



# Research on the development issues and countermeasures of the China higher education foundation

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**Abstract:** Strong financial support is an essential prerequisite for ensuring the quality of education. As the scale of higher education institutions continues to expand, the demand for educational funding keeps increasing. Social donations, as a significant source of funds, highlight the importance of educational foundations. This paper reviews the development history, policy support, and primary fundraising targets of China's higher education foundations. Based on the existing issues in the development of higher education foundations in China, it proposes specific recommendations in four areas: strengthening the construction of a professional talent pool, enhancing the depth and breadth of information disclosure, increasing transparency in the use of donation funds, improving the quality of talent development, and paying continuous attention to graduate employment and career development. It also suggests engaging in digital philanthropy and utilizing social media platforms to enhance two-way interaction, thereby promoting higher education foundations to better fulfill their role and support the sustainable development of China's higher education.

**Key words:** higher education foundation; fundraising and investment; operational management

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## 1 Introduction

With the rapid development of higher education in China, educational foundations are playing an increasingly crucial role in advancing university initiatives, improving the allocation of educational resources, and promoting research and innovation. However, development progress is being accompanied by new problems, such as a lag in the construction of specialized talent pools, incomplete information disclosure, and opaque project operations. These problems not only impact the stable functioning of the foundations themselves but also pose potential threats to the sustainable development of higher education institutions. Therefore, a thorough investigation into the developmental challenges of Chinese university education foundations not only aids in revealing their internal mechanisms and influencing factors but also provides essential references for higher education management decisions. This paper, based on an analysis of the development trajectory, policy support, and funding sources of Chinese university education foundations, delves into the issues surrounding their development and proposes feasible strategies, offering robust theoretical support and practical guidance for the future development of university education foundations.

## 2 The development history and policy support of China's higher education foundations

The healthy development of educational foundations depends on active government guidance and policy support. In

1988, the State Council promulgated and implemented the "Foundation Management Measures," which was China's first administrative regulation related to foundations. It effectively regulated the behavior of foundations and promoted their healthy development. In 1993, the Central Committee of the Communist Party of China and the State Council issued the *Outline of China's Education Reform and Development*, which called for "diversified sources of education funding" and encouraged individuals from all walks of life to contribute to education. To address the issue of inadequate funding for higher education institutions, some universities began exploring the establishment of educational foundations. In 1994, Tsinghua University established the first university education foundation among public universities in mainland China.

As China's reform and opening-up continued to deepen, and the market economy system gradually improved, the foundation management system stipulated in the original *Foundation Management Measures* no longer met the practical needs of foundation development and management. Therefore, in 2004, the State Council promulgated the *Foundation Management Regulations*, which provided more detailed and comprehensive guidance. These regulations further clarified the nonprofit nature of foundations, advocated for widespread mobilization of social forces to participate in charitable activities, and expanded the sources of foundation funding. Simultaneously, the regulations emphasized the principles of openness and transparency, and reinforced tax incentives while increasing tax support and oversight. In 2014, the Ministry of Education, the Ministry of Finance, and the Ministry of Civil Affairs jointly released the *Opinions on Strengthening the Financial Management of Educational Foundations of Central Universities*. This document defined higher education foundations as "important components of the diversified funding system for schools and windows for receiving social charitable donations. They carry out activities related to the school's educational objectives and provide financial support to school activities through various means, such as capital and investment." In March 2016, the Fourth Session of the 12th National People's Congress passed the *Charity Law of the People's Republic of China*, which provided detailed provisions on the establishment, operation, source and use of charitable assets, and the promotion of charity development. This marked China's first comprehensive legal framework for charity, signifying an important step towards the standardization and institutionalization of charitable activities by the Chinese government. Additionally, supporting regulations such as the *Management Measures for Public Fundraising Platforms*, *Interim Measures for Value-Preservation and Value-Increase Investment Activities of Charitable Organizations*, *Regulations on Annual Expenditure and Management Expenses of Charitable Organizations*, *Measures for the Disclosure of Information by Charitable Organizations* and *Notice on the Pre-tax Deduction of Expenditures for Public Welfare Donations for Enterprise Income Tax Purposes* provided legal foundations and policy support for the rise and development of educational foundations. Moreover, adjustments and coordination were made in tax laws such as the *Enterprise Income Tax Law of the People's Republic of China* and the *Individual Income Tax Law of the People's Republic of China* concerning pre-tax deductions for donations to ensure the effective implementation of tax incentives for charitable donations, encouraging more donors to participate in charitable activities and supporting the development of charitable endeavors.

