CRITERIA FOR NOT-FOR-PROFIT AND FOR-PROFIT PRIVATE UNIVERSITIES

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ABSTRACT
For-profit or not-for-profit private universities have been recently debated in Vietnam after an incident at one private university claimed it is a not-for-profit. This paper presents the results of the survey on the views of lecturers, students, administrators at private universities in Ho Chi Minh City, and educational experts on the criteria for identifying not-for-profit universities. Based on the findings, suggestions are offered to policy makers regarding this issue.

1. THE CONTEXT OF THE STUDY
The history of developing non-public universities in the world began thousands of years ago. Until now, this system has been constantly developed to serve the needs of learning, researching and serving the community of a large number of different social sectors (Altbach, Reisberg, & Rumbley, 2009).

In the world, many studies on non-public universities have been conducted: from the origin of these universities, the ownership, training programs, degrees, accreditation, legal basis, performance, and position of non-public universities in a national education system, to its role in the development of society.

A study by Altbach et al. (2009) shows that non-public higher education in the world has made strong progress in recent decades. In the early years of the 21st century, about 30% of higher education institutions were non-public institutions worldwide. The reality shows that while in some countries, non-public higher education has existed and developed for a long time. Some private higher education institutions are now the world's leading prestigious and quality institutions such as some in the United States, Japan, the United Kingdom, and Korea. For most of the countries in the world, non-public university has been established for about 50 years. Today non-public higher education institutions, whether for-profit or not-for-profit, are among the fastest growing fields around the world.

Table 1. The ratios of public and non-public universities

<table>
<thead>
<tr>
<th></th>
<th>0-10%</th>
<th>11-35%</th>
<th>36-60%</th>
<th>&gt; 60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing</td>
<td>Cuba,</td>
<td>Egypt,</td>
<td>India,</td>
<td>Brazil,</td>
</tr>
<tr>
<td>countries</td>
<td>South Africa</td>
<td>Kenya</td>
<td>Malaysia</td>
<td>Indonesia</td>
</tr>
<tr>
<td>Developed</td>
<td>Germany,</td>
<td>Hungary,</td>
<td>Japan,</td>
<td>Republic</td>
</tr>
<tr>
<td>countries</td>
<td>New Zealand</td>
<td>United States</td>
<td>of Korea</td>
<td></td>
</tr>
</tbody>
</table>

(Altbach, Reisberg, & Rumbley, 2009, p. xiv)
According to these authors, the current development of private higher education sector is particularly thriving in developing countries and emerging economies such as Mexico, Brazil, Chile, Middle and Eastern countries in Europe, countries of the former Soviet Union, as well as in Africa, China, and India. The private education sector in these countries is developing and attracting more learners. In Africa, the Middle East and North Africa, non-public universities are well established. In general, the private sector in these countries is the sector that can “absorb the learning needs” of students who are ineligible to attend public institutions or because public institutions/universities are unable to meet the increasing number of enrollments with limited facilities and a lack of qualified staff. Non-public universities in these countries serve various and diverse groups of students and are therefore not considered reputable in terms of quality. These institutions are mostly for-profit private ones, but some universities are non-profit. This is a very specific type of university, where the founders spend money forming the institution but do not participate in the administration and enjoy any financial/material benefits from the institution. Another related trend is the privatization of public universities. Countries such as Australia and China have required universities to generate revenue from other sources in order to maintain operations alongside national budgets. Thus, besides tuition fees and government grants, public universities are forced to seek other sources of income from research, implementation and delivery of joint training, consulting, and publishing. Some institutions may solicit funds or grants from companies, organizations, and individuals (Altbach et al., 2009, pp. xiv - xv).

The birth of non-public universities stems from the trend of globalization and the growth of global trade and economy. Limited state resources and budgets are also factors promoting the birth and development of the non-public universities.

Non-public universities in Vietnam currently are a subject of debate and a topic for research of different groups of stakeholders, in particular, after incidents that happened at some non-public institutions in the second decade of the 21st century. This has sparked debate on the models of the non-profit university, non-profit or for-profit ones. However, limited studies have been conducted to investigate the characteristics of non-profit or for-profit at these institutions from the perspective of tertiary teachers, students, administrators, and education experts in Vietnam.

