

UDC 336

DOI: <https://doi.org/10.32782/2520-2200/2022-1-9>**Malyshko Vitalina**PhD in Economics,  
Senior Lecturer at the Department of  
Finances, Accounting and Taxation  
Hryhorii Skovoroda University in Pereiaslav**Jaremenko Liudmyla**PhD in Economics, Senior Lecturer at the Department of  
Finances, Accounting and Taxation  
Hryhorii Skovoroda University in Pereiaslav**Petryk Bohdan**Postgraduate Student  
Hryhorii Skovoroda University in Pereiaslav**Малишко В.В., Яременко Л.М., Петрик Б.О.**  
Університету Григорія Сковороди в Переяславі**FINANCIAL POLICY OF THE HIGHER EDUCATION INDUSTRY:  
FOREIGN EXPERIENCE FOR UKRAINE****ФІНАНСОВА ПОЛІТИКА ГАЛУЗІ ВИЩОЇ ОСВІТИ:  
ЗАРУБІЖНИЙ ДОСВІД ДЛЯ УКРАЇНИ**

The article describes the mechanism of financing the development of the higher education system. Several models of education financing, flows and sources of financial support for higher education institutions are considered. The financial policy of higher education in different countries of the world is analyzed: Canada, Great Britain, France, Japan, Sweden, Norway, China, Nigeria, Brazil, Argentina, India, Greece, Italy, Denmark, Finland, Israel, the Netherlands and the USA. It is noted that in Ukraine some elements of the American system of tax benefits for educational services could be applied. Diversification of sources of education funding is one of the ways to reduce the resource dependence of free economic education on the state. Examining the state of financing of higher education and sources of financial resources, it is indicated that it is necessary to include in the priority areas of improving the system of financing education in the context of ensuring the competitiveness of free economic education.

**Key words:** financial policy, higher education, financing mechanism, financial resources, diversification, labor market.

У статті охарактеризовано механізм фінансування розвитку системи вищої освіти. Розглянуто кілька моделей фінансування освіти, потоки та джерела фінансового забезпечення діяльності закладів вищої освіти. Проаналізовано фінансову політику галузі вищої освіти різних країн світу: Канади, Великої Британії, Франції, Японії, Швеції, Норвегії, Китаю, Нігерії, Бразилії, Аргентини, Індії, Греції, Італії, Данії, Фінляндії, Ізраїля, Нідерландів та США. Досліджуючи дане питання, було вказано, що у будь-якій країні світу державний сектор відіграє найпершу роль у фінансуванні освіти, хоча частка держави може значною мірою різнитися. На даний час, важливим є те, що одним із чинників, що впливають на зарахування студента до університету чи коледжу, є його фінансова спроможність, адже саме від їх кількості і залежить функціонування кожного закладу вищої освіти. Проаналізовано кілька підходів до організації державного фінансування вищої освіти: фінансування за видатками, фінансування за результатами та договірне фінансування освіти, які сформувалися у світовій практиці. Вказано, від яких чинників залежить співвідношення між бюджетним і не бюджетним фінансуванням освіти: темпів економічного розвитку, наявності бюджетних ресурсів за адекватної державної політики у сфері освіти, форми власності закладу вищої освіти та ефективності керівництва ним. Було зазначено, що брак фінансування системи освіти викликає безліч не лише економічних, а й соціальних проблем, серед яких: заборгованість по соціальних виплатах та комунальних послугах, ослабленість системи державного кредитування студентів, припинення фінансування програм покращення житлових умов науково-педагогічних працівників, недостатній обсяг фінансування наукової сфери, гальмування інноваційних програм розвитку освітньої системи. Запропоновано Україні можна застосувати деякі елементи американської системи податкових пільг на освітні послуги. Дослідивши фінансування вищої

освіти та джерел формування фінансових ресурсів вказано, що необхідно віднести до пріоритетних напрямів удосконалення системи фінансування освіти.

**Ключові слова:** фінансова політика, вища освіта, механізм фінансування, фінансові ресурси, диверсифікація, ринок праці.

