

Influence of Budgeting and Crediting on Development of Educational Process in Russia

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Abstract: In the paper, the problems of budgeting education in Russia are considered, as well as the opportunities of students' crediting as government and banks. There is direct relation between level of people education and their welfare. The changes in technologies are based on high level of intellectual resources. The sustainable development of economy is provided by continuous business education. The authors suggest using the process approach to budgeting education in order to optimize this process for increasing competitiveness of education structures. The role of preferential crediting for increasing availability of higher education is analyzed. The decree of Russian Federation government on the state support of educational credits is considered and comparative analysis of credit programs is carried out.

Key words: Budgeting • Crediting • Educational process • World education standards • Process approach
• Business process • Government support of preferential credits

INTRODUCTION

The social and economic transformations are carried out in Russia. The education quality has great importance for successful development of state and society. The major factor emphasizing need of Russian education quality improvement is the increasing role of education in all area of society activity: in industry, in services sector and in other spheres.

The increase in universities number was led to change in the education system: increase in students' number, new educational programs and projects that is stimulated with increasing need of society in highly educated specialists, increasing investments in education, both from government and from commercial organization. The increase in society expenses for education and its desire to know how these expenses effective are related to this tendency. As a result of uncontrolled growth of private universities, we received devaluation of higher education diplomas that requires strict control for university activity from the government [1].

In the conception of Russian education modernization for the period till 2020, it is noted that necessary conditions of new education quality achievement are: "active use of teaching technologies,

informatization of education and optimization of teaching methods, increasing these methods which form the practical skills of information analysis and self-learning, increase in role of students' independent work" [2], that is application of new technologies, introduction of innovations in educational process and growth of education quality conforming to the international standards.

Thus, the need of budgetary funds investment in various educational structures is identified by contradictions between the requirements of modern society realized by government programs of education modernization and the need of financial support in control system of education quality.

The main factors preventing the development of education in new economic conditions are:

- Insufficient taking into account of specifics of quality control systems in educational institution as social organization which activity efficiency depends on management;
- Insufficient attention to continuous improvement of control systems of education quality;
- Low employees' skill level (competence) in education quality management;

- Ignoring methods of business activity, particularly, approach for achievement of new education quality;
- Administration of educational process, its excessive formalization;
- Unreasonable large documents circulation.

There is the direct connection between level of people education and their welfare. At the turn of the century, the radical change of technologies is based on high level of intellectual resources. The competition of leading countries for such resources is related to this tendency. They become the main factors identifying both economy and policy of new century. The sustainable economy development is achieved in conditions when labor power is continually taught and the government provides necessary conditions and means for this aim.

The practice of carrying out economic transformations showed extremely important role of administrative and financial personnel prepared for the work in the conditions of market economy. The instability of economic situation in the country and crisis phenomena explain largely the lack of developed methodology in the business management [3, p.117-119].

The economy and finance need further concentration, the lack of special practically orientated education programs, capable to provide appropriate knowledge to specialist, takes place.

There is the need to find the ways of work intensification on the support of business structures in education. In the conditions of radical economic changes, the system of budgets distribution for education needs further improvement and has to be directed on the solution of new tasks.

The needs planning in the budgetary funds based on statistical ratios between size of wage fund and all institution's current expenses are implemented on the financial results of education system activity of respective territory, subject of federation, municipality. The expenses on implementation of general education standard are identified. The standards of budgetary financing, its size have great importance in the financing of educational institutions. The sizes of budgetary financing standards of educational institutions can be varied between two permissible limits. The price of educational service can be upper limit that is cost of one student's education in year. The lower limit is identified by the real opportunities of state budget on financing various education levels: higher, secondary and general education, as well as by existing financial and budgetary practice according to the budgetary code as the standard of minimum budgetary means [4, p. 73-76].

The budgeting method on the basis of process management approach promoting optimization of financial proportions is suggested. Let's identify parameters of financial proportions optimization. The successful budgeting in educational institution depends on carefulness and reasonableness, budgeting in advance, activity planning in market conditions and, most importantly, direct relation and feedback in processes. The budgeting methodology begins with sales budget. The budgeting has to begin with basic budgets for the optimization of financial plans.

First of all, it is necessary to optimize the cash flow budget on which all other improvement options of institution's financial performance (growth in sales, increase in profit, etc.) depend. In addition, it is necessary to optimize balance of claims and liabilities without which it is impossible to develop effective financial plan [5, p.36].

