

Chapter 2 Literature Review

2.1.1 Definitions of nonprofit organizations

In recent years, there has been a dramatic proliferation of research concerned with the increasing trend of nonprofit organizations' goals. By reviewing literatures on these issues of nonprofit organization, meanwhile, this paper intends to collect and explain the leading definitions of nonprofit organizations (NPOs)

It is important to understand what is being done when financial performance is carried out in this field. So, the review of literatures is necessary to be comprehended in this chapter. Based on pervious studies, many discussion of the field so far has entirely focused on a specific comparison of nonprofit and for-profit organizations. That is, of course, there are many differences and characteristics between them. Not like profit-seeking institutions, as M Lipsky, SR Smith (1989) acutely pointed out, NPOs are increasingly being seen as public-spirited philanthropies.³⁰ Apparently, these organizations do not aim to earning money from their customers. The goal of the groups is to look for a way to make the world better without much pay.

According to one of the previous literatures, nonprofit organizations (NPOs) are melting pots mission, members and money. Anne Abrahan (2006)³¹ said. And I agree with what the author emphasized on to a certain degree. It means that the institutions have been combined with three factors including defined mission, essential members and necessary money inevitably. The emergency of non-profit organizations, the increasing issue of importance, can be realized among thousands of papers and theses all over the world.

As a graduate student of economics field, I have a desire to seek the methods

³⁰ See [15]

³¹ See [2] Anne Abrahan(2006) "Financial Management in the Nonprofit Sector: A Mission-based Approach to Ratio Analysis in Membership Organizations" the journal of American academy of business.(p.1)

of developing and analyzing a broad perspective on the economic role that how nonprofit organization performs well and efficiently. Further considerations, the nonprofit organizations serve as intermediate institutions between the individual and the government, providing a vital link for the citizen and helping to shape citizens' views in society.³² M Lipsky, SR Smith (1989) proved this point. Of course, that is, we need NPOs to conduct a variety of plans and program while the government does not fully meet people's demands. Especially the NPOs do not aim to making money from their customers; as a result, they can establish a wonderful image for the society.

This perspective on the relationship between nonprofits and government implies that the growth of nonprofit activity reflects an increase in the gap between perceived social need and government provision,³³ as Weisbrod, Burton A., ed. (1998) put it. Over the past decades, nonprofit organizations have mushroomed at an incredible rate for a long time. Furthermore, the massive activities of NPOs have played a curial role on conducting the goals that the government did not do well. To the context, NPOs based on a not profit-seeking role can fasten and accelerate the operating efficiency of the essential activities and education policies. The government can complete the implantations of educational policies. Therefore, all of them, including of the government, the NPOs, the people benefit from the conducting process.

The nonprofits are not prohibited from earning profits.³⁴ Hansmann, H. (1987) suggested frankly. Any institutions have to support it self at least, otherwise it could be failed before it helps other people.

Henry B. Hansmann (1980) pointed out that many nonprofits in fact

³² See [15]

³³ See [19] Weisbrod, Burton A., ed. (1998). "To Profit or Not to Profit: The Nonprofit Mission and Its Financing" Cambridge, United Kingdom, New York, and Melbourne, Australia: Cambridge University Press.

³⁴ See [10] Hansmann, H. (1987) "Economic Theories of Nonprofit Organization" in W.W. Powell (ed.) The Nonprofit Sector, New Haven: Yale University Press.

consistently show an annual accounting surplus. Henry B. Hansmann (1980) suggested, it is only the distribution of the profits that is prohibited.³⁵ Compared with profit-seeking groups, the presidents of the private companies make any decisions for annual revenue, and would like to earn money as possible as they can; however, the annual revenue of a private university is not allowed to benefits any presidents. In general, NPOs of course have to obtain enough revenue in order to make the institutions operate well. It is necessary for them to have a stable finance situation. It is not allowed for these institutions to distribute surplus to anyone.

