

FINANCING PRIVATE HIGHER EDUCATION INSTITUTIONS IN REPUBLIC OF SERBIA

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Abstract: The aim of this paper is to analyze the financing of the private sector of higher education in the Republic of Serbia. The subject of the work is private higher education institutions that operated in the Republic of Serbia in 2022. The data used during the analysis were collected from the financial reports of higher education institutions from the website of the Serbian Business Registers Agency, as well as from the Statistical Office of the Republic of Serbia. In the Republic of Serbia and its surroundings countries, about 15% of students study at private higher education institutions. When looking at income, the main source is students' tuition fees, while on the expenditure side, it is salary costs (teaching and non-teaching staff), since the education sector is labor-intensive.

Key words: private higher education institutions, financing

1. INTRODUCTION

The role of the higher education sector is reflected in the provision of high-quality personnel who will be the bearers of the development of a country's economy. The creation of future experts implies adequate conditions for their education at all levels of education. Ensuring the financial sustainability of higher education institutions while ensuring a quality teaching and research process presupposes an active role of the state in the field of regulation of the higher education sector as well as providing support for the financing of these institutions. The modern market environment, which is characterized by the globalization of all sectors of business, the strengthening of competition and the economic crisis, have caused a change in business conditions in the higher education sector as well. The emergence of private institutions along with the abolition of the monopoly held by state higher education institutions is one of the main consequences of these changes.

While in some countries there are still exclusively state higher education institutions (HEIs) (Andorra, Belgium, Denmark, Finland, Greece and Italy, and others), in other countries there are only private or a combination of private and state institutions (Great Britain, Luxembourg and other). In most developed countries, it is a matter of prestige to study at private colleges such as Harvard, Yale, Princeton, Stanford.

The situation in the higher education sector in the surrounding countries is: In Bosnia and Herzegovina there are a total of 39 accredited higher education institutions - 27 universities and 12 colleges according to the data of the Agency for Development of Higher Education and Quality Assurance of Bosnia and Herzegovina. Of this number, 8 universities and 3 colleges are public, and the rest are privately owned. When looking at the ratio of the number of students, the situation is different: 76.10% study at state universities, and 23.89% at private universities. Based on data from the Agency for Statistics of Bosnia and Herzegovina, in 2022/23 year, out of a total of 79,962 students, 58,572 students study at public institutions, while 18,390 study at private institutions.

According to the data of the Agency for Control and Quality Assurance of Higher Education in Montenegro, there are a total of 4 universities and 3 faculties that are independent. One university and one independent faculty are state, and all other institutions are private. The percentage of students studying at state colleges is about 69.85%, and about 30.15% at private ones. Based on the data of the Statistical Office of Montenegro in 2022/23 year, out of a total of 20,803 students, 14,531 students study at public institutions, and 6,272 at private ones.

In the Republic of Macedonia, there are 6 state universities and one state vocational school, 10 private universities, three private vocational schools and two private faculties, according to the Ministry of Education and Science. The percentage of students at state institutions is 77.70%, and

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22.30% at private institutions. Based on data from the State Statistical Office of the Republic of North Macedonia in 2022/23 year, out of a total of 53,821 students, 41,819 students study at public institutions, and 12,002 at private ones.

According to the data of the Ministry of Education in the Republic of Slovenia, there are 3 state and 3 private universities, 40 independent higher education institutions and 49 higher schools. The percentage of students at state institutions is 80.58%, and 19.42% at private ones. Out of a total of 79,987 students in 2022/23, 64,456 study at state institutions, and 5,530 at private ones, while 10,001 study at private institutions that are state-owned by more than 50%, based on data from the Statistical Office of the Republic of Slovenia. When considering the latter institutions as state institutions, 93.08% of students are in state institutions.

According to the data of the Agency for Science and Higher Education in the Republic of Croatia, there are 10 state and 4 private universities, 72 faculties of state universities, 13 state and 18 private vocational universities. 90.05% of students study at public institutions, while 9.95% study at private institutions. Out of a total of 151,827 students enrolled in the 2022/23 school year, 137,492 students study at public institutions, and 14,335 at private ones.