All parameters of operational budgets (including sales budget and its alternatives) change depending on the search of necessary indicators of basic budgets. In whole, the budgeting process and, first of all, the preparation of basic budgets has to be directed on result.

The market relations spread the education. Therefore, it is necessary to include planned result of business process by application writing. The excessive saving on marketing research leads inevitably to negative economic dynamics.

The used methodologies of existing educational organizations reduce considerably its efficiency. In our opinion, it is necessary to develop the centralized system approach to gathering and processing information on the entrepreneurship in education to create the databank capable to provide qualitative planning the educational organizations' activity in all management levels and to create branch services infrastructure for business in the social sphere.

The scheme of budgeting is represented in the Figure 1.

The business process is directed on the creation of value added which is the result of services rendering and forms the new value that promotes competitiveness of educational structure.

The competitiveness is the result of organizational strategy. The distinctions in the separate parameters of institution's competitiveness level in our typology reflect the fundamental features of major strategic processes organization. The forms of organization and innovative activity are quality guarantee of improvement of competitiveness parameters and achievement of optimum combinations of these parameters [6, p.120-124].

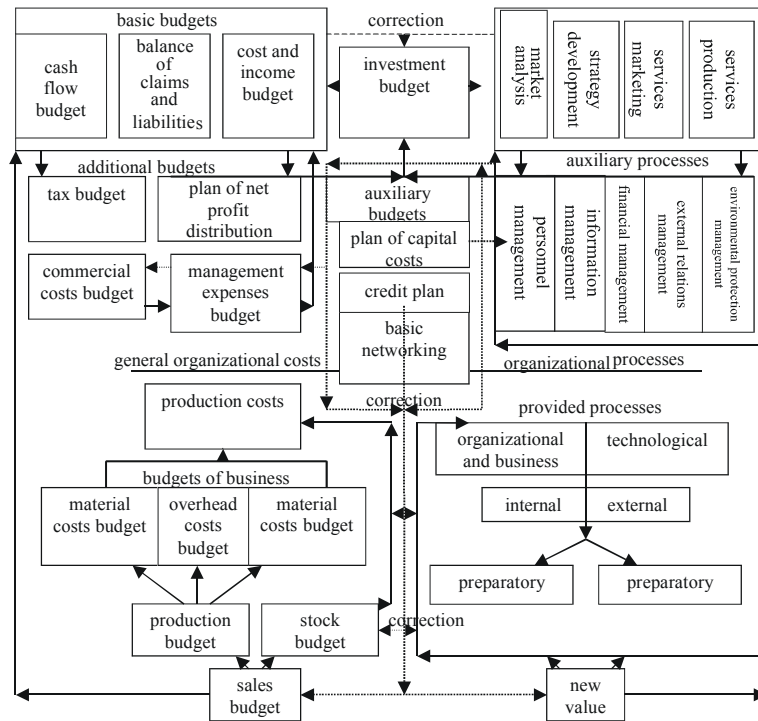


Fig. 1: The scheme of budgeting

In addition, the improvement of preferential crediting promotes the development of education in Russia.

The program “Credo” of bank “Souz” is the first program of preferential educational crediting in Russia. In 2004, the conception of educational credit developed together by Russian economic academy of G. V. Plekhanov and company “Crane” was implemented in the form of the program of education crediting “Credo” on the basis of four prestigious universities such as Russian economic academy of G. V. Plekhanov, Moscow State University, St. Petersburg State University, Moscow agricultural academy of K.A. Timiryazev. 22 leaders Russian universities took part in program “Credo” of 111 universities submit an application for participation in it. The company “Crane” organized the interaction of all participants of program, identified the direction of program development and provided the program with necessary resources. Thus, the company “Crane” realized the functions of large Russian business on support and development of the higher education.

The credit, according to the program Credo, was provided to the students who are educating in the universities-participants of program for period till 16 years, on 10% per annum. The amount of credit was equal cost of education. The delay in payment of amount of debt and interests was provided for the period of education in university. The firm “Crane” was the

guarantor on credit. The limitation on number of universities-participating was single shortcoming (but very essential) of this educational crediting program. In 2007, the government joined this program. During 2005-2007, the government of the Russian Federation considered actively the draft bill concerning educational crediting. As a result, the government of the Russian Federation was accepted the decree of August 23, 2007 # 534 “About carrying out experiment on the state support of educational credits to the students of educational institutions of higher education having the state accreditation” in 2007. This experiment on the support of educational credits had to be implemented in accordance with this decree during 2007-2010 [7, p. 58-60].