To incentivize universities to actively and proactively tap into social resources for multiple sources of funding, in 2009, the Ministry of Finance and the Ministry of Education jointly issued the *Interim Measures for the Financial Allocation of Central Ordinary Universities' Donated Income*. These measures established special funds for donated income allocation, providing financial rewards and subsidies to central ordinary universities that receive donated income, effectively promoting the rapid development of educational foundations in these universities. Following this, provinces such as Zhejiang, Shandong, and Hubei introduced local policies regarding the financial allocation of donated income for local universities to support their development. In 2018, the State Council issued the *Opinions on Further Adjusting, Optimizing Structure, and Improving the Efficiency of the Use of Educational Funds*, which required local governments at

all levels to improve policies and systems related to government subsidies, government purchases of services, fund incentives, donation incentives, and land allocation in accordance with the law. It also directed them to implement tax and fee reductions as stipulated by law and encourage social forces to increase their investment in education. The policy of financial allocation of social donated income has been improved, tax benefits for charitable donations have been implemented according to regulations, education foundations at all levels have been well used, and attract social donations have been attracted. Subsequently, multiple provinces and cities, such as Hainan, Beijing, and Shenzhen, also introduced local policies regarding the financial allocation of donated income for local universities [1].

In light of these policies and incentives, an increasing number of universities recognized the importance of diversifying funding sources and established educational foundations as intermediaries and vehicles to receive social donations. This has propelled the flourishing development of university social donation initiatives. As of 3<sup>rd</sup> October, 2022, a search using the keyword "university" on the national social organization credit information public platform yielded 480 active foundations. Similarly, a search using the keyword "college" yielded 349 active foundations. It should be noted that some results were duplicated in searches using both "university" and "college" as keywords. Therefore, the total number of active higher education foundations found using these two keywords was 828.

### **3 The main fundraising targets of higher education foundations**

As non-publicly funded foundations, higher education foundations primarily rely on private donations and other non-public sources of funding. Currently, the fundraising targets for educational foundations in China mainly include alumni, businesses, and other foundations [2].

#### **3.1 Alumni**

Alumni often have deep emotional ties to their alma maters. Many alumni achieve success in their careers and are willing to give back to their alma mater to provide high-quality educational support to more students. Therefore, alumni are typically the most important and stable donor group for higher education foundations. The *2022 Observation Report on Large Donations to Chinese University Foundations* shows that alumni donations have significantly increased their proportion among large donations to universities. In the total number of large donations in 2021, contributions from alumni accounted for nearly 40%.

#### **3.2 Businesses and entrepreneurs**

Donations from businesses and entrepreneurs often come in the form of large contributions and have a profound impact on the development of higher education foundations. These donations can support important research projects, improve infrastructure, provide scholarships, and fund reward programs, among other initiatives. In July 2023, Newo Corporation signed an agreement with Nankai University. Its subsidiary, Newo Newwise Technology Co., Ltd., will contribute 100 million yuan to jointly establish the Cognitive Technology Innovation Center with Nankai University. The center will focus on key research issues and "bottleneck" technologies in areas such as cognitive intelligence theory and models, intelligent applications and systems, and the Internet of Things intelligence, supporting the development and implementation of industrial internet technology. The Newo Foundation, a charitable foundation under the Newo Corporation, will also donate 200 million yuan to support the construction of the first domestic cognitive technology building in collaboration with Nankai University's educational foundation, advancing research and applications in the field of cognitive intelligence in China. Additionally, national tax incentives are provided in the form of tax reductions or exemptions to reduce the tax burden on businesses and entrepreneurs, encouraging them to actively participate in charitable donations.

