Entity, Ownership, Educational Subsidies and Funding of Nigerian Tertiary Institutions

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Abstract: The motivation for this study is the need to save the Nigerian public tertiary institutions from going into extinction from under-funding. Funding of the institutions is currently on the basis of ownership. There is currently conflict of citizens’ right to education at whatever level at reduced cost or no cost at all and government’s inability to meet the cost of education. Government end up giving what it thinks it can afford and not what the institutions need to operate effectively. On the other hand the institutions are not given the free hand to determine what the beneficiaries of their services should pay. This study recommends that the institutions should be seen as separate entities from government and therefore be allowed to determine the price for their services. Citizens’ right should be met through educational subsidies from all levels of government. The balance fees should be picked by the beneficiaries of the services of the institutions. This is the surest way to the survival of tertiary institutions in the Nigerian environment.

Key words: Cost, finance, government, knowledge, partnership, public private service

INTRODUCTION

Education can be described as a process of providing the necessary knowledge for guiding and assisting human beings towards a more self-rewarding and desired life as well as for the good of the society. Education for effective living is a necessary tool for the total and sound development of the total man.

Tertiary education can be referred to as the education given to an individual after secondary education in universities, polytechnics, colleges of education and those institutions offering correspondence courses at this level. The students are expected to acquire certificates in their chosen fields of study. They are equipped with skills and competencies that they require to work at the end of their study. Tertiary education in Nigeria today is bedevilled by some challenges which have great impact on the outcome of its products.

Many articles have been written on the problems bedevilling tertiary institutions in Nigeria. Among the very many problems according to Ahmed (2011) are the legacies of colonialism which had lingered and in some instances directed the thrust of tertiary education policy, the state of the national economy, which is characterized by severe under-achievement in virtually all sectors of the economy, this state of economic gloom is compounded by a very volatile and unstable polity, the massive migration of talents (brain drain) due to frustration and low social expectation. He went further to identify others problems to include finance and funding, the growth of private tertiary education institutions, academic freedom, quality and excellence, governance and autonomy, and management challenges. In the opinion of the authors and judging by the number of articles appearing on funding of Nigerian tertiary institutions, the most critical of all the problems listed above is funding. If the problem of funding is solved, many of the other listed problems will be resolved or reduced. According to Nwangwu (2005), when education is not adequately funded, the foundations of such education are weak; consequently the products of such education systems are generally weak intellectually.

From independence to early 1980s, government feel comfortable funding education alone, this was during the era when there were few of such institutions and few student enrolments. From the mid 1980s, there has been tremendous growth in the number of tertiary institutions in the country. Table 1 shows the current number of such institutions. As the number of institutions and the students enrolment increases the fund demand also increased and it got to a point where government openly acknowledged that it cannot longer fund education alone. According to Oduleye (1985) the quantum of funds made available to each institution by government was on the decline hence the search for alternative sources of funding for tertiary institutions.

The alternative ranged from increase in tuition and charges in the institutions, through de-regulation which allows the establishment of private universities to private-
public partnership which included service contract (O & M), Design, Built and Operate (DBO), concession/lease, finance, design, built, and operate, own and operate, assets sale/transfer and other combinations. These alternatives have not really worked. The factors that militated against them included resistance to increases in tuition and other charges by the students of publicly funded institutions (Odebiyi and Aina, 1999), high cost of establishing and running private institutions which has resulted in high tuition and other charges and the inability of the private partnership to source for funds to operate the private-public partnership as they were not considered viable ventures by the fund providers. Generally, it is safe to opine that these alternative sources of funding have not worked because of lack of right environment for their implementation.

In order to create the right environment there are issues to be resolved. One of such issues is regarding the tertiary institution as an entity, another issue is that of funding along the line of ownership, and lastly is the issue of citizen’s right to qualitative and affordable education. In order to properly resolve the funding problems of Nigerian tertiary institutions, these problems must be carefully examined and given the right pride of place in the Nigerian educational system. Not until these issues are resolved, the funding problem will linger on and so long as the funding problem is unresolved, the Nigerian tertiary institutions will continue to function sub-optimally. Proffering solution to the issues above is the main thrust of this study. The rest of the study examines the problem of infrastructural development, efforts at providing the needed funds, determination of the fund needs of the tertiary institutions, the issue of citizen’s right to education, the marrying of the citizen’s right to education and the institutions right to adequate funding.

