CHAPTER TWELVE

FUNDING HIGHER EDUCATION IN NIGERIA:
CRUCIAL ISSUES
A. O. O. OGUNTOYE, Ph.D

Introduction

Education is the fastest growing social sector of the Nigerian economy, at least, in quantitative terms. Education grew slowly but steadily during the colonial era but there was a dramatic leap forward in enrolment in the 1970s after the windfall from an oil wealth that came in form of sale of oil, oil royalties and taxes on oil. Both the wealth and the expansion in enrolment were unprecedented in the annals of the country. The boom, which lasted for a few years, because of its nature and the kind of people that managed it, spelt doom for education.

This chapter briefly examines past trends in enrolments and educational financing with a view to assessing present predicaments and future possibilities. There has been a monolithic supplier of funds to education - the government. This source, which is now over-burdened and overwhelmed, cries out for relief, which cannot come in easy because it involves hard political choices with attendant costs, moreso, because it is easier to destroy by a stroke of the pen in the 1970s when the fever of school take-over and free education spread like wild-fires.

Demand and Supply of Education in Nigeria

The demand and supply of education follow a linear relationship that keeps on expanding in response to the average growth in population of more than 2.5% annually. Nigerians having tasted education become insatiable, moreso, because of the profound importance attached to education as an indispensable factor for achieving full development of the potentials of the individuals and the society at large. Development itself is seen as all kinds of changes and advances in the technological, economic, social and cultural affairs of a people. The theoretical underpinning of this has been laid by
researchers such as Gary Becker and T. W. Schultz, among others. According to these early writers and researchers, education is a human capital. It is the development of a stock of skills that is the basis for physical capital accumulation. Thus, education is an inescapable and essential part of the developmental process.

Nigeria's case, in regard to education indicators, as depicted on Table 1 below, is similar to what Phillip Coombs described for the world as a whole in 1968 and 1985. According to him the causal factors were not unconnected with mounting educational aspirations of parents and their children, new stress of public policy everywhere on educational development and a pre-condition for overall national development and the stress on educational participation, and population explosion that increased the social demand for education.

The poor rates of enrolments at all levels before 1950s were followed by a steady increase between 1970 and 1980. The number of primary school, increased by a mere 8.7% between 1960 and 1970 but increased by 145.8% in the following decade. In the same vein, enrolment increased by 20.7% between 1960 and 1970 and by 291.0% between 1970 and 1980. Similar pictures could be traced for secondary education. For higher education, it was like starting from nothing by 1960 since there were only three known institutions of that status. The number of higher educational institutions increased to 6 by 1970, 17 by 1980 and 122 by 1990. Enrolments at this level increased by 491.7% between 1970 and 1987 and by 328.0% the following decade.

These mammoth increases can partly be explained by the factors alluded to by Phillip Coombs. In addition to this, of course, was the tremendous growth in the Nigeria economy early in the 1970s. The sudden wealth came three years after the civil war terminated in January, 1970. It was upon this wealth that the magnanimity of the Gowon Administration and its reconstruction programmes after the civil was were foisted upon. Thus the reconstruction, reconciliation and rehabilitation policy of the Second National plan (1970 to 1974) received a boost in the Third Plan (1975-1980) following the huge
resources from crude oil exploration. Thanks to the Arab-Israeli war of 1973.

Education received adequate attention with government taking over the financing and administration of educational institutions at all levels, thus relieving individuals and voluntary agencies of the burden of educational provision, a measure that would eventually back-fire. The individuals, that were willing to sacrifice so much for education took the largesse of government coolly as an opportunity to be irresponsible seeing education as a public good that had to be provided and paid for from government budget caring less about how money got into the government coffers. With education regarded a 'free' good by the provider, the demands for it soared to such an extent that by the end of the 1980s government could hardly cope with the demands for education. Of course, while the quantity of education increased dramatically, the quality nose-dived to an unprecedented level.

**TABLE 1**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No of Ed. Ins.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>13703</td>
<td>14902</td>
<td>36633</td>
<td>35443</td>
</tr>
<tr>
<td>Secondary</td>
<td>1229</td>
<td>1385</td>
<td>5003</td>
<td>600</td>
</tr>
<tr>
<td>Higher Edu.</td>
<td>3(a)</td>
<td>6</td>
<td>17</td>
<td>122</td>
</tr>
</tbody>
</table>

Enrolments in Schools

\[
\begin{array}{c|c|c|c|c}
 & \text{Primary} & \text{Secondary} & \text{Higher Edu.} \\
\hline
1960 & 2.9m & 168307 & 2445(4) \\
1970 & 3.5m & 356013 & 14468 \\
1980 & 13.7m & 2.4m & 76297 \\
1990 & 13.6m & 2.9m & 326557 \\
\end{array}
\]

(a) Figures include Nig. Colleges of Arts, Science and Technology.

