

INNOVATION SCIENCE AND TECHNOLOGY



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ISSUE 4

 Acceptance of papers **April, 2026**



Acceptance of papers

Published monthly



Topics

economics, technology, social sciences

ISSN 3060-5229



Digital Object Identifier



Visit the website t.me/scopus_IST2100

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JOURNAL **"INNOVATION SCIENCE AND
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UNDER THE NUMBER **C-5669633** BY THE
AGENCY FOR INFORMATION AND MASS
COMMUNICATIONS (AOKA) OF THE
REPUBLIC OF UZBEKISTAN, EFFECTIVE
FROM OCTOBER 9, 2024.

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CONTENTS

THE IMPACT OF FINANCIAL RISKS ON THE DEVELOPMENT OF REGIONAL ECONOMIC GROWTH DRIVERS AND OPPORTUNITIES FOR THEIR MITIGATION	17
Turopova Nigora Xolmurod qizi	
UTILIZATION OF INTERNAL RESERVES FOR INCREASING THE EFFICIENCY OF REGIONAL TOURISM (CASE STUDY OF THE REPUBLIC OF KARAKALPAKSTAN)	20
Naurizbaev Aliakbar Rustamovich	
MATHEMATICAL MODELS AND ALGORITHMS FOR PROCESSING NOISE DATA	23
Jovlieva Dilnoz Mustofa qizi	
ASSESSMENT OF THE IMPACT OF ENVIRONMENTAL RISKS IN BUSINESS ACTIVITIES AND WAYS TO REDUCE THEM.....	28
Abdukhamid Abdumalikovich Bektemirov	
A MULTI-LEVEL SYSTEM OF STATISTICAL INDICATORS FOR REGIONAL TRANSPORT INFRASTRUCTURE ASSESSMENT: METHODOLOGY AND APPROBATION	34
Keunimzhaev Mukhamedali Kuanyshaevich	
THE IMPACT OF BANKS ON THE FINANCIAL STABILITY OF THE ECONOMY OF THE REPUBLIC OF UZBEKISTAN	39
Usmonov Faridun Firdavsievich, Ishonkulova Feruza Asatovna	
EMPIRICAL EVALUATION OF MACRO- AND MICROECONOMIC FACTORS AFFECTING THE EFFICIENCY OF INVESTMENT ACTIVITY AND THEIR RELATIONSHIP WITH ECONOMIC EFFICIENCY.....	43
Aytmuratova Ulbike Jalgasovna	
MECHANISMS FOR IMPROVING ECONOMIC EFFICIENCY THROUGH OPTIMIZATION OF PRODUCTION RESOURCE POTENTIAL IN UZBEKISTAN	47
Sattarov Abdusamat Umirqulovich	
PROMISING DIRECTIONS FOR APPLYING FOREIGN EXPERIENCE IN THE DEVELOPMENT OF GREEN TOURISM IN UZBEKISTAN	52
Rakhimova Dilfuza Mirzakasimovna	
PRIORITIES FOR REGULATING FINANCIAL RELATIONS IN PROVIDING HOUSING TO THE POPULATION IN UZBEKISTAN.....	58
Khannarov Komiljon Karimovich	
IMPROVING THE ORGANIZATION OF PRODUCTION COST ACCOUNTING IN FULL-SYSTEM FARMS SPECIALIZING IN THE CULTIVATION OF CYPRINID FISH.....	62
Aitimbetov Amirbek Qoishibekovich	
THE TRANSFORMATIONAL ROLE OF SMALL BUSINESS IN UZBEKISTAN'S ECONOMIC DEVELOPMENT: A COMPREHENSIVE ANALYSIS BASED ON 2025 NATIONAL STATISTICS.....	68
Isakjanova Sabokhat Muhamedovna	
AN INTEGRATED METHODOLOGICAL FRAMEWORK FOR ADVANCING GREEN TOURISM MODELS IN THE DIGITAL ECONOMY ERA.....	79
Rasulova Nigora Yusupovna	
FACTORS AFFECTING THE COMPETITIVENESS OF COMPANIES.....	83
Kamoliddinov Ilhomjon Muhammadjonovich, Nosirov Eldor Nosirjon ugli	
THE ROLE OF INDUSTRIAL ENTERPRISES IN INCREASING THE EXPORT POTENTIAL OF THE UZBEK ECONOMY.....	88
Musayeva Shoira Azimovna	
DEVELOPMENT OF MARKET FACTORS TO ENSURE THE GROWTH OF THE ECONOMIC POTENTIAL OF THE ENTERPRISE (USING THE EXAMPLE OF THE SAG EXPRESS BRAND STORES)	92
Usmonova Dilfuza Ilkhomovna	
THE CONCEPT OF REGIONAL IMAGE AND ITS ECONOMIC CONTENT (THE CASE OF THE KHOREZM REGION).....	99
Dilshod Ibragimovich Ibdullayev	