2. PRIVATE HEIS IN REPUBLIC OF SERBIA

Higher education in Serbia dates back to 1838, when the Lyceum of the Principality of Serbia (Lyceum) was founded in Kragujevac. The appearance of the first private faculty had to wait another 150 years after that - the first private faculty in Serbia was founded in 1993 as an integral part of BK University. From then until now, higher education in Serbia has been characterized by the dominance of state HEIs in relation to private ones, both in terms of the number of institutions, students, and employees, as well as in terms of the assets they have and the income they generate.

Private higher education institutions, which are accredited by the National Body for Accreditation and Quality Assurance in Higher Education, consist of ten universities, 10 colleges of academic studies and 16 colleges of vocational studies.

According to the data of the Statistical Office in the 2022/23 school year 248.508 students were enrolled in all higher education institutions and at all levels of study in the Republic of Serbia. Of this number, 84,25% are enrolled in state institutions, and 15,75% in private institutions. A total of 209.621 students are enrolled in state and private universities - of which 84,50% or 177.180 students are enrolled in state and 15,50% or 32.441 students in private faculties. A total of 38.887 students are enrolled in state and private higher education institutions - of which 82,70% or 32.187 students are in state institutions of higher education, and 17,30% or 6.700 students are in private institutions given in Table 1.

Table 1- Overview of the number of students at higher education institutions in the Republic of Serbia in the 2022/23 school year.

Type of institution	Total	%
Public universities	177.180	84,50
Private universities	32.441	15,50
Total universities	209.621	
Public colleges	32.187	82,70
Private colleges	6.700	17,30
Total colleges	38.887	
Public HEIs	209.367	84,25
Private HEIs	39.141	15,75
Total	248.508	

Source: Statistical Yearbook of the Republic of Serbia, 2023

In the 2023 year, 36.951 students graduated from all higher education institutions and all levels of study in the Republic of Serbia. A total of 28.442 students graduated from state and private universities - of which 78.36% or 22.288 students graduated from state and 21,63% or 6.154 students

from private colleges. 8.509 students graduated from state and private universities – 83,86% of them from state universities, and 16,14% from private universities.

Table 2 - Overview of the number of graduated students at higher education institutions in the Republic of Serbia in the 2022/23 school year.

Type of institution	Total	%
Public universities	22.288	78,36
Private universities	6.154	21,63
Total universities	28.442	
Public colleges	7.136	83,86
Private colleges	1.373	16,14
Total colleges	8.509	
Public HEIs	29.424	79,63
Private HEIs	7.527	20,37
Total	36.951	

Source:Statistical Yearbook of the Republic of Serbia, 2023

All higher education institutions in the Republic of Serbia employ 17.009 teaching staff, of which 15.228 are full-time. 79,55% or 13.531 teaching staff are employed at state higher education institutions, while 20,45% or 3.478 are employed at private institutions.

State universities employ 82,04% or 11.972 teachers, of which 11.518 are full-time, while private universities employ 17,96% or 2.621, of which 1.983 are full-time. 64,53% or 1.559 teachers, of which 1.390 are full-time, are employed at state colleges/academies of applied studies, while 35,47% or 857, of which 391 are full-time, are employed at private universities presented in Table 3.

Table 3 - Overview of the number of teaching staff at higher education institutions in the Republic of Serbia in the 2022/23 school year.

Type of institution	Employed		Full-time	
	Total	%	total	%
Public universities	11.972	82,04	11.972	82,04
Private universities	2.621	17,96	2.621	17,96
Total universities	14.593		14.593	
Public colleges	1.559	64,53	1.559	64,53
Private colleges	857	35,47	857	35,47
Total colleges	2.416		2.416	
Public HEIs	13.531	79,55	13.531	79,55
Private HEIs	3.478	20,45	3.478	20,45
Total	17.009		17.009	

Source:Statistical Yearbook of the Republic of Serbia, 2023

Private higher education institutions are registered as companies in the the Serbian Business Registers Agency. Like all other companies, this institution applies the Law on Accounting and the Law on Auditing. According to the Accounting Law, all legal entities are divided into micro, small, medium and large according to their size. Average number of employees, business income and average value of business assets are used as criteria for dividing these companies.

