

FUNDING HIGHER EDUCATION IN A DWINDLING FISCAL RESOURCE ALLOCATION: THE NIGERIAN PERSPECTIVE

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ABSTRACT

The education sector in general and higher education in particular have been in the grip of financial crisis for quite some time in Nigeria. The twin goals of expanding the education system and maintaining equitable access to higher education are inextricably linked to the issue of adequate funding which demands new approaches to addressing the needs of higher education. This paper examines the present system of funding higher education in Nigeria, and draws from the international scene to explore appropriate route to the challenge of diversifying the funding of higher education to incorporate a more significant role for private funding. Finally, mechanisms to tone up the income streams of higher education system in Nigeria are presented.

Keywords: Funding; Higher Education; Resource Allocation; Nigeria; Diversification

INTRODUCTION

It has long been recognized that education is critical to the growth and development of countries. Until recently, the view in development circles was that the education that really mattered to development, and the education to which public resources should be targeted, was primary and secondary education. The prevailing view, often ascribed to the World Bank was that the private returns associated with higher education were sufficiently high that students would seek to avail themselves of the opportunity for this education. Consequently, according to this line of reasoning, public involvement in the provision of tertiary education was not nearly as important as public involvement in the provision of early childhood, primary and secondary education. This position is changing due, at least in part, to the dramatic changes in technology that have defined recent world history. An important inflexion point in the World Bank's perspective on this issue was captured in the 1998/1999 World Development Report, Knowledge for Development (World Bank, 1999) in new information based technology world required countries to invest in tertiary education systems, alongside their investment in primary and secondary systems.

Also, other multilateral institutions have joined in with an increasing focus on the importance of tertiary institutions in general, and universities in particular to the development process. For example, in 2005, the United Nations Centre for Trade and Development (UNCTAD) devoted its Annual World Investment Report to the topic of transnational corporations and the internationalization of Research and Development, and developed an innovation capability index, which includes key elements of university activity (namely, enrolment as a percentage (%) of age group. UNCTAD indicates that 74% of the

variation in per-capita income across countries is accounted for by its innovation capability index (United Nations, 2005). At the same as it is recognized, the tertiary systems are critical to development efforts, many developing countries are reeling under the financial pressures associated with fulfilling critical government responsibilities in security, health, transportation, administration and the financing of early childhood, primary and secondary education. Consequently, while there is recognition of the need to expand tertiary education enrolments and provide additional support for the research that is only likely to emerge from university systems many governments are facing extreme problems in financing their tertiary educational systems. This confluence of problems is particularly evident in Nigeria and other countries in sub-Saharan Africa. It is against the background of the importance of tertiary education that this paper considers approaches useful to financing tertiary education which the Nigerian government should consider in their efforts to expand both the quality and quantity of tertiary education systems.

PRESENT SYSTEM OF FUNDING HIGHER EDUCATION

Higher education is the education and training given in the universities, polytechnics, and colleges. Tertiary education as stated in the National Policy of Education (FGN 2004) is the education given in Universities, Colleges of Education, Polytechnics, and Monotechnics after secondary education including those institution offering correspondence courses. According to the national policy on education, for goals of higher education to be attained, the higher educational system needs to be adequately funded by the stakeholders of education. The first attempt to provide and fund higher education in Nigeria was made by the colonial government in 1908 when it established a survey school in Lagos. The number of students admitted as at the time was few. For instance, between 1935 and 1944, only twenty students were admitted (Falaya, 1978). Nevertheless, with the establishment of the Yaba Higher College, Lagos, in 1934 and the establishment of the University College, Ibadan, in 1948 and other higher institutions such as University of Nigeria, Nsukka, Ahmadu Bello University, Zaria, and some other second generation universities there was an increase in government spending on higher education.

Historically, the principal player in the Nigerian tertiary education system has been the government. The federal government through its various agencies such as National Universities Commission (NUC), National Commission for Colleges of Education (NCCE) and the National Board for Technical Education (NBTE) provides grants to Universities, Colleges of Education and Polytechnics. The state governments also fund their Universities, Colleges of Education and Polytechnics. The role of the government in funding tertiary educational institutions has continued since the establishment of these institutions. The public's financing role, in relation to tertiary education became even more pronounced in Nigeria in 1977, when across the nation tuition became free for undergraduate programs in tertiary institutions.

Nevertheless, there has always been private funding of tertiary education in Nigeria. A major area in which private financing has played a role is in the fact that many of the tertiary institutions established in Nigeria are private institutions which have relied on tuition to cover the full cost of their operations. By extension, the various foreign institutions operating within Nigeria have also based their operations exclusively on tuition fees – as source of funding. Indeed, the Nigerian situation show cases the fact, seen around the world, in which both public and private sectors tend to play an important role in funding tertiary education.

