



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF EDUCATION

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COURSE TITLE: EDUCATION FINANCE



**COURSE  
GUIDE**

**EDA 915  
EDUCATION FINANCE**

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## **INTRODUCTION**

The course guide provides comprehensive information on necessary steps to take in order to derive maximum benefits from the course material. The course covers different areas of education finance such as investment in education, conceptual issues in education finance, national and international perspectives on education finance. Other areas include budgetary allocation, management of resources and appraisal techniques in education at different levels. At the end of each unit, is a Self- Assessment Exercise that enables you to determine the extent of your understanding of that particular unit. In addition, there are Tutor-Marked Assignments that constitute integral part of your evaluation.

## **WHAT YOU WILL LEARN IN THIS COURSE**

Finance has been identified as the most important of all resources required for quality educational delivery service. This is because it is capable of influencing the quality and quantity of other resources which are needed for execution of educational programmes. Therefore, it is important for prospective educational administrators and planners to have a perfect understanding of the dynamics of education finance. You will learn about the various terminologies in education finance, strategies for resource mobilisation, education finance in Nigeria, as well as experience in developed economies of the world. In addition you will learn about budgetary allocation as well as cost analysis in education.

## **COURSE AIMS**

The aim of the course briefly put, is to equip you with necessary skills to function effectively as educational administrators and planners that would influence policy decisions in areas of education finance for quality education delivery service.

This will be achieved through:

- introduction of students to foundational issues in education finance.
- identification of strategies for education finance from national and international perspectives.
- exposure to techniques for education finance in developed economies and implications for education finance in Nigeria.
- itemising of educational costs and analysis in education finance
- highlights of different methods of financing human resources in education

## COURSE OUTLINES

In order to achieve the aims of the course outlined above, there are specific objectives that are clearly stated at the beginning of each unit in the course material. Through this approach it would be very easy for you to determine the extent to which you have achieved the objectives stated at the end of each unit.

On successful completion of this course, you should be able to:

- appraise the correlation between education and development
- identify the private returns on educational investment
- itemise the non-market private returns on educational investment
- explain the public returns on educational investment
- list the non- market public returns on educational investment
- define some basic concepts in education finance
- state reasons for government involvement in the funding of education
- highlight the merits and demerits of government funding of educational system
- itemise factors that influence government support of education
- classify educational finance
- identify constraints to education finance in Nigeria
- identify specific developments on student finance in Nigeria
- itemise some of the measures that can improve student financing in Nigeria
- state the basic methods of educational finance
- state the difference between the policy of the colonial administration and post colonial administration on education
- identify the specific landmarks in policy direction and corresponding impact on education financing in Nigeria
- highlight the various challenges to educational finance in Nigeria
- state solution to some of the constraints to educational finance in Nigeria
- highlight the functions of educational finance
- identify different sources of educational finance
- outline various methods of educational financing
- identify specific contributions of donor agencies
- state the evolution of education development projects
- list important aid agencies
- mention their scope of operations
- define an international development agency
- identify different international development agencies
- state the historical origin of different international development agencies

- list some of the contributions of different international development agencies to education in different countries
- distinguish international development agencies from foundations and nongovernmental organisations
- identify the percentage of total budget that is committed to educational finance in the selected countries
- state the sources of educational finance in these countries
- list the roles of each tier of government in educational finance
- identify similarities and dissimilarities in educational finance among these countries
- list the impact of politics on educational finance
- explain the meaning and concept of budget
- identify the various types of budget
- discuss on the various types of budget
- explain the importance of school budget
- define education costs
- discuss the concept of educational costs
- enumerate the types of Educational Costs
- explain production function
- discuss factors which influence educational costs
- state the uses of cost analysis in education
- explain the traditional control technique
- explain the concept of resources in education
- discuss the various types of resources in education
- explain the term “human resources/personnel management
- discuss the major benefits of Employees’ performance to Employers
- explain the concept of Human resources and Human capital
- explain the classification of labour force
- state the importance of Human resources
- discuss Human Capital formation
- explain the means of Human capital formation
- discuss in details, the concept of resource allocation in education
- explain the types and relevance of educational resources
- explain the factors affecting resource allocation in education
- explain the concept of Education and Economic Welfare
- explain the Concept of Marginal Productivity
- discuss the factors that affect earning differentials
- enumerate the concept of become distribution
- explain the issue of cost-benefit in Education
- explain the concept of Cost-Effectiveness in education
- explain the issue of efficiency in education
- discuss the issue of productivity in education
- explain the issue of cost-benefit in Education

