Advanced education financing in Nigeria: Issues and patterns

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Abstract

The potential of the higher education system to act as an agent of growth and development in Nigeria is being challenged by the long-standing problems of limited access, inadequate financing, poor governance, declining quality and relevance. Thus, this paper provides an overview of the trends and nature of public funding of higher education in Nigeria. The arguments in this paper support increased public investment in higher education for many reasons. First, most societies believe that education is a public service; hence, its provision is not and needs not be justified on economic ground alone. More so, schooling, especially at the tertiary level, has a large number of direct beneficial effects beyond raising economic output, such as lowering child mortality, hedging options and non-market returns among others. The paper however recognises the fact that government alone cannot provide all the resources needed to increase access into and promote quality of higher education, thus the need for alternative financial mechanisms to complement public funds in higher education.

Keywords: Trends, public funding, issues, access and higher education.

INTRODUCTION

Education is the process of socialization by which men and women learn to adapt to, and where necessary, conquer their environment. It is the process of developing the cognitive, affective and psychomotor domains of people in order to equip them with the knowledge and skills necessary to survive and make progress in the society (Olaniyi and Adams, 2003).

The rationale behind investment in education and human capital development, according to Longe (1999), is based on the arguments that the new generation must be given the appropriate parts of the knowledge which has already been accumulated by previous generations; that the new generation should be taught how the existing knowledge can be used to develop new products, to introduce new processes and production methods, and improve the efficiency of organizations in business, government and social services; and, that people must be encouraged to develop entirely new ideas, products, processes and methods through creative approaches.

From the foregoing, it could be observed that the underlying rationale for education is to equip people with the knowledge, skills, and capacity to enhance their quality of life, augment productivity and capacity to gain knowledge of new techniques for production, so as to be able to participate actively in the development process. In view of the importance of education to national development, it behooves on each nation to ensure provision of adequate financial resources (funding) for education of her citizenry. This probably explains the reason why United Nations Educational Scientific and Cultural Organizations (UNESCO) suggested a minimum standard of 26% of annual budget to be devoted to education. Anything short of this benchmark is considered inadequate funding on education.

Lack of adequate financing, according to Onwiodukit and Tule (2002), has been identified as the greatest problem facing educational development in Nigeria. This problem is compounded by the growing number of students at all levels of schooling. In Nigeria, like in most African countries, government is the major provider of education by subsidizing its funding at all levels. This
may be due to the fact that education exhibits many characteristics of public goods, which makes it to generate considerable positive externalities (Adedeji and Bamidele, 2003). Babalola (1995) opines that Nigerian government’s investment in education rests on positive externality’s assumption, based on the argument that private markets may not be able to provide optimal education output needed to drive the nation’s economy. That is, without government subsidies, people will invest less than the socially optimal amount required on education. Thus, he argued that government has to finance education in order to motivate poor but qualified candidates to participate in it.

Furthermore, government also hinges her financial involvement on the belief that expanding education, especially at tertiary level, will promote economic growth. Psacharopoulos (1984) emphasizes the importance of education in promoting economic growth. Accordingly, Olaniyan and Adedeji, (2007) affirm that investment in human capital essentially drives economic growth in any country and helps to reduce poverty. This gives credence to Uwatt’s, (2002) position that the major type of capital that brings about economic growth is not just the physical capital but human capital.

### Conceptualizing higher education in Nigeria

Higher education encompasses all organized learning activities at the tertiary level. The National Policy on Education (2004) defines tertiary education to include the universities, polytechnics, monotechnics and colleges of education. The goals of tertiary education, as specified in the policy are:

1. to contribute to national development through high-level relevant manpower training;
2. to develop and inculcate proper values for the survival of the individual and society;
3. to develop the intellectual capability of individuals to understand and appreciate their local and external environments,
4. to acquire both physical and intellectual skills which will enable individuals to be self-reliant and useful members of the society;
5. to promote and encourage scholarship and community services;
6. to forge and cement national unity; and,
7. to promote national and international understanding and interaction.