2. LITERATURE

2.1 For-profit or not-for-profit

In a study by Tran Quoc Toan (2016), the author presented the following factors to compare for-profit and not-for-profit higher education institutions (Table 2). The factors discussed indicate there are differences between non-profit and for-profit institutions. However, Table 2 shows that Tran Quoc Toan (2016) has not clarified the importance of each factor as well as the clear difference between the two systems for each factor. The table can be modified to eliminate similarities between the two types of institutions.

<table>
<thead>
<tr>
<th>Factors</th>
<th>For-profit</th>
<th>Not-for-profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Objectives:</td>
<td>Providing education and training services for profit (achieving profit goals through educational goals)</td>
<td>Providing education and training services not-for-profit (addressing educational goals through economic solutions)</td>
</tr>
<tr>
<td>- Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Economy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Ownership</td>
<td>Private, state</td>
<td>Private; sponsors</td>
</tr>
</tbody>
</table>
### Factors

<table>
<thead>
<tr>
<th></th>
<th>For-profit</th>
<th>Not-for-profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Investment nature</td>
<td>Private; government</td>
<td>Donate; state support</td>
</tr>
<tr>
<td>4. Managing parties</td>
<td>Private, shareholders</td>
<td>The parties involved</td>
</tr>
<tr>
<td>5. Method of management</td>
<td>Traditional management (matching capital, business)</td>
<td>Shared governance</td>
</tr>
<tr>
<td>6. Profit</td>
<td>Profitable</td>
<td>Yes/No</td>
</tr>
<tr>
<td>7. Profit distribution</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>8. Mechanism of providing education and training services</td>
<td>Compliance with/ not compliance with the market mechanism</td>
<td>Compliance with/ not compliance with the market mechanism</td>
</tr>
<tr>
<td>9. Operational purposes</td>
<td>For profit</td>
<td>Prestige</td>
</tr>
<tr>
<td>10. Orientation</td>
<td>Application-oriented</td>
<td>Knowledge nurturing</td>
</tr>
<tr>
<td>- Education and Training</td>
<td>According to the market demands</td>
<td>Compliance with rules</td>
</tr>
<tr>
<td>- Adjusted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Paying taxes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>12. Power driven</td>
<td>Power of customers</td>
<td>The power of the institution</td>
</tr>
<tr>
<td>13. Benefits of learners</td>
<td>Paying tuition fees/No tuition fees</td>
<td>Paying tuition fees/No tuition fees</td>
</tr>
</tbody>
</table>

The next section of the paper will present the differences between for-profit and not-for-profit universities in the United States and China.

When discussing non-profit business organizations, Hansmann (1980) considers that higher education is a "contractual failure." When it is difficult to assess the quality of the products they provide, a profit-taker can easily raise prices or deliver low-quality goods or services. Hansmann therefore states that the rights of consumers can be seriously affected.

In such cases, a not-for-profit organization may be a more efficient supplier due to the non-dividend or profit-sharing attribute. This attribute is a fundamental difference between for-profit and not-for-profit organizations: a not-for-profit organization may not divide profits for those with power in the organization, and the owners of the organization do not sell shares for personal gain.

2.2 **Fundamental differences between non-profit and for-profit private universities in the United States**

(Shireman, 2014). Therefore, the not-for-profit organization has fewer motivations to cheat customers.

The pressure on investors to reduce costs and develop business is quite positive when the products or outputs are clearly defined. However, when the product is ambiguous - as in the case of higher education - such pressure can destroy buyers' value while they are not even aware of the problem. The not-for-profit nature can solve this problem by excluding owners and investors from the calculation equation, preventing the executive board from using the criteria for personal financial gain when setting their university’s priorities in management (Table 3).
Table 3. Disparities between for-profit and not-for-profit institutions