- explain the concept of cost-reduction in education
- discuss the uses of cost analysis in education
- explain the types of data needed for cost analysis
- enumerate recurrent and capital costs analysis
- explain cost recovery in education
- explain cost behaviour analysis in education
- discuss the factors that determine cost levels in education.

## **WORKING THROUGH THIS COURSE**

It is expected that before the completion of this course you must have read the study units, textbooks and other prescribed materials for this course. Each unit also contains Tutor- Marked Assignment that will form part of your personal assessment on this course. Assignments and class works will be given periodically, and final examination will be conducted after the completion of the course.

## **COURSE MATERIALS**

The major components of the course are:

1. Course outline
2. Course guide
3. Study units
4. Textbooks

## **STUDY UNITS**

There are seventeen units in this course and they are arranged in the following sequential order:

- |         |  |
|---------|--|
| Unit 1  | Education as an Investment   |
| Unit 2  | Conceptual Issues in Education Finance                                     |
| Unit 3  | Concept of Education Finance   |
| Unit 4  | Historical Perspectives of Education Finance in Nigeria                    |
| Unit 5  | Sources of Education Finance in Nigeria                                    |
| Unit 6  | Role of Nongovernmental Organisations and Foundations in Education Finance |
| Unit 7  | International Development Agencies and Education Finance                   |
| Unit 8  | Education Finance in Selected Developed Countries                          |
| Unit 9  | Budgeting and Uses   |
| Unit 10 | Education Cost and Financial Analysis                                      |
| Unit 11 | Management of Financial Resources  |
| Unit 12 | Human Resources and Human Capital  |
| Unit 13 | Resource Allocation in Education   |

Unit 14	Education Finance and Economic Welfare of Personnel
Unit 15	Cost Effectiveness, Efficiency and Productivity
Unit 16	Measures for Reducing Unit Costs of Education and other Uses of Cost Analysis in Education
Unit 17	Analysing Cost behaviour

Each unit consists of introduction, objectives, main content, conclusion, self assessment exercises, summary, Tutor-Marked Assignments, references and suggested textbooks for further reading. The self-assessment exercises are meant to assist you in achieving the stated objectives for each unit as well as the overall objectives of the course.

## **TEXTBOOKS**

There are many books on this course but you are advised to read current and relevant textbook on the course. You will find the under listed titles useful.

William, G. C.(2004). Education Finance for school leaders: Strategic planning and administration. Merrill Education/Prentice Hall.

Callaway, A & Musone A (1968). *Financing education in Nigeria*. Paris: UNESCO International Institute for Educational Planning.

## **ASSESSMENT**

As part of the evaluation mechanisms, this course has 4 Tutor-Marked Assignments (TMAS) out of which the best 3 would be used for the Continuous Assessment for this course. The TMAs are compulsory and you are advised to attempt and submit all the assignments as at when due, as they will be graded accordingly and converted to 30%, which will be added to your total course mark. The course material and other books recommended for further reading will be of tremendous assistance to you in undertaking these Tutor-Marked Assignments.

The final examination will be based on your performance in the course work and dissertation. It is therefore desirable that you put in your best in every facet of the programme. This is because your poor performance in any of the assignments listed in the course will have negative impact on your overall grading.

Evaluation of the course would consist of Tutor-Marked Assignment and End of Course examination. The TMA constitute 30% of the Total Credit Units score. The End of Course examination is 70%.

