

<https://www.iso.org/obp/ui/fr/#iso:std:iso:9001:ed-5:v1:en> (Accessed 30 November 2018).

7. *Sovremennaya Humanytarnaya Akademya. Teoryya orhanyzatsy*, (2015), "Organization as an open system", available at: <http://www.standard-company.ru/standard-company8.shtml> (Accessed 13 December 2018).
8. *Perfyl'eva, O.V.* (2016), "Academic added value in assessing the University's effectiveness", *Izvestiya Saratovskogo universiteta. Seriya EHkonomika. Upravlenie. Pravo*, Tom 4, vol. 4, pp.380-384.
9. *The Glossary of Education Reform* (2013), "Value-Added Measures", available at: <http://edglossary.org/value-added-measures/> (Accessed 15 December 2018).
10. *Cunha, Jesse M.* (2014), "Measuring value-added in higher education: Possibilities and limitations in the use of administrative data", *Economics of Education Review*, pp. 64–77.
11. *Savyuk, L.* (2017), "The sphere of educational services in the context of world globalization", *Jurnal "Economic Herald of the Donbas"*, vol. 4, pp. 74-81.

Tarasenko Oleksiy

Post-Graduate Student

Tsybalenko Nataliia

Candidate of Economic Sciences,

Associate Professor

Kiev National University of

Technology and Design

(Kyiv, Ukraine)

**FINANCING OF HIGHER
EDUCATION IN UKRAINE**

Formation and effective use of financial resources of Ukrainian universities (hereinafter - Higher Education Institutions (HEIs)) in the context of a shortage of budget financing of higher education for increasing competition between HEIs both in the national and international markets of educational services has become one of the most important conditions for ensuring their economic security. This requires the search for effective mechanisms for diversifying funding sources and allocating available financial resources.

The reduction of budget financing and the expansion of

administrative and financial autonomy of the HEIs involves the search for new areas of HEIs activity with a view to further commercialization of educational services and results of scientific research. The need to carry out its business on a commercial basis does not deprive HEIs of their important social role as one of the main actors of the formation of human capital and intellectual potential of the nation.

Thus, in modern conditions, on the one hand, HEIs are full-fledged economic entity operating in a market economy on a competitive basis, and on the other hand, they are organizations that ensure the realization of the society interests.

Ensuring the balance of the economic and social aspects of the HEIs activities is a prerequisite for strategic development. Thus, the priority of a social function is possible only under conditions of sufficient budget financing of higher education. In modern Ukrainian realities – limited budget financing and the increasing level of autonomy of HEIs – excessive attention to the social function while leveling the economic one leads to a lack of financial resources. In its turn, it causes the aging of the material and technical base of universities, the reduction in payment and the prestige of the work as the professorial teaching staff, reducing the quality of educational services and research. Thus, it threatens the possibility of functioning of the HEIs in general, considering the difficult economic situation in the state.

At the same time, the priority of the economic aspects of the HEIs activities over social ones is now perceived by the majority of Ukrainian HEIs as a necessary condition for ensuring their activity.

In market conditions, this approach allows to take into account the requirements of the market of educational services, to expand the list of sources of financing HEIs, promotes the development of competition between HEIs (Robak, O.M., 2007, p. 8).

Indeed, the diversification of the spheres of activity, the expansion of the educational programs list, the provision of competitiveness, and the deepening of the activities commercialization provide modern HEIs with the necessary financial resources. However, an increase in attention to these aspects of HEIs activity is often accompanied by a disregard of the society interests, as attention is paid to marketing activities. At the same time, the creation of new educational programs is focused on the popularity of the popularity of relevant professions among applicants, rather than the real needs of the market; the use of marketing tools for attracting new students and partners is not always accompanied by the ensuring the appropriate quality of educational services and researches;

commercialization restricts the access of individuals to higher education.

Thus, there is an objective need to ensure a balance between the economic and social aspects of the Ukrainian ZOO activity, which makes it advisable to combine two main approaches to building a financing mechanism for HEIs, namely: an approach based on budget financing and another one based on the principle of higher education pay.

In the complex socio-economic conditions prevailing in Ukraine, the social function of higher education should be guaranteed by the state on the basis of a government procurement for the training of specialists, which are socially important, unpopular and, at the same time, necessary for the development of the professions economy, defined taking into account medium and long-term macroeconomic forecasts of socio-economic development of Ukraine. In addition, an important function of the state is to ensure access to higher education for all population segments.

At the same time, the necessary condition for ensuring the economic security of the HEIs is the attraction of additional financial resources, which form a special university fund and are directed to the implementation of the statutory activities in accordance with the procedure and on the terms established by the legislation. The correlation between budget and non-budget financing of higher education depends on a significant number of factors, namely: the stage and pace of economic development, the availability of budgetary resources for adequate state policy in higher education, the forms of ownership of HEIs and the management efficiency.