**Formulation of the problem.** Recently, in many countries, the funding-oriented approach to higher education has been replaced by an approach that focuses more on direct student support. At the same time, institutions continue to receive funds from the state, but by indirect means. In addition, institutions retain the possibility of receiving direct funding from the state.

This way of state funding of educational institutions leads to competition between them for attracting students, greater choice in public funding of education. At present, many countries, especially European ones, are dominated by state-funded institutions, but the possibility of allocating public funds for education at the expense of students is increasingly being explored.

**Analysis of scientific publications.** Leading Ukrainian and foreign scientists V. Bazylevych, J. Beskyd, T. Bogolib, I. Kalenyuk, L. Kozarezenko, V. Kremen, E. Libanova, V. Malyshko, T. Obolenskaya, I. Radionova, D. Robertson, V. Safonova, I. Chugunov, L. Yaremenko and others.

Nevertheless, there are still many theoretical and practical problems in the industry that need to be solved.

**The purpose of the article is** to study the theoretical and practical aspects of financing higher education in different countries, which may be useful for Ukraine.

**Presentation of the main material of the study.** The general trend of the current level of development of education systems in the world is the complexity of the funding mechanism, convergence, commonalities between public and private sectors, increasing the expansion of different sources of funding at each level of education. The complication of the financing mechanism is not only due to the consistent diversification of sources, but also in the direction of branching out the processes of allocation of funds, their disposal and use.

In developed countries, several financing models are used education, in particular the free market-oriented model with neoliberal funding policies; anti-market model of full financing of education, a model focused on the social market with the concept of so-called humane capitalism and an active state; financing model focused on the social market (broad involvement in the financing of non-governmental organizations, foundations, etc.). But regardless of the chosen model, the world's leading countries spend much more on education than among them: as noted above, the world average is 5.62% of GDP [1].

It should be noted that of all possible funding models for higher education, preference should be given to the system of funding that increases the efficiency of a flexible, dynamic and results-oriented education system, as it is based on a high degree of measurement of performance of individuals and educational institutions.

In any country in the world, the public sector plays a leading role in financing education, although the share of the state can vary greatly. However, no country, even the most developed, can fully meet the needs of education only at public expense, there is a certain limit above which the share of expenditures on education in the state budget or relative to GDP can not grow further.

State funding of higher education institutions is a complex process in its internal structure. According to national legislation, it can be carried out from different levels of government (central, regional, local), different government agencies (ministries and departments), based on different formulas and methods.

The share of the private sector can be expressed in various parameters: not only through the ratio of public and private educational institutions, but also the amount of financial resources, private and public educational institutions, as well as charitable and sponsorship contributions.

However, the flow of financial resources to education is not limited to division for public and private. Targeted contributions of enterprises and organizations are an important channel for the receipt of funds, especially in developed countries. The participation of enterprises can take various forms. For example, through the creation of their own educational institutions, so-called corporate universities. As you know, the undisputed leader in the creation of such institutions were the United States and the largest Western multinational companies [2, p. 103]. Various issues of creation and operation of such institutions are increasingly being studied by scientists from different countries, where there are many large firms with significant regional units. The dynamics of growth in their number in the modern world shows that this form of educational activity is not just rapidly developing, but gradually even beginning to overtake other, more traditional forms of obtaining various degrees of higher education.

Also, the establishment of special taxes becomes an important channel for financing education and training. In addition, the state can provide organizational assistance through the

introduction of mandatory training schemes for employees or the establishment of a rule for payment by employees of part of the cost of training received in the event of dismissal. A striking example of successful co-financing by businesses and the government is provided by study leave schemes in France and Belgium [1].

In the history of US higher education in the last century, the decade from the mid-1950s to the mid-1960s was a «golden age» for the growth of colleges and universities. The flow of funds from public and private sources has made it possible to increase the number of students, expand the functions of universities, and so on. Opportunities have opened up to improve the material base and attract the best professors. This happened because the number of entrants increased. At the end of this «boom» period of higher education, teachers began to pay more attention to the management of institutions, and students – the relevance of programs to their needs.

