

# Encouraging Factors for Investment in Higher Education in the Private Sector in Iran

Shahram Yazdani<sup>1</sup>, MD; Marzieh Dashti Rahmatabadi<sup>1\*</sup>, PhD; Ebrahim Alimohamadi<sup>2</sup>, MSc

<sup>1</sup>School of Medical Education Sciences, Shahid Beheshti University of Medical Sciences, Tehran, Iran.

<sup>2</sup>Department of Quranic Sciences and Hadith, University of Qom, Qom, Iran

## Abstract

Higher education which has the main role in the training of skilled human resource can also be considered as the foundation of wealth creation in the country. The quantitative and qualitative expansion of higher education is inevitable. The facilities and the government budget are not responsive for the need, due to the increasing demand of young people for entering higher education in Iran. Therefore, developing and equipping universities and unpublicized and private higher education institutions have received considerable attention and have grown substantially. We aimed to evaluate educational experts regarding encouraging factors of the private sections for more participating in financing of higher education centers and institutions in Iran. Qualitative content analysis method has been used. The participants were selected using purposive sampling. The professors were in positions of policy-making and managing and had opinions on the challenges of universities financing. Data collection was conducted with semi-structured interview in 2016 and all ethical considerations associated with qualitative research were respected. The main concepts obtained from the interview were reported in the three main themes and their sub-classes. We have found that with the authorities given to universities by law, and preparing the transition from the based solely on government resources to the private section is provided by taking the appropriate decisions of managers to attract investors Universities can benefit from promoting different mechanisms to attract private financing in the higher education section. Solutions also were presented in this way. The idea of educational investment not only can promote the community investments towards higher education, but also has been the promotion of knowledge-based business in the community and promotes entrepreneurship and knowledge-based economy.

**Keywords:** HIGHER EDUCATION, EDUCATIONAL INVESTMENT, KNOWLEDGE-BASED ECONOMY

*Journal of Medical Education Winter 2017; 16(1):17-25*

## Introduction

Today, with an emphasis on knowledge-based economy in which the production, distribution and use of knowledge has the main and dominant role for wealth creation, the role of human resources has become more and more important. So, higher education

which is responsible for training professional human resources in universities and higher education institutions has a special role. In Iran, as a developing country higher education expansion is inevitable in terms of qualitative and quantitative.

Studies have shown that in recent decade's government facilities and budget could not be responsible for the necessities and needs due to the increasing demand for young workers for enter higher education in Iran (1). Therefore, the establishment, development and equipment of universities and unpublicized and private

\*Corresponding author: Marzieh DashtiRahmatabadi, PhD in Medical Education. Shahid Beheshti University of Medical Sciences, Tehran, Iran. Phon: +98 21 86702203  
Fax: +98 21 86702220  
Email: Dashtirm1sbmu.ac.ir

higher education institutions also received considerable attention and have grown dramatically (1).

Higher education includes university education leading to associate, bachelors, MSc and PhD degrees currently in Iran (2), and active training centers in Iran's higher education system include:

1- Public section: Education in this section has been according to the country's need, and therefore students do not pay tuition for education. This section including universities and higher education centers which affiliated to the two Ministries (Ministry of Science, Research & Technology and ministry of Health and Medical Education) and also centers which accept students by obtaining permission from the Ministry of Science, Research and Technology.

2- Distance learning section: provided by the *Payame Noor University* (PNU) of this type of educational system. Training in this section is subject to a percentage of the tuition.

3- Private section: which has been established for increasing public participation in providing higher education services and daily increasing of social demand for entrance to higher education in Iran. It includes Islamic Azad Universities and non-profit universities and institutions of higher education. Studying in these universities is based upon full payment of tuition (3).

