

Diversified Financing of Chinese Universities: Opportunities and Challenges

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Abstract: In China's higher education system, public universities play a dominant role, primarily relying on government financial allocations. With the expansion of higher education and the rising costs of operation, diversifying funding sources has become a significant challenge for universities amid the current context of financial constraints. This article reviews the existing fundraising channels in Chinese universities, conducts an in-depth analysis of the opportunities and challenges in diversified fundraising, and provides relevant recommendations to promote the sustainable development of higher education in China.

Keywords: Diversified Fundraising; Opportunities and Challenges; Social Donations

1. Introduction

Based on the theory of sharing and compensation of educational costs, scholars typically study the sources of educational funding from three main beneficiaries: the state, society, and individuals^[1]. This provides theoretical and practical guidance for the research on diversified fundraising in universities. In August 2020, the Ministry of Education and four other departments jointly issued the "Opinions on Further Strengthening and Regulating the Management of Education Fees," proposing to adhere to the cost-sharing mechanism for non-compulsory education and implement a funding mechanism for non-compulsory education with government input as the main source and reasonable contributions from learners through various channels. Currently, Chinese universities are implementing important decisions related to "tightening belts" as directed by the Ministry of Education. Exploring diversified fundraising for universities helps reduce their dependence on government appropriations, enabling better adaptation to the challenges of the new era and promoting the high-quality development of the education sector.

2. Analysis of Diversified Funding Channels for Higher Education Institutions

To navigate through the "tight days," Chinese universities must not only strengthen the management of educational funds and enhance resource allocation efficiency but also actively explore new funding channels to supplement the financial gaps, combining cost savings with additional sources. It is essential to diversify funding dimensions and channels for acquiring educational resources. Currently, the main sources of income for Chinese universities include government allocations, tuition fees, and social donations.

2.1 Government Allocations

Public universities in China have long relied on government funding to sustain their daily operations, with fiscal education funding being the primary source for higher education expenditures^{[2][3]}. In recent years, China's economy has faced sustained downward pressure due to various domestic and international factors. Despite overall financial challenges, central and local governments have continued to prioritize and implement the strategy of prioritizing educational development, providing substantial support for the sector. According to the data from the "National Education Expenditure Statistics Bulletin," the total investment in education in China showed a continuous growth trend from 2018 to 2021, reaching 46.1 trillion yuan, 50.2 trillion yuan, 53 trillion yuan, and 57.9 trillion yuan, with an average annual growth rate exceeding 8%. According to the

"China Education Expenditure Statistical Yearbook 2022," in 2021, the total income of higher education funds nationwide reached 1,543.56 billion yuan, with national fiscal education funds dominating at 958.38 billion yuan, accounting for 62.12% of the total income of higher education funds.

2.2 Tuition Fee Revenue

Tuition fee revenue serves as a crucial income source for universities, providing vital support for teaching and research activities. According to the "China Education Expenditure Statistical Yearbook 2022," in 2021, national higher education tuition fee revenue amounted to 324.454 billion yuan, constituting 21.02% of the total income of higher education funds.

2.3 Social Donations

Social donations serve as a beneficial supplement to higher education funds^[4]. They not only represent the financial input from donors but also signify societal support and recognition for universities, holding strategic importance in future university development.^[4] The university education foundation, as a crucial department for universities to accept social donations, serves not only as a significant fundraising channel but also as a core platform for universities to integrate internal and external resources, propelling comprehensive institutional development. Since Tsinghua University became the first university education foundation in China in 1994, university education foundations have had nearly thirty years of history in the country. According to the "China Education Expenditure Statistical Yearbook 2022," in 2021, the total donation income for national universities amounted to 8.541 billion yuan, accounting for only 0.55% of the total income of higher education funds. This figure is significantly lower than that of European and American universities, which also primarily rely on government appropriations, indicating substantial potential and room for growth in the field of attracting social donations for Chinese universities.

3. Opportunities for Diversified Funding in Chinese Higher Education

3.1 Government Policy Support in China

China upholds a strategic priority for education development. In 1985, the "Decision on Reforming the Education System" first emphasized placing education in a strategically important position. In 1987, the 13th National Congress report explicitly stated the priority of developing science, technology, and education. The 1992 report further emphasized placing education in a prominent strategic position, and in 1993, the "Outline of China's Education Reform and Development" set the goal of ensuring that the proportion of national fiscal education funds to the gross domestic product (GDP) reaches 4%, encouraging multiple channels for education funding and the establishment of an education bank to expand funding sources. In 2012, China achieved the target of national fiscal education expenditure accounting for 4% of the GDP.

