

Financing of education in Nigeria: An analytical review

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ABSTRACT

In this article, the writer has examined the financing of education in Nigeria. A review of the finances on education since the advent of formal education in the country was made. The sources of financing of education in developed and developing countries were highlighted while the Nigerian external debt stock and the level of debt servicing were given. The study has shown the total revenue accruing to the Federal Government and the amount of money allocated to the education at various periods indicating deficits in the funding of the system. The findings indicated that the funding of education has not been up to 17% in any given year despite the UNESCO minimum standard of 26% of national budget. The writer therefore made suggestions on how to effectively fund education in the country and recommended other sources of funding education for future development.

Keyword: Financing, Education, Nigeria, Analytical, Review

INTRODUCTION

Public finance has been described as the collection and disbursement of funds for public use (Corbally, 1962, Osuntokun, 2003). It has also been regarded as the financial activities of public authorities in terms of taxing, spending, borrowing and lending and it involves the means of providing for the expenditure involved in the staffing, equipment and maintenance of educational institutions (Adesua, 1981, Charles, 2002). The financing of education as an aspect of public finance embraces all aspects of funding of education including the sources of funding and how the money earmarked for education is spent especially for the purchase of goods and the services of men and materials (Agbobu 1983, Borokhovich, Bricker, Zivney and Sundaram, 1995). Thus, the financing of education is a vital area of Economics of Education (Akangbou, 1986, Adeyemi, 1998).

The importance of adequate financing of education cannot be over-stressed. Ozigi (1977) argued that no organization could carry out its functions effectively without adequate financial resources at its disposal. Money is needed to pay staff, maintain the plant and keep the services going. This argument supported earlier findings that finance is of vital importance to education and economic growth (Sheehan, 1973; Eaton, and Nofsinger, 2000; Taggart, 2003).

Sources of Finance: Considering the sources of financing education, Vaizey (1961) raised the question, "how can education be financed?" Answering the question, he argued that the financing

of education can be derived from fees paid by parents, repayable loans to parents, local government taxes, general budgetary funds, gifts and remission of taxes. Apart from direct tax, Vaizey (1962) mentioned indirect tax and property tax. According to him, indirect taxation is a growing source of public finance while property tax is an important source of educational finance in countries with a decentralized educational system. Agreeing with this argument, UNESCO (1968) remarked that in developed countries, education is entirely financed by taxation, but in developing countries other sources could be explored. Thus, Thorniley (2003) recommended the use of graduate tax in the UK.

Educational Expenditure : Educational expenditure as an aspect of educational finance deals with how the amount allocated to education is spent. It may be used not only as an instrument for analyzing financial aspects of education, but also as a parameter for projecting the trends of an educational system (Hallak, 1969). Thus, one of the methods of determining the flow of educational finance is to study the time trend of educational expenditure. Supporting this point, Adesina (1982) reported that expenditure on education is determined by budgetary allocations. He described a budget as an estimate of revenues and expenditures for a given period of time, usually a twelve-month period called a financial year. Woodhall (1987) too, described a budget as a document containing recurrent and capital expenditures. According to her, recurrent or current expenditures include expenditures on consumable goods such as

books, stationery and fuel as well as services which bring immediate or short-time benefits. She also referred to capital expenditures as expenditures on durable assets such as buildings and equipment which are expected to yield benefits over a longer period. The same views were made by other researchers (Borokhovich, Bricker, Brunarski and Simkins, 1998),

The measurement of expenditure includes the expenditure by pupils, their families, charities and the State. The total costs of education to an individual are divided into monetary expenditures borne by him and opportunity costs while the true economic cost of education is the cost of acting in a different manner, that is, foregoing the opportunity of doing one thing in order to do something else (Vaizey 1962; Chan, Chen, and Steiner, 2002). Thus, in developing countries, Mingat and Tan (1986) reported that the share of education in public spending has already become very large, reaching between one tenth and one-third of public budget. Supporting this argument, Tilak (1988) found in India, that public costs per pupil are very high.

