

CORPORATIZATION OF STATE UNIVERSITIES AND COLLEGES: IMPACT ON HIGHER EDUCATION

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Date Submitted: October, 2009

Date Revised: November, 2009

Word Count: 3, 431

Abstract

Republic Act 8292, otherwise known as the Higher Education Modernization Act of 1997, authorizes State Universities and Colleges (SUCs) in the Philippines to engage in corporate movements in order to generate revenues. Five higher education institutions, mainly SUCs in Region IX were considered for scrutiny in relation to the SUCs implementation of corporatization, and its effect on access, growth, fiscal autonomy, and quality education. The research employed quantitative-descriptive survey method using a prepared questionnaire along with other data and information obtained from annual/official reports. The result of the study revealed that corporatization systems implemented by SUCs came primarily from proceeds from education (94%) and a portion from the utilization of economic assets or IGPs (6%). Corporatization resulted to improvements and significant effect on SUCs' growth in terms of number of program offerings, number of faculty and extension projects. The impact is not significant in terms of access, fiscal autonomy, and quality education of SUCs as revealed by the T-test.

Keywords: *corporatization, access, growth, fiscal autonomy, quality education.*

Introduction

A nation's progress hinges on the education of its people. The government has recognized this and has provided infrastructure and financial resources for its provision. Of all the sectors in education, the tertiary education sector has a more direct effect in the economy's competitive labor resources. It is also the most expensive and profitable.

Section 2 of Article XIV provides for free public education in the elementary and high school level; access to education in the tertiary level is a right but not free. This has resulted to the profitable proliferation of higher education institutions in the country. Tayag and Calimlim (2003) disclosed that as of 2003, a total of 1,718 higher education institutions (HEIs) in the Philippines was marked, in which 24% comprises public HEIs (111 State Universities and Colleges or SUCs, 239 SUCs satellite campuses, 2 CHED Supervised Institutions, 44 local Universities and Colleges, and 5 special HEIs). The augment in the number of SUCs prompted the inequitable allocation of higher education services, proliferation of campuses and programs, inefficient utilization of government

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funds and substandard quality of education (Tayag and Calimlim, 2003). Consequently, the Commission on Higher Education (CHED) was structured out of the Department of Education (DepEd) in 1994 (RA 7722) to rationalize and streamline higher education in the country.

Today, higher education is at a crossroad. SUCs find themselves in a more competitive and challenging environment. Firstly, due to the liberalization approaches of the Commission on Higher Education (CHED) as typified in the lifting of moratorium in the course offerings. Secondly, the increase in the number of SUCs has affected the budget distribution from the government for each of the institution (Villabroza, no year). And thirdly, over the last decade, according to EdCom, “. . . the quality of Philippine Education is declining continuously and its failure to issue proper response will resort to continuous decline” (Duka, 2005).

All these factors necessitate SUCs to venture into innovative entrepreneurial activity which is termed “corporatization”. The Higher Education Modernization Act of 1997 (Republic Act 8292) which authorizes the governing boards of SUCs to retain income and enter into shared ventures with business and trade provided for the corporatization of SUCs. The act, under the Corporate Code of the Philippines (Batasan Pambansa 68), further provides the means by which SUCs execute the powers granted to a Board of Directors of a corporation.

Even as corporatization is supposed by many as a means to financial independence, access, growth and quality instruction, its effects and influences have thus far to be determined. It is on this claim that the study was conducted, with anticipation, to be able to deliver a vision of the impact of corporatization amongst state universities and colleges in Region IX.

Objectives

The study aimed to look into the extent by which corporatization was applied and carried out by the universities and colleges in Region IX. It also attempted to determine its impact on higher education during CY 2006. In particular, the study sought to establish the corporatization strategies employed by SUCs in Region IX and the degree of the implementation of the corporate strategies of SUCs and how had the implementation of these strategies affected or influenced Access, Growth, Fiscal Autonomy, and Quality Education.

Research Design and Method

The descriptive-qualitative method of research was used in the study. To find out the corporatization structure espoused by SUCs in Region IX, and its effect on the school in terms of access, growth, fiscal autonomy, and quality education, a questionnaire was administered. Indicators that include number of curricular program offerings, faculty profile, student enrolment, performance in licensure examinations, research and

extension projects, government subsidy, and school income were utilized as measuring factors. Statistics from annual reports and other documents as presented by school authorities were analyzed as to the different markers specified for corporatization. All data sets collected for the study refer to the time frames as follows: Prior to Corporatization indicates to the year before the year of implementation of corporatization by SUC and During Corporatization refers to CY 2006.