Moreover, in 1980 and 1987 two articles about the nonprofit issues were published by Henry B. Hansmann that has been the subject of much discussion and debate ever since. They must simply devote any surplus to financing future services or distribute it to no controlling persons.³⁶ It reminds us not to have a desire to make huge fortune from the charity organizations. It is not normal to make money from the institutions aim to help others without pay and profit-seeking. And the public does not allow the president of the charity organizations to make additional pay. Easley, D.O'Hara, M (1983) referred to the fact that Nonprofits are prohibited from distributing any profits to their operators.³⁷

For one more important thing is that, China is interested in the social and economic situation notwithstanding. Two most common discussed NPOs are hospitals and schools. However, most charity donation is not popular in Taiwan, except the religious donations. On the other hand, Taiwan authority should emphasize on the leading issue and encourage all the sides to donate the educational institutes more. Easley, D., O'Hara, M (1983) indicated that, Nonprofit firms may be superior to

³⁵ See [9]

³⁶ See [13]

³⁷ See [6] Easley, D., O'Hara, M(1983) "The Economic Role of the Nonprofit Firm"
The Bell Journal of Economics, Vol 14. p.532

for-profit firms if the output cannot be costlessly observed.³⁸ This is especially noteworthy in the case of performing non-profit organizations in Taiwan. Furthermore, there is an increasingly prevailing issue that how to bolster the third sector in the Western countries and Japan. Actually, they have launched into the campaign for more than twenty years.

Sometimes, the donation to foundations cannot determine directly whether or not the expense is being the original purpose of charity. In such circumstances, we have to notice that not only seek the services of NPOs, but also the reasons that affect when and what NPOs develop to meet people's needs so far.

Take various foundations, hospitals, schools and many philanthropic organizations for examples; one must know not only the circumstances under which patrons will seek the services of nonprofits, but also the factors that determine whether and how nonprofit organizations will develop to meet the demand.³⁹ The papers in Weisbrod, Burton A, ed. (1998) have provided extensive discussions of the applications of the nonprofit mission and its financing for several decades. The literatures are full of discussions surrounding the definitions of "nonprofit organizations", and scholars have debated its nature and applications for decades. The controversy over the definition of nonprofit organizations has been argued for several decades until now. The definition of NPOs does not be limited by an absolute word.

To quote M Lipsky, SR Smith (1989), When the social problems, such as homelessness and hunger, have arisen, the predominant response of government has been to launch programs through nonprofit agencies.⁴⁰ Sometimes, the government is too big to improve the social problems efficiently. In that time, the importance of NPOs has been emphasized urgently.

³⁸ See [6] p.531

³⁹ See [9]

⁴⁰ See [15]

To borrow Henry B. Hansmann's (1980) phrase, an individual will be more willing to give money to a school if he knows that it will be devoted to providing education.⁴¹ Therefore, it can attract the economic bodies with different preferences. As I will discuss in chapter 5, not only individuals, but also private firms are willing to donate the universities when they want to hire good talents. I will explain this point later.

To the conclusion, NPOs are extremely influential on the road to develop the certain policies relating to the higher education system. And NPOs are considerably more responsive to the demands of society. This position leads us to discuss in the next section.

2.1.2 Definitions and purposes of higher education

Higher education has a vital role to play in raising the levels of the nation's skills and competitiveness and thus enhancing our capacity to generate wealth and improve our quality of life,⁴² Peter J. Dolton. (1997) defined it. Education, especially higher education is the most important factor that affects the process of fostering talents for employment market. Well education can achieve the goals of completing the requirements of human capital.

The educational influence varies in different parts of the world and according to the unique higher education issue in question. The missions of different types of higher education system are various; therefore, we have to notice this issue more carefully.⁴³

On the one hand, in the case of universities, the social mission is the

⁴¹ See [9]

⁴² See [5] Dolton, Peter J. (1997) "Whither Higher Education? An Economic Perspective for the Committee of Inquiry."