<table>
<thead>
<tr>
<th>For profit</th>
<th>Not for profit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fundamental differences: Governance and conflict of interest</strong></td>
<td></td>
</tr>
<tr>
<td>Owned by shareholders</td>
<td>There is no owner; run by members of the board of directors, for educational, charitable or religious purposes.</td>
</tr>
<tr>
<td>Remuneration and other compensations are limitless.</td>
<td>The compensation must be reasonable.</td>
</tr>
<tr>
<td>Any income other than expenses can be shared with owners.</td>
<td>Income other than expenses is not divided but is allocated for activities related to the purpose of the organization.</td>
</tr>
<tr>
<td>Compensation and salaries for the board and executives are not public</td>
<td>Compensation for the board, executives and key employees must be made public; The main contractors must also be made available to the public.</td>
</tr>
<tr>
<td>The board of directors and the executives work to increase the value of their dividends. When educational goals conflict with profit goals, they can choose any kind of action without any limits and not informed to the public.</td>
<td>Members of the Board of Directors are prohibited from participating in activities that affect their finances. Potential conflicts between the purpose of the organization and the personal financial interests of the Board of Directors and the executives must be made publicly available.</td>
</tr>
<tr>
<td>There is no limit to lobbying, political expenditures or independent activity.</td>
<td>Lobbying is limited; bias activities are prohibited in the organization</td>
</tr>
<tr>
<td><strong>Not much difference: Tax policy</strong></td>
<td></td>
</tr>
<tr>
<td>Investors can deduct the losses from income tax and reduce the tax on the collected capital.</td>
<td>Donors are entitled to income tax deduction on the properties they donate.</td>
</tr>
<tr>
<td>The company pays income taxes and taxes on its employees; income tax employee.</td>
<td>The company pays taxes to employees; income tax employee.</td>
</tr>
</tbody>
</table>

**2.3 Criteria for determining profitability for non-public universities in China**

The Private Education Law in China defines four general criteria that are considered as the legal framework for state policy on non-public education (Pan & Law, 2006). However, the implementation of this provision has made it difficult for investors to determine a "reasonable return." The four criteria are as follows:

a) the institution makes a profit in that year and is found not to have issued any misleading advertisements, cheated the students out of any money or used the institution’s money for anything other than education;
b) if an institution charges high fees but shows poor input into educational activities and institution facilities and is found to provide poor quality of education in comparison with other private institutions the investors cannot claim a higher return than other similar private institutions;

c) the institution demonstrate transparency relating to its quality of education and accounting before the investor can claim a return;

d) investors must follow the Law for the Promotion of Private (Minban) Education or face confiscation of the return, an end to student admissions, annulment of the institution’s operating permit or even prosecution. (Articles 45, 47 & 49, p. 277)

Commenting on this, Pan and Law (2006, p. 278) stated that, “Law is used by the state as a new social game rule intended to govern and regulate new relations and interactions between state and non-state players in education and to mandate new social transformations or educational changes.” For example, one of the purposes of the Law is to increase incentives to invest in non-public education by allowing them to have a reasonable return on private investment.

3. METHODS AND PARTICIPANTS

3.1 Methods

To address the research’s objectives, this study applied the following research methods:

- Documentation: Theoretical research, including collecting documents, researching related works, reviewing domestic and foreign studies, current legal documents in the management of non-public universities, regulations on conversion from people-founded universities to private ones, regulations on vertical and horizontal management.
- Survey on whether non-public universities are whether for-profit or not-for-profit.

The surveys were for:

➢ Education administrators
➢ Lecturers, students
➢ Education specialists

3.2 Participants

The study surveyed 12 non-public universities in Ho Chi Minh City with 2,500 questionnaires distributed. The number of returned ones: Lecturers: 393; Administrators: 89; Students: 1,195

The study also surveyed educational experts in Vietnam, including leaders of other non-public universities across the country, and experts in education in Vietnam. They answered the questionnaire when participating in the workshop on non-public universities in Hanoi in early 2017. The number of educational experts participating in the survey was 17.

Demographic information of the study participants and the response rate are shown below:
3.3 General information of participants

Students

There were 1,195 students participating in the study (Figure 1). Figure 1 shows that students of 6/12 non-public universities participated in the survey. Of these, the number of students of Van Hien University participating in the study is the highest (35.15%), followed by Hong Bang International University students (24.35%). Students of the University of Economics and Finance (2.43%) and Hoa Sen University (5.10%) participated in the study with the lowest percentage.

Lecturers

There were 393 teachers in non-public institutions in Ho Chi Minh City participated in the survey from 8 investigated universities with the following ratios:

Figure 1. The ratios of students participating in the study

Figure 2. The ratios of lecturers participating in the study
Lecturers of Hong Bang International University (20.40%) and Van Lang University (16%) participated in the study with the highest percentage. The University of Economics and Finance and Nguyen Tat Thanh University had the lowest percentage of tertiary teachers participating in the survey (respectively 5.90% and 8.70%).

Eighty nine administrators from four universities participating in the survey:

- **Educational specialists**
  Seventeen educational experts from other non-public universities across the country participating in the survey. The experts were from 14 different institutions, and two were experts in higher education.

### 3.4 Criteria for private not-for-profit universities

Data from the review of the historical development of non-public universities in Vietnam and through interviews with educational experts, leaders of non-public universities, the following criteria were developed for the questionnaire of the study in Ho Chi Minh City non-public universities.

