

Analysis of Private Higher Education in Croatia

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Abstract

Croatia recognises the growing importance of education, significantly higher education, and as a result, investment in these fields is a crucial element and part of the country's strategic priority. The main goal of this article is to provide an analysis of the private higher education market by taking into account the characteristics of the private higher education (PrHE) market as well as private universities, polytechnics, and colleges located within the territory of the Republic of Croatia. Thus, to analyse the market for private higher education, it is necessary to examine its organisational and structural aspects and its financial operations using fundamental sector indicators and the movement of financial indicators over the last five years. The analysis of financial indicators shows that the private higher education sector is liquidity and financial stability. Our research demonstrates the need for Croatia to re-evaluate the incentives provided by its regulatory framework for the growth of private universities. A similar legislative framework would also align with higher education reform and the needs of the Bologna process. The global partnership of national and international educational institutions and the cooperation between the private and public higher education sectors are underdeveloped. A national strategy for its support is necessary to guarantee the ongoing growth and development of the private higher education sector.

Keywords: Challenges, Prospects, Growth, Private Higher Education, Croatia

Introduction

The demand for Higher Education (HE) has been growing phenomenally worldwide in recent decades (Qureshi and Khawaja, 2021). The trend also expanded to Europe due to increasing strong demand (Campbell & Neff, 2020). Private Higher Education (PrHE) has also expanded significantly during the past ten years worldwide due to the incapacity of Public Higher Education (PuHE) to meet the rapidly increasing demand. As a result, both the public and private higher education providers and the number of students increased. As a result, several nations have seen an increase or decrease in Private and Public Higher Education, while some experienced a trend increase (Harpur et al., 2023; Sandu et al., 2022). The most critical drivers of the growth of PrHE have been liberalisation, marketisation and privatisation (Qureshi and Khawaja, 2021). As a result, a growing effect is seen in the growth of PrHE education in several countries of the world including European nations (Fradella, 2018; Teixeira et al., 2016; Trow, 2010). According to the survey by Levy (2018), Private Higher Education Institutions (PrHEIs) have 56.7 million students worldwide, or 32.9% of all enrolled students. However, Europe's higher education system has recently experienced more difficulties. Maintaining or (necessarily) increasing the level of public expenditure in HE is undoubtedly one of these challenges (Schmidt, 2021). As the European Union noted, investments in HE in several European nations have not kept up with inclusion trends due to mounting strain on state finances (European Commission, 2017). In other words, it is getting increasingly difficult for governments to support the rising demand for HE.

The public higher education sector's shortage of financial resources and incapability to fast increase its provision to meet demand has become even more apparent as the demand for HE has expanded. As a result, Public Higher Education has financial pressure (Hansard, 2023). Consequently, the popularity of PrHE has increased due to the massification of higher education (Qureshi and Khawaja, 2021).

The HE market in Croatia today comprises both public and private HEIs. The regional laws typically stipulate that HEIs can be established as public or private and specify that the founders of PrHEIs can be domestic or national individuals or corporate entities (Klemenčić & Zgaga 2014). However, Croatian legislation (Croatia, 2003, Article 49) is most specific in stipulating also that counties, towns, and municipalities can establish private colleges by the decision of their representative bodies. The first private HEIs in Croatia were licensed in 2000. Enrolments in the PrHEIs have grown significantly since then. Public HE sector is still strongly dominant in Croatia (Ostojić and Šimić, 2021).

The widespread Corona Virus Disease 2019 (COVID-19) has created significant challenges for all industries, including higher education. A particular challenge faced by higher education was the urgent request for the suspension of face-to-face teaching and replacement with online teaching (Qureshi, Khawaja and Zia, 2020). Furthermore, post-COVID-19 has started adopting online learning (Bashir et al. 2021); as a result, online teaching or blended learning has become popular in Post COVID-19 (Šola, Qureshi and Khawaja, 2021). Therefore, the COVID-19 crisis triggered the European Commission to pass the Digital Education Action Plan (2021–2027), which calls on all participants to adapt their educational systems to the needs of the digital age. This impetus for establishing online HEIs and many PrHEIs emerged in Post-COVID-19.

