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## ANALYSIS OF THE FINANCIAL ENSURING OF HIGHER EDUCATION INSTITUTIONS IN UKRAINE

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**Анотація.** В статті аналізується сучасний стан фінансового забезпечення закладів вищої освіти в Україні. Визначені особливості фінансування державних вищих навчальних закладів та обґрунтовані можливі напрямки його удосконалення.

**Summary.** The article analyzes the current condition of financial support of higher education institutions in Ukraine. The peculiarities of budget financing of higher education are defined in the article. Authors proved possible directions of improvement of financial maintenance of higher education institutions in Ukraine.

**Ключові слова:** фінансова підтримка, вищі навчальні заклади, науково-виробнича асоціація.

**Key words.** Financial support, higher education institutions, financial maintenance, scientific-industrial association.

**Introduction.** Effective development of the country's economy depends on the quality of education. International practice shows that over 50 % growth of GDP per capita provides by increasing of labor productivity, education, professional qualifications and skills of citizens. Key position in the ensuring of the effective development of the economy is higher education which can give to the national economy wider potential for reaction on various national needs from the point of view of research and innovation.

Considerable contribution into the study of problem of higher education financing made by the following scientists: Bogolib T., Bogach Yu., Volkov N, Plahotnikov L., Timoshenko O. and others.

However, there is an objective need for further scientific developments relating to the improvement of financial support of higher education in Ukraine based on the diversification of financial sources.

**The purpose.** The purpose of the article is the analyze of financial support of institutions of higher education in Ukraine and grounding the possible directions of its improvement in current conditions.

**Research results.** The demand for specialists with higher education is growing, due to the following factors: a gradual increase of production volume, which requires qualified experts in different spheres, aspiration to get deep professional knowledge, understanding that education is an important factor in achieving a high level of welfare and proper social status. As a result of the impact of these factors the share of population with higher education significantly increased.

Information in the Table 1 illustrates that the total number of students for the period of 2001-2010 increased on 1191,9 thousand people or 75,8 %. This is due to the important role of higher education in modern conditions of social development. The high value of education caused by the peculiarities of the modern economy, the strategic priority of innovation development, the requirements of economic growth, competitiveness of economy, products production. These factors positively influence on the increase of demand of higher education institutions as the basic subjects that provide these services.

Table 1

Dynamics of the number of students in Ukraine in 1996 - 2009 years [7]

Years	Number of students - total, thousand including:	Including						
		Departments			By ownership of university:		Levels of accreditation	
		Full time	Part time	Distance	State, municipal	Private	I-II level	III-IV level
1996/97	1571,9	1104,7	33,5	433,6	1487,4	84,5	595,0	976,9
1997/98	1636,3	1132,4	24,3	479,7	1535,9	100,5	526,4	1109,9
1998/99	1713,9	1166,6	18,2	529,2	1588,8	125,2	503,7	1210,3
1999/2000	1789,1	1195,71	14,0	579,4	1649,8	139,2	503,7	1285,4
2000/01	1930,9	1260,3	14,1	656,5	1770,9	160,1	528,0	1402,9
2001/02	2109,3	1344,2	15,7	749,5	1911,4	197,9	561,3	1548,0
2002/03	2269,8	1423,2	16,2	830,3	2031,7	238,1	582,9	1686,9

2003/04	2436,7	1498,6	16,5	921,7	2146,9	289,8	592,9	1843,8
2004/05	2575,2	1553,1	16,2	1005,9	2225,7	349,5	548,5	2026,7
2005/06	2709,2	1607,2	12,3	1089,6	2310,1	399,1	505,3	2203,8
2006/07	2786,6	1635,4	11,5	1139,7	2359,7	426,9	468,0	2318,6
2007/08	2813,8	1627,3	10,7	1175,8	2380,4	433,4	441,3	2372,5
2008/09	2763,8	1622,0	11,1	1130,7	2348,2	415,6	399,3	2364,5

Determining the influence on the development of higher education has the level of financial support of the educational sphere. According to the Article 61 of the Law of Ukraine “About education” from 23.05.1991, № 1060 the financing of public universities realizes from the relevant budgets, sectors of the national economy, state enterprises and organizations [6]. According to the current legislation universities can raise additional resources including: funds received by education, training, training and retraining of personnel in accordance with concluded agreements; payment for giving additional educational services; funds received for research and other works performed by the institution in order of enterprises, organizations and citizens; incomes from sales of production of workshops, enterprises and property, from renting premises, facilities, equipment (list of paid services which can be given by public institutes provided by the resolution of the Cabinet of Ministers of Ukraine from 20.01.1997, № 38, changes and additions); subsidies from local budgets; dividends from securities; currency earnings; charitable contributions, material values received from enterprises, institutions, organizations, individuals, other funds.