**Fund Allocation to Education**

Having sufficiently politicised educational provision it behooves the government to provide the needed funds to carry on. Prior to 1977, for example, the Universities charged tuition fees, lodging/boarding fees on their students but in that year government abolished tuition fees. Federal Government
allocation to its Universities amounted to =N288.6 million in 1977/78 but early in the 1980s with seven additional universities the allocation increased to =N538 million (NUC, 1990). With the depression in the economy following the problem of oil glut, reduction in the price of oil and foreign exchange difficulties, untold hardships faced education. The situation was compounded by the fact that government was the only supplier of fund to education just as oil was the only major revenue earner to the public exchequer. For example, for the University of Lagos, Government subvention accounted for 89.37 per cent of the total source of funds in 1987/88 and this increased to 91.79 per cent the following year and slightly declined to 91.44 per cent in 1989/90.

Tables II and HI show Federal Government capital allocation to federal higher education institutions and capital and recurrent provisions for education in general in 1994 and 19% respectively. It is the same story of yearly increase in government allocation to education. Table II shows the commanding position of Universities in the allocation of Federal money. The total allocation for the three sub-divisions of Higher education increased substantially during the period from N1.6 billion in 1994 to N2.6 billion in 1996 and the total capital and recurrent Federal Government allocation for education increased from N10.30 billion in 1994 to N15.35 billion in 1996, a 49.0 per cent increase in three years.

The huge expenditure allocation to this sector shows the unique nature of this section of the economy. It is labour-intensive rather than capital-intensive. Thus recurrent expenditure looms large in budgetary allocation. This has a lot of implications on the system in the sense that expenditure is always on the increase and attempts at cutting down on spending is always a difficult task. Not only that, the huge expenditure that goes into the sector does not have any impact on the quality of the physical inputs such as instructional materials, the libraries, classrooms, equipment, supplies and the like. These categories of inputs, provided at the time of boom in the 1970s, are now in ruins, calling for repairs and replacements but the available funds could not reach these areas of needs. A visit to the libraries, laboratories or workshops of
these higher educational institutions will show the extent of the ruins in academic and what it would take to repair the damage done so far.

TABLE II
FEDERAL GOVERNMENTS CAPITAL ALLOCATION
FOR FEDERALLY FUNDED HIGHER EDUCATION INSTITUTIONS. 1994-1996.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>UNIVERSITIES =N=</th>
<th>POLYTECHNICS =N=</th>
<th>COLLEGES OF EDUCATION =N=</th>
<th>TOTAL =N=</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>1,200,600,000</td>
<td>192,000,000</td>
<td>192,000,000</td>
<td>1,584,000,000</td>
</tr>
<tr>
<td>1995</td>
<td>1,518,194,540</td>
<td>281,886,970</td>
<td>425,725,000</td>
<td>2,225,806,510</td>
</tr>
<tr>
<td>1996</td>
<td>1,645,596,020</td>
<td>535,022,466</td>
<td>406,080,000</td>
<td>2,586,698,486</td>
</tr>
</tbody>
</table>

TABLE III
FEDERAL GOVERNMENT'S CAPITAL AND RECURRENT PROVISIONS FOR EDUCATION:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CAPITAL ALLOCATION (BILLION =N=)</th>
<th>RECURRENT ALLOCATION (BILLION =N=)</th>
<th>TOTAL (BILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>2.418</td>
<td>7.878</td>
<td>10.30</td>
</tr>
<tr>
<td>1995</td>
<td>3.307</td>
<td>9.421</td>
<td>12.73</td>
</tr>
<tr>
<td>1996</td>
<td>3.216</td>
<td>12.135</td>
<td>15.35</td>
</tr>
</tbody>
</table>

Quantity and Quality Dilemma in Education

One major area of interest in the expansion of higher education in the last four decades is the egalitarian posture of those who found themselves at the helms of affairs, be it at the state or federal level. Even when they were talking of qualitative education, the policy instruments adopted contradicted their rhetoric for efficiency in educational provision. A heavily subsidized higher education is a way of reducing inequality in the supply of higher education to those who could not afford the high cost of higher education. From the point of view of the benefits derived from education, it has been shown that higher education yields more private benefits than social benefits. What this means is that when higher
education is heavily subsidized by the government, the rich in
the society benefit more than the poor especially when
subsidization is not based on need. Thus implicit subsidies and
the inefficient financial allocation process work against the
interest of the low income earners in the society. Not only that,
general subsidy for higher education is a promotion of social
inefficiency. Thus even though the government has been trying
to use its policy on the financing of higher education to
redistribute income, this has been done at the expense of the
poor. The children of the rich are at a better advantage since
they do not need the subsidy given to them in the first place.

