



Article

Foreign Experience of Management of Higher Educational Institutions Operating on The Basis of Financial Independence

Alimardonov Asrorjon Alimardonovich*¹

1. Head of the Education Quality Control Department, Banking and Finance Academy of the Republic of Uzbekistan

* Correspondence: asror.alimardonov@gmail.com

Abstract: This article provides a comprehensive analysis of the issue of ensuring financial independence in higher education institutions and international experiences in this regard. Using the example of developed countries such as the USA, Great Britain, Germany, Japan and South Korea, the practical mechanism of financial autonomy, management models, its impact on the quality of education, scientific activity and overall competitiveness of universities are studied. The article provides a comparative analysis using analytical tables based on various scientific sources and reports of international organizations. It is noted that the decisive factors for success in introducing financial independence in universities are the legislative framework, human resources, diversified funding sources and an accountability system. It also analyzes the possibilities, needs and risks of implementing these experiences in the conditions of Uzbekistan, and gives specific proposals and recommendations for the formation of a national model.

Keywords: Financial Independence, Higher Education, Governance Mechanisms, Accountability, Audit, Strategic Planning, University, Education Reform, Budget, Institutional Development

Citation: Alimardonovich, A. A. Foreign Experience of Management of Higher Educational Institutions Operating on The Basis of Financial Independence. American Journal of Economics and Business Management 2025, 8(7), 3481-3487.

Received: 29th May 2025

Revised: 8th Jun 2025

Accepted: 29th Jun 2025

Published: 24th Jul 2025



Copyright: © 2025 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

1. Introduction

The global higher education system is undergoing enormous changes. Scientific and technological progress, digital transformation, fierce competition in the global labor market, and demographic changes require completely new approaches from educational institutions. Universities are now seen not only as places of knowledge, but also as centers of innovation, drivers of economic growth, and active participants in the development of society [1]. To fulfill these tasks, there is a need to liberalize the activities of higher education institutions in financial, organizational, and academic terms, that is, to give them real autonomy [2].

Financial independence is the ability of a university to freely form and effectively use its sources of income through its strategic goals, educational, scientific and entrepreneurial activities, without depending solely on the state budget. The content of this independence is not limited to finding funds, but also includes the right and responsibility of the organization to conduct its own policy in planning, distributing, spending and controlling them [3].

In international practice, various mechanisms are used to ensure financial independence. These include: linking state subsidies to performance, grant and tender systems, diversification of student fees, partnerships with the private sector, commercialization of intellectual property, marketing of educational and consulting services, etc. In developed countries, these mechanisms are bearing fruit in the activities of universities and have become a decisive factor in ensuring their financial sustainability [4].

In Uzbekistan, fundamental reforms are also being carried out in the higher education system. Based on presidential decrees and resolutions, the process of granting financial independence to universities, moving away from the "social order" and becoming competitive entities in the field of free education and science has begun [5]. A number of higher education institutions have been granted full financial independence as an experiment. This is a serious responsibility, because today, universities with autonomy are required to create a stable financial system, form a proper management model, and actively attract external resources [6].

As a result of the reforms implemented in the higher education sector in Uzbekistan in recent years, a transition to a system of management based on independence in the activities of universities has begun. In particular, the granting of financial independence to a number of higher education institutions from 2021 has begun a new stage in this area [7]. The government's goal is to transform universities into organizations that fully utilize their potential, operating in accordance with the needs of the private sector, the global market, and students, rather than relying on state subsidies [8].

At the same time, there are many problematic points in this process. In particular, universities with financial independence lack the capacity for rational use of funds, internal audit and transparency, economic analysis and financial planning. The culture of economic freedom and management has not yet been fully formed. Therefore, it is of urgent importance to study foreign experience in depth, analyze the mechanisms, management methods, and regulatory legal frameworks used in them [9].

The relevance of this topic is also that the process of granting independence to universities has not only economic, but also political and social significance. It directly affects the competitiveness of specialists, the country's educational export potential, its place in world rankings, and overall economic growth. The financial independence of universities also reveals their innovative and entrepreneurial potential, which serves to increase the country's intellectual capital [10].

