



FINANCING OF VOCATIONAL EDUCATION IN UZBEKISTAN DUE TO EXTRABUDGETARY FUNDS: PROBLEMS AND PROSPECTS

Sodikov Narimanjan Sobirovich

Research center "Scientific bases and problems of the development of the economy of Uzbekistan"
under the Tashkent State University of Economics

Article history:	Abstract:
Received: 10 th August 2023 Accepted: 10 th September 2023 Published: 14 th October 2023	This article is devoted to the analysis of the sources of financing of vocational education. Moreover, it studies the opinions of foreign scholars-economists on the education financing. In addition, the article contains considerations regarding the relevance of financing vocational education due to extrabudgetary funds and its impact on the national economy.
Keywords: Education, vocational education, financing, charity, grant, employer, state budget.	

INTRODUCTION.

The problem of financing vocational education worldwide is one of the urgent issues that has been on the focus of the relevant ministries, educational institutions and students for a long time. At a time when the economy and industries are developing at an unprecedented pace, the demand for a highly skilled workforce is increasing. This has caused a re-consideration of the traditional sources of funding for education and exploration of alternative methods to ensure the availability, relevance and quality of vocational academic syllabus. Nowadays the issues of financing existing vocational educational institutions in Uzbekistan at the expense of extrabudgetary funds are becoming more urgent, and appropriate measures are constantly being developed.

ANALYSIS AND RESULTS.

In developing countries, especially in the CIS (Commonwealth of Independent States) countries, the issues related to the financing of education at the expense of extrabudgetary funds are definitely very essential and deserve careful consideration. This fact demonstrates significant differences between CIS countries and Western countries in budget allocation for education. Western countries allocate a high percentage of their total budgets to education. This disparity emphasizes the need to increase investment in education in the CIS.

The state allocates the largest financial resources to education in the country. Russia's spending on education constitutes 4-5% of the total budget, Belarus, Lithuania, Latvia, Kazakhstan spend on education from 12% to 18%, in the USA this indicator accounts for up to 17% [1].

Budget educational institutions should introduce fee-based services in order to improve their financial situation. The relevance of the study is that quality

education is an important factor in economic development, and if not adequately funded, it will always be at a low level [2].

From the point of view of Turbinova T.S., "A budget-financed educational institution uses financial resources according to pre-approved income and expenditure estimates. In accordance with the approved income and expenditure budget, the organization receives a budget subsidy. The budget subsidy cannot be allocated at will, it is spent on employee salaries, utility bills and various needs of the institution" [3].

An educational institution can receive targeted subsidies - grants for its needs. The grant is awarded on a competitive basis according to the announced project. A budget institution can use extra-budgetary funds as a source of financing. In this case, the institution does not have the right to receive a loan [2].

L.V. Gribanova: "In modern conditions budget educational institutions receive funds from the budget. If in the past such financing was considered preferential, currently the institutions under consideration have the opportunity to carry out additional income-generating activities by performing various works and services of an entrepreneurial nature" [4].

According to D.I. Voronin, "The core peculiarity of the problems related to the financing of education in the Russian Federation is connected with the deficit of budget funds. However, the practice shows that sometimes the problem is not a lack of funds, but their rational use. In this regard, the main problem of financing the education system of our country is not only the deficit of budget funds, but also the inefficiency of the budget financing mechanism" [5].

From the point of view of Yu.A. Petrova, M.V. Sergeeva, "The main problem of our education is



normalization of financial flows. Over the past three years, "control" has completely disappeared in the primary and secondary education sector, as the government has significantly distanced itself from its regulatory position. Because of this, the general system of payment for the work of the faculty has largely disappeared. In fact, it simply does not exist - we have at least three active payment algorithms, but none of them function. First, the pursuit of average salary began, then the pursuit of workload began, and in the end, we are not talking about the importance of the salary system as a mechanism for the quality of education and the motivation of teachers. First we need to create the conditions and then set the tasks" [6].

According to the opinion of I.Yu. Fedorova and E.Yu. Yelistratova, currently there is no system of financing educational institutions that fully meets the requirements of per capita financing and determines spending powers based on the main principles of result-oriented budgeting [7].

In reliance upon the above literature review, it can be said that the issues related to the financing of education in the CIS region are multifaceted, covering budget allocation, efficiency of use of funds, and the need for a result-oriented approach. Solving these issues is crucially important for improving the quality of education and ensuring that educational institutions have the necessary resources to provide effective learning experiences.

