

Higher Education Finance in China

Updated February 2017*

The People's Republic of China has the largest system of higher education in the world by enrollments: a level that (like the Chinese economy as a whole) is all the more remarkable for the speed and trajectory of its growth. The total number of higher and post-secondary institutions in 2014 totaled more than 4000, including:

- 2529 regular higher education institutions;
- 295 institutions for adults;
- 1327 colleges offering mainly two- and three-year certificates; and
- 1187 short-cycle vocational-technical schools.

These institutions in 2014 enrolled some 27.64 million students. (More recent 2016 reports that have included not just institution designated as regular degree- and certificate-granting by the government, but all of tertiary education, and have reported total enrollments of as many as 37 million.)

The Chinese Higher Education System

I. Structure and Governance

In 2014, there were 2,824 higher education institutions including 2,529 regular higher education institutions (including 283 independent, or DULI, colleges, which are autonomous institutions affiliated with public universities, and 295 institutions for adults. Of these regular higher education institutions, 1,202 provide bachelor degree programs; 1,327 offer three-year certificate programs. An additional 1,186 institutions are devoted to tertiary vocational training and not counted among the regular higher educational institutions.

* Measuring numbers of tertiary, or post-secondary, or higher education institutions and their students, particularly for the purpose of international comparisons, is difficult. Tertiary, post-secondary, further, and higher education—with counterpart terms in other languages—all reference institutions and their students after completion of secondary education. Such institutions differ in the length of study, in academic rigor, and in the focus of study—particularly in the mix of general, vocational or professional teaching and learning—and in the granting of degrees, diplomas, certificates, and other attestations of learning. The term *higher education* most often refers to colleges or universities—publically or privately owned, awarding of degrees (bachelor's, master's, or doctorates), diplomas, or certificates—the last two generally awarded by institutions featuring shorter and more vocationally-oriented learning.

Higher education in China is still predominantly public, although a private sector has been growing rapidly. The public institutions are under either the central government or one of the provincial, or local, governments of the PRC. Of the 284 institutions under the Central Government, 73—all of them full universities and including most of the most prestigious—are under the Central Ministry of Education (MOE). Another 211, including 34 universities and 177 graduate degree-granting research institutes, are under other central ministries.

Subordinated under local, or provincial, governments in 2014 were 1689 institutions. Similar to those under the Central Government, these institutions are under either the provincial ministries of education or under a variety of other provincial ministries. These institutions include 672 four-year and 1,017 three-year institutions.

Private degree- and certificate-granting institutions in 2014 totaled 727, including 5 universities granting graduate degrees, 315 four-year bachelor’s degree colleges, and 307 institutions granting mainly three-year certificates.

Private institutions have been growing in numbers: 413 private institutions have been set up over the past decade. As these institutions transform to universities of applied sciences, private institutions are expected to witness a new era of development in China.

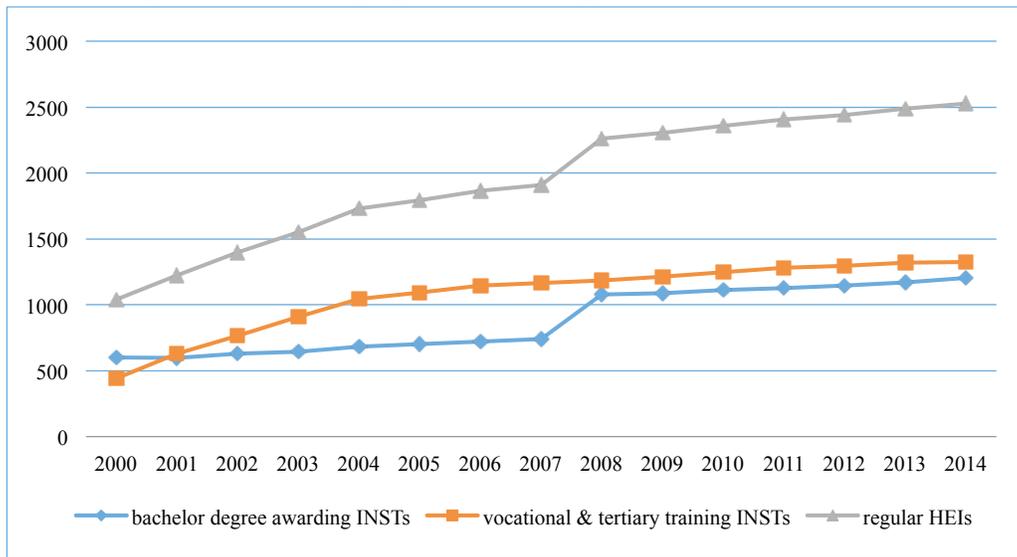
Table 1 Chinese Higher Education Institutions (2014)

