

## Impact of Corporatization on Higher Education

RENATO F. MALATE

*renmalate@yahoo.com.ph*

AIDA O. LANIOSO

EDGAR S. BALBUENA

Jose Rizal Memorial State University- Katipunan Campus  
Katipunan, Zamboangadel Norte, Dapitan City

**Abstract** - Corporatization of State Universities and Colleges (SUCs) in the Philippines is stipulated under Republic Act 8292, otherwise known as the Higher Education Modernization Act of 1997, allowing SUCs to engage in corporate activities in order to generate revenues. The study covered five SUCs in Region IX in terms of their implementation of corporatization, and its effect on access, growth, fiscal autonomy, and quality education. The research method used was quantitative-descriptive survey using a questionnaire. Other data and information were obtained from annual/official reports. Results of the study reveal that corporatization schemes adopted by SUCs were mainly from income from school fees (74 percent) and from use of economic assets or Income Generating Projects (IGPs) (26 percent). Corporatization had significant effect on SUCs' growth in terms of number of program offerings, faculty development, and extension projects. T-test showed that the impact was not significant in terms of access, fiscal autonomy, and quality education of SUCs.

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

---

This paper passed the plagiarism detector, spelling and grammar checker, Gunning Fog Index, Flesch Reading Ease, reference checker, and formula checker.

## 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 on 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. As of 2003, higher education institutions (HEIs) in the Philippines total 1,718, with public HEIs comprising 24 percent (111 State Universities and Colleges or SUCs, 239 SUCs satellite campuses, 2 CHED Supervised Institutions, 44 local Universities and Colleges, and 5 special HEIs) (Tayag and Calimlim, 2003). The increase in the number of SUCs resulted in inequitable distribution of higher education services, proliferation of campuses and programs, inefficient utilization of government resources and unsatisfactory quality of education (Tayag and Calimlim, 2003). To rationalize and streamline higher education in the country, the Commission on Higher Education (CHED) was organized out of the Department of Education (DepEd) in 1994 (RA 7722).

Today, higher education is at a crossroad. SUCs find themselves in a more competitive and challenging environment. First factor is the liberalization policies of the Commission on Higher Education (CHED) as illustrated in the lifting of moratorium in the course offerings. Second factor is the rise in the number of SUCs affecting the budget allocation for each of the institutions (Villabroza, no year). Third factor is the continuous decline of the quality of Philippine Education (Duka 2005).

All these factors necessitate SUCs to venture into innovative entrepreneurial activity, which is termed "corporatization". Corporatization of SUCs is provided for under the Higher Education Modernization Act of 1997 (Republic Act 8292) which empowers the governing boards of SUCs to retain income and enter into joint ventures with business and industry. The statute further provides

the means by which SUCs exercise the powers granted to a Board of Directors of a corporation under the Corporate Code of the Philippines (Batasán Pambansa 68).

While corporatization is believed by many as a means to financial autonomy, access, growth and quality education, its effects and influences have yet to be ascertained. It is on this premise that the study was conducted, hopefully, to be able to provide a view of the impact of corporatization on state universities and colleges in Region IX, Philippines.

### **OBJECTIVE OF THE STUDY**

The study looked into the extent by which corporatization was carried out by the universities and colleges in Region IX. It also determined its impact on higher education during CY 2006.

### **MATERIALS AND METHODS**

The descriptive-qualitative method of research was used in the study. A questionnaire was administered to find out the corporatization schemes adopted by SUCs in Region IX, and its effect on the school in terms of access, growth, fiscal autonomy, and quality education. To determine its effect, data prior to corporatization and during corporatization (SY 2006) were obtained. Indicators were used as measuring factors that include number of curricular program offerings, student enrolment, faculty profile, performance in licensure examinations, research and extension projects, government subsidy, and school income. Data from annual reports and other documents were analyzed as presented by school authorities as to the different indicators enumerated for corporatization.

The study was conducted in five SUCs of Region IX, Philippines, namely Western Mindanao State University in Zamboanga City; Zamboanga City State Polytechnic College in Zamboanga City; Zamboanga State College of Marine Science and Technology in Zamboanga City; Basilan State College in Isabela City, and Jose Rizal Memorial State College in Dapitan City. To measure the responses, information, and data collected, the following statistical tools were

used: percentage, mean, and descriptive-correlation tools particularly t-test.

## RESULTS AND DISCUSSION

### 1. Corporatization strategies employed by SUCs in Region IX

Of the five corporatization strategies available to SUCs, results showed that all the SUCs employed only two corporatization schemes: the use of economic assets/IGPs and income from tuition and school fees. None of the SUCs utilized outsourcing, merger, and joint venture with private sector.