The expansion of private higher education increased competition and fostered partnerships with public universities. Concerns involving ethical governance, upholding academic standards, and systems for planning, auditing, and improving educational outcomes have also been sparked by the rise of private higher education.

The current study was undertaken in Croatia, an Eastern European country. Croatia is a post-war and post-communist society which has recently transitioned from a socialist to a liberal-capitalist model. As a function of this, Croatia represents a distinctly different culture than that of the US or Western European countries such as Germany, Italy and the Netherlands, which have a centuries-old tradition of private higher education. Private higher education in Croatia has been developing for the past twenty years as part of Croatia's accession to the European Union. Since 2013, Croatia has been a full member of the European Union, and its educational framework is aligned with the EU *acquis*. The Ministry of Science and Education, Agency for Science and Higher Education (ASHE), and Universities are important entities that function within the framework of higher education and guarantee quality, autonomy, and continual development of higher education.

The Republic of Croatia acknowledges the growing significance of education, notably higher education; as a result, investment in higher education and science is a crucial factor and component of all Croatian strategic documents. Despite the expansion, there is little private higher education research in Croatia, the subject of this paper. The study analyses Croatian tendencies and potential scenarios for developing private higher education in the country.

Methodology

For this study, secondary sources of data were used, including information gathered from published works and official web pages of relevant organisations within the Republic of Croatia's higher education system, such as the Ministry of Science and Education and the Agency for Science and Higher Education, as well as the MOZVAG information system. The research part of the study is based on an analysis of private universities, colleges and polytechnics using data from their official websites and information from online financial databases relating to their annual financial statements for the previous five years. These databases are available on the Financial Agency (FINA) websites, the top Croatian financial and electronic services provider, and the internet service info.BIZ 2.0.

Aims & Objectives

The aim of the current study is to present an analysis of the private higher education sector in Croatia by taking into account the characteristics of the private higher education market as well as the private universities, polytechnics, and colleges operating in the Republic of Croatia with the following main objectives:

- To understand the role of private higher education institutions in the Croatian education system.
- To identify the characteristics, challenges and opportunities facing private higher education institutions
- To analyse the financial operations of the PrHEIs and the movement of financial and fundamental indicators.

The sector for private higher education is being studied, along with its organisational and structural aspects. Moreover, the financial operations of the sector are being studied, as well as the movement of financial and basic sector indicators.

European Framework of Higher Education and Croatia

The Bologna Declaration was ratified in 2001 by the Republic of Croatia. The Bologna Declaration, signed in 1999 in Bologna by the education ministers of Europe, served as the starting point for the reform of higher education, now known as the Bologna Process. The Bologna process of reform was put into place in order to strengthen higher education and establish the groundwork for quicker development towards a society of knowledge, tolerance, and equal chances as The foundation of higher education for the expansion of institutions of higher learning in Europe (Bergan & Matei, 2020). The Bologna Process today includes 49 member nations, and its key

objectives include adopting an easily understood and comparable degree system and creating a system primarily based on undergraduate and graduate education. Furthermore, the degree awarded after the first cycle should align with the standards recognised in the European employment market, while the second cycle leads to the master's/doctoral cycle.

The idea that higher education, science, innovation, and technology must work together for Europe's competitiveness to be realised globally is reflected in European development patterns, into which the Croatian higher education system must necessarily fit.

