AN OVERVIEW OF PUBLIC FINANCE ASA GUIDE TO UNDERSTADING EDUCATIONAL FINANCING

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Since education is recognized as a social service, governments the world over have continued to maintain a commanding position on matters relating to its provision and financing. Educational costs and finance then constitutes an integral part of the public finance process. A brief overview of the later is therefore needed for a proper understanding and articulation of the former.

Public finance represents the monetary pictures or the financial manifestations of governmental activities within a national economy. These manifestations are mainly in two components, namely, revenue and expenditure. The various interrelation activities that are built into analyzing, proper articulation and rationally founded decision making on the management of revenue and expenditure activities constitute the public finance process.

Generally, the government of any country owes the citizens some basic responsibilities. These includes provision of basic social goods and services on a non-commercial rate, maintenance of general administration, law, order and security and provision of social welfare services for some disadvantage members of the society. For these reasons, police and armed forces have to be maintained, electricity, good roads, water and other public utilities have to be provided, hospitals, health centers and social welfare centers have to be built and educational institutions have to be established. A large corp. of public servants have to be maintained to run the administration and provide other services.

Government's incure enormous expenditures to accomplish these objectives. Government expenditures, are of two components- capital and recurrent. Capital expenditures are lump sun financial outlays on long lasting assets like building of dam, stadium, road, purchase of machines, equipment and so on. Recurrent expenditure on the other hard constitutes expenditure of a regular or reoccurring nature on salaries, purchase of materials and over consumable items, payment of utilities bill, and entertainment.

To continue to meet those financial obligations, government has the constitutional mandate to generate revenue from varied sources among which includes taxes (direct and indirect) loans, transfer, payments and revenue from sale of goods or rendering of services by public enterprises.

Direct taxes as the name implies are taxes targeted directly on the income of the payer, like personal income tax, poll taxes company taxes, expenditure tax (ie on non-saved income) capital taxes (on capital assets) and special taxes (like royalties, fees and rent). Indirect taxes are those levied on units of goods purchased or services enjoyed like export duties, import duties, exercise duties marketing Board reserves and Licences. In addition to serving as a source of government revenue, taxes are sometimes levied to control prices or check inflation, check importation and /consumption of certain goods and to reduce the level of income inequalities (i.e redistribute income).

Generally, taxes, whether direct or indirect have some effects on the basic microeconomic variables (like price employment, income level and the supply of goods and services. Some taxes could become a deterrant to enterprise and hard work; while some could give rise to inflation or cause resource reallocation. All these have ultimate bearing on national output, economic growth and level of welfare. People therefore hardly pay taxes voluntarily.

One of the major policy trust in public finance process is on designing a tax structure that will reduce the adverse effect of taxation and ensure greater compliance. This constitutes the basis for identifying principles of a good tax system. Administratively a good tax system should be specific on what is to be paid (certainty), it should ease compliance and not costly to administer. Such tax system should be publicly acceptable as fair (acceptability) and possible to enforce (enforceability). Fairness in a tax system is structured on benefit or ability to-pay (proportional or progressive) principles.

Usually, due to revenue shortfall to meet the demands of the citizens, government sometimes borrow either from internal or external sources to meet her expenditure estimates. Since the value of these national debts have become enormous, nations have now come to see debt management as a strategic component of the public finance process. Strategies are 1:ow integrated into the debt management process to reduce its adverse effect on the basic macro-economic variables (price level, income, national output and level of employment) and therefore national welfare and economic growth.

The extent to which a nation efficiently manages the basic components of the public finance process (revenues, taxes and national debt) will to a significant level determine the magnitude of economic and social or welfare programmes that can be provided for the citizens. It is in fact in this light that educational finance constitutes an integral part of the public finance process.

For Less Developed Countries (LFCs) like Nigeria, unique features and problems have been associated with their public finance activities. For quite some time, those countries have continued to manifest high ratio of population to capital, over dependence on primary production and or single production (i.e monocultural economy) and respondence of subsistence economy. Consequently, the output, income level and therefore level of welfare have been deplorably low.

It is clearly evident from the public finance angle that government of these countries are being increasingly required to accommodate higher spending pressures on over going public services. Such pressures are even in the face of low taxable capacity and tax efforts, growing uncertainties in the government revenue and expenditure position, rising level of debt burden, growing vulnerability in international economic relations and rising wave of public corruption and mismanagement. The prospect of meeting the basic social needs, including education for now and even in the near future in slim. (Agabi 1990).

The above understanding should form a strong basis for rationalizing on materials related to educational finance. This we shall do by first examining the concept of educational finance.

Concept of Educational Finance

The term educational cost and finance or educational finance is used to describe the financial pictures, characters or manifestations of educational sector activities of a society at a point in time. Two major components of this financial pictures are educational revenue and educational expenditure. Educational finance as an area of scholastic study is therefore concerned with an empirical, logical and systematic analysis and rationalization of these financial pictures of educational sector activities with a view to providing a guide for rational resources allocation and appropriation in meeting the divergent educational objectives of a given society.

The basic scope or ramifications of educational finance as an area of scholastic investigation. Therefore revolves around the following set of activities:

a) Determining or forecasting into the various sources of educational funds and the various components of educational expenditures and costs.
b) b) Analyzing and rationalizing the various methods of financing (revenue generation and disbursement) education
c) Developing a frame work for understanding the educational fund flow behavours, which forms a rational basis for financial control and accounting for educational funds.
d) Developing a rational basis for determining who should pay and who should bear the burden of providing different levels or types of educational services.

e) Developing the most rational and efficient accounting and financial control tools for effective management of the financial resources and potentials of an educational organization.

