

ADVANCES IN GLOBAL EDUCATION AND RESEARCH

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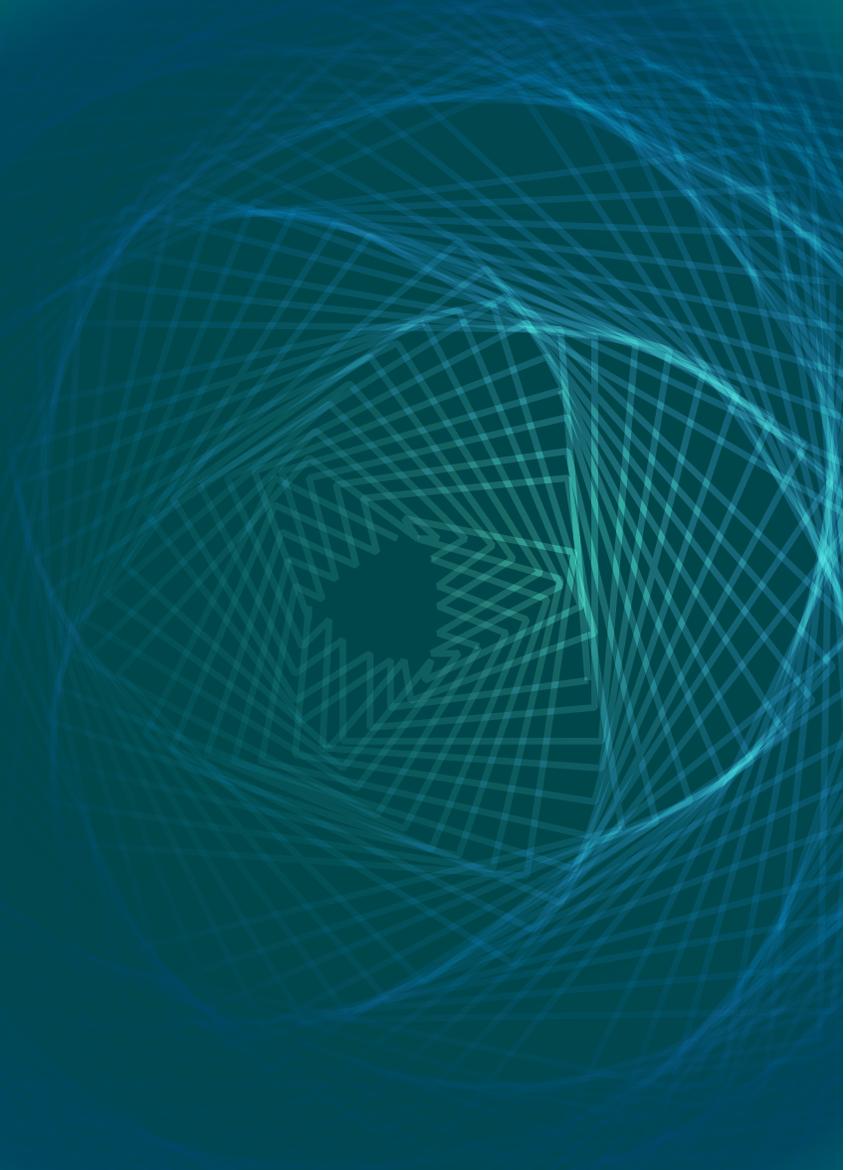
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Higher Education Financing Analysis Based on the Examples of Selected Countries

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Abstract

Higher education institutions are seen as the center of scientific activities. Thanks to these institutions, which fulfill the task of conducting scientific and technical research by following the developments of the era, countries develop and have a say in the world. Undoubtedly, it is very important that higher education, which has such a valuable place, is adequately financed. With the globalization, countries that increase their scientific studies by developing higher education finance methods will be at the forefront of foreign competition. In this research, based on selected country examples, current issues in higher education financing will be discussed and suggestions will be made for effective financing of higher education, which is increasing in demand.