RESEARCH METHODOLOGY.

Such theoretical methods as scientific abstraction and induction-deduction have been widely applied in the article. Moreover, research conclusions have been obtained based on the application of the comparative method of economic analysis

ANALYSIS AND RESULTS.

The shift of higher education institutions to self-financing, which has already started in Uzbekistan and will continue to gain its significance in the near future, is constantly encouraged by the government. At the same time, this issue is slowly being implemented in relation to professional educational institutions.

In the data presented in Table 1 it is obvious that extrabudgetary funds earned by secondary specialized and vocational educational institutions in 2019 constituted 205412.6 mln. UZS, expenditures during that year accounted for 241267.3 mln. UZS respectively, in 2020 the annual income accounted for 41249.5 mln. UZS and the annual expenditure was equal to 177754.4 mln. UZS, in 2021 the annual

income amounted to 749291.8 mln. UZS and the annual expenditure constituted 654838.0 mln. UZS, and in 2022 the annual income constituted 869015.0 mln. UZS, and the annual expenditure amounted to 731566.5 mln. UZS.

In this regard is we consider the sources of funds, the income earned from the Development fund in 2019 constituted 34255.5 mln. UZS, the expenses made during the year accounted for 32 943,8 mln. UZS, in 2020 the indicator of receipts accounted for 32434.8 mln. UZS, and the annual expenditures - 30253.8 mln. UZS, in 2021 the annual income constituted 105 612.2 mln. UZS, the annual expenditures - 96036.4 mln. UZS, in 2022 the annual income accounted for 89224.6 mln. UZS, annual expenditures - 75662.7 mln. UZS; the receipts received from parents for meals of their children amounted to 11050.0 mln. UZS in 2019, the amount of expenses that year was equal to 11298.2 mln. UZS, correspondingly in 2020 the income accounted for 4388.3 mln. UZS and annual expenses constituted 3928.3 mln. UZS, in 2021 the amount of receipts was equal to 24838.0 mln. UZS, annual expenses - 23715.6 mln. UZS, in 2022 the annual receipts amounted to 20173.4 mln. UZS, annual expenses - 20460.8 mln. UZS; the amount of the funds received from the fees for study contracts in 2019 constituted 160107.2 mln. UZS, the amount of expenses - 197025.3 mln. UZS, correspondingly in 2020 the income accounted for 204426.4 mln. UZS, annual expenses - 143572.3 mln. UZS, in 2021 the annual receipts amounted to 618841.6 mln. UZS, annual expenses - 535086.0 mln. UZS, in 2022 annual receipts accounted for 759617.0 mln. UZS, and annual expenses - 635443.1 mln. UZS. It appears that, in most cases, institutions received more income from fees paid for education than from other sources of revenue.



Table 1.
Analysis of extrabudgetary funds earned by secondary specialized and vocational educational institutions and their flow in 2019-2022¹, mln. UZS

	2019		2020		2021		2022	
	Income during the year	Expenses during the year	Income during the year	Expenses during the year	Income during the year	Expenses during the year	Income during the year	Expenses during the year
	205412,6	241267,3	241 249,5	177 754,4	749 291,8	654 838,0	869 015,0	731 566,5
TOTAL								
Academic lyceums	19 018,6	18 799,8	14 548,4	11 986,8	67 166,8	61 333,4	55 704,4	49 033,3
Vocational schools	0,0	0,0	3 498,7	709,9	26 152,9	25 955,3	20 382,5	19 865,3
Vocational colleges	186 394,0	222 467,5	161 444,5	163 458,7	291 897,3	260 781,0	341 452,0	288 774,1
Technical schools	0,0	0,0	61 757,9	1 599,0	364 053,1	306 760,4	451 388,2	373 806,9
Centres	0,0	0,0	0,0	0,0	21,7	8,0	88,0	86,9
Development fund (4001)	34 255,5	32 943,8	32 434,8	30 253,8	105 612,2	96 036,4	89 224,6	75 662,7
Academic lyceums	7 421,5	6 922,1	9 025,0	7 894,2	51 570,2	46 505,8	38 900,6	34 196,5
Vocational schools	0,0	0,0	2 055,6	286,5	16 828,6	16 257,2	12 262,3	11 560,8
Vocational colleges	26 834,0	26 021,8	19 850,9	22 047,0	16 727,7	16 723,2	17 137,9	14 193,6
Technical schools	0,0	0,0	1 503,3	26,1	20 464,0	16 542,1	20 835,8	15 625,0
Centres	0,0	0,0	0,0	0,0	21,7	8,0	88,0	86,9
Fees paid by parents for meals (4008)	11 050,0	11 298,2	4 388,3	3 928,3	24 838,0	23 715,6	20 173,4	20 460,8
Academic lyceums	11 048,3	11 297,1	3 961,0	3 862,8	11 239,2	10 974,9	12 707,8	11 813,7
Vocational schools	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Vocational colleges	1,7	1,2	427,3	65,6	13 598,8	12 740,6	7 465,6	8 647,1
Technical schools	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Centres	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Due to the fees for study contracts (4009)	160 107,2	197 025,3	204 426,4	143 572,3	618 841,6	535 086,0	759 617,0	635 443,1
Academic lyceums	548,8	580,7	1 562,4	229,8	4 357,4	3 852,6	4 096,0	3 023,2
Vocational schools	0,0	0,0	1 443,0	423,5	9 324,2	9 698,1	8 120,1	8 304,5
Vocational colleges	159 558,3	196 444,6	141 166,3	141 346,1	261 570,8	231 317,1	316 848,5	265 933,4
Technical schools	0,0	0,0	60 254,6	1 572,9	343 589,1	290 218,3	430 552,4	358 181,9