## HOW TO GET THE MOST FROM THIS COURSE

1. In distance learning, the study units are equivalent to lectures in the conventional universities where there is face to face contact between lecturers and students during lectures. This is one of the advantages of distance learning, since you can read and work through specially designed study materials at your own pace, and at a time and place that suits you best. Think of it as if you are reading the lecture instead of listening to the lecturer. In the same way a lecturer might give you some reading to do, the study units tell you when and what to read. You are provided with self-assessment exercise to ascertain your level of understanding of each of the units, just as a lecturer might give his students an in-class activity.
2. Each of the study units follows a uniform format. The first item is an introduction to the subject matter of the unit, and how a particular unit is integrated with the other units and the course as a whole. Next to this is a set of learning objectives. These objectives allow you to know what you should be able to do, by the time you have completed the unit. The learning units are meant to guide your study. The moment a unit is finished, you must go back and check whether you have achieved the objectives.
3. Self- assessment exercises are interspersed throughout the units, working through these activities will help you to achieve the objectives of the unit and prepare you for the assignments and the examination. You should undertake each of the self assessment exercises as you come across them in the study unit. A good performance in the self- assessment exercise will definitely motivate you to go to the next unit.
4. The following is a practical strategy for working through the course material. If you run into trouble, telephone your course facilitator or visit the study centre nearest to you. Remember that the course material is a self study manual, therefore your facilitator is to assist you any time you need clarification on the content of the course material.

Read this course guide thoroughly, it is your first assignment.

5. Organise a study schedule. Design a 'Course Overview' to guide you through the Course. Note the time you are expected to spend on each unit and how the assignments relate to the units. Important information, e.g., details of your tutorials, and the date

of the first day of the Semester is available at the study centre. You need to gather all the information in one place, such as your diary or wall calendar. Whatever method you choose to adopt must be written down with dates and schedule of work for each unit.

6. Once you have created your own study schedule, do everything to stay faithfully to it. The major reason accountable for students' failure is due to inability to adhere strictly to schedule. If you are having difficulties with your schedule, don't hesitate to contact your course facilitator before it is too late.
7. Review the objectives for each study units to confirm that you have achieved them. If you are not sure about any of the objectives, review the study material or consult either your facilitator or the study centre. When you are confident that you have achieved a unit's objectives, you can start on the next unit. Proceed unit by unit through the course and try to space your study so that you can keep yourself on schedule.

## **TUTOR AND TUTORIALS**

The mode of instructional delivery will be bi-modal, that is, the programme will be partly face-to-face and partly at a distance. You will be notified of the dates, times and location for the face-to-face contact.

## **SUMMARY**

EDA 915 intends to introduce you to Education Finance. Upon completing the course, you will be equipped with basic knowledge and skills that will place you in the status of effective and efficient manager of financial resources in the educational system. It will also enable you to influence policy decisions geared towards resource mobilisation for quality education delivery.

**MAIN  
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## **MODULE 1 FOUNDATION OF EDUCATION FINANCE**

Unit 1	Education as an Investment
Unit 2	Conceptual Issues in Education Finance
Unit 3	Concept of Education Finance
Unit 4	Historical Perspective of Education Finance in Nigeria

### **UNIT 1 EDUCATION AS AN INVESTMENT**

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4.0	Conclusion
5.0	Summary
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7.0	References/Further Reading

#### **1.0 INTRODUCTION**

In both developed and developing countries, education is no longer seen as an ordinary consumer commodity required for the cultivation of habits that conform to the norms of the society, but also as an important kind of investment in a nation's future and an instrument for national development. This global perception of education is the origin of the concept of investment in education. This is premised on the understanding that whatever is invested in the education enterprise is bound to yield some dividends, just like in any other business concern. These dividends are called returns on that particular investment. In this unit, you will study the role of education in development, as well as its benefits to both individuals and the society at large. These benefits will be discussed in four sub-headings, namely; education and development, private returns on education and public returns on education.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- appraise the correlation between education and development
- identify the private returns on educational investment
- itemise the non-market private returns on educational investment
- explain the public returns on educational investment
- list the non- market public returns on educational investment