The first institution for higher education in Nigeria, according to Adewuyi and Ogunwuyi (2002), was Yaba Higher College, established in 1934. This became the nucleus of the first University College, established in Ibadan in 1948. The attainment of political independence in 1960 was accompanied by expansion in the education sector in general, and in higher education in particular. There was an improved geographical spread of universities: University of Nigeria, Nsukka (1960), Ahamdu Bello University, Zaria, University of Lagos, and the University of Ife (all in 1962), and much later, the University of Benin (1970). These institutions are now collectively known as first generation universities. In 1975, with the advent of the oil boom and the geo-political restructuring of Nigeria into twelve states, there were strident agitations from Nigerians for more universities in the newly created states. The Federal Government acceded to this demand by establishing seven additional universities at Jos, Maiduguri, Sokoto, Kano, Ilorin, Calabar and Port Harcourt, which became the second-generation universities (Olaniyan and Adedeji, 2007). Presently in Nigeria, all States have either a State higher institution or a federal one located there.

### Rationale for government financial intervention in education

Government intervention in education can be justified, among others, on the account of the difficulties faced by students to secure loan for their educational pursuit due to the imperfection in the capital market. Students or their parents in general are unable to secure funding for their (or their children’s) education, because they are unable to provide collateral security for loans. Olaniyan and Adedeji (2007) found that financial institutions believe that it is too risky to supply loans to (mostly young) individuals that may have problems in getting a degree or gainfully securing employment after completing their programmes, and subsequently, repaying their debts becomes problematic. Thus, efficiency and equity (social justice) considerations justify government’s intervention in financing higher education.

However, the form that state intervention should take is not so easy to prescribe. Some would argue for the state to set minimum standards and give financial support to poorer families, but others argue that education should be privately managed and publicly funded. Some scholars (Babalola, 1995; Adedeji and Bamidele, 2003) have also argued that the poorer a country is, the more the benefits of subsidized education that will accrue to the children of the wealthy family.

### METHODOLOGY

The descriptive research design was adopted for the study. Given the focus of the study, the data utilized were mainly secondary in nature. Data were sourced from Federal Ministries of Education and Finance, National Bureau of Statistics (NBS) and the Central Bank of Nigeria (CBN) Statistical Bulletin.

### RESULTS

#### Trends in public funding of higher education

The government, which statutorily bears the costs of higher education in the country, now faces tight budget constraints due to the instability of the oil market, and the
monolithic nature of Nigerian economy. Government priority to education also fell considerably, while funding of higher education by the government declined very sharply (Okemakinde, 2010). It has been argued however, that the present situation in Nigeria is a symptom of pervasive national failure syndrome (Adedeji, 1998).

Nigerian higher education institutes are funded in a variety of ways. The proportion of government support and the modalities of funding vary across institutions. Public institutions receive direct government allocation, for both capital costs and some or all operating expenditures. In many cases, the allocation of government funds involves a complex political process. The Government believes that it has a duty to provide qualified Nigerians with free university education. The Government, through the National Universities Commission (NUC), however, makes it mandatory for all federal universities to generate 10% of their total yearly funds internally through various revenue diversification means (Odebiyi and Aina, 1999). Furthermore, the Education Tax Decree No. 7 of 1993 enforces the payment of 2% of profits of limited liability companies registered in Nigeria as an education tax to be disbursed and according to ratio 50: 40: 10 to higher, primary, and secondary education levels respectively. The share of higher education is further allocated to the universities, polytechnics, and colleges of education according to the ratio of 2: 1: 1 respectively (Ajayi and Alani, 1996).

In Nigeria, financing of education, just like other sectors, depends largely on the performance of the oil sector. This is because oil revenue accounts for more than 80 percent of total government revenue. The management of public finance, in the opinion of Olaniyann and Adedeji, (2007), is therefore mainly the management of revenue from the crude mineral oil resources. Nevertheless, institutes of higher education need adequate funding to effectively perform their roles.

