

## FINANCING OF THE HIGHER EDUCATION: PROBLEMS AND SOLUTIONS

*Natroshvili Svetlana, Doctor of Economics, Associate Professor,  
Kyiv National University of Technology and Design*

**Abstract.** In the scientific article the financing of the higher educational establishments is analysed according to the financial resources. The organizational economic and financial terms of the subsequent development of the system of the higher education are defined on the basis of the bringing to the financial resources. Suggestions are grounded in the relation to the subsequent optimization of the development of the system of the financing of the establishments of the higher education.

**Keywords:** higher education, higher educational establishment, management, financial resources, profit.

During the years of independence (since 1990) the scope of higher education has evolved faster pace, manifested primarily in the increasing number of higher education institutions and a corresponding increase in the number of students. These processes become a natural consequence of two factors: independence (need training in advanced institutions are still in the Ukraine did not exist) and radical social and economic reform (the ability to create institutions of private property). In addition, part of the higher education institutions began to include I-II accreditation levels (college, technical and vocational schools), which in Soviet times were part of secondary special education.

Since 2010 the trend continues fewer institutions. Said conditioned too high schools Growth in the previous period (until 2000), and exacerbation of the competitive situation in the educational market, resulting in unattractive to consumers institutions have to cease operations. In addition, the state reduces the state order for training, which is due to how labour market trends (the presence of "excess" labour force with higher education) and disability budget.

As a result of a decrease in the number of educational institutions and the simultaneous increase in number of students and trainees grew the average number of students in one school (from 1.48 thousand in 1995/1996 academic year to 2.92 thousand in 2012/2013 academic year). This is a positive trend because it allows you to focus on preparing students opportunities and thus speed up the creation of powerful institutions of higher education with modern material and technical base.

Since 2009, the number of students in the higher education in state and communal ownership decreased primarily due to lower students which receive higher education for part-time basis. It was a natural consequence of negative demographic processes in the country, especially the rapid decrease in fertility in the 1990s By

reducing the total (absolute) number of students experienced a decrease and the rate of the number of students per 10 thousand population (from 493 in 2005/06 academic year to 477 in 2010/11 academic year), although it is significantly higher than rates in other countries.

One of the economic factors that hinder the transition to higher education innovation development model is the lack of funding. Specified due to several factors: general economic crisis, demographic trends, the lack of sufficient competitive educational products, weak mechanisms of interaction between educational institutions and employers, foreign partners and international organizations, etc. [3, 4, 7]. Higher education institutions are funded mainly through the budget (state or local), and at the expense of businesses and individuals. The financial resources of the households (individuals) covers every year all larger share in the structure of higher education. These trends occur despite the fact that the budget funding of higher education relative to GDP and the total expenditure during 2008-2010 compared with 2000-2007, increased slightly. Where as in 2000-2007 the expenditures on the higher education amounted to 1.3 - 1.8% of GDP and 4.7 - 5.7 % of total expenditure, in 2008-2010, these figures increased to 2.0 - 2.3 % of GDP and 6.0 - 6.8 % of budget expenditures. It is significant that in 2010 the ratios of financial provision of higher education from the budget declined, which was a natural phenomenon of significant limitations on many budget programs, including those in higher education due to the need to carry out expenditure to finance the protected items. During the 2011-2012 biennium budget funding of higher education decreased slightly, due to the decrease in facilities and scarcity of budgetary resources (funds allocated from the budget to finance only "protected " expenditure items).

Ukraine has reached a relatively high rate of budget financing of higher education (relative to GDP). In Ukraine almost no funded scientific (research) and Innovation of Higher Education.

In higher education the bulk of the allocated budget goes to salaries and charging for it, as well as scholarships. That is mainly financed by its articles of social spending. At the same time almost financed investment costs for new construction, new educational technologies, purchase training equipment, carrying out advanced research. One of the main causes of this unsatisfactory situation in Ukraine has a large number of universities and their extra- departments. Experts have repeatedly pointed to excess proliferation of higher education in Ukraine, which produces a "useless" to society and market experts. Paradoxically, the licensed number of in 2012 for undergraduate programs totaled 1.2 million, exceeding twice the number of people who graduated from high school. The state order for training in higher educational institutions of various forms of ownership is made transparent, without regard to the quality of educational services.