¹ Developed by the author in reliance upon the data of the Ministry of the Economy and Finance of the Republic of Uzbekistan.



World Economics & Finance Bulletin (WEFB)
Available Online at: <https://www.scholarexpress.net>
Vol. 27, October, 2023
ISSN: 2749-3628,

Centres	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
---------	-----	-----	-----	-----	-----	-----	-----	-----

Table 2.

Analysis of extrabudgetary funds in secondary specialized and professional vocational institutions in 2019-2022 by areas for their expenditures², mln. UZS

Source	Common expenses	Wages and equivalent payments hereto	Expenses on public utilities	Current repair and maintenance costs	Expenses on inventories	Expenses on fixed assets	Others
2019							
Development fund	32 697,7	9 052,5	1 344,9	2 978,6	5 049,8	8 573,9	5 697,9
Fees paid by parents for meals	11 291,4	0,0	0,0	0,0	11 291,4	0,0	0,0
Fees for study contracts	189 570,6	111 891,6	6 789,0	39 348,2	8 499,8	17 013,0	6 028,9
Total	233 559,7	120 944,1	8 133,90	42 326,80	24 841,00	25 586,90	11 726,80
2020							
Development fund	26 867,1	9 897,5	824,5	6 450,5	2 855,3	2 608,6	4 230,6
Fees paid by parents for meals	3 878,3	0,0	0,0	0,0	3 878,3	0,0	0,0
Fees for study contracts	137 881,7	82 001,6	5 153,2	28 271,3	7 279,5	8 203,7	6 972,5
Total	168 627,10	91 899,10	5977,7	34 721,80	14 013,10	10 812,30	11 203,10
2021							
Development fund	90 305,7	34 065,5	1 909,6	20 506,3	6 287,5	16 050,0	11 486,8
Fees paid by parents for meals	22 455,2	0,0	0,0	0,0	22 455,2	0,0	0,0
Fees for study contracts	502 825,4	368 568,5	7 301,1	68 626,3	13 201,1	32 169,4	12 959,0
Total	615 586,30	402 634,00	9 210,70	89 132,60	41 943,80	48 219,40	24 445,80
2022							
Development fund	73 180,6	41 444,5	1 967,2	5 881,8	6 516,4	5 881,8	11 488,9
Fees paid by parents for meals	19 785,2	0,0	0,0	0,0	19 785,2	0,0	0,0
Fees for study contracts	635 776,9	510 774,3	6 255,9	44 325,2	15 785,6	44 325,2	14 310,7
Total	728 742,70	552 218,80	8 223,10	50 207,00	42 087,20	50 207,00	25 799,60
9 months of 2023							
Development fund	60 874,3	33 309,9	2 315,1	4 387,2	3 692,9	8 614,3	8 555,0
Fees paid by parents for meals	6 191,3	0,0	0,0	0,0	6 191,3	0,0	0,0
Fees for study contracts	479 022,8	370 507,0	4 238,2	10 046,8	16 766,8	53 825,9	23 638,1
Total	546	403	6 553,30	14 434,00	26 651,00	62	32

² Developed by the author in reliance upon the data of the Ministry of the Economy and Finance of the Republic of Uzbekistan.