In Nigeria, Hinchliffe (1989) gave estimates of recurrent expenditures per pupil in four States based on aggregate statistics of expenditures and enrolment. His findings showed that the private contribution to costs is higher in the Southern States and this partly explains why their public costs are lower in the Northern States. Contrary to what operates in many countries, Adedayo (1988) argued that although enrolment is increasing at the primary, secondary and tertiary levels of Nigerian educational system, government's expenditure is decreasing proportionately. He observed a sharp drop in the total capital expenditures between 1975 and 1983 and remarked that this might not have been unconnected with the economic depression which was compounded by the structural adjustment programme. Urwick (1993) supported this argument and remarked that such harsh economic conditions could raise correspondingly difficult issues for educational management.

Stages of Educational Financing in Nigeria

Period 1842 – 1900: Financing of education during this period was in the hands of the Christian Missionaries who owned and controlled schools for a long time. Schools were established by these voluntary agencies and maintained through school fees paid by parents, subscriptions from churches and grants from Missionary Societies. School fees

were, however, extremely low during this period. The Wesleyan Missionary Society, for example, established and financed Nigeria's first elementary school at Badagry in 1842 while the Church Missionary Society founded the C. M. S. Grammar School, Lagos in 1859 and financed it for a long time (Adesua 1981).

The colonial government did not consider education as a priority until 1882. As such, it did not take part in financing education in the colony. However, the 1882 Education Ordinance made provisions for the financing and maintenance of schools established by the colonial government. The Ordinance also made provision for assistance through a system of grants-in-aid to schools established by the Missions and private individuals. Likewise, schools established by voluntary agencies were maintained by school fees, voluntary subscriptions, grants from Missionary Societies and grants from government. It was however noticed that voluntary agencies spent more on education than did the colonial government for most of the period (Adesina, 1977; Adesua, 1981).

Period 1901 -1952: The period between 1901 and 1952 witnessed more of educational financing by the Missionaries and voluntary agencies than the colonial government. The 1926 Education Ordinance actual laid the foundation of the Nigeria education system (Adesina 1977). The Ordinance differed from the 1882 Ordinance in the sense that it allowed for Inspectors of Schools to group schools into A, B, C, and D categories according to the level of efficiency and tone of the schools. Although the Native Administration expended various amounts of money on education in the Southern Provinces, much money were spent on education by the voluntary agencies. In the Northern Provinces, some pupils in the elementary schools were exempted from paying school fees on grounds of poor parental socio-economic background. Some pupils in the middle schools were also exempted from paying fees on grounds of poverty while tuition was free in the Mission schools.

At the secondary school level, fees paid per annum in government colleges ranged from seven pounds, ten shillings to nine pounds, fifteen shillings for day students; and from fifteen pounds to twenty pounds, fifteen shillings for boarders. Fees in the private and the government institutions were comparable unlike before when fees paid in government colleges account for just about 30% of fees paid in private or public institutions (Adesua, 1981).

The 1944 Ten-Year Education Plan formed a landmark in the financing of education in Nigeria. The plan was designed for the development and improvement of education in Nigeria and was aimed at making provisions for an increased financial assistance to Missions and voluntary educational agencies as well as giving financial aid to native administration to assist them in expanding education in their areas. However, the Richard's constitution of 1947 decentralized the administration of education in

Nigeria on the basis of the regions. The 1951 constitution made provision for the Federal and regional governments to have concurrent responsibilities for educational development. Thus, the federal government was responsible for educational development in the Federal Territory of Lagos while the regional governments were responsible for educational development in the regions. The expenditure on education between 1923 and 1952 is shown in table 1.

Table 1: Expenditure on Education in Nigeria (1925 –1952)

Year	Total Expenditure	Expenditure on Education	%
1925	£6,509,244	£116,301	1.8
1929	£6,045,621	£263,457	4.3
1933	£6,898,816	£237,732	3.3
1936	£6,585,458	£231,983	3.5
1939	£6,576,835,	£282,820	4.3
1951/52	£49,131,000	£8,325,000	16.9

Source: 1. Annual Report, Department of Education 1926 Lagos: Government Printer, 4.

2. Adesua A (1981) "Education Finance in Nigeria" in *Introduction to Educational Planning* S. Adesina (ed) Ile-Ife: University of Ife, Press, 119.