Keywords: higher education, higher education funding, higher education management

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Introduction

In the information age, producing innovative information required by the era, reaching information and using information has become a very important issue. Higher education institutions are at the forefront of important educational institutions where knowledge is produced and knowledge usage skills are gained. Higher education is an important educational level for professional development, especially in developed and developing countries, and it is an education level that continues to work intensively on the social return, which is considered the highest individual return (Ateş, 2019). There has been a marked increase in the demand for higher education over the years. The massification that occurs with easy access to higher education, efforts to increase quality and the desire to raise higher education to competitive levels both at national and international level lead higher education institutions to innovation, research and capacity increase. (Johnstone, Marcucci, 2007).

All these developments bring the problem of financing in higher education to a serious level, and the financing of higher education constitutes one of the main problems in the world and in Turkey, both in the economic and political fields (Yılmaz, 2016). The issue of financing higher education has a special importance for Turkey. It is considered that the effective and efficient use of the resources allocated to education and their transfer to the education level with the highest social return are important for development (Ateş, 2019). The aim of this study is to examine the selected

country examples and Turkey's higher education financing structures and to investigate the differences and similarities between countries in this direction.

Literature Review

Within the scope of the study, firstly, the theory of higher education service and financing is emphasized. In general, higher education can be defined as a set of institutions and rules that meet the manpower needs of the society, take part in the transmission of culture for generations, and find solutions to social problems through scientific research (Göksu and Göksu, 2015). According to Guillemette, (2006), higher education provides benefits such as social status as well as economic benefits to those who receive this service. At the same time, it contributes to the increase of social welfare with the positive externality it creates. Higher education service is considered as a semi-public good within the scope of public economy. Tilak (2008) defines higher education as a privileged semi-public good because of the contributions of higher education to the emergence of new goods and services.

Although the service and financing of higher education are often used together, they are different subjects. In its simplest definition, financing is expressed as the provision of capital needed for the acquisition of a good or service. In this context, financing of education in general and higher education in particular is the provision of monetary and non-monetary resources necessary for the continuation of higher education services (Karakütük, 2006:221). There are some factors that affect the financing of higher education. As mentioned before, higher education is a semi-public good and has high externalities. It is an education level that the state has to support because of the leading role it plays in the development of society. In addition, it is another important factor that families and students are more aware of the advantages they will gain after higher education. In addition, the increase in higher education expenditures as a result of reasons such as the growth of the country's economy, the acceleration of its development and the free higher education services provided by politicians to its voters are among the other factors affecting higher education financing (Ergen, 2006). The financing problem faced by higher education systems is not only a problem of lack of financing, but also related to the methods of transfer and use of financing (Kurt and Gümüş, 2015).

Financing Forms of Higher Education

The importance of higher education is quite clear today, where the importance of knowledge is increasing day by day and knowledge production is an important element for global competition. While the importance of higher education is gradually increasing in the globalizing world order, the problem of financing also maintains its agenda.

In many countries, higher education services were initially considered as public goods, and higher education expenditures were covered by public budgets, but then public resources began to fall short of performing public services. Different solutions have been sought to overcome this lack of resources, and higher education institutions have started to search for different resources and this has affected higher education financing: One of them is that higher education service is accepted as a semi-public service, and some of the necessary financing is provided by state resources and some of it is provided by higher education institutions. It is the way to be met with the contributions to be taken from the students who see it; secondly, another fundraising activity for higher education

institutions is the way of providing resources to universities from the industrial sector by increasing university-industry cooperation of higher education institutions; The third and another effort to increase resources is listed as increasing the activities of higher education institutions in order to diversify their incomes and providing resources to universities by these means (Mutluer, 2008).

