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## Investment in University Education in Nigeria: Obstacles and Possible Solutions

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**Abstract:** This paper examined obstacles to investment in public university education in Nigeria. The paper employed content analysis to select the literature used in the paper. Secondary data were used in the paper. The secondary data were collected from print and online publications. The paper identified; poor internally generated revenue of the universities, corruption, national debt servicing, insecurity problems, subsidized payments, revenue leakages, lack of implementation of funding policy and fall in national revenue as the obstacles to investment in Nigerian universities. To address these problems, the paper recommended that the federal government should block all revenue leakages in the country to enable the country to generate maximum revenue. The federal, state and local government should have the political will to implement the national policy on funding education in Nigeria. The government should strengthen the anti-corruption agencies to fight corruption in all public institutions, especially the universities. Universities administrator should increase their internally generated revenue by exploring other viable revenue generation areas; like venturing into transportation businesses within the community, they can set up a bakery to produce bread, direct investment in economic and business ventures; large-scale agricultural production and animal husbandry as well as income earned from banks through the placement of surplus funds on fixed deposits, manufacturing of table water, establishing primary and secondary schools and run consultancy services as an arm of their investment company.

**Key words:** Investment, University Education.

### Introduction

The history of University Education funding in Nigeria dated back to 1948 when the University College Ibadan (UCI) was established following the Elliot Commission's recommendations. The Elliot Commission was set up in the year 1943 "to report on the organisation and facilities of the existing centres of higher education in British West Africa, and to make recommendations regarding future university development in that area" (Gambo & Fasanmi 2019; Fafunwa, 1971). At creation, UCI operated as a college affiliated with the University of London, it was however accorded university status in 1962 and re-named as University of Ibadan (UI). Ukeje (2002) and Gambo & Fasanmi (2019) noted that UCI was funded from two main sources. The Nigerian government provided 70 per cent of the funds while the United Kingdom provided 30 per cent of the total recurrent cost. Since then and up till now, there is a low level of University education funding and it is often an issue among stakeholders with its effects on the quality of university education in Nigeria.

Investment in Nigerian tertiary institutions especially the universities is poor by both the federal and state governments (Akinyemi & Bassey, 2012; Tunde, & Issa, 2013; Akomolafe, & Ibijola, 2014; Otokunfer 2015). According to Ogunode (2020) in Udida, Bassey, Udofia, & Egbona, who observed that the major issue in educational development is the shortage of funds. One of the most serious problems threatening the survival of the educational system is the dwindling level of public funding in the face of rising demands and hence the rising cost of higher education. This shortage of funds affects job performance and the growth of the institution. Higher educational institutions cannot perform optimally without funding. This situation calls for increased funding initiatives from both the government and educational stakeholders to sustain the tempo and growth of the education industry. The inability of the Nigerian government to objectively accept and implement the 26% funding formula for education recommended by UNESCO impact negatively on the performance and sustainability of higher education. Thus, it has become obvious that Nigeria's neglect of the funding formula is detrimental to higher educational institution performance and development aspiration as quality performance is the veritable instrument for the sustenance of the education system. This neglect has further precipitated crises in the entire higher education system as effective teaching, research and community services are no longer taking place as expected. Akinola (1990), was worried about the funding situation and commented thus: "Our higher institution education systems are in dire need of money to cater for both their capital and recurrent needs. For a few years past, the budget have been cut back from year to year by the federal government. This cut back has affected both capital and recurrent expenditures. In many higher institutions capital projects embarked upon few years ago, are yet to be completed due to lack of adequate funds".

Most of the recently recorded crises in Nigerian Universities are traceable to funding issues. Many universities have been under lock and key, at one time or the other because of agitations on issues bordering on money. While some were shut down on account of non-payment of allowances of workers, some others are as a result of issues concerning poor welfare services of students. The problem of insufficient buildings, under-equipped laboratories and facilities in Nigerian universities can be traced to inadequate funding. Most student riots in the university and even most of the crises between university unions and the federal government of Nigeria can be traced to monetary issues which revolve around inadequate funding of their institutions. It is imperative to examine the obstacles to investment in the university education system in Nigeria (Gambo & Fasanmi 2019).

### Obstacles to Investment in University Education in Nigeria

Poor internally generated revenue of the universities, corruption, national debt servicing, insecurity problems, subsidize payment, revenue leakages, lack of implementation of funding policy and fall in

national revenue will be considered in this paper as the obstacles that have prevented investment in the Nigerian university education system.

