

Difficulties and Countermeasures in Fund Raising for Private Colleges and Universities in China

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Abstract. Private higher education is an important growth point and component for China's high education system. It plays an important role in the process of popularization of higher education, meets the needs of educational diversification and promotes educational fairness. However, in the process of actual development, there are many problems, such as single source of funds, insufficient government support, lack of donation and many other existing problems. The shortage of funds for running a school has become a barrier to the development of private colleges and universities. In order to jointly achieve the healthy and sustainable development of private higher education, it is urgent to change old ideas, expand overseas markets, strengthen capital markets, build support system and optimize educational ecological environment.

1. Introduction

In China, private higher education began to emerge in the early 1980s and experienced a tortuous development from a small scale, single type and simple structure to an escalating scale and rich in type as well as structure. Hence, it gradually formed a relatively independent system comparing with public universities. Under the condition of limited national financial capacity, private higher education has taken on the important responsibility of expanding enrollment and popularizing higher education. The scale and the number of students of private colleges and universities have been increasing rapidly, which has become an important part of our higher education system. The central and local administrative departments of education have formally bring private colleges and universities into the scope of government management administration. Moreover, our country has established a relatively complete system of private education laws and regulations to promote the development of private higher education in China.

2. The Present Situation of Private Higher Education in China

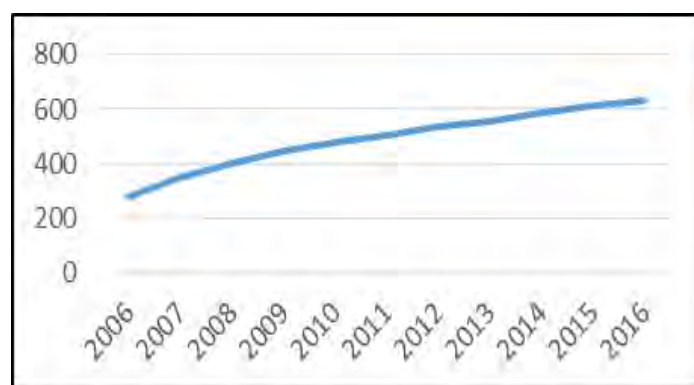


Figure 1. 2006-2016 the Number of Students in Private Colleges and University in China (Unit: Ten Thousand Person)

After more than 30 years of exploration and development, private higher education in China has grown in scale. The number of students in private colleges and the number of private universities has developed by leaps and bounds. According to the statistics bulletin on the development of

education in China, the number of students in China's private colleges and universities reached 6.3406 million in 2016, accounting for 17.14 percent of the total number of students in colleges and universities nationwide. (see Figure 1&2) And it has a net increase of 3.5357 million over the 2.8049 million students in 2006. In addition, the number of private colleges and universities reached 742, which made up 28.58 percent of total amount of national universities and had a net increase of 146 over the number of 596 schools in 2006. With the promulgation of the *National Medium and Long Term Education Reform and Development Program Outline 2010-2020* and the implementation of the classified management policy, the state has raised the importance of private education to a new height. And the private education also transforms its development patterns from focusing on quantity and scale to the pursuit of quality and efficiency.

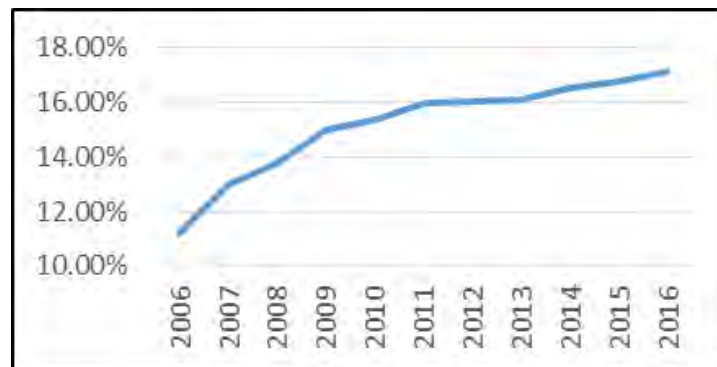


Figure 2. 2006-2016 the Proportion of the Number of Students in Private Colleges and Universities in China