Since the early 1970s, the question of «who will pay» has become more and more common, because the problem of planning and reform, the role and directions of development depended more on the financial situation in the school.

In the 1980s and 1990s, admission to higher education institutions decreased by 10-20%. Fewer students means higher costs per student, which in turn requires higher tuition fees, higher government subsidies per student, or, conversely, lower costs for goods and services needed by colleges and universities.

One of the factors influencing a student's enrollment in a university or college is his or her financial capacity. After all, the study programs of international students in the United States, as, after all, in many other countries, is a kind of large commercial project.

Of course, studying at an American university or college is quite expensive given the economic condition of the average Ukrainian. After all, the cost of one year of study is from 15,000 to 40,000 US dollars [3, p. 215].

Analyzing the sources of funding for higher education institutions, regardless of the structure of the state, expenditures on higher education should be covered from a combination of four sources of income: parents, students, taxpayers and higher education institutions. This approach is typical for the United States [4].

Sources of financial support for the activities of higher education institutions in the United States are: funds allocated from the federal, state and local budgets; payment of students for tuition and services; income from own activities; donations from organizations and individuals; interest on savings from special funds; created by private organizations and individuals.

In Germany, the higher education system is divided into two sectors. One sector covers universities, the other – Fachhochschulen (higher professional educational institutions, which are now called universities of applied sciences). Although the number of universities does not exceed a quarter of the total number of higher education institutions (96 out of 350 higher education institutions in 2000), they still dominate students.

If you look at Germany as a whole, higher education is a much more decentralized system. However, at the level of individual lands, higher education is properly centralized. Traditionally, the ministries of land responsible for higher education have a significant influence on legislation, administration and finance.

The issue of financing higher education is primarily in the competence of the lands. Land, in addition, fully covers the costs associated with the salaries of teachers, other staff, as well as the maintenance of buildings and equipment.

Most lands have new legislation on higher education. In Germany, there is a very complicated procedure for negotiating traditional item budgets between individual higher education institutions.

The experience of foreign countries shows that the principle of lending to the population for higher education is successfully implemented in foreign countries, for example in France, this system has developed significantly. In the UK and Sweden, educational loans are also in demand. The experience of state participation in the partial financing of private educational institutions is also interesting. The study of such practices can be useful, and therefore consider the organization, role and place of financial and credit funds in the education system of France, England, Sweden and the United States.

France is characterized by a steady increase in spending on education. For example, from 1975 to 1992, they increased from 95.9 to 460.6 billion francs, are stable in terms of gross product and range from 6.4 to 6.8 percent. Note that the state, in addition to public educational institutions, partially funds private and private, but only those who cooperate with it on a contract basis.

The relatively shallow redistribution of participation in higher education funding between the state and the private sector, which is observed everywhere, masks two important phenomena: the movement towards a system of mixed funding and changing methods of public control [5, p. 90].

The main role in ensuring the functioning of public higher education is given to the Council for the Financing of Higher Education in England and the relevant departments in Scotland, Wales and Northern Ireland. The role of the Council is to make recommendations to the Secretary of State

for Education in the United Kingdom and to allocate public funding to universities and colleges. The Council is also responsible for monitoring the quality of education and research, developing university cooperation while maintaining their autonomy, expanding both the local and international role of each university, and auditing the efficiency of the use of funds and public funding.

A special place in the Swedish higher education system is the obligatory provision of material (financial) assistance from the state budget to all students of higher education institutions who need it. Such assistance is provided in the form of grants and loans. At the same time (non-refundable) can be up to 30% of the total amount of assistance, credit – about 70%, financial aid for training must be indexed to inflation.

Repayment of the state credit part of the financial aid for education begins no later than 6 months after receiving the last share of the loan together with loan interest equal to 70% of the discount rate set by the National Bank. The amount of the repayable loan depends on the person's annual income. As a rule, it is about 4 percent of annual income. Almost all higher education institutions receive direct or indirect financial support from the state and the federal government in one form or another. At the same time, a significant part of the budget of state higher education institutions is formed, in fact, at the expense of government funding. Other sources of income for public (public) and private higher education institutions are tuition fees withheld from students, sales of goods and services, private donations and targeted subsidies, contributions from various funds.

