Urgency of the research. In modern conditions higher education is an essential institution of society, that determines the dynamics of many social and economic indicators. The activities of higher education system subjects mainly depends on the impact of global trends in this area.

Low efficiency of functioning of a modern system of higher education in Ukraine causes the necessity of its components reforming. This causes the relevance of the research.

Target setting. Formation of the intellectual potential of society is influenced by many factors, and the system of higher education is one of mentioned factors. Therefore, it is necessary to make a complex of measures directed to the increase of efficiency of higher education system regulation in Ukraine.

Actual scientific researches and issues analysis. Different aspects of the education system functioning are revealed in scientific works of the following scientists: T. Boholib, I. Kaleniuk, P. Trostel, J. Ronca and H. Vessuri.

Uninvestigated parts of general matters defining. However, the problems related to the study of the practical aspects of state regulation of higher education system in Ukraine are still not fully solved.

The research objective. The aim of this article is to ground scientific approaches to the formation of organizational and economic mechanism of higher education system regulation in Ukraine.

The statement of basic materials. Since independence, Ukrainian higher education system is in the process of permanent reformation. It is caused by changes in political, economic and social spheres of public life. Problematic aspects of higher education system functioning related to the low efficiency of state regulation, the current funding mechanism and lack of development strategy in this sphere. The authors grounds the necessity to use new approaches of state regulation of higher education system based on the search of the best sources for its funding in accordance with national priorities, and increase of the quality of educational services.

As a result, they must create the conditions for the formation of human capital of information society.

Conclusions. To increase the efficiency of state regulation of higher education system it is offered to use organizational and economic mechanism. Its use will allow to determine the most appropriate regulatory instruments based on the analysis of evaluation results of the educational, economic and scientific activities of higher educational establishments.

Keywords: government regulation; higher education; budget; corruption.

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Urgency of the research. The development of society in the information age causes the necessity in development of new approaches to provide national economies functioning. The importance of intellectual component increases. It becomes a dominant factor in economic growth and competitiveness. Formation of the intellectual potential of society is influenced by many factors, and the system of higher education is one of mentioned factors.

Actual scientific researches and issues analysis. Theoretical aspects of the education system functioning in Ukraine are reflected in scientific works of the following Ukrainian scientists: T. Boholob [1], I. Kaleniuk [2] and others. The issues of subsidization of higher education are discussed in scientific papers of P. Trostel and J. Ronca [3]. Sverker Sorlin and Hebe Vessuri [4] highlight the problem of economic knowledge formation.

Uninvestigated parts of general matters defining. However, the problems related to the study of the practical aspects of state regulation of higher education system in Ukraine are still not fully solved.

The research objective. The aim of this article is to ground scientific approaches to the formation of organizational and economic mechanism of higher education system regulation in Ukraine.

The statement of basic materials. Ukraine inherited the Soviet model of higher education system with, in fact, the only source of funding and full regulation of educational processes. During the years of independence, the state policy in the field of higher education is characterized by consistency, focus on the development of global civilization. Liberalization of public relations effected the reforming of higher education system and its adaptation to the new economic and social situation in the country. There was a rapid increase in the number of higher education establishments with a simultaneous decline in the quality of educational services. High inflation, budget deficits and other economic factors had negative influence on higher education system funding.

Quality of education reducing influenced the growth of unemployment among university graduates, reduced contingent of foreign students, the low efficiency of management solutions of the employed young professionals.

Even when the Ukrainian educational system became a part of the Bologna Process, which was seen as a panacea for national education, it had not led to the synthesis and adapting of the positive European experience in the development of higher education system. Thus, none of Ukrainian universities is included in the ranking of universities according to the groups of experts Shanghai Jiao Tong University [5]. In the QS World University Rankings in 2015/16 only six Ukrainian universities are located in four to eight hundred [6].

The main characteristic features of modern Ukrainian higher education system are:
- low efficiency of state regulation;
- lack of development strategy and its specification;
- low quality of education;
- costly mechanism of state funding.

New attempt to reform the higher education system was connected with the adoption of the new Law of Ukraine «On Higher Education» in 2014 [7]. Five stages of higher education: junior bachelor, bachelor, master, Ph. D, doctor of sciences had been proposed.

State higher education institutions finally received the right to manage their own financial resources.

In this context, according to the above mentioned legislation, the concept of «autonomy of the university» takes practical content. This term is interpreted as «autonomy, independence and accountability of higher educational establishment in making decisions regarding the development of academic freedom, organization of educational process, research, internal governance, economic and other activities, independent choice of staff within the limits prescribed by law» [7].

However, these innovations are, in our opinion, mostly forced. For example, the need to implement the autonomy of higher educational establishments is due to the lack of sufficient state budget to finance educational activities in higher educational establishments. Giving the right of final awarding of scientific degrees to universities is prior to giving them the obligations to finance the additional payments for academic and scientific staff.
The information contained in the Table. 1 shows the nominal increase in 42.3% of government expenditure in national currency for teaching staff training of higher educational establishments in 2010-2015.

At the same time, taking into account inflation level, it certifies the funding decrease during 2014-2015. The situation is much worse because of inefficient use of money in the limited funding conditions.