### **Poor Internally Generated Revenue of the Universities**

Poor internally generated revenue of many public universities in Nigeria has limited their investment in university education. The university system needs adequate annual financial investment to be able to realize its objectives. The present structure of the public universities in Nigeria limited their financial autonomy to generate large sum of money from tuition fees.

The internally generated revenue of public higher institutions in Nigeria is small and contributes a small percentage to the total funding of the various institutions in the country (Ogunode, Abubakar & Ajape 2021). Okani, Ogunode & Ajape (2021) observed that the poor internally generated revenue of the universities in Nigeria is a fundamental reason for a shortage of funds in the universities across the country. Majorities of public universities in Nigeria were designed and structured to depend fully on government subventions. So, universities cannot function without government funding.

### **Corruption**

Corruption in Nigeria and the administration of the universities have also prevented large investments in public universities. Public institutions in Nigeria are full of corruption and this has limited the allocations of funds to the various units. Funds are diverted and looted by government officials in some educational establishments. The available resources in the coffer of the government are not managed properly to ensure effective allocation to all sectors of the economy.

In the internal administration of the universities, corruption has also penetrated leading to misappropriation and mismanagement of resources. Many universities in Nigeria are losing a large sum of money to corruption in the system (Ogunode, Josiah, & Ajape 2021; Ogunode, & Ohunene & Olatunde-Aiyedun, 2022 Priye (undated); Ololube (2016). Ahmodu, & Sofoluwe (2018), noted that corruption manifests in Nigerian Universities mostly as; bribery, embezzlement, money laundering, financial misappropriation, falsification of academic records, non-remittance of tax or money collected, contract inflation and ghost worker syndrome. Ololube, (2016) and Chikowore in Mapolisa, Ncube, Tshabalala, and Khosa (2014) opined that the number of cases of embezzlement and mismanagement of funds by higher education leaderships in Nigerian are quite frightening. Ahmodu, & Sofoluwe, stated that they have accused University administrators of financial scandals. From vice chancellors to bursars, various officials of major Nigerian universities have been accused of corruption with some of them already being prosecuted. The recently prosecuted Universities are; Federal University of Agriculture Abeokuta (FUNAAB), Federal University of Technology Akure (FUTA), University of Calabar (UNICAL), Obafemi Awolowo University Ile-Ife (OAU) and University of Ibadan. The Vice Chancellors and Bursars have been accused of mismanaging funds which were part of the N100 billion released by the Federal Government in 2013 to universities in response to agitations by the Academic Staff Union of Universities (ASUU) for upgrade of facilities at the tertiary institutions in Nigeria (Telegraph Newspaper, 2016). Khan et al. (2012) posited that corruption exacerbates paucity in Nigerian Universities. Ogunode, Josiah, & Ajape identified reduction of funds for administrative functions, shortage of infrastructural facilities, shortage of academic staff, poor quality of education, resources wastage, increased in administrative cost, hampering development of public universities and resulting to poor image of public universities in international communities as negative effects of corruption in Nigerian university system.

### **National Debt Servicing**

High debt servicing of both federal and state governments in Nigeria has contributed to low investment in the educational sector, especially the university system. Every year, federal and states government budgeted huge sum of money to service debt from the revenue generated. The high debt services by the federal and state government are eating deep into the government revenue and are preventing huge investments in the educational sector. According to data from the Debt Management Office (DMO), as of June 30, 2015, the nation's external debt stood at \$10.31bn and total public debt of

\$63.806bn or N12.1trn. Fast forward to 2021, the figure has almost tripled to \$37.95bn for foreign debt and \$92.626bn or N38.0trn for total public debt as of September 30<sup>th</sup> 2021. This indicated a 268 per cent increase — an average of 44.5 per cent per year — in external debts and a 214.0 per cent increase in total debts in six years. To sustain these debts, the Federal Government spends trillions of naira yearly on debt servicing — an amount required to cover the repayment of interest and principal on a debt(s) over some time (Chukwuajah, 2022). In the past five years, beginning from 2017, the government has spent a total of N15.375trn on debt servicing, excluding N296bn and N110bn allocated for sinking funds in 2019 and 2020. In 2017, the sum of N1.841trn (including N177.5bn for sinking fund) was budgeted for debt services, which was 37.26 per cent of the total revenue of N4.940trn and 25.22 per cent of the total expenditure of N7.298trn. In the 2018 budget, the Federal Government allocated N2.014trn and N190bn for debt servicing and sinking funds, respectively (totalling N2.204trn). The amount for servicing of national and state debts has affected investment in university education.