In Ukraine, some elements of the American system of tax benefits for educational services could be applied, taking into account the level of income of the applicant or his family and academic performance as criteria for determining the amount of such benefits. Grants and discounts should be used as an incentive for the most talented students, and loans – as an opportunity to obtain higher education [6, p. 54].

Thus, the analysis of the current state of educational institutions, their funding shows that to solve problems in this area it is necessary to form a holistic policy of its development. The main task is to optimize the structure of educational institutions, financial and credit sources of their development [7, p. 59].

In world practice, several approaches to the organization of public funding of higher education have been formed.

Expenditure financing (Canada, Great Britain, France, Japan, Sweden, Norway, China, Nigeria) assumes that budget funds go directly to higher education institutions and their use is clearly con-

trolled by the state. The degree of autonomy and, consequently, the responsibility of higher education institutions for the provision of quality educational services is low. Budgeting of higher education institutions is carried out using three mechanisms: linear budget – the budget is distributed by type of costs (salary, equipment, student services); program budget – the distribution of funds by cost centers (individual faculties or, in some cases, even individual teachers responsible for the program); estimates by type of activity – with the separation of costs for training and research.

Funding by results (Denmark, Finland, Israel, the Netherlands, the USA and other countries) means that the allocation of public funds depends on the results of educational and research activities of higher education institutions – direct (quality and scope of educational services) and final (social) economic effect of education: career growth of graduates of higher education institutions, their income, employers' satisfaction with the quality of graduate training, etc.). The higher education institution has more powers in financial and administrative management, but the line ministry constantly monitors the quality of education.

Contractual financing of education (Brazil, Argentina, India, Greece, Italy) is based on the results of negotiations between representatives of higher education institutions and the Ministry of Education or financial institutions. The formation of the budget of higher education institutions can take place: a) by increasing funds compared to the previous period in accordance with the development plans of the educational institution; b) with the use of «ad hoc» agreements, given the political weight in society of the representatives of the educational institution; c) the method of establishing by the government for each specific institution of higher education a fixed percentage of national income. Contractual financing of higher education is not considered effective by experts due to high economic uncertainty and dependence on external influences [8, p. 224].

The development of non-state forms of financing is gradual. In addition, the use of individual sources is quite limited due to various circumstances. An obstacle to financial assistance to education from enterprises and financial structures is the non-transparency of the budget process both at the level of individual educational institutions and at the level of the district or city. It is difficult for NGOs or charitable foundations to enter into contractual relationships with educational institutions because they cannot hire staff to perform professional tasks. The use of education credit mechanisms is also limited [9].

The ratio between budgetary and non-budgetary financing of education depends on a number

of factors, namely: the pace of economic development, the availability of budgetary resources with adequate public policy in education, ownership of higher education institutions and the effectiveness of its management.

It should be noted that any changes in the education system are impossible without adequate financial support, and the experience of both command-administrative and market management systems shows that the budget is the dominant source of funding for the activities and development of public higher education.

Expenditures on education, despite a steady upward trend, lag far behind similar indicators in developed countries. Although expenditures on education have outpaced GDP growth in some years, which is a positive development, budget expenditures have provided mostly funding for public scholarships, part-time salaries and utility bills. This is due to the fact that the normative method of determining the amount of funding, which is used as a method of allocating budget funds, involves their adjustment in the direction of reduction due to shortages. Therefore, it is necessary to improve or develop an approach to determining the amount of funding, taking into account the minimum social standards that allow to establish the lower limit of mandatory financial support for educational development.