Period 1953 –1980: The period 1953 to 1980 witnessed a lot of development in the financing of education in Nigeria. It was a period of the massive expansion of schools. It was a period of attainment of self-government by the various regional governments. It was a period when Nigeria attained its independence in 1960. It was also a period when the Federal and Regional Governments had constitutional roles for educational development.

Educational financing increased manifold especially with the take over of schools by the new Federal and Regional Governments from the Missionaries and voluntary agencies. The First National Development Plan (1962-1966) which took place during this period made provision for the Federal Government to be responsible for education in the capital territory of Lagos and in some institutions of higher learning while the Regional governments had primary responsibility for education in their areas even though Federal Government still continued to assist in the funding of education in the Regions. Table 2 shows governments' expenditure on education in 1963.

Table 2: Expenditure on Education Federal and Regional Governments 1963.

	Federal	North	West	East
Recurrent Expenditure	£5,031	£4,699	£7,122	£6,515
Capital Expenditure	£2,287	£1,331	£184	£179

Source: Federal Ministry of Education (1963) *Statistics of Education in Nigeria Series 3, (1) 71.*

A total of £45.7 million (65.4%) out of the total planned estimates of £69.8 million was incurred as capital expenditure for the Federal and Regional Governments during the plan period. The Regional Governments altogether estimated an expenditure of £40.7 million but they actually spent £20.9 million

indicating considerable under-spending. However, if education is to be developed in this country, taxes would have to be promptly paid. Thus, between 1964 and 1966, a fair amount of public money was spent on education as shown in table 3 if we take into consideration that other service areas competed with

education have their own share of the limited national income. As shown in table 3, government's expenditure on education in Nigeria was on a

progressive trend. Thus, 1960-1970 was a period of expansion in educational finance.

Table 3: Nigeria's Recurrent and Capital Expenditure on Education, 1964-1966

	1964	%	1965	%	1966	%
Recurrent Expenditure on Education	£25.3	17.7	£27.5	17.0	£32.8	18.8
Total Expenditure	£143.1	100	£162.1	100	£174.8	100
Capital Expenditure on Education	£4.2	6.1	£5.1	7.2	£5.0	7.0
Total Expenditure	69.2	100	70.4	100	70.4	100

Source: Nigeria Year Book (1968) Times Press of Nigeria Ltd., Lagos, 135,137.

Table 4: Capital Programme in Education 1975 – 1980 Amounts in # Million

	Primary	Secondary Schools	Secondary Technical	Teacher Education (Primary)	Teacher Education (Non-Primary)	Higher Education
Total Fund for Education by level	# 301,083.00m	# 966.74m	# 88.63m	# 200.00m	#144.49m	# 251.86m
Federal Contribution	# 300.00m	# 513.80m	#1.50m	#200.00m	#107.70m	#208.93m
Percentage of Federal Contribution	99.64%	53.14%	1.69%	100.00%	74.53%	82.95%
Percentage Expenditure by level of Education	12.1%	39.0%	3.60%	8.0%	5.7%	10.1%

Source: 1. Adesina, S. (1977) *Planning and Educational Development in Nigeria*, Lagos: Educational Industries Nigeria Ltd. 2. Adesua A (1981) "Educational Finance in Nigeria" in *Planning and Educational Development in Nigeria*, Lagos: Educational Industries Nigeria Ltd.

During the Second National Development Plan period (1970-74), capital expenditure on education was £49.122 million. Out of this amount, £5.5 million was spent on Federal Government secondary schools and allied services. £1.5 million was given to the Northern States as financial assistance for secondary school expansion while no grant was given to the Western and Eastern States which were considered to be educationally advanced States. With the take-over of many educational institutions by the Federal and State governments, the financing of education in Nigeria increased. Three types of educational grants were given to the States by the Federal Government, namely recurrent grants based on enrolment, grants for capital projects based on approved expansion plan and special grants for specific education projects. It should however be noted that education during this period was being financed with funds from the public and private sectors as well as external

assistance. Thus, at the federal level, education ranked fourth in terms of money expended. It ranked fourth in the Northern Region, fifth in the Eastern Region, and fourth in the Western Region. The ranking shows the high premium placed on education by the various governments in Nigeria (Adesua 1981).