World Economics & Finance Bulletin (WEFB)
Available Online at: <https://www.scholarexpress.net>
Vol. 27, October, 2023
ISSN: 2749-3628,

	088,40	816,90				440,20	193,10
--	---------------	---------------	--	--	--	---------------	---------------



With the aim of studying the flow of these expenses in detail, we present the data of Table 2 on the analysis of the extrabudgetary funds earned in secondary specialized and vocational educational institutions by areas of the expenses made. If we look at the data, in 2019 the largest part of expenses is expenses for wages and equivalent payments hereto constituted in total 120944.1 mln. UZS, expenses on public utilities accounted for 8133.9 mln. UZS, current repair and maintenance expenses were equal to 2326.80 million soums, goods - we can see that the costs of material reserves are 24841.0 mln. UZS, fixed assets and capital expenses accounted for 25586.9 mln. UZS and 11726.8 mln. UZS respectively. It should be noted that the analysis of financial data of secondary specialized vocational education institutions in Uzbekistan from 2019 to September 2023 demonstrated several noteworthy trends. In these institutions, the largest part of expenses is constantly allocated to salaries and equivalent payments. In 2019, salaries and equivalent payments accounted for 51.8% of total expenses, which indicates a significant responsibility for personnel costs.

In 2020, wages and equivalent payments hereto amounted to 91899.1 mln. UZS, which constitutes 54.5% of overall expenses, in 2021 this indicator accounted for 402634.0 mln. UZS, which constitutes 65.4% of total expenses, in 2022 this indicator accounted for 552218.8, which equals to 75.8% of the total expenses, and as of the end of September 2023 this figure was 403816.9 mln. UZS, which is 73.9% of the overall expenses.

It is obvious from the data that in vocational educational institutions of Uzbekistan the portion of expenses on personnel is crucially important. That is, a large part of extrabudgetary funds is appreciated for the work of the faculty staff, which shows that their financial incentives are increasing.

The lack of state grants and high fee-contract sums for admission to professional educational institutions limit the opportunities for young people who have graduated from general secondary education to receive professional education. Because the fee-contract amount, which is considered one of the main financial resources of educational institutions, is determined without taking into account the ability of the population to pay and this results in the decrease of the number of citizens who express their desire to study. Extrabudgetary funding provides a degree of autonomy and financial flexibility to educational institutions, enabling them to make quick decisions in response to changing academic requirements. By

reducing dependence on government budgets, institutions can allocate resources according to their strategic priorities, allowing for faster adjustments to curricula, technology adoption, and industry partnerships.

Extrabudgetary funds can improve the quality of vocational academic curricula. They can also invest in the faculty professional development, teaching technique, and industry-based experience. Modernized infrastructure and technology integration will improve the learning environment. External funding also supports curriculum enrichment, allowing for the inclusion of real-life examples and hands-on experiences that align with emerging industry trends.

Extrabudgetary funding can also raise students' access to vocational education. Because scholarships and financial aid from outside sources expand opportunities for students from diverse socioeconomic backgrounds.

At the same time extrabudgetary funds strengthen close cooperation with industries, ensuring that academic curricula are closely related to industry needs. Industry collaboration provides insight into emerging skill requirements, enabling the development of curricula that equip graduates with relevant skills. Externally supported internship and placement opportunities directly connect students with real-world experience.

Most importantly, extrabudgetary financing replenishes public funds and reduces the burden on public resources. Educational institutions can direct public funds to address broader educational challenges, while leveraging external funding to improve targeted programs. Such a shift enables for strategic investment of public resources in areas of maximum impact using external contributions.

Extrabudgetary financing of professional education is multifaceted, covering institutional autonomy and program quality improvement to increased access and alignment with the industry needs. These impacts highlight opportunities for extrabudgetary funding to revolutionize the learning environment, drive agility, and foster collaboration between education and industry.

Definitely, in addition to the significance and influence of extrabudgetary funds they can also create some difficulties and trouble situations, in particular:

- One of the challenges in extrabudgetary funding is ensuring transparency and accountability in the use of funds. Organizations must maintain accurate financial reporting mechanisms to demonstrate proper allocations and avoid any potential



diversion of funds. Ensuring transparency builds stakeholder confidence and protects against mismanagement.