So, in modern conditions the financing of students’ study in institutions of higher education are characterized by multisources. Based on the above, we propose to group the financial resources of higher education institutions in two groups: public and commercial. State financial resources include funds from the State budget, funds from local budgets, central government authorities. To commercial sources of financing of higher education belong funds of legal entities and individuals, such as payment for educational services and other services.

It is necessary to say that the main form of financial support of public higher education in Ukraine is budget financing, the money is giving from the general and special funds of budget.

Indicators of higher education financing in Ukraine are presented in Table 2.

Table 2

Indicators of higher education financing in Ukraine in 2003-2009 years [4]

Indicators	2003	2004	2005	2006	2007	2008	2009
Consolidated budget, billion.	75,8	101,4	141,7	175,3	226,1	309,2	307,4
from them on education, total	15,0	18,3	26,8	33,8	44,3	61,0	66,8
including for higher education	4,6	5,8	7,9	9,9	12,8	18,6	21,0
The share of expenditures for higher education,% to:							
- consolidated budget	6,1	5,7	5,6	5,6	5,7	6,0	6,8
- expenditures on education	30,7	31,7	29,5	29,3	28,9	30,5	31,4
- GDP	1,8	1,6	1,8	1,8	1,8	2,0	2,3

Analyzing the actual indicators of higher education financing in Ukraine in 2003-2009 years, we can note that expenditures for higher education is constantly rising from 4,6 billion in 2003 to 21,0 billion. in 2009, the total increase is 14.6 billion. The share of expenditure on higher education in the structure of the consolidated budget of Ukraine in the period 2003-2006 years had a tendency to decrease and there was within 6,1% - 5,6% and in 2007 year their share began to increase and amounted in 2007 year 5,7% , in 2008 year - 6,0% , in 2009 year - 6,8%.

Evaluating the dynamics of expenditures on higher education within the total expenditures for the sphere we can say that there is no clear trend in expenditures for higher education in 2003-2009 years. Thus, the period of 2004-2007 years is characterized by a gradual decrease of the share of higher education financing. This

situation is explained by increasing of pre-school and secondary education financing in this period. However, from 2008 to early 2010 the share of expenditures for financing of higher education has increased on 0,9%.

Correlation of expenses for higher education to GDP during 2003-2007 didn't change (except 2004), but since 2008 this indicator increased and in 2008 it was 2,0% and in 2009 - 2,3%. Overall the increasing of higher education funding connects with the fact that the state activities in this area aims to rising of social protection of employees in higher education, increasing salary of teaching staff and growth of the scholarship fund for students, because of the increased level of scholarship.

Financing of students teaching in universities of all levels of accreditation and ownership at the present stage is realized from various sources.

The number and proportion of students of universities of III-IV levels of accreditation according to sources of their study financing are listed in Table 3.

Table 3

The number and proportion of students of universities of III-IV levels of accreditation according to sources of their study financing [7]

Years	Accepted, all	Including the funds:		
		State Budget	Local Budget	Ministries, agencies, organizations, individuals and entities
Total persons				
2005	503034	171904	3982	327148
2006	507683	180725	4136	322822
2007	491230	184680	4134	302416
2008	425241	185565	4923	234753
2009	370522	165152	4315	201055
In % to total				
2005	100,0	34,2	0,8	65,0
2006	100,0	35,6	0,8	63,6
2007	100,0	37,6	0,8	61,6
2008	100,0	43,6	1,2	55,2
2009	100,0	44,6	1,1	54,3

Analyzing the percentage of students which study in universities of III-IV accreditation levels, it should be noted that during the period of 2005-2009 years the share of students whose education is financed from the budget at various levels is less than the share of students whose education is financed by ministries, departments, organizations, individuals and entities.

However, draws attention the fact that during analyzing period there is a clear tendency to increasing of the share of students whose education is financed by the state as well as local budgets. In 2005 their share was 35,0% and in 2009 - 45,7%.

The presence of a considerable part of private financing of education in the structure of financial support is caused by the necessity of financial resources rise to ensure the fulfillment of tasks of higher education due to increasing of the role of education as a determinant factor of social and economic development of the nation.

In addition to budget financing and the financing of students at the expense of individuals, last time such form of financial support of the system of higher education as preferential government loans for higher education has spread in Ukraine.