**Criterion 1: Profits: are not divided to capital contributors, yet to be invested in the development of the university.**

The criterion for identifying a not-for-profit institution means that when the institution reinvests all profits to meet its educational and operational goals. In addition, because of not having an owner, there will be no distribution of profits, the institution’s donated assets are guaranteed not to serve personal or group interests; thus, the quality of education is increasingly improved. As a result, it can easily attract funding from educational funds, organizations, individuals and even government funding.

**Criterion 2: Structure of the Board of Directors:**

The Board of Directors operates for the sake of the community, not dominated by power and benefit groups. There is no conflict of interest in the Board of Directors. There is a representative who does not contribute capital in the Board of Directors.

Not-for-profit university means losing control by the capital contributors or owners. Not-for-profit universities are governed by an independent committee carefully selected at the establishment stage. However, there will be changes in the committee during the development of the university through voting and appointment. Once the institution is recognized as not-for-profit, the
board will manage and decide the development direction of the institution, such as choosing a CEO, as well as defining the institution's mission and operational goals.

**Criterion 3: Ownership: There is no individual ownership.**

Not-for-profit universities are not regulated by any individual. A not-for-profit university means that the owner(s) or capital contributors will no longer retain the ownership of their contributed property. This also means that the executive committee or the management or leadership team will include no owner(s). Not-for-profit universities may be established by one or more individuals. However, after being established, it must be transferred to an independent council/committee as described above.

**Criterion 4: Accountability: There is transparency and supervision of society and related stakeholders.**

Not-for-profit universities must be transparent. The universities are required to operate their institutions in an open and transparent environment. By law, financial and tax refund information must be made public to the outsiders, to the public.

**Criterion 5: Revenue: There is a significant source of revenue from businesses, social organizations, and the state and is invested with profits.**

Studies show that to become a not-for-profit university, universities must have a variety of sources of revenue from funding, businesses, social organizations, and the state. Many private non-profit universities in the world have many units focused on making lucrative investments so that they can have financial resources for education.

**Criterion 6: Legal status: Being recognized by the government.**

State recognition of not-for-profit universities is a major problem for countries in Asia, particularly Southeast Asia when state control plays an important role in educational institutions. State recognition for non-profit purposes is determined at the foundation of a private university.

**Criterion 7: Mission: Non-profit purposes of a private university are clearly stated in institution missions**

Mission, vision, and development strategies are core issues that demonstrate the responsibility of a university to stakeholders, especially to learners, employers and society in general. When a university declares it as a not-for-profit institution, the learners tend to select the university as their institution to study.

**Criterion 8: Strict supervision and monitoring from related stakeholders, in particular, internal monitoring.**

According to the US regulations, the rules in compensation for services in non-profit universities are strict. These rules often require compensation that is reasonable and fair, and when necessary, relies on independent data such as salary surveys. Any compensation that is deemed unreasonable can become the subject of tax collection. In serious cases, it may jeopardize the institution's tax exemption. This is because in the United States, non-profit universities are entitled to tax incentives or exemptions. These regulations force private investors to be cautious in transforming their universities into non-profit institutions. They often compare the advantages and disadvantages of being non-profit institutions, mostly in terms of financial issues.

Thus, the criteria for identifying non-profit universities are drawn from studies of different models and experiences of other countries. To assess the relevance of these criteria to the Vietnam context regarding political, cultural, economic and educational issues as well as the development history of the education system, it is necessary to conduct a study. The following section presents the survey results.
4. **THE FINDINGS**

4.1 By lecturers, administrators, and educational experts

Figure 4 shows the results of surveying tertiary teachers, administrators, and experts on the identity of being a non-profit university.

The characteristics of a not-for-profit university cover three main areas: profit, ownership and power structure:

It can be seen that in most characteristics (7/10) to identify non-profit institutions, experts indicated their level of agreement higher than administrators did, and administrators higher than tertiary teachers (9/10). The level of agreement of the three groups of participants was high (above 3.5 on a 5 Likert scale), except for a characteristic that, “Profits are not divided to capital contributors but are invested for further development”, which was received an average level of agreement (3.29, 3.46). Especially, this is the only characteristic that administrators indicated a lower level of agreement than teachers and experts did. Also, tertiary teachers did not believe that "the institution does not have individual ownership" (3.45).

