

# Problems and Countermeasures in Financial System of Chinese Rural Compulsory Education

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**Abstract:** *Since entering the 21st century, our country has made significant progress in the reform of rural compulsory education finance, but there are still many problems. In order to construct the new system of rural compulsory education finance, three methods are proposed in the paper. Firstly, a fair education financial management system need to be established. Secondly, a general transfer payment system should be built. Finally, scientific educational budget single system should be taken into consideration.*

**Keywords:** rural compulsory education; educational finance; educational financial system

## 1. Introduction

Since entering the 21st century, with the transformation of development view of the Government and the growing emphasis on the issues of agriculture, rural compulsory education in China has also increased the financial system reform and adjustment efforts. So, what kind of achievements have the reform gotten? What kind of problems are the reform still suffering? How to do next? This paper analyzes the establishment of "county-level" rural compulsory educational financial system and its current problems. On basis of this issue, countermeasures on how to further reform and improve the financial system of Chinese rural compulsory education have been put forward.

## 2. Current Situation and Problems

Financial system of Chinese rural compulsory education mainly comprises of the financial management system, the funding system and transfer payment system.

### 2.1 Financial Management System: "County-Level" Hierarchical Management Mode

Financial management system reform of rural compulsory education in China began in the mid 1980 of the 20th century and the hierarchical management mode was proposed in 1985. With the implementation of revenue-sharing system and the rural tax reform policy, the disadvantages of this system emerge. In 2001, the State Council issued the decision on the basic education reform and development. Financial management system for rural compulsory education was reconfigured and State Council put forward a principle that the rural compulsory education is under the leadership of the State Council and the local government is responsible for it. The management is classified and the principle is based on county-level. "County-level" financial management system of rural compulsory education globally improves the coordinator of investment in rural compulsory education from township to county. The global investment in rural compulsory education and manpower from the village level up to the district level. On one hand, it gets the government investment of rural compulsory education to move up. On the other hand, it

changes the fiscal responsibility from farmers to the government.

### 2.2 The Funding System: Special Transfer as The Transfer Payment System

After the rural tax reform in 2000, the rural education surcharge and education funding which took 30% of total investment in compulsory education in rural areas were cancelled. Our Government started to build long-term security which relied on funding mechanism for rural compulsory education investment. In 2005, State Council decided to spend 5 years progressively bringing rural compulsory education into the scope of public finance and establish a proportional share of new countryside compulsory education funds guarantee mechanism in which central and local are both responsible for the education. Firstly, full cancellation of rural compulsory education student's tuition is conducted. Students from poor families are free for textbooks and have subsidy for residential living. Secondly, improve the level of guaranteed funding for rural compulsory education in public primary and secondary schools. Thirdly, establishment of long-term mechanism of compulsory education in rural primary and secondary school buildings maintenance and renovation should be ensured. Finally, wage protection mechanism for consolidation and perfection of rural primary and secondary school teachers is necessary.

### 2.3 Financial Security System: Special Transfer Payments

As the financial management system of rural compulsory education system, transfer payment for compulsory education in rural China is established in the early 21st century. In this system, the "special transfer payments" focuses on supports for compulsory education in rural areas in the Central and Western. "Transfer payments" is mainly used in financial balance between different education levels and it dedicated to create financial equity for the Central and Western rural areas. After the reform of rural taxes and fees, the Government stepped up efforts to transfer payment of rural compulsory education.

## 2.4 Problems of Chinese Rural Compulsory Education

Rural compulsory educational financial system is not mature enough and there are still some problems in it. Firstly, County Government property rights and powers are not unified and cannot complete the funding for rural compulsory education and manpower quality task. Quite a few counties in China, especially the predominantly agricultural counties in the Midwest have long-standing problem of weak financial capacity. Secondly, shortage of funds for compulsory education in rural areas is still very serious. System security of supply requirements need to be better. There is still heavier debt burden in most school which makes the teachers have low income. Thirdly, transfer payment system is not yet perfect and transfer payment cannot make up for rural compulsory education funding gap. At present, funds transfer payment for compulsory education in China are small and transfer payment form is simple which makes financial transfer payment play a limited role in balanced areas. In addition, the current system of fiscal transfer payment for compulsory education in the design and implementation is not standard, and it is lack of appropriate monitoring mechanisms and measures. Table 1 shows the proportion of general education transfer payments in national financial education funds.

