



## POSSIBILITIES OF EFFECTIVE USE OF FOREIGN COUNTRIES' EXPERIENCE IN FINANCING UNIVERSITIES

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**Alisher Bakberganovich Sherov**

Professor at Mamun University, PhD, Uzbekistan

ORCID: 0000-0001-7383-6229

### ABSTRACT

The development of each country is directly related to the quality education system implemented in this country. Therefore, almost all developed countries create the necessary measures and legal framework for the development of the education system, support the activities of international universities, and create opportunities for the population to receive quality education. In recent years, our country has implemented large-scale reforms in this regard. The purpose of this research work is to promote comprehensive reforms implemented in the country by analysing the experience of advanced foreign countries. For this reason, the experience of countries with developed education system in the world was analysed, the possibilities of its use were analysed and relevant proposals were developed.

### KEYWORDS

Education, higher education, state budget, GDP, extra-budgetary funds, student contract funds, commercialisation, investment.

### INTRODUCTION

In all economically developed countries, the education system, including higher education, is recognised as the main factor of socio-economic development. In all developed countries, the main source of funding for higher education institutions is budgetary funds, i.e. state budget funds or federal and regional budgets.

One more important point should be noted here: the fact is that the use of econometric methods in scientific research by Western economists has allowed us to draw the following conclusion, i.e. in the periods preceding economic growth, which countries had a significant amount of budget funds invested in the education system, these countries had high rates of economic growth. Thus, it is proved that there is a direct relationship between the growth of expenditures on education and science, sustainable economic development and competitiveness of the economy.

Some common concepts and approaches to the funding of higher education institutions have been incorporated into the practice of EU countries. In this regard, it should be noted that most researchers have recognised that blended funding is relatively more efficient than public or private funding itself. At the same time, mixed financing provides for the possibility of using budgetary and extra-budgetary resources not only in public HEIs, but also in private HEIs. This is due to the fact that higher education is of great importance for society in the form of accelerating economic growth, increasing the flexibility of the labour market,

transferring scientific knowledge to the next generation, accelerating scientific and technological progress, and fulfilling important tasks. economic and social functions. All this, in turn, justifies the growth of state allocations for higher education.

### METHODOLOGY

A number of methods were used in the preparation of this article, the main ones being financial analysis, analysis and synthesis, and statistical analysis.

### RESULT & DISCUSSION

The practice shows that in economically developed countries the state budget funds have priority in financing higher education institutions. For example, currently in Germany, Austria, Italy, France, Norway, Denmark and Sweden budget allocations account for 90 per cent of the sources of funding for higher education institutions. The level of this indicator is 80% in the UK, Portugal, Finland, the Netherlands and Spain, which indicates the active policy of the above countries in the field of higher education.

At the moment, the approach to this issue is different in transition countries, in particular, in the Russian Federation. The reform of the higher education system, which has been implemented in our country since the 1990s, is manifested in the constant reduction of the state's contribution to the financing of higher education. Despite the fact that according to the legislation at least 3 per cent of federal budget expenditures should be allocated annually to financing higher education, this norm is not observed. Thus,

more than 50 per cent of expenditures related to the financing of higher education institutions in this country are covered by the revenues from their entrepreneurial activities and other income-generating activities.

In general, it should be emphasised that in recent decades in the practice of developed foreign countries of the world there have been cardinal changes in the relationship between the state and higher education institutions in matters of financial support and strengthening of higher education institutions. . The new policy of states in this respect is based, on the one hand, on the desire to increase the responsibility of higher education institutions and, on the other hand, on the desire to effectively use financial resources for their own purposes. recycling.

Many leading experts in higher education now recognise that it is impossible to maintain the same old attitudes towards higher education institutions in terms of accountability. Because higher education institutions need to take into account the needs of society, the economy and the demands of the state. And the state, in turn, needs to be concerned about the professional development of teachers, their ability to develop and use technology, all of which will ultimately serve to further increase the productive forces and economic power of the state.

According to experts, education, especially higher education, is becoming the main component of the national investment strategy of every developed

country. In the context of globalisation of the world economy and the development of international competition, increased investment in higher education to train highly qualified and experienced professionals is becoming one of the vital conditions for future economic growth. In their opinion, if such a large amount of investment is not channelled into higher education, the competitiveness status of industrialised countries may suffer in the coming years.

The higher education system increasingly determines the international competitiveness of countries in modern industrialised societies. Realising this, many foreign countries with developed higher education systems are adopting a new strategy for assessing the performance of higher education institutions. The main changes in the new strategy are related to the development and implementation of a mechanism for assessing the performance of higher education institutions and the results of funding. In this sense, the new strategy for higher education in these countries is aimed at developing human capital and research, which remains a prerequisite for strengthening the competitive position of individual countries.

In accordance with the new tasks facing higher education institutions, the methods of administrative management of higher education are changing - these processes are becoming more democratised, the number of practical regulations is decreasing, and at the same time, the systems of evaluation and control

of activity are decreasing. higher education institutions are developing.

In our opinion, the increased interest of public authorities in the results of higher education institutions' activities in developed foreign countries is determined by the presence of at least the following two factors: a) high-speed development of the field of higher education; b) limitation of public expenditures intended to finance the expenditures of higher education institutions.