On February 1, 2008, the experiment on the state support of educational credits to the students of educational institutions of higher education having the state accreditation began. The experiment implementation was based on bilateral contracts and agreements [8].

Actually, the experiment was implemented only within the program “Credo” of bank “Souz”. Although, this program was carried out before the adoption of the decree since 2004. About 4300 credits were given out in the process of program implementation during 2004-2009 that makes approximately 0,1 % of all students who are educating on commercial basis in Russia. Only one program of educational crediting corresponded to the

decree conditions. The bank “Souz” stopped providing the educational credits according to the “Credo” program in the conditions of financial crisis in 2008 [9, p.155-156].

The government of the Russian Federation adopted the decree of August 28, 2009 # 699 “About change of conditions of carrying out experiment on the state support of educational credits to the students of educational institutions of higher education having the state accreditation”.

Since September 1, 2009, the new experiment on the state support of educational credits started according to this decree. But, the loans within this experiment started to be provided really since April, 2010, because time for selection of banks, universities and specialties for participation in this program was need. The term of carrying out experiment was till December 31, 2013.

According to this decree, the educational loans were provided on preferential conditions for the student. The student didn't pay principal debt on the credit during all period of education in university and three months after its graduation. The student paid only part of interest rate during first and second year of using the educational credit (40% and 60% respectively). The period of credit repayment made 10 years after graduation. The banks-participating could not collect additional payments (including the commissions for administration of accounts) which lead to the increasing maximum interest rate on credits. The state support didn't extend on educational credits in case of exceeding maximum interest rate. These credits were provided without pledge and guarantee; the penalties were not imposed in case of advanced repayment.

According to experimental conditions, the students of higher education institutions could receive the credits for education payment under the state guarantee. The government subsidized existing interest rate on the credit for 3/4 of refinancing rates of Central bank. The maximum interest rate on these credits for debtors (students) could not be higher than 1/4 of refinancing rates plus 3% (now 5,06 % per annum). The part of non-payment credit, 20% of total amount of given credit, were compensated to bank at the expense of the state budget according to the conditions of program [10].

The credit according to the preferential program was provided only to the students of the Russian Federation citizens who receive first higher education and study on full-time tuition. The students had to correspond to the criteria to progress in study determined by Ministry of Education and Science and to conclude contract of the

educational credit with the bank-participating of experiment. The credit was given taking into account education quality and need in specialists in labor market on the basis of expected need in specialists and state plan for the period till 2013.

Sberbank with credit program “educational credit with state subsidies” and bank “Souz” were participating banks in this experiment. Initially, it was planned that “Rosselkhozbank” and “VTB-24” will take part in the project but, contrary to forecasts, these banks refused participation in the experiment [11, p. 99-102].

In 2010, it was planned to provide 10 thousand preferential credits. 750 million rubles were allocated for experiment implementation from the state budget.

However, in spite of program attractiveness, there were some reasons on which the preferential educational credits were available to only small students' number.

- Small students' number for educational crediting. More than half students (about 3,8 million) from about 7 million are educated on the commercial basis (with education payment). 10 thousand students are approximately 0,26 % of students' number who are educating on commercial basis. Undoubtedly, the educational credit is need not to all students, but 10 000 students is very small figure.
- Lack of interest among banks. The new educational crediting program was implemented together with the state support. The government had to subsidize to the banks 20% of the amount of non-payment credits, as well as the interest rate in size of 3/4 refinancing rates. 750 million rubles were allocated for these aims from the state budget. But, the conditions of government support suited not all banks. “VTB-24” and “Rosselkhozbank” planned initially to participate in this experiment, but refused to take part in this program. They didn't satisfy low interest rate. The bank “Soyuz” was only participating bank in the previous experiment on providing the educational credits. It made the decision to participate in this time. And Sberbank is the main state bank, because this experiment was the government program, the main state bank had to give the preferential educational credits.
- Requirements to students' progress in studies. The preferential educational loans were given only if student's progress conformed to certain requirements.

- Not all universities were participants of preferential crediting program. 56 universities (53 state and 3 private) were participants of preferential crediting program in the beginning implementation. Later, the list of participating universities increased. But it included not all universities.

