Tuition Fee Settings of Universities in Azerbaijan

Rima Mammadova

ABSTRACT

Background/purpose – The lack of research on higher education institution marketing, especially regarding tuition fee setting by Azerbaijani universities, is the reason for conducting this study. Hence, this study aims to identify the current state of tuition fee settings in state and private universities in Azerbaijan.

Materials/methods – To achieve this, the research systematically examined peer-reviewed articles published in reputable journals. A search query that incorporated important terms such as financing of HEIs, students as customers, and price-setting approaches was applied to a number of databases. Data about 15 private and state universities was collected from reliable sources and the current situation in private and state Azerbaijani universities was discussed.

Results – Private universities in Azerbaijan should apply marketing strategies more and pay attention very carefully to their price-setting approach in order to attract more students and survive in the current marketplace. Price/tuition fee-setting policies for all universities in Azerbaijan should be prepared and approved by the government in order to prevent artificially increased prices.

Conclusion – This study makes a unique contribution to Azerbaijani science, and may also be a valuable resource for researchers interested in higher education marketing in Azerbaijan.

Keywords – Universities, tuition fee, price setting, Azerbaijan, university marketing

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1. INTRODUCTION

Governments put education first so as to increase the quality of service and to develop the economic and social situation in the country. In addition to state appropriations, universities fulfill their budget from various types of grants, such as research grants, donations from various sources such as large companies, alumni, and tuition fees. Generally, tuition fee setting policies are controlled by law or other legal means that determine the basis of charging and prohibiting. However, in countries such as the former Soviet Union, Russia, and Central and Eastern Europe, free higher education is guaranteed within their constitutions and/or other laws for students who qualify (Marcucci & Johnstone, 2007).

A lack of research on education marketing in Azerbaijan is the driver for conducting this study, which aims to identify the current state of tuition fee setting in both state and private universities in Azerbaijan. This study is expected to be a useful source for researchers interested in the new topics related to educational marketing.

In this study, first, the existing literature on the financing of higher education institutions (HEIs), students as customers, and price-setting approaches are reviewed. Second, data from reliable sources and the current situation in Azerbaijani private and state universities is presented. The research findings are then discussed before the study ends with a conclusion and noting the limitations of the research.

2. LITERATURE REVIEW

Financing of Higher Education Institutions

Higher education plays an important role in the development of countries, as well as in the next and future generations (Goksu & Goksu, 2015). There are several traits that higher education institutions need to follow in order to be able to develop and adapt to changes in today’s competitive environment. These include understanding the needs of students as customers and responding to them, planning strategically with regards to market need changes, the appropriate use of innovation and modern technologies, being ready to employ all necessary tools in a competitive advantage market, and offering quality education and services at competitive prices (Sutin, 2018).

Many countries faced two significant challenges during the Great Recession of 2007 to 2009. First, governments sought to control public finances when tax incomes dropped; second, they sought to increase the population’s skills and knowledge to become more competitive (Miller, 2010). As a result, many countries (e.g., Austria, Italy, the Netherlands, Canada, Spain, the United States, Japan, New Zealand, and China) opted for higher education to be funded through student fees and student support initiatives such as loan programs (Miller, 2010). Even the World Bank recommended that universities supplement their revenues by applying tuition fees for enrollment to underfunded and overcrowded universities (Johnstone, 2003).

In addition to state appropriations, universities fulfill their budgets through various types of grants, such as research grants, donations from sources such as large companies, alumni, and tuition fees. Where appropriations received from governments decreased, some university administrations opted to increase their tuition fees in order to meet their expenditures (Speck, 2010). However, in order to attract and maximize enrollment, university administrations began to implement tuition fee discounting in the 1990s (Loomis et al., 2002).
Generally, tuition fee setting policies are controlled by law or other legal means to determine the basis of charging and prohibiting. However, in countries such as the former Soviet Union, Russia, and Central and Eastern Europe, free higher education is guaranteed by the constitution and/or other laws for students who qualify (Marcucci & Johnstone, 2007).