	Total	Under Central Government			Under Provincial or Local Govs.			Local enterprise subordinate	Private Institutions
		Sub-total	MOE-affiliated	Other Ministries affiliated	Sub-total	Educational department affiliated	Non Educational department affiliated		
Graduate schools & INSTs	788	284	73	211	499	433	65	1	5
Universities	571	107	73	34	459	432	27		5
Research INSTs	217	177		177	40	1	38	1	
Regular HEIs	2,529	113	73	40	1,689	1,053	592	44	727
bachelor degree awarding INSTs	1,202	110	73	37	672	604	68		420
Tertiary certificate awarding INSTs	1,327	3		3	1,017	449	524	44	307
Vocational & technical colleges	1,186								
Adult HEIs	295	13	1	12	281	94	146	41	1
Other private INSTs	799								799

Source: <http://data.stats.gov.cn/easyquery.htm?cn=C01>

Overall, short-cycle institutions and programs, both for tertiary training and certificate programs, have begun to outnumber bachelor’s degree institutions from 2001 (52.47 percent for 2014). See Figure 1, below.

Figure 1 The Changing of Chinese Higher Education Institutions



Source: Education Statistical Yearbook in China

II. Student Enrollments and graduates

In 2014, the number of students enrolled in regular bachelor’s degree and tertiary training certificate-awarding institutions was 25.48 million, with another 1.85 million enrolled in master’s programs and 310,000 in doctoral programs. There were 7.21 million new entrants coming to bachelors- and tertiary training certificate-awarding institutions, 550,000 entrants to graduate schools, and another 70,000 starting their doctoral programs. Meanwhile, more and more students finished their formal studies in all levels of higher education: almost 6.6 million students graduating from bachelor’s- and tertiary training certificate-awarding institutions, some 480,000 from graduate schools, and another 50,000 achieving their doctoral degrees.

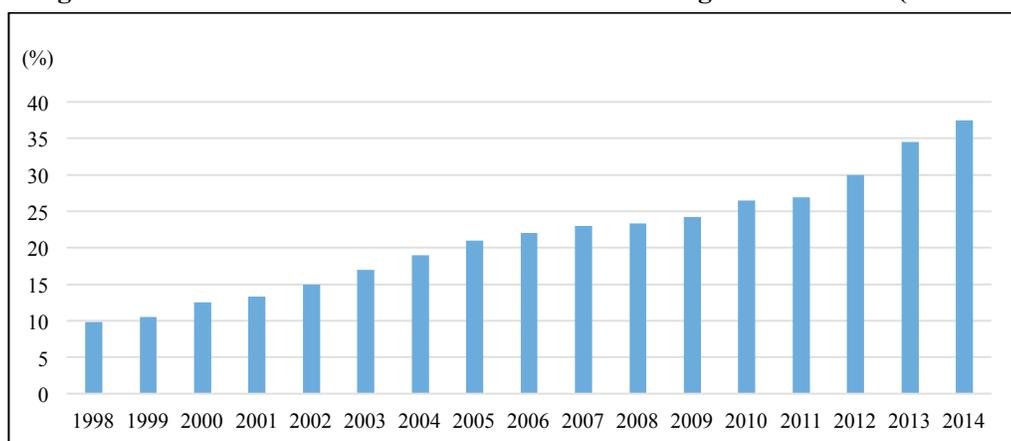
Within private higher education institutions, there were 5.87 million students enrolled in 2014, including 3.75 million in bachelor’s degree awarding institutions and 2.12 million in tertiary training certificate awarding institutions. New entrants in the private sector totaled 930,000 in bachelor’s degree-awarding institutions and 800,000 in tertiary training certificate-awarding institutions.

III. Gross enrolment ratios

A gross enrolment ratio is the total number of students enrolling in higher education divided by the total number in the population within the appropriate age group According to the *State Planning Outline for Medium and Long-term Education Reform and Development (2010-2020)*, the gross enrolment ratio was projected to reach 36 percent in 2015 and 40 percent in 2020. Actually, the GER achieved the aim ahead of time, reaching 37.5 percent at the end of 2014. The aim in the *outline* was officially formulated based on the status quo of GER of 2009 (24.2 percent), and from 2009 to 2014, the GER for Chinese higher education improved 13.3 percent. Not surprisingly, the year 2015 saw the

epoch-making completion of 40-percent aim, outstripping the average of middle-income countries. The growth of gross enrolment ratios are shown in Figure 2.

