



## **DIVERSIFICATION OF TERTIARY EDUCATION FINANCING IN NIGERIA: PROSPECTS AND CHALLENGES**

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### **Abstract**

The paper explored various sources of funding to support the diversification of tertiary education funding beyond relying solely on government allocations in Nigeria. The goal of diversification is to increase the financial resources available to tertiary educational institution, improve access and the quality of education and also address the various challenges faced by the system. The most common sources of educational funding which includes: state funding, external funding and internal funding were extensively discussed. Prospects of diversification of educational funding were also highlighted to include increasing government funding, public private partnerships and generating income from research and other activities. The paper also enumerated some of the challenges associated with diversification of educational funding such as lack of commercialization window for innovations, Overreliance on Government Funding, limited access to education loans and scholarships. Finally, the paper suggested among others the need for increased research funding, Anti-Corruption Measures, Public-Private Partnerships and commercialization among others as the way forward.

**Keywords:** Diversification, Sources of Funding, State Funding, Internal Funding and External funding.

### **Introduction**

Educational financing is pivotal to quality education and it's in the realization of this that it has been receiving much attention in both developed and developing nations. However, in Nigeria, the scenario is quite different as the country's educational funding requires urgent and concerted attention because the Nigerian education system has witness series of decline in government financial allocations to the sector. Ajagbawa (2014) noted that most of the higher education institutions in Nigeria have decelerated to glorified secondary schools where physical infrastructure is at best embarrassingly dilapidated and inadequate, low teacher morale, poor condition of service, absence of teaching aids and materials, obsolete books in the libraries and lack of e-learning platforms. This is not unconnected with the fact that recently, Nigeria as a nation

has been going through turbulent times due to insecurity, lack of transparency and accountability, corruption at all levels of the public service, high rate of unemployment, and recession to mention but a few. These issues have impacted negatively on the nation's ability to sustain socio-economic development. Bailey, Cloete, and Pillay (2012) observed that education is a critical resource to meet the manpower requirement for accelerated economic and technological growth. Socio-economic development of a nation rest on the quality and functionality of the educational system in providing a learned citizenry that can partially address leadership crisis and respect for rule of law and also institutions technological advancement and economic development (Ajagbawa, 2014).

This is indeed an enormous task that requires huge financial investments and the



government lacks the capacity to continue to solemnly fund higher education. Johnstone in Okpoh and Okpa (2017) observed that, there is higher increase of cost of funding higher education than what the government can afford while Ekpoh and Okpa equally opined that Universities have been receiving less and less of government allocations over their estimated expenditures. In confirmation Ajagbawa (2014) stated that government budget is not anywhere near what is required to fund higher education institutions. Hence, the need for paradigm shift to diversification of tertiary level of educational funding in Nigeria in order to meet the needs of the 21<sup>st</sup> century and beyond sustainability for both funding and access to quality education.

Diversification of educational funding refers to the process of exploring and implementing various sources of funding to support the education sector beyond relying solely on government allocations. The term diversification according to Okpoh and Okpa (2017) denotes the generating of additional income through new funding sources that can contribute to enhance the income structure of an institution. The goal of diversification is to increase the financial resources available for educational development, improve the quality of education, and address the various challenges faced by the sector. Thus, the thrust of the paper is to explore various sources of funding, prospects of diversification of educational funding, challenges of diversification of educational funding and the way forward.

### **Sources of Education Funding**

These are means of generating funds for the education sector. There are basically three common sources of educational funding: state funding, external funding and internal funding.

#### **State Funding:**

State funding plays a pivotal role in sustaining and enhancing the quality of higher education in Nigeria. The government allocates financial

resources through various channels to support educational institutions across the country. The primary source of state funding for higher education in Nigeria is government allocations from the federal and state levels

State funding is allocated through the education ministries and commissions and disbursed to public Universities, Polytechnics, and Colleges of Education.

#### **Sources of State Funding**

The government's commitment to higher education funding is reflected in the annual budgetary allocations. Those allocations can be reflected in central, state and or local budget.

