



Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

FINANCIAL SUSTAINABILITY OF HIGHER EDUCATION INSTITUTIONS IN THE PHILIPPINES: ISSUES, CHALLENGES, AND OPPORTUNITIES

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From Challenges to Capacities: Empowering HEIs for Sustainable Innovation
July 17, 2025

OVERVIEW: HEI Financial Sustainability in the Philippines

National development context and the role of HEIs



The Philippines aims to become a high-income economy and an inclusive society.

AmBisyon Natin 2040--document outlining Filipino aspirations to be attained by 2040
(Strongly rooted, comfortable, secure life)

- Needed investments in human capital development in key sectors
- Education services, one of the key sectors identified to have a direct impact on the AmBisyon Natin

The Philippine Development Plan (PDP) 2023-2028, the country's national development blueprint, outlines strategies to achieve these goals



Financial sustainability and achieving quality higher education

- **Financial sustainability in HEIs:** “*HEIs’ ability to produce desired outcomes over time*” (USAID, 2021)
- **Outcome:** Quality education
 - **Costs:** Investments in resources needed to continuously comply with accreditation and quality standards
 - **Benefits:** Improved reputation, international rankings, increased funding/donors, enrollments

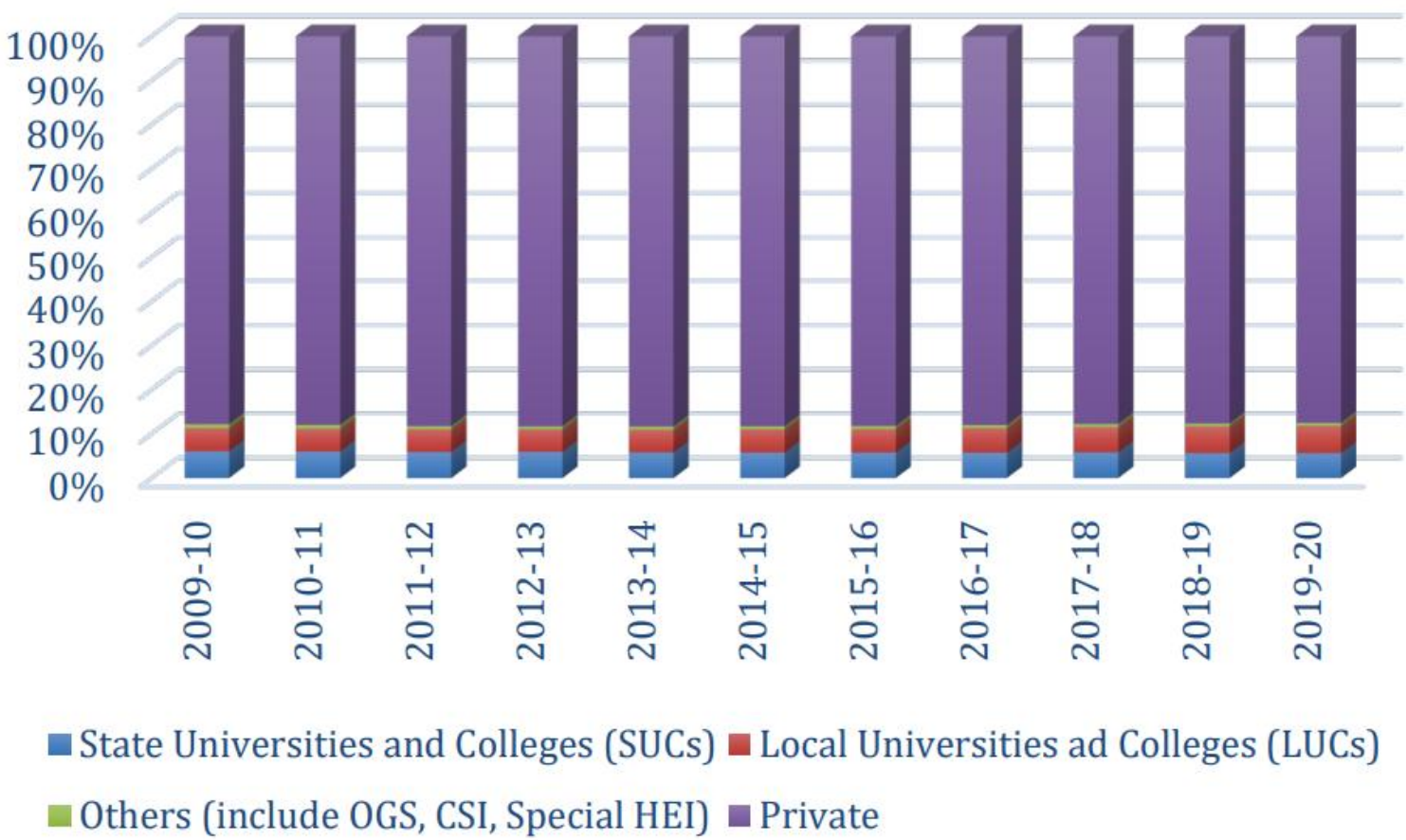
OVERVIEW: Higher Education Context in the Philippines



