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**ASPECTS OF FINANCIAL AND ECONOMIC OPERATIONS OF
PRIMORSKY REGION HIGHER EDUCATION INSTITUTIONS**

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Abstract

This article explores the possible sources of financing higher education institutions, which are regulated by the legislation of the Russian Federation, as well as the types of their activities, which make it possible to attract funds from these sources. Despite the sufficient number of researches aimed at addressing the issues of financial and economic activities of universities, they do not reflect the accumulated experience of economic management, which could help find efficient ways of future development.

In addition to this, the authors also carry out assessment of financial operations of higher education institutions according to the criteria developed by the Ministry of Education and Science of the Russian Federation. Among them, the most important criteria, in the authors' opinion, are those that reveal the various aspects of higher education institutions getting incomes from extra-budgetary sources, thus being the indicators, which reflect the economic development of universities and enable them to achieve and maintain good standing in the highly competitive environment.

Following the results of our analysis of attracting extra-budgetary funds by the Primorsky Region universities, as well as their sources and shares in the total incomes throughout 2015-2017, we managed to identify the major reasons for low financial stability of higher education institutions of the region under study.

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Keywords: Sources of financing, financial stability, financial and economic operations, higher education institutions of Primorsky Region.



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1. Introduction

Gradually shifting to post-industrial society, economic development is focusing on the quality of human capital. One of the most important personal qualities is the education level, which makes it possible to create innovative R&D works and products being the driving force of new economics Praneviciene, Puraite & Vasiliauskiene, 2017; Oketch, 2016).

In many countries of the globe, an increase of the human capital quality is associated with formation of universities of new type, which, apart from education and research activities, should stimulate innovative development of various branches of economy based on intellectual products (Teichler, 2018; Huang, 2018; Kim, & Park, 2018; Munari, Sobrero & Toschi, 2017; Nentwich, 2016).

Russia, which strives to lower down its dependency on raw material resources, is not an exception to this trend. The government policy of Russia in the area of higher education is aimed at raising the importance of universities as regards addressing the issues of national significance, territorial development, business development, social communication (Pereverzeva & Shamne, 2017; Abankina, Filatova, & Vynaryk, 2016). As a result, the Russian universities are engaged in developing social ties, innovations, implementing R&D results into production, establishing business projects, which should become the source of entrepreneurial activity in the respective region and ensure its socioeconomic development (Buczek, 2016). In addition to this, these activities should also bring income to the universities, which should later become the principal source of their financing (Zilkha, 2018; Ziderman, 2017).

2. Problem Statement

The most important challenges of the Russian education include, first, raising the competitiveness of the national universities at the international market of education services, in accordance with the international norms for R&D works, (Nemtsova, Repina, & Sidorova, 2017) as well as in accordance with the current level of scientific, technical and production development; second, transition from the financing fully out of the state budget to partial and full self-sufficiency. These challenges are closely connected between themselves due to the fact that attractiveness of universities for businesses of different levels, domestic and foreign consumers of education services may not only bring goods ranks to the universities in the global rankings, but also promote their rapid transition to self-sufficiency, and, as a result, to their financial sustainability (Wang, 2017). However, higher education institutions nowadays experience significant difficulties in searching additional financial resources (Gansemer-Topf, et al., 2018; Marginson, 2018; Son-Turan, 2016; Palfreyman & Tapper, 2016).

Russia at this moment pays special attention to development of the Russian Far East and of Primorsky Region in particular, and this development also relies on efficiency of higher education institutions activity.

3. Research Questions

In this context, the tasks of our research are the following: to investigate the problems of efficiency of financial and economic operations of universities; to analyze the situation with attracting extra-budgetary funds by Primorsky Region universities, to identify the main reasons for the low financial sustainability of higher education institutions of this region.

4. Purpose of the Study

Therefore, the purpose of our research is analysis of proceeds from the extra-budgetary sources and their share in the total volume of financing of state-owned higher education institutions of Primorsky Region.

Financing of universities is regulated by Federal Law No. 83-FZ “On Introducing Amends to the Certain Statutes of the Russian Federation in Connection with Improvement of Legal Status of the State-Owned (Municipal) Institutions”, No. 273-FZ “On Education in the Russian Federation”, statutes of the Government of the Russian Federation and other regulations, according to which the incomes of higher education institutions may be viewed from the viewpoint of financing sources and from the viewpoint of their activities (Sudakova & Agarkov, 2016).

The principal sources of financing higher education institutions are the following: funds of the federal, regional and local budgets; funds of state and regional/local non-budgetary foundations; money of the population for education purposes; money of commercial and non-commercial organizations on personnel training; money of charity organizations.

From the viewpoint of types of higher education institutions activity, incomes from the principal and other activities are distinguished, which are set forth by the University Charter. The principal activity includes implementation of education programs; carrying out R&D work; supporting and servicing education and R&D processes.

Other activity includes a different kind of activity permitted to the education institutions, which brings income and is not related to the said principal types of activity.