### 2. Extent of the implementation of the corporate strategies of SUC

Table 1 presents the extent of the use of economic assets (IGPs) and income from tuition and other school fees by SUCs. The data from the table show that the bulk of the income of all the SUCs in the region came from school fees (74 percent) with a portion coming from income generating projects (IGPs) or business income (26 percent). This indicates that SUCs in the region perceived generating income from fees collected from students as the strategy in developing the business potential of the school and that they are more inclined toward academic profit 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	14306.59	100
D	4088.53	87	639.97	13	4728.50	100
E	14459.82	98	33.00	2	14492.82	100
<b>Total</b>	<b>164,878.90</b>	<b>74</b>	<b>59,285.53</b>	<b>26</b>	<b>224,164.43</b>	<b>100</b>

Table 2 shows the number of business strategies adopted by the SUCs to generate additional income. From the data, SUC-A had the most number of business activities with nine, followed by SUC-C with eight, SUC-D with five, SUC-B with four, and SUC-E with only one. The total revenue generated by the SUCs in the region was Php 59 million. In Table 3, the major financial resource generation strategies adopted by SUCs, were the following: Corporate courses at 73 percent for SUC-A, Agricultural production at 72 percent for SUC-B, Internet Lab at 64 percent for SUC-C; Corporate course at 47 percent for SUC-D, and SUC-E, and Agricultural production at 100 percent for SUC-E.

Table 2. Number of business/igp strategies and total income of SUCs

SUC	Number of IGPs	Total Income (in Php 000)
A	9	54663.0
B	4	2711.5
C	8	1238.1
D	5	639.9
E	1	33.0
<b>Total</b>	<b>27</b>	<b>59285.5</b>

Table 3. Alternative business/IGP strategies of SUCs (in Php000)

Income Generation Strategy	A		B		C		D		E	
	Amt (Php)	%	Amt (Php)	%	Amt (Php)	%	Amt (Php)	%	Amt (Php)	%
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	-	-

Continuation of Table 3

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	-	-	-	-	-	-	-	-
<i>T o t a l</i>	<i>54663</i>	<i>100</i>	<i>2711.5</i>	<i>100</i>	<i>1238.1</i>	<i>100</i>	<i>639.9</i>	<i>100</i>	<i>33.0</i>	<i>100</i>

### *3. Effects of implementation of strategies on access, growth, fiscal autonomy, and quality education*

**Access.** Table 4 presents the effect of corporatization on access to SUCs. Access was measured by determining the difference in the number of student enrolment prior to and during corporatization. Access has positively affected the SUCs in the region with an increase in the student enrolment of 14 percent. This was brought about by the offering of additional curricular programs. Program offerings of SUCs have increased by an average of 102 percent. However, when analyzed as to the average number of students per curricular program offered, it shows that there was a decrease during corporatization in all SUCs. The average decrease in the number of students per program was 45 percent.

Table 4. 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 of corporatization on growth of the SUCs is shown in Table 5. The growth indicators identified were percent increase/decrease during corporatization in program offerings, faculty development in terms of degree, number of research and extension projects, and total income.

Table 5 shows that all SUCs in the region increased their program offerings by an average of 102 percent. 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 degree. Table 5 shows that all SUCs in the region increased its faculty degree by an average 95 percent. This indicates that the culture of faculty development among SUC schools is prevalent and that SUCs are supportive 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 percent and 577 percent, respectively. In terms of income, there was a substantial effect on the income of SUCs with an average percent growth of 230 percent.

Table 5. 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
<i>Mean</i>	<b>102</b>	<b>95</b>	<b>24</b>	<b>577</b>	<b>230</b>

\*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 6 shows the various income generated by the SUCs prior to and during corporatization and the government subsidy given to SUCs in the respective years. The income to subsidy ratio shows an overall increase among the SUCs of 193 percent. This means that, on the average, SUCs increased their income to subsidy ratio in the region during corporatization.

Table 6. Fiscal autonomy: income to subsidy ratio by SUC

SUC	Total Income (Php000)		Government Subsidy (Php000)		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



Continuation of Table 6

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

Fiscal autonomy can be further measured through the increase or decrease of its share of funds prior to and during corporatization. The funds of SUCs come from two sources: government subsidy and total income. Figure 2 shows that prior to corporatization, the bulk of the total funds of SUCs came from government subsidy, comprising 87 percent of the total funds while total income contributed 13 percent only. However, during the implementation of corporatization, the share of total income increased to 34 percent of the total funds, with government subsidy contributing 66 percent. This means an increase of the percent share of the total income to the total funds of SUCs by 21 percent.

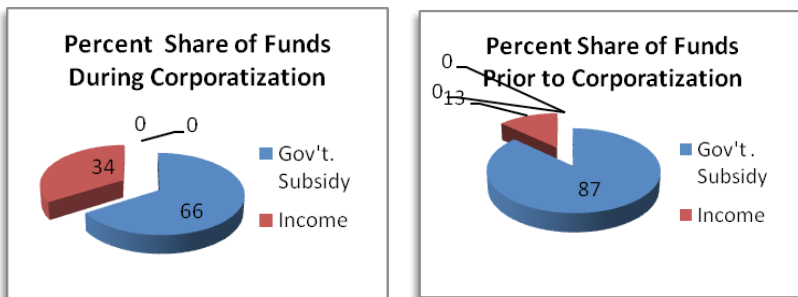


Figure 2. Percent share of sources of SUCs funds prior to and during corporatization

