



THE SOLUTIONS TO IMPROVE FINANCIAL WORKS FOR NON-PUBLIC UNIVERSITIES IN VIETNAM

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ABSTRACT

The common trend in Vietnam and all over the world is to promote the development of the non-public education system in order to remove the resources constraints of agriculture for the development of education as well as expand access to higher education for all classes of people. However, the development of non-public universities faces many troubles especially in financial works. The paper aims to analyze the limitations of non-public universities in Vietnam in the angel of financial works and suggests the solutions to improve this work.

Key words: Financial Works, Non-Public Universities, Vietnam

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1. INTRODUCTION

1.1. Overview of non-public universities in Vietnam

After more than three decades of national renovation and implementation of Education Development Strategies 2001-2010 and 2011-2020, the education sector in Vietnam has been expanded and developed rapidly at all levels of education, especially higher education. Vietnamese higher education has gradually developed significantly in terms of scale, variety of types of schools and forms of training, more social resources have been mobilized and achieved many positive results. Higher education has provided the major labor force with college, university, master, and doctorate degrees in service of socio-economic development, land industrialization and modernization, national defense and security, and international economic integration.

In the past, there were 3 types of non-public university in Vietnam: people-founded, private and semi-public. The state has a policy of transferring all people-found and semi-public schools to profitable private schools (the school has shareholders and dividends). Currently, the type of semi-public and people-found universities has been abolished and only one type of non-public univeristy is a private university. Accodting to the Higher Education

Law (Higher Education) 2012, Paragraph 2, Items a and b, Article 7, Chapter I states: “Private higher education institutions are owned by social organizations, socio-professional organizations, private economic organizations or individuals, invested in and constructed by social organizations, socio-professional organizations, private economic organizations or individuals. ”

Over the past two decades, the number of our non-public universities (NPU) has grown relatively quickly with the scale: in 1997, there were 15 establishments; by 2009 this number was 78 (up more than 5 times); By the end of 2015, there were 84 establishments. In 2016, NPUs account for 28% by the total number of universities and 14% by the total number of students, this rate is not high compared to other countries in the region (Table 1). However, with such number of campuses, according to estimates by some experts, from 2000 to present, NPUs have added more than 300,000 new places for learners and created thousands more jobs for workers every year. The current number of full-time students of NPUs and colleges is 314,054; accounts for about 14.4% of the total number of students nationwide. Higher quality research institutions have contributed to improving the capacity of higher education in our country not only in terms of size, quantity but also quality, with a number of research universities that have affirmed their prestige, brand, thereby making an important contribution to the development of human resources, especially high-quality human resources (Ha Thi Thuy Duong, 2020).

Table 1 Number of universities and students from some countries in the region

Country	Number of public universities (2012)	Number of non-public universities (2012)	% of non-public universities over total universities (2012)	% of non-public university students over total students (2011)
Campuchia	34	57	62.64%	60%
China	1,887 (2011)	836 (2011)	30.70% (2011)	63%
Indonesia	83	2,818	97.14%	62%
South Korea	61	350	85.16%	81%
Laos	22	77	77.78%	26%
Malaysia	20	491	96.09%	43%
Phillippines	220	1.616	88.15%	63%
Singapore	5	31	86.11%	64%
Thailand	98	71	42.01%	18%
Vietnam	170 (2016)	65 (2016)	28% (2016)	14% (2016)

Source: Chapman & Chien (2014) and MOET (2017)

In the context of market economy and international integration, the common trend in countries all over the world is to promote the development of the non-public education system in order to remove the resources constraints of agriculture for the development of education as well as expand access to higher education for all classes of people. However, in the development process, the system of NPUs is facing many challenges such as:

- **Discrimination between public universities and NPUs:** unfair treatment between "products" of public universities and NPUs; the promulgation of documents has not been timely, lacks of inheritance and have not been synchronized; even some issues still do not have legal documents to adjust ... ; ultimately hinder the development of NPUs.

- **Lack of stability:** The model of a research-based university with the legal status of an enterprise, which is managed as a joint-stock commercial company- seeking for profit, the NPUs also take risks in business activities. They may go bankrupt, be dissolved, shareholders have the right to freely transfer shares, leading to change owners. This is the factor leading to

the instability of a NPU. Schools have autonomy by those who are part of the shareholders and the Board of Directors and are also greatly influenced by the labor market.

- **Lack and weak teaching staff:** newly established NPUs face many difficulties in recruiting, training lecturers and managerial staff, young lecturers are still thin (most of them are newly graduated young with little experience), mostly elderly (retired lecturers from public universities). According to 2016 statistics, the total number of lecturers at NPUs is over 20,500 lecturers, of which 71% are full-time lecturers, the rest are part-time lecturers. Especially, Bac Ha International University has 97 lecturers, of which the number of part-time lecturers is higher than that of other one (48 full-time and 49 part-time lecturers). This is also a constraint for NPUs to apply for admission which requires lecturers with doctoral and master degrees are under of working age.