Financing With Public Resources

The form of financing with public resources is financing with the state budget and this method of financing is adopted by Scandinavian countries such as Sweden and Norway. This method has advantages such as taking into account external resources and making education planning suitable for economies of scale. However, due to the fact that it is financed only with public resources, there may be decreases in investments made in higher education in periods when public resources are narrowed. Another negative aspect is that the financing of higher education with public resources disrupts the equality of opportunity and income distribution. This is due to the fact that the children of high-income families with better education enter the state universities with high demand, and the fact that the universities with high demand are free affect the income distribution negatively. Another criticism is that those who do not benefit from higher education services also contribute to the financing of the said service (Çiçekçisoy, 2016). According to Mutluer (2008), low-income and intelligent students are at a disadvantage compared to rich students in financing with public resources. This situation, which is contrary to equality of opportunity in education, should be corrected in the stages before students come to higher education.

Financing With University-Industry Cooperation

Institutions such as research institutes and universities are not only institutions that carry out research and education activities, but also work to solve the problems of the society in many economic, social and political areas. Providing a link between society and universities, especially in developed countries, universities have completed their integration with industry and become institutions that produce knowledge (Ergen, 2006). Academicians, who wanted to profit from the knowledge they contributed to the production, started to like a academic institutions to a business operating on the principle of economic benefit, and thus an interesting interaction began to occur between universities and companies; Universities became corporations, while companies became universities. (Çınar ve Ağcakaya, 2016).

The main methods of university-industry cooperation method:

- Research support supported by small-scale financial aid and equipment from industrial establishments to universities,
- Joint studies carried out by companies with academic staff specialized in certain subjects
- -Knowledge transfer between university and industry with common tendencies or personnel exchange between the firm or university
- It manifests itself in the form of technoparks where entrepreneurs who want to reach new technologies in the areas allocated by universities and / or research institutions and who have the ability to absorb such technologies (Kocabiçak ve Çetintaş, 2011).

Financing With Private Resources

It is the type of financing in which the entire financing of higher education services is provided by private financial resources. This type of financing is also known as indirect financing. The state or private sector may undertake to provide higher education services. With the indirect financing it provides to higher education, the state actually creates an additional purchasing power through the loans or scholarships it gives to the beneficiaries of the service. Financing of higher education with private resources is possible either by encouraging private universities or by increasing private income generation opportunities of public universities. While the said structure holds an important place in South Korea, Japan, Taiwan and the Philippines, it has also reached a significant proportion in Latin American countries (Çiçekçisoy, 2016). The most prominent methods used in financing with private resources; financing method with tuition fee, student loans (borrowing) financing method and scholarship financing method (Giray and Bodur, 2019). Contributing to the financing of higher education services with the tuition fee is an application considered within the framework of the benefit principle, which argues that those who benefit from public services should contribute to the financing of these services. Because it is the individual who will benefit from the higher education service primarily and will benefit from this service and will earn high income in the future. For this reason, it is thought that individuals benefiting from the service should contribute to the financing of the service (Akça, 2011). This system, also called student borrowing, is a financing method that allows the burden of bearing the cost of benefiting from higher education services to be spread over time. In this method, students can borrow money from public institutions, banks or other financial institutions to cover their education costs. Students who will use credit are generally those who cannot afford their tuition fees or who want to pay later (Aslan, 2002). Scholarships, which are a financing method used in many parts of the world in the higher education system, can be provided by the public and private sector as well as by the central government or local governments. Tax advantages being provided to the private sector can have an increasing effect on the amount of scholarships (Akça, 2012).

Methods

The method of the research was qualitative research, and the document analysis model was modeled. The data were obtained by literature review and analyzed by descriptive analysis method.

Sample

The population of the research consists of OECD countries. As a sample in the research; England, Germany, Italy, South Korea were selected.

Data Sources

The data used in the research; It has been taken from the international literature prepared by the OECD and the EU and the national reports prepared by the EU and OECD countries, and it has been obtained from national and international sources regarding the financing of higher education institutions in selected countries and public higher education institutions in Turkey. The data obtained from Turkey were obtained from national research reports, theses, articles, papers and evaluations published on the subject.

