

Article

Improving The Financing Mechanism of Public Higher Education Institutions in Uzbekistan

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Abstract: This study examines the financing mechanism of public higher education institutions in Uzbekistan and identifies directions for improving its financial sustainability and efficiency. The analysis focuses on the dynamics and structure of state budget allocations and tuition-fee revenues of selected public universities during 2020–2025. Comparative, structural, and dynamic analysis methods are employed. The findings show that the financial resources of public higher education institutions increased substantially during the study period, while tuition-fee revenues remained the dominant source within the two financing channels analysed. Significant differences were also identified in the scale and structure of financing across universities. The study proposes an integrated hybrid financing mechanism combining stable public funding, performance-related financing, and diversification of universities' own-source revenues. Strengthening financial autonomy, strategic financial management, and revenue diversification is considered essential for improving the long-term financial sustainability of public higher education institutions.

Keywords: Higher Education Financing, Public Universities, State Budget, Tuition Fees, Financial Sustainability, Financial Autonomy, Revenue Diversification

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1. Introduction

The rapid expansion of higher education in Uzbekistan has increased the importance of developing sustainable and efficient financing mechanisms for public higher education institutions. The number of higher education institutions increased from 127 in the 2020/2021 academic year to 222 in 2024/2025, while student enrolment rose from 571.5 thousand to approximately 1.43 million. Moreover, higher education coverage among the population aged 18–23 increased from 8.3% in 2017 to 47.7% in 2024. Such rapid expansion has significantly increased the financial needs of universities and created additional pressure on existing funding mechanisms [1]. Under these conditions, ensuring long-term financial sustainability requires not only increasing the volume of financial resources but also improving resource allocation efficiency, strengthening institutional financial autonomy, and diversifying revenue sources. Therefore, improving the financing mechanism of public higher education institutions has become an important priority for ensuring the sustainable development and competitiveness of higher education in Uzbekistan [2].

International research on higher education financing primarily focuses on cost sharing, financial autonomy, revenue diversification, and performance-based funding. Johnstone argues that “increasing financial pressures have encouraged governments to share higher education costs with students and their families”, thereby increasing the importance of tuition and non-governmental revenues [3]. Jongbloed and Vossensteyn

emphasize that “performance-based funding can link public resources more closely to institutional activities and outcomes”, although its effectiveness depends on the design of funding mechanisms. Recent evidence also suggests that “performance-based funding should complement rather than replace stable public financing” [4].

Studies from CIS countries similarly emphasize the importance of financing mechanisms rather than merely the volume of funding. Chernova E., Akhobadze T. et al. show that “higher public subsidies do not automatically lead to better university performance”, while T. Agasisti demonstrate, “using evidence from Russian universities, that performance-based funding can influence institutional behaviour and outcomes” [5].

In Uzbekistan, recent studies increasingly focus on financial autonomy and diversification of university funding. M. S. Khamraev emphasizes “the importance of combining state budget resources, tuition fees, grants, and private investment while strengthening institutional financial autonomy and resource-use efficiency. Nevertheless, empirical research comparing the scale and structure of financing across individual public universities remains limited. Therefore, this study examines financing dynamics and structural differences among selected public higher education institutions during 2020–2025 and develops recommendations for improving their financing mechanism [6].

2. Materials and Method

The study employs dynamic, comparative, and structural analysis methods to assess the financing of public higher education institutions in Uzbekistan during 2020–2025. The analysis is based on financial data provided by selected public universities and covers state budget allocations, tuition-fee revenues, total financing, and their respective shares. The results are used to identify financing trends and structural imbalances and to develop recommendations for improving financial sustainability and revenue diversification.

3. Results and Discussion

The analysis of financing dynamics shows that the financial resources of selected public higher education institutions in Uzbekistan increased considerably during 2020–2025. As presented in Table 1, total financing from the state budget and tuition-fee revenues increased from UZS 966.7 billion in 2020 to UZS 2,434.8 billion in 2025, representing an approximately 2.5-fold increase [7].