FUNDING CHALLENGES OF TERTIARY INSTITUTIONS

World Bank (1994), stated in its report on Nigerian tertiary institutions that the equipment for teaching, research and learning are either lacking or very inadequate and in a bad shape to permit the institutions the freedom to carry out the basic functions of academics. In the same vein, Ochuba (2001) opined that it is worrisome to note that Nigerian tertiary institutions are fast decaying. He went further to observe that all the resources required for education production process are in short supply; lecture halls, laboratories, students’ hostels, library space, books and journals and office spaces are all seriously inadequate. Moreover, the Presidential Visitation Panels which looked into the operations of all federal universities between 1999 and 2003 reported that physical facilities in the universities were in deplorable condition (NUC, 2004). The condition of resource inadequacy is what Ajayi and Ayodele (2002) described as an offshoot of the endemic financial crises in the sector. Adegbite (2007), opined that the problem of under-funding in the Nigerian tertiary institutions has resulted in the curtailing of research activities. They identified the factors responsible for the under-funding to include the structural adjustment programme (SAP), lack of adequate planning, proliferation of tertiary institutions, and ad-hoc expansion of enrolment, academic versus non-academic employment ratio, etc, (Eiseimon and Davis, 1990). Akangbou (1992) asserted that national educational systems have always seemed to be tied to a life of crisis. Tertiary institutions in the country have consistently inadequate resources, which invariably affects the quality of output they produce. Besides, as Utulu (2001) pointed out, another factor that accounts for the decline in the quality of tertiary institution output in Nigeria is the lack of physical facilities. The tertiary institutions in Nigeria operate in adverse conditions; overcrowding and deteriorating physical facilities, lack of library books, educational materials and so on.

Underfunding of education, more so at tertiary education level has become recurring phenomenon in the polity, as almost everybody seems to agree that funds allocation to the sector cannot meet the sectoral and sub-sectoral needs in view of the monumental decadence in the education sector (Ezekwesili, 2006). Yet stakeholders in the sectors appear to not know how to formulate a lasting solution to the problem of funding tertiary education, which has led to increasing decline in the quality of education in Nigeria. Ibukun (1997) lamented that there is growing shortage of funds and learning resources in the university system. According to Oyeneye (2006) and Adegbite (2007), the major challenge facing the management of tertiary institutions in Nigeria is inadequate funding hence, Ajayi and Ayodele (2002) argued that there was an increase in the proportion of total expenditure devoted to education, but this has been considered to be rather grossly inadequate considering the phenomenal increase in student enrolment and increasing cost, which has been aggravated by inflation.

The problem of underfunding which is a major challenge confronting the Nigerian tertiary institutions has had adverse effects on their performance. The Nigerian government finds it difficult to sufficiently fund her tertiary institutions because of the growing enrolments without a corresponding impressive quality funding due

<table>
<thead>
<tr>
<th>Institution</th>
<th>Federal</th>
<th>States</th>
<th>Private</th>
<th>Total</th>
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<tr>
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<td>Colleges of health technologies</td>
<td>9</td>
<td>40</td>
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<td>and allied Institutions</td>
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<td>2</td>
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<td>27</td>
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<td>institutions</td>
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<tr>
<td>Colleges of agriculture</td>
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<td>19</td>
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<td>38</td>
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<td>72</td>
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<td>Universities</td>
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<td>36</td>
<td>45</td>
<td>117</td>
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<tr>
<td>Total</td>
<td>127</td>
<td>173</td>
<td>65</td>
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to economic depression. There is no doubt that this has performance decreasing effects on both staff and students. For instance, Bamiro and Adedeji (2010) indicated that the quality of teaching and research has fallen considerably because of lack of adequate teaching and research materials, coupled with overcrowded unconducive teaching and learning environment.

Chang (2007) projected that the simulation exercise he carried out revealed that the prospective funding gap to achieve the policy goals would be very high, about 50-90% across 2010-2020. The policy makers would have to explore ways and means to fill the funding gap. These may include the following:

- revisiting teacher’s salary as multiple of GDP per capita (the projected ratio of 5 has to be compared with 1.5 in OECD countries and 3.5-4 in most of developing countries)
- promoting public-private partnership in providing education at all levels
- reviewing resource management, governance and accountability, etc.

Okorocha (2004) observes that in the past, education in Nigeria was very qualitative and it was also enviable due to its high standards, hence, graduates of Nigerian tertiary institutions were unhesitatingly admitted to high profile tertiary institutions in the United States and the United Kingdom. Same cannot be said of the current status of tertiary education in Nigeria.

