



## Article

# Structure and Sources of Funding for Educational Institutions

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**Abstract:** This article analyzes the structure and sources of funding for educational institutions, highlighting their role in ensuring the sustainability and quality of education. The study explores various funding models, including public financing, private investment, tuition fees, grants, donations, and international aid. It also examines the advantages and challenges associated with each funding source and how these influence institutional autonomy, access to education, and the quality of services provided. Special attention is given to the need for financial transparency, efficiency in fund allocation, and the diversification of funding sources to enhance educational outcomes and resilience. Adequate and sustainable financing is fundamental to the effective functioning and development of educational institutions. General background outlines the importance of education financing in achieving quality and equitable learning outcomes. Specific background addresses the diversity in funding models across countries and institutions, reflecting different governance systems and economic capacities. Despite global attention, a knowledge gap persists in the comparative understanding of funding structures and their impact on institutional performance. This study aims to examine the structure and major sources of funding for educational institutions, including public allocations, private contributions, international aid, and self-generated revenues. A qualitative-descriptive method, supported by financial data analysis and institutional case studies, was employed. Findings indicate that institutions with diversified and transparent funding structures tend to achieve greater financial stability and innovation in academic services. The novelty of the research lies in its integrated framework that links funding mechanisms to institutional autonomy and strategic planning. Implications include recommendations for policy-makers to improve funding efficiency, accountability, and equity in resource allocation for sustainable educational development.

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## 1. Introduction

The effective functioning and development of educational institutions largely depend on the availability and proper management of financial resources. In today's dynamic socio-economic environment, the structure and sources of funding for education have become critical issues that directly influence access to quality education, institutional autonomy, and long-term sustainability. Regardless of whether an institution is public or private, primary or higher, stable and diversified funding mechanisms are essential for supporting teaching, research, infrastructure, and innovation.

Traditionally, public educational institutions have relied heavily on state budgets as their main source of funding. However, due to increasing demand for education, budget constraints, and shifting government priorities, many institutions are seeking alternative sources of funding, including tuition fees, private sector investments, research grants, philanthropic donations, and international aid. The diversification of funding sources not only helps reduce dependency on a single stream but also fosters greater institutional flexibility and resilience.

In accordance with the Decree of the President of the Republic of Uzbekistan No. PF-158 dated September 11, 2023, the goal "Increasingly developing the service sector in the regions" under the serial number 59 of the STRATEGY "UZBEKISTAN – 2030" includes the following performance indicators for the goals to be achieved by 2030:

- a. Increase the volume of services by 3 times through the development of service sectors in the regions.
- b. Develop modern market services, IT, education, medicine, legal, art, tourism, hotel and catering, and transport services in medium and large cities and districts with a population of more than 300 thousand.
- c. Develop trade, household, recreation, and entertainment services by auctioning 233 thousand vacant land plots on densely populated streets with the necessary infrastructure based on urban development projects.
- d. Create 36 thousand trade and service facilities by organizing central streets specializing in service provision in medium and large urban centers.
- e. Build 6 thousand trade and service facilities in the "New Uzbekistan" massifs and along international highways.
- f. Attracting leading project organizations to transform markets into modern, convenient shopping complexes that meet all security requirements [1].

This article explores the structure of educational financing, identifies the main funding sources, and assesses their advantages and limitations. It also discusses global trends in educational funding and highlights the importance of financial transparency, equity in access, and effective resource allocation. Understanding these aspects is essential for policymakers, educational leaders, and stakeholders striving to ensure inclusive, equitable, and sustainable education systems.

Analysis of literature on the topic. The issue of funding in education has been widely discussed in academic and policy-related literature, reflecting its central importance to the development and sustainability of educational systems across the globe. Numerous scholars and international organizations such as UNESCO, the World Bank, and OECD have emphasized that the structure and diversity of funding sources directly affect not only the quality and equity of education but also the autonomy and innovation capacity of educational institutions [2].