## **3.0 MAIN CONTENT**

### **3.1 Education and Development**

In general, most developing countries perceive education as a vital and important tool for rapid development both at societal and national levels. Apart from the effect of education on national development, education is also perceived as a catalyst that brings about rapid socio-economic, political, scientific and technological development. Thus these countries perceive education as:

- a factor of wholesome national development.
- an instrument for fast-tracking such development.

Consequently most developing nations have been committing a lot of human and financial resources in support of aggressive drive to provide educational opportunities for their citizens at various levels.

This emphasis on education has been supported by various studies that attempted to quantify the contribution of education to economic development in some developed nations. Harbison and Myers (1964) observed that there is a good correlation between Gross National Product (GNP) per capita and different levels of enrolment. In another study, Lewis (1967) found some positive relationship between secondary education and national development. The outcome of such research efforts could possibly be responsible for the aggressive policy of most countries in their drive towards making education available to their citizens.

In Nigeria, the role of education in development is amplified in the National Policy on Education, which stated that education is an instrument par excellence for effecting national development, (The Federal Republic of Nigeria, 2004). It added further that education shall continue to be highly rated in the national development plans, because education is the most important instrument of change and that any

fundamental change in the intellectual and social outlook of any society has to be preceded by educational revolution.

An executive summary on the analysis of the World Education Indicators (WEI) published by the Organisation for Economic Cooperation and Development (OECD) in 2002 reported that:

...it has become clear that educational attainment is not only vital to the economic well-being of individuals but also for that of nations. Access to and completion of education is a key determinant in the accumulation of human capital and economic growth. Educational outcomes also extend beyond individual and national income. Education is a force that develops well-rounded and engaged citizens, and builds more cohesive and participatory societies.

The result of the analysis of a study conducted separately for WEI and OECD countries indicate there is a consistently strong and positive association between improvements in the stock of human capital and economic growth among WEI countries, an association that is even greater than that observed among OECD countries. On average, improvements in human capital may have accounted for about half a percentage point in the annual growth rates of almost all WEI countries in the 1980s and 1990s compared to previous decades. Among OECD countries, only Greece, Ireland, Italy and Spain attained similar levels. The results in WEI countries suggest that for every single year the average level of schooling of the adult population is raised, there is a corresponding increase of 3.7 per cent in the long-term economic growth rate.

Other scholars have emphasised the role of education in national development. For instance, Fabunmi and Isah (2009) observed that education is the key to individual and national development. The education enterprise is a very significant one to any nation, community or people as it is the bedrock for progress and development. Education has the ability to facilitate the acquisition of new skills and knowledge which in turn impact positively on productivity. The increasing productivity leads to increase in resources for the creation of new technologies, new businesses and new wealth leading ultimately to increased economic growth. The World Bank (1999) explains that a single most important key to development and poverty alleviation is education. Having examined the role of education as catalyst for national development, the next section will explain how education impacts positively on individuals.

## SELF-ASSESSMENT EXERCISE 1

- i. Education is an engine room for national development. Discuss.

### 3.2 Private Returns on Educational Investment

The concept of human capital introduced by Nobel Laureate Theodore W. Schultz in 1961 and elaborated upon by Nobel Laureate Gary Becker in 1964 implies that individuals acquire skills and knowledge to increase their values in the labour market. It is however, observed that there are three main mechanisms for acquisition of human capital. These three mechanisms include:

- Experience
- Training
- Education

Out of these three, education has been identified as the primary source for most individuals. The amount of education acquired by workers has impact on labour market experience. The most direct way that education affects the labour market experience of workers is through increased productivity, thus increasing their earnings. The more education individuals acquire, the better they are able to absorb new information, acquire new skills and familiarise themselves with new technologies (Bartel and Lichtenberg, 1991). By increasing their human capital, workers enhance the productivity of their labour and of the other capital they use at work.