⁴³ See [22]

provision of basic research, education to the poor, and dissemination of information; these are the candidates for public encouragement.⁴⁴ Weisbrod, Burton A., ed. (1998) made several important statements on that. The gap between the rich and the poor can be shortened by the development of higher education. It encourages many students to get a great diploma to change and make their life better. Meanwhile, the government has responsibility for conducting the goals.

On the other hand, the operation of higher education is a long-lasting business. Powell, Walter W., and Jason Owen-Smith (1998) observed very truly that Universities are aware of the potential conflicts between advancing knowledge and generating revenues.⁴⁵ Higher education system must be organized well because it is the fundamental base of a country. We do not expect to make money from operating higher education. A university has many important missions to integrate the education resources to make the country better all times.

Apparently, recent years have seen increased attention being given to higher education system in the higher education literature. Namely, the field of higher education system has undergone many fluctuations and shifts around the world. Our goal is to strengthen the education reform, boost the quality of education, and to globalize and liberalize the education in the Republic of China.

Aside from our effort to expand in the area of international cultural and education exchange to connect with the rest of the world, we have researched and compiled a collection of related education statistics and information into the publication of the “International Comparison of Education Statistical Indicators.” In doing so, it is our hope that others will gain a better understanding of the education

⁴⁴ See [19]

⁴⁵ See [16] Powell, Walter W., and Jason Owen-Smith (1998) “Universities as Creators and Retailers of Intellectual Property: Life-Sciences Research and Commercial Development” in Weisbrod, Burton A. (ed.) *To Profit or Not to Profit: The Commercial Transformation of the Nonprofit Sector*. Cambridge: Cambridge University Press.

development and the differences in major countries around the world⁴⁶.

Due to inconsistent statistical classifications and differences in the objectives on parts of the statistical information, hence, for a better understanding of the differences, any relevant information will be explained in the footnote. Higher education can be thought of as both a pure consumption good and as an investment in human capital.⁴⁷ William O. Brown, 2001 defined it. It goes without saying that higher education is the most important factor that flourishes the talent in the developing and developed countries. Gitlow, Abraham L. (1995) argued that the essential economic linkage between the market for educational services and the university is tuition revenue.⁴⁸ For an economic standpoint, the tuition is an exchange price in the educational market. Higher education is a commodity that attracts the buyer (student) to augment his/her utility, and the university is the seller who produces the goods and services for specific benefits.

In short, the university sells its teaching, research and consultancy services to a wide variety of different customers, students' employers and public authorities.⁴⁹ In the research, Peter J. Dolton. (1997) discovered that Higher education is also a key provider of research and development (R&D)⁵⁰. Also, if a university, no matter which a public university or private university that fails to meet market demand, no doubt, it will fail to generate tuition revenue and integrate the educational benefits notwithstanding. Some departments that are unpopular and not meet the demand of the educational market probably would be abolished or changed their titles or improve the context of major courses.

⁴⁶ See [23]

⁴⁷ See [4]

⁴⁸ See [1] Abraham, Gitlow, L. (1995) "Reflections on Higher Education: A Dean's View." Lanham, Md. : University Press of America, c1995 p.24-39 & p.126-151

⁴⁹ See [22]

⁵⁰ See [5]

Most recently, we have observed mounting evidence of the usefulness of the study of higher education. Numerous studies stress that higher education is the most important fundamental for a country's growing. As universities become more identified with commercial wealth, they also lose their uniqueness in society,⁵¹ Powell, Walter W., and Jason Owen-Smith (1998) developed the idea a little further. Some people worry that if the university depends on the external firms too much, it will lose the original intention of nonprofit-seeking eventually.

2.2 The differences between the public and private university.

In Taiwan, how the Ministry of Education to control the total number of students? Students are allowed to attend both private and public universities depend on their entrance exam grades. Also, all public and private schools in Taiwan's higher education system must abide by the education regulations.

Among the many topics to be explored in future research; some important ones can be listed as follows.