Balami (2002) asserts that while government, through policy statements, has continually committed itself to providing education at all levels, the burden of actualizing the policy statements, particularly providing functional education, is becoming increasingly unbearable, as evident in the running battles between government and other stakeholders. A cursory look at public expenditure on education in Nigeria revealed that educational expenditure, as a ratio of total government expenditure from 1998 to 2008 fell below the minimum standard of 26.0% of annual budget prescribed by the United Nations Educational Scientific and Cultural Organizations (UNESCO). Table 1 confirms the submission:

### Table 1. Budgetary allocation on education in Nigeria (1998-2008) (%).

<table>
<thead>
<tr>
<th>Years</th>
<th>Ratio of GDP (%)</th>
<th>Ratio of total Govt. Exp. (%)</th>
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<tbody>
<tr>
<td>1998</td>
<td>8.27</td>
<td>5.1</td>
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<tr>
<td>1999</td>
<td>9.12</td>
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<td>2002</td>
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<td>2003</td>
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<td>2004</td>
<td>6.68</td>
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<td>2005</td>
<td>6.80</td>
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<tr>
<td>2007</td>
<td>7.68</td>
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<td>2008</td>
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Source: Nigeria Bureau of Statistics. (Various Years).

Funding of higher education is one of the most critical issues in the contemporary debate in education system. This is because only adequate funding could guarantee satisfactory provision of both material and human resources that are necessary for effective operation of the education sub-sector. The National Policy on Education (2004) recognizes education as an expensive social service that requires adequate financial provision for the successful implementation of the educational programmes. There is therefore the need to have a sustainable financing framework in place to ensure that higher education remains relevant as the supplier of manpower to all other educational levels and builder of the nation’s economy. This, unless urgently addressed, could stifle higher education goal attainment in the long run. The overall public spending on different levels and types of education had been influenced by the federal government expenditure profile. In Nigeria, the situation of increased spending by one level of government will result in a decrease in another. Therefore, the principle of increased allocation to education has far reaching financial implications for other competing social services and ordering of national priorities (NBS, 2006).

The amount of money Nigerian government devotes to education, which is far lower than the 26% of government expenditure as recommended by UNESCO, illustrates her poor commitment to the development of education and explains in part the little progress that has been made in this sector since 1990. During the oil crisis in the eighties, the administration and funding of the education system suffered considerably. To mitigate the effect of lack of adequate financing, other alternative sources have also participated significantly in education financing in Nigeria. The Education Trust Fund (ETF) is one of these. The ETF is a trust fund established by decree in 1993 (amended by Act 40 of 1998) with the objective of using funding combined with project management to improve the quality of education in Nigeria. According to the Act, all organizations and companies of identified minimum operating capacity and registered in Nigeria contribute a levy of 2% of their annual assessable profits.
to the fund. These contributions complement Federal and State budgets allocation to education. Between 1999 and 2005, the aggregate fund released by ETF to different levels of higher education is presented in Table 2.

### DISCUSSION AND CONCLUSION

#### Access implication of higher education financing

Access to education, according to Teixeira and Amaral (2001), entails adaptive behaviour by institutions to provide academic and other support to an increasingly diverse student body, and to develop retention strategies that lead to the completion of studies. It further implies efforts to upgrade labour productivity by creating opportunities for the nation’s workforce to obtain continuing professional education. However, access to education remains a major issue at all levels of education in Nigeria. A Commission, commonly referred to as Ashby Commission, was set up by Nigerian government at the eve of independence in Nigeria to examine the educational needs of the country after independence. It identified the problems of equity and access to higher education as early as 1959. The Commission reported then that there was an imbalance in educational opportunities between the southern and northern parts of the country and that opportunities for enrolment were inadequate for the needs of the country (Olaniyan and Adedeji, 2007). Attempts have also been made to provide equitable access to the limited places by prescribing admission quotas to federal institutions. The formula (quota) for access to higher education, in the words of Okemakinde (2010), makes provision for admission based on academic merit, residential zones and carrying capacity.

