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Economic Foundations of Expenditures in Higher Education Institutions

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Abstract

Introduction/Main Objectives: analyze the economic foundations of expenditures in higher education institutions (HEIs), including their classification, role within the organization, and impact on the educational process. **Background Problems:** Making economically well-founded decisions is of great importance for ensuring the efficiency and stability of the higher education system, yet the concept of "expenditure" is defined differently in general, specific and economic senses, and its classification and presentation differ between state and non-state higher education institutions. **Novelty:** the article distinguishes the economic classification of expenditures between state and non-state higher education institutions on the basis of the Budget Code of the Republic of Uzbekistan, and argues that expenditures should be studied from a comprehensive perspective that considers both the institution and the student. **Research Methods:** a qualitative, normative-legal and comparative-analytical method is applied, based on a review of legislative acts (the Law of the Republic of Uzbekistan "On Education," the Budget Code of the Republic of Uzbekistan) together with prior economic literature on expenditure and resource management in higher education. **Finding/Results:** the specific economic characteristics of the higher education sector (a labor-intensive, standardized, personal-service sector with limited possibilities for capital substitution and technological change) shape the structure of its expenditures. Budget-system expenditures are classified, according to Article 23 of the Budget Code, into four economic groups — wages, pensions, allowances, scholarships and material assistance; allocations for social needs; capital investments; and other expenditures — and, according to Article 22, into six classification structures (by source and level of funds, functional, program, organizational, economic and territorial). Instruments such as the state order and expanded financial independence are increasingly applied in financing higher education expenditures in both state and non-state institutions.

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1. INTRODUCTION

Various aspects of financing the expenditures of higher education institutions — which are considered the main link of education worldwide — are being studied. The internal and external factors that influence expenditures in higher education, the measures necessary for optimizing expenditures, effective subsidization regimes for higher education, pricing policies for higher education, the main aspects of student financial-aid programs, international research centers, research institutes, diversifying the financial revenues of higher education institutions, improving their passive income, allocating financial resources, and studying the principles of financing expenditures are the priority directions of scholarly research in this field.

In organizing the financing of expenditures of higher education institutions, it is above all important to reveal the economic foundations of the concept of expenditure and its specific aspects. Various definitions of the concept of expenditure can be given, in both a general and a specific sense, as well as in economic and financial (accounting) senses. In a general sense, expenditure represents the value paid or charged for something, or its equivalent; in a specific sense, it is regarded as the monetary expression of the payment that must be made in order to bring a particular resource into a process. In an economic sense, however, expenditure is understood as a payment representing the alternative (opportunity) value of the other choices that must be forgone for a given choice.

Against this backdrop, the present study aims to reveal the economic foundations of expenditures in higher education institutions, examine their classification and role within the organization, and consider the methods available for efficiently managing expenditures and resources and for ensuring financial stability through the application of economic models. The findings are expected to contribute to a deeper understanding of how the specific economic characteristics of the higher education sector and the institutional form of a higher education institution (state or non-state) shape the structure and financing of its expenditures.

2. METHODS

This study explains the methodological approach used to reveal the economic foundations of expenditures in higher education institutions. Because the research examines conceptual and legal-economic categories rather than a numerical dataset, a qualitative, normative-legal and comparative-analytical method is applied.

The analysis relies on a review of general, specific and economic definitions of the concept of “expenditure,” drawing on dictionary and accounting-theory sources, and on a comparative reading of the legislative framework governing higher education and budget expenditures in the Republic of Uzbekistan — in particular the Law of the Republic of Uzbekistan “On Education” and the Budget Code of the Republic of Uzbekistan. Prior economic literature on the financing and personalization of education is also reviewed to identify the specific economic characteristics of the higher education sector.

On this basis, the study groups the specific economic characteristics of higher education as a sector, distinguishes the institutional forms through which higher education services are organized (state and non-state), and compares the economic and organizational classification of expenditures across these two forms in order to identify the characteristic features that should be taken into account when studying higher education expenditures.

3. RESULTS AND DISCUSSION

Taking into account the economic sense of the concept of expenditure, the higher education sector displays a number of specific economic characteristics, summarized in Figure 1.

Table 1. Specific characteristics of the higher education sector in the economic sense

Characteristics	Specific characteristics
Specific economic characteristics of higher education	Higher education is considered a service-providing sector
	Higher education is a service sector subject to certain standards
	In higher education, service provision and consumption occur simultaneously

Characteristics	Specific characteristics
	The provision of higher education is regarded as a personal-service sector
	Higher education is a labor-intensive sector, based on the intensity of the workforce indicator
	In higher education, the possibility of substituting the labor factor with capital in service provision is limited
	Higher education is a sector that requires a highly qualified workforce
	Higher education has limited possibilities for technological change

At this point, we can group the two main institutional forms that organize the provision of higher education services. These are state higher education institutions and non-state higher education organizations, and higher education services are organized through institutions of these two forms. According to Article 3 of the Law of the Republic of Uzbekistan "On Education":

"A state educational institution is an institution established, on the basis of property owned by the state, by state authorities and administrative bodies, which provides education in accordance with state educational standards and state educational requirements. A non-state educational organization is a legal entity that provides educational services on the basis of a license granting the right to carry out the activity of providing educational services in accordance with state educational standards, state educational requirements, and curricula, or on a notification basis."

