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## ORGANIZATIONAL AND ECONOMIC MECHANISM OF HIGHER EDUCATION INSTITUTIONS ACTIVITY FINANCING IN THE CONDITIONS OF THE EDUCATIONAL SERVICES MARKET INSTABILITY

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**Abstract.** *The transformation of the social and economic as well as social and cultural foundations of our country determines the significance of higher education as an important social institution for the development of the country. Education is the foundation of the economy in a high-tech, information society. One of the most important tasks of improving the efficiency of Ukrainian economy, its modernization and competitiveness is the staff training both for the national economy and the global labor market. Due to the modernization of higher education in order to integrate it into the European educational space, cost optimization of higher education in Ukraine is becoming one of the state priorities of its development. Therefore, not only the structure, qualification requirements for personnel, conditions of study, but also the mechanisms of financing the higher education of the country are changing drastically, which needs careful analysis for the possibility of their effective application. Therefore, the issue of the essence of the mechanism of higher education financing in the conditions of the educational services market instability needs further investigation.*

**Keywords:** *higher education finance, higher education institutions, financing mechanism for higher education institutions, public financing, financial regulation, financial planning, financial security.*

**Introduction.** In the period of economic and social transformations, which exist in all spheres of Ukrainian society, there is a need for changes in the previously formed models of economic behavior. The problem of rethinking the basic mechanisms of functioning of the scientific and educational industry as a necessary prerequisite and resource for the national economy development and the formation of human, scientific, technical and cultural potential of society instability is of particular importance. The main sense of changes lies in a transition to the cost-effective management practices that would ensure an adequate level of educational institutions competitiveness and contribute to the requirements of the population needs to receive high quality education services.

Changes in the market economy mechanism also dictated a revision of the whole system of financial interconnections in the educational sphere. The transition of the national economy to the principles of market economy led to the transformation of financial relations and the new approaches to the organization of financial support for the higher educational institutions.

The new financial mechanism is characterized, first of all, by the combination of budget financing with the development of paid services, agreements with the economic entities, as well as reimbursement payment by the individuals (households).

At the same time, the budget financing system is being restructured. There is a rejection of planning and financing of expenditures for the maintenance of educational institutions, depending on the achieved level and the transition to the normative method of covering the costs. Its essence is that the needs of higher educational institutions are financed from the budget on the basis of standards determined by the calculation of social standards per student and some other indices.

Thus, the financial system of higher education has its specific features. Being an element of finance in the non-productive sphere, it is formed in the process of redistribution of the national gross domestic product. At the same time, the return on investment in higher education occurs mainly in the sphere of material production, and therefore, at the stage of redistribution, the initial investment in higher education is transferred to both intangible and material production. This characterizes the duality of higher education finances: at first they are non-productive investments, but subsequently they are transformed into investments in the productive and non-productive spheres of the economy.

**Research results.** Higher education finances are formed in the process of redistributing of the aggregate social product value. As is known from the theory of finance, the process of distribution and redistribution of the aggregate public product value is a financial mechanism that includes separate spheres of financial relations that allow to form their own financial resources of economic entities,



employees, the state and local governments. The financial mechanism is a system of organization, regulation and planning of financial relations, ways of formation and use of financial resources [1, p. 62].

The concept “financing” can be considered in several respects. In a broad sense, financing means any receipt of funds from various sources. In a more narrow sense, financing is represented as a process of securing the defined goals and objectives achievement by means of money, that is, the distribution of income is directed to specific expenses.

The process of education financing depends on the basic approach to its implementation and provides a choice of possible alternatives: public and commercial financing, through sponsorship contributions, combined financing, etc. Financing of public educational institutions is carried out at the expense of appropriate budgets, funds of branches of national economy, state-owned enterprises, organizations, as well as additional sources [2].

In the process of budget financing, it is important to determine its value for each educational institution. Scientists indicate that the standards of material and technical support financial support etc. are developed taking into account the staffing, the ratio of students and teachers, the academic load, the infrastructure of the institution, etc. Depending on the status, level of accreditation, type of higher education institution, directions and specialties of training the scientific and scientific-pedagogical personnel, different values of standards of higher educational institutions financing in Ukraine are established [3, p. 85].

The legislation of Ukraine permits the financing of higher education institutions, regardless of ownership, by attracting additional sources of financing, with the further redirection of these financial resources to the labor remuneration and material incentives for their employees. The bulk of additional financial resources accumulated by higher education institutions of public and communal ownership are mobilized by the provision of additional educational services on a fee basis.

For the efficient formation of financial resources and for the purpose of their optimal use and implementation of the process of financial management, the financial mechanism of higher education institutions is functioning. The financial mechanism of a higher education institution is a set of organizational forms of financial relations and methods of formation and use of centralized and decentralized funds, methods of financial planning, forms of financial management for their effective functioning.