**Students as Customers**

Debates about whether or not students should be considered as customers were common in the 1990s (Van Andel et al., 2012). Whilst many articles have been written and significant amounts of research published on the topic, little empirical research has been undertaken. Although many universities treat their students as customers (Eftimov et al., 2016), some academicians believe that students should be treated as students and the faith of universities cannot be corrupted by the attitudes and behaviors of their students (Van Andel et al., 2012).

Taking into account that higher education directly influences those who make use of its services, it is important that it is openly provided to those who really need it (Goksu & Goksu, 2015). Significant research has supported the idea that students have to be treated as customers; for example, Guilbault (2018) used the terms customer, market orientation, and relationship and service marketing in his arguments. Based on these ideas, the “students as customers” (SAC) model was formed, whereby students are treated as important stakeholders within the education process, and university administrators are expected to consider students’ thoughts in preparing class schedules, aim to meet their demands and needs, and offer several courses from which students can then choose according to their interests (Stafford, 1994, as cited by Gillespie Finney & Finney, 2010). If students are treated as customers, they are deemed more likely to try to achieve concrete results from their courses, but will likely complain should challenges or problems arise during their education.

Van Andel et al. (2012) accepted students as customers in their study; however, they mentioned that little research existed on the real experiences of students as customers. They argued that “students make rational choices and that their choices are informed by their educational and professional needs and intellectual interests” (p. xx), and that if students possess a strong feeling of control and empowerment, then they will easily determine what, when, how, and where their learning will happen. In order to integrate international and local markets, many universities now treat students more as customers and measure their services according to surveys that rate, for example, student satisfaction, as well as the number of students that enrolled and graduated for each academic year (Eftimov et al., 2016).

The role of students in university governance and quality assurance has been also examined by various research studies. Naylor et al. (2020) provided a critical review of student engagement in university governance and quality assurance systems, using the Australian system as a grounding example. They suggested that there is still considerable progress to be made in integrating the complex roles students can assume within universities, but there are opportunities to meet the challenges of massification, diversity, and structural barriers.

**Price Setting at Higher Education Institutions**

University pricing decisions are affected both by internal factors (e.g., marketing objectives, marketing-mix strategy, costs, and organization) as well as by external environmental factors (e.g., nature of the market and demand, competition, and other environmental elements) (Armstrong et al., 2005). There are several pricing strategies that universities can apply, but the most used are general pricing approaches (based on costs, consumer perception, and the competition), new-product pricing strategies (aimed at market-skimming and pricing and
market-penetration pricing), product-mix pricing strategies (based on product line pricing, optional-product pricing, captive-product pricing, by-product pricing, and product-bundle pricing), and price-adjustment strategies (e.g., discount and allowance pricing, segmented pricing, psychological pricing, promotional pricing, value pricing, geographical pricing, and international pricing) (Armstrong et al., 2005).

Universities choose, according to internal company and external environmental factors, what kind of strategy is most suited to their specific case. For example, the Virginia Commonwealth University School of Business Administration applied a differential pricing strategy in order to raise additional funds to improve their technological base so as to enable them to compete with other similar universities, to improve their students’ skills and knowledge of technology, and to employ new staff who could use the new technologies in their teaching and research (Little et al., 1997). Some universities have used “the reference price effect” to determine the prices for their services. In this case, they consider the following factors: 1. Comparison of previous and new prices; 2. Prices related to services; 3. Prices of well-known brands; 4. The nature of the industry; 5. Market prices; and 6. Prices determined by the university’s owner (Melnikov, 2015).

Pricing has becoming critical for HEIs since educational fees represent a significant portion of their operational income (Mohd Amir et al., 2016). The relationship between tuition fees and student enrollment has been the subject of various research studies in different countries. In research by Neil (2009), a significant relationship was revealed between student enrollment and tuition fee increases. If increases happen at a time when students become eligible to enter university, then enrollment numbers will be affected more than fee increases introduced in subsequent years. However, other factors can also influence enrollment numbers, such as intensive competition between universities, reduced government funding, labor market conditions, and ineffective marketing strategies (Little et al., 1997). Higher education managers should therefore take into account these various indicators when planning tuition fee increases.