- **Lack of facilities:** Some NPUs have mobilized large and diverse resources outside the state budget to build facilities, purchase practical equipment, and new technologies for experiments. However, there are still many NPUs that do not have land to build the campuses, or cannot expand the campus size because the area is too small. For some NPUs, land costs are the biggest investment burden, in addition to building and purchasing teaching equipment expenses. According to the statistics of the Vietnam Association of Colleges and Universities, up to now, 5/60 NPUs have been established for 20 years but have to rent the campuses since there is no land for construction.

- **Limited financial resources:** Tuition is the main source of income for NPUs, accounting for over 61.17% of total revenue. Expenses are mainly for regular activities of NPUs such as salaries for staff, water and electricity expenses, maintenance of facilities accounted for more than 59%. This also reflects the fact that the activities of research universities rely primarily on training activities.

- **Difficulty in admission:** Although the scale of NPUs has increased in the last 3 years, in general, their admission has been difficult; resulting in the size of students is low compared to their Establishment Scheme. ; over 60% with a size of under 4,000 students, over 40% with a student size of under 2,000 students. In the context, tuition is the main source of income for NPUs, the above scale is very difficult for NPUs to have financial conditions to reinvest. , improve the quality of training; even some of them are likely to close.

2. THE DIFFICULTIES IN FINANCIAL WORKS OF NON-PUBLIC UNIVERSITIES IN VIETNAM

According to the 2017 Evaluation Report, there are many reasons for the aforementioned difficulties of NPUs: the legal framework and policies of the Government; limited managerial experience; restricted operational environment and internal resources; negative psychology of society, employers and especially learners to NPUs ...

In the above difficulties, limitations on financial situation and financial management seem to be the biggest challenges of the NPUs because financial management plays a fundamental role in the sustainable development of any universities. With such a view, this paper focuses on discussing the barriers and the solutions to renovate the financial management work at NPUs as a reference for administrators.

With the characteristic that the NPUs does not receive any funding from the Government, they must have full financial autonomy. Therefore, they must have plans and solutions to create legal revenue, allocate and use financial resources in an efficient and transparent manner to serve training and scientific research. According to the results of the Evaluation of educational institutions from January 2016 to May 31, 2018, four Vietnam Education Quality Accreditation Centers implemented external evaluation on 122 universities including 117

universities / institutes that have been accredited and 05 Universities / Institutions have not been qualified. Among 117 universities / institutes meet the quality standards of education, only 17 are NPUs (including private and people-found universities), accounted for 15.4%.

The results of the Standard 10 in Finance and Financial Management, Criteria 10.1 in terms of revenue indicate that only one NPUs has failed (5.88%) and Criterion 10.2 in Financial management, all evaluated NPUs have passed. These show that the accounting, auditing and control systems of NPUs work effectively and closely according to the model of enterprise financial management. However, regarding to Criteria 10.3, the ratio of unqualified NPUs is 52.94% , which is much higher than ratio of public ones (35%). Criterion 10.3 requires education institutions to allocate, use finance reasonably, transparently and effectively for the educational institutions and activities. The reasons why the NPUs has not been achieved are: The allocation of unreasonable funding, in which spending on scientific research of officials, lecturers and learners is much lower than the regulations; investment in libraries and IT systems is still low; spending on international cooperation activities is not reasonable; Work plan is not accompanied by financial plan.

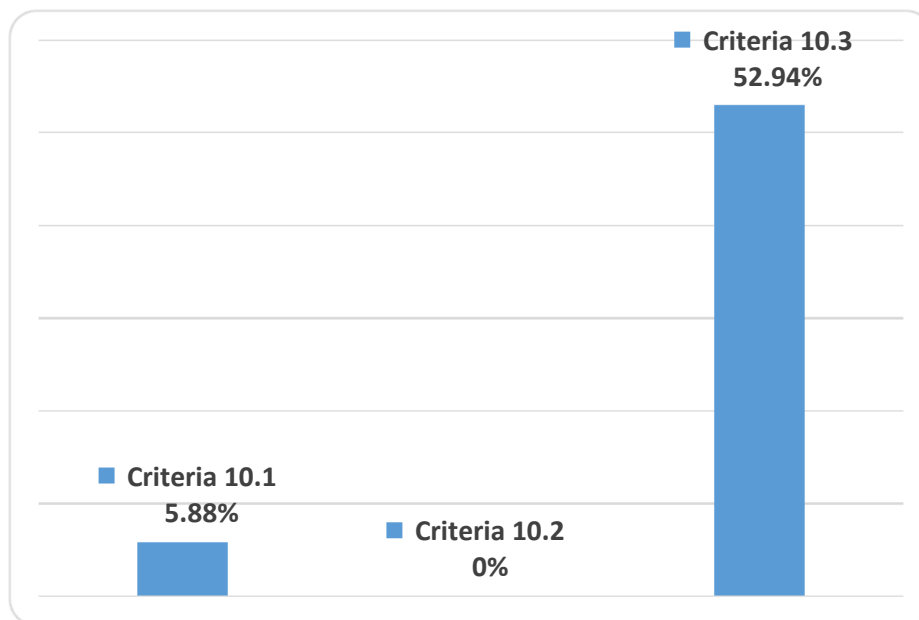


Chart 1 The unqualified ratio of NPUs under Standard 10

Thus, the big challenges in the financial activities of NPUs are the difficulty in generating revenue and unreasonably allocating expenditure sources. These challenges stem from the following significant barriers:

2.1. Main Income from Training

Revenues of universities include fees and charges; tuition; revenues from activities of centers, production and business establishments; dormitory fees and other revenues. According to a report of 54 NPUs in 2017, the financial situation is as follows: Total revenue is 1,477.2 million VND; in which, tuition fee is VND 971.7 million, accounting for 65.8%; other revenue is 505.5 million dong, accounting for 34.2%. The tuition of most NPUs is from 10-20 million VND / year, especially there are some NPUs with tuition fees up to 30-40 million VND / year for high investment programs such as medicine and pharmacy. , biochemistry, engineering, ... The revenue generating is based largely on the tuition of students, which

makes NPUs completely passive in the recent years, the admission is extremely difficult, the number of students studying at NPUs has greatly decreased. For an educational institution, in addition to the function of training, NPUs also have the function of scientific research and technology transfer. This is both the responsibility and the foundation for NPUs to increase revenue. However, among the NPUs, there are only a few that are interested and capable to carry out scientific research and technology transfer and generate revenue from these activities, such as Duy Tan University and Nguyen Tat Thanh University. They are likely doing scientific research focus on highly applied industries (Automation, Biotechnology, ...) and have close connections with businesses and localities.

2.2. Unreasonable Spending

According to the survey of 11 NPUs: at present, some do not have a difference in revenue and expenditure (profit) or there is a slight difference such as Eastern International University, FPT University, Quang Trung University, ... For some have the difference between revenue and expenditure (or profit) such as Van Lang University, Hutech University, Thang Long University, .. that profit is used to pay for: paying corporate taxes, paying salaries for officials and lecturers, income tax, insurance, unemployment insurance, payment to shareholders (5% - 7% of income per year); 25% of profits for developed investment (under the Provisions of the Law). However, there are NPUs that leave higher to invest in facilities.

The above statistical results show that NPUs spend mainly on regular activities such as paying salaries for employees, expenses on electricity and water, facilities maintenance, etc. Expenses for scientific research and developed investment account for a very small proportion in the expenditure structure.

3. THE SOLUTIONS TO IMPROVE THE FINANCIAL WORKS FOR NON-PUBLIC UNIVERSITIES IN VIETNAM

Completing the set of regulations on revenue management. The regulations on revenue management should be done on the principle of transparency, based on the maximum exploitation of the NPUs' existing resources, conditions and joint venture activities. At the same time, they should have an incentive mechanism in diversifying revenues from scientific and technical transfer, training consultancy and business production.

- Complete internal spending regulations to suit the new operating mechanism, to serve as a fundamental for a consistent financial management. Internal spending regulations need to be implemented on the principle of payment based on capacity and work efficiency to encourage and motivate officials and lecturers. The expenditure of scientific research is still limited due to the fact that NPUs have not developed a strategic orientation and operational plan of scientific research. Therefore, they need to make KPIs to evaluate scientific research activities, focusing on and investing resources for scientific research and technology transfer; having policies to encourage lecturers, scientific researchers publishing articles, especially international articles; the Faculties should actively develop plans, propose scientific research topics, seminars or curriculum development.

The NPUs need to change the perception for the officials, lecturers, and students about the research work and consider it as part of lecturers' duties and have a policy to regulate lectures and scientific research time and take that as a criterion to strive, compete and salary increase. In addition, it is necessary to develop internal spending regulations which specify the percentage of funding for scientific research activities and support for lecturers and students on doing scientific research.

- Dedicate adequate budget to upgrade facilities, invest in purchasing additional learning equipment to facilitate research activities of lecturers and students.

- **Decentralizing financial management for affiliated units.** NPUs expand the mechanism of regular expenditure allocation for affiliated units, especially for professional activities, so that the units can actively perform their assigned tasks and raise the sense of saving, managing and using them effectively.

- **Training financial management capacity for affiliated units.** When implementing the mechanism of expenditure allocation for units, training to improve the financial management capacity and training to guide the accounting - finance work is a necessary condition, to ensure the financial revenues and expenditures of units in accordance with the Government regulations and NPUs regulations, associated with the accountability of the units.

- **Strengthen the inspection and supervision of financial revenues and expenditures.** In addition to decentralizing and expanding the allocation of expenditures to affiliated units, the NPUs should consolidate and improve financial accountability regulations among all levels, organize internal control activities and financial disclosure to ensure the financial management being efficient and transparent.

4. CONCLUSION

For the sustainable development, non-public universities should have financial investment solutions to invest in teaching equipment and modern practice equipment, suitable for training and development trends. However, the issue of financial work is also a challenge for the non-public universities due to constraint policies, unreasonable regulations on investment, and weak financial management. In this context, our discussions have proposed some solution for them to improve financial work as a reference for institutional administrators.

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