For managing the affairs of universities different rules and regulations have been approved and included in the adoption of "Law Board of Trustees of the Universities", Because of the serious duty of universities in training progressive and thoughtful human resources appropriate to the needs of the country and that they should produce native science. In paragraph "v" from the article 7 of this law the method of allocation and use of dedicated revenue has been transferred to universities. Also in paragraph "h" universities have been allowed to attract the private section aides and local revenues including cash, equipment, and construction with respect to the criteria

adopted by the Supreme Council (4).

In these circumstances policymakers and higher education managers should be able to adapt themselves to new conditions quickly and create new roles and relationships for themselves and they use different patterns for conducting educational sections, including the use of participatory model for attracting the private section financing. It is obvious that, if higher education does not have enough financial validity for accomplishing its goals, it will face difficulty in performing its duties and cannot operate to serve the country's economic development; therefore, adequate financing is one of the most important challenges facing the universities and educational units (5).

So, expert opinion on the method of financing in higher education institutions are important in order to find the best way of using limited financial resources and identifying the ways for financial compensating (6). In this way, the best approach is to evaluate the opinions of experts which are involved in the processes of supply and financing for universities. We aimed to evaluate the educational expert's point of views about encouraging factors of the private sections to contribute to financing of higher education centers and institutions in Iran.

## Methods

In order to explain the educational experts' opinions, Thematic Content Analysis has been used (6). The study population consisted of people who were in positions of policy making and management and had opinions on the challenges of financing universities. Purposeful sampling was used to select participants. Choice of research method had been based on the research goal.

It was decided that data collecting be done by designing semi-structured open interview to choose the key elements and arrangements to be made with them for the interview time in 2016. The necessary permits were obtained

and all ethical considerations associated with the implementation of qualitative research were considered.

The aim of the research was briefly described at the beginning of each meeting. A list of questions was given to the participants and in some cases questions were faxed before interview sessions. If required, in some cases, the interviews continued with open-ended questions. Interview with open-ended questions enables participants to explain their comments along with their experiences in the current financing methods and shortcomings in higher education institutions. Feedback and reflection were also done. Sampling was terminated when data saturation was reached. Ten professors and experts with a mean age of 60 years were interviewed. Each interview lasted 30 to 90 minutes and was completed in one session. Interviews were done in the university or their work environment in a relaxed atmosphere and suitable place and mainly after the official hours. Interviews were written on the paper at the earliest convenient time.

Text interviews were analyzed as open coding for the production of primary classes after re-reading them several times. For this purpose, first the texts were divided into units of meaning and were then summarized and coded. Different codes were compared based on their similarities and differences and were classified to categories. At this stage, the categories were discussed and reviewed by the researchers in order to obtain the themes (7).

Simultaneous analysis, main informants' choice, research team members checking and ongoing review of data, the exact and deep description and data revising were used to enhance the credibility and authentication of data. Also the description of the conditions in higher education and participants were used to demonstrate the way of the generalizability of findings. Findings are the same as the participants' answers without interference of the researcher and unbiased (8).

## Results

The main concepts obtained from interview data were shown in three main themes and their sub-classes, according to Table 1.

Facilitating the entrance of different private sectors for investment: This theme had three sub-themes:

**A) Families/students and graduates:** Participants believed that if students cannot obtain their favorite situations in public universities, their families would spend their funds for their children's education in private universities to obtain suitable jobs. However, this partnership has been done with high-risk and children go to unpublicized education institutions in the hope of finding a job.

They also believe that, reduction of government enterprise and opening of private employment positions can be useful for more participation. Number 1 interviewee said: "If the government begins to unlock its private section and be able to guarantee jobs, then we can expect people to play the role of supplementary funds for

**Table 1.** The obtained main themes and their sub-themes

Main themes	Sub-themes
Facilitating the entrance of different private sector for investment	Families - students - graduates Other private sector capacities in the labor market Conscious / donors and the charities /vows
Stepwise separation of higher education economic from budget	Exit the economy, public higher education Attention to sources of labeled tax Devolution of education to the private sector
Reduce investment risk and the full enjoyment of financial benefits derived from educational investment	Changes in processes within the university Profit more in investment of training Incentive adopt policies

the government .... You have state economy and do not allow the graduated young person to be able to have any job opportunities..."