Efficiency refers to the least-cost means of achieving
set goals or objectives. In education, the problem is in stating
goals in specific terms, that is, in operational terms. It is the
inability to state goals in this manner that leads to the use of
proxy measures which in higher education means using private
rate of returns notwithstanding its inherent weaknesses.

The proponents of heavy subsidy in higher education
base their argument on the substantial benefits derived from
education. It is contended that subsidy is necessary if private
benefits and costs are to be in line with societal benefits and
costs. If we base financing policy on the efficiency criterion it
stands reasonable to subsidize the education of the children of
the advantaged in the society because the benefits are higher
relative to costs. That is, the disadvantaged in the society will
necessarily require higher level of funding to gain as much as
the advantaged in the society.

Inequity is the product of home environment, the entry
qualification of the higher education student and other such
factors. The financing policy in higher education compounds
the existing inequities in the system. One way to solve the
problem of inequity is to reduce government subsidy directly
going into education and convert higher education into a quasi-
private good. If higher education confers substantial social
benefits, the process of financing of which requires
contributions from sources that are largely private than public
can still promote the social goals of higher education. The
contention here is not that the public sector should not have a
role to play in higher education funding. But then economic
efficiency does not require that social benefits be internalized unless the failure of society to pay for such benefits will reduce their production. As Psarcharopoulous (1980) shows the private benefits of higher education are such that, even without a subsidy, most students will receive higher education and continue to generate social benefits. If, for instance, with a better arrangement more funds are received from those under serving higher income students, the low income students will consume more higher education and increase beneficial externalities.

New Frontiers in the Financing of Higher Education

Higher education is in such perilous situation that policy options, should be those that are practical and can give immediate remedies. The system cannot afford the luxury of intellectual conservatism that will not give practical solutions to the problem of funding. Because of the problem of space, some brief suggestions are given here:

1. Regional or state co-operation. Higher education has reached the stage in which co-operation should be sought on regional or state basis in the utilization of existing facilities and staff. This arrangement will cut down on the cost of provision of services. Collaborative efforts are seen in higher education in affluent societies such as the United States and Canada. Colleges of Education, and even the universities can have programmes that can be jointly run by three or more states. A situation that can bring about economies of scale and efficiency in the use of resources.

2. Apportionment of higher education costs among the major clients - the public, the students and families, employers and other sources. At present, the proportion of funding borne by the public sector is just too much and very unrealistic for the future. There is a need for a review of this and concrete steps should be taken to encourage others to make substantial contribution to higher education finances. While a radical change may be catastrophic and bring tension in the society, an evolutionary approach can be taken.
Nominal tuition fees should be raised at the undergraduate level and gradually increase to meet a substantial cost of education at this level. Time should be allowed for adjustments. Efficiency and fairness should be sought in the process.

Increasing distances learning mode or other forms of reducing higher education that will reduce public financing of higher education. The mode selected should be at moderate costs to reach a fairly large and diversified target population. There is need for a balance between this mode and the full time programme. Distance learning should still require residency requirement which may be a period of a semester or more spent in the institution offering distance learning programme. Inadequate delivery system and poor administration are the undoing of the distance learning and sandwich programs being organised in this country. With increase in competition for students, only the most efficient will survive.

Private provision of higher education. Few institutions at this level should be allowed to be run by voluntary agencies and individuals but with strict entry requirements. This will reduce the pressures on public higher educational institutions.

Contribution from business and industry. This is justified by the benefits the private sector derives from higher education as the employers of the product of higher education. The contributions can be of different nature. It can be in form of:

- **(a)** salary tax,
- **(b)** payment to the state of a contribution based on the cost of training the graduate recruited by the company.
- **(c)** payment of a salary in advance to students bound by a contract of employment
- **(d)** organization and direct financing of training activities.
In Nigeria, now, there is the education tax imposed on companies. The process which go into a trust fund should be well-managed to serve the goal of education. The tax should be constantly reviewed to increase its coverage for it to provide substantial volume or revenue to contribute immensely to the growing fund needs of education. The administration of the fund should not be entangled in the bureaucratic web that has characterized the Nigerian primary Education Fund.