### Table 1

<table>
<thead>
<tr>
<th>Year</th>
<th>General fund</th>
<th>Special fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>billion UAH</td>
<td>billion USD</td>
<td>billion UAH</td>
</tr>
<tr>
<td>2010</td>
<td>8.16</td>
<td>1.03</td>
<td>4.82</td>
</tr>
<tr>
<td>2011</td>
<td>8.51</td>
<td>1.07</td>
<td>5.54</td>
</tr>
<tr>
<td>2012</td>
<td>9.78</td>
<td>1.22</td>
<td>6.2</td>
</tr>
<tr>
<td>2013</td>
<td>10.61</td>
<td>1.32</td>
<td>6.59</td>
</tr>
<tr>
<td>2014</td>
<td>10.46</td>
<td>0.88</td>
<td>6.94</td>
</tr>
<tr>
<td>2015</td>
<td>11.2</td>
<td>0.51</td>
<td>7.28</td>
</tr>
</tbody>
</table>

Source: [8; 9; 10; 11; 12]

Analysis of state budget expenditures by functional and economic structures is presented in [13], indicates the dominance of current expenditures, the most of which goes to salaries.

Deficit of higher education financing promotes the positions on the need to reduce the amount of the state budget, by which students are trained. We believe that in the era of social and political transformation it is not advisable to reduce funding for training students for the state budget. This can be explained by significant poverty of Ukrainians (reduction in real incomes) and complexity of use of tuition alternative schemes. Reduction of state order will affect the accessibility of higher education to poor people, increase the level of social tensions.

The level of interest rates on commercial bank loans, in fact, does available this source of funding students training (Fig. 1).

![Fig. 1. Interest rates on loans to households, %](source)

Formation of the grants (or similar) mechanism for education tuition is at an early stage, so it is too early to speak about its effectiveness.

A significant drawback of modern higher education system is a discrepancy of training fields of students in the state budget funding to the real needs of the economy.

Transformation of Ukrainian society in terms of market reforms, the dynamism and contradictory of social processes determine the critical importance of higher education regulating in its different dimensions and levels, including the social differentiation of education, system of education organization in some educational establishments and role of this process subjects, the timing of training, assessment criteria, mechanisms of financial and administrative impact of public on education etc. System and person centered ap-
proaches are prior for the modern theory and practice of regulation, including social and educational systems [15].

Of course, the issue of quality of education should be a prior one. National Agency for Quality Assurance in Higher Education was founded according to the Law of Ukraine «On Higher Education».

The aim of its functioning is independent audit of the quality of education. World experience shows that a critical audit of the quality of education is not the status of the institution, its subordination, but the ability of objective assessment. The main destabilizing factor is corruption. Thus, in Corruption Perception Index in 2015 calculated by Transparency International, Ukraine ranked 130 place out of 167 positions [16].

The struggle against corruption is a key element in improving the functioning of higher education system and quality of educational services. Precondition of objectivity of the audit results of the quality of education in higher educational establishments is the development of clear criteria for evaluating their educational and research activities.

For this purpose we proposed organizational and economic mechanism of state regulation of higher education system regulation. It consists of three interrelated elements: principles; monitoring indicators of educational and scientific activities of higher educational establishments; development of state regulation measures.

The main principles of functioning of the organizational and economic mechanism of higher education system regulation are the following:

1. Complexity.
2. Consistency with national interests – focus on long-term goals of Ukrainian society development.
3. Results orientation – focus on improving the efficiency of educational services and research activities.
4. Equality – using the instruments of state regulation should not depend on ownership form or departmental affiliation.

Annual monitoring of educational and scientific activities of higher educational establishments should be based on objective analysis of the indicators that characterize the educational, scientific, and economic components.

Thus, the quality of educational services is, in our view, appropriate to analyze by identifying such indicators:

1. The share of students participating in international programs (as a percentage of the total number of students).
2. The percentage of plagiarism in final qualifying works (general index for higher educational establishment).
3. The level of corruption (in percentage).
4. The level of knowledge of foreign languages (the proportion of students who received for IELTS more than 5.0 points or equivalent level for other systems of evaluation of a foreign language knowledge).
5. The share of foreign students (as a percentage of the total number of students).

Among the economic aspects of higher educational establishments functioning we define the following ones:

1. Profitability (in percentage).
2. Violation of tax legislation (thousands of UAH per employee).
3. The level of average wages in higher educational establishment (in percentage to the same index in the region).
4. Arrears of wages (thousands of UAH per employee).
5. The level of energy efficiency (the amount of energy consumed per 1 student).

Objective indicators, in our opinion, are:

1. The number of citations of lecturers’ publications (per full-time lecturer).
2. The number of international awards (per full-time lecturer).
3. The number of foreign post graduate students (per full-time lecturer).
4. The funds raised for scientific research (thousands of UAH per full-time lecturer).
5. The volume of funds received from the sale of research results (thousands of UAH per full-time lecturer).

This system of criteria is not exhaustive and can be added / edited. Based on the proposed criteria it is advisable to calculate general indicator, such as the integral index.
The annual results of monitoring of educational and research activities is a prerequisite for the formation of the system of measures of higher educational establishments activity regulation. We propose regulatory measures grouped into three groups, depending on their target orientation: liquidation, indifferent, stimulating.

The implementation of liquidating measures aimed at ensuring the rights of students for higher education, minimization of risks in case of violation of tax and labor laws by a higher educational establishment.

The aim of indifferent measures is the maximum liberalization of higher education, non-interference in the activities of institutions subject to the law.

Using stimulating measures provides funding of students training for the state budget, state equity participation in scientific research, and preferential taxation. The above mentioned applies to higher educational establishments whose generalized indicator by the results of monitoring, is higher by 25% or more than average level.

**Conclusions.** Summarizing the above information, it is necessary to ascertain low efficiency level of higher education system functioning in Ukraine. Regulation of higher education sphere shall be financed on the basis of the proposed organizational and economic mechanism. Integrated use of its elements will increase the efficiency of the regulatory impact.

Prospect for future research is to study issues related to the use of financial instruments to stimulate innovation activities of higher educational establishments, technology transfer.

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