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CORPORATE GOVERNANCE METHODS IN THE PROCESS OF SELF-FINANCING HIGHER EDUCATION INSTITUTIONS

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Abstract. This article analyzes the issues of introducing corporate governance in the process of gradual transition of higher education institutions to financial independence in the Republic of Uzbekistan. The issues of effective management of the activities of universities in the conditions of financial independence, strategic planning, rational use of resources and diversification of sources of income are considered.

Keywords: corporate governance, higher education institution, financial independence, management model, TACU, strategic planning, sources of income, educational policy, university economics, forecasting.

Introduction. In the context of modern globalization processes and a competitive economic environment, the sustainable development of each country is directly based on science, education and innovative potential. Therefore, in the context of a knowledge economy, the higher education system is of particular importance as one of the strategic sectors of the country. Higher education institutions, which are the main source of intellectual capital, are now emerging as institutions that not only provide education, but also conduct scientific research, serve social needs and ensure the sustainable development of society.

The successful development of the higher education system largely depends on the existence of an effective management system, rational use of resources, as well as flexible approaches to the requirements of a market economy. In this sense, the transition of higher education institutions to self-financing, along with the formation of financial independence, requires a fundamental reform of the management system, that is, the introduction of the principles of corporate governance.

Corporate governance is a management model based on effectiveness, openness and accountability, ensuring the participation of stakeholders (state, students, parents, employers, employees, the public). This principle has also proven itself in international experience and serves to strengthen the autonomy, competitiveness and financial stability of educational institutions.

The "Concept for the Development of the Higher Education System of the Republic of Uzbekistan until 2030", approved by the Decree of the President of the Republic of Uzbekistan No. PF-5847 dated October 8, 2019, also emphasizes the urgency of introducing corporate governance mechanisms in higher education institutions. Also, the Cabinet of Ministers Resolution No. 967 dated December 3, 2019 determined the gradual transition of higher education institutions to self-financing. This allowed universities to operate independently, make strategic decisions, and assume financial responsibility.

This article analyzes the role, advantages, risks, organizational and legal foundations of the corporate governance model in the process of transition of higher education institutions to financial independence, as well as practical results using the example of Tashkent University of Architecture and Civil Engineering. Also, scientific and theoretical conclusions and practical recommendations are developed for the effective introduction of corporate governance into the education system.

Main part. Corporate governance is one of the most important elements of a modern management system and represents a system of mechanisms that determine the principles of rights, responsibilities, participation and mutual cooperation of stakeholders in the activities of an organization. This concept is aimed at ensuring transparency, accountability, efficiency and long-term sustainability of the activities of an enterprise or organization, and its introduction into the higher education system is closely related to modern global trends.

In international documents on corporate governance (for example, the OECD Principles), this term is interpreted as follows: it is a set of principles that regulate the relationship between shareholders, the board of directors and management bodies. When transferred to the educational system, these principles imply the organization of responsible and balanced governance between the state, students, faculty, employers and other stakeholders in the management of a university.

The Decree of the President of the Republic of Uzbekistan No.

PF-5847 dated October 8, 2019 put forward the concept of introducing corporate governance principles in higher education institutions. Chapter 3, paragraph

7 of the Decree stipulates the de-government of certain HEIs and their transformation into organizations operating on the basis of corporate governance, with a state share of at least 51 percent. This reform aims to transform the activities of higher education institutions into an autonomous, effective and transparent system.

Corporate governance creates the following key opportunities for HEIs:

- independent strategic decision-making;

- free management of financial resources;

- increased participation of stakeholders (students, parents, society);

- accountability and assessment of the activities of governing bodies;

- results-based management aimed at improving the quality of education.

A three-step approach to integrating corporate governance into the activities of HEIs is of paramount importance: (1) creating an organizational and legal environment, (2) improving external and internal management mechanisms,

(3) introducing an effective communication and accountability system with stakeholders.

In practice, this approach is manifested in the following forms:

- Strengthening strategic control through the Board of Trustees or Supervisory Boards;

- Assessment of the activities of top management through the Board of Directors (or Academic Council);

- Increasing the accountability of the activities of the HEI rector or management team;

- Ensuring constant dialogue and openness with stakeholders at the university level.

These approaches not only simplify university activities and increase efficiency, but also serve as a solid foundation for transforming universities into competitive entities in a market economy. However, when applying corporate governance to universities, it is necessary to take into account a number of important aspects. First of all, universities are not classic “corporations”, but educational institutions serving social goals. Therefore, it is advisable not to directly apply the principles of corporate governance in the private sector to universities, but to introduce them on an adapted basis.