Zdziarski (2010) explained tuition as the lifeblood of virtually any HE institution’s budget, which should be matched with the actual price for providing education to students. Tuition fee setting at higher education institutions is influenced by the following factors: institutional expenditure, governmental funding, and, in some countries, public loans, donations, and contributions from various foundations (Shin & Kim, 2013). Higher education institutions also consider the socioeconomic status of applicant students when setting tuition fees in order to attract the most talented and academically able (McPherson & Schapiro, 1999). Andrews and Stange (2019) noted that while setting university prices, the management team should take into account the means of low-income families, since higher prices reduce the numbers of poorer students from applying.

Economic and political situations can also influence tuition fees, hence political parties and governments tend to take some level of control. In some countries, for example South Korea, student unions and student activist groups play an important role in tuition fee setting policies and they can exert significant pressure on universities. Shin et al. (2014) mentioned that in order to control this situation, the government mediates between universities and student activist groups, whilst political parties try to attract more voters from the situation.

Some researchers have argued that prices can be an indicator of quality. Periodically, universities should improve their technological base to serve their customers qualitatively and to utilize their tuition increases as a sign of their quality in order to survive within a
competitive environment (Little et al., 1997). Universities that create a strong brand can also utilize that in price setting policy. Even if their customers (i.e., students and students’ parents) have limited information about the actual services provided by a university, a recognized and valued brand name can sometimes be the most reachable and diagnostic means available to them in reaching a decision of where to enroll (Chapleo, 2011).

3. CASE OF AZERBAIJAN

Financing of Higher Education Institutions

When looking through the history of former Soviet Bloc countries, the development of higher education systems was based on a free education ideology for all students who qualified (Marcucci & Johnstone, 2007). The Republic of Azerbaijan’s Constitution\(^1\) and Education Law\(^2\) guarantee free education at any level and form for all citizens without discrimination, as well as the right to a one-time free education at each level of education (including higher education) for every student. Marcucci et al. (2007) explained the main reasons for free higher education as follows:

- The returns to society from an educated population are very high.
- Education is (or should be) a fundamental right.
- Tuition fees may discourage the participation of students from low-income families, rural areas, or ethnic minorities, with negative impacts in terms of social equality and social benefits.
- The cost of student maintenance is high and already beyond the reach of many families, especially when coupled with the cost of forgone student earnings.

According to the Education Law\(^3\) state higher education institutions in Azerbaijan do not directly seek profit. The same rule applies to private higher education institutions, which means that they are all established with the sole purpose of enlightenment and charity and are restricted from pursuing profit\(^4\). State higher education institutions receive income via governmental budget allocation, engagement in business activities, institutionally set tuition fees, and grants received from the state as well as from local and international institutions, especially in terms of research grants and donations from individuals and other legal entities\(^5\). The income of private higher education institutions is also derived from these same sources, except for governmental funding from the budget (in place of this, they may receive funding from the institution’s founders).

No formal and single-tuition regulations exist in Azerbaijan. Tuition fee policy is formed based on the budgetary needs of each higher education institution. Private and state universities set tuition fees based on the curriculum at each level of education. Therefore, tuition fees in Azerbaijan are considered to be high. As such, the government faces considerable challenges in maintaining access to higher education for low-income, minority, and other traditionally underserved elements of the population (Johnstone, 2003). In order to

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eliminate these issues, the government set out a strategy to exempt the following students from having to pay tuition fees:

2. Children of citizens who became disabled during the defense of the territorial integrity, independence, and freedom of the Republic of Azerbaijan.
3. Family members of the Martyrs.
4. Persons under 18 years old whose both parents are deceased.
5. Persons who are deprived under the auspices of parents.
6. Persons under the age of 18 years old with one parent deceased and the remaining living parent has a disability (group 1 or 2).
7. Children under 18 years old with a disability, and persons who have a disability classed as group 1 or 2.