**Table 1:** Proportion of general education transfer payments in national financial education funds

Year	General education transfer payments	National financial education funds	Proportion
2008	419.36	10449.63	4.01%
2009	893.56	12231.09	7.31%
2010	929.29	14670.07	6.33%

According to the data above, general transfer payments for education takes less than 10 percentage of thenational financial funds. Compared with national financial education funds, the general transfer payments are relatively small which weakens macro-control ability of the central government on compulsory education.

## 3. Counter Measures

### 3.1 Build up a Fair Financial Management System

Face up to the reality of lack of County government finance to ensure supply of rural compulsory education finance needs system guarantee the Central, provincial and municipal funding responsibilities of the Government. In the United States, the funding of compulsory education is mainly borne by local governments. And the State Governments and the Federal Government each year also provide a certain amount of funding for local schools. Table 2 shows the sources of educational funding in USA. Different regions and levels have different responsibilities. The new financial management system includes three aspects. Firstly, classify the initial source of education funds in East, Middle and West areas. Secondly, redraw the financial responsibility of Governments at all levels, so that each level of Government can make the financial power and authority unified. Thirdly, provincial government mainly funds for rural compulsory education investment.

**Table 2:** Sources of educational funding in USA (Unit: Million Dollar)

Year	Federal Government	State Governments	Local Governments	Total
1965-1966	1996.95 7.90%	9920.22 39.10%	13439.69 53.00%	252356.86 100%
1969-1970	3219.56 8%	16062.78 39.90%	20984.59 52.10%	40266.92 100%
1979-1980	9503.54% 9.80%	45348.81 46.80%	42028.81 43.40%	96881.17 100%

### 3.2 Construction of Standardized General Transfer Payment System

"Special transfers" is the main character in transfer payment system of our country at the present stage. In order to promote the balanced development of compulsory education in rural areas, standard general transfer payment for compulsory education in rural areas need to be established based on "prefecture-level city budget gap". Firstly, the standard expenditure and standard income funds for compulsory education in rural areas should be measured according to national compulsory education minimum security line. Through objective measurement of econometric model, municipal rural compulsory education financial shortfall can be determined. Secondly, the central government and the provincial government make up municipal rural compulsory education financial shortfall by transfer payments. Thirdly, the share and amount for county and township-level governments in rural compulsory education finance should be determined according to the county economic development by the prefecture-level city government. Finally, provincial governments should take primary responsibility of fiscal transfer payment for compulsory education in rural areas.

### 3.3 Establishment of Scientific Budgets Separate System

Firstly, establish the budget funding for rural compulsory education system. Funding for rural compulsory education should be taken into the budget which be proved and examined by the people's congress. The funding is from the new financial arrangements and does not take the normal increase of the education funding. Secondly, in the fiscal budget of governments at or above the county level, the funding for rural compulsory education budgets can be listed separately. In this way, it can not only form an independent budget funding for rural compulsory education, but can form a system of fiscal transfer payment for compulsory education in rural areas. Thirdly, the distribution and use of funds for compulsory education in rural areas should be supervised. An audit system which combines the internal audit with state audit and social audit which makes the school audit work to be regular and institutionalized and open. It is proposed that add the education to local officials' work performance indicators system. Its weight is equal to the economic and other indicators. At the same time, a reward and punishment system, which rewards the officials with good achievements in education and punish the officials with bad performances, needs to be established.

## 4. Summary

Through the financial system of Chinese rural compulsory education is not mature enough and it is not without its weakness, nevertheless, its speed of improvement, undeniably, is quiet favorable. The proposed suggestion is critical and constructive.

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