- i. Central budget: The central budget is the main source of funding for the state. It is the total amount of money that the government plans to spend in a given year. The central budget is funded by taxes, fees, and other revenue sources. This was confirmed in the report of UNESCO (2021), "The Nigerian government allocates a substantial portion of its annual budget to the education sector, with a specific focus on higher education institutions."
- ii. Regional budget: In addition to the central budget, some states have their own regional budgets allocated for higher education. It is funded by taxes, fees, and other revenue sources from the region. These regional budgets are specific to individual states and are administered by the respective state governments. The regional budget supplements the central budget, allowing states to address unique higher education needs and priorities. Some states have separate budget allocations for higher education, tailored to their specific educational priorities



- iii. Local budget: Local government areas within states may also allocate a portion of their budget to support higher education institutions located in their jurisdictions. Local budget allocations aim to promote education at the grassroots level and contribute to community development (Ike, 2018).
- iv. Privatization fund: Privatization fund is a fund that is created when the government sells state-owned assets. The proceeds from the sale of these assets are used to finance the state's budget. A portion of these funds may be allocated to higher education to enhance infrastructure development and academic programs. Privatization funds serve as an alternative source of funding to supplement government allocations (Okafor & Anyanwu, 2017).
- v. State Social Insurance Fund: The state social insurance fund is another potential source of funding for higher education. It is generated from contributions made by employers and employees to provide social security benefits. In some cases, a fraction of these funds may be channeled to support educational initiatives, including scholarships and research projects (Okafor, 2019).

Thus, state funding for tertiary education in Nigeria is derived from diverse sources, including the central budget, regional budget, local budget, privatization fund, and state social insurance fund. These funding sources play a crucial role in addressing the financial needs of higher education institutions and supporting academic and research endeavors. However, a comprehensive and strategic approach to funding allocation is necessary to ensure the sustainability and growth of the higher education sector in Nigeria.

### **External Sources of Funding for Higher Education**

In addition to state funding, Nigerian higher education institutions also seek external funding from other sources such as international organizations, donor agencies, and philanthropic foundations. These external sources of funding come in the form of grants, scholarships, and research funding. These include:

1. Donations: Individuals and organizations can donate money to higher education institutions to support a variety of programs and activities. Indeed, donations from alumni, philanthropists, and the public contribute significantly to the financial sustainability of higher education institutions. These donations may be in the form of monetary contributions or gifts in kind (Adeyemi, 2021).
2. Charity: Charitable organizations dedicated to education may fund educational projects and scholarships to promote access to higher education (Okeke, 2020). Charities can provide funding for higher education through donations, fundraising events, and other activities.
3. Enterprises engaged in Educational Activities: Enterprises engaged in educational activities can provide funding for higher education by sponsoring research, internships, or donating equipment. entities involved in educational activities, may offer funding and resources to support academic research and curriculum development (Uzoma, 2017).
4. Grants: Grants are financial awards that are given to higher education institutions by government agencies, foundations, and other organizations, more especially international organizations, and research institutions who usually provide grants to support



research projects and academic endeavors (Anwana & Okezie, 2022). Those Grants can be used to support diverse developmental programmes and activities, such as research, educational scholarships for students and faculty members.

5. External loans: external loans can be provided to students by banks, and other financial institutions to help them pay for their tuition. External loans in most cases are repaid with interest.
6. Tuition fees: these are the fees that students are required to pay in order to attend a tertiary institution. Higher education institutions collect tuition fees from students as a direct source of funding for academic programs and campus operations. Tuition fees can vary depending on the institution, the program of study, and the student's residency status.
7. Foreign funding: those funds can be provided to higher education institutions by foreign governments, organizations, and foundations. Foreign funds can be used to support a various programs and activities, such as research, students' scholarships, and staff professional development.
8. Scholarships: Scholarships are a form of financial supports that covers students' academic pursuits. Scholarships can be awarded based on academic merit, financial need, or other criteria. This kind of support is provided by various organizations and individuals who offer educational scholarships to deserving students to access higher education (Okoye, 2019).
9. External Loans: Higher education institutions may secure external loans to fund capital-intensive projects and improve infrastructure (Osuala, 2018).