According to Johnstone, education financing models have evolved significantly over the past decades. He identifies three primary sources of funding: public (government), private (including household contributions), and external (such as international aid). His research highlights the shift toward cost-sharing mechanisms, especially in higher education, where governments are encouraging institutions to generate their own income through tuition fees, partnerships, and commercial activities [3].

Levy also notes the growing role of private financing, particularly in developing countries, where public funds are often insufficient to meet the demand for expanding access to education. He argues that private investment can improve efficiency and innovation but also raises concerns about equity and social justice, particularly when access becomes closely linked to the ability to pay.

The OECD reports that public funding remains the dominant source of support for primary and secondary education in most member countries. However, in higher education, there is a clear trend toward diversified funding models. Their findings suggest

that well-balanced funding structures—combining public, private, and third-party sources—tend to promote more robust and resilient institutions [4].

Literature also explores the implications of funding sources on institutional governance. Salmi argues that institutions with a mix of funding sources are better positioned to pursue strategic priorities and long-term goals, especially when financial autonomy is coupled with strong accountability measures. However, he also warns of the potential instability of relying too heavily on volatile income streams like donations or fluctuating student enrollment [4], [5].

Other scholars, such as Marginson, focus on global inequalities in education financing [6]. His work highlights that low-income countries often depend on external aid, which can be unpredictable and subject to political agendas. He advocates for increased national investment in education, complemented by carefully structured international support that respects local contexts and priorities.

Finally, recent studies emphasize the role of financial transparency and efficiency in fund allocation. Research by Transparency International shows that unclear budgeting processes and lack of oversight can lead to misuse of resources, affecting educational outcomes [7]. Therefore, developing robust financial management systems is seen as a key component of successful education financing.

In recent years, the financing of educational institutions in Uzbekistan has attracted increasing attention from researchers, policymakers, and economists. The country's efforts to modernize its education system in line with international standards have placed particular focus on the structure, transparency, and sustainability of educational funding. Uzbek literature on this topic reflects both the achievements and the challenges of building a diversified and effective system of education financing [8].

A significant contribution comes from the works of Uzbek scholars such as A. Rakhimov, who explored the role of the state in funding general and higher education. He emphasizes that although the state budget remains the main source of financing, there is an increasing need to expand non-budgetary sources to ensure long-term development. Rakhimov also highlights the importance of performance-based funding and resource efficiency in public institutions [9].

Sh. Isroilov examines the diversification of income sources in higher education institutions [9]. His research points to the growing importance of tuition fees, grant competitions, research commercialization, and partnerships with private enterprises. However, Isroilov also notes that many universities still depend heavily on state funding, which limits their financial independence and innovation potential.

In her analysis, M. Rasulova discusses the legal and regulatory aspects of education financing in Uzbekistan [10]. She outlines the changes made in the framework of educational reforms, particularly after the adoption of the Law "On Education" (new edition) and the Strategy for the Development of Higher Education until 2030. According to Rasulova, there is a gradual shift toward creating a more autonomous financial environment for educational institutions, but this requires more transparent mechanisms for accountability and resource distribution.

The Institute for Forecasting and Macroeconomic Research (IFMR) has also published studies analyzing budgetary allocations to education at various levels. Their findings indicate a positive trend in increasing education expenditures as a percentage of GDP, but also emphasize the need to improve the efficiency of fund utilization and reduce regional disparities in funding [11].

Additionally, Uzbek literature highlights the role of international organizations and donor agencies such as the World Bank, ADB, and UNICEF in co-financing projects aimed at improving infrastructure, digitalization, and teacher training. For example, the "Modernizing Higher Education" project co-financed by the World Bank has been the

subject of multiple research papers, including those by B. Khudoyberdiev, who assesses its financial model and impact on institutional sustainability [12].

In summary, the literature provides a comprehensive understanding of the different funding models for educational institutions and the complex interplay between funding sources, institutional performance, and educational equity. It underscores the necessity for a diversified, transparent, and sustainable approach to financing education to ensure both access and quality.

## 2. Materials and Methods

To comprehensively study the structure and sources of funding for educational institutions, a mixed-methods research approach was employed. This methodology combines both qualitative and quantitative research tools to gain a holistic understanding of the financing mechanisms in education at various levels, with a particular focus on the context of Uzbekistan and international comparisons [13].