The study was conducted in five SUCs of Region IX specifically: College of Marine Science and Technology in Zamboanga City; Zamboanga City State Polytechnic College in Zamboanga City; Zamboanga State Basilan State College in Isabela City, Western Mindanao State University in Zamboanga City; and Jose Rizal Memorial State College in Dapitan City. To measure the responses, information, and the data collected, the following statistical tools were used: percentage, mean, and descriptive-correlation tools particularly t-test.

Results and Discussion

Corporatization strategies employed by SUCs in Region IX. Of the five corporatization policies presented to SUCs which were: outsourcing, joint venture with private sector, merger, income from tuition and other school fees and use of economic assets (through Income Generating Projects or IGPs), results revealed that all the SUCs only employed two corporatization schemes that is (a) the use of economic assets/IGPs, and (b) income from tuition and school fees. None of the SUCs utilized outsourcing, merger, and joint venture with private sector.

Extent of the implementation of the corporate strategies of SUCs. Table 1 showed the degree of the exploitation of economic assets (IGPs) and revenues from tuition and other school fees by SUCs. The data from the table illustrate that the volume of the income of all the other SUCs in the region are drawn from school fees (mean 94 percent) with only a minute fraction coming from income generating projects (IGPs) or business income (mean 6 percent). This signifies that SUCs in the region perceived generating income from fees collected from students as the policy in developing the business prospective of the school and that they are tending further on academic proceeds over business profit.

Table 1. Extent of Implementation of IGPs and School Fees as Corporatization Strategy by SUC

SUC	School Fees		IGPs		Total	
	Amt (P000)	%	Amt (P000)	%	Amt (P000)	%
A	85006.00	61	54663.00	39	139669.00	100
B	48256.02	95	2711.50	5	50967.52	100
C	13068.53	91	1238.06	9	14306.74	100
D	4088.53	87	639.97	13	4728.50	100
E	14459.82	98	33.00	2	14492.82	100



Total/Mean	79872.90	94	21262.66	6	84495.43	100
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Of the income generating projects, Table 2 shows the different business strategies adopted by the SUCs in order to generate additional income. Based on the presented data, SUC-A had the most number of business activities with nine, tagging along SUC-C with eight, SUC-D with five, SUC-B with four and SUC-E with only one. The major financial resource generation strategies adopted by SUCs were the following: Corporate courses at 73% for SUC-A; Agricultural production at 72% for SUC-B; Internet Lab at 64% for SUC-C; Corporate course at 47% for SUC-D; and SUC-E, Agricultural production at 100% for SUC-E.

Table 2. Alternative Business/IGP Strategies of SUCs (in P000)

Income Generation Strategy	A		B		C		D		E	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Canteen/space rental	1076	2	-	-	199.4	6.1	29.1	4.6	-	-
Dormitory/ Hostel	-	-	299.3	11	7.6	0.6	136.6	21.3	-	-
Printing services	4098	7	-	-	218.7	17.7	-	-	-	-
Internet lab	-	-	-	-	788.2	63.7	-	-	-	-
Food services	1503	3	176.4	6	-	-	149.4	23.4	-	-
Corporate courses	39684	73	-	-	-	-	303.0	47.3	-	-
Agriculture/ Fisheries	354	0.7	1941.4	72	-	-	21.9	3.4	33.0	100
Rental of toga/ Equipments	-	-	294.3	11	2.6	0.2	-	-	-	-
Machine/ refrigeration shop	-	-	-	-	4.6	0.4	-	-	-	-
Gate pass	-	-	-	-	13.8	1.1	-	-	-	-
Photocopying	-	-	-	-	3.2	0.2	-	-	-	-
Garment Shop	3600	6	-	-	-	-	-	-	-	-
Health Services	964	2	-	-	-	-	-	-	-	-
Instructional Materials	3120	6	-	-	-	-	-	-	-	-
Interest on Deposit	264	0.4	-	-	-	-	-	-	-	-
Total	54613	100	2711.5	100	1238.	100	639.9	100	33.0	100

How had the implementation of these strategies affected or influenced: access, growth, fiscal autonomy, and quality education?

