

Higher Education Financing System in Georgia Problems and Future Challenges

Nino Kavtaradze¹ Maia Amashukeli² Nino Davitaia³

¹Ph.D Degree in Business Administration, Professor, Georgian Technical University, Georgia

²Ph.D Student, School of Business and Administrative Studies, Director of the School, the University of Georgia, Georgia

³Ph.D Degree in Business Administration, Associated Professor, the University of Georgia, Georgia

Abstract

There are several ways of financing higher education and research: state financing, households and individual funding. Most common ways used currently in Georgia are: 1. State funding, which includes: 1.1. Budgetary funding- when student gets state grant, regardless his/her decision to apply state or private university; 1.2. Funding by social programs, both at state or private universities, in case they meet all certain criteria regarding socially unprotected eligibility citizens; 2. Private financing so called co-financing. State universities also offer students free faculty and/or program funding.

Due to the difficult social conditions in Georgia, tuition fees at universities have been declining for the last several years and nowadays are quite low, meanwhile national currency is continuously devaluating and commodity prices are going up. The maximum annual tuition fee for public universities is GEL 2250 equal to €681 according to current exchange rate. Private universities individually decide tuition fee for each course of study, however even private universities fee are adjusted according to the population's social welfare. Due to mentioned factors on the one hand, the amount of students is increasing, which can be considered as a positive trend. On the other hand, universities more and more are facing troubles in maintenance of higher standards of teaching.

Keywords: Government funding; Social funding program; Private financing; Tuition Fee; Quality of teaching.

1. Introduction

Educational sector, by its size and importance, is one of the most important directions in the business. However, the crucial role in its development is played by the state in terms of: regulation, financing and control.

Tuition fees at universities have been declining for the last several years and nowadays are quite low, meanwhile national currency is continuously devaluating and commodity prices are going up. The maximum annual tuition fee for public universities is GEL 2250 equal to €681 according to current exchange rate. Private universities individually decide tuition fee for each course of study, however even private universities fee are adjusted according to the population's social welfare.

2. Body of paper

High education system of Georgia faces major challenges. Today, at the labor market, there is no university diploma in spite of any degrees, which guarantees a highly-paid job or high quality of life for its owner, this is also confirmed by the fact, that 35% of young people in Georgia are not employed with their profession or are just unemployed.

Granting more freedom to state universities will increase their competitiveness since tuition fees and a high degree of education are closely linked as well as rational spending of income. Diversifying funding forms for state universities is one of the important issues.

62% of students in Georgia pay full tuition fee; 9% of total tuition fee is fully financed by state. Such a lack of state funding negatively affects the quality and affordability of education. We face paradoxical situation that, the state mainly finances wealthy students instead of poor ones which is absolutely unacceptable.

At state universities 70% of income is formed by tuition fees, the same is the expenditure for salaries, government-funded programs and grants fluctuate from 1% to 5%.

According to current researches, mostly larger universities benefit from program financing and state grants. The income from economic activity is too small in comparison with foreign universities, where such type of income is several times higher rather than from tuition fees.

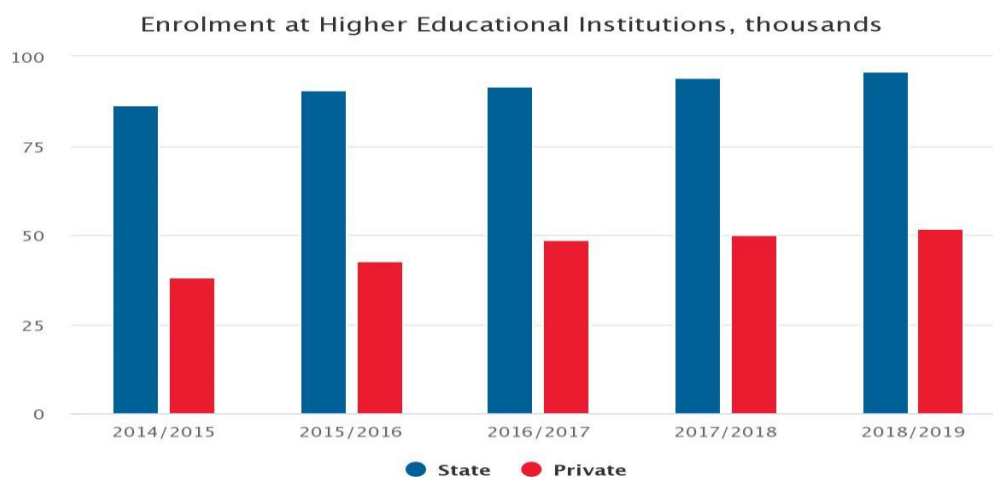
With the current system of university funding, the only way to conduct the research is to obtain research grants. The main way to get funding from the state is to participate in the grant competition organized by the Ministry of Education, Science, Culture and Sport of Georgia- LEPL Shota Rustaveli National Science Foundation of Georgia.

Based on the structure of university income, we can argue that funding for higher education institutions is not diversified.

Major worldwide dilemma for universities is the fact that for development they need expensive technical resources and highly qualified, professional staff, which requires more financial resources and hence increased tuition fee. But, on the other hand, it is necessary to provide equal access to education for particularly vulnerable and low-income students, regardless of starting conditions.

State universities do not have the freedom to set tuition fees based on their own decisions. They independently determine the amount of tuition only for foreign students. In this case, the tuition for a master's or doctoral degrees should not be less than for bachelor's degree. Therefore, there is a high demand for study at state universities¹:

Figure 1: Enrolment at Higher Educational Institutions



Source: National Statistics Office of Georgia. Official website, <https://www.geostat.ge/en/modules/categories/61/higher-education>

Higher education institutions (including LEPLs) are not prohibited by law to hold economic activities (eg, opening paid training courses, opening research centers and execution of private orders, paid consultations, etc.). LEPLs and IPPs can use such generated income to improve their core activities (increase basic salaries and payroll, build or renovate educational buildings, maintain and improve libraries, acquire inventory, equipment, etc.).

¹ National Statistics Office of Georgia. Official website, <https://www.geostat.ge/en/modules/categories/61/higher-education>

3. Conclusion

Nowadays, tuition fees for state universities are sufficient to provide a continuous and high quality lecturing process. However, they are insufficient for the implementation of research and scientific programs, which reduces their competitiveness worldwide.

In order to increase the quality of education, it is necessary to analyze the costs incurred in higher education institutions, calculate them according to study directions and modify the funding mechanism of higher education, so that the university could attract entrants and prepare competitive employees for the labor market.

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