It is also necessary to preserve the principles of academic freedom, collegiality and academic independence of professors and teachers. This requires the application of corporate governance principles adapted to the specific characteristics of the education system.

In conclusion, it can be said that the introduction of corporate governance in higher education institutions will lead universities to a new stage of development. However, this process must be well-thought-out, scientifically based and carried out on the basis of mutual agreement of interested parties. Only then will the real effectiveness of corporate governance methods in higher education be manifested.

As a result of the fundamental reforms implemented in the Republic of Uzbekistan in recent years, the higher education system has rapidly developed and entered the path of integration into the global educational space. Within the framework of this process, new management mechanisms, innovative approaches and diversification of the financing system are gaining importance. In particular, the issue of forming higher education institutions as financially independent entities has become a pressing issue.

Based on the Resolution No. 967 of the Cabinet of Ministers of the Republic of Uzbekistan adopted on December 3, 2019, it was determined to gradually transfer higher education institutions to a self-financing system. This resolution is a key component of a set of strategic measures aimed at modernizing the higher education system, increasing its economic strength and strengthening autonomy.

In accordance with this document, universities were given the following opportunities:

- independent use of budget funds;

- formation and management of their own sources of income;

- free adoption of strategic and current decisions;

- financial planning and optimization of costs.

This made it possible to conduct the activities of higher education institutions in accordance with the laws of a market economy, offer competitive educational services, and implement innovative ideas.

One of the main tasks carried out by higher education institutions in the conditions of financial independence is to diversify sources of income. These include:

- funds from providing education on a fee-based contract basis;

- resources attracted on the basis of research projects and grants;

- income from economic contracts and cooperation with economic entities;

- commercial leasing of university infrastructure (laboratories, training centers, sports facilities, etc.);

- attraction of extra-budgetary funds and charitable funds.

Analysis of the Tashkent University of Architecture and Civil Engineering (TACU) shows that between 2015 and 2019, the share of budget funds in total revenue decreased from 42 percent to 23 percent. At the same time, the share of extrabudgetary funds increased significantly (reaching 77 percent in 2019). By 2024, the university will have achieved full financial independence, and the salary fund will also be financed from payment-contract funds.

This process poses new requirements for universities: there is a need for effective financial planning, rational cost management, and the development and implementation of a strategy for increasing income. In particular, in the conditions of financial independence, universities are using

a multi-source financing model to develop their infrastructure, improve the quality of education, and ensure financial incentives for employees. Another important aspect of financial independence is the creation of the opportunity for universities to evaluate their activities based on results, that is, determine efficiency based on indicators, and use a "results-based approach" in budgeting. This requires the introduction of modern financial management methods, in particular, medium- and long-term strategic planning, internal audit, and risk management systems.

The financial independence of higher education institutions also implies a review of their organizational and legal status, the formation of management structures based on the principles of corporate governance. In particular, Supervisory Boards, public councils, internal audit services, and financial control commissions are being established in universities. In conclusion, financial independence in the higher education system is not only an important factor in economic stability, but also in increasing the efficiency of higher education institutions, expanding their innovative potential, ensuring the quality and competitiveness of education. This process is carried out on the basis of mutual trust between the state and society, creating the necessary legal and organizational conditions for universities, and also increasing their responsibility.

Within the framework of the ongoing reforms aimed at transferring higher education institutions to a self-financing system, Tashkent University of Architecture and Civil Engineering (TACU) is recognized as one of the leading HEIs testing this model in practice. The university has gradually achieved financial independence, and significant changes have occurred in the structure of income, the payroll fund, and financial management systems.

During 2015–2024, significant dynamic changes were observed in the structure of funding sources at TACU. According to the table below, the main trend in the financial support of the university is that the share of budget funds is decreasing year by year, and extra-budgetary sources of income are gaining dominance:

Table 1

Share of financing sources in TACU revenues (in thousand soums)

Year	Budget (thousands of soums)	Share (%)	Off-budget (thousand soums)	Share (%)
2015	14 906 302	35	27 706 806	65
2016	15 605 402	32	33 201 364	68
2017	16 501 402	30	38 421 103	70
2018	17 801 904	30	42 301 502	70
Year	**Budget (thousands of soums)**	**Share (%)**	**Off-budget (thousand soums)**	**Share (%)**
2019	19 961 201	31	43 605 402	69
2020	23 601 502	39	37 501 202	61
2021	23 402 201	35	42 611 502	65
2022	26 202 502	34	51 501 112	66
2023	33 218 604	36	59 611 213	64
2024	40 627 813	37	67 826 413	63