Table 1. Dynamics of Financing of Selected Public Higher Education Institutions, 2020–2025 (UZS billion)

Year	State budget	Tuition fees	Total financing	Budget share, %	Tuition-fee share, %
2020	209.9	756.8	966.7	21.7	78.3
2021	251.3	1,061.7	1,313.0	19.1	80.9
2022	406.7	1,515.3	1,922.0	21.2	78.8
2023	529.2	1,732.8	2,261.9	23.4	76.6
2024	640.5	1,669.8	2,310.3	27.7	72.3
2025	707.4	1,727.4	2,434.8	29.1	70.9

Despite the overall growth in financing, its structure remained dominated by tuition-fee revenues. Their share accounted for 78.3% in 2020 and reached 80.9% in 2021 before gradually declining to 70.9% in 2025. In contrast, the share of state budget financing increased from 19.1% in 2021 to 29.1% in 2025. State budget allocations grew from UZS 209.9 billion to UZS 707.4 billion over the study period, while tuition-fee revenues increased from UZS 756.8 billion to UZS 1,727.4 billion [8].

These results indicate a gradual improvement in the balance between the two analyzed financing sources. Nevertheless, the continued predominance of tuition-fee revenues suggests that the financial position of public higher education institutions remains sensitive to changes in student enrolment and tuition revenues. Therefore, further improvement of the financing mechanism requires greater diversification of institutional revenue sources alongside stable public funding [9].

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The changes in the volume and composition of these two financing sources are illustrated in Figure 1.

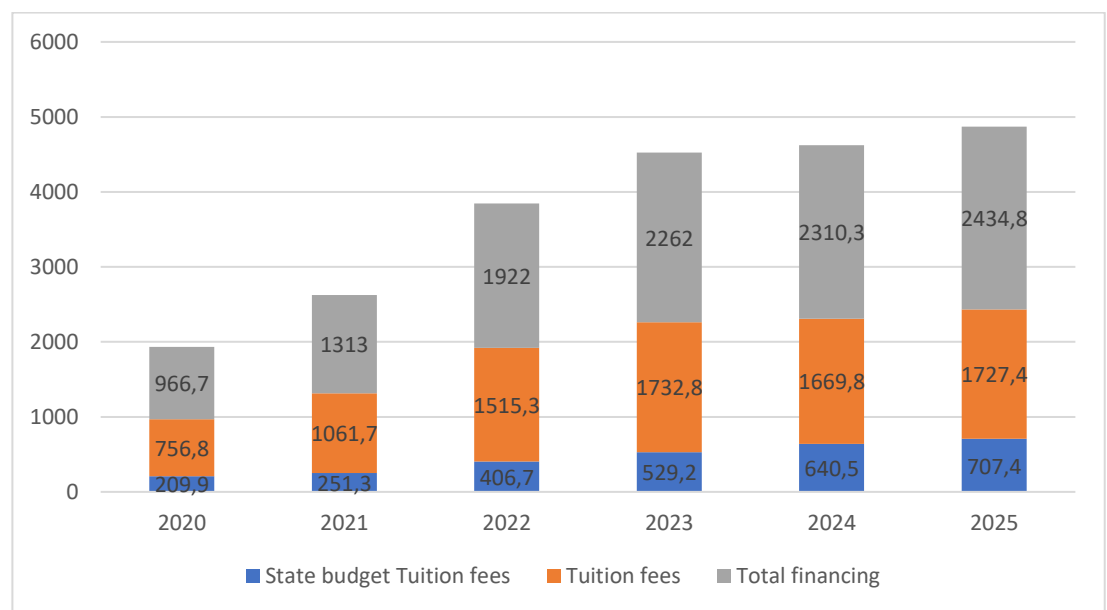


Figure 1. Structure and Dynamics of Financing of Selected Public Higher Education Institutions, (2020–2025, UZS bn)

As shown in Figure 1, the overall volume of financing increased substantially during 2020–2025, while tuition-fee revenues remained the dominant component throughout the period. At the same time, the gradual increase in the state budget component, particularly after 2021, indicates a shift toward a more balanced financing structure. Nevertheless, the continued predominance of tuition-fee revenues highlights the importance of further diversification of institutional revenue sources [11].

While Figure 1 demonstrates the overall financing trend, it does not reveal how financing patterns differ across individual institutions. Therefore, a comparative analysis was conducted across the selected public higher education institutions. The results presented in Table 2 indicate considerable variation in both the scale and growth of financing between 2020 and 2025 [12].