The National strategy for developing the Republic of Croatia until 2030 was adopted at the beginning of the new decade (2021), and one of the fundamental goals is improving higher education. The Croatian Parliament adopted a new Act on Quality Assurance in Science and Higher Education towards the end of 2022. Several changes will result from the new legislation. Initial accreditation of study programmes and re-accreditations of higher education institutions, also known as research institutes, and one-time and topic evaluations of these institutions are all examples of external evaluations. The final choices under these procedures will be made by Agency for Science and Higher Education (ASHE) rather than the Ministry of Science and Education. ASHE is a public, autonomous organisation that supports the growth of quality assurance in higher education and science to raise the standard of academic institutions and scientific associations on both a national and global level and improve the recognition of Croatian higher education and science within the European higher education space. External quality assurance in Croatia's public and private education sector, as well as re-accreditation of higher education institutions, is carried out by the Agency for Science and Higher Education, established in 2005 (Petrušić et al., 2022).

Since 2011 ASHE has been a full member of the European Association for Quality Assurance in Higher Education (ENQA) and the European Quality Assurance Register for Higher Education (EQAR). As a result, in the coming months, the Agency will begin the crucial and challenging process of aligning its practises with the requirements of the new Act.

Characteristics of Private Higher Education in Croatia

In recent years, in the Republic of Croatia, great importance has been attached to private universities that continuously invest in their development and increase the number of study programs they offer. On the other hand, Croatia has recorded a negative demographic trend in recent years due to the decline in the birth rate and more significant emigration after joining the EU. This trend also led to an accelerated increase in the share of the population over 65 years of age. These demographic shifts impact the overall decline in the student population.

The existing network of higher education institutions in Croatia covers all parts of Croatia with its geographical distribution, but its number exceeds the national potential and available capacities.

There are currently 12 universities in Croatia (9 public and three private), 18 polytechnics (13 public and five private), and 15 high schools (1 public and 14 private) (Table 1). However, the share of private higher education institutions in the total number of higher education institutions is still low and amounts to 20.56%.

Table 1 Number of public and private higher education institutions in Croatia

PUBLIC SECTOR	
Public universities	9
Constituent units of public universities (faculties and academies of art)	84
Public polytechnics	13
Public high school	1
PRIVATE SECTOR	
Private universities	3
Private polytechnics	5
Private high school	14

Source: MOZVAG. Retrieved from <https://mozvag.srce.hr/preglednik/vu/tip> [April 02, 2023]

One of the most significant specificities is that most private higher education institutions operate dominantly in the social sciences, primarily economics and information and communication sciences.

With a contribution of 48%, Zagreb continues to be the centre of higher education. However, it is crucial to note that all private universities in the Republic of Croatia, 83% of all students at private polytechnics, and 67% of all students at private universities are mostly concentrated in Zagreb and nearby towns (Velika Gorica, Zaprrešić). In contrast, the network of public higher education institutions exhibits complete spatial dispersion.

Out of 22 private higher education institutions currently operating in the private higher education market in the Republic of Croatia, the five largest private higher education institutions can be singled out. These are Libertas International University, VERN University, Polytechnic Velika Gorica, Algebra University College and Zagreb School of Economics and Management.

New study programmes were frequently launched due to the relatively limited higher education market and low student mobility, which caused an unjustifiable growth of higher education institutions and a decline in quality. The long-term future of some regional education institutions that lack the necessary critical mass to support ongoing research and education is thus in doubt.

As a result of the "excess" places in the higher education system, which will make that education even more accessible, it is to be expected that the trend of declining the absolute number of students will continue at a pace that, for some time to come, will be slower than the decline in the number of younger generations. Nevertheless, this disparity will gradually reduce as the higher education system moves closer to fully covering people who have finished a four-year secondary education. Furthermore, regarding the share of different student status categories, it should be anticipated that as the total number of students diminishes, part-time students will decrease more quickly than full-time students, pushing the system towards an even more significant disparity.

Challenges of PrHEIs in Croatia

1. **Limited Funding:** Private universities and colleges in Croatia do not receive government funding, which can limit their ability to invest in infrastructure, research, and faculty development.
2. **Tough Competition:** Public universities in Croatia are well-established and enjoy a good reputation, making it difficult for private institutions to attract students and compete in the market.
3. **Accreditation and Quality Assurance:** Private universities and colleges in Croatia must undergo accreditation by the Croatian Agency for Science and Higher Education (ASHE) to ensure the quality of education. However, the accreditation process can be lengthy and costly, deterring some private institutions from seeking accreditation.
4. **Lack of Recognition:** Private degrees may not be recognized by some employers or universities, which can limit the career opportunities available to graduates of private institutions.

