

Study of the method financing public universities in Iran

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Abstract: Nowadays, the dominant and advantageous contribution of all natural, economic, and strategic resources and factors is substituted by the extent of benefiting from sciences. Higher education is the highest and last step of educational system in any country, always closely linked to communities' development. Higher education financing, which must go along with developing higher education industry and economic development, is what that significantly influences developing higher education system. The important issue for financing higher education is to apply proper methods of financing universities. Hence, the present research collected the information of identifying financing methods of top universities in Iran and around the world using library research method. And finally, the methods are analyzed and compared using descriptive statistics.

Keywords: University financing, Universities' financing system, Role of university.

INTRODUCTION AND STATEMENT OF THE PROBLEM

Since higher education is considered the highest and last educational system stage in any country and as it has been always linked to developed societies, it largely contributes in development through training required skilled workforce, knowledge promotion and enhancement, research encouragement, as well as providing proper opportunities (Madhoushi and Niyazi, 2010). Therefore, higher education financing system significantly influences developing higher educational system, which must be consistent with developing higher education industry and national economic development (Entezari et al, 2013). The quality and accessibility of higher education largely relies on how it is financed; further, higher education funding trend reflects the typical society (ESIB, 2005). Today, higher education is costly; however, it is now simulating, more than at any times, economic growth. In addition, it also significantly contributes in meeting low-income population dreams and involving them in social and economic opportunities as governments do really consider facing these ideals in developing political goals and strengthening social ties. That is why higher education requires hard trying and investment on student education; on the other hand, it encounters lack of funding (Zvmta, 2001). If government resources fail to go along with expenditures of increased demands of education and other expenses, universities may seriously compete over state funds (McQueen, 1999). Lack of financial resources is an international issue for universities in both developed and developing countries. The problem began following World War II, when social demand of entering universities increased and universities failed to boost educational funds as much as the increased demand of university entrance. However, the problem intensified in the past two decades and certainly Islamic Republic of Iran is not excluded. In fact, the increasing demand for university in Iran led to various difficulties including inability to recruit faculty members, decreased research funding, limitation on sabbatical leaves, heterogeneity of allocated budgets with inflation rate, as well as many other factors that universities are undergoing; of course, all these difficulties stem from university financial disabilities. As the new situation caused some financing problems for universities, several studies were carried out to study how to finance and find funding solutions. Therefore, it is necessary to review on financing methods of top universities in Iran.

Research literature

Universities' financing system

Studies of Organization for Economic Corporation and Development (OECD, 2007) conducted on a subset of member states show that higher education financing system significantly influences higher education industry; and consequently, it leads to economic and social development. However, all higher education financing systems may not be consistent with developing higher education and economic development. Some financing systems stimulate development; while, others are development deterrents. Thus, today, nations try to re-create higher

education financing systems such that development objectives are more and better realized (Janson and Marcous, 2010). On the other hand, universities and institutions of higher education are treated as economic drive and immunization against negative effects of globalization. Higher education influences on all aspects of national development (Naderi, 2004).

Characteristics of a desired financing system

An ideal financing system is characterized as follows:

Non-reliance on a given particular revenue source

Non-reliance on unstable revenue sources

Funding from domestic sources

Optimal allocation of resources to activities

Universities require specific factors for ideal financing. Financing system ideal factors are characterized as follows:

Adaptability to university strategic plan and objectives

Accountability at lower levels (at deputy, unit, group, and individual level)

Continuous and annual scalability

Dynamic and reviewable ideal benchmarking for floating targeting (Feyzi and Beyranvand, 2015).

University financing

Higher education financing refers to a set of procedures to obtain the resources needed by universities in order to maintain the performance and to fulfill the tasks. Indeed, financing strategies are not only for resource allocation, but also they are monitoring system and mutual communication between the fund supplier and user (Karak, 2009).

The role of university

Higher education plays two major roles in the social- economic life of the present world: firstly, part of community facilities is directly allocated to higher education as an "industry"; and secondly, higher education plays the key role in a society future development (in terms of political, social, and economic). Hence, considering extended economic globalization as well as the necessity of improving efficiency and effectiveness in higher education, states are majorly committed to meet "research and educational" requirements. In this regard, financing higher education not only provides the needed energy to higher education work, but also it mainly directs higher education (Naderi, 2015). According to studies around the world, there are several roles defined for higher education such as knowledge creation and dissemination, development of high-level training, communication skills among youth like challenging the current situation, and the potential of developing superior values, etc. (Chan and Broun, 2014).

Research background

Nouroozi et al (2015) carried out a study on grant financing of universities such that universities are enabled to overcome instabilities of change or decreased state financial resources through relying on donation funds; however, efficient use of resources depends on identifying the requirements and possible dysfunctions, which may be unnoticed despite obviousness. According to survey data analysis, they finally concluded that grant aids take requirements and dysfunctions in three states of public or state, private or enterprise, and non-governmental organizations or cooperatives.