Funding for education and higher education is uneven. After the rise of the absolute amounts of consolidated budget expenditures on education funding and higher education in 2005-2009, owing to the growth of budget revenues and

expenditure in 2010-2011, the funding of education and higher education has decreased, which was due to the rapid drop in income and expenditure budgets of different levels as a result of the financial crisis. In 2012 funding increased slightly, but not enough pace. Significantly, in 2009, in the most difficult period of crisis, the total expenditures of the consolidated budget have decreased, while expenditures on education and higher education have increased. This shows the efforts of the Government of Ukraine to make adequate funding for educational activities in accordance with the commitments on priority principles.

During 2008-2012 he continued downward trend in the number of students enrolled in higher education, including in the context of available funding sources (other than local budgets). Said explains how demographic problems (rapid decline in the number of young people born in the first half of 1990), and lack of financial resources due to the aggravation of the financial crisis. In Ukraine in higher education studies, almost 90 % of young people aged 17 to 22 years, whereas in other countries this figure stands at 30-45 %. Thus, because of too many college students, the level of expenditure per student in Ukraine is much lower than in leading countries. So now the urgent and significant problem is the selection and justification of the promising areas of financial and economic support higher education system that adequate current challenges of socio- economic situation and the long-term predictions of technological development.

Based on the type of innovation development strategy, which is the most appropriate to specific socio -economic conditions and content innovation policy, the government should work out a system of measures predictive nature both within a single national economy in general and the higher education sector in particular. Best value prediction can be obtained by allocating the same stages of scientific, technological and economic development by temporal parameters: the long-term (15-20 years), medium term (7-10 years) and short term (3-5 years). Basically, these forecasts are designed to reflect the real potential of new technologies in the production and evaluation of their cost-effectiveness.

One of the central issues is the management of R & D and innovation programs. Practice has shown that it can be satisfactorily resolved only in combination with other measures of innovative transformation of higher education. The main sources of financial support innovation processes of higher education in developed countries is both private and public resources, and to fund innovation often kept roughly equal proportions between the both. Through this practice created the reliable and flexible funds that ensure the development of higher education. To finance activities in higher education, the following sources:

- Financial resources, created from their owns and similar funds corporate structures. These include get income (income from sales of marketable products, from construction and assembly work, financial transactions etc.) Depreciation, revenue from sale of property, trust and other revenues;

- Financial resources mobilized in the financial market, credit investments, financial leasing, funds research funds, sponsorship;
- Financial resources coming from the state budget;
- Financial resources coming from private customers.

The financial and credit mechanism innovation of higher education is essential for sustainable economic growth of the country, so it should be based on a system that continuously produces and generates factors that contribute to the development of higher education institutions on the basis of innovation. These include social factors - the level of knowledge required for the solution of social problems, the availability of innovative resources to cope in higher education, the scope, subjects and objects of innovation activity, innovation climate as a complex socio-economic, legal institutions that support innovation institutions of higher education, innovation entrepreneurship as a link between innovation and public spheres of production and consumption [2].

It might also be argued that the development of higher education is in adverse macroeconomic conditions. Reveals itself fall in effective demand of the population, which is why some schools had stopped activities, and some - lower prices, which certainly affects the falling quality of education. The demographic crisis of the 1990s led to a reduction in the number of potential consumers of educational services. There is lack of budget support investment process in higher education.

Feature of Higher Education of Ukraine as an economic activity is the presence in the market area educational institutions (universities) state and municipal property, which simultaneously serves as public institutions (that receive funds from the budgets of different levels for the production of public goods), and as a objects of the economic activities (focused on achieving positive results management by developing educational services and sales in a competitive market).