- (1) Higher tuition of a private university does not obtain better teaching quality and educational resources.
- (2) Most private universities are regarded as "wildcat schools" because of making much money from students.
- (3) It has increased the financial pressure of students and their families.

Let's talk the first one in details.

In Table 2-1, It is said to see that the professor in a private university have to be responsible for more students than their counter partners in a public university. The unfair situation makes the private professors disappoint about the treatment.

⁵¹ See [16]

Table 2-1 Student-teacher ratio by university types

Academic Year	Public University	Private University
1994	11.02	20.88
1995	11.04	20.61
1996	11.17	21.29
1997	12.11	23.56
1998	12.48	24.69
1999	13.19	24.82
2000	13.92	24.86
2001	14.58	25.24
2002	15.12	24.94
2003	15.80	24.15
2004	16.36	23.57
2005	16.72	23.14

Data source: Higher Education Department, this study, unit: percentages

When talking about higher education situations in Taiwan, net enrollment rate has been 45.68%⁵², gross enrollment rate has been 83.42%, and it appears that there are over 83 % students of the university and college whose age from 18 to 21. The data pointed out in 2000, the per unit cost of a public university student was about NT. \$20,000, instead, the per unit cost of a private one was merely NT. \$12,000. that is, it existed an unfair and inefficient situation among the higher education system since the resources allocated inconsistently.

It is clear that public institutions typically rely on overwhelmingly on the broad coverage of government, whereas private institutions rely much more on direct tuition payments.⁵³ In his recent survey on the problem, Levy, D. (1987) has taken some important steps in this direction. Apparently, the disadvantage of a private university has influenced on the equity issue. It causes the private universities to fund more difficultly than the public universities without any question.

⁵² See [23]

⁵³ See [14] Levy, D. (1987) "A Comparison of Private and Public Educational Organizations" in W. Powell (ed.) the Nonprofit Sector a Research Handbook, New Haven: Yale University Press.

Table 2-2 Average tuition of public and private universities

Tuition and Fees (NT. \$/ year)				
Academic Year	Public University	Private University	Difference	
2002	55,692	103,986	48,294	
2003	56,844	104,082	47,238	
2004	58,666	107,483	48,817	
2005	58,906	108,062	49,156	
2006	59,490	108,338	48,848	

Data Source: the Ministry of Education

Unit: Million New Taiwan dollars

As you can see, tuition for annual year on public universities range from NT\$ 55,692 to NT\$ 59,490, and add at an increasing rate, whereas in private universities, the range is between NT\$103,986 to NT\$108,338. As a result, tuition in private universities is almost two times as high as those in public universities.

Admittedly, the student quality of public university is more excellent than that of private university in Taiwan's higher educational system.

Hansmann.H. (1998) indicated, future decades will probably bring substantial privatization of our university system (and of those in other countries), as public institutions come to be operated more like private ones, with higher fees and greater autonomy, and as private institutions come to replace public institutions,⁵⁴ Henry B. Hansmann (1998) said. It means, the authorities can ameliorate the inefficiency of higher education. Apparently, higher tuitions from students provide the university more powerful responsibility to enlarge the operating performance on administration. Meanwhile, Hansmann considered it is possible that public colleges could be replaced by private ones in part although there are many differences between Taiwan's higher education system and America's educational system.

In fact, we know that there are a great deal of stereotypes concerning the pride of the private university, To be frank with you, what kind of overall educational quality does NT. \$130000 buys an academic year? It seems like a good time to ask in

⁵⁴ See [11] Henry B. Hansmann (1998) "Higher Education as an Associative Good" working paper

the paper. The answer is, too often. A wildcat university means that the private university has made much money from students and paid the faculty a few salaries, but provided the educational resources and teaching-quality not in accordance with the expensive tuitions at all. To that end, the following question was posed: Why a private university gets worse position than a public university?