DEVELOPMENT OF QUALITY MANAGEMENT SYSTEMS IN THE CONTEXT OF DIGITAL TRANSFORMATION	106
Shakhnoza Samandarovna Ziyadillayeva	
ADVANCED APPROACHES TO THE ASSESSMENT AND MANAGEMENT OF CURRENT FINANCIAL STABILITY IN JOINT-STOCK COMPANIES USING CFAR (CASH FLOW AT RISK) AND 3 Σ STATISTICAL RISK MODELS	114
Kurbonov Xayrilla	
DEVELOPMENT OF A PROGRAM FOR ANALYZING MEDICAL LABORATORY RESULTS USING ARTIFICIAL INTELLIGENCE MODELS.....	118
Gofurjonov Muhammadali, Kamolov Shamsiddin	
APPLICATION OF DIGITAL TRANSFORMATION IN IMPROVING MANAGEMENT STRATEGIES OF CONSTRUCTION MATERIALS INDUSTRY ENTERPRISES.....	122
Ubaydullayev Mukhammadjon Abdusamad o'g'li	
IMPROVING MECHANISMS FOR ENHANCING THE RESOURCE POTENTIAL OF ORGANIZATIONS IN THE EDUCATIONAL SERVICES SECTOR.....	125
Ibrohim Meliboyev	
ECONOMETRIC ANALYSIS OF THE RELATIONSHIP BETWEEN SERVICE QUALITY AND ECONOMIC EFFICIENCY.....	130
Khudoyorov Lochinbek Bahromovich	
MONETARY POLICY INSTRUMENTS IMPROVE USAGE PRACTICES	135
A.A. Ismailov	
E-COMMERCE ADOPTION IN TRADITIONAL STORES.....	140
Nuserov Bakhtiyor	
ENHANCING FINANCIAL SUSTAINABILITY AND OPERATIONAL EFFICIENCY OF JSC "HUDUDGAZTAMINOT": KEY FACTORS AND DIGITAL TRANSFORMATION STRATEGIES.....	146
Ergashev Muhibbek Aslamovich	
METHODS FOR IMPROVING AUTOMOTIVE FUEL QUALITY INDICATORS THROUGH THE USE OF ADDITIVES.....	151
Xushnayev Obid, Sheraliyev Ulugbek, Astonov Alisher	
MONETARY POLICY INSTRUMENTS.....	156
A.A. Ismailov	
THE ROLE OF STRATEGIC MANAGEMENT IN ENHANCING A COUNTRY'S INTERNATIONAL IMAGE: THE CASE OF SWITZERLAND.....	161
Idirisbaeva Hurliman Amanbay qizi, Kurolov Maksud Obitovich	
VOLUNTEER TOURISM: CURRENT IMPACTS AND FUTURE DIRECTIONS	170
Ossama Moustafa Elsetouhy	
COMPUTER GRAPHICS IN MODERN EDUCATION: PRACTICAL CAPABILITIES OF THE FIGMA PLATFORM.....	176
Maxamadov Rustam Xabibullayevich, Djamatov Mustafa Xatamovich	
DEVELOPING THE FINANCIAL SUSTAINABILITY OF HIGHER EDUCATION INSTITUTIONS BASED ON DIGITAL TECHNOLOGIES.....	182
Abdurasulov Sardor Tolqin ugli	
THE IMPORTANCE AND PROSPECTS OF TOURISM DEVELOPMENT	187
Ibodova Dilsora Ibodovna, Qosimov Jahongir Ruziboyevich	
STRATEGIES FOR OPTIMIZING THE STRUCTURE OF COMMERCIAL BANK ASSETS AND INCREASING EFFICIENCY IN UZBEKISTAN	194
Ibrohimov Davronbek Muhammadi o'g'li	
STRATEGIC DIRECTIONS FOR THE DEVELOPMENT OF EXPORTS OF PRODUCTS BASED ON ARTIFICIAL FIBERS.....	199
Raximov Furqat Jalolovich	
FUNDAMENTALS OF USING MARKETING RESEARCH TO IMPROVE SALES SYSTEM EFFECTIVENESS.....	206
Abduxalilova Laylo Tuxtasinovna	