The issue of carrying capacity, which simply makes enrol-ment a function of available infrastructure on ground, is a new phenomenon in many federal universities in Nigeria. The many years of deteriorating infrastructure occasioned by acute shortage of funds have given way to new approaches to solving financial problems facing the university system in Nigeria. However, while the problem is been tackled at one end, another problem is been heightened, which is the intense competition for limited spaces that the capacity of these institutions can actually carry. Therefore, competition for access to limited places has led to practices such as cheating in examinations, bribery for admission, and manipulation of examination scores (Olaniyan and Adedeji, 2007).

The government of former President Olusegun Obasanjo considered “distance learning” to be an alternative mode of delivering education to a greater number of students in order to promote quality, increase access of qualified candidates for university education and produce highly skilled labour for an economy that must compete within the globalized context. As part of the solution to making higher education accessible, the government intended the University of Abuja to also operate as a distance learning institution. Moreover, the National Open University of Nigeria (NOUN) was commissioned by the same government. However, numerous problems resulting from inadequate funding, poor infrastructures, especially electricity supply and Information and Communication Technology (ICT) among other things, have imposed serious limitations to the success of the ‘distance learning’ programmes in Nigeria.

It is worrisome that the problem of access to university education has not been fully addressed in a society like Nigeria where social mobility depends more on academic achievement than anything else. The issue of access to education has been manipulated by various regimes as a source of political power and in seeking political support. Such activity has opened up opportunities for malpractices that now run deep in the system. Far too many students, who should have been denied access, presently gain access to higher education institutes through the back doors, thus contributing to the decline in quality of higher education in Nigeria.

#### Quality implication of higher education financing

Adedeji and Bamidele (2003) raise the concern about the decline in the quality of the Nigerian higher education system. They assert that the quality of education offered by some higher education institutes at the present time has deteriorated considerably. As a result, there is high unemployment amongst graduates from Nigerian
universities. There is also concern about the lack of recognition of some Nigerian degrees by overseas universities apart from the non-suitability of products of some tertiary educational institutes for available vacancies in the country and their dissatisfactory relevance to the country’s developmental needs. Promoting the quality of higher education programmes at both undergraduate and post-graduate levels at federal educational institutes is the responsibility of the Nigerian Universities Commission through its accreditation activities. Also, there is the need to focus on quality promoting activities such as the provision of adequate resources linked to institutional plans and rationalization of academic programmes through cooperative approaches.

Overcrowding at educational institutes and inadequate funding are also contributory factors to the decline in the quality of higher education in Nigeria. The system has far outgrown the resources available to it to continue offering high-level quality education. Inadequate funding has resulted in problems such as the breakdown and deterioration of facilities, shortages of new books and current journals in the libraries, inadequate supplies to the laboratories, and limited funding for research. Institutional and system planning is also critical for the restoration of quality in the system. The plans developed must be linked to realistic budget plans. Other factors contributing to the decline in quality are the unstable environment due to frequent demonstration and strike actions by students and staff, the quality of students admitted to programmes, and the quality of the academics recruited have also gone down.

Government roles in higher education financing in Nigeria

The change in government role in higher education financing and the emergence of private higher education in Nigeria can be attributed to many factors. One of these has been the growing role of market forces due to the crisis of the welfare state in the 70s and 80s, which severely reduced the capabilities of governments to finance higher education. Moreover, the growing number of students, rising costs of higher education, increasing financial restrictions due to the limitations in the growth of public expenditure, have forced governments to consider another method of financing higher education in Nigeria. In recent years, governments have attempted several possibilities to overcome the financial limitations without adversely affecting the desirable expansion in student enrolment and quality of the system. The recent trend of providing opportunities for private participation in higher education has increased students’ choice and stimulated higher institutions to compete for them. This is a major step in this direction. The emergence of private higher institutions has provided an avenue for the changing perceptions regarding higher education. During the last decades, higher education has been increasingly placed under pressure to become more adaptable and responsive to social and economic needs.