Figure 2 The Gross Enrollment Ratio in Chinese Higher Education (1998-2014)



Source: Education Statistical Yearbook in China

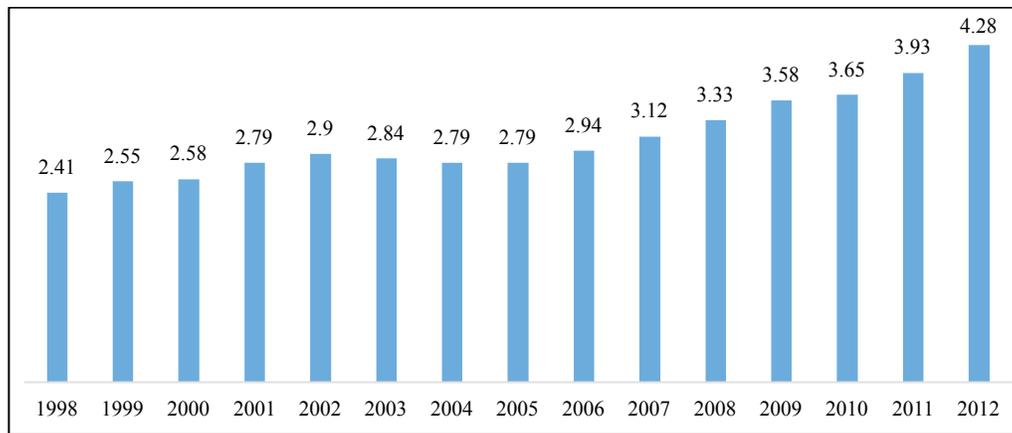
Major Initiatives in Reforming Higher Education Finance

I. Improving the public expenditure on education as a share of GDP

The expenditure of education in China consists of both public and non-public expenditure. Starting from the early 1980s, the shortage of educational expenditure became increasingly severe due to the expansion of education at all levels. In 1986, some scholars proposed a rational scale that would establish a goal of public expenditures on education as a share of GDP, arguing that on average the share was 4.24 percent globally for nations whose per-capita GDP exceeded \$1000. Accordingly, China issued the influential *Outline of Chinese Education Reformation and Development* in 1993, expressing the government’s determination to reach the 4-percent target by the end of the 20th century. Thereafter, in *State Planning Outline for Medium and Long-term Education Reform and Development (2010-2020)*, the timetable was fixed to the year 2012. The public expenditure on education as a share of GDP in 2012 reached 4.28 percent, indicating a historical enhancement in the whole educational enterprise in China.

In 2016, the central government proposed an in-depth reform of the fiscal and tax systems, with respect to budget, taxation, and a re-examination of the authority and responsibility of the central and local governments. The first and foremost challenge for the ongoing education finance reform is to keep the public expenditure increasing in the long run after the fulfillment of 4-percent aim. Theoretically, two similar models can be followed. One is to guarantee an annual increase in public expenditures as a share of the GDP. The other is to establish at the outset a set of target increases in education spending as a percentage of GDP. Spending on education as a percentage of GDP is shown in Figure 3.

Figure 3 Public Expenditure on Education as a Percent of GDP



Source: Education Statistical Yearbook in China

II. Improving the appropriation to central and subordinate universities

The appropriation system is the core of higher education finance policy. Since 2008, the Ministry of Education and the Ministry of Finance have adopted policies in reforming the budget and appropriation systems in both the central and the subordinate universities as well as the investment in graduate education and research. Overall, the ongoing budget and appropriation system includes two parts: (1) the budget-based expenditure (60 percent), and (2) the special project expenditure (40 percent). In November 2015, MOE and MOF began to make adjustment to improve the budget-based expenditure system and to restructure the special project expenditure system. The new budget and appropriation system covers six areas for both the central government and the subordinate government universities. These six areas cover special funds for: (1) improvement of university operations; (2) reform of teaching and education; (3) improvement of fundamental research; (4) the initiative to bring more universities to “world-class” standards; (5) expansion of private donations to universities; and (6) the improvement of overall university management. For universities, these funds are determined not only by performance, but also allow for different standards, elements, and policies in practice. Table 2 shows the sources of higher education finance and percentage, it is clear that the government investment exceeds other sources in the financing of higher education (60.32%).

Table 2 Sources of Higher Education Finance & Percentage
(1 yuan=US\$ 0.1453)

Sources	Amount (billion yuan & US \$)	As a percentage of the total amount
Government investment	493.3 [\$71.6]	60.32
Private investment	3.4 [\$0.4]	0.42
Tuition	204.8 [\$320.3]	25.05
Donation	4.4 [\$0.6]	0.53
Total	817.9 [\$118.8]	100

III. *The tuition fee policy*

For the past two decades, China's tuition fee policy has been relative stable. With the increasing of household income, the tuition fee has become more and more affordable. Also, state investment in education continues to expand, fulfilling the government's pledge to prioritize the development of education.