FASHION MARKETING AS AN INSTRUMENT FOR SHAPING CONSUMER-BASED BRAND VALUE.....	213
Navruz-Zoda Bakhtiyor Negmatovich, Aripova Makhliyo Salakhiddinovna	
ENSURING SUSTAINABLE GROWTH OF THE NATIONAL ECONOMY IN THE CONTEXT OF DIGITAL TRANSFORMATION, IMPROVING INNOVATIVE DEVELOPMENT STRATEGIES, AND ENHANCING THE EFFICIENCY OF IMPLEMENTING DIGITAL ECONOMY PRINCIPLES IN THE FINANCE, BANKING, AND TOURISM SECTORS	220
Inatullayeva Intizor Jamshid qizi, Uroqov Uchqun Yunusovich	
SOCIAL AND SECURITY PROBLEMS OF INNOVATIVE TOURISM DEVELOPMENT IN THE REGION.....	223
Q.A. Musakhanov	
DIGITAL ECONOMY AND INNOVATION AS FACTORS OF SOCIAL DEVELOPMENT IN UZBEKISTAN	228
Ibragimova Saodat Abdumuminovna, Sadullayeva Sevara Uchqun qizi	
THE SOCIAL INSURANCE SYSTEM OF THE UNITED STATES OF AMERICA	232
Javliyev Nuriddin Bektemir o'g'li	
DEVELOPMENT OF EFFECTIVE ORGANIZATIONAL-ECONOMIC MECHANISMS FOR TRANSITION TO THE INNOVATIVE MARKETING CONCEPT IN ENTERPRISES UNDER DIGITAL TRANSFORMATION	236
Bobomurodov Qayimjon Homidovich	
FOMO-DRIVEN PURCHASING IN E-COMMERCE FLASH SALES: AN INTEGRATIVE CONCEPTUAL FRAMEWORK	241
Muhammadimov Abdukodir Bakhodirjon Ugli, Arciana Damayanti, Javliev Nuriddin Bektemir ugli	
PHYSICO-MECHANICAL PROPERTIES OF COARSE FEEDS	250
Yodgorov Jamoliddin Nomozovich, Yadgarov Sirojiddin Nomozovich	
EVOLUTION AND STANDARDIZATION OF SI MEASUREMENT UNITS IN THE INTERNATIONAL SYSTEM	255
Maxmudov Dostonbek Soyibjon o'g'li	
PROCEDURE FOR ACCOUNTING OF ESTIMATED LIABILITIES BY BUDGETARY ORGANIZATIONS	259
Jabbarova Charos Aminovna	
FEATURES OF AUDIT IN DEVELOPING INVESTMENT LENDING PRACTICES IN COMMERCIAL BANKS.....	263
Jamshid Mirzakhmedov	
ECONOMIC EFFICIENCY OF RENEWABLE ENERGY SOURCES: THE CASE OF SOLAR AND WIND ENERGY	271
Hayitov Jamshid Kholboyevich	
ADVANCED FOREIGN EXPERIENCE IN HIGHER EDUCATION FINANCING: THE CASE OF THE UNITED KINGDOM	275
Kurbanov Baxodir Negmatullayevich	

ADVANCED FOREIGN EXPERIENCE IN HIGHER EDUCATION FINANCING: THE CASE OF THE UNITED KINGDOM

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Abstract: The article analyzes the contemporary foreign experience of higher education financing using the example of England. It examines the main financial mechanisms of the English higher education system, including student tuition fees and government-guaranteed loans, grants distributed through the Office for Students (OfS), research funding via Research England, income from international student fees, as well as philanthropy and endowment funds. The study pays special attention to the changes in 2025–2026, particularly the inflation-adjusted increase in the tuition fee cap, the reintroduction of maintenance grants, and the growing trend toward performance-based funding linked to quality indicators. The research findings indicate that the English experience ensures the competitiveness of higher education through a student-centered funding model, the dual support system for research, and the active attraction of private resources. At the same time, challenges related to the financial sustainability of universities persist. Practical recommendations for Uzbekistan are provided based on the analysis.