Participants also referred to lack of the financial ability of students to pay some educational expenses and believe that students' participation would be more in higher education if it can be programmed in a way that the current cost of education to be assisted or to be postponed. No. 5 interviewee says: "Iranian families now care much for the course and school, for example, if there was an institution that paid the cost of their children and requested its pay back at a later time, be sure that many families would welcome it".

**B) Benefit of other capacities of private sections in the labor market:** contributors believed since the government requires financial resources for training experts; it can receive these scholarships through training human resources in private sections in the labor market. Number 1 interviewee says: "we have too many factories, institutions and.... which all need to think, plan and need an idea, so why don't our universities care?"

Also universities can provide solution and have income to solve the problems of private and public sections. No. 6 interviewee stated that "Universities should help all sections by involving itself in solving the countries issues... find the problem, solve it and create income and do a service, in pollution, environment, industry... It means if this relationship and this cycle be activated this is the university which has helped other sections"

So educational revenue for universities is provided more than ever through educating and training skilled labor for them through necessary financial and non-financial supportive contracts to private sections and companies, including knowledge-based companies, hospitals, laboratories and....

**c) Financial inflows from dedicated/charities /vows:** Parts of turnover of the private section which is spent on public works in a society, can lead to higher education. No 5 interviewee stated that "As people dedicate their assets in

different parts, we should do culture-building practices and provide methods that people be encouraged to do this in higher education"

In this way successful people can be considered as models. No 2 interviewee said: "We should do culture-building practices and recruit influential people from the society towards our donors and explain to them. Donors love to see the result of what they did, hospital, mosque, schools are so obvious to them, but the result of the training is not clear for many of the donors. So the culture-building practices and the impressive people can be used". In this direction we should be acted in such a way that the results of investment in the higher education section with the objective and tangible appearance for the investment owners.

2- Stepwise separations of higher education economics from government sources (by government monitoring): This theme had three sub-themes:

**a) Exit from the public higher education economy:** Experts believe that in the economic condition of Iran, expansion of higher education occurs unrelated to economic needs, some of the trained people have material benefits and do not create much benefit for the economy. No 7 interviewee said: "In the field of economics first, we have the limited resources and we should adapt ourselves with these limited resources. We should see what we would expect from universities, if the appropriate trained human resource is expected, that human resource should be ideally educated. It means, it requires that we see what is the pyramid of human resource in the country? What human resources should be trained? And naturally should be planed for those human resources, should be also created competition in this plan".

Also, financial dependence can take place in higher education based on three sources of individual, private and government sections. But the government resources should be spent only in specialized fields which are needed in the country. No. 2 interviewee believed that:

“We should see where we are and - how many of us need a college education. We do not need more than that amount, and people who have personal interest, they can pay for it personally. Sometimes the private section says I need educated people for a specific reason, and then the private sector can be a supplier in this field. Therefore, the costs of education should be seen somewhere, this could be government, private section or individual.

**b) Attention to (Er) marked tax resources for training:** For increasing the cash reserve of higher education section can impose special tax for the private section. No 7 interviewee believed: “It is recommended that we take special or labeled tax for specific affairs, for example if an industry creates pollution we take tax for health, etc....It means, knowledge-based productions tax can be took for growth of the knowledge in the country, leads to knowledge comes less and knowledge production will be changed. This will lead to increased native knowledge and financial resources of our universities. No. 9 interviewee mentioned that “... As the amount of income tax on buying and selling cars or houses be deposited into account education, as some also go into higher education accounts”

**c) Devolution of education to private section:** Interviewees admitted that providing professional resources for companies and private institutions is actually using their financial resources for training their required human resources and in this case, a student does not pay expenses, but the employer pays the training expenses for its human resources to the university. In this way, the university transferred the education costs to the private sectors. No. 3 interviewee stated that “... we should say anyone should invest part of his income and asset for people who work for themselves in higher education through the university. They give money to universities and the university updates these people. For example, if a bank or municipality has a health system and wants a doctor, they should pay for training that doctor.”