A detailed review of existing national and international literature was conducted to examine current models, strategies, and trends in education financing. Sources included academic articles, government policy documents, legislation, reports from the Ministry of Higher and Secondary Specialized Education of Uzbekistan, and publications by organizations such as UNESCO, the World Bank, and OECD [1], [5], [14].

Statistical data was collected from official government sources such as the State Statistics Committee of the Republic of Uzbekistan, as well as international databases. Key indicators analyzed included the share of GDP allocated to education, per-student expenditure, the proportion of state versus non-state funding, and trends in tuition fee structures. Comparative analysis was also performed to identify similarities and differences in funding structures across different types of institutions (public vs. private, urban vs. rural, general vs. higher education) [15].

Semi-structured interviews were conducted with representatives of educational institutions (including financial officers and rectors), policymakers from the Ministry of Finance and Ministry of Education, as well as education finance experts. Additionally, case studies of selected universities and schools were used to gain insight into practical approaches to financing, internal budgeting, and challenges faced in resource mobilization [16], [17].

The research focused on a sample of:

- a. 10 higher education institutions (including public and private universities);
- b. 5 secondary schools, and;
- c. Relevant government agencies and non-governmental education stakeholders.

The sample was selected to reflect geographic diversity (urban and rural settings), institutional diversity (state and non-state), and financial model diversity (budget-financed, tuition-based, and donor-supported institutions) [18], [19], [20].

Quantitative data were analyzed using descriptive statistical methods (averages, percentages, ratios) and trend analysis.

Qualitative data from interviews and case studies were analyzed using thematic coding to identify recurring issues, best practices, and challenges related to funding structures [21], [22].

A SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) was conducted to assess the current financing system in Uzbekistan's education sector.

While the study aimed to provide a comprehensive analysis, some limitations were encountered:

- a. Limited access to detailed institutional budget data due to confidentiality or lack of documentation;

- b. Variability in accounting and reporting practices across institutions made data comparison challenging;
- c. The dynamic nature of educational reform in Uzbekistan means that findings may evolve over time as new policies are implemented.

This methodology ensured a balanced and in-depth examination of how educational institutions are financed and allowed for both national and international comparisons. The results derived from this approach serve as a strong basis for the analysis and recommendations presented in subsequent sections.

### 3. Results and Discussion

Based on the collected data and insights from literature, case studies, and expert interviews, this section presents a detailed analysis of the structure and sources of funding for educational institutions. The results are organized around key thematic areas identified during the research process.

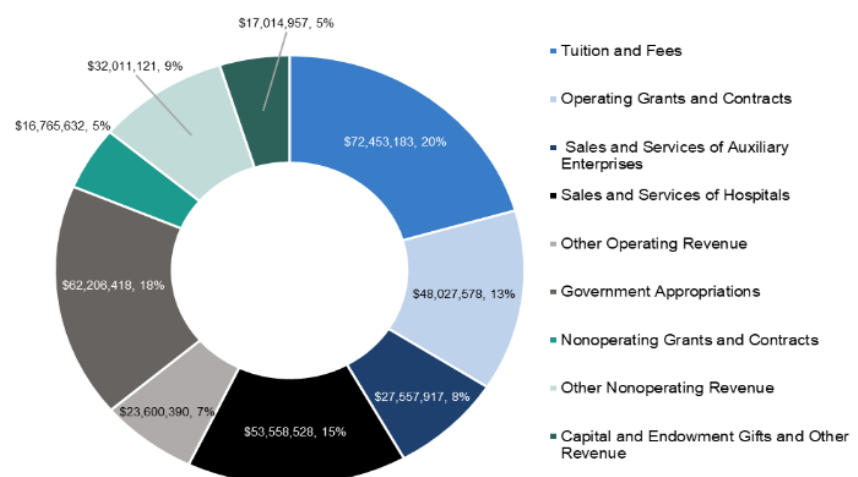
In Uzbekistan, as in many countries, state budget allocations remain the primary source of funding for public educational institutions, particularly in general secondary and higher education. On average, more than 85% of the funding for public schools and universities comes from national or local government budgets.