Entezari and Qaroon (2015), focused on why governments pay subsidies to universities, investigated higher financing in Iran in a paper entitled "state rationality and performance in financing higher education in Iran". Research results indicated that Iran state not only fails to properly finance higher education, but also, in recent decade, higher education state financing, significantly and frequently reduced comparing private financing and other countries.

Regarding that theoretical analyses and experimental evidences reveal that higher education current financing system and state subsidizing mechanism in Iran are not desired, Entezari and Mahjoob (2013) conducted a study to examine and find the desired mechanism of Islamic republic of Iran financing system. The results demonstrate that the best fund allocation mechanism in the world is income contingent loans within higher education service market.

As current model of public universities' financing only financially secure few academic activities and regarding lack of adequate incentive for qualitative and quantitative development and improved economic efficiency, Entezari (2011) presented a model within operational funding system that not only considers all outputs

of a comprehensive university, but also deals with economic efficiency and progress motivation. The model follows output targets-based financing approach using dynamic data analysis.

Roshan (2009), in a research entitled "approaches to financing public universities", proposed several strategies to increase financial independence and dedicated earnings for universities such as delegating the board authority to university presidents, encouraging higher-income universities, holding higher education economic workshops, as well as optimal budget allocation to university presidents, and etc.

Learning context, in particular higher education, underwent changes over time and the last 40 years. The condition requires the new position is perceived. Therefore, Barigeir (2016) carried out a study on fund changing in state higher education. It focused on identifying existing conditions of higher education in the United States. Research findings show that governmental funds tend to different incomes, tuitions, and relative stability in cost pattern; hence, upcoming condition may require change in revenue and funding diversification.

Siti and Asmak (2015), focused on finding the answer that whether financing universities may be possible through endowment, conducted a research. Analysis results deduced that to use endowment as an academic funding method, endowment-based funding is better than using required basics.

Erins and Erina (2014) assessed higher education financing system and improvements. Research results demonstrated that to improve higher education financing, it must be consistent with increased productivity and effectiveness of higher education institutions.

Erina and Erins (2014) analyzing higher education financing models and characteristics in Asia and Eastern Europe discovered some differences in the volume of financial support, tuition, and credit systems. Shared functions were also observed despite direct and indirect financing differences. Finally, they concluded that higher education institutions, in the aforementioned countries, must purposefully improve.

RESEARCH METHODOLOGY

The present research is classified as applied study in term of purpose as research findings are used to solve organization existing problems. The research applied library research method. Research sample included the Iran top universities. Samples were selected through classified sampling method. Of the among Iran top universities, according to Islamic Science Citation Database ranking, University of Tehran, as the first national comprehensive university, and Sharif University of Technology were selected. The methods were analyzed and compared using descriptive statistics.

Data analysis

Funding cost annually burden on state and public is of the reasons that why universities' financing is critical in Iran. According to budget rules, it is figured out that university annual budget growth is larger than public funds, continuing of which may result in difficulty. It may also go contrary such that if a problem occurs in state funds allocation; then, the universities firstly and highly suffer. In general, the more diverse financing, universities are less prone to economic conditions. As funding universities depends on oil revenues, any problem in oil sale may seriously hurt financing universities (Qaroon, 2013). Therefore, universities require sustained financing methods to survive following state changes, and even wars, and sever economic declines. In other word, universities must seek for flexible financing model (Entezari, 2013).

General policies of Islamic Republic of Iran university funding

According to Article 12 of financial and trade regulations of universities and institutions approved by Ministry of Sciences (2011), legal financing methods in Iran universities are categorized into five classes:

Public budget

Private income (Instruction Appendix 1)

Gifts and donations (instruction of Appendix 2, approved by supreme council of cultural revolution, 1988; and act of Parliament in 1989)

Endowments

Other sources of funding.

The method of financing major public universities in Iran

State support approach

In past, states and universities played the main financial roles; while, today, three components of state, university, and market are regarded as main components. In other word, market structure is a new significant element of higher education issues. While, higher education institutes, recently, are more authorized on financial

allocation and using market approaches for non-governmental returns (Qolizade and Kohanrooz, 2015). Research sample universities enjoy these supports in several ways. In fact, making decision on funding amount, in all countries and periods, depends on state budget position; moreover, any nation follows a particular economic, social, political, and historical funding logic (Tilk, 2011).

State budget at Tehran University

Universities, in Iran, are directly or indirectly supported by approved budget and financial supports in the form of student loans, respectively. The university was funded 6,391,453 and 7,180,218 in 2015 and 2016, respectively.

State budget in Sharif University of Technology

It is directly and indirectly used by universities through public funds at current credits (80%) and civil credits (20%). University public fund was 2,013,496 and 2,435,551 in 2015 and 2016, respectively.

