



FINANCIAL PROBLEMS AND OPPORTUNITIES OF THE DEVELOPMENT OF THE EDUCATION SYSTEM

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Abstract:

The article presents the competitive environment, financial resources, financing issues, problems and their importance in the education system. At the same time, analytical approaches to the importance, role and effectiveness of financial resources in developing a competitive environment in educational institutions, and the basics of implementing new financing models are presented.

Keywords: Education system, financing, competitive environment, financial stability, financing status, problems and efficiency of financial resources, financing need, improvement, financial stability

INTRODUCTION

The formation and development of a competitive environment in the education system is one of the priority areas for increasing the efficiency of human capital in a market economy. The factor of financial resources plays a decisive role in this process, since the competitiveness of educational institutions directly depends, first of all, on the development of their material and technical base, infrastructure, the potential of professors, teachers and pedagogical personnel, mechanisms for ensuring the quality of education and the level of provision with innovative infrastructure¹. Therefore, improving the formation, distribution, and effective management of financial resources that serve to develop a competitive environment in education is scientifically and practically important.

The development of a competitive environment in the education system is considered an important economic factor in improving the quality of educational services, introducing innovative approaches, and increasing the efficiency of human capital. In conditions of healthy competition, educational institutions are forced to increase the efficiency of using financial resources, diversify educational services, and adapt to market laws. Therefore, financial resources are the main instrument that shapes and influences the competitive environment. The use of financial resources in the education system is carried out primarily through budgetary and extra-budgetary funds, grants, private sector investments, and resources of international financial institutions. If the distribution of these resources is carried out on the basis of an administrative approach, the competitive environment will be limited.

On the contrary, if financing is organized on the basis of result-oriented, open and transparent mechanisms, a healthy competitive environment will emerge between educational institutions. The competitive distribution of financial resources encourages educational institutions to actively compete in terms of the quality of education, research activities, innovative projects, and international ratings. This leads to a reduction in inefficient spending in the education system and a rational use of resources.

ANALYSIS OF LITERATURE ON THE TOPIC.

The works of economists have extensively developed the concept of financing the education system, the efficiency of financial resources, human capital, as well as its methodology and priority areas. Issues related to the financing of educational institutions in the context of the transition to market relations and deepening reforms, as well as the impact of education on economic growth and labor productivity in the CIS countries, have been studied by A.V. Fedotov, K.V. Yakusheva, S.A. Belyakova, X. Vossenshteyn, D. Bagalei, D.I. Mendeleev, G. Falbork, V. Chernolussky, A.I. Chuprov, I.I. Janjul, and other scholars.

In the 1920s, Academician S.G. Strumilin was one of the first researchers to propose calculating national income growth attributable to the education factor, which made it possible to evaluate the effectiveness of investments in education.

RESEARCH METHODOLOGY.

During the research, proposals were prepared on the importance of improving the financing of educational institutions and methods for increasing the efficiency of financial resources, using monographic analysis and expert and systematic analysis methods.

¹ World Bank. Education Finance Overview, 2023.



ANALYSIS AND RESULTS:

The healthy competitive environment that is being formed in the system is raising serious issues, especially in maintaining the financial stability of state higher education institutions. In particular, the limited

budget funds allocated to the system, the fact that payment and contract funds are below the real market value, the low material and technical base and infrastructure, the lack of personnel, the relatively low monthly salaries, and other factors are among them.

Table 1:
Number of higher education institutions²

T/r	Indicators	Your								
		2017	2018	2019	2020	2021	2022	2023	2024	2025*
1.	Number of higher education institutions	77	90	108	122	159	209	211	203	201
<i>Including</i>										
1.1.	State HEIs	70	78	83	91	103	114	112	102	100
1.2.	Foreign OTM branches	7	12	5	9	26	30	30	30	30
1.3.	Non-governmental HEIs			20	22	30	65	69	71	71

Between 2017 and 2025, the number of higher education institutions (HEIs) in Uzbekistan increased from 77 to 201. This represents an increase of 124 institutions, or nearly 2.6 times. In particular, a rapid growth rate was observed during the period from 2019 to 2022. The highest figure was recorded in 2023, when the number of HEIs reached 211, after which a decline began. The trends observed in 2024–2025 indicate that the system initially underwent a phase of quantitative expansion, followed by a stage of qualitative optimization.