Keywords: higher education financing, English experience, tuition fees, student loans, Research England, dual support system, Office for Students.

Annotatsiya: Ushbu maqola oliy ta'limni moliyalashtirishning zamonaviy xorijiy tajribasini Angliya misolida tahlil qiladi. Maqolada Angliya oliy ta'lim tizimining asosiy moliyaviy mexanizmlari — talabalar to'lovlari va davlat kafolatli kreditlari, Office for Students orqali grantlar, Research England orqali tadqiqot moliyalashtirishi, xalqaro talabalar to'lovlari hamda filantropiya va endoumentlar ko'rib chiqiladi. 2025–2026-yillardagi o'zgarishlar, xususan, o'qish to'lovlari yuqori chegarasining (tuition fee cap) inflyatsiyaga mos ravishda oshirilishi, yashash uchun grantlarning (maintenance grants) qayta joriy etilishi va sifat ko'rsatkichlariga bog'liq moliyalashtirish tendensiyalari tahlil etiladi. Tadqiqot natijalari shuni ko'rsatadiki, Angliya tajribasi talabaga yo'naltirilgan moliyalashtirish, tadqiqotning ikki tomonlama qo'llab-quvvatlash tizimi va xususiy manbalarni faol jalb qilish orqali oliy ta'limning raqobatbardoshligini ta'minlaydi, ammo universitetlarning moliyaviy barqarorligi bilan bog'liq muammolar ham mavjud. O'zbekiston uchun amaliy tavsiyalar berilgan.

Kalit so'zlar: oliy ta'lim moliyalashtirishi, Angliya tajribasi, o'qish to'lovlari, talaba kreditlari, Research England, ikki tomonlama qo'llab-quvvatlash tizimi, Office for Students.

Аннотация: В данной статье анализируется современный зарубежный опыт финансирования высшего образования на примере Англии. В работе рассматриваются основные финансовые механизмы английской системы высшего образования: плата за обучение студентов и государственные гарантированные кредиты, гранты, распределяемые через Office for Students, финансирование научных исследований через Research England, доходы от платы иностранных студентов, а также филантропия и эндаумент-фонды. Особое внимание уделяется изменениям 2025–2026 годов, в частности, повышению потолка платы за обучение в соответствии с инфляцией, возобновлению выплаты грантов на проживание и тенденции к финансированию, зависящему от показателей качества. Результаты исследования показывают, что английский опыт обеспечивает конкурентоспособность высшего образования благодаря студентоориентированной модели финансирования, системе двойной поддержки научных исследований и активному привлечению частных источников. Вместе с тем сохраняются проблемы финансовой устойчивости университетов. На основе проведенного анализа даны практические рекомендации для Узбекистана.

Ключевые слова: финансирование высшего образования, опыт Англии, tuition fees, student loans, Research England, dual support system, Office for Students.

INTRODUCTION

Higher education financing is a critically important strategic issue on a global scale, as it directly influences the quality of education, research and innovation, human capital development, and social mobility. In the

context of limited resources and growing demand for higher education, improving financial mechanisms plays a decisive role in ensuring the competitiveness of nations. The higher education system in England is widely regarded as one of the most prominent examples in Europe of a student-centered funding model. This model aims to align higher education more closely with market principles, encourage universities to adapt to student needs and labor market demands, and optimize the burden on the state budget.

The fundamental reforms of 2012 marked a turning point in the higher education financing system of England. Within the framework of these reforms, direct government grants were drastically reduced—by some estimates, by up to 96 percent—and replaced by a system of tuition fees and state-backed student loans. The cap on tuition fees was increased to £9,000 per year. As a result, the revenue structure of universities changed significantly: tuition fees became the primary source of funding, while the government continued its support mainly through subsidizing student loans.