The year 2012 saw a reform in tuition policy among the provincial and local universities based on the localization, or devolution, of higher education management from the central government to provincial and local governments.. One-third of the provinces changed their policies to allow tuition fees to vary by undergraduate major. The average increase, as reported in 2014' was between 20 to 30 percent. In general, the updated tuition fees were based on the average cost per student. Various stake-holders joined the discussion in fixing the new standard smoothly and transparently. After the reform, on average tuition fees were set between 4,000 and 6,000 yuan [\$581 – 872], while tuition fees for the arts were between 7,000-12,000 yuan [\$1017 - \$1744].).

**Table 3 Estimated Higher Education Expenses
Borne by Parents and Students First Degree, Academic Year 2012 (1 yuan = \$0.1453)**

	General level (Public INSTs)	High level (Public INSTs)	Average level (Public INSTs)	Low level (Private INSTs)	High level (Private INSTs)
Tuition	4,500 Yuan \$653	16,000 Yuan \$2324	3,973 Yuan \$577	8,000 Yuan \$1152	13,000 Yuan \$1888
Books & Other ed. Exp.	200 \$29	800 \$116	513 \$74	200 \$29	800 \$116
Subtotal Cost of educ.	4,700 \$682	16,800 \$2441	4,486 \$651	8,200 \$1191	13,800 \$2005
Lodging	800 \$116	1,200 \$174	857 \$124	800 \$116	15,000 \$2179
Food	3,000 \$435	10,000 \$1453	3,007 \$436	3,000 \$435	10,000 \$453
Transportation	500 \$72	1,000 \$145	414 \$60	500 \$72	1,000 \$145
Other Personal Expenses	1,000 \$145	2,000 \$290	1,323 \$192	1,000 \$145	2,000 \$290
Subtotal Cost of Student Living	5,300 \$770	14,200 \$610	5,601 \$813	5,300 \$770	14,200 \$610
Total	10,000 \$1453	31,000 \$4574	10,087 \$1465	13,500 \$1961	18,000 \$2615

Source: University information and questionnaire on GSSL in 2012

IV. *Reforming the college student financial aid policy*

In order to guarantee opportunities for low-income students to take part in higher education and to abide by the government's commitment to promote education equity, the Chinese government has established a complete college student financial aid system for those in both public and private institutions. They can apply for the national scholarship, the national encouragement scholarship, state grants, work-study programs, and national student loans. The government-subsidized student loan program (GSSL) includes on-campus student loans (for those enrolling in public bachelor awarding institutions only) and local credit student loans (for all enrolling students in public and private institutions). In 2014, the total amount of national student loans was 16 billion yuan, which was one-third of all college student financial aid and which reached 2.8 million low-income students (10 percent of all students in higher education institutions). Student loans from local credit sources began in 2007 and nowadays amount to 80 percent of all student loans. In 2014, the maximum loan was 8,000 yuan for undergraduates and 12,000 yuan for graduate students. In 2015, the repayment periods for both on-campus and local credit student loans extended to twenty years with a grace period of three years. Low-income students can apply for the repayment-assistant mechanism. In addition, many commutation channels are available for students, particularly for those working in Western China and poverty-stricken areas for at least three years (both principal and interest).

Other ongoing reforms in Chinese higher education

Consummating laws and regulations on the finance of private institutions: The independent, or autonomous, college is a special product of China's higher education expansion amid other ongoing changes. These colleges have an ambiguous role between private and public institutions. Currently, there are three possible futures for the independent college. One is to become a fully private institution. A second is to return to the affiliated, or sponsoring, public university. Finally, the independent college could apply to be a stand-alone public institution. The number of independent colleges has been decreasing over the past six years as a large number of these institutions have transformed into private bachelor degree awarding institutions, separating from their affiliated public institutions. Comparatively, the number of private institutions offering tertiary training programs is constantly on the increase. On the one hand, the *outline* advocates public financial support to private institutions, and local government can voluntarily set up *ad hoc* funds for these institutions located within the municipality. On the other hand, in 2012 the Ministry of Education issued a policy aimed at introducing private capital to the field of private institutions, and those founded by donations or giving up the retribution can enjoy the same preferential tax policies as public institutions.

II. Boosting the world-class universities and world-class disciplines: In order to build the world-class university and world-class disciplines, the Chinese government has been taking

drastic measures in recent decades, including the “211 Project” (whose name refers to 100 universities in the 21st century), the “985 Project” (whose title refers to the month and year in which it was announced), an innovation platform for advantageous disciplines, development programs for key disciplines, the plan for enhancing the innovation ability of higher education institutions, etc. All these programs are for the purpose of funding and supporting the world-class universities and disciplines, improving the educational quality and innovation ability, furthering global academic cooperation, and attracting and retaining first-rate scholars and faculty. Moreover, the central government takes the responsibility in allocating the special funds to support the targeted universities and disciplines by means of a more centralized budget and finance system. And it also urges local governments to offer assistance for the “world-class” initiative in terms of finance, policy, and resources.

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