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FINANCING HIGHER EDUCATION ACTIVITIES THROUGH CHARITABLE ENDOWMENT FUNDS

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ABSTRACT

The article provides a comparative analysis of public relations related to the organization and regulation of the activities of charitable foundations in the USA, England, and Uzbekistan in educational institutions. Based on the analysis of national legislation, the features of the management of higher educational institutions are disclosed. The issues of granting broad autonomy and freedom in this area were considered. At the same time, proposals were put forward to bring the foundations of higher education financing into line with modern requirements, not only traditional sources of financing, but also the creation of funds based on the study of foreign experience using methods of generality, similarity, identification of features, and comparison. Appropriate conclusions were drawn, as well as suggestions and recommendations that should be applied in the future in scientific research works. As one of the modern means of eliminating problems related to the financial independence of higher educational institutions, applying the experience of universities in foreign countries was proposed to create charitable foundations (Endowment). The author reveals the history of the development of charitable foundations in Western and Eastern countries, their current situation, and the relevance of the organization of charitable foundations for higher education institutions in order to increase the attractiveness of education.

KEYWORDS

Endowment, finance, asset, waqf, higher educational institution, charity fund.

INTRODUCTION

Today, increasing the effectiveness of reforms being carried out in the field of education, in particular in higher education, ensuring the financial stability of state higher education institutions, independently resolving issues of strengthening the material and technical base, and attracting funds for scientific research activities create the basis for improving the effectiveness of scientific activities and the social and material support of teaching staff.

Presidential Decree No. 61 of the President of the Republic of Uzbekistan dated December 24, 2021 "On measures to provide financial independence to state higher educational institutions" granted financial independence to 40 higher education institutions, providing them with the opportunity to resolve a number of issues in the financial sphere on their own.

At the same time, the declaration of 2023 as the "Year of Attention to Humanity and Quality Education" in the address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis and the people of Uzbekistan on December 20, 2022, requires the study of new directions for eliminating problems in this area.

Today, in the educational practice of foreign countries, one of the main areas of financing higher education institutions is the establishment and effective management of endowment funds.

It is the need of the hour for educational organizations to seek ways to attract non-traditional financial sources beyond the fee-based contract system paid by students to ensure their financial independence.

The lack of research in this area in Uzbekistan, the lack of scientific work on the spending and management of charitable funds, partially undermines the financial stability of educational organizations. This article examines the importance of charitable funds and the

possibilities of their effective organization and management.

A number of scholars have conducted scientific research and studies on the importance of unconventional forms of financing and their management, and presented conclusions.

In particular, A. Yusuf [1, 232-b.], A. Slamet [2, 8-b.] studied the allocation of endowments and endowments in Islamic teachings, and Alla Stepanova [3, 369-b.] studied the fact that endowment funds are the main source of funds for university research. Robert Louie [4, 121-b.] systematically combined his research on the management, organization, and spending of existing endowment funds in higher education institutions, defended a separate dissertation, and in his scientific work, studied the spending of fund funds in 56 universities, 293 colleges, and high schools.

METHODS

The research used the principles of scientificity, objectivity, systematicity, determinism, chronological method, comparative analysis, formal-legal, induction, deduction, and other scientific methods that are important for all legal disciplines.

RESULTS

Based on the content of the article, we will focus on the principles of financing the education system not only from the state budget, but also from charitable funds (endowments), non-governmental organizations, and donations from individuals and legal entities.

An educational endowment fund or endowment is a set of funds directed by donors to an educational organization gratuitously and on a non-repayable basis

to further introduce management into education, turn education into a business, ensure financial stability, and invest in bank deposits, real estate, and other investment funds.

Today, educational funds in this category serve as the basis for higher education institutions to form and improve their material and technical base, meet the needs of professors, teachers and students, and enter the world-recognized list of Top 1000 educational institutions.

Charitable foundations in Uzbekistan are not well developed and properly organized. Almost 90% of the more than 200 educational organizations currently exist do not have such foundations. It can be seen that knowledge and skills in this area, as well as the potential for their management and development, are not well developed.

Resolution No. 321 of the Cabinet of Ministers of April 17, 2019 "On the establishment of an alumni fund formed at the expense of sponsorship donations from distinguished individuals who have graduated from educational institutions and achieved high achievements" specifies the establishment, tasks, and procedure for forming fund funds by higher education institutions.

This resolution provides for the formation of the fund's funds from the sponsorship and charitable contributions of distinguished graduates who have graduated from educational institutions and achieved high achievements, as well as interest income from the placement of temporarily idle funds in bank deposit accounts.

Regulating relations in the field of education with the help of charitable funds, first of all, ensures its financial independence.

We will try to consider this based on a number of examples.