Table 2. Comparative Indicators of Financing of Selected Public Higher Education Institutions

No.	Higher Education Institution	2020, UZS bn	2025, UZS bn	Absolute Increase, UZS bn	Growth, %	2025/2020, times
1	Uzbekistan State World Languages University	223.4	555.4	332.0	148.6	2.49
2	National University of Uzbekistan	230.3	708.0	477.7	207.5	3.08
3	Namangan State University	161.2	457.4	296.2	183.8	2.84
4	Tashkent State University of Uzbek Language and Literature	39.9	114.5	74.6	186.8	2.87
5	Urgench State University	312.0	599.5	287.5	92.2	1.92

The results show that all selected universities experienced substantial growth in financing, although the magnitude of this growth differed considerably. The National University of Uzbekistan recorded the largest absolute increase, with financing rising from UZS 230.3 billion to UZS 708.0 billion, or approximately 3.08 times. Namangan State University and Tashkent State University of Uzbek Language and Literature also demonstrated relatively high growth rates of 183.8% and 186.8%, respectively. In contrast, Urgench State University had the highest financing level in 2020 but recorded the lowest relative growth, with financing increasing by 92.2% [13].

These differences demonstrate that the expansion of financial resources has not been uniform across public higher education institutions. However, differences in absolute financing should not themselves be interpreted as inefficient allocation, since universities vary in student numbers, specialization, infrastructure requirements, and institutional functions. This highlights the need for a differentiated financing mechanism based on transparent criteria that reflect both institutional characteristics and measurable performance [14].

The structural analysis also identifies several financing imbalances that may influence the financial sustainability of public higher education institutions. These are summarized in Table 3.

Table 3. Identified Imbalances in the Financing of Public Higher Education Institutions

No.	Identified Imbalance	Empirical Evidence	Implications for Financial Sustainability
1	Differences in financing scale	UZS 114.5–708.0 billion in 2025	Different resource and investment capacities
2	High concentration of tuition-fee revenues	78.9–82.9% in some HEIs	Greater sensitivity to enrolment and students' ability to pay
3	High concentration of budget financing	55.1% at TSUULL	Relatively limited financial autonomy
4	Decline in tuition-fee revenues	Observed at Namangan and Urgench State Universities in recent years	Potential instability of revenue flows
5	Heterogeneous financing structures	Budget share ranges from 17.1% to 55.1%	Limits the effectiveness of a uniform financing approach
6	Concentration of the analyzed financing structure in two sources	State budget and tuition fees dominate the available dataset	Indicates the need to assess and expand revenue diversification

The identified imbalances show that the main challenge is not limited to the amount of financing but also concerns its structure and concentration. In some institutions, tuition fees account for 78.9–82.9% of the two analyzed financing sources, increasing exposure to changes in student enrolment and tuition revenues. At the same time, the share of budget financing varies considerably across institutions, from 17.1% to 55.1%. This heterogeneity suggests that a uniform financing approach may not adequately reflect differences in institutional financial conditions [15].

Therefore, improving the financing mechanism requires a shift toward a more diversified and differentiated approach. Stable state financing should be maintained for core educational functions, while universities should be encouraged to expand alternative revenues from research grants, international projects, partnerships with the private sector, commercialization activities, and other non-tuition sources. In addition, a carefully designed performance-related component could complement basic financing by considering educational, research, financial, and social outcomes. International research emphasizes that the effectiveness of performance-based funding depends substantially on its design and institutional context rather than on the mere existence of performance indicators.

5. Conclusion

The study shows that the financing of selected public higher education institutions in Uzbekistan expanded significantly during 2020–2025. However, the results also reveal structural imbalances in the financing system. Tuition-fee revenues remain the dominant financing source, while considerable differences exist in the scale and structure of financing across universities. These findings indicate that increasing financial resources alone is insufficient to ensure long-term financial sustainability. Based on the results, an integrated hybrid financing mechanism is proposed for public higher education institutions. The mechanism should combine three key components: stable basic public funding, performance-related financing, and diversified own-source revenues. Basic public funding should ensure the continuity of core educational functions, while part of public financing should be linked to measurable indicators such as educational quality, research performance, graduate employment, and financial efficiency. At the institutional level, universities should reduce excessive dependence on tuition fees by expanding revenues from research grants, international projects, private-sector partnerships, commercialization of research results, professional training programmes, and other non-tuition activities. At the same time, greater financial autonomy should be accompanied by stronger strategic financial planning, internal control, risk management, and performance monitoring. Overall, the transition toward a diversified, performance-oriented, and institutionally differentiated financing mechanism can contribute to strengthening the financial sustainability, autonomy, and competitiveness of public higher education institutions in Uzbekistan.

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