

УДК: 338.2 ГРНТИ: 06.81

DOI: 10.15643/jscientia.2017.2.006

## FINANCING ACTIVITIES OF MODERN UNIVERSITIES – APPROACHES, CHALLENGES, PROBLEMS

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*The article examined the main approaches to the funding of universities and possible mechanisms for their subsequent efficient financial management. The main sources of funding for modern universities, are usually a mix of state funding other targeted grants, tuition fees and revenues from economic activity. The declining targeted budgetary resources for the financing of universities, and linking it to performance (quality, rating realization), forcing universities to seek alternative sources of financing, incl. and through the expansion of the international education market. The growing need for effective management of university assets and financial resources available has led many universities to seek expert management, both from the financial manager and through various elements of proven practices for effective corporate governance.*

**Keywords:** financial management, Universities.

## ФИНАНСИРОВАНИЕ ДЕЯТЕЛЬНОСТИ СОВРЕМЕННЫХ УНИВЕРСИТЕТОВ – ПОДХОДЫ, ВЫЗОВЫ, ПРОБЛЕМЫ

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*В статье рассмотрены основные подходы к финансированию университетов и возможные механизмы для их последующего эффективного финансового управления. Основными источниками финансирования для современных университетов является, как правило, сочетание государственного финансирования, платы за обучение и доходы от хозяйственной деятельности. Снижение целевых бюджетных средств на финансирование университетов, и связь его с производительностью (качество, реализация рейтинга), заставляют университеты искать альтернативные источники финансирования, в том числе и за счет расширения международного рынка образовательных услуг. Растущая потребность в эффективном управлении университетских активов и финансовых ресурсов приводит многие университеты к поиску экспертов по управлению, как от финансового менеджера и с помощью различных элементов проверенных методов для эффективного корпоративного управления.*

**Ключевые слова:** финансовое управление, университет.

The problem with the funding of universities and the subsequent efficient management of these funds on the agenda of the very existence of institutions. As long as they are institutions that create public good in the prevailing case, universities receive their funding from their creator (country, church, ruler, community, donor), while competing with other institutions that rely on public funding for their subsistence and existence. The trend of massification of higher education, which is observed in recent decades, unfortunately accompanied by a decrease in the share of public funding of universities in general, forcing them to look for possible sources to compensate as the reduced share of public funds and their growing needs for modernization and development [4, p. 140].

The main sources of funding for modern universities, are usually a mix of state funding for education and research, target national or international grants and donations, fees for training of students and provided administrative services, income from independent economic activity related to scientific production and intellectual owned by University of management provided the university's assets, dzhoiynt-veyncharni and other joint initiatives with business practices and effective management of free cash (interest income and other financial investments).

A major share in the funding of public universities is

formed by different target state funds, their overall share structure and method of use, largely reflecting conducted by the principal policy on higher education. In world practice there are 5 basic ways of forming a government subsidy for universities, which can be used both in its pure form and in the form of combination between them. These include: [5, p. 29]

- formed a central budget. In this approach, the university is treated as a state agency, respectively busy in her academic and administrative staff – as civil servants, and to its financing and financial management are applied mechanisms and practices applicable to the rest of the public sector. In this case, academic autonomy is associated with academic and research university, while their financial management is exported to a central authority (Ministry) or carried out by his representatives. Opportunities for self-management of financial costs, their structure and targeted use are minimized. Payment of employees and teachers is done centrally, in one country wage levels.

- centralized funding annually negotiate the amount of the subsidy. Although the whole model is relatively limited application, the university should enter into direct negotiations with the principal about the size of its financing. Its disadvantage is related to the lack of clear rules by which to determine the exact amount of the subsidy and the

possibility of subjectivity. In certain cases, by this method it is even possible to achieve the targeted state and / or political interference in academic autonomy.

- funding base of students. With this type of financing, target subsidy university is assigned to the formula "X number of trained subsidy trainees." In world practice there are numerous modifications of the approach, such as the size of the subsidy trainees can determine for example. by average costs for a student, target costs for a student, as well as applied in Bulgaria modification – target costs for a student in a particular specialty and training. Such an approach on the one hand allows clarity and objectivism in the formation of the target subsidy of the university, but at the same time is also the prerequisite for universities to pursue quantitative rather than qualitative aspect of training activities.

- financing based graduate student. This approach to funding could be regarded as a modification of the previous one, with the difference that the state provides financing not to train and successfully graduate student, such as the presumption here is that thus ensuring quality training. Unfortunately, if there is no effective system for the implementation of quality education, it mentioned above weaknesses are fully applicable here.

- competitive bidding. A similar model is used as an additive in cases where the state wants to achieve specific goals and policies in higher education and for this purpose announced targeted funding for which universities can apply on a competitive basis. Thus purposes as optimizing the use of public funds and more rapid realization of priority objectives through realization of the best of the educational market in the country.

World practice shows that the use of those approaches to financing of higher school in their pure form is very limited and generally uses a different mix of them, sometimes combined with complementary approaches and incentives. Especially important is the country to find the right approach to combine quantitative measurement with qualitative indicators of the success of the students. For example, functioning in our rating system is an attempt by the state to quantify various aspects of the university, incl. and the quality of their training, and on this basis to support or punish universities for quality achievements of ongoing training in them.

An important aspect of academic autonomy of universities is the ability to self-manage their funds and assets. As far as the share of state funds for universities decreases in general and in the world, comes to the fore the challenge academic communities and their leaderships to find the best methods and mechanisms for effective management of their assets. Usually they incorporate approaches related to its own or jointly (with third parties) managing holdings of buildings, land and other tangible assets as well as their rent. In these cases, the academic management must respect the purpose of their use in the academic character of the institution.

In most countries the principal reserves the right to monitor the appropriateness and legality of the use of assets managed by universities, incl. and requiring the coordination of university strategies for asset management, maintaining control over the sale of assets (incl. through their ownership and rights to dispose of them), and the requirement for targeted use of generated revenues. Such an approach is

possible to apply in cases where the university enter into public-private partnerships, for example. construction of new buildings and facilities.

In recent years, the academic community increasingly hard entering the notion of so-called. "Entrepreneurial university" that along with traditional education, science and research, manage their assets and set of core and support activities for entrepreneurial style in order to achieve greater financial prosperity of the university. This concept again highlights the discussion on the necessary competence of the academic management and the need to separate the education of business management in universities, increasingly now universities requires effective financial management using modern methods and approaches to financial management the university.

### Conclusion

The declining targeted budgetary resources for the financing of universities, and linking it to performance (quality, rating realization), forcing universities to seek alternative sources of financing, incl. and through the expansion of the international education market. The growing need for effective management of university assets and financial resources available has led many universities to seek expert management, both from the financial manager and through various elements of proven practices for effective corporate governance.

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Received 15.02.2017