**EFFORTS AT PROVIDING THE NEEDED FUNDS**

Akinsanya (2007) averred that the financial constraint in the country has made education to suffer. Government may not be able to fund tertiary education effectively and efficiently due to inaccurate statistics to plan our economy and prevalent economic crises. To sustain tertiary education in the country, all stakeholders which include parents and guardian, the society in general, the private sector and non-governmental agencies must become involved in the financing. The education sector can only approach the optimal in provision and production when every stakeholder strives to do its part on the financing of tertiary education in Nigeria. In this regard government and some of the other stakeholders have been exploiting other avenues for funding tertiary education. Ogbogu (2011) asserted that Government is the major source of funds for federal universities in Nigeria. It provides 90 percent of the total income disbursed through the Nigerian Universities Commission (a buffer organization that assists the government in coordinating the affairs of the universities); the remaining 10 percent is locally generated by each university. The Education Trust Fund (ETF) was established in 1993 to facilitate the execution of projects aimed at improving the quality of education in Nigeria. In order to generate sufficient funds the Act which established it imposed 2 percent Education Tax on the assessable profit of all registered companies in Nigeria. Currently, the ETF is a major source of funding for the various institutions in the country particularly with the federal government directing the fund through a major policy that stimulates that it should assist tertiary institutions in the commencement, completion and rehabilitation of capital projects embarked upon by them. Before the introduction of education tax, contributions from the private sector to tertiary institution education in Nigeria were limited to endowments of prizes and professional chairs, gifts and voluntary donations (Ajayi and Alani, 1996). For example, the Petroleum Technology Development Fund (PTDF) established professional chairs in six universities to undertake research relevant to capacity building in the oil and gas industry. The institutions involved have been enjoying annual allocations ranging from N14 million to N20 million per institution in the recent past to support the chairs (Bamiro and Adedeji, 2010). Nigerian tertiary institutions have embraced commercial ventures in response to government’s mandate that each tertiary institution must generate at least 10 percent of its total revenue. The commercial ventures which are of different kinds include: consultancies, petrol stations, bookshops, publishing houses, schools, hotels etc. The margin of profits from the different ventures ranges between 4.7 million naira and 82.9 million naira annually from each university. The ventures which attract high profit margin are those offering professional services such as consultancy, distant learning programmes and hotel services. Generally, the profits made from these various ventures are ploughed back for expansion and for enhancing the working conditions of staff.

Another effort at finding solution to the funding problems of tertiary education in Nigeria is introduction of deregulation. Caldwell and Spinks (1992) argued that the deregulation of education will help schools to become self-managing. Deregulation of education means relaxing or dismantling the legal and governmental restrictions on the operations of education business. Olatunbosun (2005) describes deregulation of education as a sale of knowledge to the highest bidder, which has the effect of lowering standards for the attraction of customers. As a deregulated sector, education will become a private enterprise undertaken by private individuals or corporate bodies that hope to maximise profit from their investment in education. Under this policy private tertiary institutions were licensed to operate alongside public institutions. According to Ajayi and Ekundayo (2006) the presence of private hands in education is considered an alternative means of funding tertiary education in the country.
Further effort at finding solution to funding problems is the introduction of private-public partnership in funding tertiary education in Nigeria. According to Ahmed (2011), partnerships between the public sector and private companies (PPP) for the finance, design, build and maintenance infrastructure and delivery of associated services are means of meeting the need for modern, efficient infrastructure and for reliable cost effective delivery of public services. These partnerships fill the resource gap in infrastructure delivery and operation in the following ways:

- They engender acceleration of infrastructure provision.
- They also promote faster implementation of projects and reduced whole life costs of project.
- They offer better risk allocation between public and private sectors, offers better and sustainable incentive to perform.
- They improve the overall quality of service; and
- They often lead to the generation of additional revenue and overall value for money for the entire economy.

PPP can be categorized based on the extent of public and private sector involvement and the degree of risk allocation between the two. Public-private partnerships can take many forms including:

- Service Contract (O&M)
- Design/Build/Operate
- Concession/Lease
- Finance, Design Build and Operate
- Own and Operate
- Asset Sale/Transfer
- Other combinations.

