

Tsybalenko Nataliia

Candidate of Economic Sciences,

Associate Professor

Tarasenko Oleksiy

Post-Graduate Student

Kyiv National University of

Technologies and Design

(Kyiv, Ukraine)

**FORMATION OF STATE
FINANCIAL POLICY IN
THE SPHERE OF HIGHER
EDUCATION AND
SCIENCE**

The study of the state of financing higher education and science in Ukraine and the experience of developed countries became the basis for a conclusion on the need to enhance the role of universities (hereinafter – higher education institutions (HEIs)) in attracting financial resources necessary to ensure the implementation of their socio-economic functions. The most promising areas of ensuring the adequacy of financial resources for HEIs in modern conditions are determined by the expansion of the practice of public-private partnerships and the improvement of the educational lending system. The implementation of these tasks in modern conditions requires active support from the state, makes it expedient to formulate the foundations of the state financial policy in the field of higher education and science.

The reform of the higher education system of Ukraine is accompanied by the formation of new approaches to the interpretation of the essence and role of higher education while ensuring the macroeconomic interests of the state – the formation and increase of the human capital of the nation, competitiveness and economic security of the state. This significantly changes the goals, content, forms and methods of organization and functioning of the higher education system of Ukraine as a whole and of individual HEIs. The globalization principles of modern education provide for the creation of conditions for purposeful continuous development of the personality as a carrier of human capital based on the application of the competence approach.

At the same time, there is an increase in the significance of the economic efficiency of HEIs, since in market conditions higher education is considered as an “educational service”, which emphasizes the pay nature of its provision without diminishing its social significance.

The above requires the formation of the State Financial Policy in the

field of higher education and science with the following aims: ensuring availability of higher education of preferential population groups; expansion of financial opportunities of applicants for higher education; regulation of the activities of HEIs in the direction of expanding their financial autonomy by promoting the diversification of funding sources; stimulating the active participation of employers in financing higher education and science; stimulation of improvement of the conditions of commercial educational crediting.

The application of the principles of stimulation, alignment and improvement of HEIs activity conditions of all forms of ownership will ensure the higher education system of Ukraine functioning efficiency in the context of the payment of educational services (Zhurakovsky, V., 2003).

The situation in the educational services market of Ukraine is characterized by a high level of competition, which is conditioned by insecurity of the offer by solvent demand. Competitive struggle in the formation of the students contingent makes HEIs increase the quality of educational and related services, which contributes to the development of the system of higher education. However, most of the HEIs of Ukraine having no financial resources necessary to improve the quality of services are forced to maintain a level of competitiveness in the market by reducing the cost of training, which naturally leads to a decrease in its quality and thus hinders the achievement of the strategic goals of reforming the system of higher education.

Ensuring the quality of higher education in Ukraine requires the promotion of non-price competition between HEIs. Effective tools for such a competitive struggle are the training prestige, high positions in national and international universities rankings, which are formed on the basis of providing a high professional level of scientific and pedagogical staff; the proper state of the material and technical base of HEI; the information prevalence about HEI, publications of its scientific and pedagogical staff, including on the Internet; level of infrastructure development, availability of own history, traditions, corporate culture. The effectiveness of these competitive instruments is confirmed by the results of the 2018 entering campaign. Thus, according to the information on 1150 HEIs of Ukraine, up to 30 of them received 28% of all applications by entrants, namely 310,96 thousand applications from 1115 thousand. The first 10 most popular Ukrainian universities received 15% of all applications (TOP-30 of the most popular universities among the entrants, 2018).

The influence significance of marketing activities, namely the level of dissemination of information about the HEI on the Internet (Internet presence) on the number of applications submitting to a particular HEI, is confirmed by the results of regression analysis, during which an independent variable has determined the number of applications submitted to the HEIs in 2018, and dependent one determined HEIs ranking at Webometrics Ranking of World Universities in 2018. As a result of the analysis, there was a tight correlation between the number of applications submitted to HEIs and the ranking of Webometrics Ranking of World Universities in 2018 (RANKING WEB OF UNIVERSITIES, 2018). Thus, according to the logarithmic regression model, the nonlinear correlation coefficient (r) is 0,748 and indicates the existence of a strong direct relationship between the factor and the resultant traits. The statistical significance of the model ($p < 0,001$) is very high.