Arising from the above discussion, the funding of tertiary educational institutions, particularly the public institutions is still not adequate when viewed against the background of the percentage of budgetary allocation given to the education sector. The United Nations Educational Scientific and Cultural Organization (UNESCO) prescribed minimum budgetary allocation for any developing country like Nigeria is 26%. It is no understatement to say that the Nigerian government over the years has not met the 26% UNESCO benchmark. Table 1 shows federal government's budgetary allocation to the education sector for the past years.

Table1. Federal Government Budgetary Allocation to the Education Sector, 1995 – 2006

Year	Allocation (%)
1995	7.2
1996	12.32
1997	17.59
1998	10.27
1999	11.12
2000	8.36
2001	7.00
2002	5.9
2003	1.83
2004	10.5
2005	N/A
2006	11.00

Source: Adapted from Central Bank of Nigeria Annual Report 2007

Table 1, indicates that between 1995 and 2006 the Nigerian government has not been able to allocate up to 26% of her annual budget to education as recommended by UNESCO. Moreover, the financial dependency of public tertiary institutions on the government implies that funding levels vacillate according to the resources available to the government. By implication, whenever the government increases allocation to education, public higher institutions receive more funding and vice versa. The effort of the government is complimented by non-profit organizations, individuals and Trust Funds. The following constitute the main sources of funding higher education in Nigeria.

- ❖ Budgetary Allocation – Publicly owned higher institutions are funded by government through grants or subventions.
- ❖ Tuition fees: Higher institutions receive a substantial proportion of their revenue through student's fees.
- ❖ Donations and Endowment Funds: Institutions receive financial support through donations and endowment funds.

- ❖ Investment income: - This involves rent on property, payments from services, interest earnings on bank deposits and income from various business operations (Babalola, 1997).

However, more funds still need to be injected into higher education as indices show that higher education in Nigeria is still poorly funded. Modern higher education seen as contributing to national productivity and earning through scientific development, human capital development and facilitation of massification of higher education, require more volume of national resources to perform these tasks, particularly in knowledge based society like Nigeria.

EMERGING INTERNATIONAL PERSPECTIVES IN FUNDING HIGHER EDUCATION

Majority of the literature in this field focuses on two sub-categories in this important area of tertiary education financing. These are the appropriate division between public and private financing sources; and the best mechanisms for ensuring that private contributions to tertiary education are organized in a manner that promotes social justice and individual opportunity. Possibly the most discussed issue in the field of financing tertiary education is that of the appropriate balance between public and private funding. Historically, the public sector has assumed the principal responsibility for financing tertiary education (Albrecht and Ziderman, 1994). The dominant role of government in this field relates to the benefits society derives from an educated population, with the popular view being that education is critical to the wealth and international competitiveness of nations. (Finnie, 2002; Akinkugbe, 2000; Tilak, 2003). Increasingly, however, it has been recognized that while the social returns to education are high, the private returns, on average, are even higher. Repeatedly, researchers have identified these high -level of returns, both in comparative studies (Fausto, 2001, Psacharopoulos, 1994, and Mundle, 1998), and in studies of returns to education in particular countries, such as Jamaica (James, 2003), Singapore (Toh and Wong, 1999); Botswana (Siphambe, 2000), Mexico (Salinas and Lopez-Acevedo, 1999), Canada (Finnie, 2002), Swaziland (Akinkugbe, 2000) Brazil (World Bank, 2002), and the United States (Miles and Zimmerman, 2001). The World Bank, in particular, has been a consistent observer of the relatively lower social returns from tertiary education and a vocal critic of the regressive nature of education in some parts of the world. That is, on a per unit basis, tertiary education receives significantly more public funding than early childhood, primary and secondary education, all three of which are segments of the educational process that exhibit higher social returns than tertiary education. While at the same time, the funding of tertiary education typically provides funds to a small minority of the population that tends to originate from the highest income strata of the society (World Bank, 1994).

While there is clear merit to the concerns that these studies of comparative returns from different educational sectors have brought to the fore, the literature also points out that it is critical that they not be used as a base for a swing in the pendulum completely away from public sector financing of higher education. High private returns from tertiary education do not form the basis for the safe exit of the public sector from the financing of higher education for at least two reasons. First, is the argument that higher education has played a critical role in the development process and that social returns are, in fact, quite high (Tilak, 2003). This is true, not only of the returns society receives from the teaching element of the tertiary education process, but also, the often under- measured impact of the research and policy advice that researchers within the tertiary educational system generate. In the absence of public financing, the research and public service components of tertiary

education would be under-provided. One of the criticisms in the literature of the return on education studies is that they often fail to measure adequately the social impact of tertiary education outside of its role in educating students, despite the fact that much of the research activity that has contributed significantly to the process of improving the living conditions of the world's citizenry emanates from, or is closely linked to, the tertiary education system (Tilak, 2003; Geetha, 2004).