5. **Access to Financial Aid:** Private universities and colleges in Croatia may not have access to government-funded financial aid programs, making it difficult for students from disadvantaged backgrounds to afford tuition fees.
6. **Limited Research Opportunities:** Private universities and colleges in Croatia may not have the same research opportunities as public institutions, limiting their ability to contribute to advancing knowledge and innovation.
7. **Negative Perception:** Some may view private higher education in Croatia negatively due to the perception that private institutions are profit-driven and may not provide the same level of quality education as public institutions.

Addressing these challenges will require collaboration between private institutions, the government, and other stakeholders to improve funding, accreditation, and recognition of private degrees and promote equal access to financial aid and research opportunities.

Opportunities for PrHEIs in Croatia

Despite the challenges facing private higher education institutions in Croatia, there are also opportunities for growth and development, including:

1. **Diversification of programs:** PrHEIs in Croatia can offer a broader range of programs and courses that may not be available at PuHEIs. This can attract students who are looking for specialised and innovative programs.
2. **Flexibility and responsiveness:** PrHEIs have more flexibility to respond to market demands and changes in the labour market. They can develop programs and courses that meet the needs of specific industries and offer more practical training and internships to prepare students for employment.
3. **Internationalisation:** PrHEIs can attract international students and faculty, enhancing the diversity and quality of education. This can also contribute to the internationalisation of the Croatian higher education system.
4. **Partnerships and collaborations:** PrHEIs can collaborate with other private and public HEIs, industry partners, and research organisations to enhance their research capacity, develop joint programs, and offer more opportunities for students and faculty.
5. **Innovation and entrepreneurship:** PrHEIs can promote innovation and entrepreneurship by offering programs and courses focusing on developing entrepreneurial skills and supporting start-ups and small businesses.
6. **Branding and marketing:** PrHEIs can develop strong branding and marketing strategies to promote their programs, facilities, and reputation. This can help them to differentiate themselves from public universities and attract more students.

Overall, PrHEIs can leverage these opportunities to enhance their competitiveness, improve the quality of education, and contribute to the development of the Croatian higher education system.

The Student Population at PrHEIs in Croatia: Structure, Movements and Trends

As a result of the "excess" places in the higher education system, which will make that education even more accessible, it is to be expected that the trend of declining the absolute number of students will continue at a pace that, for some time to come, will be slower than the decline in the number of younger generations. Nevertheless, this disparity will gradually reduce as the higher education system moves closer to fully covering people who have finished a four-year secondary education. Furthermore, regarding the share of different student status categories, it should be anticipated that as the total number of students diminishes, part-time students will decrease more quickly than full-time students, pushing the system towards an even more significant disparity.

Table 2 Number of the total enrolment of public and private higher institutions students in Croatia from the academic year 2013/2014 to 2020/2021

Type of study program	2013/1	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Professional study	52.311	48.738	47.844	48.085	47.303	46.544	48.123	46.692
Public high school	1.552	1.424	1.352	1.426	1.377	1.324	1.231	1.148
Public universities	17.186	18.252	17.661	17.741	17.771	16.323	17.060	17.733
Public polytechnics	19.346	18.074	17.100	16.623	16.088	16.400	17.276	16.099
Private high school	9.108	5.936	6.607	6.248	5.272	5.635	5.374	5.270
Private universities				913	952	1.013	962	2.345
Private polytechnics	5.119	5.052	5.124	5.134	5.843	5.849	6.220	4.097
University studies	113.750	113.284	114.173	117.112	117.523	116.384	113.504	114.385
Public universities	113.316	112.691	113.346	115.773	115.687	114.130	111.072	111.604
Private universities	434	593	827	1.339	1.836	2.254	2.432	2.781
TOTAL:	166.061	162.022	162.017	165.197	164.826	162.928	161.627	161.077

Source: MOZVAG. Retrieved from <https://www.azvo.hr/en/higher-education/mozvag-information-system> [April 04, 2023]

Regarding university studies, there is an evident trend of continuous growth at private institutions (in 2016/2017, 1,339 students were enrolled, and in 2020/2021, 2,781 students were enrolled), while public universities have seen a decrease in the number of students.