The problem is not so much that the private university abuses the collective and allocated funds ineffectively or illegally, although in some cases that is certain true. The most regular expenditures are the salaries cost of professors, however, the part is necessary to fund- raising by the authorities (the private universities). That's unfortunately, the government subsidies them with the limited appropriates. Compared to private universities, public universities not only charge low tuition and fees, but also receive higher government subsidies.⁵⁵ That is why most of high school graduates have a desire to attend the public universities instead of private universities in Taiwan. Therefore, the government has to think up some policies to improve the situation for the development of higher education.

Table 2-3 Subsidies to public and private universities

Academic Year	University		Public University		Private University	
	Subsidies	%	Subsidies	%	Subsidies	%
1993	91,114,867	100	52,240,279	57.33	38,874,588	42.67
2000	120,811,911	100	45,530,710	37.69	75,281,201	62.31
2001	177,038,904	100	71,584,018	40.43	105,454,886	59.57
2002	191,582,647	100	74,328,741	38.80	117,253,906	61.20
2003	202,675,468	100	80,454,316	39.70	122,221,152	60.30

Data source: Higher Education Department Unit: Million New Taiwan dollars

⁵⁵ See [23]

As you can see Table 2-3, the inconsistent treatment occurred on the distribution of subsidies. For the private universities, over 75% students were distributed only by 60 % of educational resources on grants in 2003. Needless to say, it is not fair for a private university's student. Nonetheless, private universities tend to rely on much narrower bases than public ones,⁵⁶ Levy, D. (1987) argued.

Huang F (2006) thinks that many private educational institutions in Japan also play an important role in providing a variety of curricula for international students.⁵⁷ With some variation over time, while over half of graduate students are located in national institutions, more than two-third of undergraduate students and almost all students of short-cycle programs are enrolled in the private universities. Concurrently, there are over 75% students enrolled in the private universities in Taiwan.

Table 2-4 Private enrolments as a % of total enrollment by selected countries

Ranking	Country	Private enrollment as a % of total enrollment
1	Japan	77
2	Philippines	76
3	Taiwan	76
4	Chile	71
5	Brazil	70
6	USA	23
7	Thailand	19
8	China	8
9	Germany	3

Data source: (1) Program on Research on Private Higher Education, State University of New York at Albany (PROPHE).
 (2) Data are for 2004 or most recent available year, unit: percentages
 (3) See [22] Higher education in the world 2006

⁵⁶ See [14]

⁵⁷ See [12] Huang F (2006) "Internationalization of Curricula in Higher Education Institutions in Comparative Perspectives: Case Studies of China, Japan and the Netherlands." Higher Education Volume 51, Number 4 / June, 2006

The foremost five are over 70 %. All round the world, Taiwan is one of the countries that have the highest private enrollment ratios. Both the public and private higher education sectors are being encouraged by government, incentives to seek income from outside sources. Ru-Jer Wang (2003) has similar views as the author's, a large proportion of funds have been distributed to the higher education system and this is obviously putting a great financial burden on the government.⁵⁸ Moreover, it is concluded that it is essential for institutions to draw up strategic plans to attract this money for the long-standing development. The goal with well-thought-out and consistent arguments has been achieved by the government.

Many experts in higher education field have been particularly influential in contributing insights into the unfair difference between the public and private university for a long time. In the private university's request for reasonable allocation, social equity and justice, the government should optimize its utilization of its scared resources for public and private schools.

One can cite many examples, which seem to support this. In 2005 the MOE established a professional evaluation institute- the Higher Education Evaluation and Accreditation Council of Taiwan (HEEACT) to train professional staff and set up standards and database.⁵⁹ Concurrently, the MOE will regularly hold college and university evaluation in the not too distant future, sooner or later.

Clearly, there are two opposed opinions about the foreseeing future development of higher education. On the one hand, some expert's call for the government to distribute the higher education appropriates that depends on the number of students. Meanwhile, Compared to their counterparts in public universities, professors in private universities feel even more pessimistic about their teaching

⁵⁸ See [18]

⁵⁹ See [25] 2006 Education in Taiwan, Minister of Education

position for the benefit and salary.