Of all private institutions, none is classified as a large company, while three are classified as medium, of which one is a university, one is a faculty and one is a college of applied studies. Most institutions are classified as micro, 40 institutions, and then 28 as small companies. The largest number of universities and faculties is classified as small: 6 and 27, respectively. while the largest number of colleges of academic studies and applied studies are classified as small: 7 and 10, respectively, presented in Table 4.

Table 4 - Classification of private higher education institutions by size for 2023

Type of institutions	Micro	Small	Medium	Large	Total
Universities	3	6	1	0	10
Faculties	8	27	1	0	36
Colleges of academic studies	7	2	0	0	91
Colleges of applied studies	10	5	1	0	16
Total	28	40	3	0	

Source:author's calculation

According to the Law on Auditing, auditing is mandatory for regular annual reports of medium-sized and large legal entities, as well as all legal entities, i.e. entrepreneurs whose business income exceeds 4,400,000 euros in dinar equivalent (legal audit). Publication of financial statements for those subject to audit (medium and large legal entities) The Serbian Business Registers Agency publishes the full content, while for other legal entities the abbreviated content³. In 2022, three higher education institutions, which were classified as medium-sized legal entities, were subject to audit. In addition, Singidunum University is the only one to publish consolidated financial statements, as it has three subsidiaries.

3. FINANCING HIGHER EDUCATION INSTITUTIONS

The total income of private higher education institutions consists of operating income, financial income and total income.

The main source of business income for private institutions is student fees. Depending on the type and level of study, tuition fees range from 630 euros to as much as 9,000 euros in dinar equivalent for a year of study. Tuition fees at universities of applied studies and academic studies are lower than at colleges/universities, and they also depend on the scientific field in which the study program is implemented. Study programs in the artistic and medical fields have higher tuition fees than those in the social and humanities. In order to attract as many students as possible, some colleges include textbooks and exams in the tuition fee, others provide students with laptops, and some even offer the first year of study for free.

Other sources of income of these institutions are: gifts and donations, publishing activity, implementation of courses and training, scientific research projects, but this source of income has a share of less than 3%, given in Figure 1.

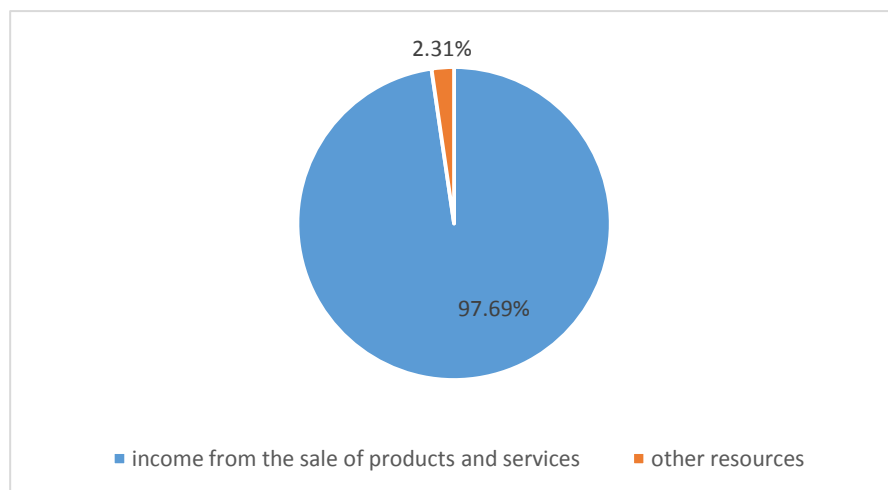


Figure 1 - The structure of business income in 2022

Source:author's calculation

³Of the private higher education institutions that are the subject of consideration, the Academy for National Security is not included because there is no information about it on the APR website.

