

Державне управління

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## **REASONS FOR STATE PARTICIPATION IN THE DEVELOPMENT OF HIGHER EDUCATION**

***Summary.** The article examines the main reasons for the state's participation in the development of higher education are identified: first of all, they are that control over the education system is a public good that the market is not able to fully finance. Second, it is difficult to determine the share and form mechanisms for private investment in education and to observe the principle of equity: redistribution between rich and poor. It is proved that the state usually pursues several goals in financing higher education: 1) ensuring the "right" size of the higher education system (achieving macro efficiency); 2) allocating financial resources between universities in accordance with the state interests, the needs of students and employers (achieving micro efficiency); 3) ensuring access to higher education for all socio-economic groups, that is, equality of educational opportunities.*

***Key words:** state regulation, higher education, financing of higher education, models of state participation in education.*

Education is an important branch of the economy and an interesting area of research. From the point of view of economic theory, education is considered as a service that brings a positive external effect in consumption, since when a citizen receives an education, not only he receives a personal benefit, but society

as a whole also receives a benefit. According to the provisions of economic theory, where there are positive or negative externalities, state participation is justified in order to change the use or distribution of resources in the interests of public welfare and efficiency. The question is, what should be the intervention of the state.

The current level of this problem is characterized by the social transformations observed today. Significant transformations of the functions of education are associated not only with the state of a particular society, but also with changes in the attitudes towards education that are dictated by the transition of society to the post-industrial era and the transformation of a significant part of social processes into mass ones [1].

The formation of a strategy on a global scale becomes the main condition for survival. In this situation, the field of higher education activities is significantly expanded: It is proposed not only to train specialists in traditional fields of activity, but also to form the contours of a civilization that can develop and implement this strategy.

Market relations are increasingly being introduced into higher education, which encourages the transformation of its structure, changing functions, finding new sources of funding, and searching for new methods of teaching and knowledge control [2]. In this regard, the search for an answer to the above question requires an understanding of the private and public costs of education and the benefits received, which, in turn, require an analysis of the costs and results of everyone to whom they are transferred.

Higher education has significant financial and non-financial benefits both for society as a whole and for the student. In General, everything indicates that higher education is a shared responsibility between students and society. In this regard, it is of scientific and practical interest to consider models for sharing such responsibility on the example of individual countries.

One of the most urgent problems of modern socio-economic development

of Ukraine is the modernization of education. Government spending on education is constantly increasing, but rising education spending is not enough to determine the degree of government control over the industry [3]. The increase in costs can be explained by the economic viability of the industry. What are the reasons for government involvement in education? Traditionally, economic theory has explained these reasons based on considerations of both efficiency and fairness.

The first reason is that control of the education system is a public good that the market cannot fully finance.

The ideas of the theory of human capital, reflecting the shifts in the use of society's resources, the growing role of the human factor, radically changed the idea of the nature of education costs. They have become seen not so much as consumer spending, a one-time, irrevocable expenditure of society's resources on the learning process, but as one of the directions of investment in human capital, which increases the future income stream of a person, firm and society, as well as contributes to achieving justice, creating "equality of chances" in choosing employment areas and obtaining a sustainable income.

Previously, education was characterized as an industry that consumes goods and resources allocated by the state and households based on the redistribution of their income in the process of consumption. In the new conditions, it has become characterized as a sphere of production and investment by the subjects interested in its product, which brings income in the form of higher income (for households), higher profits (for businesses), faster growth rates and solutions to urgent social problems of society (for the state).

The second reason is the complexity of determining the share and forming mechanisms for private investment in education. Calculations carried out by foreign researchers show that the return on human capital is usually higher than that of physical capital. The redistribution of income in higher education towards increased private investment has been caused in many cases by the

financial crisis of governments. The causes of these crises range from shifting government priorities to other public needs to the issue of tax collection [4].

In line with this trend, the claims that the government's contribution to higher education in many countries is too large and therefore economically inefficient have been substantiated. Private investors can and want to replace public capital with private investments in higher education, since the benefits and profits from such activities are significant. The market should adjust the range of the prices.

One of the main political issues around the world that accompanies the rapid growth of tuition fees is the issue of financial assistance to students. It puts the issue of implementing a strategy to attract private investment as a guarantee of access to education for those who do not have sufficient funds at the top of the list.

In the literature, there is a debate whether to consider the growth of non-governmental income items as a phenomenon, forced or, conversely, mobilizing. Some researchers believe that revenue growth is mainly a process of substitution, meaning that government items are being reduced, and organizations, in an effort to protect their operating and financial base, are forced to find Alternative sources of revenue. Others believe that the possibilities of new available sources of income are mobilizing, or that there is a combination of both trends.

Many economists and politicians point to the reduced need for government subsidies, or at least the need to ease pressure on public spending, as a condition for a good economy. The economy's need for highly qualified personnel leads to well-paid graduates and therefore further strengthens the thesis that higher education is a private interest [5].

The global dominance of the market as a general economic and political philosophy has led to an increase in tuition prices. Higher education institutions that are constantly striving to maximize income are systematically moving to

increase tuition fees for these reasons. They seek and find other sources of funding, especially in the private sector.

The lack of a long-term loan capital market highlights the fact that investments in higher education carry risks for students, as they are not confident in their abilities and future jobs. As a result, students may find it difficult to obtain loans from private banks to pay for their education. In other words, both students and banks will refuse to invest in human capital. To prevent a lack of investment in education, the state can intervene by guaranteeing bank loans, or by offering them itself.

The third reason for public funding of higher education is related to the principle of equity: redistribution between rich and poor.

State subsidies are necessary to equalize the opportunities for potential students from different socio-economic backgrounds to enter higher education institutions. Otherwise, it is likely that students from poor backgrounds will not be able to secure access to higher education.

**Conclusion.** Thus, when funding higher education, the state usually pursues several goals: 1) ensuring the "right" size of the higher education system (achieving macro efficiency); 2) allocating financial resources between universities in accordance with the state interests, the needs of students and employers (achieving micro efficiency); 3) ensuring access to higher education for all socio-economic groups, that is, equality of educational opportunities.

The three reasons listed above, and the resulting approaches, have led many governments to keep education under their control.

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