2.1 Difficulties in raising funds for private higher education in China

At present, private higher education in China has formed a multi-development pattern, which has made outstanding contributions to the development of China's higher education and regional economy. However, it must be recognized that there are many difficulties in the development of private colleges and universities, especially the lack of funds that have seriously restricted the sustainable and healthy development of private colleges and universities in China. According to *The Statistical Yearbook of China's Educational Expenditure*, the number of financial allocations for private education at all levels in the whole country was 22.751 billion yuan in 2013, accounting for only 0.933 percent of the total funds. Which means that private education used less than 1% of public finance and made great contribution to the society. Compared with the public universities, the shortage of funds has become the key factor that affects the private universities to improve their education level and even to decide their survival. Advanced education has entered the stage of differentiation connotation development period, and the competition of colleges has changed from quantity to quality. So, it is better to gather together core competitiveness in order to achieve sustainable development.

2.2 The causes of raising funds difficulty for private higher education in China

The financial chain is fragile and the source of funds is single. In almost all the capital sources of private universities in China, the tuition income accounts for more than 85%. Many schools even 100% depend on the tuition income, and they have no choice but use tuition income as the main pillar of their funds. The excessive reliance on the tuition income will make the school fund chain very unstable so that school funds are faced with huge risk of fracture. Because tuition fees are dependent on students' payment, the number of students will directly affect tuition income and bring many adverse effects.

The government support is not enough and educational input is limited. We can see that some provisions of the relevant laws have little guiding significance for the development of private universities. The government didn't realize that it is a basic responsibility to subsidize private

universities. The state level finance has basically no financial support for private universities, and different provinces and cities have different levels of support. The existing subsidies are special fee subsidies or competitive project incentives that are lacking of sustained and regular funding support.

The social donation system is imperfect and the donation culture is lacking. In China, private higher education has only the history of about 30 years. Its social recognition is relatively low because the talents from private universities are also relatively short. And it is difficult to form its own distinctive brand and core competitiveness. There are many reasons making it difficult for private universities to attract social donations, and enterprises and individuals are not highly motivated to donate to private universities.

The bank loans and financing channels are difficult. Private universities hope to get bank credit support to achieve greater development, but the high credit threshold makes them draw back. The first reason is that the credit rating doesn't reach the requirements of the bank. The second reason is the lack of effective collateral, and the laws and regulations on charge pledge right have not been issued, and there are still many fees and high standards when handle the registration of mortgage evaluation. In addition, the quality of private universities also restricted the investment of bank loans. Compared with public education, banks think that loans for private education are riskier and unwilling to invest on them.

3. The Funding Structure of Private Universities and Enlightenment from America and Japan

Private universities' funding in the United States has diverse sources, and government funding is also stable and sustainable. Private universities in the United States can routinely receive government grants, including federal, state and local government grants, which together amount reaches about 15-25 percent within a year. Private universities in America can also receive a large amount of social donations according to the different popularity and reputation of the school. The proportion will be about 10%; at the same time, a large number of contract payments, service income, operating income of affiliated enterprises account for about 30%, which is also an important part of its school funds. In addition, many private universities in the United States have set up educational endowment whose interests are increasing year by year because of the investments. Harvard University is a successful example of raising funds by private universities in the United States. (Table 1)

Table 1. Fund Structure of Harvard University in 2004-2005

Title	Amount (Hundreds of millions Dollars)	Proportion
Tuition Income	5.86	20.9%
Government Investment	5.11	18.25%
Research Funds	1.15	4.1%
Donation	1.88	6.71%
Investment Returns	9.85	35.2%
Others	4.16	14.85%

The development of higher education in Japan depends largely on private universities. Japan's private universities account for 80 percent of the entire higher education system. The main sources of funding include tuition fees, financial assistance from the central government, donations from groups and individuals, income from school operations and income from scientific research. The tuition fees of Japanese private universities are usually two to four times than those public schools, so it takes about 60 percent of their total funds. In 1975, Japanese government enacted the Private School Renewal Assistance Act, which legally stipulated the responsibility of the state to assist private schools. Financial aid from the central government accounts for about 17% of Japanese private colleges funding. There are a large number of giant enterprises in Japanese private universities would receive donations from them, including special donations (earmarked donations)

and general donations. According to the statistics of Japan's Private College Association, early in 1982, the various donations accounted for 7.1% of the total funds of their private universities, totaling 414.2 billion yen. In addition, schools manage the real estate, use the campus facility equipment to obtain the operating income that is about 10%, and the academic research revitalization expense accounts for 6.1% of the total expenditure.