It should be noted that the lack of funding for the education system causes many not only economic but also social problems. Such problems include: arrears of social benefits and utilities, weakening the system of public credit for students, cessation of funding for programs to improve the living conditions of research and teaching staff, insufficient funding for science, inhibition of innovative programs for education. In addition, the need to preserve and develop the material and educational base determines the dependence of educational institutions on the funds received as tuition fees for contract students, which negatively affects the quality of training and, consequently, the competitiveness of higher education institutions.

Given the above, diversification of sources of funding for education (attracting student funds, introducing educational loans, opening programs of paid additional vocational education, conducting research to order, etc.) is one way to reduce resource dependence of higher education institutions from the state. This problem has been exacerbated by the financial and economic crisis, threatening the development of higher education in Ukraine: on the one hand, reduced funding opportunities for higher education institutions and, consequently, reducing the salaries of teaching staff, reducing research spending, suspending budget financing of soft loans for housing

construction for research and teaching staff; on the other hand, the share of special fund funds earned by state higher education institutions has increased.

Having studied the state of financing of higher education and sources of formation of financial resources to the priority areas of improving the system of financing of education in the context of ensuring the competitiveness of higher education institutions should include:

1) ensuring effective allocation of financial resources for expenditures of educational services from state and local budgets in amounts sufficient for the development of higher education institutions, taking into account the state of material and technical and laboratory base, opportunities to reproduce the potential of scientific and pedagogical staff and science;

2) strengthening control and carrying out a systematic analysis of the targeted use of funds for education, providing effective mechanisms of public control over their spending in higher education;

3) improvement of methods for determining the amount of funding for education and development of funding standards taking into account the minimum social standards that will establish the lower limit of mandatory financial support for educational development;

4) improvement of the mechanism of financing education in Ukraine taking into account international experience, transition to multi-channel financing, taking decisive measures to increase and diversify sources of financing higher education and optimize their structure;

5) creating conditions for the use of intellectual labor, increasing its prestige and demand for it, bringing the amount of training for higher education to the needs of the modern labor market;

6) improving the scientific, methodological and informational support of the educational process, creating conditions for basic and applied research in higher education institutions, which will be an additional source of funding for higher education and help increase the competitiveness of national higher education institutions;

7) development of the system of educational crediting, which will promote: increasing the interest of citizens in the use of credit resources to pay for educational services; ensuring the availability of educational credit for the general population; stimulating effective demand in the market of educational services; increasing the amount of financial resources in higher education institutions; attracting financial resources in the field of long-term educational lending;

8) creation of a new model of economic activity of higher education institutions, which is based on

the joint participation of the state, business circles and citizens [10].

**Conclusions.** The development of national education systems is determined by country-specific socio-economic factors and political conditions that have their own trajectory and life cycle.

The world practice does not know cases of stabilization of expenses by means of the means directed on economy of means. It is possible to achieve a tem-

porary reduction in costs, but the result will be a loss of the achieved level of development of the country's education system. Developed countries plan to increase annual spending on education systems.

The system of financing higher education in Ukraine needs to be reformed in order to increase the competitiveness of higher education institutions and ensure quality standards of higher education in accordance with European standards.