### 3.3 Other charitable organizations

In addition to alumni and businesses, other charitable organizations serve as significant sources of funding for higher education foundations. Many charitable organizations view funding education as a means to promote social well-being and sustainable development, helping more students access high-quality education and creating more opportunities for societal progress and development.

## **4 Issues in the development of higher education foundations in China**

### 4.1 Lagging in the construction of a professional workforce

Currently, the number of staff working for Chinese higher education foundations is relatively small, mainly consisting of individuals hired or working part-time in administrative positions within universities, resulting in a relatively low level of professionalism [2]. According to the *Annual Development Report of Chinese University Foundations (2020)*, as of 22<sup>nd</sup> June, 2020, among the higher education foundations nationwide, 480 higher education foundations had publicly disclosed the number of their full-time employees. It is concerning that 127 of these higher education foundations had no full-time employees, 260 had only 1-5 full-time employees, 70 had 6-10 employees, 13 had 11-15 employees, 3 had 16-20 employees, and 3 had more than 20 employees, with only 4 having over 25 employees. With insufficient staffing and limited professional expertise, higher education foundations face significant challenges in enhancing their fundraising and management capabilities.

Firstly, maintaining alumni relationships, including tracking and updating alumni databases and maintaining ongoing interactions, requires a significant investment of manpower and time. The lack of staff hampers the maintenance of alumni relationships by higher education foundations. Additionally, some staff members of higher education foundations may lack an understanding of potential donors and may have deficiencies in using psychology and communication skills, making it difficult to effectively persuade potential donors to provide support.

Secondly, the lack of professional staff may lead to a lack of innovation in higher education foundations. Fundraising project designs may become traditional and lack novelty, foresight, and appeal, making it challenging to fully meet the needs of potential donors. Research indicates that fundraising projects lacking innovation and personalization may not attract the new generation of donors, especially young donors who prefer to support projects that align with their values and interests.

Thirdly, higher education foundations are both independent legal entities and departments of universities. Leaders of higher education foundations typically emphasize the legality and compliance of decision-making procedures while paying less attention to decision-making efficiency. Due to the lack of guidance from professional staff and professional opinions, leaders of higher education foundations may tend to adopt conservative investment strategies with low risks and low returns, such as fixed deposits, bank wealth management products, and large certificates of deposit. These limited investment channels and a lack of strategic asset allocation restrict the growth potential of foundation funds [3]. Furthermore, the relatively small fund size of some higher education foundations limits their ability to make large-scale investments. Due to limited principal, the potential investment returns are also constrained, further reducing the motivation for foundations to invest [4].

### 4.2 Incomplete information disclosure and lack of effective two-way interaction

Comprehensive and transparent information disclosure is the foundation for communication between foundations and the public, including donors, and it is fundamental to the healthy development of the philanthropic sector. The Foundation Transparency Index (FTI) is a significant standard for evaluating the credibility of foundations. According to the FTI ranking released by the China Foundation Center (CFC) at the end of 2022, 283 foundations with a perfect score of 100

points, including 43 education foundations. Donors typically expect clear insight into how their donations are being used and the outcomes achieved, and Chinese higher education foundations often lack proactivity in providing follow-up feedback on projects. This failure to establish effective two-way interaction with donors can lead to donor mistrust, as they may be concerned about the misuse of their donations and unsure whether their donations are genuinely creating social value [5]. To a large extent, it affects the credibility and sustainable development of higher education foundations. Therefore, establishing effective mechanisms for information disclosure and two-way interaction is a pressing issue that higher education foundations in China need to address.