Based on this data, it is worth noting that the main part of the university's income is now formed by education, scientific and practical projects and service activities on a fee-based contract basis. The share of budget funds decreased from 42 percent in 2015 to 23 percent by 2019, and by 2024 the university will have achieved full financial independence and will not receive salaries from

the state budget. Along with financial independence, the composition of the salary fund at TACU was also analyzed. The total salary fund formed at the expense of budget funds in 2012-2022 was as follows:

Table 2

Wage payment fund in TACU for 2012–2022 (in thousand soums)

Year	Administrative/technical staff	Professors and teachers	Material incentive fund	Total salary fund
2012	223 105	1 919 203	136 212	2 278 520
2015	316 715	2 351 806	202 313	2 870 834
2019	445 514	3 122 102	370 252	3 937 868
2022	685 205	3 666 205	650 315	5 001 725

Since 2023, TACU's salaries are formed only from payment-contract funds, no budget allocations have been made.

In order to ensure financial stability, trend analysis methods were used to forecast the future size of the university's salary fund. The forecast results were calculated based on two mathematical models: exponential and parabolic functions.

Table 3

Wage fund forecast in TACU for 2023–2026 (billion soums)

Year	Exponential model	Parabolic model
2023	113,7	137,8
2024	150,8	168,4
2025	200,0	202,0
2026	265,2	238,7
Coefficient of determination (R^2)	**94,8%**	**96,1%**

It can be seen that the parabolic model has a high accuracy (Theil coefficient 0.0065), and this model more accurately reflects the financial dynamics of the university. This analysis allows the university management to make effective decisions in strategic planning, motivate staff and ensure stability.

Analysis of the financial indicators of TACU shows the need for scientifically based financial management mechanisms in the phased implementation of the self-financing model of higher education institutions. Through statistical forecasting, trend analysis and diversification of income sources, universities can strengthen their economic independence and embark on the path of innovative development.

Conclusion

The higher education system in the Republic of Uzbekistan is undergoing a period of rapid reforms. In this process, the financial independence of higher education institutions and the introduction of a corporate governance system have become one of the priority areas. Such an approach allows for the transition of higher education institutions from a traditional management model based on state support to a result-oriented, autonomous and accountable system based on market mechanisms.

According to the results of the study, the introduction of corporate governance into the higher education system creates a number of advantages for universities: strategic independence, diversification of income sources, effective management of financial flows, optimization of the organizational structure and increased opportunities for assessing the effectiveness of activities. At the same time, the decision-making mechanism has been improved based on the feedback and participation of professors and teachers and other stakeholders.

The analysis carried out on the example of the Tashkent University of Architecture and Civil Engineering shows that during 2015–2024, the university's dependence on the budget gradually decreased, and from 2024 it transitioned to full financial independence. During this process, the practice of financing the salary fund at the expense of payment-contract and other extra-budgetary sources was established. Forecasts based on exponential and parabolic trends showed that it is possible to ensure stable growth of the salary fund and financial stability in the future. At the same time, it is necessary to ensure a complex balance in the implementation of corporate governance: protecting academic freedom, independence of science and the quality of education from commercialization. As a result of a critical analysis of corporate governance, it became clear that it should be implemented with recognition not only of economic efficiency, but also of the social tasks of the education system.

Therefore, the implementation of a corporate governance system in higher education institutions requires a deep approach not only at the organizational level, but also in ideological, strategic and ethical terms. It is necessary to form a conceptual model of corporate governance, taking into account the inherent interests of the state and society.

The implementation of corporate governance ensures the financial, organizational and strategic independence of higher education institutions.

Diversification of sources of income and strategic planning are the main conditions for financial stability.

The corporate governance model for science and education should be adapted and include social functions.

Corporate governance is an effective tool that enhances management, transparency and accountability, and strengthens mutual trust between stakeholders.

Strengthening bottom-up democratic mechanisms in decision-making ensures stability and legitimacy in the management system.

The optimal implementation of the concept of corporate governance in the management of higher education institutions in Uzbekistan on the basis of financial independence will serve not only economic results, but also the development of educational content, quality indicators, and human capital. This is an important foundation for creating a sustainable and competitive national higher education system.

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