Higher education also performs important social objectives, particularly through the mechanism of scholarship payments (financed by the budget) provides support for students and disabled citizens who are pursuing higher education, and provides these people with affordable housing (in the dorms). Currently, the realization of the objectives is only possible in the framework of the state and public institutions of higher education. The system of budget financing of institutions of higher education in state and municipal ownership is extremely irrational and subjected to reasonable criticism of scholars and practitioners [6, 8].

In particular, the biggest problem is lack of funding, which is determined not by the real needs and possibilities of the budget, and in fact - elected public officials parameters of fiscal policy (for which adequate funding for education has never been a priority) [1, 5]. An important factor in the development of institutions of higher education in state and municipal ownership, as mentioned, is to determine the sources of financing of the current and future activities, and the structure of these sources is important funding from the budget. However, for private institutions financial

resources are the main source of household income. Therefore, such institutions are oriented primarily to meet the effective demand of the population.

Increasing the financial resources of households that goes into the system of higher education must take place against the backdrop of improving the quality of education. The reason for the low quality of education provided by institutions of higher education of Ukraine is the lack of an integrated approach to management decisions that take into account the economic aspects of higher education in the marketplace. In this regard, the relevance becomes theoretical and conceptual rethinking of the role and place of education and training in the domestic economy.

The basic challenges facing the higher education system of Ukraine with regard to the need of systematic transformations in this field, namely: the need for abandonment of old methods of teaching students to overcome the isolation of the scientific developments of Ukrainian higher educational achievements of world science and the real needs of the market, strengthening staff of the university teachers, retraining those who are not fully owns computers, interactive teaching methods, and foreign languages (teachers require special attention retirement age, which constitute more than 28 % of the teaching staff of universities in Ukraine) to ensure integrated development educational infrastructure, improve the quality of educational services, the adaptation of higher education in Ukraine to demographic challenges (in particular to reduce the number and to change the age of students) achieve a balance between the market of educational services in higher education and the needs of a dynamic labour market development in Ukraine (with taking into account the trends of internal and external migration), orientation of higher education for the target ( professional ) employment of young specialists, the need for Ukraine to potential system of continuous education.

**Conclusions and recommendations.** Increased funding for higher education is a necessary but not sufficient condition for high-quality educational services, and, consequently, a high level of competitiveness of higher education institutions. It is necessary to carry out a number of fundamental structural and institutional, financial and economic events and change management techniques.

It is necessary to restore proper competitive level of remuneration of scientific and pedagogical staff. To appropriate development and adoption of the state of the target complex program that would provide output 2-3 Ukrainian universities in the list of the top universities in the world (Top 500).

It should concentrate financial resources for the higher education by reducing the number of the higher education institutions and their consolidation. This is important in terms of improving the quality of education and its role in ensuring the development and competitiveness of Ukraine on world markets. The expedient of "inventory" is existing institutions of the higher education and reducing the volume of licensed training. One of the main criteria for issuing licenses for educational activity should take into account the profile of the university.

It should be outlined basic concepts of higher education as a form of economic

activity, including the term "educational service", "educational product", "education market" and others. To appropriate development of the guidelines for the determining the cost of the educational services provided by the universities. In the area of financing of experts should be established effective models of public-private partnerships.

To improve the quality of education, improving the competitiveness of national universities and the introduction of the system of higher education in Ukraine the best achievements of European Reform of higher education, the use of the effective mechanisms for the formation and regulation of educational services, the state must radically expand the institutional, academic and financial autonomy of universities. The new Ukrainian legislation on higher education should change the administrative methods of control of the university and to create the institutional basis for the granting them wide autonomy. It is the democratization of higher education is seen as a factor in its integration into European and world educational space.

Government policy to ensure quality education in higher education in Ukraine requires an effective institutional and legal and financial support on which it is necessary to employ effective mechanisms of economic regulation and education. Addressing this issue requires consideration of international trends and strategies of modernization of the world educational space; challenges of globalization and competitive risks XXI century. Renewed legislation on higher education should take into account the overall European strategy, to promote the employment of the basic tools of reform, rather than focusing on a mechanical copying some foreign examples of high school.

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