

## Financial support for universities in the top of Project 5-100 and its impact on the quality of education

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# ФИНАНСОВАЯ ПОДДЕРЖКА УНИВЕРСИТЕТОВ, ВХОДЯЩИХ В ТОП ПРОЕКТА 5–100, И ЕЕ ВЛИЯНИЕ НА КАЧЕСТВО ОБРАЗОВАНИЯ

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**Аннотация:** Анализ основных тенденций развития рынка услуг высшего образования, влияющих на трансформацию моделей финансирования университетов, показывает, что повышение качества образовательных услуг российских университетов напрямую зависит от увеличения удельной доли доходов, полученных от научных исследований и разработок, а также способности вузов представлять результаты своих НИОКР в виде полноценного с маркетинговой точки зрения продукта и выстраивать грамотную стратегию продвижения на рынке инноваций. В контексте создания долгосрочной стратегии повышения конкурентных преимуществ ведущих университетов особое внимание автор уделяет Проекту 5–100 Министерства образования и науки Российской Федерации, целью которого является максимизация конкурентной позиции группы ведущих российских университетов на глобальном рынке образовательных услуг и исследовательских программ. Отмечается, что финансирование университетов складывается из различных источников, при этом бюджетные поступления доминируют в структуре доходов, а сокращение бюджетного обеспечения заметно влияет на финансовое состояние российских университетов. Автор приходит к выводу, что формы и механизмы управления финансами университетов и исследовательских организаций строго не регулируются, они самостоятельно выбирают источники поступления финансов.

**Ключевые слова:** образование, университеты, Проект 5–100, финансирование, финансирование высшего образования, источник финансирования, бюджет

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## FINANCIAL SUPPORT FOR UNIVERSITIES IN THE TOP OF PROJECT 5-100 AND ITS IMPACT ON THE QUALITY OF EDUCATION

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**Abstract:** Analysis of the main trends in the development of the market for higher education services, affecting the transformation of university financing models, shows that improving the quality of educational services in Russian universities directly depends on an increase in the share of revenues received from research and development, as well as the ability of universities to present the results of their research and development in the form of a complete product from a marketing point of view and build a competent strategy for promoting innovations in the market. In the context of creating a long-term strategy for increasing the competitive advantages of leading universities, the author pays special attention to Project 5–100 of the Ministry of Education and Science of the Russian Federation, the purpose of which is to maximize the competitive position of a group of leading Russian universities in the global market of educational services and research programs. It is noted that university funding comes from various sources, while budgetary revenues dominate the structure of income, and the reduction in budgetary provision significantly affects the financial condition of Russian universities. The author comes to the conclusion that the forms and mechanisms of financial management of universities and research organizations are not strictly regulated, they independently choose the sources of funding.

**Keywords:** education, universities, Project 5–100, financing, financing of higher education, source of finance, budget

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## Introduction

In 2012, the Ministry of Education and Science of the Russian Federation launched Project 5–100<sup>1</sup>. After the first stage of the competition held in 2013, 21 universities received government support. The goals of the project are the unification of educational services according to international standards, the production of world-class intellectual products, the internationalization of activities, the improvement of the infrastructure for creating favorable conditions for promising scientists, teachers, and students. One of the important tasks was the creation of a long-term strategy to increase the competitive advantages of the country's leading universities. On April 21, 2021, the British magazine *Times Higher Education* published the third edition of *The University Impact Rankings*, which analyzes the impact of higher education on the development of society and the achievement of the UN Sustainable Development Goals (SDGs). In 2021, Russia became the leader both in terms of the number of participants (86) and in terms of growth dynamics: the ranking includes 33 more Russian universities than in the past year. 14 Russian universities are represented in the top 100 of *The University Impact Rankings*; 6 of them are participants of Project 5–100<sup>2</sup>.

The article uses information and analytical materials of the results of monitoring the effectiveness of educational institutions of higher education<sup>3</sup>.

## Sources of university funding

Currently, there are several sources of funding for universities in Russia. The first group of funding sources consists of receipts from the federal and municipal budgets. We should mention that, among these sources, there are funds for implementing the educational programs using the system of normative per capita financing. This includes funds directed to the implementation of priority development programs, such as Project 5–100.

Another source of funding is from paid educational services for all forms and levels of education (for example, selling the teaching aids).

The third group of funding sources consists of income received from enterprises and organizations (professional development programs, personal scholarships from companies).

The fourth group of funding sources is sponsored funds [Bondarenko, Gokhberg, Kovaleva, et al., 2018. P. 193].

