

## HIGHER INSTITUTIONS FUNDING AND THE NIGERIAN ECONOMY

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**ABSTRACT:** *This study examines funding tertiary institutions and Nigerian growth perspective. The specific objective of the study is to evaluate the effect of tertiary institutions funding on national development in Nigeria. An ordinary least squares estimation technique was used in the study to evaluate the effect of the independent variables on the dependent variable. The result of experiment indicates that funding is a veritable tool for tertiary institutions growth in Nigeria. The result also shows that government capital expenditure funding is not statistically significant in the growth process. It was recommends that the government has to invest more on the education sector as well as ensuring that the resources are properly managed and used for the development of education services. The study concludes that funding of higher education in Nigeria needs to be improved upon especially in the area of capital expenditures funding. This is as a result of the increasing need and demand for specialized services in different sectors within the academic institutions.*

**KEYWORDS:** Higher institutions, Education, Economic Growth, Funding, Government Expenditure, Budget

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### INTRODUCTION

Tertiary education can be seen as educational level acquired after secondary education in tertiary institution of learning such as polytechnics, universities, colleges of education and other relevant institutions of higher learning doing correspondence programmes, diploma and certificates. According to Ahmed (2011) he observed that the problems confronting higher institutions in Nigeria are basically funding and financing, increase in privately owned higher institutions, managerial challenges e.t.c. The greatest of it all is the challenge posed by under funding tertiary institutions. Nwargwu (2005) opined that beginning of education is weak when it is not well funded and the end product of such foundation is the production of weak intellectuals. When tertiary institutions were few in Nigeria, the government was saddled with the responsibility of funding the higher institutions alone. The mid 1980's experienced massive increase in the number of higher institution and student's enrolment equally increased.

The increase is so rapid that the governments have to acknowledge that it can no longer fund tertiary institutions alone in Nigeria. Investigating fiscal operations and growth of the Nigerian economy shows educational expenditure of the federal government is grouped under community services and the social sector. The implication of this according to Oruba (1989) shows that education is impure public goods. Educational funding in the Nigerian economy involves the Local, State and the Federal government, other agencies that fund education include Donor Agencies, Trust fund, scholarship given by federal, state and local governments as well as intervention fund (National Bureau Statistics 2012). During the missionaries era funding was

mainly on school fees paid by students and mission donations. Locals and communities also involve in the running of schools. The money used in running this establishment is gotten from local tax, voluntary levied on host communities and offer donations from philanthropists. Most individuals running educational institutions are basically profit oriented as a result high fees are charged which are relatively higher than that of the government and community owned schools or establishment.

The Nigerian government is increasingly finding it difficult to meet the high cost of servicing higher institutions in Nigeria. If tertiary institutions in Nigeria must survive, there must be urgent need for alternative means of improving their funding. It is important to note that education is a right and not a privilege and if this is applicable to the Nigerian context then education needs to be subsidized and better funded at the tertiary level. The federal government allocation in the educational sector in Nigeria is declining as a result there is urgent need for alternative channels of funding that will enhance qualitative education and sound graduates from Nigerian educational system.

Nigerian higher education dated back to the period of colonial era with the establishment of Yaba higher college in 1932 marked the learning point of tertiary educational system in the Nigerian economy. Tertiary institutions or colleges were established to produce assistants who would work with colonial administrators of menial tasks (Olujuwon, 2002). The basic aim for the establishment of higher institutions was in pursuit of meeting world requirements of graduating man power that will work in different capacities that would contribute to nations political and socio-economic development in Nigeria. (Abdulkareem, Fasasi and Akinubi. 2011). The federal government of Nigeria created enabling law to tertiary education towards graduating high relevant manpower training, self-confidence and reliance, national economy development via establishment of polytechnics, colleges of education, monotechnic, special and conventional universities in different regions of the country. These higher institutions were established by private organizations, individuals, state and federal government. (Abudulkareem, Fasasi and Akinubi 2011). Universities, colleges of education, polytechnics, institute of technology and other professional institutions operating under different ministries comprises of Nigerian tertiary institution. These institutions can be grouped into federal and state institutions. Higher institutions are also categorized into private institution established or owned by Religious organization's, individuals or other private bodies. public institutions are owned or established by the state or federal government. In the year 1948, Nigeria own one university, currently the tertiary institute in Nigeria are about one hundred and twenty nine (129) universities, more than sixty (60) colleges of education, Eighty-one (81) polytechnics, fifty (50) colleges of health technology, twenty seven (27) monotechnics, thirty six (36) colleges of Agriculture, one hundred and thirty-two (132) technical colleges and one hundred and eight (108) vocational and innovative enterprise institutions (IEIS & VEIS). The orientation and quality of education at each level and the demand for skills are vital for economic growth. However, studies have shown that quality education requires adequate funding for standard or improved quality. This will result to proper funding of schools, engaging quality teachers remunerating and commensurating them.