4. METHODOLOGY

Marketing can be a useful tool for universities to help understand the needs of their various customer types and to craft service offerings that meet or exceed their specific needs. With the help of explicit marketing strategies, universities can achieve improved success in student recruitment and retention, in soliciting donations, and in projecting an institutional image that supports those endeavors. However, in the case of Azerbaijan, this topic has been largely overlooked and therefore requires in-depth research to identify gaps, and to develop solution suggestions for university marketing officers and independent marketing professionals working with the country’s higher educational institutions.

In the current study, data were collected regarding the following 15 private and state universities; Baku State University, Azerbaijan Technical University, ADA University, Ganja State University, Azerbaijan Technological University, Khazar University, Odlar Yurdu University, Western Caspian University, Nakhchivan University, Azerbaijan University of Languages, Nakhchivan State University, Lankaran State University, Sumgayit State University, Azerbaijan State Pedagogical University, and Baku University for Girls. The data were gathered between 2019 and 2020 from reliable sources.

Hence, this study aims to identify the current state of tuition fee setting in both state and private universities in Azerbaijan. In order to achieve this, the study will systematically examine peer-reviewed research articles published in reputable academic journals. The search query used against a number of databases incorporated important terms such as the financing of HEIs, students as customers, and price-setting approaches. Data from reliable sources as well as the current situation in Azerbaijani private and state universities is presented and discussed in the following section.

5. RESULTS AND DISCUSSION

The Ministry of Education of the Republic of Azerbaijan sets the limits of how many students can be enrolled in each higher education institution. Admission plan show the number of students for each different level of education at each higher education institution. The universities themselves also participate in the process of determining these admission plans. Candidate students wishing to enroll to state or private universities have to submit the

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relevant documentation to the appropriate government body, namely the State Examination Center of the Republic of Azerbaijan, and sit the admissions examination. They are then accepted or rejected according to their results from the exam. Successful candidates are required to achieve a minimum passing score, meaning that private universities also face certain challenges in student enrollment. In order to meet these challenges, they employ strategies such as admitting candidates who only just meet the minimum passing threshold score as a means to increasing student numbers. By contrast, state universities, whether or not they charge a tuition fee, generally have candidate students with higher exam scores.

As previously mentioned, economic and political situations can also influence the tuition fee amounts as well as the numbers of students enrolled. In 2015, the price of crude oil dropped sharply and suddenly, resulting in the national currency (AZN) of Azerbaijan starting to devalue against the USD, from 0.78 to 1.56. This devaluation continued until the end of 2016, negatively affecting many family’s financial situation.

Table 1 and Table 2 present a summary of the admission plans and tuition fees for state and private universities in Azerbaijan from the academic year of 2015/2016 through to 2018/2019. As can be seen, both state and private universities started to implement the various tuition fee settings according to their student enrollment numbers:

1. Increased both admission plans and tuition fees.
2. Decreased admission fees but increased tuition fees.
3. Decreased both admission plan and tuition fees.
4. Increased admission plan but tuition fees remained the same.
5. Maintained both the same admission plan and tuition fees.

| Table 1. Tuition Fees (in AZN) for Computer Science at State Universities |
|-------------|--------------------------|--------------------------|--------------------------|--------------------------|
|             | Admission Plan | Tuition fee | Admission Plan | Tuition fee | Admission Plan | Tuition fee | Admission Plan | Tuition fee |
| Baku State University | 145 | 1,800 | 165 | 1,900 | 165 | 2,000 | 165 | 2,100 |
| Azerbaijan Technical University | 80 | 1,600 | 80 | 1,600 | 50 | 1,800 | 50 | 1,800 |
| ADA University | 20 | 4,800 | 40 | 6,500 | 40 | 6,500 | 60 | 6,400 |
| Ganja State University | 25 | 1,800 | 25 | 1,800 | 15 | 1,000 | 30 | 1,000 |
| Azerbaijan Technological University | 40 | 1,000 | 25 | 1,300 | - | - | - | - |