This funding is typically used for:

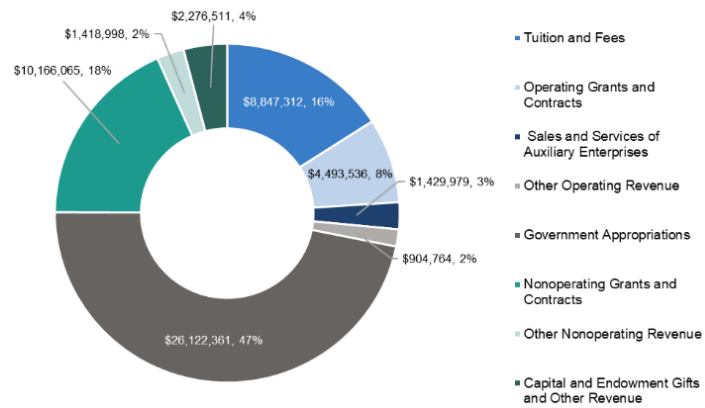
- a. Staff salaries (teachers, administrators);
- b. Basic infrastructure and maintenance;
- c. Curriculum development;
- d. Utilities and operational costs.

However, stakeholders noted that while public funding ensures stability and basic operation, it often lacks flexibility for innovation, modernization, and expanding access, especially in remote or underdeveloped regions.

In higher education, tuition fees account for a significant portion of institutional income, particularly for students studying on a contract (self-paid) basis. In some public universities, tuition-based programs finance up to 40–50% of total annual budgets.



**Figure 1.** Revenue sources for public four-year institutions.

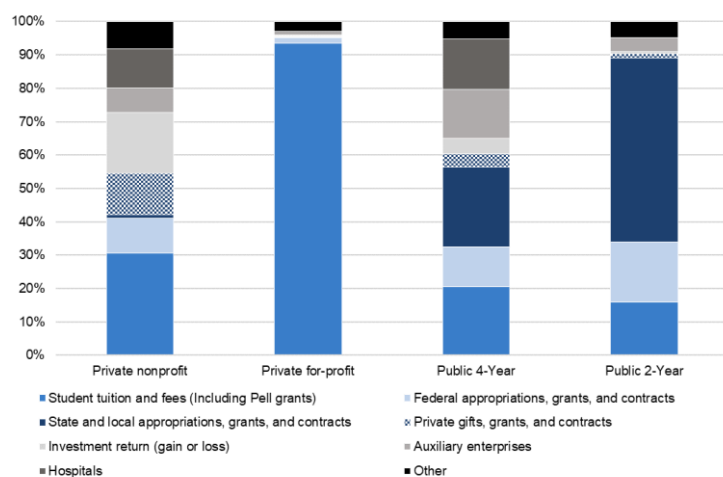


**Figure 2.** Revenue sources for public two-year colleges.

Private educational institutions rely almost exclusively on tuition fees. While this enables them to operate independently, it also limits access to those from higher-income families, raising concerns about affordability and equity.

The research highlighted a gradual shift toward funding diversification. Educational institutions are increasingly exploring the following alternative sources:

- Research and innovation grants from government or international donors (e.g., World Bank, Erasmus+, ADB);
- Public-private partnerships (PPPs), especially in vocational and higher education;
- Commercial activities such as language centers, consulting, and professional training programs;
- Donations and endowments, although this remains underdeveloped in the Uzbek context;
- Despite their potential, most institutions still lack clear strategies or legal frameworks to effectively manage or scale these revenue sources.