The charitable endowment fund at Tashkent State University of Law was established on March 15, 2021. In 2021, donations amounted to \$9,689, and \$13,841 was allocated for the formation of the fund. In total, \$66,655 was spent. In 2022, donations amounted to \$35,616, \$9,680 was allocated for the formation of the fund, and the funds spent amounted to \$19,844.

For comparison, the charitable foundation at the M. Narikbayev Kazakh State Law University was established in 2016. In 2017, donations amounted to \$83,694.35, in 2018 \$748,102.14, in 2019 \$540,504.34, and in 2020 (the report for 2021–2022 has not been published) \$759,341.61.

Of course, although the funds received by the charitable foundations of the two universities mentioned above are recorded in national currency, the bulk of the funds received by the Kazakh University of Law are directed by graduates of the university. This is increasing year by year, indicating the development of the university's activities in terms of financial independence.

Considering the educational services market today, it can be said that various reforms are necessary to ensure a high level of competition arising from the processes of innovative development, integration, and improving the quality of education through financial stability, as well as to increase the potential of charitable foundations and enable educational organizations to compete in the national and international educational services market.

In the process of researching this area, we will try to analyze the history of the formation of charitable foundations, stages of development, their management, and the experience of foreign countries.

The first donation to an educational organization in world history was made in 176 by the Roman emperor Marcus Aurelius. The emperor established departments in educational institutions in large cities to study the scientific heritage of Aristotle, Plato, and other ancient scholars, and annually allocated funds from his own funds to provide them with a material and technical base [5, p. 241].

This donation was considered the first cornerstone for the establishment of these funds and later prompted donations from government officials.

In European countries, in the Middle Ages and earlier periods, higher education institutions were mainly established under the auspices of the church. Therefore, the nobility financed these educational institutions through donations of money and property to the church. In England, universities belonging to the royal family operated at the expense of the king's personal funds. For example, Margaret Beaufort [6, p. 9], the mother of King Henry VIII of England, donated her own funds to the royal educational institution every year, and for this she was awarded the title of honorary professor.

After the emergence of Islam in Eastern countries and the Arab world, centers for the study of education, religion, politics, jurisprudence, and Sharia were established, and special attention was paid to their financing.

In the Islamic world, waqf has been widely used in non-state financing of education, and the implementation of waqf in education began during the time of the Prophet Muhammad Mustafa (pbuh). Our Prophet came to Medina, built the Quba Mosque, and established a center for the study of Islamic teachings there, and donated property [7, p. 41].

In order to ensure the financial stability of universities, an endowment for education has been developed in Islamic countries. The main reason for this is the important role that higher education plays in the development of the nation, various important factors for ensuring the continuous and effective functioning of higher education institutions, and the availability of a constant and stable flow of funds for educational institutions to carry out their activities.

For this purpose, the idea of an educational foundation emerged. This concept takes into account that channeling endowment funds into education will bring many benefits, such as free education for local and international students [8, p. 7].

In the early days, the practice of endowment in education was limited to fixed assets such as land and buildings, so society devoted its assets to the development of madrasas or other forms of school education. However, due to the rapid growth of the population, the limited number of land and buildings, and the problems associated with operational financing when fixed assets were established through endowments, the practice of endowments in the form of cash has now been developed for the development of the education sector [9, p. 47].

Currently, instead of in-kind property in the form of endowments, cash is being directed to charitable funds of educational organizations in Muslim countries. The reason is that today it is not very effective for students to work on the lands of madrasas, as in the Middle Ages, or for landowners to expect profit by renting out land. It is more important and effective to manage the funds transferred to charitable funds in the form of cash, spend them on scientific research and development, and commercialize their results. In modern conditions, commercialization of university

activities is also the key to the development of education.

Charitable foundations in the field of education have made a great contribution to the development of a quality education system and civilization in the Eastern countries. In particular, during the Abbasid, Fatimid, Aybiyid, Mamluk and Ottoman periods in history, they provided an impetus for the sustainable development of educational institutions such as “Quttab” (primary school), madrasah (college) and Baytul Hikma (higher education) [10, p. 554]. The reason is that the allocated funds were spent on the personal needs and education of students and teachers studying there, and state intervention was limited.

Science also developed highly during the Timurid period. A. Temur, M. Ulugbek and A. Navoi established madrasahs, and land and property were donated as donations for their maintenance and for the provision of scholarships for students and additional salaries for teachers.

In the modern world, in countries such as the USA and Great Britain, where the education system is developed, raising funds through an endowment-investment fund serves to ensure the financial independence of educational institutions.

The Harvard University Endowment Fund in the USA is one of the oldest funds, receiving the first donation in the form of land from its graduates in 1649. In the university's 2022 financial report, the amount of the organization's endowment funds amounted to \$ 61.2 billion.

These funds are spent on the development of Harvard University's material and technical base, the expenses of the faculty, departments and personnel of the institution (except for salaries), the monthly salaries of students working as technical and support staff, and other activities.

