

**MECHANISMS OF FINANCING GENERAL EDUCATION EXPENDITURES:
INTERNATIONAL EXPERIENCE (CASE OF FINLAND)**

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***Abstract.** This study explores the mechanisms of financing general education expenditures with a particular focus on international best practices, using Finland as a case study. The research examines the structural features of centralized and decentralized education financing systems and evaluates their effectiveness in promoting equity, accessibility, and quality in education. Finland's model is analyzed due to its strong performance in global education rankings and its emphasis on publicly funded, inclusive education. The study employs comparative and analytical methods based on data from international organizations such as OECD and the World Bank. The findings indicate that equity-based funding, decentralized governance, and sustained investment in teacher quality are key determinants of an effective education financing system. The paper also discusses the applicability of Finland's experience to developing countries, particularly Uzbekistan, and proposes policy recommendations for improving the efficiency and sustainability of education financing mechanisms.*

***Keywords:** general education, education financing, public expenditure, Finland education system, equity in education, decentralization, education policy, human capital development.*

Introduction

In modern economies driven by knowledge and innovation, the development of an effective education system has become a strategic priority for sustainable growth. General education, as the foundation of human capital formation, plays a decisive role in shaping a country's long-term socio-economic trajectory. However, the quality and accessibility of education largely depend on how efficiently financial resources are mobilized, allocated, and managed within the system.

The financing of general education is not only a fiscal issue but also a policy instrument that reflects national priorities in social development. Governments across the world adopt different financing models, ranging from highly centralized systems to decentralized approaches involving local authorities and communities. The effectiveness of these models is

often assessed based on their ability to ensure equal access to education, improve learning outcomes, and optimize the use of limited public resources.

In recent decades, increasing attention has been paid to equity-oriented financing mechanisms, which aim to reduce disparities in educational opportunities across regions and social groups. At the same time, decentralization has emerged as a key trend, allowing local governments greater autonomy in managing educational budgets and tailoring services to local needs. Despite these developments, many countries still face challenges related to inefficient resource allocation, regional inequalities, and insufficient investment in education quality.

Against this background, Finland stands out as one of the most successful examples of an efficiently financed and high-performing education system. Its approach is characterized by strong public funding, equitable distribution of resources, and a high level of trust in educational institutions. Unlike systems that rely heavily on standardized testing and competition, Finland emphasizes inclusiveness, teacher professionalism, and balanced resource allocation.

The purpose of this study is to analyze the mechanisms of financing general education expenditures through the lens of international experience, with a particular focus on the Finnish model. The research aims to identify key factors contributing to the effectiveness of Finland's financing system and to explore their relevance for improving education financing policies in developing countries, including Uzbekistan.

Literature review

The issue of financing general education has been extensively examined in economic and educational research, particularly in relation to its impact on education quality and long-term economic development. Existing studies emphasize that education financing is not only about increasing expenditures but also about ensuring their efficient allocation and utilization.

A number of scholars argue that the effectiveness of education systems depends more on how resources are managed rather than the absolute level of spending. For example, Hanushek demonstrates that there is no direct linear relationship between increased education expenditure and improved student outcomes, highlighting the importance of efficiency and institutional quality [1].

International organizations, particularly the OECD, emphasize that equitable distribution of financial resources is a key factor in achieving high-performing education systems. Countries that adopt equity-based financing mechanisms tend to reduce disparities in access to education and improve overall student performance [2].

The Finnish education system has been widely recognized as a successful model in both financing and governance. According to Sahlberg, Finland's achievements are largely driven by its focus on equal opportunity, strong public funding, and trust-based management rather than competition-oriented reforms [3]. The system ensures that all schools are adequately funded regardless of their geographical or socio-economic context.

In addition, Barro and Lee provide empirical evidence that long-term investment in education significantly contributes to human capital formation and economic growth. Their findings suggest that countries with higher levels of educational attainment achieve more sustainable economic development [4].

Furthermore, World Bank reports highlight that effective governance, transparency, and accountability are essential for managing education finances. Proper financial management systems ensure that allocated resources lead to measurable improvements in education quality [5].

Despite the extensive body of research, there remains a gap in adapting successful international models, such as Finland's, to the specific conditions of developing countries. This study aims to address this gap by analyzing Finland's education financing mechanisms and exploring their applicability in different socio-economic contexts.

Methodology

This study uses a qualitative and comparative research approach to analyze the mechanisms of financing general education, with a focus on the Finnish model. The research is based on secondary data from international sources such as OECD, World Bank reports, and academic literature.

A comparative analysis is applied to examine differences between centralized and decentralized financing systems, while system analysis helps identify key factors influencing efficiency and educational outcomes. Based on these methods, conclusions and practical recommendations are developed for improving education financing, particularly in developing countries like Uzbekistan.

