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IMPROVING THE MECHANISMS OF ORGANIZING AND IMPLEMENTING FINANCIAL ACTIVITIES IN STATE HIGHER EDUCATION INSTITUTIONS OF UZBEKISTAN

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Abstract

This paper examines the mechanisms of financing state higher education institutions (HEIs) in Uzbekistan and substantiates the directions of their improvement. Based on official statistics for 2018–2025 and an autoregressive distributed lag (ARDL) model, the study reveals a long-run cointegrating relationship between higher education financing and macroeconomic outcomes. The author proposes a differentiated contract mechanism linking financing to academic performance, an integral financial stability index, a performance-based budgeting model, and the legal institutionalization of university endowment funds.

Keywords: higher education financing; financial stability; performance-based budgeting; endowment; diversification; ARDL model; Uzbekistan.

The formation of a knowledge-based economy has turned higher education financing into a strategic investment in human capital. In OECD countries, average expenditure per student amounts to 37 percent of GDP per capita, while in Uzbekistan expenditures on higher education increased from 2,266.8 billion UZS in 2020 to 4,848 billion UZS in 2023 and are projected to reach 6,683.6



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billion UZS in 2025. In 2018–2024, GDP grew 3.1 times, whereas state budget expenditures on education grew 3.3 times, raising the share of education expenditures in GDP from 4.9 to 5.3 percent. Under conditions of limited budgetary resources, the efficiency of spending and the diversification of funding sources become first-order problems.

The econometric analysis conducted within the dissertation research employed an ARDL model, which confirmed the existence of both short-run and long-run statistically significant effects of higher education financing: a one-percent increase in financing is associated with a rise in socio-economic development indicators by 1.32 percent in the short run and 3.75 percent in the long run, in public investment by 2.57 and 6.82 percent, and in the number of academic staff by 1.26 and 2.48 percent, respectively. These results substantiate the treatment of higher education expenditures as productive investment rather than current consumption.

At the same time, the analysis of the financial model of state HEIs revealed its quasi-monostructural character: approximately 56 percent of financial flows are formed by the state budget and about 36 percent by tuition contracts, while alternative sources account for only about 8 percent. Tuition fees cover on average only 65.5 percent of the actual cost of educating one student, which generates hidden cross-subsidization. The cost structure is rigid: wages and social contributions absorb about 75 percent of expenditures, whereas research and innovation receive only 0–1 percent, producing a crowding-out effect on innovation.

To address these systemic problems, the study substantiates a set of interrelated mechanisms of DSc-level scientific novelty. First, a differentiated contract mechanism is proposed that links financing to academic performance: where the average academic performance of senior students falls below the “satisfactory”



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threshold, the volume of contract funds allocated to such contingents is capped at 80 percent, thereby distributing resources according to the performance principle. Second, an integral financial stability index based on autonomy, liquidity and working capital ratios, complemented by a logit model for predicting financial distress, is developed for the gradation of HEIs by financial condition. Third, an economic-mathematical model of performance-based budgeting ($F_i = N_\beta \times C_i \times W_i + P_i$) with a four-stage implementation roadmap is proposed, under which the performance share gradually increases to 30–40 percent. Fourth, the legal institutionalization of inviolable endowment funds (with a 4–5 percent annual spending rule and tax incentives for donors) is justified as a tool for raising the share of alternative sources from 8 to 15–20 percent in the medium term.

The comparative analysis of international experience (the endowment-donor model of the USA, the tax-financed model of Germany and the income-contingent loan model of the United Kingdom) demonstrates that no universal financing model exists; for Uzbekistan, a mixed model balancing the “trilemma” of efficiency, equity and fiscal sustainability is optimal. The implementation of the proposed mechanisms will strengthen the financial autonomy and stability of state HEIs and support the transition of the higher education system to an innovative development trajectory.

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