Shapes and sizes of HEIs

- The majority of HEIs are private.
 - AY 2019-20: 72% of 1,729 HEIs (including SUC satellite campuses)
- **Enrollments:**
 - Declining private HEIs' enrollment: around two-thirds of total enrollment in AY 2009-10 to around half in AY 2019-2020
 - The 10-year CAGR of private HEIs' enrollment is significantly lower than that of public HEIs: 0.8% vs 4%
- **Quality:**
 - 8% have COEs/CODs (AY 2019-2020)
 - Low percentage of autonomous/deregulated private HEIs (4.3% in AY 2019)
 - 52% of the 106 SUCs are level III, 19% are level IV, and none are comparable to the best universities in Asia (AY 2019)

Types of HEIs, by funding source



Source: Commission on Higher Education (CHED)
Notes: The total number of HEIs excludes SUC satellites. OGS (other government schools). CSI (CHED- supervised institutions).

10-year compound annual growth rate HEI enrollment

	AY 2009-2010	% of total	AY 2019-2020	% of total	10-year CAGR, %
Public	1087983	39	1575645	46	3.77
Private	1686385	61	1832780	54	0.84

Source: Authors' computations based on the data from <https://ched.gov.ph/wp-content/uploads/Higher-Education-Data-and-Indicators-AY-2009-10-to-AY-2019-20.pdf>, accessed in April 2024.

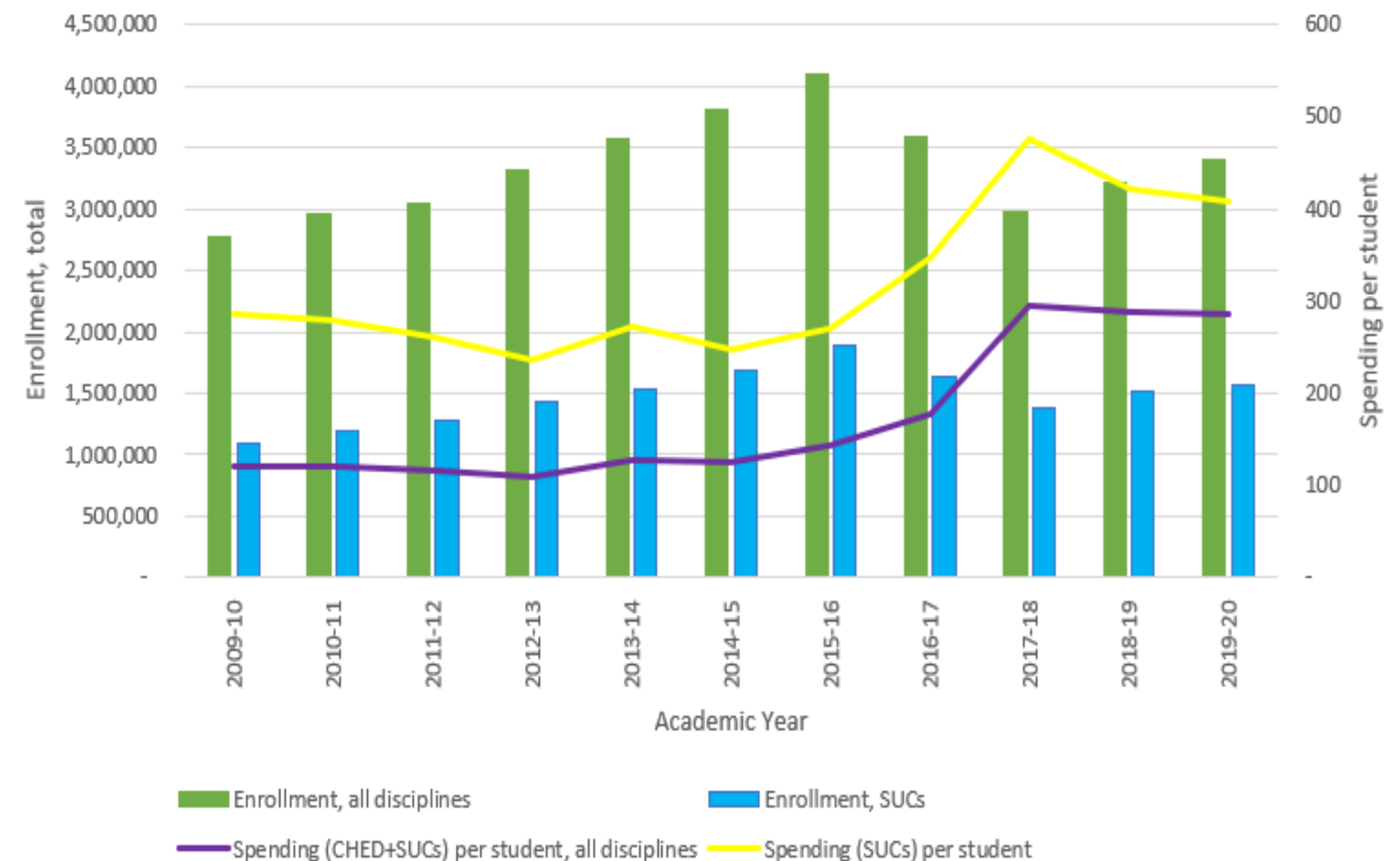
OVERVIEW: Higher Education Context in the Philippines