By multidimensional comparison, we can learn more. The stability and diversity of school funds determine the vitality of the development of private universities. Private universities must pay attention to the diversification of their funding sources in order to achieve steady and sustainable development. The proportion of tuition fees in the structure of running schools must be gradually reduced. The construction of first-class universities can't be separable from the government's financial input and support. Government financial investment should be stable and sustained. Private universities must enhance their competitiveness to attract the government financial support and social donations; the proportion of school service income should increase year by year.

4. The Solutions to the Financing Difficulties of Private Universities in China

4.1 To change laggard ideas and strengthen the ability of private universities to funds raising

Private universities should tap their own potential actively and change the original idea of "waiting for money". They should put the ability of raising funds as an important appraisal index for principal and the council to improve the enthusiasm of raising funds in universities. At the same time, technological innovation and social services are the basic functions of universities. Private universities should accurately set their positions, develop with characteristics, firmly set up the strategic ideas of seeking development through service, and strive to become the axis organization of local service. On the one hand, it is necessary to adjust their professional structure discipline system in the face of market demand and cultivate more suitable scarce talents for society and enterprises. On the other hand, they should enhance the ability to serve the local and regional economy. Moreover, they should seek support from services, and continuously expand and accumulate the resources and space for the development of private universities, and increase the proportion of the income of universities from different industries and local government funds.

4.2 To encourage donations and setting up educational funds for private universities

We should draw lessons from the United States, Japan and other countries and actively encourage private universities to establish educational funds, set up professional funding management agencies and organizations, employ professionals to handle donation and asset management, and operate school funds in accordance with market principles; Under the background of big data's times, private universities should make use of the Internet thinking to develop the operation mode of "crowd funding" and "small donation of alumni", and strive to let the funds become the reservoir for running school. At the same time, they should regular send the school's development and future plans to alumni, maintaining close interaction and good relations with alumni, training potential alumni donors, fostering funds culture and donation culture.

4.3 To expand overseas market and strengthening international education

Private universities should take the initiative to open up overseas markets and actively carry out various types of international education, cooperation in running schools and education for overseas students. With the rapid development of Chinese economy and the increasing international influence, it is more attractive for international students study in China, and some private universities with better running conditions can achieve more good results in this respect. Through a variety of student exchange programs and cooperation opportunities and the support of foreign governments, enterprises and overseas related funds, it is a good chance for them to expand their influence, and provide long-term and low-interest loans or special financial support to private

universities.

4.4 To play the function of capital market to help the development of private universities

The capital market can activate the extra money and convert them into capital, which provide more capital for the private higher education and integrate and optimize the elements of the private higher education system. The entry of private universities into the capital market not only helps to solve the capital problem, but also invisibly introduces the competition mechanism into the management of schools, thus promoting its standardized management and improving its efficiency. The intervention of capital market can also help private colleges to obtain more resources and form new functions. For example, the entrepreneurship education of private universities will gain better results due to the venture's capital support. Private universities in the United States have made a lot of achievements in this area. They raise funds in the securities market by issuing bonds and stocks. To Optimize the Educational Ecological Environment and Arousing the Participation Enthusiasm of the Celebrities

5. Summary

Facing the shortage of funds in the development of private higher education, private college and universities should play a more active role in fund-raising activities, and they need the joint efforts of the government, social organizations and other parties to create a good financing environment. Under the background of "for-profit and non-profit" classification management, the governments should set up the new mechanism, perfect the legal system and enhance the management, take advantage of market-guided mechanism to develop private higher education, to guide private universities to standardize the school running, develop with connotation, and improve with characteristics.

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