The most promising universities of the Project 5–100 are provided with additional funds in the form of targeted budget subsidies based on the results of regular competitions for strategic development programs; moreover, the size of the state subsidy is adjusted annually depending on the results achieved. The existing system of financing, as well as other forms and mechanisms

**Table 1. Models of financing for universities**

By Sources	By type of activity
Funds from budgets of all levels: federal, regional, local	Educational
Funds from the population	Research and development
Funds of enterprises and organizations for personnel training	
Foreign sources	Other income-generating activity
Charitable foundations	

used for managing the universities' income, do not have a strict system of regulation. Each organization independently chooses the sources of funding. This includes both budgetary funds for educational activities and scientific research (distributed on a competitive basis), and funding from the business sector and foreign sources [Collini, 2016. P. 43].

Currently, there is no universal scheme or approach aimed at managing university finances. Nevertheless, the general trends typical for the majority of modern market participants are clearly seen. These include the dominant position of budget allocations in the structure of income. However, each organization has an individual income structure, which can differ significantly from the income structure in other organizations of the same economy sector. For example, some universities develop fundraising activities, others focus on research and development (including the expenditure from federal programs, competitions, and grants), and the third type of universities is mainly engaged in educational activities.

There are other sources of external funding for higher education institutions, for example, grants from non-profit organizations.

## Competition in the market of higher education services

Let us consider the main financing models for domestic higher education (**Table 1**):

In Russia, the competitive environment in the market of higher education services is largely based on the current system of normative per capita financing. According to this system, subsidies are provided to universities in proportion to the number of students studying at the expense of funds from the budget. At the same time, the number of state-funded students is calculated based on the figures of admission quotas (AQs) and the established standard cost of educational services for each training course or specialty. AQs are distributed on a competitive basis following the procedure established by order of the Ministry of Science and Higher Education [Salmi, Frumin, 2016. P. 43]. This procedure implies a comparison of university applications, which represent the values of performance indicators for each enlarged group of training area. In the constituent entities of the Russian Federation, the total volume and structure of admission quotas are formed based on proposals from ministries and associations. It can be argued that the main factor

1 <https://5top100.ru/en/>

2 <https://www.5top100.ru/news/144419/>

3 <https://monitoring.miccedu.ru/?m=vpo&year=2019>

**Table 2. The amount of funds for universities by funding sources in 2014–2017, million rubles**

	Total				Government and municipal organizations				Private organizations			
	2014	2015	2016	2017	2014	2015	2016	2017	2014	2015	2016	2017
Million rubles												
<b>Total funds</b>	1195331.3	1231160.0	1438772.5	1381482.1	1175218.1	1205958.3	1409436.0	1347513.8	20113.2	25201.7	29336.5	33968.2
Budget funds	1145741.0	1169070.2	1366937.2	1301451.0	1141247.2	1154221.5	1360995.0	1294636.4	4493.9	4848.7	5942.2	6814.5
Including budgets:												
federal	18099.8	9853.6	13598.1	11034.3	17886.8	9678.5	12667.4	10136.6	213.0	175.1	930.7	897.7
subjects of the Russian Federation	911993.3	947907.6	1108674.6	1059137.9	908097.0	943587.9	1104517.0	1054115.7	3896.3	4319.7	4157.6	5022.3
local	215647.9	211308.9	244664.5	231278.7	215263.4	210955.1	243810.6	230384.2	384.6	353.9	853.9	894.6
Organizations' funds	8104.3	8898.8	8023.1	8905.3	4619.7	4454.7	4012.2	3980.9	3484.6	4444.1	4010.9	4924.4
Population funds	39057.6	50767.0	57313.0	65174.4	27469.1	35446.4	39162.7	43899.4	11588.5	15320.6	18150.2	21275.1
External funds	2410.3	2387.4	6088.9	5540.8	1873.2	1832.1	5259.3	4989.9	537.1	555.3	829.5	550.9
Foreign sources	18.0	36.6	410.3	410.6	8.9	3.6	6.7	7.3	9.1	33.0	403.6	403.3

that influenced the financial condition of Russian universities was a noticeable reduction in budgetary funding. Moreover, when the funding was recalculated according to the standard cost methodology, it turned out that funding of the implementation of basic educational programs has also decreased.