Moreover, private institutions are expected to demonstrate greater adaptability and competitiveness that may enhance the external efficiency of the higher education system in Nigeria. The effects may be also indirect, by stimulating similar behaviour from their public counterparts. The pressure for greater responsiveness has become even more significant due to the global trends towards massification of higher education. Even in countries with low per capita income, the aim to admit increasing number of the younger population has attracted a higher priority in national policy agenda. The expected effect of higher education regarding national competitiveness, technological spillovers, and other externalities has fostered government’s ambition to look for other methods of developing mass higher education system in Nigeria. This is not only costly, but there is also the view that a mass system should provide greater choice because of the growing diversity of students and labour market needs.

Private institutions, in the opinion of Teixeira and Amaral (2001), are also often portrayed as being more innovative, though the empirical evidence thus far has been mixed at best. The increasing privatization of higher education systems in Nigeria cannot be dissociated from changes in the nature of government’s regulations leading to a large number of players in the system. It is expedient for the government therefore to provide a modest higher education regulatory framework that will guide the conduct and quality of education offered by these private institutes. Another issue that needs to be explored when considering the changing role of the government is that of cost sharing, which is considered in the next section.

Cost-sharing measures in higher education in Nigeria

In Nigeria, the change in government position in higher education financing is a direct response to the problem of chronic under-funding presently experienced in the educational system. Therefore, some funding mechanisms have been put in place to alleviate this problem. Among these are the following.

Introduction of users’ charges and student levies: An important trend concerning users charges has emerged from the Nigerian Universities Commission (NUC) non-grants funds. The NUC has mandated that each university in Nigeria should generate at least 10% of its total revenue. Although, the Federal Government still nurture the idea that tuition fees are free in Federal universities, especially for undergraduate programmes, but state universities are passive about this. Therefore, the fees paid vary from one university to another. Also, universities have devised various methods for charging and collecting fees especially in Federal Universities. The cost of postgraduate studies, for instance, has been increased, while many sub-degree or diploma courses
have also been introduced based on users charges.

**Contributions and endowments:** The contributions from the private sector to education in Nigeria include the endowment of prizes and professorial chairs, and voluntary donations. Campaigns to raise endowment funds in Nigerian universities dates back to the 1950’s when the University College, Ibadan started an endowment drive. From 1988-1994, the University of Ibadan generated over 22 million naira from endowments and grants (Ajayi and Alani, 1996). Decree 9 of 1993 authorizing individuals and private organizations to establish private higher education institutes has also enhanced the private sector’s contribution to financing of higher education.

**Grants and donations:** Foreign grants have aided many programmes in the Nigerian universities, especially the postgraduate studies and staff development. For example, the University of Ibadan received from both the Ford and Rockefeller Foundations, a sum of N7, 717,592 for the development of its infrastructures between 1962 and 1967. Other bodies, which were reported to have supported Nigerian Universities include IDRC, CIDA, SIDA, USAID, Commonwealth Scholarships, UNFPA, UNIFEM, British Council and the MacArthur Foundation fund, among others.

**Commercial ventures:** Commercial ventures are profit oriented activities, which represent a major way of raising additional revenue for higher education system. Most higher education institutes in Nigeria are involved in commercial ventures of different kinds, such as publishing, consultancies, sales and marketing, petrol stations, bookshops, among others.

**National Youth Service Corps Scheme:** This is another cost sharing measure adopted by the Federal Government. The scheme was introduced in 1973 for graduates of universities, polytechnics, and colleges of education. Participation, according to Ajayi and Alani (1996), is mandatory for holders of first degrees and higher national diplomas from polytechnics and universities from within and outside Nigeria who have not attained the age of 30 years. These graduates offer their services to the community/nation for a period of 12 months for a monthly stipend. This scheme becomes a cost recovery measure because these graduates do not collect full salaries and allowances for the services rendered to the community that presumably would have been paid for by the government or the community.

**Private initiatives in higher education financing in Nigeria**

Privatization could provide an appropriate response to public education offering opportunities both for reducing costs and infusing private-sector fund and efficiency into the education system. However, the prevalence of private schools in the education market can be placed within the context of demand and supply of schools within a particular country (Olanian and Adam, 2003). From the demand angle, two factors drive the prevalence of private schools. First is the hypothesis of unmet demand. This means that private supply of schools exists when there is excess demand for schools by individuals and the capacity of government school is less than full enrollment. In this case, the smaller the capacity of government relative to the size of the age cohort that should be in school, the larger will be the excess demand and the larger the private sector provision especially where people recognize the benefits of schooling. The second is the hypothesis of differentiated demand. Here, private schooling is demanded as a result of important taste differences manifested in religious, linguistic, tribal and other groups’ identification.