Data Analysis

In this part of the study, higher education and the financing structure of higher education in selected countries will be examined. In this section, the higher education systems of countries such as England, Germany, Italy and the Netherlands will be emphasized and the financing features of higher education will be revealed. An overall assessment of the current system will be made.

Findings

Financing of Higher Education in the UK

Since 1992, the financing of universities and polytechnics in England has been carried out by the Higher Education Funding Council for England (HEFCE), which was established in 1992 and includes Scotland, Wales and Northern Ireland. The allocation of resources to HEFCE is not sufficient to cover all the costs of universities; it only contributes to teaching, research, information exchange and related activities (Yılmaz, 2016). The UK Office of Research and Innovation and Students (OfS) has been established in the UK in 2017 with the higher education and research law to come into force from April 2018. In the United Kingdom, a new funding system for research and innovation was established with this law. This is the first step towards establishing a regulatory framework for the higher education system. Research England has taken over the research and knowledge exchange functions previously carried out by the UK Higher Education Funding Council. This includes responsibility for the Research Excellence Framework, Higher Education Innovation Funding (HEIF), and the UK Research Partnership Investment Fund (UKRPIF). OfS has also taken over HEFCE's other functions related to teaching finance and supervision. This institution also provides monetary contributions for information exchange, national facilities and regulatory initiatives. (Research England,2018).

Education grants and student fees account for approximately 65 percent of the income of higher education institutions in the UK, while research grants, other incomes, and asset and investment incomes account for 35 percent. In the UK, as in many countries, the most important source of income for higher education institutions is the public sector and approximately 35 percent of the income of higher education institutions consists of education allowances (Çiçekçisoy, 2016).

Financing of Higher Education in Germany

As Mäding (1989:161) states; according to the German Constitution (Grundgesetz, English Basic Law), the main responsibilities (law, planning, administration and finance) are distributed to separate units, but as a general rule, the federation is responsible for the law and the states (Länder) are responsible for the administration (Yılmaz, 2016). When the German higher education system is evaluated in general, it is seen that it is mostly funded by industry and research is based on institutes outside the university. In addition, the country's success, especially in technical fields, indicates that the policies followed are successful, and it is seen that the industry's contribution to the financing of higher education is increasing. When the composition of the financing resources of higher education in Germany is analyzed, while the share of the public sector was 88.2 percent in 2000, it was 84.4 percent in 2009, while the share of the private sector was 13.9 percent in 2000 and 15 percent in 2009. When these realizations are evaluated, it is seen that the share of public finance is quite high (Çiçekçisoy, 2016).

In a study comparing the criteria used in direct allocation of public funds to public universities, 12 countries, including Germany, had high outputs (Germany, Austria, Finland, France, Spain, Italy, Norway, Portugal, Romania, Slovakia, Slovenia, Greece). demonstrated to be important. (CHEPS, 2010).

Financing of Higher Education in Italy

The funds envisaged by the state budget are classified as follows and universities are financially supported.

- Fund allocated for the regular financing of universities. (FFO);
- Funding for university building and major scientific research equipment. (FEU);
- Fund for the development planning of university system (FPS)

These incomes include student fees, donations, operating income, income from the sale of properties, collected within the limits set by the applicable legal regulations. (Eurydice, 2021).

Italy is one of the countries in the EU where the least share is allocated to education. According to OECD figures, while the share of higher education in GDP is 1.6 percent, this rate is around 1 percent in Italy. Italy is one of the countries with the highest level of government intervention in higher education. When the financial resources of higher education are analyzed, about 70 percent of higher education is financed by using public resources and 30 percent by using private resources. Direct transfers from public resources to higher education have a share of 78%, and scholarships and similar transfers have a share of 22% (Aydn, 2014).

Financing of Higher Education in South Korea

Financing of higher education is provided by the central government, regional governments, families/students, funding foundations and private institutions and organizations. The main source of Korean higher education funding is families and students, and other private sources. The amount of private resources is 3.5 times of public resources (Ateş, 2019).