According to the Law of Ukraine «About Education» one of the principles that determine public policy in education is the principle of accessibility and competitiveness of graduating by every citizen of Ukraine. Providing targeted and preferential government loans to individuals for higher education is one of the ways of realization of public policy in higher education. Target preferential government loans for higher education can get young citizens of Ukraine from 14 to 35 years old who have successfully passed through the entrance exams or studying at any university course. Credit is given only once for learning one and the same specialty for education and qualification of junior specialist, bachelor, specialist and master in high school that operates in Ukraine. The amount of a loan is determined annually to April 1. It is based on the cost of training in dependence of learning form (Table 4).

Table 4

Conditions of target preferential government loans providing for higher education

Ownership of university	Who determines loan amount	Who approves loan amount	Credit sources
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State	Institution of higher education itself	The central executive body which is subordinate to the university	State Budget of Ukraine, local budgets
Property of Autonomous Republic of Crimea	Ministry of Education of the Autonomous Republic of Crimea	Ministry of Education of the Autonomous Republic of Crimea	Budget of Autonomous Republic of Crimea
Municipal	Department of Education regional, Kyiv and Sevastopol city administrations	Department of Education regional, Kyiv and Sevastopol city administrations	local budgets
Private	Institution of higher education itself	Ministry of Education of Ukraine	State Budget of Ukraine, local budgets

Distribution of target preferential government loans is making by taking into account the following factors [5]: the state order; the need for training of specialists deficient specialties; the number of recipients of credit. In the provision of preferential loan successful training of the applicant for a loan, ability to assimilate knowledge, participation in contests and competitions are considered. If a student is deducted from a higher educational institute, he loses the right for credit. The borrower has to repay the loan amount with the payment of 3% per year during 15 years, starting from the 12th month after graduation of higher educational institute, and if a student is deducted from a higher education institution - from the third month after deduction. The borrower can return it earlier than contract term. It is necessary to note that if the borrower, who after graduation worked for a specialty not less than 5 years in state or municipal institution or establishment in rural areas, credit and interest on them will not return. It should be mentioned that lending of higher education by state is widespread in world practice. In developed countries there is a system of higher education lending with low percentage. So in Norway it is 5,6% in the USA - 3,8% of Denmark – 1,6%, Sweden, Chile - 1,0%, in Austria - 0,0%.

Foreign experience shows that the government of industrialized countries which takes care about the development has to take financial responsibility for education [2].

Analyzing the level of financial support of higher education, it should be noted that at a hearing in the Committee of the Verkhovna Rada of Ukraine «Improving the legislative support of higher education in Ukraine» in the context of preparation of new edition of Law of Ukraine «About education», it was noted that they have enough funds to cover 70% of labor costs and 70% - of public utilities payments but money for equipment, travel, capital repairs, construction universities have to receive from their own revenues. It means that about one third of expenditures are financed by special fund of the university, where financial recourses from economic activity and paid services are accumulated.

The expansion of budgetary financing of higher education has significant limitations not only on the current stage of development of Ukraine's economy, but also in the future. That's why it should be necessary to focus the attention on the analysis of opportunities for higher education institutions to receive funds from extrabudgetary sources. This will involve additional investment in educational activity and create opportunities to ensure free competition between high schools. It will have positive influence on the quality of education. To our mind, the problem can be solved through the formation of appropriate organizational model of higher education institutions which combine educational, research and innovation activity. In this context higher education institutions must change traditional scheme «education + science» on the scheme «Education + science + business innovation». Successful realization of this task is possible only with the creation of scientific-industrial association. A higher education institution should be the main participant of this association. The main tasks of university in the structure of scientific-industrial association are: to provide quality knowledge, development and implementation of modern forms, methods and technologies of learning, creation of organizational basis of students preparation for scientific research, targeted training of specialists for different branches of economy. Thus the creation of scientific-industrial association will give an opportunity to involve additional financial resources.

We also offer to use wider such an instrument of financing of higher education through fundraising as a grant, which is a charitable contribution. Grant is given by donor organization to implement a non-profit project or program. The practice of fundraising using is widespread in the activity of universities in developed countries. For example, budgets of U.S. universities receive nearly a quarter of funds through direct cash inflows in the form of grants for research work. As for European universities, for instance, the Dresden Technical University most scientific research is funded by various foundations, including private.

**Conclusions.** Thereby, effective functioning of institutions of higher education in Ukraine should be based on the diversification of financial sources which is grounded on the combination of budget financing and commercial funding.

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