**Figure 3.** Revenue sources by sector<sup>1</sup>

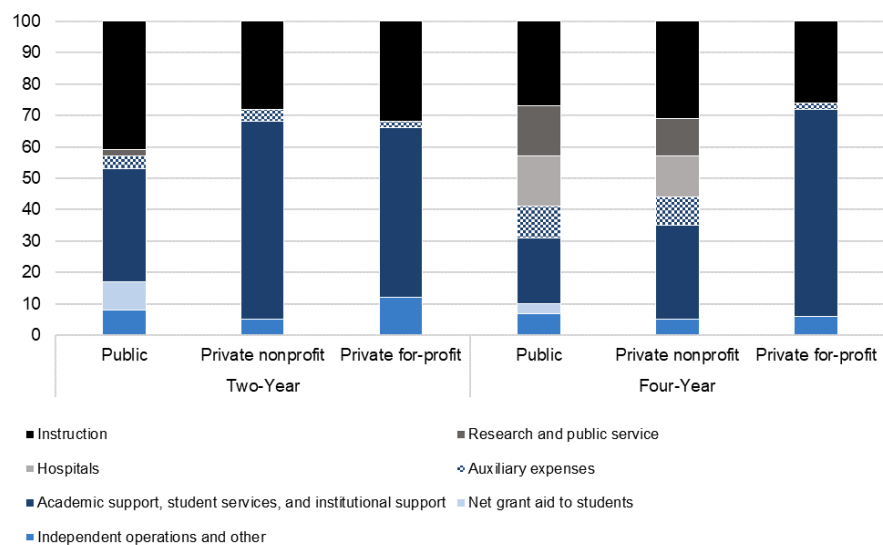
State funding is not the only source of revenue for most colleges and universities, and the extent to which institutions rely on state funding as a revenue source varies

<sup>1</sup> Source: National Center for Education Statistics' Digest of Education Statistics



significantly. While public colleges receive roughly 41 percent of total revenue from government sources, this figure is only 12 and two percent for private nonprofit and for-profit institutions, respectively. Notably, public colleges receive one-fifth of their revenue from students' tuition and fees, but private nonprofits and for-profits receive 31 and 94 percent, respectively.

It is also important to consider how colleges spend their money. As seen in Figure 4, public two-year colleges spend the largest share of their total expenditures on instruction at 41 percent. Not surprisingly, public four-year colleges spend larger shares on research and hospitals, 16 percent of total expenditures each, than community colleges. The variation in expenditures across sectors reflects mission differentiation as well as the funding sources.



**Figure 4.** Expenditures by sector.

International donor organizations play a critical complementary role, especially in education sector reforms, infrastructure development, and teacher training programs. Examples include:

- World Bank's Modernizing Higher Education Project, which provides funding for digital transformation and quality improvement;
- UNICEF's support in inclusive education and early childhood development;
- ADB-funded initiatives to modernize TVET (Technical and Vocational Education and Training) systems.
- However, reliance on external aid is often project-based and temporary, necessitating sustainable domestic strategies.
- These practices show the untapped potential of institutional innovation when given the autonomy and tools to do so.

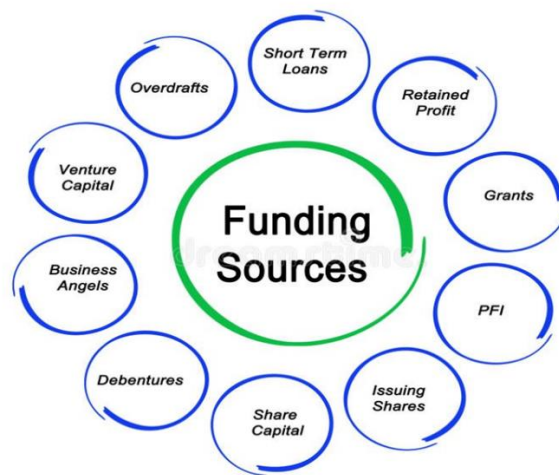
**Table 1.** Summary of Key Findings.

No	Funding Source	Funding Source	Funding Source	Funding Source
1	State Budget	High	Stable, covers core needs	Limited flexibility, slow reforms
2	Tuition Fees	Moderate-High	Income diversification, sustainability	Access and equity concerns

3	Research Grants	Low–Moderate	Supports innovation and quality	Competitive, often short-term
4	Donor Support	Moderate	Infrastructure, capacity building	Not sustainable, project-limited
5	Private Investments / PPP	Low	Long-term growth potential	Legal and administrative constraints

Several challenges related to funding structures were reported by interviewees and observed in institutional practices:

- Overdependence on state budgets, leading to limited financial autonomy,
- Lack of training in financial planning and management among institutional leaders,
- Inequitable distribution of funds, particularly between urban and rural areas,
- Insufficient legal support for income-generating activities in public institutions,
- Limited financial transparency and accountability in some cases.