Generally, given the complexity of the tertiary educational system, what is required is an appropriate balance between public funding, and the private financing from individuals and institution.

A consensus is emerging in the literature in this field on the appropriate route to the challenge of diversifying the funding of tertiary education to incorporate a more significant role for private financing. Tertiary institutions are seeking to diversify their funding sources by "income generating" activities in which they use their intellectual capital as a source of income through consulting, applied research, executive education, technology development, publishing, business incubator services and so forth. These institutions are also seeking to increase financing from alumni and philanthropic individuals and institutions through the establishment of endowment campaigns. But the most significant avenue to increasing the proportion of tertiary education that is financed privately has been through a process of charging tuition fees to students, the direct beneficiaries of the tertiary education system, who, on average, earn high private returns from their tertiary educational experience (World Bank, 1994; Albrecht & Ziderman, 1991). The World Bank reported thus:

a growing number of developing countries are moving in the direction of cost-sharing. Income from student fees in public universities is 22% of recurrent expenditures in Vietnam, 36% in Chile, 40% in Jordan and 46% in the Republic of Korea. Singapore, which has increased tuition gradually since 1986 and substantially since 1989, now has a policy of automatic 5-7% annual increases in student tuition fees to keep pace with wage and other cost increases." (World Bank, 1994, p. 40).

Of course, any movement to a process of charging tuition throughout the tertiary educational system has to be reconciled with two key roles of tertiary education: that is, providing individuals with opportunity and contributing to social justice (Finnie, 2002). Tuition charges can easily reduce opportunity and social justice because of the failure of private capital markets to finance tertiary education (Wigger & Wezsacker, 2001)

Consequently, increases in tuition fees are typically associated with the development or expansion of student loan systems to facilitate students participating in the deferred financing of tuition costs and other expenditure through access to student loans. Student loan Programs have a long history in both developed (Finnie, 2002; Miles and Zimmerman, 2001) and developing (Albrecht and Ziderman, 1991) countries. Traditionally, however, these programs, particularly those in developing countries, have been used to assist students pay the living costs associated with obtaining a tertiary education (Albrecht and Ziderman, 1991).

FUNDING MECHANISMS

As sources of support for funding higher education institutions dwindle, some key mechanisms that could be helpful in solving the financial dilemma facing tertiary institutions in Nigeria are presented. These include:

1. The Development of Entrepreneurial Culture:

Given the general trends of government fiscal austerity and the need for revenue diversification, creating an entrepreneurial culture in the higher education system is indispensable. While it has its share of problems, there are also several benefits to developing this culture within the higher education system. It introduces a market oriented approach to higher education thinking, it provides relevant training experience to students, and more importantly it strengthens links with partners in business and industry who have for many years been key players in providing curriculum guidance, work placements and part – time arrangements (Glasgow, 2004). While some may argue there are risks associated with this approach, these can be minimized by ensuring sound and transparent policies and procedures, appropriate sanctions for breaking the rules and recruiting staff that have the required entrepreneurial profile. Deepening the culture of entrepreneurship will over time, provide a basis for institutional development that supports autonomy as the eventual goal; allowing for a diversification of income streams, and minimizing reliance on government as the main financier. This means that new centers and institutes can be developed inside or outside the realms of the traditional faculties and schools and allow for the cultivation of new relationships, new modes of behavior and the development of new markets for teaching and research resources. A good example of this is setting up technology innovation centre, computer extension services and centre for the arts. Thus, becoming an entrepreneurial tertiary institution requires the development of a clear vision that emanates from the top and is properly communicated through the whole organization, and also means making fundamental changes in the organization's culture.

2. Developing a Culture of Philanthropy:

Developing an entrepreneurial culture has much in common with developing a culture of philanthropy. A study group at Winona State University, Minnesota, in the United States of America in 2004 developed a description of what a culture of philanthropy at their university might look like. To have such a culture the study concluded, there must be a set of shared values and principles; a clearly articulated vision for the future and a strong sense of tradition in the context of a meaningful community of learners. In such a culture, they reported individuals are connected to something that transcends mere parochial or self interests and understand that it is a responsibility and privilege to give back to that community. Commenting on endowments and donations Okunamiri (2002) notes they are recent developments in financing education in Nigeria. Endowments and donations are done by individuals and corporate bodies providing funds to build or provide basic infrastructure in schools.