A demographic fall in the number of new borns coincides with a decline in the student population. In other words, between 2013 and 2020, there were about 4,000 fewer new-borns per year, and the 4,400-child decrease throughout the study's five generations occurred at a far slower rate than the generational demographic deficit. Therefore, it is possible to infer that the proportion of young people who complete secondary education who enrol in higher education grew throughout that time, notwithstanding the absolute decrease in student enrolment during the observational period. Throughout the observed period, Croatia saw a general fall in the number of students, probably caused by depopulation brought on by economic migration, which became especially significant after 2013, when Croatia became a full member of the European Union (Pavić & Ivanović, 2019). The trend of emigration of Croatian citizens is still present, so in the coming period, we can expect a further decrease in the total population, including the student population.

Table 3 shows the percentage of part-time (working while studying) and full-time students by type of educational institution from 2016–2017 to 2020–2021. Part-time students comprise many of those enrolled in private and public higher education institutions. According to the Agency for Science and Higher Education (AZVO), Part-time students comprise many of those enrolled in colleges and universities. According to the Agency for Science and Higher Education, in the observed period, a third of students at private universities are part-time students, while the percentage of part-time students is higher at private polytechnics and high schools.

In the academic year 2020/2021, the percentage of part-time students at private polytechnics was 71%, which is a significant increase compared to the previous period.

The increase in part-time students is probably related to the COVID-19 pandemic and a more flexible way of learning during the pandemic time, including distance learning programmes, open studies courses, and online education (Anderton et al., 2021; Weiner et al., 2021).

Table 3 Part-time (working while studying) and full-time students in Croatia from the academic year 2016/2017 to 2020/2021

Type of private higher education institution	2016/2017		2017/2018		2018/2019		2019/2020		2020/2021	
	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT
Private universities	31%	69%	34%	66%	33%	67%	31%	69%	31%	69%
Private polytechnics	40%	60%	46%	54%	50%	50%	57%	43%	71%	29%
Private high school	48%	52%	44%	56%	42%	58%	41%	59%	42%	58%
Public universities	23%	77%	23%	77%	23%	77%	23%	77%	22%	78%
Public polytechnics	46%	54%	47%	53%	50%	50%	50%	50%	50%	50%
Public high school	40%	60%	38%	62%	40%	60%	40%	60%	37%	63%
TOTAL	28%	72%	27%	73%	27%	73%	28%	72%	28%	72%

Note: PT = part-time, FT = full time

Source: Agency for Science and Higher Education. Retrieved from <https://www.azvo.hr/en/higher-education/statistics/44-statistike/2116-broj-studenata-prema-nacinu-studiranja-vrsti-ustanove-i-akademskoj-godini-1-2-razina> [April 07, 2023]

The gender distribution of students at private and public higher education institutions is shown in Table 4.

In the observed period (2013/2014 to 2010/2021) women make up 62% to 56% of the student population at private public universities, while the share of women at private polytechnics and private universities is less than 50%. This ratio of men and women in higher education is similar in public higher education institutions. The proportion of female students remains consistent throughout the period and fluctuates from 56% to 61%.

The University of Zagreb (61%), Rijeka (63.8%), Split (58.1%), Osijek (57.1%), and smaller universities (public 66.3%, private 83.6%) all have a significant female student population. However, public polytechnics have a larger percentage of male students overall (53.3%) than public universities (64.3%) and private universities (55.7%).