This leads to differentiated demand for schooling where the outcome emphasizes socialization, ideology and value formation. In this wise, the "differentiated" demand leads to a demand for private schooling, as a sophisticated clientele demands different kinds of schools (e.g. Montessori schools). The poor can also demand private schools for religious, tribal or ideological affiliations. From the supply side, private schools will be larger in countries with many strong independent religious organizations, tribal affiliations as different organizations would be competing for members loyalty through their specialized schools. A proud and powerful elitist population will also lead to greater supply of private schools. This is currently the situation in Nigeria where many religious organizations have established private universities of their own. However, government needs to develop new frameworks to deal with the challenges of rapid growth in private higher education in Nigeria to ensure sustainability of quality standard. As at 2011 in Nigeria, the number of Federal Universities was twenty five, the State Universities were thirty four and the approved private universities were thirty eight (JAMB, 2012).

**Public–private partnership in higher education financing in Nigeria**

Public-private partnership programmes in Nigeria have included:

1. Join-a-School or Adopt-a-School programmes;
2. Loaned executive programmes, where corporate executives work in specialized areas such as administration, staff development or resource management;
3. Curriculum renewal programmes, where corporate executives work with educators to develop curricula that reflect private-sector technology, standards and practices;
4. Mentor programmes, where professionals have link with individual students;
5. Donation of equipment to schools; and,
6. Programmes between business and intermediary organizations to raise awareness, or improve particular courses.

Public-private partnership in public education can also take the form of infrastructures provision, which takes a number of forms and provides one response to the significant infrastructural needs in public schools. The private sector can also form partnerships with public schools by:

1. Providing classroom space, buildings or land;
2. Furnishing or equipping existing classroom space;
3. Providing equipment;
4. Providing maintenance services and utilities;
5. Providing teaching programs;
6. Managing schools or school districts; and,
7. Negotiating management deals that include provision of infrastructure after a time period.

Although Nigeria has witnessed a rapid growth in educational development, especially at the tertiary level, since attaining political independence, it is uncertain whether this development has translated to promoting equity of access to and quality of higher education or not. This paper brought to light the trends and dimensions of public funding of education in Nigeria. The paper revealed that funding of higher education in Nigeria has continued to fall below expectation. However, the thesis of this paper did not support reduction in public investment in higher education for many reasons. First, most (if not all) societies believe that education is a public good, so that its provision is not and needs not be justified on economic ground alone. Second, schooling, especially at the tertiary level, has a large number of direct beneficial effects beyond raising economic output, such as lowering child mortality, hedging options, non-market returns among others. In addition, higher education can raise cognitive skills with all that it implies. Therefore, the implication of a poor past aggregate pay-off from increased public funding of education in Nigeria does not suggest that public investment in higher education should be cut down but rather that investment in higher education in Nigeria should be reformed in order to ensure adequate pay-off from such investment. Moreover, the paper recognizes that government alone cannot provide all the resources needed to increase access to and promote quality of higher education, hence the need for alternative financial mechanisms to complement public funds in higher education.

The issue of quality of higher education in Nigeria must be given urgent priority; otherwise it will be difficult for the Nigerian educational system to play its crucial role of supporting knowledge-driven economic growth strategies and the construction of democratically and socially cohesive societies. Moreover, training of qualified professionals, inculcating right attitude, norms and values as well as developing human and social capacity, which are the bedrock of societal and economic development will greatly be affected unless the issue of quality of Nigerian education in general and higher education in particular is addressed. Consequently, there is a need to appraise the present role of Nigerian government concerning funding of higher education with a view to finding alternative mechanisms towards financing the system. Moreover, there is a need to consider the changing role of government in higher education financing in a way that the issues of access, quality and equity in the system will not be compromised.

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