HEI-related laws and policies

- **Quality:** Republic Act 11448: Transnational Higher Education Act (2019)
- **Access:** Republic Act 10931: Universal Access to Quality Tertiary Education (2017)

Government expenditures in tertiary education, PhP, 2018 prices



Source: Department of Budget and Management (DBM)-Budget of Expenditures and Sources of Financing (BESF) for spending data; CHED for enrollment data

RESEARCH QUESTIONS

How does the government and HEIs in the country under study understand financial sustainability, and what approaches and risk management strategies are sampled HEIs pursuing to strengthen their financial sustainability?

Theme

Research question



Current State of HEI Financing

How are sampled HEIs financed to operate, and what are their various revenue streams?



Understanding of HEI Financial Sustainability

How do HEI leaders and government actors in the countries under study understand HEI financial sustainability?



HEI Financing Strategies

What strategies do sampled HEIs undertake to promote their financial sustainability?



Influencing Factors on Financial Sustainability

What factors do the sampled HEI leaders and government actors perceive to determine or shape HEI's financial sustainability?

METHODOLOGY

Multimethod Approach/Mixed Methodology (Bryman, 2003)



METHODOLOGY: Sample Description

Secondary Data Collection

- **Published data (including financial data) from key government agencies:** COA, SEC, CHED

Primary Data Collection

- **Interviews with stakeholders:** government agency representatives, HEI and TVI leaders, groups/associations, CSOs, higher education researchers, non-state funders

Sampling Process: Two-Stage Selection Strategy

- Full list of HEIs (2498 entries) from CHED
- **Stage 1: Stratified sampling**
 - LUCs, SUCs, Regulated Private HEIs, Autonomous/Deregulated Private HEIs, Private HEI-TVIs
 - 20 HEIs drawn from each stratum using Stata
- **Stage 2: Purposive sampling**
 - Contacted ten from each stratum, replaced non-responding HEIs

KII respondents

Categories	Number of interviews	Number of Participants	Positions
Private HEI	8	9	1 – HEI President/Association President 2 – President 2 – Vice President/Head for Finance 1 – Controller of Planning and Controllershship 1 – Senior Vice President of Administration 1 – Provost and Vice President for Academics 1 – Chief Finance Officer
Private HEI offering TVET courses	1	2	1 – College President/Association President/Regional Association Vice President 1 – Association Chairperson
Public HEI, LUCs	3	3	1 – OIC, College President 2 – College President
Public HEI, SUCs	6	11	2 – President 2 – Director for Planning 1 – Chief of Finance 1 – Vice President for Administration and Finance 1 – Accountant 1 – Director of Financial and Management Services/Budget Officer 1 – Assistant Superintendent for Administration and Finance 1 – Chief of Accounting Office 1 – College Dean
Total (HEI)	18	25	
Civil Society Organization	4	4	1 – Senior Fellow 1 – Director 2 – Executive Director
Government Stakeholders	2	2	1 – Division Chief 1 – City Administrator
Other Stakeholders*	3	5	1 – Head of Business to Consumer 1 – Chief Strategy Officer 1 – Country Chief 1 – Chief Finance Officer 1 – Association President
Individual Researchers	2	2	1 – Head of Social Sector 1 – Professor
Total (non-HEI)	11	13	
Total respondents	29	38	

Note: Interviews were conducted from June 5 to September 19, 2023.