Taking into account all of the specific aspects mentioned above, we can see that the approach to expenditures in higher education institutions also has a number of characteristic features: In financing higher education expenditures, the practice of calculating costs per single student has been adopted, whereby the calculation is carried out on the basis of an indicator equivalent to the full-time (daytime) form of education;

It is important that the expenditures of higher education institutions be studied on the basis of the concept of labor productivity, taking into account stagnation in productivity;

It is advisable to draw conclusions by comparing wage expenditures in the higher education sector with overall national wage indicators;

Given the specific nature of higher education expenditures, it is an important question to study how economies of scale and economies of scope operate within the sector;

The economic and organizational classification of expenditures differs proportionally between the state and non-state forms of higher education institutions.

The classification and presentation of expenditures differ between the state and non-state forms of higher education institutions. In state higher education institutions, expenditures are classified in accordance with the Budget Code of the Republic of Uzbekistan, on the basis of the budgets of the budget system.

According to Article 23 of the Budget Code of the Republic of Uzbekistan, the expenditures of the budgets of the budget system, classified by economic characteristics, are divided into the following groups of expenditures: the first group — wages, pensions, allowances, scholarships, compensation payments, and material assistance to low-income families; the second group — allocations for social needs; the third group — capital investments (in accordance with specifically targeted lists provided for in state development programs); the fourth group — other expenditures.

Classifying expenditures and dividing them into economic groups is an integral part of allocating funds and organizing financing. In recent years, the institution of the state order (state-funded placement) has come to be widely used in financing the expenditures of higher education institutions. This institution is also being applied to non-state higher education organizations. In addition, the practice of granting financial independence to many state higher education institutions has begun to be applied. In this regard, presidential decrees and government resolutions have been adopted, and consistent, phased reforms are being carried out.

Table 2. Classification of expenditures in state higher education institutions according to the budget system

No.	Structure of the classification of budget-system budget expenditures	Description
1	Classification by sources and levels of funds of budget-system budgets	Used to determine which sources of funds and which levels of budgets the expenditures being incurred belong to
2	Functional classification	The functional classification of expenditures groups expenditures according to the direction of funds for performing state functions
3	Program classification	Consists of grouping expenditures that reflect the direction of funds for implementing state, sectoral, and territorial development programs
4	Organizational classification	The organizational classification of expenditures consists of coding by the distributors of funds of budget-system budgets
5	Economic classification	The economic classification of expenditures consists of coding expenditures according to their economic purpose
6	Territorial classification	Territorial classification is used to determine the affiliation of budget organizations and recipients of budget funds to the relevant administrative-territorial unit

In the field of higher education, besides classifying expenditures based on the main mission and tasks of the higher education institution, it is also important to approach the matter from the student's point of view. Indeed, carrying out higher-education activity requires a generalized study of the expenditures of both parties — the higher education institution and the student. Considering that, in worldwide practice as well, these expenditures are assessed on the basis of a comprehensive approach, it can be considered appropriate that, in our country too, attention should be paid to the expenditures of both parties when organizing higher education.

4. CONCLUSION

The economic foundations of expenditures in higher education institutions rest on the sector's specific characteristics as a labor-intensive, standardized, personal-service sector in which production and consumption occur simultaneously and the possibilities for substituting labor with capital or for technological change are limited. These characteristics explain why higher education expenditures cannot be approached in the same way as expenditures in other, less labor-intensive sectors.

The study shows that the classification and presentation of expenditures differ between state and non-state higher education institutions, with state institutions' expenditures classified on the basis of the Budget Code of the Republic of Uzbekistan into four economic groups and six classification structures. Instruments such as the state order and expanded financial independence are increasingly being applied to both institutional forms as part of consistent, phased reforms.

Making economically well-founded decisions on the basis of this classification is of great importance for ensuring the efficiency and stability of the higher education system. In this regard, it is considered appropriate that, in line with worldwide practice, higher education expenditures in Uzbekistan should be assessed on the basis of a comprehensive approach that gives attention to the expenditures of both parties — the higher education institution and the student — rather than to the institution alone. Further research on the internal and external factors influencing higher education expenditures, subsidization regimes, pricing policies and the diversification of financial revenues would build on the economic foundations set out in this article.

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