In addition, a crucial issue in comparing private and public educational organization is who shoulders the financial burden,⁶⁰ Levy, D. (1987) said it. Both of them have different financial burden, it goes without saying that the private university has heavier financial burden than the public one. There has thus far been relatively little research into this area. The following section shows a more important role for the operating performance.

2.3 The revenue sources of a private university

The first thing is to provide an economic perspective to some of the major issues that will be of critical importance. Peter J. Dolton (1997) suggested that the financing of higher education is perhaps one of the most fundamental issues that need to address.⁶¹ The private university has a high degree of responsibility to utilities the income from the students, the government, and the donors. We find out the four sources of income-gathering to discuss as follow.

(1) Tuition and fees

A private university's funds basically consist of students' tuition and fees. The first-largest source of revenue for higher education is students' tuition and fees.

(2)The grants from government

Education is invariable heavily subsidized by governments in many countries around the world,⁶² Jin-Tan Liu, Shin-Yi Chou and Jin-Long Liu (2006) may generate support for greater subsidy of higher education. The government's subsidy is one of the majorities of the revenue of the private universities. The educational

⁶⁰ See [14]

⁶¹ See [5]

⁶² See [13]

subsidy is provided by the government in conjunction with the operating performance of universities.

(3)The donations from alumni and individuals

Catholic universities receive funds and donated services from their religious communities.⁶³ Such as Fu Jen Catholic University, Chung Yuan Christian University, Tzu Chi University, those religious schools attract a lot of donations from the religious groups and individuals. There will be no observable connection between an individual's donation and the quality of the performance that we see until now. The competition for new donations forces the school to compete on those margins that attract additional donations. To sum up, most universities rely heavily upon donations as well as upon income from the sale of services.⁶⁴ Henry B. Hansmann (1980) proved it again. And it is the best conclusion for the point.

(4)The income from adult education program

Universities are reaching out to new markets-pursuing unconventional students such as senior citizens and people seeking weekend education.⁶⁵ Weisbrod, Burton A., ed. (1998) defined it at large. Further education must be offered to help adults meet the rapidly changing needs of the vocational world. The adults can obtain knowledge regularly, and the schools can receive more income to support themselves. It is a win-win situation for the schools, the people, and the society.

⁶³ See [14]

⁶⁴ See [9]

⁶⁵ See [19]

Table 2-5 Ratio of tuition to total revenue in private universities

Year	Tuition and Fees	Total Revenue	Ratio of Tuition to Total Revenue
	University	University	University
1996	17,947	32,663	54.95
1997	23,000	40,496	56.80
1998	28,214	45,625	61.84
1999	39,390	64,364	61.20
2000	53,297	80,191	66.46
2001	60,531	95,139	63.62
2002	68,559	100,190	68.43
2003	69,938	99,472	70.31

Data source: Higher Education Department
Unit: Million New Taiwan dollars and percentages.

As a result, we can realize that the importance of tuition revenue has been increasing at an amazing rate so far. And Table 2-6 is the summary of the funding sources among selected 24 universities, which are listed in details in Appendix 1. It is listed for the convenient purpose in the research. In table 2-6, you can take a look at the summary of the selected universities. For revenue approach, CCU is the school has the highest income compared with other universities. For tuition per student, TU is the school to get the most revenue from students. For revenue of adult education, CCU is the school has the highest income from adult education program. The abbreviation of schools is listed on page 46.