According to some experts, the rapid growth of higher education in industrialised countries is one of the best developments of the past twentieth century. When such growth rates were achieved, government policies aimed at developing human capital helped to ensure economic growth, which, in turn, led to increased investment in higher education. As a result, in the following years the number of students increased by 70 per cent in the USA compared to 1970, by 30-33 per cent in Western European countries compared to 1980, and by 70 per cent compared to 1985 in Greece, France and France. UK. The age structure of university students is also changing, with an increasing proportion of students aged 25 and over.

Expansion of higher education in conditions of limited state funds threatens to reduce the quality of teaching as a result of increasing the number of students in groups, decreasing attention of teachers to a part of students, deterioration of the quality of teaching. relationships between students and teachers. All this

ultimately affects the deterioration of higher education institutions' performance.

In industrialised foreign countries, macroeconomic conditions in recent years, as well as voter resistance to tax increases, have forced their governments to reduce public spending on higher education. This development is in some cases interpreted as increasing the efficiency of higher education institutions and forcing them to take better account of social needs.

As a result, on the one hand, by reducing public expenditures on financing higher education institutions, on the other hand, the amount of fees charged to students increases. In addition, the reduction in public funding occurs at a higher rate of inflation compared to the increase in expenditure on higher education.

Reduced funding from the state and rapid growth of expenditures lead to rapid obsolescence of equipment and buildings of higher education institutions and the stock of educational library, lower requirements for the qualification of teaching staff, lack of advanced scientific equipment and teaching materials, etc. In this context, many countries around the world have tried to follow the example of the USA and use their experience of expanding the financing of higher education institutions at the expense of students or interested individuals, organisations and firms. These changes in the funding structure have led to dramatic differences in tuition fees in the rest of the developed world.

At the same time, the state norms on the responsibility of higher education institutions for the results of their work were tightened. The system of evaluation of higher education institutions and monitoring of the fulfilment of their objectives made it possible to link the financing of individual higher education institutions to the results of their activities. In line with the results achieved in this respect, the policy of planning and distribution of financial resources among higher education institutions plays a key role in financing their activities for the next ten years.

It should also be noted that there is an increasing realisation of the need to reform higher education in the countries of the European continent following the model implemented in the USA and the UK. Therefore, many European countries are taking appropriate measures in this direction. For example, as early as 1997, Finland introduced a model of education financing that takes into account the results of higher education institutions' activities. Approximately 3 per cent of the total budgetary funding of higher education institutions was allocated on the basis of the results of the assessment of results and achievements. The performance of higher education institutions was compared in five areas: the ability of higher education institutions to attract foreign funding; the position of higher education institutions in the ranking on the replacement of students and teaching staff; the efficiency of adult education services; the demand for higher education graduates on the labour market; the

success of higher education institutions in terms of the quality of teaching and research.

As in the UK, governments in Finland and other European countries are trying to find a balance between institutional autonomy policies for higher education institutions and performance assessment policies. Universities in Germany, Sweden, Denmark and Austria have been given greater financial autonomy over the funding of programmes and grants in exchange for tighter monitoring of results. And the Netherlands has introduced a special mechanism for research funding, which is assessed on a special scale.

At the end of the 1990s, a funding mechanism for higher education institutions based on the assessment of quality and performance was introduced in two Canadian provinces, Alberta and Ontario. This is, on the one hand, the result of the influence of the experience of the USA and Western European countries, and, on the other hand, the consequence of budget cuts and the expansion of the higher education sector.

The Alberta assessment system includes ratings for quality, research, and effectiveness. Universities that rank highly in the relevant ratings receive funding of 2.75 percent or \$6.05 million, with the potential for an increase up to this amount. In the province of Ontario, the government decided that starting in 2000, higher education institutions would allocate more than 6% of their annual funding based on performance evaluations according to the following three criteria: normative requirements for graduates; employment

rules for graduates; and meeting the needs of graduates and employers.

Under the new funding scheme, approximately \$16.5 million is planned to be distributed among universities. Thus, the Government of Canada aims to direct universities toward the country's economic needs and increase their accountability for their performance.

## CONCLUSIONS

In conclusion, it should be noted that the experience of using the system of financing higher education institutions based on the assessment of their performance is characterized by the following two general trends in the above-mentioned countries of the Organization for Economic Cooperation and Development:

- firstly, the new financing system leads to tension in relations between the state, on the one hand, and the university administration and teachers, on the other. The state gives priority to indicators measuring institutional efficiency, the degree of satisfaction of society's need for personnel, employment of graduates and use of resources. In turn, the university administration and teachers support evaluation methods that reflect the specifics of their experience and the mission of specific higher education institutions;
- secondly, the relationship between the state and higher education institutions is changing, universities are participating in making financial and economic decisions. This is a huge change. Some higher

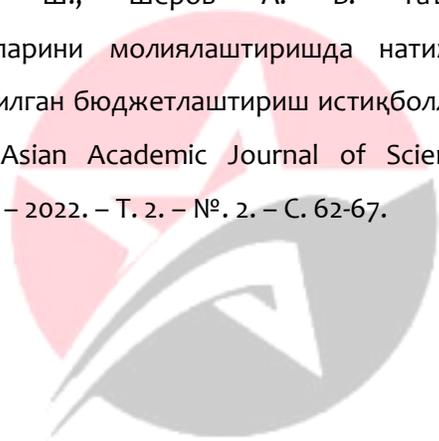
education institutions are given greater rights to control their programs and budgets, while the state reserves the right to directly intervene in the higher education system in order to improve economic efficiency, the quality of personnel training, the level of public education, and the responsibility of the management of higher education institutions.

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