*Includes a representative each from non-State/non-bank student loan provider, a private sector group with stakes in the sector, and an association in the hospitality industry; TVET: Technical-Vocational Education and Training

Current State of HEI Financing

How are sampled HEIs financed to operate, and what are their various revenue streams?

Tuition fees and government appropriations

- ✓ Public HEIs heavily rely on
 - government subsidies to fund their operations and infrastructure development
 - tuition fees, reimbursed by the national government if eligible under the 2017 Universal Access to Quality Education Law
- ✓ Private HEIs heavily rely on
 - tuition fees

Other revenue resources

- ✓ Donations: Limited to big and popular schools
- ✓ Endowment funds: Only few HEIs harness these sources
- ✓ Additional program offerings: Certificate and non-degree programs
- ✓ Partnerships with other HEIs, private companies, government agencies
- ✓ Auxiliary services to earn: Only few HEIs have adequate resources (i.e., idle assets) to implement lucrative ventures

Distribution of selected HEIs' revenue sources (2015-2020), % of total revenues



Sources: Securities and Exchange Commission for private HEIs; Commission on Audit for SUCs.

Understanding of HEI Financial Sustainability

How do leaders and government actors in the country under study understand HEI financial sustainability?

Public vs Private HEIs: On Financial Sustainability

- Public HEIs: Reduce dependence on government funding, ensure income generation
- Private HEIs: Generate revenues, pursue cash viability, and minimize costs by monitoring financial metrics
- Both recognize the importance of educational objectives/delivering quality outcomes to HEIs' financial health

Initiatives to achieve FS vary depending on HEI type

- Non-profit vs for-profit private
- Listed and non-listed
- Sectarian vs non-sectarian
- Regulated vs autonomous

Having adequate funds for present needs, while

- ✓ **Fulfilling mandates**
- ✓ **Attaining academic aspirations**
- ✓ **Producing valued results aligned with society's aspirations, and**
- ✓ **Ensuring long-term resilience**

Influencing Factors on Financial Sustainability

What are the factors that sampled HEI leaders and government actors perceive to determine or shape HEI's financial sustainability?

HEI LEVEL

HEIs' pursuit of quality education

- Providing quality educational products and services enhances the overall student's academic experience, thus, the financial performance of HEIs
- Graduates as advertisements
- LUCs: Issues on quality-related initiatives due to governance structure

HEI leadership and governance

- Key to crafting and executing strategic directions in investments and collaboration initiatives, which support institutional outcomes and development.

Shifts in learners' demand for learning opportunities

- Traditional higher education programs vs. Technical vocational education, micro-credentials, and short programs
- Will likely affect HEIs pedagogical models and marketing strategies

Influencing Factors on Financial Sustainability

What are the factors that sampled HEI leaders and government actors perceive to determine or shape HEI's financial sustainability?

National policies and regulations

- 2017 Free Higher Education Law
- Salary increase in public HEIs
- Curriculum development policies and processes
- Short-term policies on online instruction
- “No Permit, No Exam” Prohibition Act

