A Probe into the Eco-Environmental Dilemma and the Way-Out of the Development of Private Higher Education in China

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Abstract. In this paper, the policy environment, the laws and regulations environment, as well as rules and regulations environment that influence the development of private higher education in our country are called the ecological environment. At present, the ecological environment of private higher education development in China mainly exist such problems as lag behind of the national laws and regulations and related systems, the unfairness of policy making, the restriction of the opening up of capital market. Therefore, the key to promoting the development of private higher education under the new situation is to optimize its ecological environment. It is thus necessary to make clear the legal position, to carry out classification management of different types of private colleges and universities and to implement supporting policies in an all-round way as well as to create a fair environment. It is equally important to innovate the investment and financing system, and to guide the capital market to enter private colleges and universities quickly and orderly.

1. Introduction

On September 1, 2017, the newly revised Law on the Promotion of Private Education was formally implemented, indicating that private higher education in China will enter a more perfect and mature period of institutional environment. It is inevitable for private colleges and universities to carry out classification management of profit-making and non-profit education. This paper includes the policy environment, the laws and regulations environment, as well as the rule system environment that affect private higher education development as the ecological environment. Under the background of promoting the law by the new people, the ecological environment of the development of private higher education determines the development of the private colleges and universities, and determines how the private higher education can be better developed.

2. Restriction and Imbalance: An Analysis of the Ecological Environment for the Development of Private Higher Education

At present, private higher education has become an indispensable part of our higher education system. However, the development of ecological environment is not optimistic since the national laws and regulations, macro-policy guidance and capital market directly restrict the sustainable development of private higher education.

2.1 Policy formulation is manifestly unfair

The difficulties encountered by private colleges and universities in the course of running a school have very big concern with the imperfect overall policy and the lack of a fair policy environment in our country, which is mainly reflected in the weak public financial support. There is not sufficient public financial support. The financial policy of higher education in our country adopts the system of single-track financial allocation to public colleges and universities. Generally, public colleges and universities can obtain public education funds ranging from 6000 yuan to 8000 yuan per year while private colleges and universities receive very little public financial assistance. The single-track financial allocation system neither reflects the publicity of higher education fiscal policy nor conforms with the principle of fiscal fairness. With the continuous increase of school costs, such as the renovation of school buildings and the treatment of
teachers, many private colleges and universities maintain their daily operation by raising tuition fees. However, this is a temporary solution to simply transfer the financial burden of schools to students and parents, which is both contradictory to the spirit of education and causes social discontent. Accordingly, it will be conductive to abating the negative effects of utilitarianism in private higher education by increasing the state public financial support so that private colleges and universities will have a stable source of funds, changing their dilemma of relying on tuition fees to run schools, strengthening their ability to provide funds for running schools.

2.2 Restrictions on the opening of capital markets

It is true that capital market plays a vital role in promoting the development of private higher education, but it also exists such problems as the limited opening up of capital market and the difficult involvement of private higher education in the capital market.

It is very difficult for private college and universities to seek financing by listing on capital market directly. There exists legal obstacles to the direct financing of the private colleges and universities due to unclear legal person attribute, unreasonable property right structure and imperfect property right system etc. that directly affect the validity of investment security of the investors and the effectiveness of corresponding incentive and restriction mechanism. However, there are drawbacks in the corporate governance structure of private colleges and universities, which lead to the lack of necessary conditions and preconditions for private colleges and universities to intervene in the capital market. Despite the fact that outside the national system and legal framework, some private colleges and universities have been involved in the capital market, the listed companies supported by private universities are not the mainstreams in current market. Instead, it can be realized by "curve financing", such as entering the capital market with the high-tech industry affiliated to the university, intervening in the capital market with the main body of educational service products, and running private higher education by listed companies. Financing difficulties are not conducive to investors’ forming reasonable expectations for the future of private higher education. As a result, investors are so anxious that they dare not rush into or continue to expand. Therefore, the capital market with low openness and the sustainable development of private higher education have become an increasingly prominent contradiction.