The Chinese government encourages universities to adopt diversified funding methods to relieve financial pressure and support their development. In 1995, Article 53 of the "Higher Education Law of the People's Republic of China" clearly stated the establishment of a system where fiscal allocations are the primary source, and other channels supplement educational funds. In 2019, the Central Committee of the Communist Party of China and the State Council issued "China's Modernization of Education 2035," explicitly stating the need to improve the support system for education modernization investment. This involves lawfully implementing government education expenditure responsibilities, refining the multi-channel system for educational fund-raising, and establishing mechanisms for the reasonable sharing of non-compulsory education training costs among the state, society, and learners, supporting and regulating private efforts in education.

Furthermore, to encourage more philanthropists and organizations to participate in donation activities and promote the development of charitable endeavors, China has enacted laws such as the "Enterprise Income Tax Law of the People's Republic of China" and the "Individual Income Tax Law of the People's Republic of China," clearly specifying deductions for donations before tax. In accordance with these regulations, enterprises or individuals can make deductions when calculating taxable income for donations to legally compliant charitable activities through public welfare social organizations, governments at or above the county level, and their departments. To ensure the effective

implementation of donation tax incentives, the Ministry of Finance, the State Administration of Taxation, and the Ministry of Civil Affairs jointly issued notices, further explaining and regulating matters related to pre-tax deductions for donations. This provides specific guidance for pre-tax deductions, ensuring that donors and beneficiaries can adhere to regulations and enjoy tax incentives. Universities, as beneficiaries of social donations, also benefit from these policies, receiving substantial social donations.

3.2 Social Donations Driving Sustainable Development for Universities

In recent years, the disposable income of the Chinese people has gradually increased, creating favorable conditions for individuals and businesses to assume broader social responsibilities. Philanthropists from all walks of life are taking active measures and generously contributing to the development of education. Simultaneously, corporate donations, as a crucial manifestation of corporate social responsibility, not only enhance a company's image and reputation but also garner positive societal evaluations, attracting more consumers and investors. This aids in propelling the sustainable development of enterprises. In this process, guided by a sense of social responsibility and moral drive, companies actively participate in social philanthropy. These social donations provide additional economic support for universities, ensuring financial security for projects such as establishing scholarships, improving teaching facilities, and advancing academic research. This not only promotes the development of university education and scientific research but also contributes to societal philanthropy and progress, establishing a positive interactive mechanism conducive to building a more prosperous and mutually beneficial society.

3.3 Cross-Sectoral Collaboration and Win-Win Opportunities in Research Projects

Collaborative research projects between universities and enterprises are typically established on the basis of a strategic partnership. The core objective of such partnerships is to build a close connection between academic research and practical applications through in-depth research and cross-sectoral collaboration, thereby promoting technological innovation and effectively addressing real societal issues. This strategic collaboration provides additional financial support for university research projects, accelerating the transformation of research results. Simultaneously, enterprises benefit from the expertise, research outcomes, and innovation capabilities of universities, better positioning themselves in the market competition and enhancing the quality of their products and services. Both parties leverage their respective strengths, achieving mutual benefits and wins. This not only propels the forefront development of research but also promotes industrial upgrades and societal progress.

4. Challenges Faced by Diversified Funding in Chinese Higher Education

4.1 Implementation of "Tightening Belt" Requirements by the Ministry of Education

Currently, influenced by the uncertainty in the global economic and trade environment, China's economic development is facing various unpredictable factors. In this complex backdrop, the national finances are challenged by the dual pressures of reduced revenue and increased spending, leading to a "tight balance" situation for central and local governments. "Tightening the belt" has become a frequently mentioned term. Specifically in the field of higher education, there might be a reduction in the fiscal allocations to universities to varying degrees in the foreseeable future. Simultaneously, the potential for universities to expand from two channels, namely government and individual, in the diversified funding structure is limited. This necessitates universities to explore innovative social fundraising avenues to cope with financial pressures and maintain high-quality education and research.

4.2 Lagging Development of Donation Culture

China's socialist system and the long-standing planned economic system have influenced the cultivation and development of a donation culture. For decades, the Chinese government has assumed the majority of social welfare responsibilities, including higher education. This has led to the expectation that government provides social services, rather than relying on donations from individuals or organizations. Additionally, the education system in China lacks education on charity, donations, and social responsibility. Many people have insufficient understanding of the positive impact and importance of generous donations. Despite traditional Confucian values advocating "loving and helping others," factors such as wealth disparity, uneven regional economic development, and a lack of trust in

public welfare organizations have hindered the formation of a robust donation culture in Chinese society.^[5]