Student loan policy: A lot has been written and said about the student loan scheme. It is one of the ways by which huge revenue can be raised in higher education. The loan should be equal to the full instructional costs calculated separately at each public institution, because cost vary from institution to institution. Treating institutions as homogeneous is not realistic. There is the need to create a body that will have authority to issue bonds that can raise substantial funds for the student loan. The fund can then be lodged in a bank from which students can take loans. The loan should attract an interest that should reflect the current cost of money but repayment can extend for twenty years or more. All full-time students are entitled to loans that may cover full tuition, other charges, maintenance allowance and cost of books. The bank operating the loan should be self-sustaining to avoid any government subsidies. However, the government should guarantee the repayment of loans at the initial stage until the risks become determinable.

There are many advantages in operating the loan scheme that cannot be discussed here. At the same time the loan arrangement is not without its faults but such faults are over-whelmingly out-weighed by its merits. Our past experience of poor administration of the loan scheme is not unconnected with our attitude to state affairs. There is the need for a radical change of attitude. Those who attend higher educational institution are the privileged ones and using a renewable
fund to finance their education will in turn enable others to benefit in the future.

7. Income generation strategies: In recent time, all institutions have strived hard to generate revenue internally. In fact, some campuses now quantify to be described as "academic market place" or the "shopping-mall". Some of the activities engaged in are uncharacteristic of an academic environment, but then, it shows the extent to which institutions are hard-pressed to generate supplementary resources. Among the familiar ones are the ventures, endowments, conducting contract research, consultancy services, investing in stock-marks and in financing products. Higher education is increasingly becoming entrepreneurial without jeopardizing the quality of education and the research produced. Some universities abroad, for instance in Latin America, engage in tender for construction outside the universities using their consultants and engineers. In some, there is the practice of exporting university professors for a fee plus their salaries.

An important source of generating revenue is that which is muted that the Federal Government should give some of its property in Lagos to higher education for purposes of generating funds rather than outright sale of these property. This can yield substantial revenue for higher education. The Education Tax Fund Trustee can administer such fund.

Improved Management Practices

With the present status of finance in higher education, there is the need for revolutionizing the management of higher education institutions to make them more efficient and in line with present demands. The chief executive of the institutions should not be appointed because of academic excellence alone but also because of previous managerial effectiveness. He/she should be an expert in modern management techniques that could be resorted to at critical juncture of his/her tenure. Improved management practices like Strategic Planning (SP), Total Quality Management (TQM), Management by
Objectives (MBO), Business Process Re-engineering (BPR) Methodology are some of the new techniques. The latter, BPR, restructures higher education around the process which produces its main output, i.e. the graduate. Another area of interest is increasing use of information technology in every facet of institutional life. This will not only improve management efficiency by reducing the slow-pace of decision-making in the system. It will in the long run, also reduce general administration of staff in the system.

Finance management should be integrated with improving the general management of higher education. There is a general lack of modern management skills to administer institutions effectively. There is the need to adopt changes in the budgeting system. The good aspects of performance budgeting should be incorporated into the system. Current auditing style should also shed off the old notion to include performance audit. Moreover, there is the need to update some regulations in line with the demands of modernizing higher education management.

Conclusion

It has been shown that public higher education has been beset with problems of high demands for its services in the face of chronic shortage of funds from its sponsor which is the government. Government having assumed the position of 'Father Christmas' for too long is finding it difficult to change its position because of the political implications of this. In the face of dwindling revenue, by the major supplier of fund to higher education, the institutions lack financial autonomy: these include government policies and regulations detrimental to generating internal revenue. Gradually these are being eliminated.

Another problem is that higher education is saddled with an administrative structure that is status-oriented rather than achievement-orientated. When administration is achievement-orientated the motivation to operate efficiently is there. Higher education should gear up to the demands of the twenty-first century with the effects of globalisation and rapid change in technology. The situation in the future calls for
coping with changing needs of the labour market and the need to forge a link with industry and business. Attention should focus on institutional management, an aspect of which is effective financial mobilization, allocation and utilization. Information is required in the area of costs in higher education as an instrument of budgeting and managing institutions, staff management - planning staff needs, recruitment procedures, managing working conditions for improved retention, staff development and assessment, etc. Lastly, reduction in wastage in resources should be deliberately pursued for purposes of achieving high efficiency. There is the need to learn from the private sector and from higher education elsewhere on how to cope with financial distress.

Revision Questions
1. Critically trace the past trends in Higher educational enrolment with an emphasis on present problems and future prospects.
2. Advance eight frontiers for solving the problems of lack of fund in education.
3. As an Administrator in education, discuss at least three improved management practices that you find fit for changing the situation in higher education.
Bibliography


Arrow K (1972), Higher Education as a filter, Stanford, California USA: Stanford University institute for Mathematical Studies, Technical Report No. 71


Butler, Patrick (1989) "higher Education needs a Business-like Approach to Business". New Era in Education, Vol. 70, No. 1