Period 1981 -2003: The financing of education in Nigeria as from 1981 was remarkably financed by the public sector. It was a period of educational expansion. It was a period when the public finance of education increased phenomenally. It was also a period when government was solely responsible for financing education in Nigeria although the amount spent on education might be small perhaps due to debt servicing. The same situation was noticed in other developing countries. Hence, the findings made by Reamers (1990) that Latin America is tragically

the best place to test the hypothesis that debt servicing can squeeze educational development. Thus, as a result of debt servicing, consistent failure of educational projects has been reported by many researchers. McGinn, Schiefelbein, & Warwick (1979), for instance, reported mounting evidence of failure of education projects in less developed

countries while London (1993) found that most of the projects in developing countries met with failure in the sense that planned objectives were not met. In Nigeria, as a result of scarcity of foreign exchange and the oil glut, much of the country's revenue has been used for debt servicing (Adesola 1991). Table 5 shows the level of Nigeria's external debt since 1970.

Table 5: Nigeria External Indebtedness Indicators (1970- 2001)

	1970	1980	1985	1990	1995	2000	2001
Total Debt Stock (TDS) \$ billion	0.57	8.92	18.5	33.4	34.1	28.27	28.35
Total Debt Stock as % of Exports	-	32.1	151.0	226.4	257.4	178.5	149.7
Total Debt Stock as % of GNP	-	14.6	24.0	130.7	131.7	74.0	83.7

Sources: 1. World Bank (1998) Global Development Finance; 2. Central Bank of Nigeria (2000) Annual Report and Statement of Accounts; 3. Vanguard Newspapers (2002) 17, (5135), Monday, December 2, 17.

As indicated in table 5, the debt stock rose from US\$0.57m in 1970 to US\$28.35m by year 2001. The fact substantiated the claim made by the Economic Intelligence Unit (1996) that Nigeria's external debt in the form of both debt stock and arrears is mounting fast while the country's debt stock has risen from \$29 billion to \$32 billion. Although the Federal Government proposed \$2 billion yearly since 1992 to service external debt, arrears still stood at \$11.3 billion (E.I.U 1996). This situation has placed Nigeria in a critical position since the country has not been able to meet its commitment in financing adequately its educational system. Although Nigeria has made a new arrangement for the settlement of its foreign debt, yet as at December 2001, Nigeria's external debt stood at US\$28.35 billion including arrears on annual debt service obligations of US\$3.3 billion which was approximately 33% of the total government revenues (Anaeto, 2002).

Notwithstanding, the Federal Government has increased its commitment towards the financing of education at all levels in the country as indicated in the Fourth National Development Plan (1981-1985). As such, the National Policy on Education (1998) emphasized that education in Nigerian is no more a private enterprise, but a huge venture that has witnessed government's complete intervention and active participation. Although the Nigerian Federal Government has taken education as an instrument for effecting national development, how far the policy has been implemented is subject to criticism.

However, education at the primary, teacher and technical levels were free during this period while secondary school education was free in some States although fees otherwise known as education development levies were charged at one period or the other in many States. University education was however, not free. Apart from the tuition fees, students were still required to pay for other services. On an average, an average university student paid not less than #10,000.00 in a session.

In terms of revenues, the Central Bank of Nigeria (1998) reported that the total revenue accruing to the Federal Government was #463,608.8 million, showing a decrease of 20.5% from the level in 1997. The decline was traceable to the fall in oil revenue due to unfavourable price development in the international oil market. In 1999, the revenue accruing to the Federal Government was #949,187.9 million, an increase of #485,579.1 million or 104.7% over the level in 1998 (Central Bank of Nigeria, 1999). A breakdown of total receipts shows that revenue from the oil sector rose by 127.8% to #738,798.7 million, constituting 77.8% of total revenue. At the same period, enrolments at all levels of education in the country increased phenomenally in recent times. This is the result of the increased social demand for education among the people. Table 6 shows the number of schools and enrolment between 1995 and 2000 while the finances of the Federal government on education in the country between 1995 and 2000 are indicated in table 7.