The dependence of the number of applications on the level of the online presence of universities is explained by the effectiveness of marketing tools for impacting entrants, as well as by the fact that the main motive for obtaining higher education in 2000-2015, according to the results of the study “Applicant-2015” (Results of the sociological study “Applicant 2015”, 2015), is “the belief that education will make it possible for a better life”. Applicants evaluate the prospects of getting decent work after higher education in terms of popularity, online presence, and the HEI image.

At the same time, a significant part of the applications submitted by entrants to the most popular Ukrainian universities allows us to conclude that there is a need to optimize the number of HEIs, which possible directions are mergers and acquisitions. Such consolidation of HEIs will ensure the competitiveness of the newly established institutions of higher education due to the synergetic effect from the use of scientific and pedagogical potential, material and technical support, combining marketing efforts to promote the educational services market, namely: creation of a unified research base will provide an opportunity to conduct more large-scale comprehensive research, to promote partnership development; unification of the material and technical base of universities within the same structure will increase the efficiency of its use, optimize costs, ensure a reduction in the level of fixed costs per student; creation of a joint system for marketing purposes will increase the efficiency of marketing activities, improve the position in the national and international rankings of universities; unification of the efforts to find potential partners will optimize HEIs transactional costs, expand the possibilities for

attracting investment resources.

Thus, mergers and acquisitions as well as public-private partnerships minimize the costs of funding education (Korotkova, M.V., Dokukina, S.M. & Kalinycheva, N.L., 2015, p. 278). The expediency of using these methods of HEIs consolidation in Ukraine is confirmed by the similarity of a large number of educational programs, which are used by different universities. The duplication of educational programs is explained by the orientation of Ukrainian HEIs to the entrants' requests that ensures their competitiveness and economic security in the short run. The consolidation of the HEIs will strengthen the positions of the educational services market and take into account the needs of employers in optimizing the composition and structure of the training and educational programs list. That will ensure the competitiveness and economic security of the HEIs in the long run. The improvement of the quality of education and research and the provision of the economy needs by competent specialists were marked as an important social result of mergers and acquisitions of local self-government organizations.

The implementation of state management of the processes of mergers and acquisitions of universities assumes a focus on the integration of such HEIs that carry out training in similar educational programs that are geographically close and have the same form of ownership.

At the same time, it should be noted that the practical implementation of distance learning in HEIs greatly simplifies the process of their integration, providing the possibility of mergers and acquisitions of HEIs located in different regions.

Distance learning is a teacher-driven process that uses educational information provided for learning and organized as a distance course (Delmon, D., p. 19). The advantages of distance learning include increasing the level of academic mobility of students and teachers, simplifying the integration of HEI, increasing the level of the Internet presence of HEI. In addition, distance education reduces the temporal and geographical distance between participants of the educational process and, thus, reduces the financial costs for all participants (Kukharenko, V.M., p. 41).

It should also be noted that the provision of graduates with decent work should be an important direction in increasing the popularity of certain HEIs and higher education as a whole in conditions of the prevailing motivation for successful employment among entrants. This requires the spread of the cooperation practice between HEIs and other economic actors, in particular using the mechanism of public-private

partnership. The need for close cooperation and integration of universities with business structures is determined by a number of factors, including: direct dependence of the level of competitiveness and economic safety of the HEI on the employment prospects for its graduates; employers' interest in training competent potential employees is caused by a deficit of representatives of certain professions in the labor market; motivation of students (applicants) to obtain higher education is most often caused by the desire to be employed (to receive a decent prestigious highly paid work), which is a difficult task in view of the consequences of the long-term socio-economic crisis in Ukraine; compliance of educational programs with the needs of employers ensures a reduction of imbalance between the system of higher education and the labor market.

The use of the mechanism of public-private partnership is advisable for the implementation of strategic priority projects. Such projects must meet the socio-economic policy of the state and be part of a sectoral strategy (Delmon, D., p. 2).

The mechanism of public-private partnership can become a part of the State Financial Policy of Ukraine in the field of higher education and science, which will bring the higher education system closer to the real economy, diversify funding sources for higher education and science, increase the efficiency of employment of graduates of Ukrainian universities, provide employers with competent employees.

