



Innovative Means of Financing Tertiary Education for Sustainable National Development

Ekere, S.C. O and Ukpabio, G.E.

*Department of Educational Administration & Planning
Faculty of Education, University of Calabar, Nigeria*

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Abstract

Education improves the development of any society, hence the need for the educated ones to occupy significant positions in order to improve the society. One of the major problems now facing higher education in Nigeria is the problem of underfunding. At this crucial time in our nation's history, the education allocation remains the lowest 2011, in terms of amount. The funding has been regressive with each passing year. Political and socio-economical unrest globally has militated further the amount allocated to the educational sub sector as government resources are becoming critically scarce. The question of funding has needs to be addressed frankly since government alone cannot fund education. In this light therefore, for effective national development, there is need for optional funding of education for sustainable development in Nigeria. There is need for mobilization of external resources through appropriate bilateral agreements between government and external agencies in ways that will encourage them to contribute to the funding of tertiary education in Nigeria. New and alternate sources of funding higher education in Nigeria, the effects of inadequate funding and possible sources of funding is examined in this paper. These alternate sources among others include, subvention; Community investment; private Sector investment; Entrepreneur Venture; and the various forms of crowd funding i.e equity based crowd funding, lending based crowd funding, rewards and donations based crowd funding.

Keywords: innovative funding, financing tertiary education, sustainable national development and entrepreneurship ventures.

Introduction

Nigerian tertiary institutions of learning play a significant role in our nation's economic development as they are saddled with the onus to produce higher level manpower for national development. Tertiary Education students are being prepared to enter the labor market and emerge with skills to support green economics and sustain the developmental strides of heroes past. The Federal Republic of Nigerian (2004) states explicitly "education is an instrument par excellence for affecting national development" It is therefore safe to say that Tertiary education is strategic to the sustainable development of our dear country. Howbeit, underfunding constitutes the bane of most tertiary institutions in the country. More so considering the fact that in recent times, there has been a piercing fall in government revenues, while the nation's economy is in a state of "stagflation".

It is no longer news that our tertiary institutions are grossly underfunded. Despite budgetary financial efforts by the government, tertiary education funding is still a critical concern. The issue of funding over the years has been regressive. The government, which statutorily bears the cost of higher education in the country, is progressively finding it difficult to meet the high cost of funding tertiary education, as it is faced with tight budget constraints due to the collapse of the oil market, and the need to meet heavy and rising debt service obligations. Education financing, refers to the process of sourcing, allocating and managing public school revenues in the provision of educational services for the attainment of education objectives (Okunnarniri, 2001). As such, there is need for the new approach to financing education.

The motivation to explore innovative means to education funding for sustainable national development is somewhat driven by the desire to go beyond dependence on government allocation, to considering other forms of financing education at the tertiary level that can sustain long term equitable growth (Okebukola, 2003)

Nigerian Tertiary Education in Perspective

Tertiary institutions remain an essential level of educational institution contributing towards the production of higher level manpower in relevant skills and competencies for national development. In Nigeria, tertiary education refers to the level of education acquired after secondary education in higher institutions of higher learning degree, diploma, certificates and other corresponding courses (Famade, Omiyale & Adebola, 2015). According to Harnett, (2001), tertiary education system in Nigeria is composed of Universities, Polytechnic, Institutions of Technology, Colleges of Education that form part of or affiliated to universities and polytechnics, colleges and professional specialized institution. They can further be categorized as state or federal universities of as first, second or third generation universities. While others tertiary institutions include colleges of education, polytechnics and colleges awarding higher degrees above secondary school education.

As at April 2016, Nigeria had a total of 142 Universities. This is made of 40 federal universities owned by the Federal Government, 42 state owned universities by the State governments and 61 owned by private individuals and organizations. Each state of the Federation has a federal university while states like Kaduna, Kano & the FCT have two each. All the states in Nigeria, except Zamfara and Borno own a university. Ondo has 3 while Oyo, Ogun, and Rivers have two (2) each. Even in state and privately owned universities, government is obliged to provide basic amenities & resources like electrical power supply, power, security of lives and properties, roads etc.

The Challenges of Funding Education in Nigeria

Education is an expensive social service and therefore requires adequate financial provision from all stakeholders including government for successful implementation of all identified educational program adopted for implementation. (Oralu, Oladele, 2015). The challenges of funding education in Nigeria are not unconnected to policy and unstable and inconsistent strategy, poor policy and management. The political, social and economic factors, which are currently having significant impact on the world economy, have necessitated the need to diversify the resources of education funding, mainly because reliance on only one source of revenue can inhibit educational growth (Oladele 2013).