Table 6: Number of Public Schools in Nigeria and Enrolment (1995 – 2000)

	1995	1996	1997	1998	1999	2000
Number of Primary Schools	39,677	41,660	43,951	45,621	47,902	48, 860
Number of Secondary Schools	6,452	6,646	7,311	7,801	8,113	8, 275
Number of Tertiary Institutions	138	138	138	138	144	144
Enrolment in Primary Schools	17.99m	19.79m	21.16m	22.47	23.71m	24.89m
Enrolment in Secondary Schools	5.08m	5.39m	5.58m	5.79m	6.06m	6.36m
Enrolment in Tertiary Institutions	391, 035	689, 619	862, 023	941, 329	983, 689	1, 032, 873

Source: 1. Central Bank of Nigeria (1999) Annual Report and Statement of Accounts, p. 92. 2. Central Bank of Nigeria (2000) Annual Report and Statement of Accounts p.130.

Table 7: Federal Government of Nigeria Finances on Education (# Million)

	1995	1996	1997	1998	1999	2000
Federal Government Budgetary Allocation to Education (# million)	12,728.0	15,350.0	16,840.0	23,668.1	27,713.5	56,568.1
Percentage of Annual Federal Budgetary Allocation to Education	13.0%	10.8%	11.5%	9.6%	11.1%	8.7%

Source: Central Bank of Nigeria (1999) *Annual Report and Statement of Accounts* Abuja: Central Bank of Nigeria p. 77; Central Bank of Nigeria (2000) *Annual Report and Statement of Accounts* Abuja: Central Bank of Nigeria p. 130.

The performance of education sub-sector was attributed largely to the enhanced budgetary allocation which increased to #27,713.5 million representing 11.1% of total Federal budget and the increase in registration arising from the introduction of free primary education in some States. However, the latter part of this period witnessed the establishment of private universities in the country. Although the funding was private, the universities complement the existing Federal and State universities in terms of the admission of students.

Implications for Future Planning and Development

Although the Nigeria's economy was deemed to have grown by 5% in year 2003 (Omotade, 2004), yet not much has been allocated into the education sector of Nation's economy. The weak production base has been identified as a major obstacle to industrial development in the country (Daniel, 2004). The high rate of expansion of the Nigerian educational system

implies that something urgent must be done to adequately fund the system. The explosion in enrolment as a result of the influx of students into primary and secondary schools calls for immediate government attention in employing other sources of funding education. The high rate of schools' enrolment has rendered short-term educational forecasts unreliable. The explosion in enrolment has led to the creation of afternoon classes in many States especially in Lagos State.

Since the educational system needs to be financed, certain questions should be addressed. One of such questions is 'who pays for education in this country?' Another question is 'what are the sources of funding education?' Yet another is 'would the funding be from the private sources or from the public sector or external assistance in form of loans, grants, personnel, equipment or training?' It needs to be mentioned that external assistance are usually given by foreign governments, multinational agencies or donor organizations such as the World Bank.

Although external assistance represents about five to ten per cent of the government's expenditure on education, the over-dependence on foreign assistance shows that the various governments in Nigeria could no longer alone finance their educational systems.

Giving the reasons for the inadequacies in educational funding in the country, Olawepo (2001) reported that "the decay in the educational sector and the gross under funding of the universities took root during the military era and remarked that in 1985, Nigeria's expenditures on education in relation to the gross domestic product (GNP) was a scandal compared with other less endowed African countries.. According to him, in the year 1995, Ghana spent 2.6 per cent, Kenya spent 2.5 per cent while South Africa spent 6 per cent. Contrary to this, he reported that Nigeria spent 1.2 per cent of its GNP on education. Although he noted that wastage is closely associated with chronic under-funding, he suggested that government must allocate about 26 per cent of the national budget as recommended by UNESCO to education in order to start rebuilding the sector. Giving reasons for the high cost of financing education in Nigeria, Osuntokun (2003) argued that the increased debt burden coupled with the high population of students in all educational institutions as well as the rising cost of administering the states are among the reasons bewildering the financing of education in the country. He argued that in the UK, a debate on the rising cost of university education centred on what appropriate fees to charge and reported that currently, citizens pay about #200,000 per year. The universities have decided to move this up to between #4 to #5 million a year on the grounds that they need this money to compete with American universities. However, the Department of Education has stepped in to moderate the fees.