The state represented by the Ministry of Education and Science of Ukraine is responsible for the effectiveness of public-private partnership. It controls, manages and regulates the relationship between the subjects of public-private partnership on a long-term basis. An agreement on a public-private partnership can provide for both incentives for the proper execution of the contract terms, and sanctions for non-compliance. In addition, it is assumed that the Ministry of Education and Science of Ukraine reserves the right to periodically demand reports from the parties of the contract, to send requests for information relating its implementation.

Financing of the public-private partnership mechanism may occur at the expense of such alternative sources as budget funds, funds of juridical persons (private partners), credit resources. This will contribute to increasing the efficiency of using budget funds, ensuring interest in the effectiveness of public-private partnerships of all subjects (state, private partners, financial institutions, students), attracting professionals who have experience in the relevant industry to regulate and coordinate the educational process. The directions for the use of individual sources of

funding within the public-private partnership in the field of education are:

1) state (budget) financing, which ensures creation of conditions for use of the public-private partnership mechanism in the field of education, improvement of the regulatory framework, staffing, improvement of the investment climate;

2) financing at the expense of private partners, which is carried out in accordance with the contract terms on public-private partnership and is directed to the payment for training of individual students (commercial order) or research;

3) educational loans, which provides an increase in the level of investment opportunities of private partners.

It should be noted that in the Law of Ukraine “On Higher Education” (About Higher Education, 2014) the functioning of the higher education system and the strengthening of cooperation between state bodies and business with HEIs are considered as the main directions of “the preparation of competitive human capital” for the development of both individual and country as a whole (About Higher Education, 2014). At the same time, human capital is considered as an intangible asset, the increase of which involves investment in education, health care, cultural development (Schultz, T., 1961). Investments in human capital, namely, in higher education will provide income growth at the personal, micro, macro and global levels in the future. Thus, investments in a specific unique human capital have a high level of efficiency, that determines the interest of economic actors in the employees professional development while ensuring their allegiance. Deepening the knowledge of employees, obtaining additional competencies that directly relate to the specifics of their professional activities is the basis for improving labor efficiency.

Investments in higher education within the framework of public-private partnership will provide employers with an opportunity not only to increase the level of available human capital at the personal and microeconomic levels, but also a targeted formation of specific human capital. In addition, investing in human capital within a public-private partnership will ensure their feasibility on the basis of compulsory employment of a person carrying human capital as an employee of the organization, who is a private partner and invests in the formation and increase of human capital. Taking into account that public-private partnership is a mechanism, which effective functioning involves the implementation of private investment. And ensuring its functioning requires the creation of a favorable investment climate in the state. The absence of a favorable investment climate can lead to ineffective, formal

functioning of the mechanism of public-private partnership.

Creation of a favorable investment climate within the framework of the State financial policy in the field of higher education and science requires the appropriate resources, namely:

1) Financial – financial support of the State policy in the field of higher education and science should be provided in the state budget. The main financial instruments for supporting the development of public-private partnerships in higher education and science can be the following: providing tax incentives for private partners; implementation of the target refinancing by the National Bank of Ukraine for financial and credit institutions; providing guarantees to public-private partnership entities; managing a part of risk; support of economically ineffective projects important for society.

2) Legislative – having in Ukraine the current law “On public-private partnership” (Public-private partnership, 2010) and memorandums of cooperation between the Ministry of Education and Science of Ukraine and certain economic entities, the State financial policy in the field of higher education and science provides for: introduction of amendments to the Tax Code of Ukraine aimed at regulating tax exemptions of a part of private partner profit, that is invested in higher education or science under the terms of a public-private partnership; drafting and adopting resolutions of the National Bank of Ukraine on conditions of targeted bank refinancing; development of standard contracts for commercial educational lending and public-private partnership.

3) Personnel – involvement of experienced, competent, responsible specialists to the development of the State Financial Policy in the field of higher education and science of experienced as a necessary condition for its effectiveness.

In addition, the necessary direction of the implementation of the State Financial Police in the sphere of higher education and science, along with the consolidation of Ukrainian universities and the development of public-private partnership should be the formation of a system of commercial educational lending. That must provide the possibility of obtaining a targeted loan on preferential terms for both subjects of state-private partnerships and entrants (students) intending to pay for training in HEIs or to conduct research at the expense of credit funds.