The financing higher education in Nigeria in recent times is a crucial national problem. Since the inception of university education in Nigeria, financing of higher education has been the total responsibility of governments. The first and perhaps the greatest challenges facing Nigeria and making it difficult for quality education that is capable of bringing about sustainable development is inadequate funding by federal, state and local governments to the extent that funding has been in response to conditions imposed by international financial institutions (IFTs)

Effect of underfunding

Underfunding has been identified as one of the major problems presently facing universities in most part of the Africa nations, Nigerian inclusive with the continued dwindling of the national fortunes; the Nigerian government is finding it more and more difficult to meet its financial obligation to the university system (Odebiyi and Aina,

1999). Adequate funding is crucial to an efficient and effective education system. The abysmal level of underfunding in tertiary institutions in Nigeria cannot be swept under the carpet, since it goes a long way in determining the sustenance of our national development. Underfunding tertiary institutions will in the long run affect the sustenance of national development, as it will result in poor turnout of graduates who in turn are saddled with the responsibilities of development of the nation's economy. It is my sincere believe that many of our economic "setback" in Nigeria today can be traced back to the problems of education. Proper and adequate funding of education will contribute to further educate and arm future leaders and develop the high level technical capacities needed for the economic growth and development.

Sources of financing in Education

The history of tertiary education funding in Nigeria dates back to 1948 from the establishment of the first university, a public university in 1948. From then and up till about two decades ago, education was funded from foreign aids, fees and government grants. As a result of the "Oil boom", the federal government took over all responsibilities for funding education putting aside foreign aids and fees. But things have changed. The political, social and economic instability have tended to change this arrangement, creating stress in almost every sphere of Nigeria. Basically there are two broad sources of funding education in Nigeria, Government sources and Non- Governmental sources. Government source in the form of fees, subventions, grants & endowments etc and nongovernmental sources which include donations, proceeds from internally generated activities such as farming etc, donations, external aid.

In 1995 the Education Tax fund was established by government. The fund now defunct which required companies and cooperation operating at certain level to contribute 2% of their pre tax earning to the fund which was to be used to augment Federal Government expenditure on education. In 2011 the Tertiary Education Trust Fund (Tetfund) was established. This Act repealed the Education Tax Act Cap. E4, Laws of the Federation of Nigeria, 2004 and Education Tax Fund Act No. 17, 2003 and established the Tertiary Education Trust Fund as an intervention agency charged with the responsibility for imposing, managing and disbursing the tax to public tertiary institutions in Nigeria (Tetfund, 2011). The list of nongovernmental and alternate source of funding has grown over the years. Many schools have sought extraordinary sources of revenue ranging from local education foundations, booster clubs, private public partnerships, and even ads on school buses. Some universities operate businesses like guest house, shuttle services, dedicated bottled water outfit and other sundry services within the school premises; these do not however meet in any way the yawning gulf between education needs and supply. While more institutions should be encouraged to seek more community participation, corporate business and organizations can be pitched with sponsorship rights as event (convocation, matriculation etc) sponsors with advert spaces on magazines and booklets, branding of business premises etc. In a time when insufficient allocation are adversely impacting education at all levels, coupled with the continuous increase in cost of education, deliberate steps must be taken to reach alternate source of funding.

Ideal action plan for sourcing for funds

Since government is confronted with this inflexible economic and budget squeeze, there are two possible avenues of getaway. One is to seek out new sources of revenue, from both public and private sources. The second is to initiate educational innovations which will, without impairing quality, hold down unit cost, or at least keep them from rising as rapidly as otherwise. Among other variables, 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 the country. This position is in agreement with Akinsanya, (2007) who is of the opinion that the political, social and economic factors, which are currently having significant impact on the world economy, have necessitated the need to diversify the sources of education funding mainly because reliance on only one source of revenue can inhibit educational growth.

The role of government would include the provision of appropriate legislative and regulatory framework, as well as the provision of infrastructure and fiscal incentives such as tax breaks. On the demand side, individual citizens and households rather than the government will be responsible for carrying the cost of the services they demand. It is important to note that assigning tertiary education to market demand and supply does not in any way underrate the importance of high level education for the rapid economic transformation goal of the government. (Pagano, 2010). The list of innovative and alternate source of funding is budding, many schools have unusual sources of income: fees, interest on investment, local education foundations, booster clubs, private public partnerships, and even ads on school buses. Some universities are engaged in some entrepreneurship programs including other internal income generating ventures, e.g. some universities and other institutions run a dedicated bottled water outfit within the school premises, and other business affiliated services. Although proceed from internally generated school activities can form the crux of alternate source of funding if properly harnessed, the percentage contribution is still quite small.

