

## Formation of New Economic Mechanisms in the Field of Education

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**Abstract:** The article analyzes new economic mechanisms in the field of education, in particular, new mechanisms of state financing of education, i.e. quasi-market, contract, voucherization, direct and indirect directions of state financing of higher education, etc.

**Keywords:** Financing of education, mechanism, quasi-market, contract, voucher system, quality of education, method of financing, extrapolation, normative method, contract method.

### INTRODUCTION

The most important feature of the implementation of a systematic approach to education management in the context of the formation of the educational services market is the development of new economic mechanisms in the field of education. Changes in technology, pedagogical practice, organization of the educational process can lead to an increase in educational efficiency only if they are accompanied by corresponding changes in the economic subsystem of the educational system.

The second direction of changing the mechanisms of state funding of education, which has been widespread in countries with a market economy in the last decade, is contracting - this is the conclusion of contracts between state educational bodies and non-governmental educational organizations for the delivery of educational products and services necessary for society. The hiring of non-governmental organizations by public authorities to provide education services is a relatively new phenomenon for most countries. In other words, non-state-owned educational organizations undertake part of the educational functions assigned to the state for a fee.

### LITERATURE ANALYSIS AND METHODOLOGY

In the course of the development of modern education, new economic mechanisms characteristic of the emerging educational system are created and confirmed, and one of these mechanisms is state financing of education [Williams G.L., 1992].

In the context of the development of educational products and services markets, there are two main directions of changing the mechanisms of state financing of education.

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First, in many countries, public education authorities do not directly manage the work of public educational institutions, but increasingly act as a customer and consumer of educational services. At the same time, educational institutions will not become private property, but will have administrative independence and autonomy [BarrN., 1993].

In other words, within the state sector of education, quasi-markets are formed based on the separation of the buyer and supplier of educational services. If there is, then the conclusion of a contract in quasi-market conditions is of decisive importance, in which the obligations and rights of both the educational institution, which is a representative of the state body, and its founder should be clearly indicated. These obligations are usually the preparation of specialists by the educational institution in accordance with the state educational standards, and the state body is responsible for the financing of these educational services by the state. This implies that it will be carried out on the basis of training levels.

Thus, in this case, despite the fact that both the customer (buyer) and the provider of educational services belong to the public sector of education, their interests in the quasi-market are clearly separated. State administration bodies are exempted from representing the interests of educational institutions providing educational services. If, in the conditions of administrative subordination, educational institutions are perceived as specific divisions of the governing bodies, and therefore they tend to hide the shortcomings in the work for which they are responsible, then in quasi-market conditions, public administration bodies act only as a customer (buyer), but not as a producer of educational services, which encourages them to focus on protecting the interests of consumers of educational services.

As in quasi-markets, the main idea of contracting is to focus the attention of public education authorities on protecting the interests of consumers of educational services, free them from representing the interests of providers of educational services, and transfer their arbitration functions to market forces.

In many countries, until the 1980s, the extrapolation method was used as the main method, that is, when financing was carried out based on the regular approval of an increase added to the previous level of payments, the principle of increasing financing was applied [OECD, 1989].

## **RESULTS AND DISCUSSION**

It should be noted that these changes in the development of the education market will have a significant positive effect only if the following conditions are met.

First, there must be genuine competition between potential providers of educational services. If there is no competition, separating the buyer and supplier of educational services usually becomes a formality. Contracting with a monopolist that does not have sufficient incentives to find efficient ways to provide educational services may result in an inefficient use of public funds.

Second, an important condition for the development of the educational market, the effective use of contractual relations, is the ability to set requirements for the quality of educational services not only in terms of their volume, but also in terms of their quality when concluding contracts. Since the educational institution can formally perform the contract without taking into account the quality aspect of educational services, it is almost certain that the quality of educational services will deteriorate compared to the situation where the educational services are under the direct administrative control of the state body.

Despite the fact that the quality requirements for the final results of educational activities do not correspond to a clearly formalized description, there are at least two ways to determine and control the fulfillment of the requirements for the quality of educational services.

The first method is to determine the individual factors and conditions for the provision of educational services. This method is implemented by developing a system of licensing, certification and accreditation of educational institutions.

The second method is to involve the end users themselves in the quality of the educational services provided under the contract. This method, of course, assumes that not only public administration bodies, but also the end users themselves have the freedom to choose competing providers of educational services.

This is the idea behind the development of voucher systems in the field of education. The essence of such systems is that instead of directly concluding contracts with educational institutions, the state body that finances education can provide certain amounts of financial guarantees (vouchers) to students or their family members. At the same time, students directly choose an educational institution, after which the appropriate amount of money is paid.

In this case, the contract between the state body and the provider of educational services is replaced by a system of contracts that mainly stipulate two types of obligations:

- 1) the state's sole obligations to reimburse students for educational expenses within the agreed amounts (vouchers);
- 2) obligations defined in contracts between students and educational institutions without the direct participation of the state. The second type of obligation is similar to simple market contracts between buyers and sellers, as a result of which a market mechanism appears to "eliminate" poor quality services. consumers who are not satisfied with the quality of educational services can turn to competitors.

The advantages of the second method of taking into account the quality of educational services when drawing up contracts (voucher systems) is that it allows the introduction of competition on the buyer's side. In fact, when not individual students, but a public body acts as a buyer of educational services, monopsony (absence of competition between buyers) develops in the education market, which weakens the market mechanism, even if there is real competition on the part of service providers. even though [Якобсон Л.И., 1996].