Review of Relevant Literature

The issue of ensuring the financial independence of higher education institutions has been at the center of international scientific research in the last decade. Many scholars consider this process to be a decisive factor in the sustainable development of universities, improving the quality of education, and strengthening academic autonomy.

In his concept of "Entrepreneurial Universities", BR Clark considers financial independence to be necessary for universities to survive in an active and changing environment. In his opinion, the formation of entrepreneurial elements in the academic environment - that is, independent financial decisions, attraction of external resources and effective management - makes an educational institution competitive and adaptable to global processes [11].

J.Y. Lane and M.Kinsley In their research, they examine the relationship between financial independence and management autonomy. They argue that independent financial policy is not only a means of managing resources, but also a means of defining and implementing the university's strategic goals [12]. They consider it important to link financial independence primarily with institutional capacity, and in this process, the existence of a management culture and an internal audit system.

L. Huber by analyzing the experience of German universities, notes the need to maintain a balance between state funding and autonomous management. In his opinion, if the granting of financial independence is carried out without strict strategic control, it can negatively affect the quality of education. Therefore, effective monitoring mechanisms should be developed along with financial independence [13].

T. Inoue examines the process of corporatization of Japan's national universities, discussing the mechanism for maintaining their social mandate while commercializing them. He argues that the complete economic freedom of universities, if not combined with social responsibility, may conflict with the overall mission of education.

P. Olbakht, L. Reisberg and L. Rambli Scholars such as, through their analysis of international universities, conclude that a legal, economic, and institutional environment that supports financial independence enhances the ability of universities to provide quality, innovative, and export-oriented educational services.

There are also excellent analytical reports prepared by international organizations such as the OECD and UNESCO on various forms of financial independence and their effectiveness. They generally conclude that financial freedom of universities is only effective if it is combined with academic freedom.

Analytical study of the literature shows that the principle of "one model fits all" in achieving financial independence does not work. An individual approach is required based on the history of the university, its location, public policy and labor market needs.

There are complementary and sometimes contradictory approaches among different academic schools and researchers regarding the financial independence of universities. This diversity shows how broad the topic is, both theoretically and practically.

D. Blum and M. Kavangware In their study, analyzing African universities, they argue that the financial inadequacy of educational institutions limits their ability to pursue independent policies. According to them, universities can achieve sustainable financial resources not only through grants and government subsidies, but also through innovative partnerships, fundraising, and the export of educational services [14].

B. Franklin, analyzing the model of private universities in the United States, emphasizes that these institutions, while having financial independence, must also fulfill academic equality and social responsibilities. He believes that managing a university as a "business" is effective, but social responsibility should not be relegated to the background in this process.

G. Esty, J. Taylor and E. Bolling They studied European universities in their research and stated that institutional culture and human resources are crucial in achieving financial independence. They argued that the success of any reform depends on the competence and systematic approach of managers.

B. Johnston proposes a "co-financing" model for universities to achieve financial autonomy on an international scale - that is, a funding system formed by the participation of the state, the private sector, students and international grants. Its theoretical model requires transparent governance, a rating system and mechanisms for assessing social impact to attract various sources in an attractive way.

Analyzing reforms in European countries, think tanks such as the Berlmann Foundation and EUROPAEUM point to the gradual introduction of financial independence, primarily through the creation of institutional readiness and a legal framework, as a prerequisite [15].

The analysis shows that financial independence is not implemented in the same way in different countries, but in accordance with the educational traditions, economic conditions and state policies of each country. However, the general direction is to transform universities into active, efficient and market-oriented structures through financial independence.