These changes brought higher education closer to market-based principles and encouraged universities to participate more actively in a competitive environment. Institutions were compelled to place greater emphasis on student choice and satisfaction, as their financial stability became dependent on student enrollment, course quality, and graduate employment outcomes. At the same time, to ensure social equity, additional support mechanisms for students from low-income backgrounds were strengthened. However, the reforms also led to a rise in student debt: many graduates complete their studies with debts ranging from £40,000 to £57,000, although repayment is income-contingent and not required below a certain income threshold.

In recent years, the system has continued to evolve. For the 2025–2026 academic year, the tuition fee cap was increased in line with inflation, and from 2026 onward it is expected to be indexed annually to inflation rates. Changes are also being introduced regarding the duration and interest rates of student loans. These adjustments aim to ensure the financial sustainability of universities while managing the financial burden on students.

The main advantage of the England model lies in its student-oriented financing approach and its ability to enhance quality through competitive mechanisms. Universities are encouraged to improve curricula, foster innovation, and attract international students in order to diversify their income sources. At the same time, critics point to the long-term implications of student debt, the risk of social inequality, and the weakening of funding in certain academic disciplines.

REVIEW OF LITERATURE ON THE SUBJECT

Looney and Constantine Yannelis, in their research, examine the macroeconomic impact of student loans and empirically demonstrate that the widespread expansion of credit has led to increases in tuition fees (the Bennett hypothesis). They find that increases in federal loan limits have raised tuition fees by an average of 15–20% [1].

Sandy Baum and Michael McPherson analyze racial and socio-economic disparities within the student loan system. According to their findings, the average debt of Black graduates is approximately 30% higher than that of White graduates, and they face greater difficulties in loan repayment [2].

According to Joseph Chipman and Robert Derden, a comparative analysis of the theoretical foundations and practical application of income-contingent repayment systems shows that, based on the experiences of Australia, the United Kingdom, and New Zealand, this model is more effective in ensuring social equity than traditional loan systems [3].

According to Professor A. Lyalin, the development of higher education financing systems is a necessary condition for supplying skilled personnel to an innovation-driven economy [4].

RESEARCH METHODOLOGY

During the research process, methods such as analysis and synthesis, induction and deduction, statistical grouping, expert evaluation, scientific abstraction, and other scientific research techniques were widely applied.

ANALYSIS AND RESULTS

The higher education financing system in England is based on a student-centered model. This approach encourages universities to adapt to student choice, the quality of academic programs, and labor market demands, while also enabling the optimization of the state budget burden. The system relies on several key financial sources which, in combination, ensure the stable functioning of higher education institutions.

Tuition fees — This is the primary and dominant source of higher education funding in England. In the 2025–2026 academic year, the maximum fee cap for full-time undergraduate programs is £9,535 (increased by 3.1% compared to the previous year in line with inflation). It is expected to reach £9,790 in 2026–2027 and £10,050 in 2027–2028. Students typically cover these fees through government-backed loans provided via the Student Loans Company. Tuition fees generally account for more than 50% of universities' total income. This mechanism incentivizes universities to better respond to student needs and improve the quality of education.

Government grants and funding through Office for Students — Although broad direct teaching grants were significantly reduced after the 2012 reforms, recurrent grants are still allocated through the Office for Students. These funds are mainly directed toward high-cost subjects and programs that promote social equity. In the 2025–2026 academic year, the Office for Students budget remains limited and is distributed based on a formula, with additional targeted funding for high-cost courses. While these grants do not fully ensure financial independence, they play an important role in sustaining strategically important areas.

Research funding — Research financing in England operates under the “dual support system,” which consists of two parallel streams:

Quality-Related (QR) funding — performance-based funding linked to the Research Excellence Framework results. This funding amounted to approximately £2.17 billion in 2024–2025 and is expected to remain at a similar level in 2025–2026. It supports research infrastructure and long-term academic activity.

Research Councils grants — competitive project-based funding, which enhances research quality, stimulates innovation, and supports national priority areas.

International student fees — Fees for international students typically range between £15,000 and £25,000 and represent a significant revenue source, especially for institutions within the Russell Group. In some universities, this source can account for up to 30% of total income. However, recent changes in immigration policy have introduced volatility in international student flows, placing additional pressure on financial stability.