However, the growth rate of public HEIs has been lower compared to private and foreign HEIs, which reflects the state policy aimed at consolidating higher education institutions, optimizing branches, and reallocating resources toward improving quality. Foreign HEIs experienced very rapid growth during 2017–2021 (almost fourfold), followed by stagnation from 2022 onward, stabilizing at around 30 institutions. The stabilization in the number of foreign branches can be explained by market saturation, stricter licensing requirements, and strengthened quality assurance mechanisms. At this stage, quantitative expansion is no

longer the main priority; instead, education quality and international rankings have become the key criteria.

The highest growth rate of non-state (private) higher education institutions was observed in this segment, in particular, more than 3 times growth in 2019–2022, slowing down in 2023–2025, but positive growth remains. Non-state higher education institutions are developing rapidly as a result of the widespread introduction of market economy mechanisms, increased demand for higher education among the population, and the policy of public-private partnership. However, the slowdown in growth in recent years indicates an increase in selective licensing and quality filters. In our opinion, in the current environment of fierce competition in the educational services market, it is advisable for the higher education system to transition from a monopoly state model to a multi-sector, competitive model.

The higher education system of Uzbekistan has undergone a phase of rapid institutional expansion in 2017–2023, is undergoing a transition from a quantitative to a qualitative indicator, the reduction in the number of HEIs in 2024–2025 is not a negative

² Fedotov A.V., Methodology for assessing and improving the efficiency of the state system of higher professional education: Abstract of a Doctor of Economics dissertation (08.00.05). — St. Petersburg, 2002. — 41 p., Yakusheva K.V., Methodological recommendations for calculating standards for budget financing of educational institutions. — Moscow: New School, 1995. — 64 p., Education Financing System: Efficiency Analysis / Ed. by S.A. Belyakov. — M.:

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situation, but a strategic decision aimed at improving quality. The increased role of the private sector in the system has become an important driver in the market of educational services of non-state HEIs. The number of branches of foreign HEIs has stabilized, now their efficiency and rating position will be the main criteria. In our opinion, in order to maintain a competitive environment in the system, accreditation, adaptability of graduates to the labor market, and quality of education indicators should be of decisive importance in terms of the prospects for sustainable development.

Table 2: Number of students in higher education institutions³

T/r	Indicators						
		2019	2020	2021	2022	2023	2024
1.	Number of students	468 399	692 611	803 852	1 038 182	1 352 819	1 516 899
<i>Including:</i>							
1.1.	The number of students of state HEIs	448 954	662 283	754 270	955 742	983 040	967 739
1.2.	Number of students of foreign HEIs	15 753	20 884	25 063	25 347	33 555	39 248
1.3.	Number of students of non-state HEIs	3 692	9 444	24 519	57 093	336 224	509 912

The increasing participation of the private sector in the system and the increasing student population in private higher education institutions are also indicators that call into question the competitiveness of public higher education in a competitive environment.