Korea has expanded its higher education system without massive funding expenditures. However, the Korean government doubts that this funding will remain relatively limited. There are also public funds that can be reallocated for the fulfillment of public purposes. One is the “demographic share”: if there are certainly fewer students to study in the coming years, but the ratio of government funds to GDP remains constant, the amount of public funding per pupil will increase. This "dividend" can be spent in various ways: improving quality; increase the amount of lifelong learning; develop equity mechanisms, including more grant Funds; investing in targeted forms of R&D related to research and postgraduate education (OECD,2020).

Financing of Higher Education in Turkey

Financing of higher education, which is accepted as a public service in Turkey, is provided by state and foundation higher education institutions public financing is provided by state higher education institutions, while private financing is provided by foundation higher education institutions. It is assumed that as private higher education institutions become more widespread in the coming years, private financing may come to the fore in the financing of higher education.

Higher education services are financed through public funding (taxation), student contributions and tuition fees, or contributions from private individuals and organisations. Public finance-weighted mixed finance (public finance and student contribution) is applied in state universities. Private universities are financed by tuition fees and the contribution of the founding foundation or university. Another financial source is the income of universities from their own revolving funds. In addition to the building, fixture and investment expenditures of the universities, the student costs for direct education are covered by the appropriations allocated to the university budgets by the state (Eurydice, 2021).

The most important financial resource of higher education institutions in Turkey is budget appropriations. The share of budget appropriations in total revenues, which was around 75-80% in the late 1980s, decreased to 55-60% in the 2000s. The reason for the decrease in the said share in the total is the increase in the revolving fund incomes.

Conclusions

In this study, in which the financing of higher education of various countries is analyzed, first of all, the theoretical framework of the concept of higher education and its financing is emphasized. In the next part of the study, a comparison of the statistical data on higher education finance compiled from the reports prepared by different institutions and published annually is included. Thus, the changes between the relative rates of resources allocated to higher education in OECD member countries have been observed and the reasons for the existing differences have been tried to be revealed.

The concept of universal university has started to dominate the world since the end of the twentieth century, with the effect of the transition process of developed countries to the knowledge economy. With this change, the quality of the manpower they possess has come to the fore as the most important indicator of the competitiveness of societies. When the relevant literature is examined, it is accepted that the welfare level of the societies that allocate resources and invest in human capital will be high in the current period. In this context, all societies have accepted the importance of expanding the education service and enriching its content, and as a result of these developments, the importance given to higher education, which has the greatest responsibility in the formation of qualified human capital in terms of contributing to the development of knowledge and skills, and the demand for higher education services have increased significantly all over the world. Today, one of the biggest problems faced by higher education, whose importance and demand has increased significantly all over the world, is the need for financing for the continuity of higher education services. Although various financial sources such as public financing, private financing and university-industry cooperation financing are used to meet the financing need, public resources generally allocated to universities from the central government budget are seen as the most important financing source of higher education institutions in many countries. Private and public benefits provided by higher education have increased the demand for higher education all over the world, and expectations from higher education institutions have naturally increased. One of the most serious problems faced by higher education in almost all countries is the problem of financing. In order to find a solution to the financing problem, various income sources have been tried to be activated. In recent years, the contribution of some states to the financing of higher education has begun to decrease and the contribution of students has been increased. In the UK, this is clearly seen. Particularly in England and South Korea, the share of the private sector in the

financing of higher education is quite high. In Italy, Germany and Turkey, the weight of the public sector in the financing of higher education draws attention. As a result, the contribution of each country to the financing of higher education may vary according to the economic, social, political conditions and even the national/international institutions and organizations of which it is a member. However, in this period when the impact of globalization is quite high, the driving force and locomotive of the development and development of countries is knowledge. Thanks to science, countries can progress and achieve higher levels of prosperity. In fact, countries that develop higher education systems as a result of high investments in research and development activities have a faster growth potential in the global knowledge economy. For this reason, the fact that countries attach more importance to scientific research and development activities within the scope of development and development will contribute to these countries' faster progress on the path of both economic growth and social development.

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