Access. Table 3 presents the effect of corporatization on access to SUCs. With an augment in the student enrolment of a mean 14 percent, access has positively affected the SUCs in the region. This was brought about by the offering of additional curricular programs. Program offerings of SUCs have increased by an average of 102%. However, it shows that there was a decrease during corporatization for all SUCs when evaluated as to the average number of students for every curricular program offered. The average decrease in the number of students per program was 43 percent.

Table 3. Access Indicators by SUC

SUC	Percent Inc/(Dec) In Enrolment*	Ave. No. of Students/Program	
		Prior	During
A	11	187	165
B	53	263	137
C	16	316	162
D	10	175	84
E	(22)	374	170
Mean	14	261	144

Growth. The effect or influence of corporatization on growth of the SUCs is shown in Table 4. Percent increase/(decrease) during corporatization in program offerings, faculty development in terms of rank, number of research and extension projects, and total income were the identified growth indicators. Table 4 shows that all SUCs in the region effectively increased their program offerings by an average of 102%. The increase in program offerings was made by the SUCs to increase enrolment and augment revenues. Programs offered were those popular in the labor market like BS Nursing, BS Hotel and Restaurant Management, and BS Computer Science.

The growth of a school is also reflected in the growth of its faculty in terms of academic qualifications and rank. Table 4 shows that all SUCs in the region increased its faculty rank by an average 95%. This explains that prevalence of the culture of faculty development among SUC schools subsists and that SUCs are sympathetic in this aspect.

The number of research and extension projects also indicates whether the school has grown or not. The table shows an average increase in research and extension by 24% and 58%, respectively. With a standard percent growth of 230%, there was a considerable effect in the income of SUCs in terms of income.

**Table 4.** Percent Growth Indicators by SUC

SUC	Percent Increase/(Decrease)				
	Program Offerings	Faculty Devt*	Research Project	Extension Project	Total Income
A	12	25	(57)	33	538
B	133	153	175	2000	496
C	143	108	(33)	700	19
D	62	180	33	200	71
E	71	8	0	(50)	27
Mean	102	95	24	577	230

*Average percent increase/decrease of Faculty Degree (excluding BS level)

Fiscal Autonomy. Fiscal autonomy of SUCs is measured through its income to subsidy ratio. The ratio means that for every peso given by the government to a state college or university, it generates a particular value in revenue. It can also be expressed by the percentage of revenue in relation to government subsidy.

Table 5 illustrates the different income generated by the SUCs prior to and during corporatization and the government funding granted to SUCs in the respective years. The income to subsidy ratio shows an overall increase for the SUCs which obtained an average increase of 193%. On the average, this entails that SUCs augmented their income to subsidy ratio in the region at some point in corporatization.

Table 5. Fiscal Autonomy: Income to Subsidy Ratio by SUC

SUC	Total Income (P000)		Government Subsidy (P000)		Income to Subsidy Ratio		Percent Increase (Decrease)
	Prior	During	Prior	During	Prior	During	
A	21893.00	139669.00	174164	207920	0.126	0.672	433
B	8552.02	50967.52	75857	80217	0.113	0.635	462
C	12023.85	14306.74	45863	48968	0.262	0.292	11
D	2756.48	4728.50	58467	66950	0.047	0.071	51
E	11376.71	14459.81	28494	33709	0.399	0.429	7
Mean					0.189	0.420	193

Quality Education. Quality education is measured through the performance in licensure examination. Table 6 shows the average mean performance of SUCs in licensure examination. It can be gleaned that out of the five SUCs in the region, there were three SUCs which obtained positive mean percent performance in licensure examination prior to and during corporatization, whereas two of the SUCs obtained negative mean percent performance as depicted on the table. In a broad sense,

corporatization encompassed an average of 65% mean percent performance in licensure examinations.

Table 6. Quality Education Indicator by SUC

SUC	Mean Percent Performance in Licensure Examination
A	57
B	78
C	(50)
D	(18)
E	257
Mean	65

Table 7. Significant Difference on the Effects of Corporatization of SUCs in terms of Access, Growth, Fiscal Autonomy, and Quality Education at 0.05 Level of Significance

Category	Significant Difference		
	Computed t-value	Critical t-value	Significant (S)/ Not significant (NS)
1. Access: a) Student Enrolment	1.22	2.132	NS
2. Growth: a) Program offerings	4.20	2.132	S
b) No. of faculty	2.64	2.132	S
c) No. of research projects	0.08	2.132	NS
d) No. of extension projects	2.53	2.132	S
e) Total Income	1.49	2.132	NS
3. Fiscal autonomy	1.86	2.132	NS
4. Quality education: Performance in Licensure examination	0.73	2.132	NS

Access was measured through the number of student enrolment. According to Tayag and Calimlim (2003), the effect of corporatization on access was not significant as to student enrolment which can be owed to geographical factor (i.e., there is restricted number of student-clients within the geographical location of the particular SUC so that even though the program offerings increased, the number of students available for enrolment was limited), short participation rate of college-going population), and high cost of education (Intal, et.al., 2003). Affecting enrolment in SUCs are other factors as follows: family income, admission policies and practices, and parental education and occupation (Tan, 2003).