Justification for the Study of Educational Finance

Educational finance has no doubt metamorphosized into a distinct field worthy of scholastic exercise in the realms of the economics of education. The rationale for this development are legions and in fact very significant. Firstly, financial resources constitutes the life- wire of educational service activities. Finance is required to pay salaries of teachers and other educational staff, purchase educational equipment and other consumable items, construct educational buildings, pay bills for utilities and meet other sundry educational running expenses. The character and the dynamism of those items of educational finance and what determines their prospect must therefore be of pragmatic value to those who must pattern the direction and dynamism of growth and development of the educational system (i.e educational planners and administrators).

The financial resources available to education is by far limited in supply (just like in other sectors of human endeavours) relative to the numerous, ever-growing and competing educational objectives and needs. That situation is even worsening with each passing year, most especially for the LDCs. The core exercise in the study of educational finance enables us to design tools and develop strategies that will ensure optimal utilization of those limited financial resources and even source alternative ones. A greater proportion of the educational objective ones. A greater proportion of the educational objectives are achieved when there is rational use of a given educational resources than when rationality is not attained.

Every nation develops a plan of the educational goals, objectives and targets that is desirable to pursue. The basic skills and knowledge acquired in the study of educational finance enables us to be more precise about the resource implications of meeting three educational plans, targets or objectives in terms of financial requirement. This ensures that resources are harnessed to execute the planned educational projects or programmes.

The peculiar position that that education occupies within the context of national welfare, growth and socioeconomic development needs to be analyzed and properly articulated. This is the first step towards developing a viable and more rational criteria for funding the educational sector. This is an exercise that is carried out in the study of educational finance.

Education has continued to enjoy a significant government support as a social service. Tools in the educational finance proves like the budget provides the users of these educational funds the pedestal on which to account for the use of such public funds. This in fact remains the most rational justification for continued government support. (Agabi and Agabi: 1990).

A broad knowledge of educational finance is needed by educational planners and administrators to enable them properly and more precisely anticipated and in fact nib certain financial crisis in the bud, long before such crisis have opportunity to occur and also correct crisis if they eventually occur.

Concept of Educational Revenue and Expenditure

Educational revenues represent the total inflow of financial resources to an educational institution or organization within an accounting period or fiscal year. The basic components of educational revenue includes grants, loans, foreign aid, school fees, alumni fund, endowment fund and income from investments or educational and entertainment activities. Educational revenue constitutes the life wire of the educational system. The character of the revenue receipts or inflows is therefore a significant variable in the determination of the magnitude and quality of educational services that can be provided.

The character of revenue inflow is assessed in terms of the size and regularity of the inflows. These variables are in themselves determined by the sources and methods of financing education and the factors influencing them.

Educational institutions or organizations derive funds from two main sources, namely, the external and internal sources. The external sources can be dicotomised into two groups, namely governmental and the non-governmental sources. Items of revenue from governmental sources includes grants (annual and special), subvention and loans. The non-governmental sources includes revenue from donations, endowment fund appeal fund loans and the rest. The internal revenue sources includes income from school fees, returns from investment ventures, sale of services and revenue from entertainment and other social activities.

The basic character of educational revenue flows is essential to the proper understanding of the quality and continued viability of the educational system. In most of the LDCs, a greater proportion of educational revenue is sourced from the government, through grants. The proportion of income generated from internal sources have been negligible. The dwindling economic fortune of those economies the educational industry in a serious problem in terms of revenue prospects. It is only in this light that the growing financial problems facing the educational systems in there countries can be better understood and better appreciated.

Educational expenditure represents the out flow of financial resources to owners of production factors to ensure that they continue to supply them in the educational industry. It is the total expenses incurred in acquiring goods or services used in the provision of educational services in meeting the educational needs of a given society at a point in time. Educational expenditures can be divided into capital and recurrent expenditures.

Recurrent expenditures are those expenditures that their value expires within the accounting year. The basic items of recurrent expenditures include salaries and allowances, purchase of educational consumable items like stationeries, transportation research and developments instruction and supervision, health services, feeding and accommodation, sports, general administration, entertainment, payment of utility bills and debt servicing. On the other hand, capital expenditures are the total amount of financial resources expended in purchasing long-lasting assets (like machinery / equipment, furniture's construction of buildings maintenance, library books, vehicles) and acquiring services of a long-lasting value.

It is sometimes desirable to distinguish between pure educational and non-educational expenditures. While payment of teachers salaries, purchase of educational equipments, books and materials and construction of laboratories and classroom buildings are classified as pure educational expenditures, those expenditures on feeding, boarding, health services and sports are non-educational services. This is because they do not have direct bearing on the provision of educational services. Hence, they are regarded as expenditure on support services.

Salaries of teachers constitute the biggest item of recurrent educational expenditures. The character of teachers salaries as an educational expenditure item is significantly influenced by the growing size of teachers' population (occasioned by the increase in the number and size of educational institutions), the improved quality of the teaching work force (through training and experience) and the general salaries reviews. As a basic component of the pure educational cost, teachers' salaries constitute the most critical item in the educational expenditures. Its dynamism is therefore needed for a proper understanding of the educational expenditure trends in the future.

It can be easily recognized here that while the inflow of resources is low and dwindling, the out-flow have been disproportionately high and in fact growing. The obvious signals is that other alternative sources of educational revenue have to be urgently sought, if the educational system is ever to meet the divergent and ever growing needs and demands for educational services by the citizenry. It is in this light that it may become necessary to properly articulate the rational justification for the existing pattern of educational funding in any society.

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