#### 3.2.1 Earnings

Hall (2009) observed that research evidence on private returns to education from 1979 to 1993 presented by Ashenfelter and Rouse indicates that, a tremendous increase in the value of schooling has occurred since 1979. They found that the return to an additional year of education rose from 6.2 percent in 1979 to nearly 10 levels of human capital seems to be increasing, tending to increase the future financial returns to education.

The benefits of education as reported in the *Inter African Development Bank's Facing up to Inequality in Latin America* (1999) are substantial.

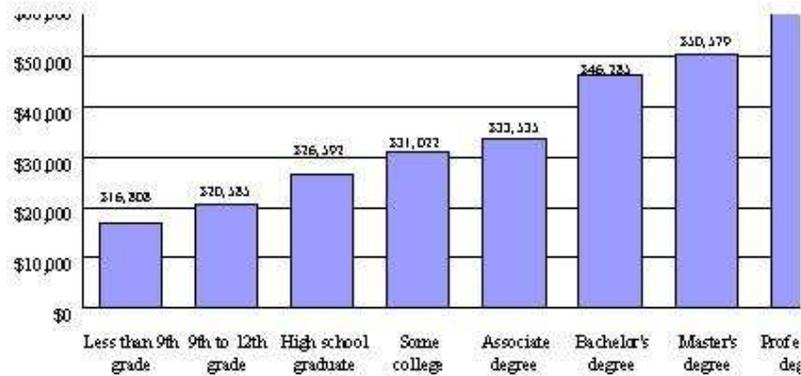
In Latin America as a whole, a worker with 6 years education earns 50% more than someone who has not attended school. This gap increases up to 120% for those in 12 years education (i.e., completing secondary school), and exceeds 200% for those with 17 years education (i.e., completing a university diploma). Although these effects are private, they are also public benefits as a better-trained work force

contributes to rising tax stream, better health care, improved institutional capital and so forth. Higher education in particular has the ability to create a pool of highly trained individuals that become a key national resource.

If higher levels of productivity reflect higher levels of human capital, which are primarily a result of increased education, then a positive relationship should exist between educational attainment and earnings. Figure 1 illustrates the outcome of the study conducted by the US Census Bureau in its *Current Population Reports*, published in 1998. The study indicated that in terms of annual median income, the average baccalaureate tends to earn nearly \$20,000 more than the average high school graduate.

This analysis has however, been faulted on the ground that it is incomplete because it ignores the investment cost of education. This is because individuals provide the majority of the resources for human capital investment through their own financial resources and the time spent acquiring additional education. A high school graduate when considering college will factor in the costs of education as well as the benefits. The cost of education borne by student consists not only of tuition and living expenses but also of foregone earnings. Beyond high school, foregone wages are the largest component of investment in education. Any estimate of return to schooling must include the investment costs of that schooling.

In another study, Orley and Rouse (1993) estimated the private returns to education from 1979 to 1993 and indicated that, a tremendous increase in the value of schooling has occurred since 1979. They found that the return to an additional year of education rose from 6.2 percent in 1979 to nearly 10 percent in 1993. Crawford (1991) observed that although the future is unknown, the demand by firms for high levels of human capital seems to be increasing, tending to increase the future financial returns to education.