**Quality Education.** Quality education is measured through the performance in licensure examination. Table 7 shows the average mean performance of SUCs in licensure examinations. From the table, it can be gleaned that out of the five SUCs in the region, there were three SUCs that obtained positive mean percent performance in licensure examination prior to and during corporatization, while two of the SUCs obtained negative mean percent performance. On the whole,

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

Table 7. Quality education indicator by SUC

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

**4. Difference in the effects of corporatization on SUCs when measured in terms of access, growth, fiscal autonomy, quality education**

Table 8. Significant difference on the effects of corporatization of SUCs on 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: Student Enrolment	1.22	2.132	NS
2. Growth: a) Program offerings	4.20	2.132	S
b) Faculty Development	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. The effect of corporatization on access was not significant in terms of student enrolment which can be due to: geographical factor (i.e., there is limited 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), low participation rate of college-going population (Tayag and Calimlim, 2003), and high cost of education (Intal, et.al., 2003). Other factors affecting enrolment in SUCs are 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, faculty development, 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. The reasons are clearly identified by Salvosa (2008) when he cited the Asian Development Bank report released in June 2008, which asserted 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 was no significant difference in the effects of corporatization in terms of fiscal autonomy. This was corroborated by Salvador (2002) who revealed that the principal source of income of SUCs is the government subsidy and that additional sources are tuition fees and other miscellaneous fees, but these are very low. This

was further corroborated by Bangahan (2006) who found that SUCs in Region IX were not able to raise sufficient revenues thru the financial resource generation strategies used and thus, are not yet capable of being financially independent from the State. She also found that, although many strategies were used, most of them generated minimal income.

**Quality Education.** There was no significant difference in the effects of corporatization on quality education when expressed in terms of performance in licensure examination. Quality education suffered, in part, because of the spreading of program offerings vis-à-vis competition for student enrolment with other HEIs. This was supported by Salvosa (2008) when he cited the ADB report of 2008 which linked quality issues in universities partly due to rapid expansion. 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.”

Corpus (2003) similarly noted that based from the various studies on Philippine education, expansion of educational opportunities or programs was inversely matched by a deteriorating quality of education which, according to him, can only be addressed through a system of accreditation. This was also the recommendation made by Padua (2003) when he compared the quality situation of higher education in other countries with the Philippine system. To improve quality education, he recommended the adoption of institutional accreditation in higher education and he suggested further that CHED shift from voluntary accreditation to prescribed accreditation.

## CONCLUSIONS

1. Corporatization schemes adopted by SUCs are those easily implemented like income from education and use of economic assets. Income from education is favored by SUCs as corporatization scheme since this activity is familiar to the management and is appropriate to the present personnel and physical facilities of the institutions.

2. Of the two corporatization schemes adopted, income from education contributes significantly to the SUCs total revenue (74%), while the use of economic assets contributes 26% only.

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

4. 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, faculty development, and extension projects.

### LITERATURE CITED

Bangahan, L.A.

2006 "State universities and colleges alternative financial resource generation strategies: status and problems." CPADS, WMSU.

Corpus, M.T.

2003 "Historical Perspective of the Philippine Quality Assurance System." [www.ched.gov.ph/projects/index.html](http://www.ched.gov.ph/projects/index.html)

Duka, C.

2005 "Review for the Licensure Examination for Teachers," Manila Review Institute, Inc. Manila, Philippines.

Guillermo, R.

1997 "Rationalizing failures: the philippine government in the education sector" education for development magazine, ibon databank, Philippines, December 1997.

Intal, P.S., M.M. Alba and Ma. A.L. Santiago

2003 "Comparing the true cost of selected degree programs across four ncr-based universities." Proceedings of the Symposium on the Rationalization of the Philippine Higher Education System. Manila Hotel, Philippines. September 18-19, 2003

Padua, R.N.

2003 "International higher education quality assurance practices: Situating the Philippine system" [www.ched.gov.ph/projects/index.html](http://www.ched.gov.ph/projects/index.html)

Salvador, I.V.

2002 The income generating strategies of state universities and colleges. <http://csr.adnu.ph/era/rtf/0000000993.rtf>

Salvosa, F.F. II.

2008 "Domestic education issues highlighted in new ADB study." [www.ched.gov.ph/projects/index.html](http://www.ched.gov.ph/projects/index.html)

Tan, E.A.

2003 "Studies on the access of the poor to higher education." Proceedings of the Symposium on the Rationalization of the Philippine Higher Education System, Manila Hotel, Philippines. September 18-19, 2003.

Tayag, J.C and C.V. Calimlim

2003 "HEI and program map of the Philippines" Proceedings of the Symposium on the Rationalization of the Philippine Higher Education System, Manila Hotel, Philippines. September 18-19, 2003.

Villabroza, J.M.P.

2001 "Rationalization of public higher institutions: towards greater efficiency, equity and quality." <http://members.tripod.com/pcer>