**Figure 5.** Of important Funding Sources.

Despite the challenges, some institutions have demonstrated innovative financial practices, such as:

- Creating special development funds within universities for infrastructure improvement;
- Attracting external research grants through partnerships with foreign universities;
- Developing entrepreneurial education programs to generate additional income.

#### 4. Conclusion

The analysis of the structure and sources of funding for educational institutions in Uzbekistan reveals several key insights about the state of education financing in the country. While public funding continues to be the dominant source of financial support, the over-reliance on government budgets presents both opportunities and challenges for educational institutions.

State funding remains essential for ensuring that basic educational services are provided. However, the constraints of government budgets, particularly in the context of global economic fluctuations, limit the capacity for innovation and development in educational institutions. There is a clear need for institutions to have greater financial autonomy to pursue their strategic goals.



Tuition fees, particularly in higher education, have become a significant revenue stream. While this has helped institutions increase their financial resilience, it has also raised concerns about equity, as students from lower-income families may struggle to afford the cost of education. This issue highlights the need for a more equitable model of cost-sharing.

There is a marked trend toward exploring alternative sources of funding, such as research grants, public-private partnerships, and commercialization. Although these efforts have shown some promise, they are still underdeveloped, particularly in public institutions, where legal and administrative barriers hinder progress.

International aid, while essential for addressing specific needs in the education sector, often comes with limitations, such as being project-based and temporary. This makes it an unreliable source for long-term financial stability.

Financial management in many institutions remains inadequate, with limited transparency and inefficiencies in fund allocation. This has resulted in uneven access to resources, especially in rural areas, and a general lack of accountability in some cases.

Based on the findings, several recommendations can help improve the structure and sustainability of funding for educational institutions in Uzbekistan:

While state funding will continue to be essential, educational institutions should be encouraged to seek additional funding sources. This includes increasing private sector partnerships, expanding the use of tuition-based programs for non-state funded students, and actively pursuing international research grants. To achieve this, legal frameworks should be developed that allow institutions more autonomy in managing these funds.

Educational institutions must invest in training and capacity building for financial management. This includes ensuring that financial officers, university leadership, and other relevant stakeholders have the skills necessary to develop, implement, and monitor sustainable financial strategies.

A balanced approach to cost-sharing between the government, private sector, and students is critical. To maintain equity, it is essential that there are scholarships and subsidies available for students from low-income backgrounds. Implementing more progressive tuition fees that align with the income levels of families could also ensure broader access to education.

Efforts should be made to ensure greater transparency in how funds are allocated and spent. This could be achieved through the implementation of more robust auditing practices, regular public reporting on the financial status of institutions, and the establishment of clear guidelines for the allocation of funds across departments and projects.

Educational institutions should actively seek public-private partnerships to build new infrastructure, introduce innovative technologies, and enhance educational offerings. These partnerships should be encouraged through government policies that create incentives for private investment in education.

Institutions should focus on expanding their ability to generate income through non-traditional means, such as commercializing research, launching professional development programs, and offering vocational training courses. Developing these alternative revenue streams will provide educational institutions with more financial resilience, reducing their dependence on public funding.

Efforts should be made to address the regional disparities in funding, ensuring that educational institutions in rural and underfunded areas have access to the resources they need. This could involve targeted subsidies for institutions in these regions, or efforts to redistribute funds more equitably across the country.

In conclusion, a balanced, diversified, and sustainable funding system is essential for the long-term success of Uzbekistan's educational institutions. While significant progress has been made in recognizing the importance of diverse funding sources, much work remains to be done to create a financial system that allows for both quality education and equitable access. Through careful planning, legal reform, and proactive financial management, the education sector can navigate the challenges of the modern world and achieve lasting progress.

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