In 1990 Malaysia educational expenditure was five (5) percent of her gross domestic product (GDP) and twenty percent (20) of her budget. Ghana educational expenditure was four percent (4) of her GDP and twenty four percent (24) of her budget. In Nigeria educational expenditure was

4.2 percent of her gross domestic product at 1984 factor cost and 6.3 percent of her budget (worldbank, 2012). Despite efforts Nigeria has made towards building and funding higher institutions via its funding from budgetary allocation. It is not still clear as to the impact of such funding is the growth process of the Nigerian economy. It is against this background that the study is set up to access the effect of higher institution funding and Nigerian economic growth. The major aim of this paper is to determine tertiary institution funding and the Nigerian growth process.

### **Trend of Funding Tertiary Institutions in Nigeria**

In the last three decades, higher education in Nigeria has witnessed a significant growth in terms of population expansion through increase in enrolment and establishment of additional institutions. However, it is saddening to note that many of the indices that can guarantee qualitative higher education are not taken into consideration in the country's quest to meet quantitative target. The demand for higher education is so high because education is not only an investment in human capital, but also a pre-requisite for economic development. According to Udoh (2008), Nigeria as a developing nation is currently witnessing increased enrolment of university students. This increase in enrolment demands corresponding increase in funding which is not the case in Nigeria. Fund allocation does not increase to meet the demand of funds occasioned by the enrolment increase.

Imhabekhai and Tonwe (2001) reported that government provide for over 80 per cent of all the funds needed for capital and recurrent expenditures in the tertiary institutions in Nigeria while the reverse is the case in most developed countries where payment of tuition fees is the most essential source of funds for tertiary institutions. Various propositions have been made on how to lessen the burden of funding being carried solely by the government in Nigeria by introducing tuition fee in the public universities, checking corruption and fraudulent practices, increasing commercial activities on the various campuses, seeking for funds from international development partners, carrying out researches, rendering consultancy services, offering long distance and part time programmes through the internet, making giant strides in scientific breakthroughs and becoming the forerunners in technological advancements and implementation etc (Arikewuyo 2001). Ezekwesili (2006) affirmed that underfunding of education especially at the tertiary level has become a persistent occurrence in Nigeria as funds released to the tertiary sector can no longer meet the increasing demands and growth of Nigerian tertiary institutions.

Funding of Nigerian higher education is imperative because of the costs involved in maintaining an institution. John and Parson (2004) observed that the continuing cost of governance is ascribed to increasing higher educational bills of many countries of the world especially the developing countries, coupled with growing overhead costs. Investment in higher education revolved around capital and recurrent expenditure that are cogent to academic survival of higher institutions in the current period of global competition for attracting funding and best hands. However, Nigerian government has not been able to fund higher education adequately in order to achieve best result. Ajayi and Ekundayo (2006) argued that the Nigerian government over the years has not met the United Nations Educational Scientific and Cultural Organisation (UNESCO) recommendation of 26% of the total budget allocation to education sector despite the government's allocation towards education on yearly basis.

### Education System in Nigeria

The role of education in human development cannot be over emphasized. It has been described as an important tool in any human society, which makes man to develop faster than other creatures. Education is the bedrock of all human sectors – political, medical, agricultural, security, etc. (Idogho & Imonike, 2012). Education in Nigeria is directed towards self-realization, better human relationship, individual and national efficiency, effective citizenship, national consciousness, national unity, social, cultural, economic, political, scientific and technological progress (Federal Government of Nigeria, 2004).

Education in Nigeria is generally stratified into three sectors, which are basic, post-basic/senior secondary and tertiary education. However, another stratification based on the horizontal division of education into types is also available (FGN, 2009). According to Omojomite (2010), the education sector in Nigeria has passed through two phases of development: the phase of rapid expansion in the growth of the sector (1950 – 1980); and the second phase of rapid decline in the sector in terms of growth (1981 – 2009). A look at the trend of events indicates that the situation still remains the same with the latter period to date (Obi & Obi, 2014).