These limitations for receiving the preferential student loan led to the fact that only 289 these credits were given out in 2010 (at the planned value 10 thousand credits). 264 these credits were given out by Sberbanks and bank “Soyuz” provided only 25 credits in 2010. The reasons of low demand for such credits were large number of limitations for the debtors (students) related to the choice of university, specialty and requirements to progress in studies. The banks providing the commercial educational credits acted more successfully in this market, than participants of state program in spite of less attractive conditions for debtors (higher interest rates, shorter term of credit). For example, the bank “Societe Generale Vostok” gave out about 450 educational credits in 2010. It is more than the number of credits on the state support program.

Some changes were made to the program related to low demand for these preferential loans in the spring of 2011. The number of participating universities of this program was increased from 56 to 112 as well as the number of specialties. It was possible to be educated on economic and humanitarian specialties for receiving the preferential educational loan in some universities. The requirements to students’ progress were mitigated. The condition of the transfer following credit tranche was

the lack of debt on the results of examinations. However, these changes came into force only in the autumn of 2011 and criteria and requirements of program remained former for students and entrants in 2011. The number of provided preferential loans increased very slightly in 2011. Sberbank gave out 226 credits (264 credits in 2010), bank “Soyuz” provided 80 credits (25 credits in 2010), total - 306 credits. Thus, the demand for the preferential educational loans increased very little in spite of mitigation of requirements to students’ progress, increases in number of participating universities, extensions of specialties list [12].

The comparative characteristic of Sberbank’s educational crediting programs “Educational credit” and “Educational credit with government subsidies” is represented in Table 1.

The comparison of conditions of educational crediting programs “Credo” and “Student” of “Soyuz” bank is represented in Table 2.

Since January 1, 2014, the decree of the Russian Federation government of November 18, 2013 # 1026 “Rule of providing support of educational crediting” came into force. According to this decree, the students can take the educational credit for payment of education in any universities, studied on any specialty (preparation area), on any form of education regardless of progress and presence of first higher education (main educational credit). The educational credit can be taken for payment of students’ accompanying expenses on habitation, food, buying educational and scientific literature and other everyday necessities in the period of education in university (accompanying educational credit) [13].

Table 1: Comparison of Sberbank’s credit programs “Educational credit” and “Educational credit with government subsidies”

Condition	Educational credit	Educational credit with government subsidies
Credit currency	Rubbles	Rubbles
Interest rate	12%	1/4 refinancing rate plus 3% (at present 5,06%)
Pledge and guarantee	Guarantee not less than two solvent natural persons; pledge (at credit amount more than 25 000 dollars)	Without pledge and guarantee
Grace period	Period of education, sabbatical leave (one year), military service	Period of education in universities plus 3 month
Interest payment	Monthly, since first month of receiving the credit	Monthly, since first month of receiving the credit. The delay in payment of part of interests on credit is provided in first and second years of using the credit in size: - 60% of amount of payment in first year; - 40% of amount of payment in second year. After this period, student is obliged to repay monthly interest payment fully.
Credit amount	90% of cost of education	Equal cost of education
Credit period	11 years	Period of education in university plus 10 years after graduation

Table 2: Comparison of credit programs “Credo” and “Student” of Soyuz bank

Conditions	Credo	Student
Credit currency	Dollars	Rubbles
Interest rate	10%	1/4 refinancing rate plus 3% (at present 5,06%)
Pledge and guarantee	Without pledge and guarantee (firm “Crane” is guarantor on credit)	Without pledge and guarantee
Grace period	Period of education in university	Period of education in universities plus 3 month
Interest payment	Beginning after university graduation	Monthly, since first month of receiving the credit. The delay in payment of part of interests on credit is provided in first and second years of using the credit in size: - 60% of amount of payment in first year; - 40% of amount of payment in second year. After this period, student is obliged to repay monthly interest payment fully.
Credit amount	Equal cost of education	Equal cost of education
Credit period	16 years	Period of education in university plus 10 years after graduation

However, the providing the educational credits will possibly only after signing the contract on the government support of educational crediting between banks and Ministry of Education and Science of the Russian Federation. At present, the contract on the government support of educational crediting is concluded with bank “Rosinterbank”.

“Rosinterbank” plans the start of government support program of educational crediting after carrying out the corresponding bank procedures, as well as the preparation of necessary bank tools in April, 2014.

This decree is beginning the new stage of development of preferential educational crediting in Russia.

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