Growth. The effect of corporatization on growth was significant in terms of program offerings, number of faculty, and number of extension projects. It was not significant in terms of number of research projects and total income. Research is a very



important function of SUCs and yet there was no improvement during corporatization. Salvosa (2008) clearly expounded the reasons when he cited the Asian Development Bank report released in June 2008 which stressed the low quality of research in Indonesia, the Philippines and Thailand:

"Little research is conducted in public universities in many [developing countries], and much of that research is of low quality. The low quality is due, among other things, to its theoretical nature, the lack of qualified staff, old and outdated equipment, and differences in the timeframes and results orientation of academia and industry. "

"These weaknesses are exacerbated by the lack of links between universities and industry, the fragmentation of research efforts, weak commercialization and exploitation of research and development, and the lack of connection between regional economic strengths and research excellence."

"In the Philippines, most research is undertaken by business, at 59% of the country's total research spending. Only a fifth is shouldered by the government, and the rest is taken up by universities, data from the ADB study showed."

Fiscal Autonomy. There is no significant difference on the effect of corporatization in terms of fiscal autonomy. This was substantiated by Bangahan (2006) who found that SUCs were not able to raise adequate revenues thru the financial resource generation strategies utilized and therefore, are not yet capable of being financially autonomous from the State. She also discovered that, while many strategies were laid, most of them generated minimum income. This was corroborated by Salvador (2002) who revealed that the primary source of income of SUCs is the government financial assistance and that supplementary sources are tuition fees and other miscellaneous fees, however these are very low.

Quality Education. Corporatization has no significant effect on quality education when articulated in terms of performance in licensure examination. Quality education suffered, in part, because of spreading of program offerings vis-à-vis competition for student enrolment with other HEIs. Salvosa (2008), supported this premise when he cited the ADB report of 2008 which allied quality issues in universities to a certain extent due to expansion swift. According to him, in 2007, 2.4 million students were enrolled in degree programs in the country and 1.26 million in non-degree programs. In addition, Salvosa (2008) wrote:

"The Philippines has the most number of higher education institutions offering degree and non-degree programs in Southeast Asia: 5,184. This is much higher than 2,516 in Indonesia, 521 in Thailand, and 599 in Malaysia, data from the ADB study showed."

In the same way, Corpus (2003) distinguished that based on the different studies on Philippine education, expansion of educational opportunities or programs was inversely synchronized by a deteriorating quality of education which, according to him,

can only be tackled through a system of accreditation. This was also the proposal formulated by Padua (2003) when he contrasted the quality condition of higher education in other countries with the Philippine structure. Likewise, he suggested the adoption of institutional accreditation in higher education to advance quality education and recommended further that CHED shift from voluntary accreditation to prescribed accreditation.

Conclusions

Corporatization schemes adopted by SUCs are those common and easily implemented like income from education and use of economic assets. Among the two, proceeds from education contribute notably to the SUCs total revenue (94%) while utilization of economic assets contributes a measly 6%.

SUCs favored income from education as corporatization scheme since this activity is identifiable to management and is appropriate to the present personnel and physical organization of the institutions.

Corporatization is effective in improving access, growth, fiscal autonomy, and quality education of the SUCs.

Although corporatization improves access, growth, fiscal autonomy, and quality education, its effect is not significant. The significant effect is only limited to growth indicators particularly program offerings, number of faculty, and extension projects.

Recommendation

There must be a well-defined long-term goals and objectives for corporatization by the institution. Elements for attaining the goals should be identified, acquired, and employed efficiently. Clear-cut policies should be identified, adopted and applied in the income generating operation system (i.e., transparency, honesty, disbursement or use of corporate funds, resource generation, etc.). A communal organization must be instituted to execute the strategies and policies and to professionalize the trade operations to be headed by a capable individual with entrepreneurial expertise. Policy Guidelines on Corporatization of SUCs should be originated and employed for effective and efficient operation.

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