While the number of students studying in higher education in 2019 was 468,399, by 2024 this figure will reach 1,516,899. This represents an increase of 1,048,500, or 3.2 times. The growth rate has accelerated especially after 2021, indicating a process of massification in the higher education system. A sharp increase (+506 thousand people) was observed in 2019–2022 and a slowdown and reduction (–15 thousand people) in 2023–2024. The stabilization of the number of students in public universities was influenced by factors related to the limitation of admission quotas, quality-oriented state policy, and increased demand for private universities. The situation in the foreign HEIs segment is characterized by a focus on elite and specialized education, high contract fees, quality, and brand-based processes. Therefore, they have worked

Financial incentives and mechanisms are important in developing a competitive environment. For educational institutions, linking financial resources to educational outcomes will help to increase the capacity of the teaching staff, introduce digital educational technologies, strengthen the modern material and technical base, and develop infrastructure. Also, by improving the quality of educational services, students and employers will have more choice, which will further strengthen the competitive environment.

with a strategy aimed at reaching a target audience, rather than a mass audience. Non-state universities grew 138 times in 2019–2024, with a high growth rate (+279 thousand) observed in 2022–2023. This can be explained by factors such as the increase in the number of non-state universities, the relative flexibility of entrance requirements, the high demand for contract education, and the limited state admission quotas. This situation indicates that the non-state sector has become a system-forming force. An environment of diversification and competition was formed in the higher education system. According to the trends of the processes in the system, higher education in society is gaining a mass character, the relative share of the role of state HEIs is decreasing, it is observed that non-state HEIs are becoming the main driver of growth.

In our opinion, in order to maintain the competitiveness and financial sustainability of public higher education institutions, there is a need to redirect investment, in which it is advisable to prioritize new educational campuses, construction of buildings based

³ Author's development based on statistics from the Ministry of Higher Education, Science and Innovation



on public-private partnerships, and digital and hybrid education models.

The expansion of private sector participation in the education system serves as an important economic factor that strengthens the competitive environment. Financial resources attracted through private investments and public-private partnership mechanisms allow educational institutions to introduce innovative models, develop educational programs in line with market requirements, and ensure financial independence. This situation serves to limit monopoly situations in the field of education.

To develop a competitive environment in the education system, financial resources should be considered not only as a means of expenditure, but also as an economic incentive and management instrument. The effective use of financial resources ensures the transition of the education system from an administrative management model to a competitive education model combined with market mechanisms. Also, improving the financing system in the education sector, distributing budgetary and extra-budgetary funds on a competitive basis, attracting private investment, and linking educational outcomes to financial incentives are important scientific and practical tasks to create a stable competitive environment in the education system.

A balanced system of centralized and decentralized financing, while ensuring equal opportunities among educational institutions, encourages them to optimize their activities and win on a competitive basis⁴.

Global experience, particularly in OECD countries, has shown that increasing the financial independence of educational institutions has led to increased competition, improved quality of education, the introduction of innovations, and technological renewal of the educational and scientific environment⁵.

The education financing system in Uzbekistan is being consistently reformed, and public-private partnerships are being radically introduced. In particular, the Development Strategy of the President of the Republic of Uzbekistan for 2022–2026 identifies strengthening competition in the education sector, increasing the share of the private sector, and making financial resources more efficient as one of the main priorities. As a result, it creates ample opportunities to stimulate competition among educational institutions,

introduce innovative management mechanisms, and improve the quality of education.

Research shows that traditional models of education financing have not sufficiently supported a competitive environment, as they are based on centralized bureaucratic allocation of funds. In modern conditions, more effective models are being used in developed countries. In particular:

1. Voucher-based financing - funds are tied to the student, not the educational institution⁶.
2. Performance-based funding – funds are allocated based on the institution's performance⁷.
3. Rivalry-based Funding - competition is created between educational institutions according to the specified indicators.

In our opinion, these mentioned models increase competition and force educational institutions to focus on efficiency, innovation and quality in defining their long-term strategy.

CONCLUSIONS AND SUGGESTIONS

Conclusion The formation of a competitive environment in the education system is directly related to the effective use of financial resources. The correct distribution and formation of financial resources in the system serves to introduce high-quality educational programs and innovative projects in educational institutions, to modernize infrastructure and introduce modern equipment and technologies, to develop motivation and incentive systems for professors, teachers and students. When a competitive environment is rationally and strategically directed, innovation and the quality of education also develop.

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⁴ OECD. Education Policy Outlook, 2022.

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