The study revealed another interesting point. We found that in recent years, along with the reduction in budgetary funding, there has been a steady drop in demand from consumers of educational services. On the one hand, it is due to the general decline in the purchasing power of the population; on the other hand, it is the consequences of the “demographic drop” of the 1990s. Additionally, there was a decrease in funding for scientific research conducted by universities, and the reason was the fulfillment of vital needs, such as urgent repairs, salaries, etc. These factors could not fully compensate for the emerging shortage of funds at the expense of income-generating activities. As a result, universities had to take the path of increasing prices for their services; that is, they had to abandon the competitive pricing model (based on the maximum number of students) and move to the prohibitive model (based on the maximum price). Since this happens in all universities, applicants perceive it as price-fixing.

As the study showed, there was an increase in Russian higher educational institutions for students from far abroad since their purchasing power has sharply increased due to the depreciation of the ruble. In addition, the Ministry of Education introduced elements of resource concentration into the normative per capita financing for Russian universities to enter the first hundred positions in world rankings. This means that universities that have the prospect of being promoted in global rankings are financed with the use of increasing coefficients [Chaplygin, Lopatnikov, 2016. P. 226].

The most promising universities from among the participants of the Project 5–100 are provided with additional funds in the form of budget subsidies, which are based on the results of regular competitions of their strategic development programs. The amount of subsidies is adjusted annually and depending on the results achieved.

Now, let us consider the shares of funding sources in the income of Russian universities (Table 2).

The main source of universities' revenues is the federal budget. In 2017, they accounted for 54 % of the total allocation. Budgetary funds in financing state and municipal universities account for 59 % (including 56 % from the federal budget), while non-state universities have the main share of funding (76 %) from citizens.

### The expense structure of Russian universities

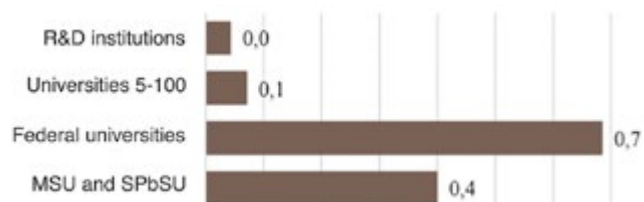
Analyzing the expense structures of Russian universities in 2017, we can make the following conclusions:

- the greater part of research and development work (R&D) is carried out at national research universities, Moscow State University and St. Petersburg State University (Figure 1);
- intellectual activity generates income for federal universities; it is it that most successfully commercializes the results of applied research (Figure 2);
- in universities of Project 5–100, 2 % of R&D is accounted for by foreign citizens and organizations, which is common since the Project determines the orientation towards international cooperation (Figure 3);

**Figure 1. The share of R&D revenues in total university income**



**Figure 2. The share of funds received by universities from the use of the results of intellectual activity in total income (percentage)**





## ПРОСТРАНСТВО ОБРАЗОВАНИЯ

– the main share of revenues is allocated to budgetary sources of financing (this is typical for all universities), however, non-budgetary sources of funding prevail in scientific research of national research universities (NRUs) and universities of Project 5–100 (Figure 4);

– depending on the category of activity, the distribution of income also varies (Figure 5), but revenues from education processes still prevail.

Considering the dynamics of internal costs for universities (see Figures 6, 7), almost 70% of R&D costs in Russia are covered by the state and 30% by the business sector. At the same time, with an increase in R&D costs, its structure does not change [Bondarenko, Gokhberg, Kovaleva, et al., 2018. P. 143].

Most of the funds allocated for the implementation of R&D through subsidies, grants, and other types of competitive funding – are federal budget expenditures. In R&D financing, business does not use competitive selection mechanisms but directs research funds to specific organizations, including affiliated and subsidiary enterprises.

The study showed that the current funding system, as well as the forms and mechanisms used for managing funding sources for both universities and research organizations in other sectors of the economy, are not strictly regulated. Each organization independently selects sources of finance, including both budgetary funds for educational activities and research (including those distributed on a competitive basis), as well as financing from the business sector and funds from foreign sources.

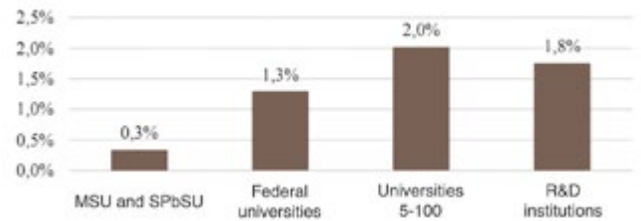
There is no universal scheme or approach aimed at managing universities' and research organizations' finances. At the same time, we can see general trends typical for the majority of participants in the modern educational services market. These include the prevalence of budgetary allocations in the structure of their income. Each organization has an individual income structure and can differ significantly from the income structure of the organization of the same sector of the economy. Some universities develop fundraising activities, others focus on research and development (including the expenditure of funds from federal programs, competitions, and grants), and the third type of universities is mainly engaged in educational activities.