The main expenses of private institutions are salary expenses, salary compensation and other personal expenses, since the education sector is a labor-intensive sector. Depending on the structure of assets, that is, the share of fixed assets in total assets, depreciation costs appear as a significant expense for some institutions. Intangible costs⁴, costs of production services⁵ as well as costs of materials, fuel and energy are significant categories, as in most other companies.

In 2022, out of a total of sixty-nine observed institutions, 9 reported a net loss, while as many as 14 institutions operated with a business loss. When looking at the average values of business income, expenses and profit/loss, 85.06% of business income is business expenses, while 14.04% is business profit, shown in Figure 2.

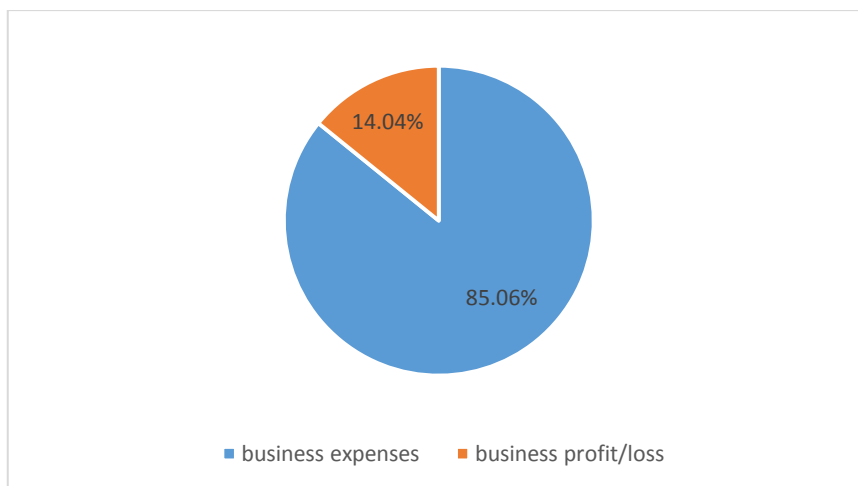


Figure 2 - The structure of business results in 2022

Source:author's calculation

Financial income consists of: interest income, positive exchange differences, income based on the positive effects of the currency clause and other financial income. Financial expenses consist of interest expenses; negative exchange differences, expenses based on the negative effects of the currency clause and other financial expenses.

As many as 42 institutions have aged financial loss in 2022, bearing in mind that the main purpose of these institutions is not financial. When looking at the realized net profit/loss, nine institutions achieved a negative financial result, one institution achieved neither profit nor loss, while 59 institutions ended the business year with a positive financial result. When looking at the structure of assets, 59.01% are current assets, while 40.99% are fixed assets, shown in Figure 3. Within fixed assets, the most significant position is real estate, plants and equipment, while as many as 8 institutions do not have fixed assets. Within current assets, the most significant positions are certainly cash and cash equivalents, receivables based on sales (that is, student tuition fees) and inventories.

⁴Intangible costs include the costs of non-productive services - legal services, health services, cleaning services and other non-productive services, representation costs, insurance premium costs, payment transaction costs, membership fee costs, tax costs, contribution costs and other intangible costs - such as: maintenance costs professional seminars; costs of professional literature; court costs; expertise costs; advertisement costs in daily and periodical press; expenditures for humanitarian, sports and religious purposes; costs of mandatory medical examinations of employee

⁵The costs of production services include the costs of maintenance services, rental costs, trade fair costs, advertising and propaganda costs, research costs, costs of other services