Crowd Funding

Crowd funding is the collective effort of a large number of individuals who network and pool small amounts of capital to fund a new or existing venture. Crowd funding is an alternate means by which small businesses, corporate organization and individuals can raise small amount of money from a large number of people. The concept behind crowd funding is that a large number of people, referred to as the “crowd”, each provide monetary contributions, then it is possible to raise substantial sums of money. Crowd funding as emerge in education as a means to achieving targets meet obligations through collective micro financing. Across the globe there are several crowd funding portals supporting multi-billion dollar industries and the number is on the continuous increase. In 2014, Global Crowd Funding experience accelerated growth to reach \$16 billion in the United State alone. In 2015, it estimated that Crowd funding hit over \$34 Billion US Dollars worldwide. The purpose of crowd funding is to provide investment opportunities for would be investors and to provide funding for startups and individual to finance or re-finance their businesses. Funds raised by way of Crowd funding ensure that small businesses have the credit to grow their businesses, which

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in turn create jobs and stimulates economic growth. According to (Massolution 2012), the leading crowd funding data Aggregation Company, four (4) categories of crowd funding platforms exist. These are equity based crowd funding, lending based crowd funding, reward based and donation based crowd fund. While lending based crowd funding received the most funds, crowd funding for startups has equally gained traction in the past five (5) years. Crowd funding can be an alternate source of financing that can alleviate the burden of funding in our tertiary institutions,

Cost of sharing of education between stakeholder/beneficiaries has to be properly worked out. There is need for mobilization of external resources through appropriate and bilateral agreements between the government and external agencies in ways that will encourage them to contribute to the funding of tertiary education in Nigeria. Government will need to consider cutting back expenses wasteful and poorly target expenses like domestic energy subsidies and channel the funds they saved towards investment in education. As at today, crowd funding has become a practical means for organizations/individuals to meet fundraising budget through many diverse platforms. It is therefore not out of place for tertiary institutions to tap into these new financing potential.

Social Impact Bonds

Another idea for generating internal revenue for these tertiary institutions is the social-impact bonds to frontload new education spending. Social impact bonds (SIBs) are an innovative approach to financing social program/services that merges outcome-based cost and market control. In Social Impact Bond, a contract is entered into with the public sector / governing authority with a commitment to pay for improved social outcomes that result in public sector savings. SIBs are designed to raise private capital for intensive support and preventive programs which address areas of pressing social needs. It's an innovative and emerging financial platform where private investors' pays for better social outcome in certain areas to service providers. Upon execution, the investor is paid by an outcome funder (the government). Such a result oriented approach would help to encourage business philanthropic investment in education.

A Proposed Crowd funding Investment for University of Calabar

Our proposed crowd funding investment leverages on the University of Calabar Alumni as an "investor feedstock" and a solar energy farm as a project. A preliminary energy audit of University of Calabar shows that it requires a minimum of 3KVA of power to operate efficiently. It is currently only able to generate slightly under 1KVA to augment public power. The role of constant and sustainable energy supply for any institution of higher learning cannot be underrated. University of Calabar spends approximately 100 Million naira annually to keep its array of generator supplied with diesel and properly maintained. By the time Professor Akpagu is through with his tenure as Vice-Chancellor, the University of Calabar would have spent half a billion naira on diesel alone. But with the massive ongoing technical advances in the world's

solar energy market as against the skyrocketing cost of conventional energy, providing a sustainable, clean, affordable and environmentally compatible source of electrical energy for the University is possible.

The Model being suggested here is 4Mwp farm deployed as Engineering Procurement, Construction & Financing (EPC & F)) between the University and any technical partner it selects from the pool of interested actors under an innovative “No Capital-Minimal Operational Cost Revenue Generating” Model that guarantees earnings for a minimum of fifteen (15) years. At an estimated cost of approximately ten (10) billion naira, the project can be conceived as a “for profit social investment”, using equity, and mezzanine or hybrid capital with the University as a core investor and alumni association, staff and students as crowd funders. In this regard, the proposed project structure will look like this:

Project Name: Unical Independent Power Project

i. Total Value of Project: 11,000,000,000

ii. Shares Definition @ N10, per Value of N1:1, 100, 000, 000 Share Units

iii. Shares Distribution:

(a) University of Calabar (Promoter)	15% = 165, 000, 000 shares unit
(b) “Unical Alumni”	40% = 440, 000, 000
(c) University Community	10% = 110,000,000
(d) Cross River State Government	5% = 55,000,000
(e) Other Nigerians	10% = 110,000,000
(f) Strategic Investors	10% = 110, 000, 000)
(g) Total	990, 000, 000

iv. Terms of the Offer:

- (a) Not more than 2 Million units for individuals
- (b) Not less than 5000 units for individuals
- (c) Not more than 10 Million shares for groups (organizations)
- (d) Not less than 3 Million units for groups

If fully subscribed, the investment will attract social equity to the tune of Nine (9) Billion naira. If the Alumni Association keys into the project and succeeds in getting 25, 000 of its members to invest a minimum of N50, 0000, they would have raised N1, 250,000.00 the campaign for crowd funding will be driven by a robust social media campaign. The University on its part can offer admission incentive to crowd funders with equity certificates subject to their meeting other minimum entry requirements.