### **Internal Sources of Educational Funding**

To supplement state funding, higher education institutions in Nigeria also generate their own revenue through various means. The internally generated funds (IGF) are obtained from tuition fees, sales of application forms, revenue from commercial ventures within the campuses (e.g., bookshops, cafeterias), and consultancy services, among others. According to Oladeji (2019), "Public universities in Nigeria rely significantly on internally generated funds to address some of their financial needs, including capital projects and academic support services." Thus, in addition to state and external funding, higher education institutions can also generate revenue from a variety of internal sources. These include the following:

1. Proceeds from higher education institution properties: higher education institutions often own a variety of properties, such as technical equipment, halls, recreational areas, and classrooms. These properties can be rented out to generate income. For example, an institution can rent out its facilities or equipment to local enterprises or organizations to raise some funds.
2. Organizing activities: higher education institutions also generate income from a variety of activities, such as conferences, workshops, and seminars. For example, an institution can charge a fee for workshop or conference attendance.
3. Proceeds from Research activities/services: higher education institutions often conduct research and provide consultancy services. These research activities can be funded by grants from government agencies, foundations, and other organizations. The results of the research can also be used to generate income through licensing of patents or sale of products





or services. For example, an LLC that owns a university:

### **Prospects of Diversification of Higher Education Funding in Nigeria**

1. **Public-Private Partnerships (PPPs):** PPPs can help bridge the funding gap in education. In this case private organizations can collaborate with the government to invest in the education sector, leading to improved infrastructure, learning facilities and access to quality education.
2. **Alumni Contributions:** Establishing alumni associations and encouraging successful graduates to give back to their alma maters can provide additional financial support.
3. **Education Tax:** Implementing a dedicated tax or levy on certain industries or sectors, such as telecommunications, oil and gas and other commercial ventures can create a sustainable source of funding for tertiary education.
4. **Increased government funding:** The government of Nigeria can increase its funding allocation for tertiary education by allocating more funds to the sector. This will help to improve access and quality of education.
5. **Private sector investment:** The private sector can also invest in tertiary education by establishing private tertiary institutions. This will help to create more educational opportunities and reduce the burden on the government.
6. **Freewill Donations:** Individuals and organizations can donate money to tertiary institutions to support their programs and operations. This will help to ensure access to quality education, regardless of students' financial muzzle.
7. **Consultancy and Outreach:** Tertiary institutions can generate income from

their research activities and other consultancy services and this income can be used to fund scholarships, research, and other initiatives.

8. **Corporate Social Responsibility (CSR):** Encouraging companies to allocate a portion of their profits to support educational initiatives can assist in providing additional funding for the tertiary level of education.
9. **Education Trust Funds:** Establishing education trust funds can also generate resources from various stakeholders and ensure transparency and accountability in the allocation and utilization funds.
10. **Foreign Aids and Grants:** collaboration with international organizations and donor agencies can attract foreign aid and grants to support specific educational initiatives. This will help to enhance the quality of education to reach a competitive edge that is universally acceptable.
11. **Leveraging Technology:** Diversifying funding sources may encourage the adoption of technology for education delivery, research, and administration. Embracing e-learning platforms, digital libraries, and online certification programs can attract students and generate revenue from both local and international markets (Aina & Ogbonna, 2019).

### **Challenges of Tertiary education financing in Nigeria**

1. **Corruption and embezzlement at all levels of education system:** Corruption and embezzlement are major challenges to the financing of higher education in Nigeria. Funds meant for the development of tertiary institutions are often diverted to other purposes. This has led to a decline in the quality