From the table below, it can be seen that the amount of money received from donations to Harvard University alone is 36 percent of the total share of the educational organization.

The University's net assets consisted of the following as of June 30, 2022 and 2021 (in thousands of dollars)

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
NATURE OF SPECIFIC NET ASSETS						
Perpetual endowment funds		\$ 9,057,578	\$ 9,057,578		\$ 8,562,120	\$ 8,562,120
Endowment funds and appreciation subject to distribution policy and appropriation		30,925,321	30,925,321		33,434,803	33,434,803
Endowment funds without restriction, board designated and subject to distribution policy	\$ 9,057,969		9,057,969	\$ 9,423,055		9,423,055
Pledge balances		1,433,186	1,433,186		1,265,091	1,265,091

Interests in trusts held by others		403,626	403,626		480,684	480,684
TOTAL ENDOWMENT	9,057,969	41,819,711	50,877,680	9,423,055	43,742,698	53,165,753
Operating	6,519,858		6,519,858	6,588,391		6,588,391
Unexpended contributions and endowment distributions		3,048,468	3,048,468		2,747,969	2,747,969
Student loan funds		100,148	100,148		99,631	99,631
TOTAL GENERAL OPERATING ACCOUNT	6,519,858	3,148,616	9,668,474	6,588,391	2,847,600	9,435,991
Split interest agreements (Note 9)		700,540	700,540		773,330	773,330
TOTAL NET ASSETS	\$ 15,577,827	\$ 45,668,867	\$ 61,246,694	\$ 16,011,446	\$ 47,363,628	\$ 63,375,074

Higher education institutions can attract qualified top managers to establish such funds, and as a result, they can determine 50-60% of annual income. The establishment of endowment funds is of great importance in improving the quality of education. In some cases, this is determined by the subsequent success of graduates. After a certain period of time, graduates who have achieved great success donate their own funds to the educational institutions where they studied, contributing to the increase in fund funds and the development of education.

Since most universities in the USA are primarily private, the organization and commercialization of charitable funds is a priority for them. Separate top managers are attracted to manage funds of this category.

More than a hundred qualified specialists work in charitable funds under the university, who spend funds on scientific research and commercialize companies for a very large amount of money to implement the obtained scientific results in practice and receive a profit.

In addition, the funds received by charitable funds are allocated by the supervisory boards elected at the university to cover separate expenses for each faculty and department, as well as for each professor and teacher working in the department. It is noteworthy that these funds are not spent from the budget, but from the charitable fund.

The distribution scheme can also be implemented for scholarships for students studying in the country and abroad, educational loans for those in need, and internships for teachers in foreign countries.

So, where do these funds come from? First of all, it is formed from the proceeds of former students who have graduated from the university and are in good standing, as well as from the organization's awarding (selling) the title of honorary professor of the university to individuals with great authority, funds from the sale of various clothing and souvenirs with its logo, as well as donations from legal entities and individuals.

The positive side of this is that these funds are mainly directed to charitable purposes and are exempt from various taxes, ensuring the stable financial independence of higher education institutions. The endowment-investment fund is an attempt by universities to follow the path of greater independence and autonomy from the state. The capitalization of the country's economy encourages the university to look for new sources of income. Some experts consider endowments as institutions of social investment, not related to the growth of state spending and the commercialization of the social sphere [11, p. 222].

As in the USA, in England, charitable foundations are given special importance in financing education. Educational endowment funds in England, promoting the connection between family income and education, attract funds to their universities by promoting the development of basic life skills in children from three to eighteen years old in English families, the dependence of future careers on education, and the preparation of young people for work and further higher education.

In addition, educational foundations in England are organized as non-governmental organizations, and today 32 scientific institutions have been established to develop this area. Their main task is to meet domestic demand, as well as to spread the advantages of their educational system around the world, to show that there are top international universities [12, p. 14].

In Great Britain, educational institutions are also allocated charitable funds by the state. In response, universities are required to create developments that serve to improve the government or defense capabilities. In a word, both the state and the educational institution are interested in these allocated funds.

In the management of charitable funds of educational institutions in the United Kingdom, not only the management, but also the opinion of ordinary teachers and professors is taken into account. Every year, proposals for funding for conference and scientific seminar trips by scientists working in the departments are considered and provided with the necessary amount of money.

Israel is one of the countries in the world where large donations are directed to higher education institutions by individuals and legal entities, as well as the state.

At the beginning of the 20th century, 64 schools operated in Jerusalem. All of them used to pay for books, libraries, teachers' salaries, and student allowances from charitable funds [13, p. 44].

Israeli universities have well-established charitable endowment funds and have extensive experience in the commercialization of scientific developments carried out with the help of charitable funds and their activities. Large-scale research is carried out at universities in Israel at the expense of fund funds.