## **5 Countermeasures**

### **5.1 Strengthening the construction of a professional workforce**

Firstly, hire excellent full-time staff to establish a diverse and multi-disciplinary professional team. The work of higher education foundations involves a wide range of tasks and challenges, necessitating staff who have knowledge of relevant laws, such as tax law, philanthropic law, and inheritance law, to ensure the legal and compliant operation of the foundation. They also need to understand principles of investment and asset management for the preservation and growth of assets. Additionally, they should be knowledgeable about the psychological characteristics and motivations of various donors, be capable of tailoring fundraising initiatives to match the expectations and needs of donors, and possess effective communication skills, including clear articulation, emotional intelligence, and listening skills. Building positive and trust-based relationships with potential donors is essential to attract their interest and support. Therefore, these team members should have broad professional knowledge encompassing fields such as law, finance, education, economics, psychology, among others. Through a clear division of labor and close collaboration, they can collectively drive the efficient collection and management of donations. Secondly, enhance the design of fundraising projects. As society and technology continually evolve, donor expectations change. Hence, higher education foundations need to consider the interests, values, and motivations of potential donors to develop personalized fundraising strategies [6]. This maximizes fundraising efficiency, providing diversified, comprehensive, and sustained financial support for higher education development.

### **5.2 Enhancing the depth and breadth of information disclosure and improving transparency in the use of donations**

Currently, donors are increasingly concerned about the transparency in the use of their donations. Transparency not only enhances the social credibility of higher education foundations but also facilitates more funds flowing into the education sector, thus promoting high-quality university development. Information disclosure plays a crucial role in increasing the transparency of fund usage, boosting donor trust, and encouraging the engagement of the public [7]. Therefore, universities should adhere to the following principles when disclosing information: Firstly, aim for comprehensive information disclosure, including specific usage of donations, detailed expenditure, project execution progress, and outcomes display. Secondly, ensure continuous and timely updates of information to allow donors to stay informed about the use of their donations. Thirdly, universities should establish clear information disclosure policies and regulate the information release process to guarantee the authenticity and accuracy of disclosed information.

Additionally, universities can leverage blockchain technology to enhance the transparency of donation funds. Blockchain technology's characteristics, such as openness, immutability, traceable information, and the automatic execution of smart contracts, enable tracking and recording of every donation. This ensures that donations are used and directed according to the donors' intentions. Donation information is permanently recorded on the blockchain and is available for public verification while remaining tamper-proof. Smart contract automation technology can enable the automatic release of funds to designated charitable projects when specific conditions are met, thus providing a higher level of transparency and trustworthiness in information disclosure [8].

5.3 Improving the quality of talent development and continuously monitoring the employment and career development of graduates

Firstly, talent development is a core mission of universities. Only by nurturing outstanding talent can universities have more outstanding alumni and attract more alumni donations. High-quality talent development outcomes can also gain widespread social recognition, enhance societal evaluations of universities, and attract more social donations. Secondly, actively maintain alumni relationships and establish mechanisms for ongoing tracking and support. Universities should provide support for alumni's careers and professional development. Finally, universities can regularly organize alumni events, discussions, lectures, and other activities to facilitate interaction between alumni, alumni and the university, and to strengthen alumni's sense of belonging and affiliation with their alma mater. This encourages them to contribute to the development of the university and fosters a sense of shared destiny between alumni and the university [9].

5.4 Engaging in digital philanthropy and utilizing social media platforms for increased two-way interaction

Firstly, higher education foundations can use social media to interact with potential and existing donors, share the latest developments and progress on projects, provide regular updates on their involvement, express gratitude, and offer feedback. They can improve the management of their funds based on donor feedback, maintaining donor engagement and demonstrating the value of their participation. This interaction not only keeps donors informed about the foundation's work and helps them understand their contribution's value but also fosters a closer connection with donors, encouraging them to continue supporting the foundation in the future. Secondly, higher education foundations can utilize data analytics tools to gain deeper insights into the interests and needs of donors. This will provide a better understanding of donor behavior patterns, enabling foundations to develop more personalized and targeted fundraising initiatives.

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### **Conflicts of interest**

The author declares no conflicts of interest regarding the publication of this paper.

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