- Extrabudgetary funds can introduce a degree of dependence on external sponsors. Entities should develop sustainability plans to ensure that programs can continue even when external funding fluctuates. Building strategic reserves can reduce the risk of sudden funding shortfalls and provide a buffer against financial instability.

- While extrabudgetary funding gives autonomy to educational institutions, it can create challenges in balancing autonomy and meeting stakeholder demands. Sponsors may have special requirements or preferences that could potentially influence curriculum content and academic decisions. Educational institutions must ensure that such influences do not undermine the integrity of education.

- Extrabudgetary funding models can inadvertently exacerbate access disparities if not managed carefully. Selective programs that rely more heavily on external funding may inadvertently exclude certain groups of students, contributing to social inequality. Institutions should proactively address such concerns and take steps to ensure equal access to educational opportunities.

- Using extrabudgetary funds involves managing complex legal and regulatory issues. Organizations must ensure compliance with relevant regulations and enter into clear contractual agreements with sponsors. Solving potential conflicts of interest, intellectual property rights, and data privacy issues is critical to ensuring the smooth implementation of extrabudgetary funding models.

Addressing these issues and considerations is critical for institutions aiming to take advantage of extrabudgetary funding to ensure the integrity, sustainability, and equity of education.

The future of extrabudgetary financing of professional education is promising, as well as the interest in innovative financing models is growing. Educational institutions can explore further diversification strategies to attract funding from different sources. Global partnerships and collaborations can be expanded by encouraging cross-border exchanges of funds and expertise. Furthermore, advances in technology play a role in enhancing efficiency and transparency of extrabudgetary financing mechanisms. Technology has the potential to revolutionize the management of extrabudgetary funds.

Government policy plays a crucial role in shaping the sustainability and impact of extrabudgetary financing. Policy frameworks that promote external funding can encourage educational institutions to explore different ways of funding. Regulatory guidelines ensure that the use of external funds is ethical, transparent and consistent with academic objectives. Governments can also support public-private partnerships to develop collaborative financing models.

It is essential to recognize that investments in vocational education institutions have broad societal benefits, including development of a skilled workforce, increased graduate employment, and overall economic growth. Therefore, temporary financial support from the state budget is the right strategy until these institutions increase their financial capacity.

At the same time, it is very important to develop clear guidelines and mechanisms for the allocation and use of these budget funds to ensure transparency, accountability and efficiency in the management of public resources. In addition, it is necessary to regularly monitor and evaluate the impact of the government support on the activity and financial stability of vocational education institutions, and make reasonable adjustments if necessary.

CONCLUSION.

In conclusion, it can be said that ensuring the long-term sustainability of extrabudgetary financing models of vocational education institutions requires creation of endowment funds and comprehensive sustainability plans from vocational education institutions. Ethical standards in fundraising, including transparency in donor relationships and avoiding conflicts of interest, will be critical to maintaining public trust. They should also protect their social responsibility in ensuring equal access to education.

As extrabudgetary financing of education continues to evolve, its future prospects have the potential to change the way vocational education is financed. Access to technology, alignment with supportive public policies, and upholding ethical standards are critical factors in ensuring the sustainability and efficiency of extrabudgetary funding models.

REFERENCE:

1. Kleiman A.V. Current problems of financing educational institutions // Economics of Education. – 2015. – № 3. – 180 p.



2. Solovyova M.I., Gonin V.N. Features of financing budgetary educational institutions. SYMBOL OF SCIENCE. ISSN 2410-700X № 10 / 2020
3. Turbinova T.S., Ivanchenko L.A. Problems of financing budgetary educational institutions in current conditions // Current problems of aviation and astronautics. - 2015. - № 11. - p. 612-613.
4. Gribanova L.V., Rubtsova E.V. Financing of budgetary educational institutions in current conditions // Development of an innovation-based economy, materials of the VI international scientific and practical conference. 2019. p.83-88.
5. Voronina D.I. Problems of financing education // Young scientist. – 2019. – № 38 (276). – p. 97-98.
6. Petrova Yu.A., Sergeeva M.V. Problems of financing budgetary educational institutions in modern conditions // Current research in the modern world. 2020. - № 1-2 (57). p. 89-91.
7. Fedorova I.Yu., Yelistratova E.Yu. Improving the mechanism of financing education // Financial Journal. - 2012. - № 1. - p. 153 – 156.