4.3 Transparency and Trust Crisis in Educational Foundations

Presently, public trust in charitable organizations has become a significant societal issue. This lack of trust arises from various factors, including the transparency of charitable organizations, management efficiency, and questioning of resource allocation. As the philanthropic sector continues to evolve, concerns from the public about how donation and funding organizations use funds and create societal benefits have grown. Educational foundations, as the primary platforms for universities to receive social donations, have room for improvement in providing information on fund usage and societal benefits. Although these foundations submit information to relevant regulatory bodies as required and publish annual financial reports on official websites, there are still shortcomings in the disclosure of details such as project expenditures, project progress, and project outcomes.^[6] According to the "2022 Observation Report on Large Donations to Chinese University Foundations," in 2021, only 4% of university foundations established special funds, 10% underwent special audits, and a mere 5% provided sufficient information disclosure in annual reports, school or foundation websites, and special web pages when accepting large donations. Donors typically expect clear and transparent understanding of fund utilization and related outcomes. However, the insufficient and incomplete information disclosure by university educational foundations may lead to a lack of trust among donors, as they cannot fully grasp how donated funds are utilized and the societal benefits they bring. This trust deficit may negatively impact the fundraising capabilities of university educational foundations and pose challenges to diversified funding for universities.

5. Promoting Diversified Funding in Higher Education: Recommendations

Currently, diversified funding for higher education presents both opportunities and complex challenges. Universities need to formulate comprehensive fundraising strategies to balance various resource streams and ensure long-term sustainability.

5.1 Cultivating Potential Donors and Fostering a Culture of Giving

Alumni constitute the most crucial and stable donor group for universities. Donating is often a result of long-term education, and universities can integrate gratitude and charity education into ideological and political courses to cultivate a culture of giving.^{[7][8]} This helps students deeply understand the importance of charity in educational endeavors. By instilling an appreciation for the active support received from philanthropists in both school development and personal academic pursuits, students can develop a philanthropic awareness, laying the foundation for future active contributions to the development of educational initiatives.^[9] Additionally, while large donations typically provide significant financial support, small-scale donations are equally meaningful. Therefore, universities should comprehensively consider both large and small donations, monitor alumni donation rates, continuously innovate fundraising models, and enhance the design and development of fundraising projects.^[10]

5.2 Development Strategies for the Charity Sector Driven by Digital Technology

With the deep implementation of the "Digital China" strategy and the continuous progress of digital technologies such as cloud computing, artificial intelligence (AI), and big data, more opportunities arise for the charity sector. Digitization has become an inevitable trend in the new era of charity development. Firstly, universities can leverage social media, video-sharing platforms, and other self-media channels to carefully craft content that communicates the mission and vision of the educational foundation to potential donors, thereby increasing the foundation's visibility. Secondly, by utilizing blockchain technology, transparent financial statements, and regular reporting of project outcomes, universities can enhance the transparency of donation fund usage. Active communication with donors will boost their trust, creating a positive cycle that attracts more social resources to the higher education sector, promoting the high-quality development of higher education in our country.

5.3 Building a Professional Fundraising Talent Pool

Diversified fundraising for universities requires a diverse and versatile team of professional talents equipped with broad knowledge and skills to address evolving fundraising challenges, ensuring the financial sustainability and long-term development of the university. A highly specialized fundraising

team will help universities fully unleash their fundraising potential and drive the successful implementation of educational and research projects. Firstly, the professional knowledge of fundraising team members should cover multiple areas to flexibly navigate different fundraising projects. This implies that team members should have backgrounds in law, finance, education, economics, and psychology, coupled with strong collaborative and coordination abilities to ensure the efficient and orderly conduct of fundraising activities. Secondly, diversified skills are also crucial for the fundraising team. This includes excellent communication skills to establish positive relationships with various donors, partners, and stakeholders, conveying the university's mission and values.^[11] Additionally, data analysis and marketing skills can assist the team in formulating precise strategies to optimize resource allocation and achieve fundraising goals. Furthermore, the fundraising team needs to cultivate an innovative spirit, constantly seeking new fundraising opportunities and methods. This involves actively exploring emerging fundraising models such as digital fundraising and social media fundraising to adapt to the ever-changing fundraising environment.

6. Conclusion

The article underscores the crucial role of public universities in China's higher education, emphasizing their dependence on government funding. Recognizing the challenges posed by rising costs and the expanding educational landscape, the need for diversifying funding sources is highlighted. Through a comprehensive review and in-depth analysis of existing fundraising channels, the paper provides valuable insights. The resulting recommendations stress the importance of exploring alternative funding streams to alleviate financial constraints, ensuring sustained growth and excellence in higher education. Essentially, the article not only outlines financial challenges but also offers a strategic roadmap for addressing them through diversified funding, contributing practical insights to the ongoing discourse on the financial sustainability of higher education in China.

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