The financing sources of HEIs in Ukraine, except for Budgeting Fund, are (Balyihin, G.A., Romanov, P.V. & Chebotarevskiy, Yu.V., 2003):

- a) funds received from additional educational services;
- b) sponsorship;
- c) funds of charitable foundations;
- d) funds received from commercial services;
- e) tuition fee;
- f) attracted funds: means of bank and non-bank lending; state lending (scholarship), studying in leading Ukrainian and foreign HEIs;
- g) funds (grants) received from participation in international HEIs cooperation (international projects);
- h) international assistance.

Analysis of the scientific literature allows us to conclude that the

experience accumulated by universities of developed countries in the formation of financing mechanisms should be a guideline for the HEIs of countries with a transformational economy, including Ukrainian ones. Differences in existing higher education financing mechanisms caused by the specifics of the macro-, meso-, and microeconomic conditions of the HEIs activities of Ukraine determine the choice of subjects (individuals, economic entities, public organizations, state, international organizations), stakeholders (students, teachers, employers, society in general) and objects of financing (students, individual projects or studies, HEIs).

International experience shows that in conditions where the right for education at the expense of budget funds is for a limited category of citizens (recognized as requiring state support), individuals as the main consumers of educational services, lacking sufficient income and savings have to attract long-term credit resources (Solyannikova, S.P.). Thus, educational lending contributes to the support of solvent demand for educational services and accessibility of higher education.

In general, the creation of a modern mechanism for managing financial support of higher education is aimed at achieving positive dynamics of its development in order to fully meet the needs of the Ukrainian population for high-quality and affordable education, as well as the needs of economic entities for qualified specialists (Robak, O.M., 2007, p. 71). An effective financing mechanism for certain HEIs is a prerequisite for ensuring their economic security.

The guarantor of human rights to receive a quality higher education is the state. Taking into account the current stage of the socio-economic development of Ukraine, which is characterized by profound changes in all spheres, including the educational one, the present and future of the Ukrainian society depend on the effectiveness of the educational system reform.

The end of 2013, when Decree of the President of Ukraine dated June 25 № 344/2013 approved the National Strategy for the Development of Education in Ukraine for the period until 2021, should be determined as the beginning of the education system reform in Ukraine (About national strategy for the development of education in Ukraine for the period up to 2021, 2013). On November 12, 2014 “The Strategy of Higher Education Reform of Ukraine 2020” developed by the working group at the Ministry of Education and Science was presented for discussion (Strategy of reforming higher education of Ukraine 2020 (project), 2014)). In 2014, the Strategic Advisory Group

“Education” developed the Draft Concept for the Development of Education in Ukraine for the period 2015-2025 (Concept of development of Ukrainian education for the period of 2015-2025 (project), 2014). The analysis of these documents made it possible to conclude that they are aimed at achieving common goals, namely (Tarasenko, I. O., Tsymbalenko, N.V. & Tarasenko, O.S., 2018):

1) ensuring the availability of quality education for all population segments in order to ensure social mobility and reduce socio-economic differentiation in society;

2) covering the current and future needs of the economy and social sphere in specialists with the necessary qualification, promoting the development of continuing education;

3) promotion of the active participation of HEIs graduates in the economic, social, political and cultural life of society;

4) development and effective use of scientific and engineering potential;

5) intensification of innovation;

6) creating conditions for youth consolidation in the spheres of science, education and high technologies;

7) formation of effective economic relations in education;

8) formation of effective mechanism for managing the education development on the basis of the distribution of responsibility among subjects of educational policy, etc.

Defining the goals of state policy in the field of higher education allows to formulate the main macroeconomic tasks of improving the financial mechanism of this sphere, namely:

- reduction of budget financing of higher education requires increasing efficiency of using available funds, which means the use of mechanism of budget financing of higher education in accordance with the principles of targeted and effective use of funds, publicity and transparency in decision-making (About Higher Education, 2014);

- the need to ensure affordability of higher education for all population categories of Ukraine has led to the creation of a system of public crediting of citizens for higher education (About approval of preferential crediting for vocational and higher education, 2013);

- the need to diversify sources of financing higher education necessitates the development and approval of corporate and commercial lending procedures for obtaining higher education.