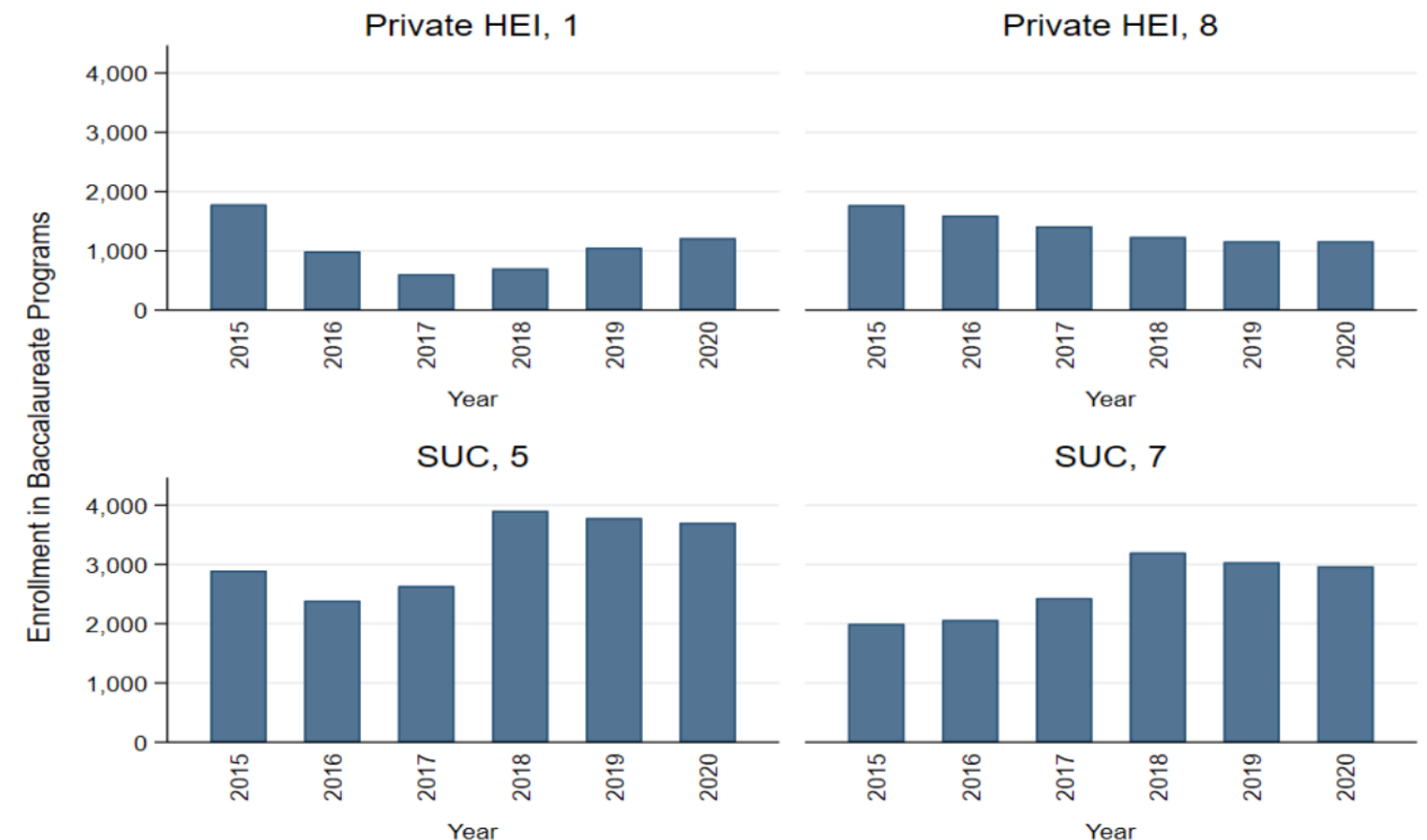
Political disruptions

- LUCs' leadership, funding, and operations are highly affected by their LGU and their localities' political and economic conditions

Inflation

- Struggle to deliver quality education while maintaining affordability, with salaries and wages needing to keep pace with inflation.
- Affordability of tuition fees, a pressing concern as inflation also drives up the cost of living.

Enrollment in baccalaureate programs in selected public and private HEIs (2015-2020)



Source: Commission on Higher Education

HEI Financing Strategies

What strategies do sampled HEIs undertake to promote their financial sustainability?

- ✓ Establishing financial planning and monitoring systems
- ✓ Pursuing resource optimization and green initiatives
- ✓ Enhancing trust through transparency and accountability
- ✓ Expanding market share through campus and program expansion
- ✓ Strengthening linkages with partners to reduce costs and improve programs
- ✓ Adaption of digitalization strategies

KEY TAKEAWAYS

HEIs play a critical role in supporting international development goals and Filipinos' national aspirations.

Achieving quality higher education has benefits and costs, making HEIs' financial sustainability an important means to an end.

HEI's financial sustainability is an **educational asset and strategic imperative**.

National and HEI-level policies/initiatives are needed to ensure that HEIs can fulfill educational objectives, deliver valued outcomes, support societal advancement, and add tangible value to stakeholders.

RECOMMENDATIONS

NATIONAL LEVEL



Policymakers: Provide student-centric scholarships and subsidies to address the competition for students between public and private HEIs



Policymakers: Enact a law on LUC operations and governance to mitigate political disruptions



Policymakers: Harmonize the requirements on the full tax deductibility of donations in private and public HEIs



CHED: Develop and implement long-term policies and plans for tertiary education to provide direction and stability



CHED and HEIs: Explore the establishment of more regional university systems to promote greater efficiency in SUCs' resource use



CHED and HEIs: Build HEI resilience through support for digitization of processes and systems

RECOMMENDATIONS

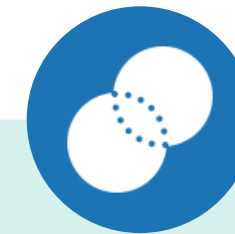
HIGHER EDUCATIONAL INSTITUTIONS



Leverage the government's transnationalization initiatives to enhance the quality of program offerings and attract students, partners, and donors



Develop a culture of foresight and futures thinking to navigate all types of uncertainties



Explore pathway systems to enhance the complementarity of program and course offerings in public HEIs



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