Clearly, increased number of universities and student population, in many countries, recently disabled the states of funding universities; universities are encountering fundamental challenges in objective achievements; then, they have to try different funding methods (Rafiei et al, 2016).

Tuition

Universities differently benefit tuitions depending on funding policies of universities and governments, as well as social and cultural contexts. In most cases, tuitions are increased if state funds are decreased and fewer budgets are dedicated (Baun and Ma, 2009).

Income from students at Tehran University

It includes tuitions of 2nd semester and paradise fixed and variable fees. It is the major income source with funding over 80%. The other part is funded by dormitories and dining room (Abedini, 2014).

Income from students at Sharif University of Technology

In particular, tuitions, food, and education mainly paid by students.

Endowment and investment

Of Iranian universities, University of Tehran collects charity capitals through charity investment fund, and supplies interests of university through stock investing; the return is annually increasing (Charity fund of University of Tehran, 2016).

Moreover, according to Sharif University of Technology performance report (2014), investments are conducted through charity funds helping to low-income, poor students in form of loans and student job opportunities. Respecting Sharif University of Technology investments, it is worth notifying that it recently invested in financial and capital markets.

Investment Fund charity Tehran University

Tehran University stock investment in form of Tehran university charity fund is focused on fundraising from philanthropist, establishing an asset basket for gain management; and then, spend all or part of the gain on charity (Fund performance report, 2016).

Endowment and investment at Sharif University of Technology

Charity fund. It aids low-income and poor students by loans, student work, and like.

Donors and industrial organizations. Awards, scholarships, financial aids.

University investment. Investment on financial and capital markets to improve university resources (four-year operational report of Sharif University of Technology, 2014).

Scholarships and contracts (research)

Research sector, in Iran, also operates focusing on science production and development, and science commercialization and generalization. Public fund is of fundamental research funding method in Iran. Research public funding of 13 billion in 1978 raised up to 1237.5 billion in 1998 by the average annual growth of 57.6%. Thus, merely relying on public funding may demolish any research dynamism. Therefore, it is necessary to consider new funding approaches including research contracts, research revenues, and commercialization, tax breaks, measures to attract charity grants and aids. Furthermore, universities and research centers may achieve

revenues through research projects, research contracts, publication, research and educational workshops, seminars, and the like. Exploring research income evolution in Iran may reveal this part of research funding (Rafiei et al, 2016).

Research at Tehran University

This income reveals the relationship between science production at university and market demand. Science production, expanding knowledge boundaries in the global arena, and improving position of Tehran University among world reputed universities may lead to commercialization infrastructures and making revenue of the conducted studies (official website of University of Tehran, 2016).

Research at Sharif University of Technology Sharif research and technology fund

It was founded by university progression center providing different financial and credit services.

University research and technologies. Students and faculty patents.

Services

In a survey of university presidents, it was posed that how universities may succeed in revenues by successful service delivery? Although, some presidents experienced achievement, they were also concerned for lack of freely pricing and negligible revenue of these courses. It was also stated that as short-term courses are not officially certified; thus, fewer applicants may register for courses (Roshan, 2013).

Services at Tehran University (university publication)

It annually publishes various books on social sciences, humanities, basic sciences, medical sciences, general, technical and engineering, agriculture, art and architecture (official website of University of Tehran, 2016).

Services at Sharif University of Technology

University services (publication . . .). Sharif University of Technology Institute of Scientific Publication seeks for promoting national unity and native language to identify trainees' national and cultural identity by translating scientific books into Persian.

University development center. To sell the products and to create job opportunities.

Industrial Relations

Industrial Relations at Tehran University

University earns through contracts with industry and governmental agencies, vice president scientific and technological supports, and funding of national macro plans (Fund performance report, 2016).

Industrial Relations at Sharif University of Technology

Some measures are adopted including strategic cooperation with industrial organizations per contract and cases, as well as establishing joint industrial institutes with proper working relation organizations, supporting of industrial and technological service centers, as well as working groups of industry relation focused on identities of service deliverers, and improve the quality of services, etc. (Performance reporting of Sharif University of Technology, 2014).

CONCLUSION

This study identified various funding for universities. According to research findings, there are limited funding methods in Iran. Indeed, majority of universities are publically funded, which may endanger universities' development at current economic conditions. Public fund-oriented universities may be more susceptible than the universities financed by different funding methods in case of any financing difficulties. However, research data showed that world top universities are orienting toward decreased state budgets and are funding through approaches such as investments, endowments, public support, gifts, rents, and etc. hence, they are less vulnerable at various economic conditions. However, diversity of financial resources through developing dedicated revenues of research and educational activities and investment may not necessarily mean disregarding university public funds; rather, despite the advantages of private income, local states and national aids (grants) still significantly contribute university financing around the world, particularly in economically developing nations.

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