| Table 2. Tuition Fees (in AZN) for International Relations at Private Universities |
|-------------|--------------------------|--------------------------|--------------------------|--------------------------|
|             | Admission Plan | Tuition fee | Admission Plan | Tuition fee | Admission Plan | Tuition fee | Admission Plan | Tuition fee |
| Khazar University | 5 | 4,500 | 25 | 4,500 | 25 | 4,500 | 25 | 4,500 |
In order to cover their expenses during this economic crisis, most universities in Azerbaijan increased their tuition fees for the academic years of 2015/2016 and 2016/2017. However, decreasing numbers of enrolled students then forced them to either decrease the admission plans or tuition fees. Even the Azerbaijan Technical University had to close its specialty in 2017. Whilst Khazar University made no change to their tuition fees, they were required to increase their admission plan. Only Baku State University, the most prestigious university in Azerbaijan, slightly increased their tuition fees as most candidate students sought to enroll there, resulting in their tuition fee being lower than for other prestigious institutions in the country.

Some researchers have argued that high or low tuition fees are perhaps not the primary determinant of choice for students or their parents. When selecting a university, the image, location, and tradition of each institution are all important considerations (Little et al., 1997). There has been a close relationship established between university enrollment and their location (Rekettye & Pozsgai, 2015), and this also influences the tuition fees they charge. As can be seen from Table 3 and Table 4, the universities located in Baku have the highest tuition fees, followed by Ganja State University, located in Azerbaijan’s second largest city.

**Table 3.** Tuition Fees (in AZN) for Foreign Language Teaching (English) According to Location (State Universities)

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<th></th>
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</thead>
<tbody>
<tr>
<td>Odlar Yurdu University</td>
<td>Baku</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
</tr>
<tr>
<td>Western Caspian University</td>
<td>Ganja</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Nakhchivan University</td>
<td>Nakhchivan</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Lankaran State University</td>
<td>Lankaran</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Sumgayit State University</td>
<td>Sumgayit</td>
<td>1,700</td>
<td>1,700</td>
<td>1,700</td>
<td>1,700</td>
</tr>
</tbody>
</table>
Table 4. Tuition Fees (in AZN) for Foreign Language Teaching (English) According to Location (Private Universities)

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Khazar University</td>
<td>Baku</td>
<td>3,500</td>
<td>3,500</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Odlar Yurdu University</td>
<td>Baku</td>
<td>2,800</td>
<td>3,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Nakhchivan University</td>
<td>Nakhchivan</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
</tr>
</tbody>
</table>

In Azerbaijan, students and their parents also pay attention to the status of universities, as in whether they are state or private. State universities are considered more prestigious than private universities in Azerbaijan. Therefore, admission plans for state universities are considerably higher than for private universities (see Table 5). According to Table 6, it can be seen that the number of students enrolled to state universities is greater than for private universities (State Statistical Committee of the Republic of Azerbaijan, 2018).

Table 5. Admission Plan for Private and State Universities for Foreign Language Teaching (English)

<table>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan University of Languages</td>
<td>State</td>
<td>783</td>
<td>683</td>
<td>550</td>
<td>600</td>
</tr>
<tr>
<td>Ganja State University</td>
<td>State</td>
<td>80</td>
<td>50</td>
<td>50</td>
<td>60</td>
</tr>
<tr>
<td>Azerbaijan State Pedagogical University</td>
<td>State</td>
<td>75</td>
<td>50</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Khazar University</td>
<td>Private</td>
<td>10</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Odlar Yurdu University</td>
<td>Private</td>
<td>30</td>
<td>30</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td>Baku University for Girls</td>
<td>Private</td>
<td>25</td>
<td>25</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Table 6. Numbers of Enrolled students