Table 2-6 The revenue of selected universities

School	Revenue	Tuition per student	Revenue of adult education	Revenue of grants and donation per student
1.THU	1,928,441,021	87,054	91,515,366	22,909
2.FJU	2,737,825,088	88,462	91,225,599	19,287
3.SHU	1,574,302,115	83,389	54,207,895	19,238
4.TKU	2,863,847,950	88,258	112,614,635	13,736
5.CCU	3,090,416,240	88,526	456,041,266	16,626
6.PU	1,261,681,109	88,729	35,032,286	22,176
7.HFU	569,791,604	100,510	17,248,147	93,383
8.MCU	1,534,206,394	92,641	19,005,406	13,881
9.SHU	1,129,033,778	90,152	27,597,103	21,881
10.SCU	1,182,893,433	81,706	53,329,832	10,963
11.AU	918,424,762	78,240	39,866,287	13,809
12.CYU	1,848,937,976	97,860	61,773,906	18,948
13.FCU	2,442,785,042	97,375	57,858,731	20,707
14.TU	729,520,878	111,205	4,807,351	81,705
15.YZU	1,127,896,196	103,358	48,763,042	29,113
16.CHU	1,026,712,433	93,966	106,025,197	14,979
17.DYU	1,162,450,656	98,369	54,517,561	21,881
18.ISU	1,276,263,614	93,843	54,029,250	18,622
19.KMU	1,301,667,018	108,148	13,320,504	41,375
20.CMU	1,241,997,136	110,722	21,626,033	29,380
21.TMU	981,613,672	108,469	19,977,521	33,984
22.CSMU	1,051,318,082	110,673	8,990,803	43,710
23.CGU	2,243,777,568	89,252	3,106,279	293,181

Notes: 1. The calculating years are from 1995 to 2005. The number is the average value within 11 years. Unit: Million New Taiwan dollars

2. Data source: this study based on the MOE's webs

In addition, many nonprofit institutions face increasing financial pressure because the gap between their resources and what they see as social need is growing.⁶⁶ Weisbrod, Burton A., ed. (1998) pointed out the view. Because the government does not know well how to operate social demands efficiently, the importance of NPOs has been growing at an amazing rate for a long time. Institutions of higher education commonly depend heavily on voluntary private contributions to cover their expenses.⁶⁷ Henry B. Hansmann (1980) pointed out. The situation also occurred to the private universities. Most of them depend on the tuition and fees to support their business at large. Tougher, the donors do not know how funds would be

⁶⁶ See [19]

⁶⁷ See [9]

used that causes donors to give less, unless the use of funds was appropriately restricted. For example, a university alumnus or donor might wish to earmark a gift for financial aid, to be certain that the money would not go for a trashcan or something else.

In contrast to the long-term steady support for research provided by the government, future sources of funding are likely to be much more variable and dictated by commercial need.⁶⁸ Powell, Walter W., and Jason Owen-Smith (1998) suggested this point. It is the suggestion that I will talk about in chapter 5 and prove it at the same time. The interplay of the donors, the government, and the private university are noticed apparently later.

2.4. The advanced attributes of the private university

With the increasing rapid growth of private universities in Taiwan, their financial crises have occurred (revealed the deficiency).The decreasing birth rate is associated with the increasing aged rate in population condition.

Apparent difference of population structure in Taiwan has changed the original lifestyle for a period of time, as a result, the private university has lost its source of adequate students, it means that, lost the tuition to support the institution (the private university).

On the one hand, in statistic data of educational authority, the total amount of the university and college students increased 540000 ten years ago. Consequently, the number of graduate students has triple since the bachelors could not meet the demand of human capital market. That is unfortunate; the grants do not in association with the growth of the student number at all. Namely, the result has alleviated the quality of higher education at large.

⁶⁸ See [16]

On the other hand, Yamada Reiko (2001) has suggested that market forces are necessary for active competition and to maintain a high quality of faculties and institutions.⁶⁹ In the last many years, several articles have been devoted to the research of the competitiveness of a private university all over the world. From elite to mass higher education, it is also possible to be aware of the growth in higher education in terms of an increasing percentage of the total potential population.