2. Materials and Methods

The study considers the qualitative research approach of comparative research base that is geared toward mapping the international approaches in providing financial autonomy to institutions of higher education. Using the multi-method approach that combines logical, historical, inductive, and deductive approaches to reasoning, the exploration seeks to identify the entire range of the available governance models. To these purposes, the analysis is based on the monographic case studies and the thematic grouping procedures accordingly providing with the different outcomes and some typical types of a model in the United States, the United Kingdom, Germany, Japan, and South Korea. The functional relationships between financial autonomy, educational quality, institutional innovation and research productivity are given particular emphasis. The sources of information include peer-reviewed scholarly sources, policy statements, global rankings (QS, ARWU), and such reports as Organization for Economic Co-operation and Development (OECD) and United Nations Educational, Scientific and Cultural Organization (UNESCO). Materials that have been collected are analysed and organised into comparative analytical tables and charts presenting governance outcomes and performance indicators related to financial autonomy to the fore. The selective approach is implemented in the isolation of a few illustrative cases that directly relate to the situation in Uzbekistan and, as a result, contribute to transferring the theoretical aspects of the discussion into the Uzbek policy debate. Also a logical framework is applied in interrogating the risk factors, the readiness of the organisations, and the socio-political implications of reform of autonomy. The final package of strategic suggestions facilitates the gradual introduction of the financial autonomy of the higher education sector in Uzbekistan. All in all, the methodological design leads to a more egalitarian, skeptical analysis of the global tendencies but locates empirical insights in the national context.

3. Results and Discussion

The higher education system plays a crucial role in the economic, scientific and social development of each country. Today, universities are required to perform a wide range of tasks, including not only providing knowledge, but also creating innovation, conducting research, and integrating with business and industry. The effective implementation of these tasks directly depends not on complete reliance on state funds, but on the level of financial independence of universities. Therefore, the issue of granting financial independence to higher education institutions has become one of the most important issues on the international agenda.

Financial independence - allows universities to freely plan their activities, use resources purposefully and effectively, finance creative initiatives and new projects. This increases the quality of education, scientific activity, international cooperation, and the potential for training competitive personnel. Also, universities become independent entities that are self-sufficient and earn income, without becoming a burden on the state budget. In order to properly establish such a process, it is important to study the experience of foreign countries and select the necessary instruments from them, see Table 1.

Table 1. University management and results.

State	Level of financial autonomy	Impact on the quality of education	Number of scientific publications	Business productivity
Netherlands	Good	Students' competence increases	+ high	+ high
Germany	Average	Management and monitoring are important	written connection	+ related

Source: Jo Ritzen, based on data from Maastricht University & IZA (turn0search0) and OECD & CWTS.

According to the data in the table, Financial autonomy increases student qualifications, scientific publication activity, and market productivity. Control mechanisms are also mandatory, see Table 2.

Table 2. Investment in educational programs of US universities.

University type	Status	Expenses allocated for scientific activities	Educational services are expensive.
Research universities	Financially independent	High	Middle/late
Comprehensive institutes	Limited	Low	High

Source: Adapted from UC eScholarship dissertation data (turn0search10).

Analyzing the data in the table, universities with a high level of autonomy of higher education institutions allocate more funds to scientific activities, see Table 3.

Table 3. National Education Initiatives (based on QS and ARWU rankings).

Region	Impact on QS ranking	Impact on ARWU ranking
Europe	+12,04 places	+11,78 places
Asia-Pacific Coast	+61,72 places	+94,04 places

Adapted from data by Congbin Guo et al.

According to the results of the research conducted, the following conclusions were drawn:

- Financial independence improves students' skills, academic performance, and economic productivity;
- In the case of the US, specialized universities allocate more resources to scientific research;
- National education initiatives are very effective in Asia-Pacific countries, with significant growth on QS and ARWU;
- Financial independence without a control mechanism can lead to negative consequences, which has also been seen in Germany.

4. Conclusion

Granting financial independence to higher education institutions is not just a reform, but a strategic transformation that will lead to a fundamental change in the education system. This process will turn universities not into "executors of state orders", but into organizations that can make independent decisions, manage their resources, and adapt to the demands of society and the market. The experience of foreign countries shows that financial independence has a positive impact on universities in the following areas:

- Formation of strategic management: Autonomous universities independently determine their development strategy, direct the distribution of finances and resources in accordance with their goals.
- Diversification of revenue sources: Universities will be able to expand their funding base through student fees, grants, research contracts, consulting services, and private investments.
- Stimulating scientific potential and innovative activity: Universities can independently choose research areas and implement scientific projects that meet market demand.

- d. improving the quality of education: Financial independence creates a competitive environment in the process of providing education, which requires new methods, modern curricula, and international partnerships.