The gender disparity is even more apparent when considering that men (51%) outnumber women (49%) in the younger population. The age structure illustrates the successful transition from high school to college. Considering that all students under 30 can be considered students who started college right out of high school but whose studies took longer because they studied more slowly, older age groups are underrepresented significantly.

Table 4 Student gender distribution - the proportion of female students by academic year and type of private and public higher education institution (2013/2014–2020/21)

Type of private higher education institution	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Private universities	62%	59%	71%	64%	61%	62%	56%	56%
Private polytechnics	38%	41%	41%	40%	43%	42%	44%	42%
Private high school	45%	43%	44%	45%	42%	40%	43%	45%
Public universities	62%	63%	62%	63%	63%	63%	57%	57%
Public polytechnics	51%	50%	53%	51%	50%	52%	53%	52%
Public high school	43%	47%	50%	49%	53%	47%	45%	44%
TOTAL	60%	60%	60%	61%	61%	60%	56%	56%

Source: Agency for Science and Higher Education. Retrieved from <https://www.azvo.hr/hr/visoko-obrazovanje/statistike/44-statistike/2115-udio-studentica-po-akademskoj-godini-i-vrsti-ustanove-2013-14-2017-18> [April 07, 2023]

Financing of private higher education sector in Croatia

Positioning Croatia among the EU countries regarding science and higher education funding is one of the most crucial objectives for the coming years. Therefore, by 2020, Croatia has established a minimum target for public sector allocations: to be on the level with other European nations. The financing is expected to be obtained through European funds and the sales proceeds of governmental assets or concessions.

Public higher education institutions in Croatia that are part of the public higher education system are funded by the State budget, the budgets of counties, cities, and municipalities, school fees, income from scientific, research, artistic, and professional projects, scientific and professional reports, income from publishing activities, income from the market, income from property, shares in trading companies, as well as other sources. The majority of funding for public higher education, however, comes from the State budget, which considers factors like the capacity of individual higher education institutions, the cost of individual studies, and an evaluation of the quality of those studies based on the evaluation processes used.

On the other hand, all private higher education institutions receive most or all of their funding from tuition fees, donations, the founder's money, and other acceptable sources.

The existing system of financing higher education institutions will change with the introduction of complete program contracts. Such a financing mechanism will be linked to achieving strategic goals and will be governed by the principles of transparency, efficiency, quality assurance and the social dimension of higher education. The system will be based on examples of best practices from the EU and employ instruments like project finance and input- and output-based financing criteria (Matei, 2018). Program contracts will serve as the foundation for the funding of all public higher education institutions. If there is a social interest, they may also contribute to the funding of private higher education institutions (in the case of financing students who study with a partial load, studies will be financed according to the same criteria regardless of the type and founder of the accredited institution). Program agreements will be made with private institutions of higher education if public higher education institutions cannot fulfil social needs in a particular area with their capabilities or programme offerings and the corresponding program(s) are offered by private higher education institutions, i.e., if private institutions of higher education carry out programmes of particular social interest. Although the term "private higher education institution" does not have the same meaning across all nations, this interaction between public and private universities and their financial systems is typical in most of Europe, particularly in Western European and some Scandinavian countries (Matei, 2018).

Croatia's state funding for higher education is currently among Europe's lowest, amounting to 0.80% of GDP. With such a limited budget, any significant change in the higher education system is complicated.

According to publicly available data (Financial Agency, Info biz service), the five largest private higher education institutions' share is rising steadily from 2017-2021, reaching 79.00% in 2021. This represents an increase of about 10% from 2017, when the five largest institutions' share was 69.00%, and it shows a high degree of market concentration in the private higher education sector.

The total expenditures of private higher education institutions in the period from 2017 to 2021 were on the increase. On the other hand, the total expenditures of private higher education institutions were the lowest in 2017, amounting to 21.157.342,89 EUR. In 2021, the five largest private higher education institutions accounted for the highest proportion of expenditures (74.17%), and the highest was in 2021 and amounted to 29.995.354,70 EUR.