The most important qualitative characteristics of a financial mechanism that determine its functionality are:

- 1) systematization;
- 2) efficiency, effectiveness;
- 3) involvement in financial relations.

The basic components for providing financial resources of educational institutions are financial regulation, planning and forecasting, which determine the directions of financial policy of the educational institution and financial control for the rational use of available funds.

The academic economists say that financial security plays a leading role in the system of functioning of the financial mechanism of higher education institutions. The analysis of theoretical provisions of economic science shows that it is the basis for the financial resources creation and is manifested in determining the sources of formation and directions of their use.

Financial support of higher education is a set of sources of formation and use of educational institutions financial resources necessary for their effective activity in order to provide educational services to consumers and to train qualified specialists for various spheres of public life.

In Ukraine, higher education institutions are of public, communal and private ownership. This leads to different approaches to the formation of their financial mechanism as a whole and the choice of financial security forms, in particular. For public and communal institutions, financing is first and foremost related to the receipt and use of budgetary funds. This form of financing involves the allocation of funds on a non-repayable basis from the budgets of different levels to fully or partially cover the costs of economic entities. Budget financing of higher education institutions is based on the application of the normative method of formation and the financial resources use [4, p. 124].

In Ukraine it is advisable to harmonize the following financial and economic models of providing or receiving educational services:

- 1) public funding – identifying the most talented applicants, and their study for public funds through special training programs using motivational programs for further career and creative growth prospects (the model expediency is guaranteed by the needs of the state);
- 2) business financing – training of specialists who are needed by representatives of certain industries at their own expense and in close cooperation with them, which implies coordination of

training programs and practice, practical teaching of certain subjects, internship of teachers and students training, employment of graduates (expediency of model is ensured by the state needs);

3) credit financing – obtaining a student loan (from a future employer, from an independent sponsor, from the state etc.) – this model in Ukraine is currently possible only if the state guarantees financial security of both the lender and the borrower (the expediency of the model is guaranteed by the lender);

4) self-financing – training at the expense of own funds (the expediency of the model is guaranteed by the educational institution and the state on the basis of data base information on the needs of specialists);

5) combined financing – a combination of the above models based on the current conditions [5].

In recent years, the practice of granting credits for higher education has been applied in our country. The only available credit option for higher education financing today is the system of state preferential loans.

Today every higher education institution of Ukraine within the legal field has to seek and introduce new additional sources of financing, to create the basis for organizing financial and economic relations in education and to improve the organizational and economic mechanism of the higher education system functioning, to develop optimal models of financing the development of universities [6].

Foreign scholars [7] consider the universal phenomenon of cost allocation in higher education, where a financial responsibility moves from governments and taxpayers to students and families. They believe the rising costs of education far exceed the public revenue streams that once supported it. Even with financial aid and scholarships that cover some of these costs, students are responsible for a large share of the higher education cost. Among the additional sources of financing for the HEI development are the following: financing from consumers of educational services; paid HEI services; property income; grants and voluntary contributions; cooperation with charitable organizations promoting educational development; issue and realization of scientific literature; conferences, exhibitions; use of the sports and health-improving base of the university; participation of high school teams in sports competitions with the prize fund.

In view of the increasing influence of the commercial component on the university activities, the problem of transition of the national higher education to the model of financing based on market principles of competition, equality, objectivity and impartiality as well as the economic space unity becomes especially relevant. In the conditions of the changing environment, higher education institutions have to optimize their business activities. Together with the development of new approaches to ensuring the financing mechanism functioning, the need to increase the level of managerial competency in making management decisions in the field of financial and economic activity is increasing.

In the context of demographic problems and a decrease in the number of applicants, higher education institutions are forced to re-establish the existing funding mechanisms and highlight the new key points. This increases the number of levers that affect the budget of an educational institution and also expands the list of the responsible persons' competencies (and often the staff itself).

Conclusions. The current social and economic conditions should take into account the such requirements to the mechanism of higher education financing as: complexity, comprehensiveness; systemacity; efficiency; compliance of the management model with the obtained results; innovation; legality, legal protection; detailed analysis of the effectiveness of their use, professional approach.

The mechanism of higher education institutions financing is developing in accordance with changes occurring at the macro level (the level of the national economy development, trends, needs of the domestic and world labor markets, international division of labor, the degree of the financial and credit sector development etc.) and micro levels (features of a specific higher education institution, namely: number of students, quality of scientific and pedagogical staff, level of logistical support of educational process, etc.).

The development of the financial mechanism and the mechanism of higher education financing as a single integrated macro system implies the implementation by the state of the following measures:

1) development and implementation of a set of actions to improve the quality of higher education services;

2) promoting the investment attractiveness of higher education;

3) ensuring access to higher education;

4) development of a higher education financing program based on tight control and material incentives;

5) development of a regulatory framework that regulates the issue of higher education financing;

6) partnership with foreign universities.

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