3. Support and Innovation: Get out of the Predicament of Developing Ecological Environment of Private Higher Education in China

The promulgation of the new law for the promotion of private higher education not only provides unlimited opportunities for the new development of private higher education, but also brings great challenges to it. In order to create an unprecedentedly good ecological environment for the development of private higher education, and to truly realize the strategy that private education is an important growth point for the development of educational undertakings and an important force for promoting educational reform, we should carry out reform from the following aspects that are favorable for private higher education to get out of the plight of ecological environment development in China and promote the better development of private higher education.

3.1 Fully implement all kinds of support policies and create a fair environment

Improve the public financial support policies. The outline of the Education Plan requires the improvement of the policy of public finance to support private education. Therefore, the government should adjust the national higher education financial allocation system and arrange a certain amount of special financial funds each year. In addition, the government should directly allocate funds to non-profit private colleges and universities. The principle of dynamic allocation should be adopted in the financial allocation system. Apart from the general allocation, the key allocation should be given to those specialties that need talents in urgent need of the society, and the standard of quota for students in different specialties should be different. The government should strengthen student support in private colleges and universities and improve the scientific research support system of private colleges and universities, which should fully reflect the guiding role of the
national macro policy of public financial allocations in the process of funding. All provinces and cities shall set up special fund of local government for the development of private education, and ensure that the fund increases gradually with the increase of financial income at the same level and it will be included in the financial budget. Some incentives will be given to private colleges and universities whose level of running a school and quality of education have reached the national assessment standard and who have qualifications for academic qualifications in accordance with the standard of per student quota for higher education. With the support of public finance, a number of high level private colleges and universities thus will be run well.

3.2 Vigorously support policy innovation

For example, with the support of the relevant government departments, the cooperative partnership between private and public universities will be promoted in a planned and step-by-step manner by promoting the cooperation between the two sides in education and teaching management, the construction of teachers, the development of disciplines and specialties, and the sharing of educational resources, and exploring the establishment of a cooperative running mechanism between private and public colleges and universities. In order to narrow the gap between the post-retirement treatment of teachers in private colleges and universities, the government should encourage private colleges and universities to purchase supplementary pension insurance for teachers, to improve the treatment of teachers after retirement, and to implement an annuity system. Also this policy can be adopted as one of the conditions for private colleges and universities obtaining government public financial support and thus promotes private colleges and universities explore the annuity system.

3.3 Innovating the investment and financing system and guiding the capital market to enter private colleges and universities quickly and orderly

Capital market intervention in private colleges and universities has a win-win strategic significance since it can effectively solve the financing bottleneck of the development of private higher education and promote the healthy development of our capital market. Private colleges and universities in our country should make full use of the function of capital market resource allocation and connect with capital market substantively within the framework of national system and law.

In the face of the difficulty that the financing system of private colleges and universities in China is not smooth, the government should actively open the institutional channels between the education industry and the capital market, and innovate the institutional and legal environment for the investment and financing of private colleges and universities. For example, it is advisable to establish a guarantee system and a credit system for loan financing of private colleges and universities as soon as possible, allow private colleges and universities to make direct credit loans to banks, and make banks available on the credit system of private colleges and universities to realize the full circulation and utilization of the credit information of private colleges and universities, and to make private colleges and universities in the position of fair competition with public colleges and universities in the aspect of loans. Furthermore, another measures can be taken effectively such as establishing related laws and regulations of private colleges’ and universities’ intervention in the capital market, allowing private colleges and universities to directly issue stocks or education bonds listed for financing.

The new law for the promotion of private higher education and the continuous issues of national new policy of education reform has given private higher education more important orientation, more definite guidance and more powerful policy, which brings unprecedented opportunities for the development of private higher education. There is still a long way to go for private higher education to actively strive for the improvement of the development environment and become an important growth point for the development of education in our country and an important force to promote the reform of education.
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