Consequently, as Ru-Jer Wang (2003) noted in his view of higher education policies, largely as a result of government response to the high demand for education at the higher learning level. The provision of private institutions should be determined by the free educational market.⁷⁰ This result shows that the private universities have to think up the way to distinguish from the public universities. I do not ask the private universities to operate for profit-seeking. In this small island, the private universities have to find out another ways to attract students with specific preferences. After all, the most important part of a university is the student. No student, no game.

On average, tuition is one of the most important sources of funds for a private university. On the other hand, the donations from the private sector to establish private schools that provides more than 75% of capacity of incoming students in Taiwan. Furthermore, it plays an apparent role on the progress of achieving the mass education system.

Operating well is one of the most important attributes in a private university,⁷¹ Gitlow, Abraham L. (1995) defined. Until now the public university has been insulated by the government's subsidies from economic realities; that is means; it does not have to worry about the source of funds. Another issue what we have concluded, with the decreasing birth rate in recent years, the quantity of universities

⁶⁹ See [20]

⁷⁰ See [18]

⁷¹ See [1]

and colleges has enlarged rapidly, added to the other factors, private universities will be in a terrible situation that no sufficient students to stand their business sooner or later.

Although the competitiveness of higher education has been an object of study for a long time, there is little agreement as to the operating performance of a private university lacking of adequate funds from the public and grants from the government.

It is clear that if the government wishes to improve the overall quality of higher education they must focus on the private universities, where there is large number of students. However, subsidies for higher education generally come in the form of government-financed low-tuition public universities.⁷² Due to the inability of the government to bear the cost pressure, some of the costs are being shifted to the parents and students.⁷³

The issues most vexing for professors include: “The teaching load is too heavy,” “Overburdened with extra administrative work,” “Students are hard to teach,” and “Too much research pressure.” The need to please students and increased enrollment has increased the student-teacher ratio. Private faculty is more dissatisfied with many aspects of their job than their public counterparts, especially when it comes to the quality of their students and colleagues, and their relations with the administration. The quality of the faculty may decline. Sad but inescapable is the truth that classroom instruction is a casualty of generations of faculty pressure to reduce full-time teaching loads, presumably to enhance and advance research productivity.⁷⁴ Gitlow, Abraham L. (1995) said.

⁷² See [24]

⁷³ See [23]

⁷⁴ See [1]

2.5 The limitation of the research

Different from America educational system, Taiwan educational system once established the ranking of the universities and colleges by their entrance scores to the degree. However, the absolute condition was changed in terms of balancing the distribution of educational resources. Concurrently, we have not the eventual solution of the educational reform to bolster the social equality yet. As we know, the prestigious universities in America are almost the private universities.

Privatization is one of the trends of the global higher education system.⁷⁵ It is evident that the newly private universities have enlarged increasingly in developed countries. There are many reasons and factors that incorporate the main situations. Take America's private university for example, their enrollment rate is merely 20% of the whole universities and colleges. On the other hand, there are a majority of the students enter in the private universities in Asia countries, even over 80%. Meanwhile, as I mentioned above that over 75% specific aged students are studying at the private university in Taiwan. Furthermore, the magnitude of the private university can be understood and then analyzed for different perspectives.

The distribution of total educational expenditure for higher education is 40.29 percent.⁷⁶ The research is still at an early stage in evaluating the operating performance of a private university, not to mention a paucity of literature on this subject. Higher education has been strictly regulated by the government.

Future research should be alerted to a limitation of this study. While this study has its limitations, it is hoped that it can serve as a basis for further study in higher education. The author hopes that the private university can adjust the student composition and curricular structure in order to obtain better equipping students with

⁷⁵ See [14]

⁷⁶ See [25] 2006 Education in Taiwan, Minister of Education, p44.

expertise that meets the needs of industries and companies, also raising the competitiveness of our manpower skills.⁷⁷

In addition, the technique of Panel model is beyond the author's ability and we will discuss it in following chapter 5. Therefore, the future researchers can testify the Panel model with fixed and random effects for these issues.

⁷⁷ See [23]