Result and discussion

The analysis of international practices in financing general education reveals that effective systems are built on a balance between adequate public funding, equitable resource distribution, and efficient governance structures. The findings indicate that countries with well-designed financing mechanisms tend to achieve higher educational outcomes and lower disparities among students.

4.1. Structure of Education Financing in Finland

The results show that Finland's education system is predominantly financed through public funds, combining central government transfers with local municipal budgets. This dual-level financing structure ensures both financial stability and flexibility in resource allocation. The central government provides equalization grants to municipalities, allowing less-developed regions to maintain comparable levels of education quality.

An important feature identified is that education in Finland is entirely free at the general education level. In addition to tuition, essential services such as learning materials, transportation, and school meals are publicly funded. This reduces financial barriers and guarantees equal access for all students.

4.2. Equity and Efficiency in Resource Allocation

The findings highlight that Finland applies an equity-based funding model, where resources are distributed according to students' needs rather than institutional performance alone. Schools located in disadvantaged areas receive additional financial support, which helps minimize regional inequalities.

Moreover, the absence of excessive administrative control allows schools and local authorities to use funds more efficiently. This trust-based system reduces bureaucratic costs and enables more flexible decision-making at the local level.

4.3. Role of Teachers and Human Capital Investment

Another key result of the study is the significant role of investment in teacher quality. Finland allocates substantial resources to teacher education, professional development, and competitive salaries. As a result, teaching is considered a highly respected profession, attracting qualified candidates and contributing to better student outcomes.

4.4. Comparative Insights and Implications

Comparative analysis shows that many countries with centralized and rigid financing systems face challenges such as inefficient resource allocation and unequal access to education. In contrast, Finland's decentralized and equity-oriented model demonstrates higher effectiveness in both educational quality and inclusiveness.

For developing countries, including Uzbekistan, these findings suggest that improving education financing requires not only increasing budget allocations but also reforming the mechanisms of distribution and management. Emphasizing equity, strengthening local autonomy, and investing in human capital are essential steps toward building a sustainable education system.

Table 1. Comparative Indicators of Education Financing (Finland and Selected Countries)¹

Indicator	Finland	OECD Average	Germany	South Korea
Education expenditure (% of GDP)	6.2%	5.0%	4.8%	5.1%
Public share of education funding (%)	~95%	~83%	~85%	~80%
Expenditure per student (USD, annual)	10,500	10,000	11,200	12,500
Free school meals	Yes (100%)	Partial	Partial	Limited
Free textbooks	Yes	Partial	Yes	Partial
Degree of decentralization	High	Medium	High	Medium
Teacher salary (relative to GDP per capita)	High	Medium	High	Medium
PISA performance (average score)	~520	~490	~500	~520

The table illustrates that Finland allocates a relatively higher share of GDP to education compared to the OECD average and ensures a significantly higher level of public funding. Unlike many countries, Finland provides fully free educational services, including meals and learning materials, which strengthens equity in access to education. Additionally, its decentralized governance system and strong investment in teachers contribute to consistently high student performance in international assessments such as PISA.

Overall, the results confirm that Finland's experience represents a successful model of education financing, combining efficiency, fairness, and long-term sustainability.

Conclusion

This study examined the mechanisms of financing general education expenditures through the lens of international experience, with a particular focus on Finland. The findings demonstrate that an effective education financing system is not solely determined by the volume of funding, but rather by how resources are allocated, managed, and aligned with educational objectives.

¹ Source: OECD (2022); World Bank (2021); UNESCO (2022).

The analysis confirms that Finland's success is largely based on a combination of strong public investment, equity-oriented funding, and decentralized governance. Ensuring equal access to education through fully publicly funded services significantly reduces disparities among students and contributes to high levels of academic performance. At the same time, granting financial autonomy to local authorities allows for more flexible and context-specific decision-making.

Another important conclusion is that investment in teacher quality plays a critical role in the overall effectiveness of the education system. By prioritizing teacher education and professional development, Finland has created a highly competent and motivated workforce, which directly impacts student outcomes.

The study also highlights that countries with less efficient financing systems often face challenges such as unequal resource distribution and limited access to quality education. In this regard, adopting elements of Finland's model—such as equity-based allocation, transparency, and local accountability—can significantly improve the performance of education systems in developing countries.

In conclusion, the Finnish experience provides valuable insights into building a sustainable, inclusive, and high-quality education financing system. For countries like Uzbekistan, gradual reforms focused on improving efficiency, strengthening institutional capacity, and increasing investment in human capital can lead to long-term positive outcomes in the education sector.

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