<table>
<thead>
<tr>
<th>University status</th>
<th>Academic year 2015/2016</th>
<th>Academic year 2016/2017</th>
<th>Academic year 2017/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>30,279</td>
<td>32,932</td>
<td>34,875</td>
</tr>
<tr>
<td>Private</td>
<td>3,366</td>
<td>3,194</td>
<td>3,671</td>
</tr>
</tbody>
</table>

Generally, universities use price-setting methods that are either cost-based or market-driven (Rekettye & Liu, 2018; Rekettye & Rappai, 2012). When applying a cost-based approach, universities in Azerbaijan need to take into account the following expenditures: personnel costs, material costs, plus investment costs to increase the institution’s infrastructural capability. As previously discussed, state universities are supported by the...
government so that all these costs are state funded. However, should any deficit occur in their budget, they are required to cover that via tuition fees. However, the cost-based approach is much more applicable to private universities, since they receive no financial support from the governmental budget for personnel costs, material costs, or investment costs; all of which have to be met through tuition fees. Therefore, private universities in Azerbaijan need to take much more care in their income and expenditure calculations in order to avoid bankruptcy.

In terms of market-driven pricing, university management teams need to take into account demand level and progress, competition between universities, and the current status of their customers, etc. (Rekettye & Liu, 2018; Rekettye & Rappai, 2012). In order to compete globally and to meet certain international standards, Azerbaijan joined the Bologna process in 2005 (an intergovernmental Europe-wide higher education reform process). Joining the Bologna process helped both state and private universities in Azerbaijan to attract international students with higher tuition fees. As such, private universities in Azerbaijan employ a market-driven pricing policy more than state universities. According to the data, it may be concluded that students are more eager to apply to state universities rather than private institutions in Azerbaijan. Therefore, private universities need to work on developing and maintaining a powerful brand name and prestige of their programs in order to attract prospective students. As such, private universities pay considerably more attention to their international relations, participating in different international and local projects and programs, and establishing various dual-degree master’s programs in their drive to attract prospective fee-paying students.

6. CONCLUSION

Education marketing in Azerbaijan has been largely overlooked and there exists a lack of sources for this area of research. The current study identified the current state of play, but further research on the topic is considered crucial, requiring in-depth study to identify gaps and put forward solution suggestions appropriate to university marketing officers and independent marketing professionals interested in Azerbaijan’s higher education system.

The current study concludes that private universities in Azerbaijan need to apply marketing strategies more and pay greater attention to careful price-setting approaches in order to attract greater numbers of fee-paying students to survive in the current marketplace. It should also be mentioned that price/tuition fee setting policies for all universities in Azerbaijan should be prepared and approved by the government in order to prevent artificially increased prices.

This study therefore offers a unique contribution to Azerbaijani science and is also considered to present a useful resource for researchers interested in the topic of higher education marketing in Azerbaijan.
DECLARATIONS

Author Contributions: The author has read and approved the published final version of the article.

Conflicts of Interest: The author declares no conflict of interest.

Ethical Approval: No ethical approval was sought as the research process was conducted considering voluntariness, anonymity, and informed consent.

Data Availability Statement: The datasets generated and/or analyzed during the current study are available upon reasonable request.

Acknowledgments: Tables 1, 2, 3, 4, and 5 were prepared by the author. Data were taken from the official journal of the State Examination Center of the Republic of Azerbaijan namely “Abituriyent” published in 2015, 2016, 2017, and 2018. Table 6 was also prepared by the author according to data provided by the State Statistical Committee of the Republic of Azerbaijan.

REFERENCES


ABOUT THE CONTRIBUTOR

Rima Mammadova is currently pursuing a Ph.D. in business administration at the University of Pecs, Hungary, focusing on human resource management in higher education institutions. Her research interests include marketing in higher education institutions, higher education management, human resource management, project management, and disability-related issues.

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