The results show that as regards profitability, experts agreed at a higher level than administrators and teachers did. Regarding ownership, administrators agreed the highest, followed by expert and tertiary teachers. In terms of governance and legal status, for the level of agreement, teachers the highest, followed by experts and the lowest by administrators.

Overall, all the three groups agreed at a high level with characteristics to identify non-profit institutions. However, administrators did not agree high with characteristics related to legal status, governance and power structure (3.49).

![Figure 4. Tertiary teachers, administrators, and experts indicated the level of agreement on the characteristics of being a non-public not-for-profit](image)

4.2 By students at the investigated private universities

Because students cannot provide accurate information on these identifying criteria, the questionnaire used only a few questions regarding this issue. The results of surveying students on the characteristics of the institution they are attending are shown in Figure 5.

Figure 5 shows that among the 10 characteristics of the institution students are studying, students agreed the highest for student rights exercised in the non-public universities in Ho Chi Minh City:

- Students can evaluate/contribute ideas to lecturers in teaching/instruction activities (3.86).
- Students can evaluate/contribute ideas to the institution management staff and units (3.41)
- Students can evaluate/contribute ideas to the staff of functional units (3.35).

However, participating students believed that they did not have a significant voice in the institution (2.92). Although students agreed that the institutions they were attending did not have conflicts of interest in leadership/management, but they had the lowest rating for the statement, “The university you are attending is not for profit” (2.71). Regarding tuition fees, the characteristic that, “Tuition is suitable for your financial situation” received one of the lowest level of agreement (2.74).
5. DISCUSSION
The results show that the majority of participants agreed with the criteria relating to power governance/institutional structure, with the following order: 1) Legal status/institutional recognition by the government; 2) There is strict control of related stakeholders, especially from internal control; 3) The Board of Directors operates the institution for the benefits of the community, not being dominated by power and benefit groups; 4) There is transparency and oversight by society and stakeholders, and 5) The mission statements declare the institution's not for profit nature.

Regarding ownership criteria, one criterion received the highest level of agreement, i.e. there is no conflict of interest in the Board of Directors. As regards profitability, two groups of stakeholders agreed with a high level for the criterion of “There are significant sources of revenue from businesses, social organizations, and the state and are invested for profits.” The remaining criteria received an average level of agreement of 3.5 and above.

It can be seen that, as regards legal status, the State has not recognized any non-public universities in Vietnam (except for Fulbright University and American University in Vietnam) to be not-for-profit institutions, so even if different stakeholders indicated a desire and a will to build their own institutions to be non-profit institutions, they are still legally operating under the mechanism of private for-profit universities, and the profits are still being shared among the capital contributors.

From the results of the study, it is believed that the criteria for identifying non-profit universities are:

a. Institutions must be legally recognized as non-profit institutions.

b. There is strict control and monitoring of related stakeholders, especially internal control.
c. The Board of Directors operates the institution for the benefit of the community and is not governed by power or benefit groups.

d. There is transparency and oversight of society and stakeholders.

e. In official institutional declarations such as mission and vision, the institution must confirm its nature of being not-for-profit. The institution will then specify characteristics that identify the nonprofit institution.

f. There is no conflict of interest in the Board of Directors.

g. Having significant sources of revenue from businesses, social organizations, and the state and is invested profitably.

In addition to these criteria, other identifying criteria may serve as reference ones.

6. CONCLUSION

It can be concluded that non-public education has a long history of development in many countries. In Vietnam, private education began in the last decades of the 20th century and the beginning of the 21st century when the country allowed the market economy to operate. The non-public universities in the world are very diverse in quality, orientation, missions, and models. In some countries such as China and Vietnam, the development of higher education in the 1980s and 1990s was an unforeseen result of significant economic growth and marketization when countries opened doors to the world. Non-public universities in Ho Chi Minh City have increasingly affirmed their positions in the national education system and are increasingly growing. In the past, non-public universities were not-for-profit. In recent years, for-profit institutions outnumbered non-profit ones. Essential characteristics of being a non-profit university include the government’s recognition, clearly stated in a mission statement, components of the board of directors, transparency, and a regulatory framework for the public and the state. The research results show that in Ho Chi Minh City as well as in Vietnam, no non-public universities are recognized to be not-for-profit (except Fulbright University and American University in Vietnam with foreign invested capital). To some extent, it is quite contrary to the expectations of the survey participants in this study. More in-depth studies are needed to investigate why no universities are recognized as not-for-profit ones in Vietnam although the policy already has these provisions to found this type of university.

REFERENCES