During the observed period (2017-2021), the largest share in total expenditures is held by Libertas International University, whose share in 2021 is 25.44%. It is followed by VERN University, Algebra university college and the Zagreb School of Economics and Management, with approximately equal shares (12%).

The net profit of private higher education institutions in 2017 amounted to 2.262.982,69 EUR. It will continue to grow until 2021, when it will almost double to 4.108.479,92 EUR, of which approximately 96% refers to Libertas International University and Algebra university college, which also shows the high concentration of the private higher education market.

Algebra university college recorded the highest overall economic efficiency, and Polytechnic Velika Gorica, which operates at a loss in 2021, recorded the lowest. The profitability of turnover, both gross and net, is negative only at Polytechnic Velika Gorica. The highest overall profitability of assets net realized at Algebra university college amounts to 34.00%.

Libertas International University had the highest revenues from 2017 to 2021, with about 30% of all private higher education revenues generated that year. In second place is Algebra university college with a share of 18%, followed by the VERN University and the Zagreb School of Economics and Management with shares of around 11%.

We can conclude that the above analysis of financial indicators of business in private higher education shows high liquidity and financial stability in the private higher education sector. An essential item is debt indicators. Although the debt and financing ratios are acceptable, the coefficient of own financing is below the reference value of 50% in all years, indicating a lack of assets financed by own sources. The indebtedness factor is significantly high during the observed period, which could further cause difficulties in business operations. Nevertheless, the economic efficiency of the overall business grew during the observed period and in 2021, it amounts to a high 121.35%.

The profitability of total assets records satisfactory results only in 2017 and 2018, and in 2021 it is negative. However, a satisfactory return on own capital was achieved, which ranges from a level of about 30%.

Discussion and Conclusion: Challenges and Future Trends

Private higher education is relatively new in Croatia compared to many other European countries, West America, and Asia. Even though it is a new field in higher education, both the number of providers and students has increased. In a relatively brief period of time, the private sector has seen trends, including third-party agreements, the opening of branch campuses, and partnerships with universities primarily to attract international students. The government started a national evaluation of private higher education, despite the sector's expansion and numerous worries about the quality and standard of education. Private higher education's function is unknown. The growing number of private providers with shorter re-registration periods and more stringent requirements could affect the services sector. The government has started a national evaluation of private higher education through the Agency for Higher Education. Despite the expansion of the sector and numerous concerns about the quality and standards of education, the vision of developing this sector of higher education is not clear. It is not clear what the role of the private education sector is in planning the labour market for which there is a demand. With the accreditation of new private institutions of higher education, the real need for new study programs is not questioned and work permits are granted if the formal requirements are met.

The growing number of private service providers with stricter accreditation requirements could have several different effects on the service sector.

Private higher education institutions employ too few permanent teaching staff and mostly use the services of external teachers who are not employed, resulting in a limited international exchange of teaching staff. As a result, cooperation between higher education's private and public sectors is poorly developed, as is the international cooperation of domestic and foreign educational institutions.

Leading private universities could develop collaboration with other institutions, both locally and worldwide. As a result, private universities in Croatia would similarly collaborate with other institutions, and this collaboration would take the form of collaborative marketing, curriculum development, the launch of cooperative programmes, and staff and student exchanges. There is no question that international student exchange impacts cultural and language interaction, as well as the potential of learning about the economies in the countries where such exchange occurs. On the other hand, staff exchange has a big impact on encouraging scientific research.

Since the state does not provide financial support for private higher education, it is left to market forces and the search for unstable and uncertain funding sources, which will likely reduce the sector's growth, especially stagnation in the development of study programmes that require more investment.

Our study shows that Croatia should reconsider its legal incentives for developing private universities. A similar legal structure would also follow the Bologna process requirements and higher education reform. Therefore, the state should encourage private universities in Croatia by providing financial support. The presence of foreign evaluators in significant numbers, a more excellent grasp of university autonomy, the growth of academic freedom vs accountability, and innovative methodologies for quality evaluation are all things we believe Croatia's higher education system will need in the future.

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