiently widespread in the United States) and from legal entities (for example, from corporations with which the institution has established relationships), as well as annual "fundraising campaigns" from different sources with specific purposes.

In addition, "the largest private and state universities have significant support from sponsors due to the "passive" approach, since most of the funds come due to the image, reputation and business relationships of an education institution" [7]. In the United States, there is a separate group of revenues to the endowment funds, the funds transferred according to the will.

In the Law "On Higher Education" the phenomenon of endowment funds is considered as "the amount of money or the value of other property intended for investment or capitalization for a period of not less than 36 months, passive income used by the institution of higher education in order to carry out its statutory activities in the manner prescribed by the philanthropist or the authorized person" [8]. Currently, this mechanism is used only by some higher education institutions of the country, though its application will contribute not only to the development of the education sphere, but also to human development in general.

The community development funds can be another form of participatory funding. According to the World Bank, "these are local organizations that mobilize local charitable contributions to support community development projects through grants" [9].

The characteristic features of the community development funds are belonging to a certain geographic area; the formation of a capital fund (endowment), which allows to accumulate financial resources from different sources in order to implement individual projects (including education ones) in order to meet the community needs and solve local problems. One more important feature of such organizations is redistribution of the accumulated financial resources between community representatives, public organizations, representatives of the private sector, etc. Such involvement of various stakeholders, both at the stage of formation of the financial support base, and at the stage of its use and redistribution, is the evidence of this instrument participatory nature.

In Ukraine, the community development funds have also partially been disseminated and popularized through various international programs (USAID, ISAC "Unity", etc.). Their role becomes especially relevant in the context of the decentralization reform and the creation of united territorial communities. In the education sphere, these funds can be used to pay scholarships to the best

students or individuals from socially vulnerable groups, support certain education programs, retrain academic staff, etc.

One of the main forms of financial assistance provided by donors of various forms and types is the grant financing of individual projects.

A grant is a free target subsidy, which is provided on a competitive basis to an organization, initiative group or individual to implement a stated project in a particular area of activity [10]. As a rule, grants are awarded after a specific project competition, which involves preparing a package of documents justifying the need for funds and directions for their use. Grants can be provided for different purposes: for a particular project, a trip to a certain event (school, conference, training), education or internship, conducting research or field work, journalistic activities, etc.

Due to the development of scientific and technological progress and the distribution of the Internet in the economic sphere, new innovative forms of fundraising, such as crowd funding, are being modified and distinguished.

Crowd funding is a collaborative process of people (donors) who voluntarily combine their funds or other resources together to support their efforts or assist in solving a social problem of other people or organizations (recipients), usually via the Internet [1].

Depending on the rewards of participants, the crowd funding can be used either on voluntary charitable foundations (for example, in the social, medical sphere, as fundraising for help, etc.); or with financial or non-financial returns.

Non-financial rewards can be shown "in the form of a recorded album, an invitation to the concert, mentioning in the subtitles, and the first sample of the product, the autograph, and anything else according to the project author's imagination. A separate case of the non-financial reward scheme is the pre-order model. In this concept, the product itself may be a reward" [11].

The financial reward from crowd funding (in the scientific literature the term "crowd investing" still occurs) can take different forms:

– royalty model, which provides, in addition to non-financial bonuses and various incentives, receiving a share of the revenue or profit of the funded project;

– popular lending, which involves attracting funds in a sufficiently wide range of activities, both for individuals and for legal entities, a more convenient mechanism for obtaining a loan and the availability of a clear schedule for repayment.

As a group of authors, led by Yu.M. Petrusenko, the individual lending can exist in the following forms: P2P (peer-to-peer) lending, when the borrower communicates with a direct lender, the crowd funding platform in this case is an intermediary and to a certain extent the guarantor of the entire procedure; social lending, characterized by minimal interest on the loan or their total absence [11]; micro lending, which is often offered without pledges, sureties for an individual

or group lending in the form of a small amount of money, but at a high percentage. This tool is mainly used for low-income groups of the population who do not have access to qualitative financial instruments; the purpose of such a loan is usually recognized as self-development, training and, subsequently, the development of their own business ideas to reduce poverty and increase the region's economic development;

– joint crowd funding, which involves obtaining a share of ownership, voting rights, shares, dividends, etc. In Ukraine, the development of this instrument is somewhat complicated due to the weak development of the securities market.

In our country, crowd funding is at the initial stages of its development, but has great potential. The pioneers in this area were the Ukrainian Charity Exchange, launched by Victor Pinchuk Foundation, XIdeas from "Nescafe" and the website "Big Idea" [11]. The most popular project in the sphere of crowd funding in Ukraine is the "Community Fund" (created in 2012) on the website "Big Idea", aimed at developing civil society by supporting various social projects, including education ones. This is the largest form of public lending through the online mechanism in the country. According to the website [12], during 2015–2017 more than 200 successful projects were implemented in different regions of Ukraine worth over 12 million UAH. In addition, this project provides information on various activities of non-formal education in the form of grants, contests, scholarships, schools, etc.

Having analyzed the education existing and financed projects, the following conclusions can be made, which are found both as measures for formal and not for formal education, for persons of different age groups and social status. Thus, this platform is relevant for the fundraising resources for various activities in the life-long education system.

The new crowd funding platform for education projects "GoFundEd", which provides support for initiatives and innovative ideas of teachers (mainly at the school level), develops students' 21st Century skills (creativity, critical thinking, and emotional competence, ability to work with others and negotiate, decision making, etc.). One of the forms of the education sector financial provision is lending. In the developed countries, the micro lending mechanism is becoming increasingly popular in the world.