In Israel, for the first time in the world, university programs for high-tech industrial projects were created at the expense of the fund. In addition, universities (often together with domestic and foreign companies) have established industrial branches based on their technical developments, which commercially sell their products [14, p. 948]. In general, the establishment of charitable endowment funds and the collection of charitable funds also depend on the level of attention paid to the lifestyle, culture and education of the population.

Although charitable funds also exist in the PRC, which has a very high economic potential in the world, they are not as widely used as in Western countries due to the state-controlled system of planned economy.

In China, large cities play a leading role in the provision of charity to education. The population living in large cities allocates funds to funds for the development of education. Promotional work by universities is also carried out mainly in cities. The main reason for this is that the industrial and agricultural zones in the People's Republic of China are separated from each other, and the demand for higher education among the rural population is not so high. Since they move from one area to another only for daily work, their attitude to higher education and the level of donation to education are low [15, p. 7].

However, in China, there is also a unique approach to financing education through charitable foundations. Here, the state allocates targeted funds to charitable foundations of universities and research centers, and its results are commercialized for the benefit of the state.

In general, since most universities in developed countries are private, attracting funds to charitable endowment funds and their effective management, first of all, has a positive effect on the international rating and financial security of organizations.

For example, during the global financial and economic crisis of 2008 and the Covid-19 pandemic of 2019, the funds of charitable foundations had a positive effect on the financial provision of universities.

According to financial reports from 2009, during the global financial and economic crisis of 2008, the financial endowment funds of universities lost an average of more than 24 percent of the market value of their assets from July 1, 2008 to December 31, 2008, although the expenses of most educational organizations were provided by funds (42 percent of the budget of the University of Lviv was formed from charitable funds) [16, p. 117].

Over the past 15 years, endowment funds have become an important source of funding for universities, as their funds are considered profitable, growing rapidly relative to university expenses.

Analysis of research results

Based on the above-mentioned comparative analysis of the importance of charitable endowment funds in financing higher education institutions in foreign countries, a number of positive aspects should be highlighted.

Today, three types of charitable endowment funds are used in developed countries: the first is an unrestricted endowment - an asset that can be spent, stored, invested and distributed at the discretion of the organization receiving the donation; the second is a fixed-term asset, usually an asset that can be spent after a certain time or after a certain event; the third is a quasi-charity - a donation made by an individual or institution for the fund to serve a specific purpose. In this case, the funds are spent or distributed in the direction specified by the donor.

Although charitable endowment funds are usually established as separate legal entities under universities, their boards of trustees and management are appointed by the educational organization. In addition to public figures and representatives, highly qualified teachers of the educational organization also participate in these councils.

In managing the funds of the fund, a professional level of managers and employees is selected and entrusted with management, but the university retains direct control over the rates of charitable payments.

Developing a theory of increasing the funds of charitable funds allows you to constantly increase the flow of money to the funds. In this case, it is necessary

to establish regular contacts with former students who graduated from the educational organization, organize meetings with people who have achieved high goals in life, and in return for their donations, symbolically name and immortalize a building belonging to the university in their name.

It is also necessary for not only individuals and legal entities, but also state institutions to provide funds to educational organizations' charitable foundations in the form of unconditional research grants to fulfill their tasks and functions. This will contribute to increasing the effectiveness of nanotechnology creation, the ability to transfer technology to the market, and the widespread implementation of knowledge for policy development or public benefit.

CONCLUSIONS

Thus, it is possible to improve the financing system of educational organizations, to ensure financial activities not only through the payment-contract system paid by students, but also through charitable funds, commercialization of their own scientific and creative research, provision of services, ensuring financial stability, and as a result, to obtain a competitive financial system and the status of an international higher education institution.

To do this, of course, it is necessary to review the existing legislation and internal regulations. First of all, it is necessary to include financial support for educational organizations in the scope of application of Article 3 of the Law of the Republic of Uzbekistan "On Patronage". The reason is that this law does not specify the allocation of funds for the development of education and the benefits granted to sponsors, despite the fact that it indicates that this is a sponsorship activity carried out by individuals and legal

entities in the field of other activities related to the development of culture and art.

The concretization of these legal norms will ensure the functioning of the legal norms and the benefit to the education sector by establishing a close relationship between sponsors and educational organizations and defining the benefits in strict norms.

Secondly, the Tax Code provides for tax incentives for legal entities, participants in special economic zones by decision of the President and the government, and it is also appropriate to take into account the fact that their educational organizations direct funds to financial charitable funds (since the forced involvement of business entities in sponsorship entails liability).

Thirdly, it is possible to ensure their true independence through the gradual privatization of all higher education organizations in the country. This, first of all, will provide support for education from both the state and sponsors, and will also achieve a high-quality and sustainable educational process.

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