Thus, the mechanism of budget financing of higher education from 2015 is being modernized by the Ministry of Education and Science

(MES) of Ukraine in accordance with the specifics of the current stage of socio-economic development. Before the modernization of the higher education financing mechanism, the funds of the state budget of Ukraine aimed at financing the higher education seeking by citizens were distributed among HEIs. The competition was held among the applicants of a particular HEI. During 2015-2018 MES of Ukraine has introduced and gradually expanded the use of a “broad competition” among HEIs applicants. The method of “broad competition” ensures the fairness of budget funds distribution, which were aimed at financing of obtaining higher education. The entrants with the highest competition points receive an opportunity to obtain higher education at the expense of the state budget funds. These points are counted taking into account the results of the External independent testing, the average point of the document on full secondary education, the point about the successful completion of HEI Cram school (About Higher Education, 2014; OSVITA.UA, 2018).

It should be noted that, according to the Law of Ukraine “On Higher Education”, the total amount of government procurement for training specialists in the degrees of junior bachelor, bachelor (Master of Medicine, Pharmacy and Veterinary) is at least 51% of the number of graduates of general educational institutions that completed general secondary education during the lasting year. The total volume of the government procurement for the preparation of master’s degree specialists is not less than 50% of the number of students who have received a bachelor’s degree on the government procurement during this year. The total volume of the government procurement for the training of Ph.D. is not less than 5% of the number of students who received a master’s degree in the government procurement (About Higher Education, 2014).

In addition, the legislation of Ukraine provides the possibility of getting state-subsidized loans for vocational and higher education in full-time and part-time form of study on the basis of agreements concluded between the school and the natural or legal person (About approval of preferential crediting for vocational and higher education, 2013).

Thus, the modernization of the financing mechanism of higher education in Ukraine led to the opportunity for the most successful applicants to choose a specialty and HEIs. In the conditions of constant reduction of the share of budget expenditures on higher education in the structure of expenditures on education and, accordingly, in the structure

of total expenditures of the consolidated budget, this is an incentive to improve the quality of education, the active use of marketing tools, the expansion of forms and methods of funding higher education for individual HEIs. In addition, conditions for obtaining higher education for citizens belonging to privileged categories of the population (children of deceased defenders of Ukraine, persons with disabilities, combatants and their children, internally displaced persons, etc.) were created. At the same time, the “Procedure for preferential crediting for vocational and higher education” (About approval of preferential crediting for vocational and higher education, 2013) was developed and approved, according to which citizens of Ukraine have the opportunity to receive preferential state loans for vocational or higher education.

At the same time, the practice of financing higher education on the basis of public-private partnership and commercial educational lending has not been widely spread in Ukraine.

Thus, according to the Law of Ukraine “On Public-Private Partnership”, public-private partnership in Ukraine is defined as cooperation between the state, the Autonomous Republic of Crimea, territorial communities represented by the relevant state bodies and bodies of local self-government (state partners) and legal entities, except for state and communal enterprises or private entrepreneurs (private partners), which is carried out on the basis of the agreement (About public-private partnership, 2010).

The provision of social services, the management of a social institution is defined as one of the areas of public-private partnership. Thus, the provision of educational services and other HEIs services is one of the types of economic activity in which implementation public-private partnership can be used under condition of detailed justification of its socio-economic and environmental efficiency (About public-private partnership, 2010). The introduction of public-private partnership in Ukraine in the areas of vocational and higher education was initiated by the Ministry of Education and Science of Ukraine in 2016, however, this practice has not been sufficiently disseminated due to the lack of a clear mechanism for organizing cooperation between public and private actors.

As for commercial loans for higher education, it should be noted that in Ukraine payment for studying in HEIs is lent by banks on the basis of consumer credit. The adoption of the Law of Ukraine “On Consumer Lending” (About consumer lending, 2016) became a step towards the spread of norms and standards applied in the EU and the USA. At the

same time, the system of consumer lending in Ukraine does not envisage increasing the availability of credit funds for citizens intending to obtain higher education.

In general, the state policy in the sphere of diversification of sources of financing higher education is effective in terms of its budget financing and at the same time requires improvement of the financing mechanism of the HEIs, in particular, by spreading the practice of public-private partnership and increasing the availability of credit for citizens.

The creation of an effective mechanism for financing higher education (HEIs) which is capable of meeting the needs of all all interested persons (students, HEIs, employers and society in general) provides for a combination of credit methods (state and commercial), budget financing, public-private partnership, attraction of public funds, public organizations, international funds.

The main subjects of the financing mechanism of the HEIs and higher education in general are:

- international organizations that take part in the formation and implementation of international social policy, in particular on target financing of higher education of individual countries, educational and scientific projects, HEIs, students;
- the state, namely: its legislative bodies, which create the legal and regulatory framework for the formation and implementation of social, budget, investment, credit, tax and employment policy; as well as executive bodies of state power implementing the policy of the state, in particular in matters of regulation and financing of the system of higher education;
- public organizations, charitable foundations, endowment funds, private organizations, financial institutions, individuals whose activity as subjects financing higher education largely depends on socio-economic policies, in particular from legal norms, conditions and incentives for such activities in the state.