It should be noted that if we want to maintain the high quality of educational services of Russian universities, it is necessary to increase the income received through R&D. And this, in turn, requires the wide involvement of students in the implementation of scientific projects.

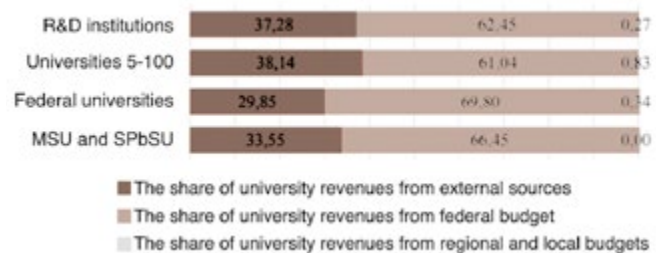
### Conclusion

Russian higher education has always been based on two important and equal components – educational and scientific activities. Today, this process needs to move to a qualitatively new level. Universities should learn how to present the results of their R&D in the form of a full-fledged product and build a competent strategy for promoting innovation within the market.

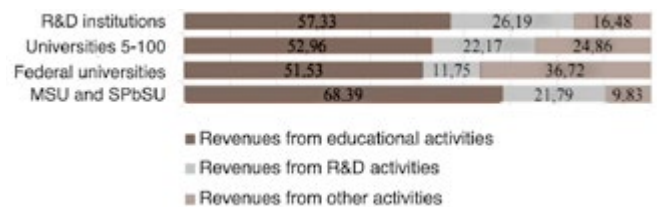
**Figure 3. The share of funds received by universities from the implementation of research and development work for foreign customers in the total volume of R&D**



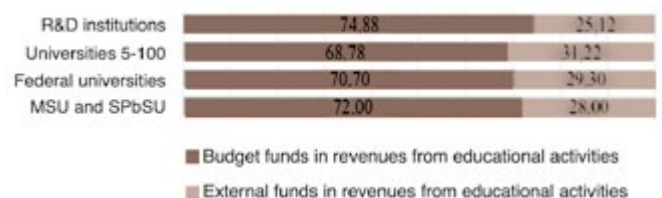
**Figure 4. The distribution of income by source of funding**



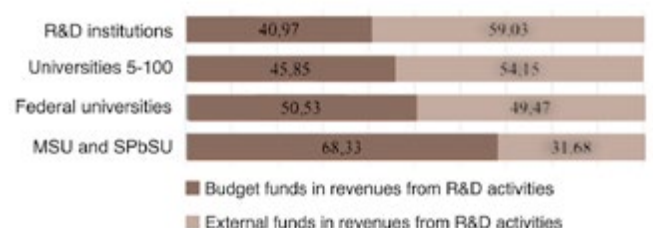
**Figure 5. The distribution of income by type of activity**



**Figure 6. The distribution of income from educational activities by source of funding**



**Figure 7. The distribution of universities' income from R&D by source of funding**



We need to build close bilateral interaction between business and education. This will diversify the revenues of universities, stabilize their financial condition and make them important participants in the development of the Russian economy.

The fact that many Russian universities appeared in the global lists of universities is also associated with the development of these ratings. In 2015, Times Higher Education included 400 universities, and in 2020 there were over 1000. Also, in 2016, the Academic Ranking of World Universities (ARWU, also known as Shanghai Ranking) consisted of 500 universities, and in 2019, this number more than doubled up to 1000. In 2014, the QS list (a worldwide study and well-known ranking of the best universities of world importance according to the British consulting company Quacquarelli Symonds) included 800 universities, and in 2020 – 1000. Also, in 2021, The University Impact Rankings includes 33 more Russian

universities than in 2020. The top 100 of the ranking includes 14 Russian universities, and six of them are participants of Project 5–100.

Project 5–100 became a motivator for many Russian universities and made them think about the place which Russian universities occupy in the world ranking, how they compare with the world's best higher educational institutions, and allowed to objectively look at their strong sides, as well as identify areas where they can make reform or improve. Despite the skepticism at the very beginning of the project, many universities managed to start moving forward towards international standards.

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