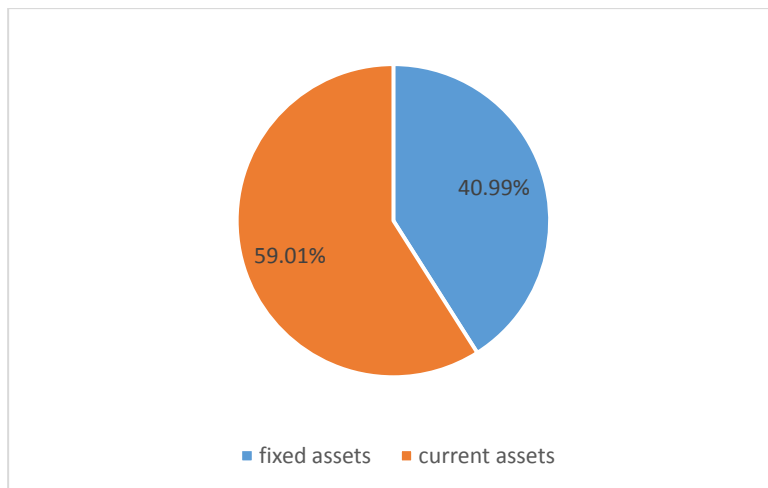


Figure 3 - Asset structure in 2022

Source:author's calculation

In the structure of liabilities, capital has the largest share (63.48%), followed by short-term provisions and liabilities (32.02%) and finally long-term provisions and liabilities (4.67%) as shown in Figure 4. As many as 21 institutions have less basic capital of 1,000 dinars, i.e. stated basic capital of zero in the balance sheet.

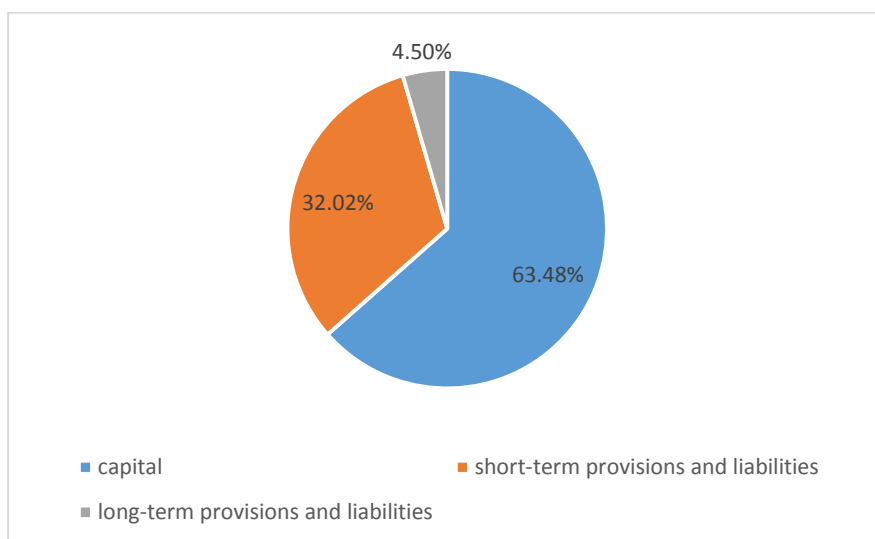


Figure 4 - Structure of liabilities and in 2022

Source:author's calculation

4. CONCLUSION

The commercialization of the higher education sector has led to the emergence of private higher education institutions. In the Republic of Serbia and neighboring countries, the number of state and private institutions is approximately the same, while the number of students is four to five times higher in state institutions.

During the academic year 2022/23, 15.75% of students were enrolled in private higher education institutions, while in the same observed period, 20.37% of the total number of students graduated. At the same time, 15.53% of teaching staff are employed at private institutions.

According to size, the largest number of institutions belongs to small legal entities (that is, micro and small), while the number of medium-sized legal entities is almost negligible.

The main source of funding for these institutions is student fees, which range from several hundred to several thousand euros, depending on the type and level of study, as well as the scientific field in which the teaching is carried out. The result of the operations of these institutions is mostly positive, with personnel costs dominating the expenditure structure.

In the coming period, a further decrease in the number of students enrolled in state and private faculties is expected, which will intensify the competition between them and encourage them to look for new ways of attracting students.

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