In some cases state universities have been put surplus quotas that a person pays tuition for his education. No. 2 interviewee said “Person who pays tuition or are surplus quotas or international Paradises, In fact, they had to bear the costs. It means college accepts students in excess of capacity, this means that if a student did not use this capacity, he was not accepted. It means in fact, he is in excess of the required capacity of the university and the government may use them later...”

3- Culture-building practices and reduction of investment risk of education: This theme had three sub-themes:

**A) Changes in processes within the university:** Reset of management methods on higher education section should be applied in a way which managers have to reduce the ability to reliance only on government resources, depending on the type of educational institution, and this type of management should change by looking at the participative management and higher education with revenue. So it is necessary that some of the university laws, powers, and processes change. No 5 Interviewees says: “...The problem is how to manage. Some managers are not accountable for the money which they receive from the government... our university only use to hold class and to teach. Nobody follows these universities and they cannot run their economies”.

So, if we are able to provide correct information about the abilities, possibilities, and capacities of higher education to the community, we can give a positive view to the society, on the other hand, we can provide more flexible decision-making for managers with change in the authorities of the board of trustees. No 3 interviewee said: “the board of trustees has authorities, but they are not transparent. For example, Board of Trustees has no authority about attracting and creating excess capacity. Or about financial trends, creating price competition ... these are things that are not within the university’s authority”

In this way, holding empowerment courses

in universities can be useful for familiarizing managers to introduce economic concepts and specifically the economy in higher education, a variety of organizational structures and the impact of each on income of institutions. No 6 participant said: "Maybe our private section has entered a little in providing our resources, but its amount is not to the extent which it can bear the load - except Azad University which is considered an unpublicized organization". The reason is that the economics of higher education, private section, words such as non-profit, has not been defined yet, and the investor does not tend towards this topic and property after the death of the person is unknown, and it does not attain to the heir or the financial resources provider. Here the legislator should decide on these concepts and define and identify that higher education has a dynamic economy that would encourage people to make investments.

#### **B) More profit in educational investment:**

All the interviewees completely disagreed with privatizing higher education, but they accept that in the fields which the government does not need training, the human resources can benefit from the help of the private section with certain conditions. No 3 interviewee said: "full privatization is not logical, part of the MSc and PhD should be unpublicized because the government never needs many MSc and PhD graduates. Certainly there is more capacity than needed in universities and it is natural that it should be privatized".

Some interviewees believed that private higher education can create the deviation background in goals but any deviation will not occur if it is done with the government supervision. No 1 interviewee stated: "Yes. To some extent if is affected. Because investment comes first ... but if privatization is monitored to some degrees, deviation from the objectives can not be seen. So, they believed that higher education in this way should be such that it produces products, it means human resources graduate with high quality and can easily take authority of good occupations, so investors obtain

more profit from investment in education. No 6 interviewee believes: "... The benefit of educational activities is better or benefit of the commercial activity? I think, an educational activity, because you have trained the human resource. You should notice that in the world, human resource that you have trained was competitive but your other products were not competitive. So if higher education has profitability nothing is wrong".

**C) Adopting incentive policies:** Culture-building practices with gaining the trust of investors and adopting policies that causes to incentivize the investors to participate in higher education are also very important. No 8 interviewee believed that: "there is a tendency towards science and technology in our country... but we should provide sufficient facilities. For example, if someone owes tax, helps the university, he/she can get tax deductions and concessions. If we want to build a university and an individual paid its land from tax, the government builds it. Or for example, if there is a building, people who are beneficiaries, do a part of it". Although most solutions were classified in the field of research and development, these methods can be modified in a way that any natural or legal person has been considered for promoting the university educations and benefit of its advantages such as discounts or tax reliefs.