The development of the system of commercial educational lending involves the development of an appropriate educational credit policy by the National Bank of Ukraine together with the Ministry of Education and Science of Ukraine, which should include: popularization of commercial

educational lending (placement of information on the conditions of commercial educational lending on the sites of the Ministry of Education and Science of Ukraine, individual HEIs); provision of interest of second-tier banks in the provision of educational loans (favorable conditions for targeted refinancing of participating banks of the system of commercial educational lending by the National Bank of Ukraine, adoption of resolutions of the National Bank of Ukraine regarding the procedure for granting and basic terms of educational loans).

Therefore, when forming the State financial policy in the field of higher education and science, it is advisable to ensure the implementation of a system of interrelated measures at the macroeconomic level.

The main directions of this policy are the following:

1) Enlargement of domestic HEIs in order to strengthen their position in the Ukrainian and international educational services markets, to promote the development of non-price competition and, as a result, to improve the quality of education and to empower Ukrainian universities to commercialize educational services and research results, in particular, within the framework of public-private partnership.

2) Ensuring the development of public-private partnerships in the field of higher education and science in order to ensure a gradual incomplete transition from state to “commercial” orders, that requires regulatory, financial and personnel support of the public-private partnership mechanism.

3) Promotion of the development of commercial educational crediting in Ukraine with the aim of expanding the financial opportunities of applicants (students) and investors (private partners) in the field of higher education and science in the context of increasing non-price competition between the HEIs.

Consequently, in the conditions of a transformational economy, the higher education system is one of the areas, which reform is necessary to ensure the economic security of Ukraine and competitiveness in the international market. Modern state policy in the field of higher education is aimed at the development of the human capital of Ukraine in the conditions of HEIs increasing autonomy and cooperation of the state bodies and business with the HEIs for the development of each individual and the country as a whole.

At the same time, the achievement of the goals of the development of the system of higher education in Ukraine in difficult socio-economic conditions is impossible without adequate regulatory, personnel and financial state support. Taking this into account, recommendations have

been developed for improving the State financial policy in the field of higher education and science, which provides the implementation of a system of measures at the macroeconomic level that provide: the integration (consolidation) of the HEIs and, as a result, the expansion of their capacity for cooperation with other economic actors; the strengthening of non-price competition between HEIs, which will promote the quality of education and research; the development of public-private partnership, the creation of a favorable investment climate and, thus, reduction of budget expenditures for higher education, increase of their efficiency, reduction of the gap between the system of higher education and the needs of employers; the development of commercial educational lending, which will increase investment opportunities in the field of higher education and science for individuals and juridical persons.

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. Delmon, D. (s.f.). *Public-Private Partnership in Infrastructure*, [online]. Available at: http://www.fa.ru/org/chair/gchp/Documents/biblio/Delmon%20public_private_partner.pdf5. (In Russian).
3. Korotkova, M.V., Dokukina, S.M., Kalinycheva, N.L. (2015). *Optimization of financing of higher professional education: modern Russian and global trends. Bulletin of Orenburg State University, Issue 4 (179)*, pp. 277-282. (In Russian).
4. Kukharensko, V.M. (2016). *Theory and practice of mixed learning. Kharkiv: "Urban printing"*, 284 p.
5. *Public-private partnership (2010)*, [online]. Law of Ukraine. Available at: <http://zakon.rada.gov.ua/laws/show/2404-17>. (In Ukrainian).
6. *RANKING WEB OF UNIVERSITIES (2018)*, [online]. Available at: <http://www.webometrics.info/en/Europe/Ukraine%20>.
7. *Results of the sociological study "Applicant 2015" (2015)*, [online]. Available at: <http://web.kpi.kharkov.ua/sp/rezultati-doslidzhennya-abituriyent-2015/>. (In Ukrainian).
8. Schultz, T. (1961). *Investment in Human Capital. The American Economic Review, Issue 1 (March)*, pp. 1-17.
9. *TOP-30 of the most popular universities among the entrants (2018)*, [online]. Available at: <http://osvita.ua/vnz/consultations/61441/>. (In Ukrainian).
10. Zhurakovsky, V. (2003). *Two sectors of education - one goal. Higher Education of Ukraine, Issue 1*, pp. 5-6. (In Ukrainian).