- of education and a shortage of critical resources.
2. Poor research funding: Research funding in Nigeria is inadequate. This has made it difficult for institutions to conduct high-quality research and to attract and retain top talent.
  3. Industrial action by staff: Industrial action by staff, such as strikes and lockouts, is another challenge to the financing of higher education in Nigeria. These actions disrupt academic activities and can lead to a loss of revenue for institutions.
  4. Insufficient Research funding: Research funding allocation in Nigeria is inadequate making it very challenging for tertiary institutions to conduct high-quality research and to also attract and retain talent.
  5. Lack of commercialization window for local innovation: There is also lack of commercialization window for local innovation in Nigeria. This has made it difficult for institutions to generate income from their research and to promote the development of new technologies.
  6. Lack of political will: There is a lack of political will to diversify higher education funding in Nigeria. The government is reluctant to increase its funding for the sector and the private sector is also hesitant to invest in higher education.
  7. Inadequate infrastructure: There are very limited tertiary institutions in place that can meet the demand for higher education and most of the existing institutions are often poorly equipped.
  8. Cultural factors: Cultural factors can also pose a challenge to the diversification of tertiary education funding in Nigeria. This is because many people believe that education financing is entirely the responsibility of the government. Thus, reluctant to pay tuition fees or donate funds to tertiary institutions.
  9. Overreliance on Government Funding: Historically, the Nigerian education sector has heavily depended on government funding. However, insufficient allocation of funds from the government has resulted in inadequate infrastructure, outdated curriculum, and low-quality educational services.
  10. Limited Access to Educational Loans and Scholarships: Many students face challenges in accessing educational loans and scholarships, hindering their ability to pursue higher education due to financial constraints.
  11. Disconnect Between Industries and Centers of Learning: There is often a gap between academia and industry in Nigeria. Higher education institutions may not align their curricula with the needs of the job market, leading to a mismatch of skills and limited employability of graduates. This disconnect reduces the attractiveness of local institutions to potential investors and hampers industry collaborations (Adeniran & Adeyemo, 2018).
  12. Socioeconomic Disparities: Diversification may exacerbate socioeconomic disparities among institutions. Elite universities may have an advantage in attracting private funding and research grants, while smaller or less renowned institutions struggle to secure alternative sources of funding (Oni, 2016).
- Way Forward**
- Addressing the challenges of higher education financing in Nigeria requires a comprehensive and multi-faceted approach.



Some potential solutions that can help tackle these challenges are highlighted below:

1. **Anti-Corruption Measures:** Implement strict measures to combat corruption and embezzlement in the education sector, including increased oversight, regular audits, and severe consequences for those involved in fraudulent activities.
2. **Improved Governance and Accountability:** Strengthen governance structures within higher education institutions to ensure funds are utilized appropriately and in line with institutional goals.
3. **Diversification of Funding Sources:** Encouraging the government to explore diverse funding alternatives beyond its budget allocation, such as public-private partnerships, endowments, and alumni contributions etc.
4. **Increasing Research Funding:** Allocation of higher proportion of the budget to financing of research will foster innovation and also enhance the quality of research in tertiary institutions in Nigeria.
5. **Commercialization:** Creating platforms for commercialization of local innovation can go a long way in addressing tertiary education funding challenges by generating income for those institutions.
6. **Advocacy and Political Engagement:** Engagement with policymakers, politicians, and other stakeholders to build political will for increased funding of tertiary education and also diversification of funding sources.
7. **Public Awareness Campaigns:** Educating the public about the importance of diversified funding for higher education and involving them in supporting institutions through donations and endowments.
8. **Public-Private Partnerships: (PPP).** Encouraging collaboration between higher education institutions and the private sector to attract funding and resources for research, infrastructure, and academic programs.
9. **Provision of Scholarship and Loan Opportunities:** government should also expand access to educational loans and scholarships to

enable more students pursue higher education without financial constraints.

### **Conclusion**

Indeed, diversification of education funding in Nigeria has the potential to improve the quality and accessibility of education. But it's pertinent to note that, funding higher education in Nigeria requires a multi-faceted approach that combines state funding, internally generated funds, and external funding. This is because adequate state funding, supplemented by internally generated revenue and strategic external partnerships can ensure the sustainability and growth of higher education institutions in the country. However, despite the prospects of diversification, diversification of education funding comes with its challenges which if properly addressed will help ensure sustainability in terms of funding and access to quality tertiary education in Nigeria. Addressing those challenges requires a concerted effort from the stakeholders (government, private sector, and civil society) to create sustainable funding mechanisms and ensure proper utilization of resources to achieve significant progress in the education sector. Therefore, by diversifying sources of higher education financing, Nigeria can enhance the quality and accessibility to its tertiary education institutions and thereby contribute to national socio-economic development of the nation.

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