## **Discussion**

Supply and allocation of financing in public higher education and its mechanisms in various countries are different, and the use of each mechanism depends on the goals that educational institutions follow, economic capacity of the government, public institutions rate and amount of their self-determination. Since the government is still the main sponsor of the higher education system, method of government financing should be sufficient. Moreover, it should be effective and guarantee quality.

Although most of the growth of higher

education has occurred in the public section but non-profit and private education had also experienced considerable growth. Since the costs of this type of education are high, we should be able to reduce the financial barriers for students' entrancing to higher education. Many families have assets. They can pursue another objective on their assets but they choose to devote a part of their wealth for the education. They may also borrow money for their children's education rather than to buy a house, because they know the university education is an investment with all the benefits that will bring in the long term. In our study, managers also believe that Iranian families care for their children's education and if their children are not accepted in public universities, they will pay the high costs for their education in private universities (9).

Financial aid to families overcomes financial barriers that can potentially increase the rate of entrance into higher education. In addition, the tuition increase is not worthy without the financial support of low-income students and the different types of financial support from students can be useful as tuition fees and gaining the public financial aid for living, dormitory and current costs of education, loan and scholarship (10). In our study, the interviewees believed that many potential students who are from low-income families because of inability to pay university costs and also the costs of accommodation and welfare; they cannot attend their favorite fields in university. With university grants and loans they are able to postpone their tuition costs and or the repayment of their loans be postponed and they can pay their loans as soon as they are employed.

A study showed that lower income students are dependent on grants for attending universities in Australia and whatever the conditions for gaining grants for them are more provided, these students will have a greater presence in universities (11).

On the other hand, connection of communication channels between the higher

education section and other sections needs to expand in research and innovation with the aim of disseminating the knowledge. Higher education should be responsive to the needs of industry by carrying out flexible cooperation projects (12). Higher education must establish the right policies and should design the educational planning that small and medium-sized contracts are considered with companies from all technical sections (13). Managers also believed that higher education can earn income by solving problems and difficulties of the public and private sections. Also in our study experts believed that we should have order making for human resource and should draw human resource pyramid. We should know what manpower should be trained? And, what should be planned for them.

If higher education has a tangible social result, private investors find tendency to invest in education. An investor is looking for the maximum profit in the minimum time and with a low risk. Therefore, the full enjoyment of financial profit from the educational investment should be promoted more that investors show more interest in propelling their financial resources towards the higher education (14). Interviewees disagreed that there are investors who are willing to invest in large-scale industry, but we do not have human resource and specialized and skilled technician yet. They believed that universities only train human resource to get the education degree. And university graduates cannot find the necessary social skills. In interviews it had been referred to this note that we want experts in some hospitals. The state budget can be spent with careful planning and the needs should be determined, at first. It is clear which universities compete with each other for training qualified human resource and higher education levels are improved by that.

In this path, the government also can provide the foundation for competition of higher education centers in training of skilled and required graduates for the labor market by changing trends of assigning budget to higher

education centers such as ordaining of the supplementary budgets based on performance or assigning the motivational budgets and educational (Er) marked tax that is only given to high-quality education centers. It is also very important to define how the private section should enter educational processes in universities with public possession and the way and the percentage of profit of each of them completely.

## Conclusion

In this study, we found the preparation the transition from relying solely on the government resources towards the private section. The law has been given some authorities to universities and managers for making appropriate decisions to entice investors. They can promote different strategies for attracting the private funding resources in higher education section.

The notable point is that universities have been successful for attracting private sources towards the research units and developmental units, but we should also be able to propel financial resources towards the universities and higher education institutions with different approaches due to the thirst of the society for education as well as to train the skilled and required human resource of the labor market (15). In this path the below approaches can be useful briefly:

- Financial support for students through public grants or with low interest Plan making in unpublicized sections for training human resources which can lead to ordain the kinds of grants and scholarships with the different private sections support. High costs of education are transferred from public sections to private sections and supporting institutions by this method.