The search for solution to the problem of inadequate funding of tertiary institutions in Nigeria is a continuous process either because the ones highlighted above are proving in-adequate or the right environment has not been created for them to be used effectively and efficiently. This paper objective is to draw attention to an area that has not caught the attention of those making efforts to solve funding problems of Nigerian tertiary institutions and which could possibly be a starting point in implementation of the various efforts so far made to find solution to the inadequate funding.

**PROBLEM ANALYSIS**

Oyeneye (2006) believes that providing quality education for the citizenry is a must, yet there cannot be quality education without adequate funding. He further states that it seems impossible to determine the pattern of fund allocation. There are three issues identified earlier as requiring attention and solution to enable the problem of funding of Nigerian tertiary institution to be resolved. These are treating the institutions as separate entities, funding along the line of ownership and the citizen’s right to qualitative and affordable education.

One of the fundamental assumptions in accounting is called entity concept. By this concept a given organisation is assumed to have its existence separate from those who contributed to their coming into being. It may equal to or may not be equal to legal entity. This assumption enables records of transactions to be kept from the point of view of the entity rather than from those who lay claim to its ownership. Thus the relationship between the owners and the entity can separately be determined. Transactions between the owners and the entity are recognised. It can result in claims from and for the two that is entity and owners. Applied to Nigerian tertiary institutions, each of them should be seen as distinct from the owners. This may have a resemblance of what they called academic freedom but it goes beyond it. It gives freedom to the entity to determine the strategies it can adopt to achieve the objectives set by the owners. The Nigerian tertiary institution has services of teaching, research and public service to sell to those who need them. The forces of demand and supply should be allowed to determine the prices for its service. This means the determination of amount payable by those who enjoy the services of Nigerian tertiary institutions should be the tertiary institutions. It should not be what government/owner can afford to give or what should be politically determined. Ideally the fees payable for the services of Nigerian tertiary institutions should be near what the private tertiary institutions are charging for their services.

Another issue that require resolution is that of funding along the line of ownership. Again, to some extent the owners of an institution should pay the price of providing the enable environment for the institution to operate. In this regard, provision of the initial facilities such as Administrative, Faculty or College buildings should be the prerogative of the founders/owners of the institutions. In addition, provision of laboratories, equipment, machines and other facilities that will be used in providing services should be borne by the owners. The labour cost, overheads and maintenance of the facilities should be cost of providing services which should be charged to the amount payable by those enjoying the services of the tertiary institutions. In addition to these, the privately owned institutions may include profit element in their charges.

Another issue is citizen’s right to qualitative and affordable education. What we have discussed so far may lead to provision of qualitative education by the Nigerian tertiary institutions but may not be affordable. This is where citizen’s right comes in. In a particular year, governments at all levels should budget for subsidy for
education of their citizens. The Federal government Subsidies should be for all Nigerians in tertiary institutions. Same will be done by the States for their citizens and Local governments for their citizens. By so doing all citizens irrespective of the owners of the institutions will have opportunity of benefitting from education subsidy. This is citizens’ right to affordable education. For now, only the privilege few that has opportunity of gaining admission into Federal funded tertiary institutions benefits from education subsidy from Federal government. Same is applicable to those in state tertiary institutions. This policy is discriminatory and must be revised for the benefit of all citizens. Such money should be paid directly to the institutions and not to the students. The bursaries currently awarded by the state governments to students are in most cases not used by them to subsidize their education. Rather such money is spent on frivolous things that have no bearing to their education. After deduction of the education subsidies from the fees payable the balance will be borne by the parents, guardians or the students themselves through educational loans that could be paid through deductions from their income on gaining employment after their education.

RECONEMENDATIONS AND CONCLUSION

Adequate funding of Nigerian tertiary institutions is possible if the tertiary institutions are treated as entities that are separate from their founders/owners as well as separating education subsidy from ownership. The tertiary institution as an entity should have a right to determine the price of its services. This price must not be tied to ownership. The price can be shared by the Federal, States and Local government irrespective of the institution the citizen attend. The right to share from Federal government subsidy on education should not be restricted to only those attending the institutions established by it. Every citizen in any tertiary institution should be entitled to equal rights and privileges to eliminate inequalities. In the same vein, State governments’ obligation to its citizens should cut across institutions where their citizens are being educated. Same applies to local government. Parent and students can then pick the residue of fees charged by the institutions. This can be supported with loans and scholarships to ensure that no one drops out of school as a result of inability to pay fees. This is one sure way of ensure adequate funds for Nigerian tertiary institutions

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