The analysis of the state of financing of higher education in Ukraine allowed to reveal the main directions of improvement of the state policy in the field of financing higher education, namely:

- 1) development of the system of public-private partnership in the field of higher education and the partnership of HEIs and private organizations in general, which envisages improvement of the regulatory framework and development of an effective mechanism for the dissemination of public-private partnership practice; use of the tax

incentive mechanism for private partners;

2) the development of commercial educational lending, which requires adjustment of the state regulation of banking activities in order to provide financial support and popularize lending by financial institutions (banks) to obtain higher education.

It should be noted that according to foreign experience such methods of funding higher education as fundraising, charity and endowment-related finance are effective in economically developed countries. However, in our opinion, the use of these methods in today's socio-economic conditions in Ukraine to finance higher education is inappropriate. Thus, the insufficient amount of charitable contributions and financial resources available at the disposal of non-governmental organizations determines their direction to solve more urgent problems in comparison with the development of the higher education system, such as the assistance to orphans, refugees, participants in the military conflict in the East of Ukraine, etc. At the same time, the possibility of using endemic funds to finance higher education in Ukraine is also limited due to the unfavorable investment climate in the country, given the crisis in the socio-economic and political spheres.

In general, according to World Bank experts, one of the four key conditions for the formation of a knowledge economy is education and training that characterizes the availability of an educated and professionally trained population capable of producing, distributing and using knowledge. Solving the problems that higher education system in Ukraine face, in particular ensuring the economic security of the HEIs, requires a significant increase in the financing of education on the basis of diversification of funding sources. This will ensure the dynamic development of the educational sector, stimulate the processes of commercialization of knowledge, contribute to strengthening the market positions of state HEIs, growth of their competitiveness, because only with the availability of reliable and stable sources of funding education will fulfill its mission to develop human capital of the country.

The protracted economic crisis in Ukraine and, as a result, the deterioration of the investment climate, the complication of lending in Ukraine do not facilitate the rapid transition to the use of new sources of funding, including in the sphere of higher education. At the same time, the development of educational crediting, improvement and development of forms of cooperation between private educational institutions and private organizations with the aim of creating internal university investment funds, solving the problems of self-financing of

individual curricula and research, support for individual students should be considered as important promising directions for improving higher education financing mechanism in Ukraine.

References

1. *About Higher Education (2014)*, [online]. Law of Ukraine. Available at: <http://zakon5.rada.gov.ua/laws/show/1556-18/page>. (In Ukrainian).
2. *About public-private partnership (2010)*, [online]. Law of Ukraine. Available at: <http://zakon.rada.gov.ua/laws/show/2404-17>. (In Ukrainian).
3. *About national strategy for the development of education in Ukraine for the period up to 2021 (2013)*, [online]. Available at: <http://zakon5.rada.gov.ua/laws/show/344/2013/page#n10>.
4. *About consumer lending (2016)*, [online]. Law of Ukraine. Fvailable at: <http://zakon.rada.gov.ua/laws/show/1734-19>. (In Ukrainian).
5. *About approval of preferential crediting for vocational and higher education (2013)*, [online]. Available at: <http://zakon.rada.gov.ua/laws/show/673-2018-p#n12>. (In Ukrainian).
6. Balyihin, G.A., Romanov, P.V., Chebotarevskiy, Yu.V. (2003). Attitudes of the population to the reform of higher education financing: a sociological survey. *Higher education in Russia, Issue 5*, pp. 28–33. (In Russian).
7. *Concept of development of Ukrainian education for the period of 2015-2025 (project) (2014)*, [online]. Available at: <http://osvita.ua/news/43501/>. (In Ukrainian).
8. OSVITA.UA. (2018). Entrance company. Available at: <http://osvita.ua/vnz/consultations/44528/>. (In Ukrainian).
9. Robak, O.M. (2007). Mechanisms of distribution of budgetary funds of the branch of education and science. III International Scientific and Practical Conference "Management in Education", Lviv, S. 71. (In Ukrainian).
10. Solyannikova, S.P. (s.f.). Financial aspects of the development of educational loans in the Russian Federation, [online]. Official site of the National Institute for Systemic Research on Entrepreneurship Problems, available at: http://www.nisse.ru/business/article/article_146.html.
11. *Strategy of reforming higher education of Ukraine 2020 (project) (2014)*, [online]. Available at: <https://www.tempus.org.ua/uk/events/1217-strategija-reformuvanna-vishhoji-osviti-ukrajini-2020.html>.
12. Tarasenko, I. O., Tsymbalenko, N.V., Tarasenko, O.S. (2018). Strategic priorities for the development of higher education in Ukraine. *Scientific bulletin of Polissia, Issue 1 (13), Vol. 1*, pp. 42-46.