Creative Cost Sharing

According to Okebukola, (2003) as at 2012, it cost the Federal Government of Nigeria over #719, 500 to train a student in a program that has full accreditation in the Faculty of Administration and N525, 000 for a program with interim accreditation. The Figure for Engineering is N883, 650 and N645, 000, Science N842, 550 and N615, 000 while medicine is N1, 240, 220 and N906, 000 respectively. The student depending on the location of the university spends between N180, 000 and N200, 000 a session on feeding, transportation, communication, reading materials, toiletries and general pocket money. Where the on campus accommodation is available, another cost of between N10, 000 and N25, 000 is incurred. Where it is not again depending on the location, the student will need to cough out between N30, 000 and N 100, 000. The cost recovery by the Federal Government is in terms of user, charges usually accounts for less than 5% of cost of providing training. So for an education package that will cost about a million naira, the cost sharing

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between Federal Government and the parent/student is 80% and 20%. Using Benue State University experience, the social cap on tuition fees increase, Federal Government can only demand for its host to bear some of the cost while that being borne by the University and the parents are marginally increased (FRN, 2004). This will mean that the Cross River Government and its Local Councils will be added to the loop of funders for the University.

Impact Investment through Equity Funding

While a number of universities have excelled in a wide range of marketization of their services, the quantum of revenue from such services is marginal. Given that many universities operate in an ecosystem that has considerable numbers, if properly conceived and structured, they will be ripe for equity investors. Our proposal here is that the university can aggregate its activities (academic inclusive where they are courageous enough) into a holding company and invite investors to take equity. With equity funding, the university will have a cheap long term funds to improve its facilities, services and return a social profit over time to its investors. A number of private universities are already engaged in this income generating mechanism which has opened up new windows of funding alternative in the quest to firmly secure the future of our universities.

Conclusion

In response to the education financing crisis, Government should ensure that a substantial percentage of the national budget is allocated to education financing and that it is used effectively and equitably to guarantee education for all, as well as redress inequalities. To address the recurrent crisis of funding and lack of definite structures and strategies in funding of education, there is need to inject adequate funds into the educational sector, as the problem of inadequate and dilapidated structures, inadequate facilities and equipment for teaching and learning as well as the welfare of staff in terms of remuneration and working environment all impedes the educational advancement in the country. Until governments invest adequately in education, we cannot achieve our set goals of meeting governments' policy on education which adopted education as an instrument 'par excellence' for effecting national development.

Recommendations

Translational companies operating in Nigeria should be stimulated to partner with the various governments to help ameliorate the bottleneck in funding of education, providing scholarships, sponsoring scientific breakthrough, facilitating staff exchange programs, loans and bankrolling product development as alternative sources of funding university education.

Communities, corporate organizations, and well placed individuals in the society should contribute their quota to the growth and development of education in the country by augmenting government's efforts through the provision of grants. Alumnus should likewise be encouraged to assist in this regard through the

payment of levies that may include institutional endowment funds to help in the funding of education in Nigeria.

Government agencies such as TETFund should have an eye for “business” by creating a pool of funds that will target impact or strategic social investments in Universities. In addition to what TETFund is currently doing, they should set aside investment funds for institutions that want to engage in social investment that will be run as business. For example, TETFund can establish an “Incubator Fund” that supports new and innovative ideas and businesses from Entrepreneurial Centers of Universities. This will go a long way in promoting research-to-market ideas that are gained from Universities. Such funding can be extended to all Universities as a “social fund” with a single digit interest rate and other business friendly terms.

The policy and strategy of government should be engrossed in providing the incentives and the enabling environment, generally, for the private sector to fund education.

Government should replace the phase of marketization of services, such as operating guest houses, running bookshops, operating bottle water plants, campus shuttle services, microfinance banks and all other “low hanging fruits” to generate revenue internally with a more aggressive form of business that draws on our creative intellect and operation in a knowledge driven society and economy.

In doing this however, policies should be put in place to regulate private providers of education, so that the social interest in education is not sacrificed for the basis of business / personal profit.

In the face of increased poverty and vulnerability and with inter sectoral competition for national financing, there is need to rethink on alternative methods of bridging the government financial gap especially in the higher education sub sector: co-operates and other private organization must be involved to partake in the funding of education as the task of funding education is a collective responsibility by all stakeholders.

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