At the stage of formation, micro financing is an instrument that provides funding for projects or business ideas of the population with low income who do not have access to qualitative financial instruments. Currently, it has been actively used for a wider range of consumers. The main purpose of micro financing is to provide people with the means for self-development and, in the future, to develop their own business ideas to reduce the poverty rate and increase the region's economic development. The funds are usually provided for materials, tools, equipment or premises necessary for business development.

Considering the financing aspect of education services, funding can be provided for training, creating an education space or site, promoting retraining and adult education in general.

The individual and group funding belong to the mechanisms for providing financial services in the microcredit network. With the latter, the funds are provided to a group of persons (entrepreneurs), who provide additional guarantees to the micro lending providers, since the group provides an element of interconnect. One of the main features of micro lending at the same level as its short-term is high interest rates. This situation is due to the essence of micro financing, which implies the absence of pledges, sureties or other types of security, which increases the risk level of this instrument.

The logical continuation of the funded projects during fundraising is social entrepreneurship, which is a rather new form of relations organization for Ukrainian realities. According to the definition of the British Council, it is "a business aimed at social goals, with profits, which are mainly for self-development, social affairs or solving social problems"[13]. The OECD agrees with the definition and adds that social entrepreneurship is "any activity carried out in the public interest, is organized with an entrepreneurial approach, but whose main purpose is not to maximize profits, but to achieve certain economic and social goals, and which has the potential for the involvement of innovative solutions to the problems of social isolation and unemployment" [14]. Thus, under a social enterprise we suggest to keep in mind the entity of any organizational or legal form of ownership, which directs the profit to social purposes, that is, oriented both on social and economic spheres.

Let's consider the key social and economic elements that are typical for social enterprises:

1. Economic criteria:

– unlike traditional nonprofit organizations, social enterprises directly participate in the production and sale of goods and services (and not only in carrying out advisory functions);

– social enterprises are voluntarily created and managed by groups of citizens. As a result, while they can receive grants and donations from public authorities or private companies, social enterprises have a high degree of autonomy and shareholders have the right to vote and withdraw from the organization;

– financial viability of social enterprises depends on the efforts of its members who are responsible for ensuring sufficient financial resources, and therefore they involve a significant level of economic risk;

– activities of social enterprises require a minimum number of employees (i.e. those who receive salaries) [14].

2. Social criteria:

- social enterprises are the result of the initiative of citizens belonging to a community or group that shares a certain need or purpose;
- decision-making rights are common and equal amongst stakeholders, usually on the basis of the "one member, one vote" principle. Although equity holders play an important role in social enterprises, decision-making powers are not based on the equity;
- users of social service companies often take part in the management of their activities. In many cases, one of the goals is to strengthen democracy at the local level through economic activity;
- social enterprises include organizations that completely prohibit the distribution of profits. Therefore, social enterprises avoid profit maximization policies, because they include a limited distribution of profits;
- social enterprises pursue the goal of benefiting the community or a certain group of people. Thus, they directly or indirectly contribute to strengthening the sense of social responsibility at the local level [14].

That is, social entrepreneurship is a new concept of the present and an alternative to private enterprises, which are aimed only at maximizing income. Various parties are interested in the development of social entrepreneurship: the state, the third sector and the community. The state is considered to be the main guarantor of social justice in society. However, it is not always able to solve all the social problems that exist in society. That is why, with the development of social entrepreneurship, firstly, the state will be able to obtain an additional source of tax revenues; secondly, there will be a reduction in social spending, since some socially vulnerable groups will be protected at the expense of social enterprises; thirdly, some social enterprises will be able to employ representatives of socially vulnerable groups of the population, which will affect the state of unemployment in the country.

Nowadays in Ukraine, a significant disadvantage is that only some of these entities provide social reports about their activities and the raised funds to the public. The following international organizations provide the main financial and informational and advisory support for the development of social entrepreneurship in the country: the British Council in Ukraine, the Eastern Europe Foundation, PricewaterhouseCoopers in Ukraine, Erste Bank and the International Renaissance Foundation, Erste Stiftung, etc. Starting since 2010, with the support of these organizations, the project "Promotion of Social Entrepreneurship" has been implemented. It is aimed at creating systemic preconditions for the development of the social entrepreneurship sector in the regions of Ukraine [15].

In 2013, an attempt was made to identify social entrepreneurship within the framework of the project "Creating an All-Ukrainian Resource Center for Social Business Development "Social Initiatives". Thus, a directory of social enterprises in Ukraine [16] was formed, which included 41 "social" enterprises.

Most of these types of social enterprises have an education component and are aimed at developing predominantly socially vulnerable segments of the population, children, etc. The organizational and legal form listed in the directory of subjects is mostly the combination of a public organization with an entrepreneur. Moreover, there is no detailed information about the distribution of profits for social purposes in open access to the public. Social enterprises can be considered to be change agents in the Ukrainian society, providing an alternative source of financing for social services and solving social problems. However, the country has not created the appropriate conditions for their development and functioning, which is a negative factor for both society and the state as a whole.

Conclusions and recommendations for further study. The proposed diversified approach to the formation of the financial provision of various education services based on their level of compliance with the criteria for meeting public and private needs is fully in line with the basic principles of the life-long learning concept adopted by UNESCO as well as the provisions of the participatory concept of funding and gives the opportunity to use modern financing tools, which will significantly increase the level of financial and economic security of institutions of higher education.

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