Government expenditures on education, which are formed from the allocations out of the budget of the Russian Federation and of the state non-budgetary foundations and intended for financing the principal activity, are shrinking with every passing year. Therefore, the universities need to increase their incomes from other operations. The capability to attract extra-budgetary funds gives certain advantages to a higher education institution, such as relative financial independence from the government and, as a result, sustainability. Under-financing from the federal budget for those higher education institutions which attract a large share of funds from extra-budgetary sources shall not become a threat to their stable position in the highly competitive environment (Buczek, 2016).

5. Research Methods

The basis of our research is triangulation, which makes it possible to consider from the quality and quantity side only one aspect of the problem of university financing, namely, attracting funds from extra-budgetary sources, and ensures the high level of validity of our research.

Quantitative analysis was performed based on daily monitoring of efficiency of higher education institutions operations, which is carried out by the Computation Center of Moscow Technological University. Qualitative analysis was performed based on annual financial and economic reports of Primorsky Region universities.

6. Findings

For the time being, there are twenty higher education institutions in Primorsky Region; among them, twenty branches, one federal university and three private-owned higher education institutions. According to the information of the Main Information and Computation Center of Moscow Technological University, as regards all Primorsky Region state-owned higher education institutions within the period from 2015 to 2017, their financial and economic operations indicators exceeded the threshold values; moreover, the values of these indicators increased every year for all the institutions.

Accumulated incomes of different Primorsky Region higher education institutions are vastly different between each other, which is explained by uneven distribution of students they manage to attract, which parameter affects the level of financing from the federal budget, as well as by different level of incomes from extra-budgetary sources. Investigation of the latter is of special interest for this research.

The largest share of incomes from extra-budgetary sources throughout the three years under study belongs to the Far Eastern State Fisheries University (Federal State Budget-Owned Education Institute of Higher Education “Dalrybvtuz”). Thus, in 2015 this share equalled 48.74%, in 2016 – 50.82%, in 2017 – 74.44%.

The principal sources of extra-budgetary funds for this education institution are fee-based education services, sales of fish products and hydrobionts.

The share of financial proceeds from education activity in the total incomes of this higher education institution declined from 56.96% in 2015 to 30% in 2017. At the same time, the share of extra-budgetary funds in the incomes from education activity within this period somewhat increased: from 35.12% to 43.77%. Carrying out of research works under commercial contracts did not bring large profits, and these profits were gradually declining, whereas the share of extra-budgetary funds in the incomes from this activity dropped from 10.6% to 0%.

The higher education institutions attracting the smallest shares of extra-budgetary funds are the Primorskaya State Academy of Agriculture (Federal State Budget-Owned Education Institute of Higher Education) and the Far Eastern State Institute of Arts (Federal State Budget-Owned Education Institute of Higher Education). As for the first institution, the share of extra-budgetary funds declined from 20.25% to 17.44%, while the large part of them (81.4% in the recent year) belongs to research activity; as for the second institution, this share increased from 9.15% to 10.81%.

If we have a look at the financial and economic operations of the largest higher education institution of Primorsky Region, the Far Eastern Federal University (FEFU), we may see the growth of incomes from extra-budgetary sources from 25.15% to 33.43%. Out of these funds, the share of incomes from education activity increased from 23.07% to 41.67%. This institution achieved a considerable increase in attracting extra-budgetary funds from R&D: from 45.44% to 72.33%. The leading positions of this university as regards these indicators may be explained by the fact that, first of all, it has competitive advantages as compared with other higher education institutions of Primorsky Region, since its promotion is one of strategic tasks of the Russian Far East development; second, the university is the participant of the project aimed at raising the international competitiveness of the leading Russian universities (Project 5-100).

R&D activity of universities should become attractive for foreign capital as well. However, only three out of higher education institutions under analysis managed to attract the funds for performing R&D

works from foreign persons and legal entities. The most sufficient funds from this source in 2017, in the amount of 33,845.50 thousand rubles, were received by the Far Eastern Federal University (FEFU), but, as regards the total income amount, this figure is small and amounts to only 0.3%. As to Vladivostok State University of Economics and Service and the Agricultural Academy, such proceeds are also small and make up for only 0.03% and 0.16% of all of their incomes respectively.

7. Conclusion

As it can be seen from analysis of financial and economic operations of Primorsky Region higher education institutions, the principal source of their financing still remain the federal budget funds allocated for implementation of education programs. Such situation is shaping under the influence of regional factor. Remoteness from the federal center of the country and specific aspects of the region economy are the main reasons for weak interest of business to the local higher education institutions.

Higher education institutions have problems with attracting extra-budgetary funds, which main source is fee-based education services, and this situation makes their transition to self-financing quite challenging. It is hard for them to conquer the research and innovations market, which is supposed to bring the large share of profits. Investments of domestic and foreign business to R&D of Primorsky Region universities are very insignificant. We see the reason for it in the inadequately small number of researches, which result may not only promote social and economic development of the territory, but also attract the interest of foreign business partners. Growth of these parameters is only possible in the situation of competent strategic planning of university development. Each higher education institution of Primorsky Region has its own program of development; however, only the Far Eastern Federal University (FEFU) included not only strategic objectives into this program, but also the ways to reach them, which became the cause of efficiency of financial and economic operations of this institution.

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