### **Insecurity Problems**

The insecurity challenges facing Nigeria have taken a large sum of monies which has prevented allocation to other sectors in the economy like the education sector and in particular the university system. Every year security budget takes almost a large allocation of the total budgetary allocation. This has reduced investment in university education in Nigeria. For instance, an investigation carried out by Daily Post (2022) reveals that the security budgets from 2016 had increased from N1 trillion security budget to N2.4 trillion in 2022 budget. In 2022, N2.41 trillion was allocated to security and defence, this is more than the entire allocation to education and health. The entire budget for education in 2022 budget was N1.290 trillion. Out of which N875.93bn was for the Ministry of education, all universities, polytechnics, Colleges of education, unity schools and other federally owned schools. While the Universal Basic Education fund will get N108 billion and TETFUND will get N306 billion for infrastructure in tertiary education. All these funds are less than half allocated to defence and security. Even health could only get 5% of the entire budget. The entire federal allocation to health is N811.2 billion, including funding for vaccines and basic healthcare trust funds. Statistically, the 7% allocation to education and 5% allocation to health, put together, is less than the 15% allocated to security. The entire sum of security in the 2016 budget was N1.04 trillion, and in 2022 was N2.4 trillion. In 2017, N1.053 trillion was appropriated for defence-related expenditure. The Ministry of defence was allocated N330.54 billion and N139.29 billion for capital and recurrent expenditure. In 2018, over N1.305 trillion was allocated to the defence-related sector. In that same year, President Buhari also authorized the withdrawal of \$1 billion from the excess crude oil account, out of which, \$496 million was used to order the 12 Tucano fighter jets. By 2019, the allocation to security jumped to N1.76 trillion. The breakdown is as follows: Interior; N617.9 billion, defence; N589.9 billion, police; N366 billion, operation Lafiya Dole N75 billion, and Office of the National Security Adviser, N120 billion. The allocation to the security sector increased a little bit to N1.78 trillion in 2020, while the allocation to security-related agencies was N1.97 trillion in 2021. Also, the implementation of the Police Trust Fund commenced in 2021, in March, N11 billion was approved for the fund and another N74 billion was approved in June. In the 2021 supplementary budget, a total of N802 billion was allocated to security agencies to shore up their revenue (Daily post, 2022). The insecurity challenge in Nigeria is competing with resources in many sectors of the economy, especially the educational sector (Olowonefa, Ogunode & Ohibime 2022; Ogunode, Abubakar & Ajape 2021). An investment that was supposed to have gone into the educational sector has been taken by the security institutions for the fight against insecurity in the country.

### **Subsidize Payment**

The large number of funds paid on subsidies by the Nigerian government yearly has affected the government investment and expenditures on other sectors of the economy like the educational sector especially the universities. Every year the Nigerian government paid trillions of naira on subsidies for petroleum products. A study by the Cable (2023) indicated that the national oil company said in its monthly

presentation to the Federation Account Allocation Committee (FAAC) meeting on Wednesday, January 17, 2023 that due to deductions for subsidy payment, the oil company had zero contribution to the federation revenue account in the month under review. In January, February, and March 2022, petrol subsidy payments gulped N210.38 billion, N219.78 billion, and N245.77 billion, respectively. In April, May, and June, the country spent N271 billion, N327.07 billion, and N319.18 billion, respectively. Also in July, August, September, and October, the subsidy gulped N448.782 billion, N525.714 billion, N341.937 billion, and N239.411 billion, respectively. "The NNPC Limited deducted the sum of N152,852,247,197.02 as PMS value shortfall recovery for November 2022. This brought the cumulative deduction between January and November 2022 to a total sum of N3,302,465,705,596.30," the document reads. Experts have said subsidy payment is one of Nigeria's biggest challenges as it continues to deny the country profits from its oil sector. The funds that should be invested in the educational sector and health sector are spent on subsidy payments (Ogunode, Ahmed & Ayoko, 2023; Ogunode & Madu, 2021). This payment for decades has reduced investment in the educational sector.

### **Revenue Leakages**

The high level of national revenue leakages in Nigeria has also contributed to the poor investment in university education in Nigeria. The various institutions established to collect revenue for the country have not adopted the best practices to prevent leakages. The inability of these agencies to collect the actual revenue that was supposed to have come to the government coffer has limited the total revenue that accrued to the federation account. The Nation online (2021) disclosed that the Federal Government is losing over N5 trillion in revenue yearly, based on the inability of the Federal Executive Council (FEC) to find solutions to the highly corrupt business environment at the port. The Federal Government loses over \$1.95 billion in government revenue and \$8.15 billion in private sector revenue annually due to corruption at the nation's sea ports. The report also indicated that "The Federal Government is losing over N5trillion to corrupt officials and foreigners. Without any doubt, the money lost based on the high level of corruption at the ports weighs very heavily on the economy of the country, forcing the government to borrow several billions of dollars to finance our budget (The nation online 2021).