### Empirical Analysis

**Impact of Tertiary institutions funding on Nigeria's Economy (Multiple Linear Regression Analysis)** we begin the analysis by investigating the effect of tertiary institutions funding on Nigeria's economy in the 1980 – 2015. The ordinary least squares estimation technique is explored for this. Tertiary funding will be disaggregated into government capital and recurrent spending on education.

The model to be estimated is specified functionally as follow:

$$\text{GDP} = f(\text{REOE}, \text{GEOE}) \quad (1)$$

Where GDP = Gross Domestic Product, proxy for Nigerian growth process, REOE and GEOE = Proxy for Tertiary institutions funding. The model to be estimated is specified thus:

$$\text{GDP} = \pi_0 + \pi_1\text{REOE} + \pi_2\text{GEOE} + U_1 \quad (2)$$

The *a priori* expectation is  $(\pi_1, \pi_2) > 0$

### PRESENTATION OF RESULT

Following the model specified and the data sourced in model, the ordinary least squares techniques was applied to estimate the parameters of the model and the following result was obtained

Dependent Variable: RGDP

Method: Least Squares

Date: 09/5/19 Time: 12:45

Sample (adjusted): 12 46

Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
REOE	2.370833	0.149851	15.82128	0.0000
CEOE	0.514687	0.564529	0.911711	0.3687
C	234599.9	20104.34	11.66912	0.0000
R-squared	0.900103	Mean dependent var	401346.7	
Adjusted R-squared	0.893859	S.D. dependent var	192092.6	
S.E. of regression	62582.43	Akaike info criterion	25.00817	
Sum squared resid	1.25E+11	Schwarz criterion	25.14149	
Log likelihood	-434.6430	Hannan-Quinn criter.	25.05419	
F-statistic	144.1642	Durbin-Watson stat	2.169739	
Prob(F-statistic)	0.000000			

### Analyses of Result

The ordinary least squares result shows that 90 percent of the total changes in gross domestic product have been explained by government capital expenditures on education (CEOE) and government recurrent expenditures on education (REOE) taken together. This is a nice fit as the unexplained variation is just 10 percent i.e (1-0.900103).

### F- TEST

The F- test with a value of (144.1642) and probability of 0.000000 suggest that government capital expenditures on education (CEOE) and government recurrent expenditures on education (REOE) are significant factors to be taken into consideration when explaining the level of changes in national growth through funding. This indicates a rejection of the overall hypothesis (which states that there is no significant relationship between tertiary institution funding and national development) and an acceptance of the alternative hypothesis which states that there is a significant relationship between tertiary institution funding and national development.

### T-TEST

The T test result suggests that REOE (Tertiary institution funding) with a value of (15.82128) and probability of (0.0000) is statistically significant in explaining growth process in Nigeria. The implication of this result is that the fund the Nigerian government allocates to tertiary institutions in taking care of recurrent expenditures is large enough to develop the institutions all things being equal.

The T test equally suggests that CEOE with a value of (0.911711) and probability of (0.3687) is not statistically significant in explaining growth in Nigeria. The implication of this result is that

the capital expenditures funding of the government in tertiary institutions does not translate into growth of the economy, this may be as a result of lack of specification of BOQ, non execution of capital projects, corruption etc

### **DW- TEST**

The Durbin Watson (DW) test with the value of 2.169739 shows that there no first order serial correlation in the model and the result can be accepted and equally use for forecasting.

### **CONCLUSION/ RECOMMENDATION**

The funding of higher education in Nigeria needs to be improved upon especially in the area of capital expenditures funding. This is as a result of the increasing need and demand for specialized services in different sectors within the academic institutions. There is also an increasing growth in student's enrolment and the available resources in the higher institutions are not sufficient to meet up with the funding requirements. Higher institutions need to explore alternative means of funding and become less dependent on Government allocations. Stakeholders in education which include parents, guardians, the general public, non-governmental agencies, international partners and the private sector should support and subsidize the funding of tertiary education in Nigeria.

For the economy to thrive the government has to invest more on the education sector as well as ensuring that the resources are properly managed and used for the development of education services. Government expenditure policy on education should be enhanced in order to contribute positively to real output growth (GDP) in Nigeria. The quality of education of the citizens will increase due to a relative increase in education expenditure which enhances their level of productivity.

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