3. Developing Alternative Education Market:

As the world witnesses the globalization of the economy, communication and education, conventional tertiary education providers face major challenges. According to Daniel (1999) a paradigm shift is required in tertiary education not only to

respond to these challenges, but also to respond to the threats and opportunities presented by globalization and the use of new information and communication technologies (ICT). As Duderstadt (1999:1) aptly points out:

Those institutions that can step up to this process of change will thrive. Those that bury their heads in the sand, that rigidly defend the status quo, or even nurse some idyllic vision of a past that never existed, are at very great risk.

With the advent of the knowledge society, the profile of those requiring tertiary education has changed dramatically; many already working, require their education by distance and/or part-time, and will require short courses for professional development. This is an opportunity for income diversification, namely, to provide education to a Nigerian education market hitherto not well served by traditional or conventional tertiary education providers. To capitalize on this opportunity, it is not sufficient to simply offer “more of the same program”, but instead tertiary education providers must change their modes of operation and delivery to attract foreign students who will pay premium tuition fee. A study by Cunningham, Ryan, Stedman, Tapsal, Bagdol and Flew (2000:15) shows that the factors driving the growth of what they refer as alternative education market in the United States of America are:

- ❖ Demands for greater access to tertiary education fuelled by rapid changes in the economy, the need to maintain and upgrade skills for employment, and industry’s need for work ready graduates;
- ❖ Growing reluctance on the part of governments to fund increasing demand for higher education;
- ❖ The increasing costs of higher education, and the growing importance of the earner-learner market;
- ❖ Dissatisfaction by industry with the responsiveness of traditional providers.

The final factor provided by Cunningham, et al – dissatisfaction with the responsiveness of traditional providers, is particularly relevant to the Nigerian situation. Many external providers and local institutions are already offering programs to meet the demands of this growing “alternative education market in Nigeria. The programs are offered flexibly, usually using distance education modalities. The World Bank considers as favorable the emergence of new types of tertiary institutions and new forms of competition, inducing traditional institutions to change their models of operation and delivery (World Bank, 2002:17). From the preceding discussion it is clear that traditional or conventional tertiary institutions should take advantage of this alternative education market to expand their revenue base.

3 Development of Fiscal Justice

The increased application of market mechanisms is advocated to propel higher education institutions to embark on reforms in accordance with the operation of marketization. This implies that the flow of public funds to higher education will be increasingly subjected to the forces of supply and demand. In this context, higher education is expected to start thinking on how to increase the stream of private funds. In line with this thinking the following trends are envisaged:

- ❖ Increased student’s tuition charges and fees
- ❖ Increased competition for finances;
- ❖ Diversification of financial resources;
- ❖ Diversification of the routes for financial supports;
- ❖ Outsourcing of student loan programs to banks;

- ❖ Increased institutionalization of privatization;
- ❖ Innovation in university management and funding (Babalola, 2010:42).

4 Developing Macro-Economic Strategy

This mechanism advocates the need to reposition the economy from a mono to a multi-directional economy. It emphasizes exploring and expanding other sectors of the economy outside crude oil, which is presently the main revenue base of the Nigerian economy. Samuel (2003) notes that a realistic macroeconomic strategy will go a long way in improving the Gross National Products, Gross National Income and the income per capita that would enable the government and households have more resources to effectively fund education. The thinking is that the provision of additional resources for education depends on a durable and dynamic economy.

5 Development of Internal Efficiency Profile

The concept of efficiency in higher education emphasizes resources must be used efficiently, in the sense that there must be maximum output realized per unit of resources. Secondly, supply must reflect demand. Internal efficiency is often ignored, but an important means of maintaining stability in funding. It connotes prudence in the use of available resources. As Ogbodo (1995) rightly notes, an internally inefficient school system would require more funds for any given level of operation. Thus, one of the usually overlooked ways of sourcing funds for tertiary institutions is to ensure improved efficiency in the utilization of available resources. If this is properly done, it might well be discovered that the higher education system would achieve much more than it is presently doing with the same level of funding.

CONCLUSION

The Federal and State governments have made valiant efforts to facilitate increased access to tertiary education, but they have generally done so in manner that places tremendous burden on public funds. The typical approach has been for tax payers to pay the bulk of the cost of tertiary education. The solution to this dilemma is to diversity the funding of tertiary education to incorporate a more significant role for private financing. In this wise, tertiary institutions should seek to diversify their funding sources through income generating activities in which they use their intellectual capital. Sources for generating additional income have been generously articulated and these include, introduction of loan schemes, charging user fees, development of entrepreneurial culture, and efficient use of resources. Prudence in the management of available resources leading to stable income streams has been discussed, with emphasis on the development of internal efficiency mechanism in tertiary institutions.

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