### **Poor Implementation of Funding Policy**

The poor implementation of the national policy funding on education by the both state and federal government have also limited the universities' education in Nigeria. The National policy on education (2013) stated clearly that the government shall allocate a minimum of 26% of the total national budget to the education sector. Ohiare, Udebu, Ogunode & Rauf, (2021); Okani Ogunode, & Ajape (2021) observed that the Nigerian government refused to implement the funding policy which stated that at least 26% of the total budget would be allocated to the educational sector. This is another factor responsible for the underfunding of the higher institutions across the country.

### **Fall in National Revenue**

The fall in the national revenue of Nigeria has reduced government expenditure for about a decade now. For the past decade, the national revenue has not been stable due to many challenges such as the insurgencies, banditry, Covid-19 pandemic, and Russia-Ukraine war. An investigation by Punch (2023) revealed that the Federal Government has recorded a revenue shortfall of N14.28tn from 2016 to 2022 according to data from the Budget Office of the Federation. The data was obtained from the budget implementation reports for years 2016, 2017, 2018, 2019, 2020, 2021, and 2022. In the period under review, the Federal Government projected N43.05tn as revenue to fund its budget but made only N28.77tn (66.83 per cent of expected revenue). In 2016, the Federal Government's projected revenue was N3.86tn, but it realised only N2.95tn. In 2017, the revenue projection was N5.08tn while the revenue realised was N2.66tn. In 2018, the revenue projection was N7.17tn, while the government realised N3.87tn. In 2019, the revenue projection was N6.99tn and realised revenue was N4.12tn. In 2020, the Federal Government's projected revenue was N5.84tn, but actual revenue amounted to N4.04tn. In 2021, the revenue projection was N6.64tn, actual revenue was N4.64tn. In 2022, the projected revenue was N7.48tn, actual revenue

amounted to N6.49tn. The revenue shortfalls echo concerns by the Minister of Finance, Budget, and National Planning, Zainab Ahmed, over the government's inability to generate adequate revenue. Nigeria relies on oil for the majority of its revenue and in recent times, this revenue source has been impacted by low production and subsidy payment (Punch, 2023). Revenue generation remains the major fiscal constraint of the federation. The systemic resource mobilisation problem has been compounded by recent economic recessions we have witnessed, one during the first term of this administration in 2016, and the most recent one in 2020. Revenue shortfall also affected expenditures and investment in education especially the university education in Nigeria.

### **Measures to Increase Investment in University Education in Nigeria**

For possible measures to increase investment in university education in Nigeria, the paper hereby recommends the following;

1. The federal government should block all leakages in the revenue generation institutions by adopting Information and Communication Technology, and an effective auditing and monitoring system. This will help the federal government to generate more revenue and the universities will get more funds.
2. The federal and state government should develop the political will to implement the national policy on funding education in Nigeria. This will help to provide more funds for the university administration.
3. The government should be serious in the fight against corruption in the country. All anti-corruption agencies should be reformed and strengthened to fight corruption in all public institutions including the university system.
4. The university system should leverage other sources of funding such as alumni contributions, the private sector finance, university ventures, Public-Private Partnership and research grants, to attract additional revenue for infrastructure, research, and development. The institutions can also embark on innovative research that could help boost production and diversify the economy.

### **Conclusion**

This paper examined obstacles to investment in public university education in Nigeria. The paper identified; poor internally generated revenue of the universities, corruption, national debt servicing, insecurity problems, subsidize payments, revenue leakages, lack of implementation of funding policy and fall in national revenue as the obstacles to investment in Nigerian universities. To address these problems, the paper recommended that the federal government should block all outlets of revenue leakages in the country to enable the country to generate maximum revenue. The federal, state and local government should develop the political will to implement the national policy on funding education in Nigeria. The government should strengthen the anti-corruption agencies in all public institutions, especially the universities. Universities administrator should increase their internally generated revenue by exploring transportation businesses within the community, they can set up a bakery to produce bread, direct investment in economic and business ventures; large-scale agricultural production and animal husbandry as well as income earned from banks through the placement of surplus funds on fixed deposits, manufacturing of table or sachet water, establishment of primary and secondary schools and run consultancy services as an arm of their investment company.

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