Although Maiyashi, (2003) agreed that good education funding is necessary for economic growth, he suggested that the government should let the people realize that it cannot do it alone. Agreeing that the government has not performed to expectation in terms of funding education in Nigeria, stressing that the Federal Government has not allocated up to 17% of its annual budget to education in any given year, he reported that the government should create awareness and avenues for communities to assist government in the financing of education. Noting the fact that African citizens must continue to demand education as a right from their governments, he reported that education must be well funded if we

want economic growth. Supporting the arguments, Parsuramen (2003) argued that education must get proper funding in Africa. In respect of funding at the tertiary level of education, Onifade, (2003) reported that the funding of university education in Nigeria is nothing to write home about. He exclaimed that there is a UNESCO minimum standard, which is the allocation of 26 per cent of a nation's annual budget to education. Instead of striving to achieve that minimal, the funding of the sector is decreasing. He then remarked that it seems that the government is not really serious about education in Nigeria and suggested that in order to make the financing of education meaningful in the country, the Federal Government should endeavour to meet the 26% UNESCO standard.

Although most governments have laudable programmes favouring free education especially at the primary and secondary levels, the economy of most developing countries could not sustain free education in its entirety (Vaizey, 1962). Thus, he remarked that in certain cases, there might be the need for charging fees in education. Schultz's (1963) too, remarked that if education were free, people would presumably 'consume' it until they are satiated; and they would 'invest' in it until the return to education was zero, but attending school is far from being free. Hence, Adaralegbe (1990) questioned the so-called right to free education in a depressed economy like Nigeria and remarked that experience has shown throughout the world that unless parents, the people or government possess the economic ability, talking of free education is like a mere mentioning of the symbol and an empty and futile exercise. Supporting this argument, Adesina (1990) remarked that in countries where education is free, there is a programme of raising funds directly or indirectly within the system to finance the educational system.

RECOMMENDATIONS

Considering the foregoing, it is pertinent to suggest other sources of financing education in Nigeria. Such suggestions include the raising bank loans for capital development, introduction of property tax, donations from endowment, donations from parents/teachers associations, education tax, development levy, taxes from lotteries to finance education and donations from alumni associations. Since the educational system needs to be financed, the private and public sector assistance or contribution should be more encouraged thereby upholding Charles' (2002) suggestion that African Assemblymen should strive

for better funding of education in Africa. Graduate tax could also be considered as another source of funding thereby supporting the suggestion made by Thorniley (2003).

External assistance in form external loans or grants for meaningful and profitable capital projects in schools and higher institutions could be sought. Loans could also be sought for personnel training for capacity building and technical know-how. In order to derive these benefits, the Federal Government should uphold the World Bank's (1988) advice that Nigeria and thirty-eight other African countries should subject their educational system to revitalization and selective expansion policies in order to benefit from the World Bank donor countries. The use of taxes whether direct or indirect, income or property tax could also be more intensified to generate more revenue for the country. Likewise, the Federal Government could explore the re-introduction of loans to students of tertiary institutions while the scholarship schemes could be revamped at the Federal and State levels. In this regard, educational planners have a lot of work to do in making short and long terms plans for educational financing in the country.

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Nigeria runs a federation system so the Nigerian education system is overseen by Ministry of Education. The federal government controls public schools while state schools are controlled at the regional levels. The education system at the federal level is managed by the Ministry of Education. Solutions to education in Nigeria. The first step forward towards reviving the educational system lies in the hands of the government. Necessary steps need to be taken in order to restructure and save the sector. Teachers salaries must be reviewed and improved. Fair wages will also motivate teachers to do their job on a high-quality level. Also, there should be regular payments of teachers' salaries. situation of financing education in Nigeria, the implications of inadequate funding and possible strategies of funding education. Thus, it was suggested among others that all stakeholders, parents and guardians, the society in general, the private sector and non-governmental agencies must become involved in the financing of education in Nigeria. Keywords. financing, education, budget, national development. 1. Introduction. In Nigeria, the demand for education is so high because education is not only an investment in human capital but it is also a pre-requisite for economic development (Ubo Ethics and corruption in education. Governance in higher education. Decentralized governance. Resilience of education systems. Worldwide. Interactive map. Our expertise. Capacity development. Training. Advanced training programme.