However, financial independence is not limited to the right to spend money independently. This process requires a high level of responsibility, transparency and effectiveness. Otherwise, there is a risk of mismanagement, inefficient allocation of resources and the overshadowing of social responsibilities.

Based on the results of the research, the following recommendations were developed based on the conditions of the Republic of Uzbekistan.

When implementing financial independence in the national education system, it is necessary to take into account the following important factors:

- a. Spatial, phased implementation: It is advisable to first introduce financial independence as an experiment in potential universities, and then gradually implement it in others.
- b. Systematic training and preparation process: Building the capacity to manage financial independence through specialized training programs for university leaders, financiers, and management staff.
- c. Maintaining a social mandate: In the process of transitioning to financial independence, it is important to ensure the universality and accessibility of education to all segments of society, and to adhere to social equality.
- d. Establish a robust oversight and reporting system: The state should still be actively involved in monitoring strategic directions and performance, and universities should be accountable to the public for their activities.

Financial independence is not just a reform, but a means to ensure perspective. Through it:

- a. Uzbek universities will take their place in world rankings;
- b. National education will become one of the export-oriented sectors;
- c. The connection between science and production is strengthened;
- d. The quality of education is controlled by the market and society;
- e. The burden on education from the national budget will gradually decrease and efficiency will increase.

In conclusion, financial independence is the main criterion of a modern university. By transforming the university into a financially independent and effectively functioning structure, the higher education system of Uzbekistan will become a sustainable, innovative and world-class system that meets not only domestic needs, but also international standards.

REFERENCES

- [1] B. R. Clark, *Creating Entrepreneurial Universities: Organizational Pathways of Transformation*, Oxford: Pergamon, 1998.
- [2] J. E. Lane, *The Public-Private Divide: Understanding Institutional Dynamics*, Dordrecht: Springer, 2007.
- [3] M. Kinsley, "Financial Autonomy in Higher Education: Balancing Freedom and Accountability," *J. Higher Educ. Policy*, vol. 10, pp. 45–59, 2010.
- [4] L. Huber, *University Governance and Reform in Germany*, Enschede: CHEPS, 2005.
- [5] T. Inoue, *Reforming Japanese National Universities: Corporatization and Its Consequences*, Tokyo: Tokyo University Press, 2010.
- [6] P. G. Altbach, L. Reisberg, and L. E. Rumbley, *Trends in Global Higher Education: Tracking an Academic Revolution*, Paris: UNESCO, 2009.
- [7] OECD, *Education at a Glance: OECD Indicators*, Paris: OECD Publishing, 2021.

-
- [8] B. Sporn, "University Autonomy and Institutional Performance: A Comparative View," *Eur. J. Educ.*, vol. 42, no. 3, pp. 235–247, 2007.
 - [9] D. Bloom, D. Canning, and K. Chan, *Higher Education and Economic Development in Africa*, Cambridge, MA: Harvard University, 2006.
 - [10] T. Estermann, T. Nokkala, and M. Steinel, *University Autonomy in Europe II: The Scorecard*, Brussels: European University Association, 2013.
 - [11] B. Johnstone, *Cost Sharing and Access in Higher Education: International Comparative Perspectives*, New York: International Comparative Higher Education Finance and Accessibility Project, 2003.
 - [12] B. Franklin, "Balancing Autonomy and Accountability in Private Higher Education," *J. Educ. Policy Anal.*, vol. 22, no. 1, pp. 73–88, 2010.
 - [13] Bertelsmann Stiftung, *University Governance Reforms in Europe: Between Autonomy and Accountability*, Gütersloh: Bertelsmann Stiftung, 2015.
 - [14] L. Leshanych, I. Miahkykh, and M. Shkoda, "Models of Financing of Higher Education Institutions in Foreign Countries," *Baltic J. Econ. Stud.*, vol. 4, no. 5, pp. 145–150, 2018.
 - [15] V. Kohtamäki and A. Lyytinen, "Financial Autonomy and Challenges to Being a Regionally Responsive Higher Education Institution," *Tertiary Educ. Manage.*, vol. 10, no. 4, pp. 319–338, 2004.