#### References:

1. Kuklin O. V. (2010). Finansovi mekhanizmy funktsionuvannya vyshchoi osvity [Financial mechanisms of higher education functioning]. *Formuvannya rynkovoї ekonomiky*, no. 24, pp. 373–381. Available at: <http://ir.kneu.kiev.ua:8080/bitstream/2010/420/1/Kuklin.pdf> (accessed 10 January 2022).
2. Galaguzova M. A., Galaguzov A. N. (2008). Korporativnoe obrazovanie [Corporate education]. *Pedagogi chesкое obrazovanie i nauka*, no. 6, pp. 101–105.
3. Hrishnova O. (2000) Zarubizhnyi dosvid finansuvannya osvity ta perspektyvy yoho zastosuvannya v Ukraini [Foreign experience in financing education and prospects for its application in Ukraine]. *Naukovi pratsi NDFI*. Kyiv : NDFI. Vyp. 10-11, pp. 214–222.
4. Galagan A. I. (1994). Universitety v regional'nyh jekonomicheskikh i upravlencheskikh strukturah SShA, stran Zapadnoj Evropy i Japonii [Universities in the regional economic and administrative structures of the USA, Western Europe and Japan]. Moskva : NIIVO. 128 p.
5. Shevalie T., Eisher Zh. -K. (2005). Finansuvannya vyshchoi osvity : desiat rokiv zmin [Financing higher education : ten years of change]. *Vyshcha shkola*, no. 2, pp. 85–94.
6. Dobrovolska L. M. (2003). Deiaki aspekty derzhavnoho finansuvannya vyshchoi osvity [Some aspects of public funding of higher education]. *Finansy Ukrainy*, no. 8, pp. 50–54.
7. Kychko I. I. (2003). Finansuvannya osvity v umovakh formuvannya sotsialno oriientovanoi ekonomiky [Financing of education in the conditions of formation of socially oriented economy]. *Finansy Ukrainy*, no. 1, pp. 53–59.
8. Shevchenko L. S. (2013). Finansuvannya vyshchoi osvity : dyversyfikatsiia dzherel [Financing higher education: diversification of sources]. *Teoriia i praktyka pravoznavstva*. Vyp. 2, pp. 222–233.
9. Kasych A. O., Tsyhan V. A. (2013). Osoblyvosti finansuvannya vyshchoi osvity v Ukraini ta inshykh krainakh svitu [Features of financing higher education in Ukraine and other countries]. *Efektivna ekonomika*, no. 12. Available at: <http://www.economy.nayka.com.ua/?op=1 &z=2587> (accessed 10 January 2022).
10. Tarasenko I. O., Nefedova T. M. (2013). Problemy finansuvannya vyshchoi osvity v Ukraini v konteksti zabezpechennia konkurentospromozhnosti. *Visnyk Kyivskoho natsionalnoho universytetu tekhnolohii ta dizainu*, no. 4(72), pp. 177–185. Available at: <https://er.knutd.edu.ua/handle/123456789/1515> (accessed 10 January 2022).

#### Список використаних джерел:

1. Куклін О. В. Фінансові механізми функціонування вищої освіти. *Формування ринкової економіки*. 2010. № 24. С. 373–381. URL: <http://ir.kneu.kiev.ua:8080/bitstream/2010/420/1/Kuklin.pdf>.
2. Галагузова М. А., Галагузов А. Н. Корпоративное образование. *Педагоги чешское образование и наука*. 2008. № 6. С. 101–105.
3. Грiшнова О. Зарубiжний досвiд фiнансування освіти та перспективи його застосування в Україні. *Наукові праці НДФІ*. Київ : НДФІ, 2000. Вип. 10-11. С. 214–222.
4. Галаган А. И. Университеты в региональных экономических и управленческих структурах США, стран Западной Европы и Японии. Москва : НИИВО. 1994. 128 с.
5. Шевальє Т., Ейшер Ж.-К. Фiнансування вищої освіти : десять років змін. *Вища школа*. 2005. № 2. С. 85–94.
6. Добровольська Л.М. Деякі аспекти державного фiнансування вищої освіти. *Фiнанси України*. 2003. № 8. С. 50–54.
7. Кичко І. І. Фiнансування освіти в умовах формування соціально орієнтованої економіки. *Фiнанси України*. 2003. № 1. С. 53–59.
8. Шевченко Л. С. Фiнансування вищої освіти : диверсифікація джерел. *Теорія і практика правознавства*. 2013. Вип. 2. С. 222–233.
9. Касич А. О., Циган В. А. Особливості фiнансування вищої освіти в Україні та інших країнах світу. *Ефективна економіка*. № 12. 2013. URL: <http://www.economy.nayka.com.ua/?op=1 &z=2587>.
10. Тарасенко І. О., Нефедова Т. М. Проблеми фiнансування вищої освіти в Україні в контексті забезпечення конкурентоспроможності. *Вісник Київського національного університету технологій та дизайну*. 2013. № 4(72). С. 177–185. URL: <https://er.knutd.edu.ua/handle/123456789/1515>.