*However, despite the advantages of voucher systems in the field of education, it is necessary to consider their limitations, their effectiveness only in certain conditions.*

First, for voucher systems to be effective, information asymmetry in the market for educational services must be minimized. This means that the information necessary to make a decision on the purchase (sale) of educational services should not be in the main possession of one of the parties when concluding contracts. It follows that voucherization in the field of education implies a well-established system of licensing, certification and accreditation of educational institutions and wide public awareness of their results. Second, voucher systems can only be effective under conditions of genuine competition between providers of educational services. Indeed, if for some reason an educational service provider becomes a monopoly, it would be best if that monopoly was challenged by a state or local education authority rather than scattered voucher holders.

Thus, despite the fact that voucher systems in the field of education have a significant potential to increase the quality and variety of educational services, their implementation will be effective only in certain conditions, i.e. their use is limited.

In general, the state can finance higher education by investing in various factors of the production of educational services, or by financing specific educational institutions, or by providing financial support

directly to students - the final consumers of educational services. (See Scheme 1). At the same time, the state can use both direct and indirect financing [Cameron D., 1991]

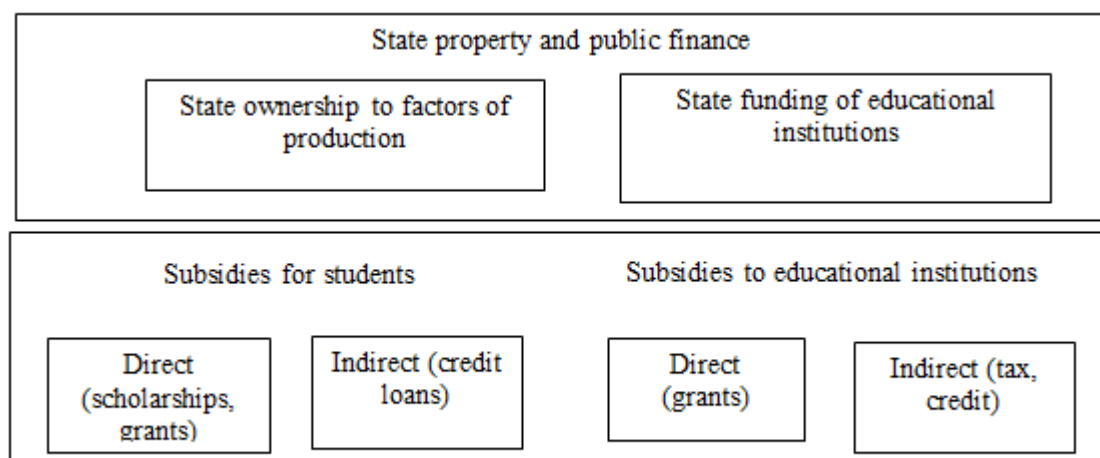


Figure 1.

The change in the role of the state in the field of education leads to a change in the mechanisms of state financing of education. Formation of new mechanisms for determining state orders for training specialists in Uzbekistan; mechanisms for encouraging the increase in education expenses in the budgets of the country's subjects through the allocation and targeted use of funds for education subsidies within the framework of transfers allocated to regions; competitive mechanisms of distribution of state orders among educational institutions; mechanisms for replenishing the sources of financing of the educational institution with the funds obtained from the effective use of its main funds, which are the property of the state or regional authorities; new mechanisms of financial support for students; mechanisms of tax incentives to encourage investment in education, as well as preferential loans and insurance are needed.

Later, in many countries, the extrapolation method of determining the amount of funding was replaced by a normative method, that is, "funding according to the formula", according to which resources are allocated to educational institutions in volumes determined on the basis of special indicators, such as the number of students, the student's study time is sent, after which funding is suspended.

Currently, the normative method is the main one in determining the amount of state financing of the education sector in Uzbekistan. At the same time, financing of the state order is being carried out without dividing the allocated funds into separate items according to the norms corresponding to one student. In the conditions of the development of market relations, it is necessary to use the contractual method more and more in determining the size and conditions of state funding. In this, state organizations entrust the university with the provision of scientific research, consulting work, training and other academic services on the basis of a contract. This leads to an increase in the responsibility of educational institutions for the funds allocated by the state [Тихонов А.,1998].

Recently, in many countries, the government is replacing the approach of providing funding to the university with an approach that focuses more on directly supporting students. At the same time, universities continue to receive funding from the state, but indirectly. In addition, universities still have access to direct funding from the state.

This way of public funding of universities leads to competition between them to attract students, greater choice and focus on public funding. Nowadays, in many countries where direct public funding of

universities still dominates, especially in Europe, the possibility of public funding for education through students is increasingly explored. Such a mechanism of state financing of education looks promising for Uzbekistan.

There are two types of financial aid provided by the state to students:

- direct financial support (scholarships, grants);
- indirect support, allocating loans to students, subsidizing a number of services.

In recent years, due to the increasing attention of the state to self-financing of students in Uzbekistan, the share of loans in providing financial assistance to students is increasing.

## CONCLUSION

Thus, the reduction of state financing of higher education is carried out along with the development of selected, targeted mechanisms of this financing. At the same time, the "center of gravity" is directly from the financing of educational institutions. goes to providing funds to students. At the same time, the role of indirect methods should be increased in the use of educational institutions, as well as in the allocation of financial support to students, compared to direct financing methods.

One of the important indirect mechanisms of public financing of education is tax credits, as well as preferential loans and insurance system.

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