- Attracting the donors' investments and being clear the amount of their benefits from educational investment

- Attracting (Er) marked tax for higher education sections

The limitations: Interview with private

section managers and institutions which use human resources of the university and their problems can provide more data to achieve the objectives. Also interviewing individual investors including donors and getting their concerns of the investment kind can underlie new ideas for finding legal solutions in educational managers and can provide the removing obstacles of presence of these people in the educational investment.

Obviously, if higher education can use all its capacities in the society in a way that bring the best benefit to the society, the society would also be encouraged to resolve the problems of higher education. In other words, training and development of the idea of educational investment can not only be a stimulus for social investments towards higher education, but can also promote knowledge-based business in the society and entrepreneurship and knowledge-based economy.

## Conflict of Interest

The author declares no conflict of interest.

## References

1. Aleagha F, Keshavarz M, Rahimi M. The quantitative growth of public and private higher education in the Islamic Republic of Iran. *Research in Curriculum Planning*. 2009; 20: 73-110.
2. The introduction of the higher education system in Iran. The diverse currents in Iran Higher Education. Available from: <http://www.Tebyan.net>. 1394.
3. Nafisi A. Analysis of Iranian Higher Education System. Institute of Research and Planning in Higher Education. Ministry of Science, Research and Technology. The Project of expertise needs assessment and human resources development policy. 2001. Available from: [http://irphe.ac.ir/files/site1/pages/Tarh\\_haye\\_Jame/Tarh\\_Report/47-nafisi.pdf](http://irphe.ac.ir/files/site1/pages/Tarh_haye_Jame/Tarh_Report/47-nafisi.pdf).
4. Law of the Boards of Trustees of the University and higher education and



- research institutions – Iran; 1989. Available from: <http://shirazu.ac.ir/sites/default/files/Files/1367.12.23.pdf>.
5. Sobhani, H. Return on training investments. *Economic Research Journal*. 2010; 45.
  6. Wilkinson D, Birmingham P. Using research instruments: A guide for researchers. NY: Psychology Press; 2003.
  7. Mayring P. Qualitative content analysis. *Forum Qualitative Social Research* [Online]. Available From: <http://www.qualitative-research.net/index.php/fqs/article/view/10892>.
  8. Patton MQ. *Qualitative research and evaluation methods*. 3rd ed. Thousand Oaks, CA: SAGE Publication; 2002.5.
  9. Davies J, Weko T, Kim L, Thulstrup E. *OECD Reviews of Tertiary Education Finland*. Finland: OECD publications; 2009. Available from: <https://www.oecd.org/education/skills-beyond-school/37474463.pdf>
  10. Liz Reisberg. *Access & Equity in Higher Education: Issues and Complexities*. UNICAMP, BOSTON COLLEGE; 2010. Available from: [http://www.gr.unicamp.br/ceav/pdf/unicamp\\_access&equity%5B1%5D.pdf](http://www.gr.unicamp.br/ceav/pdf/unicamp_access&equity%5B1%5D.pdf)
  11. Birrell B, Dobson LR, Rapson V, Smith TF. *Higher Education at the Crossroads*. Melbourne: Centre for Population and Urban Research; 2001.
  12. Santiago P, Tremblay K, Basri E, Arnal E. *Tertiary Education for the Knowledge Society. Special Features: Governance, Funding, Quality*. 2008; 1.
  13. Orzan,MC., Vakhitova T, Gadelshina L. The role and importance of the study of economic subjects in the implementation of the educational potential of education. *Soc Behav Sci*. 2015; 191: 2565-7.
  14. Platonova E, Bogomolova J, Musarskiy M, Lgumnov O. Various Approaches to Financing Russian Higher Education Institutions Integrating into the Global Educational Environment. *Social and Behavioral Sciences*. 2015; 214: 393-8.
  15. Paulsen MB, Smart JC. *The Finance of higher education: Theory, Research, Policy & practice*. Agathon Press; 2001.