Philanthropy, endowment funds, and other income sources — Donations and endowment income are particularly significant for prestigious universities such as University of Oxford and University of Cambridge. In addition, “other income” accounts for approximately 18% of total revenue. These sources provide financial diversification and greater institutional autonomy.

The main advantage of the higher education financing model in England lies in its student-oriented approach and its ability to enhance quality through competitive mechanisms. However, the system also generates challenges, including rising student debt, financial difficulties faced by some universities, and the instability of international student flows.

This experience provides important lessons for adapting the model to developing countries such as Uzbekistan, particularly in terms of developing student loan systems, targeted financing of strategic fields, and diversification of financial sources (Table 1).

Table 1. Structure of Income Sources of Higher Education Institutions in England (2023/24 academic year)¹

No.	Financial Source	Share (%)	Amount (£ billion)	Notes
1	Tuition fees	52–55%	23–24	Largest source; includes ~23% from international students
2	Government grants (Funding body grants, OfS)	11%	~5–6	Mainly for high-cost fields and equity programs
3	Research grants & contracts	14–16%	7–7.5	Includes QR funding and Research Councils
4	Other income	18%	~8–9	Accommodation, conferences, consulting
5	Philanthropy & endowment income	2–3%	~1	Particularly important for Oxbridge and elite universities
	Total income	100%	~44.6–45	Across universities in England

The structure of financial sources in higher education institutions in England has undergone fundamental changes following the 2012 reforms, with the system increasingly developing based on a student-centered model.

According to Table 1, the financial stability of the higher education system in England largely depends on tuition fees, which account for more than half of total income. This situation emerged as a result of the 2012 reforms, during which the sharp reduction of direct government grants shifted universities closer to market mechanisms. In particular, international student fees account for around 23% of sector income and, in many institutions, serve to subsidize the teaching costs of domestic students.

Government grants are strategic in nature and support high-cost and nationally significant fields. This trend further intensifies the decline in real funding levels. Research funding remains relatively stable under the “dual support system.” Quality-Related funding, based on the Research Excellence Framework results, is allocated at approximately £1,987 million, ensuring long-term research infrastructure. Project-based grants, in

¹ Source: Author’s elaboration

turn, enhance competitiveness.

Other income sources contribute to financial diversification, although their share remains limited. Overall, the strength of the system lies in its ability to improve quality through competition and a student-centered approach. At the same time, several weaknesses persist: rising student debt, instability in international student flows, and declining real per capita funding pose serious threats to the financial sustainability of the sector.

CONCLUSIONS AND SUGGESTIONS

The higher education financing system in England is widely regarded as one of the most prominent examples of a student-centered model at the global level. Following the 2012 reforms, direct government grants were significantly reduced and replaced by a system of tuition fees and state-backed student loans. This transformation brought higher education closer to market principles, encouraged universities to adapt to student needs and labor market demands, and substantially optimized the burden on the state budget.

The main source of funding in the system is tuition fees. In the 2025–2026 academic year, the maximum fee cap for full-time undergraduate programs was set at £9,535 (an increase of 3.1% compared to the previous year). This figure is expected to rise to £9,790 in 2026–2027 and £10,050 in 2027–2028. Students cover these costs through government-backed loans provided via the Student Loans Company. Tuition fees account for more than 50% of university income.

Public funding is delivered through the Office for Students and Research England. OfS grants are primarily directed toward high-cost disciplines, strategic priorities, and social equity programs. Research funding operates under the “dual support system”: Quality-Related funding is a performance-based mechanism linked to the Research Excellence Framework, amounting to £2.17 billion in 2024–2025, while Research Councils provide competitive project-based grants that stimulate high-quality research activity.

International student fees represent a significant revenue stream for many universities, accounting for up to 30% of total income in some institutions. In addition, endowment funds, philanthropy, and auxiliary activities contribute to financial diversification.

The key advantage of the England model lies in its ability to enhance educational quality through competition and performance orientation. At the same time, rising student debt, instability in international student flows, and financial pressures faced by some universities constitute notable challenges within the system.

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Proofreader: Zokir ALIBEKOV
Layout and Designer: Oloviddin Sobir ugli

2026. № 4

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