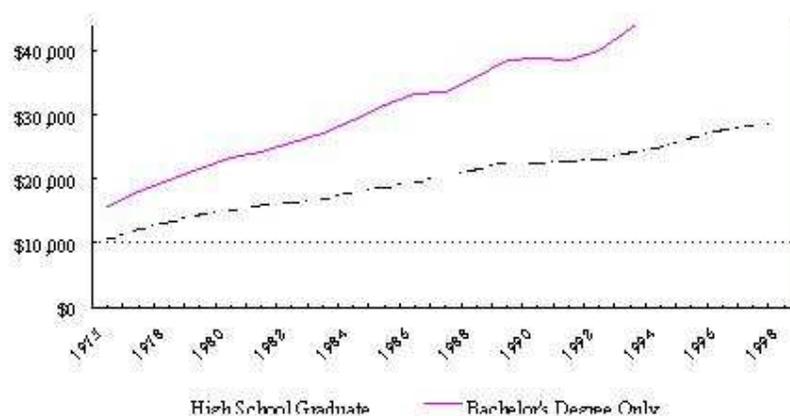
\*The income estimates in this table are based solely on money earnings before taxes. Noncash benefits are excluded. The population is both sexes, 25 years and over, who worked full-time all year in 1998.  
Source: U.S. Census Bureau, *Current Population Reports*, P-60 Series, Table P-06.

As noted previously, there is an increasing wage premium paid to workers with high levels of human capital attained through skills, training, and education. Figure 2 illustrates the increasing earnings disparity between college graduates and their high school counterparts.

Although real earnings have increased for both groups since 1975, the nominal earnings differential between the two groups has grown. The Bureau of Labor Statistics (BLS) of the United States of America, using data from the National Longitudinal Survey of Youth, a survey following 9,964 young men and women from 1979 until 1996, found evidence of this increasing wage premium. Real hourly earnings rose for members of all education levels during the period. BLS research shows that the level of growth in real hourly earnings, however, depends on educational attainment. Among men aged 28 to 32, those with a high school education or lower were experiencing 1.1 percent annual growth rates in wages, compared to 5.4 percent for college graduates in the same age range. Salaries one year after graduation for 1993 college graduates were 22 percent higher in real terms than salaries for 1975 graduates one year after graduation.

OECD in 2002 observed that it has been possible to bring together crucial evidence on the role of human capital, and thus education in fostering economic well-being for both individuals and societies in World Education Indicators (WEI) countries. In all WEI countries, labour force participation rates increase with the level of education attained by individuals. Better qualifications also attract higher wages for individuals. One noteworthy pattern is that, while earnings increase with each additional level of education in most countries, attainment of

upper secondary and especially tertiary education constitutes an important earnings threshold in Brazil, Chile and Paraguay. For men, the earnings advantage of tertiary compared to upper secondary education ranges from 82 per cent in Indonesia to almost 300 per cent in Paraguay. Overall, WEI countries in Latin America display the largest difference in income by level of education, while those in Asia reflect less variation in earnings relative to education.



Source: Linda Levine, "Education Matters: Earnings by Highest Year of Schooling Completed," CRS Report for Congress 95-1081E Updated October 1, 1999.

### 3.2.2 Employment

Mincer (1993) observed that the amount of education an individual receives not only affects his earnings, but the quality of his employment as well. He added that educated workers have three advantages relative to less-educated workers, which are as follows.

- Higher wages
- Greater employment stability
- Greater upward mobility in income.

Increased earnings by workers with higher education levels are a result of two factors.

1. Increased human capital results in higher productivity that allows workers to extract higher hourly wages.
2. Increased education increases labor force participation, decreases the probability of unemployment, and decreases job turnover.

However, highly educated workers labour a greater number of hours annually for higher hourly wages than their less educated labor market competitors. In 1996, the majority of the population out of the labor force or unemployed resided in the lower rungs of educational attainment. Possession of a college degree in 1996 increased the probability of being in the labor force by nearly 23 percent over high school graduates. Labor force participation is strongly associated with education even after controlling for other factors, such as age and marital status. Since those with a college education have more to lose by dropping out of the labor force (due to their higher earnings) than high school graduates do, they are more likely to remain in the labor force, (Hall, 2000).

The negative relationship between education and unemployment exists due to two factors: more efficient job searching and increased job-specific human capital among those with higher levels of education. Mincer (1993) explains why more educated workers have lower unemployment: "the more informed the job search, the more likely is a successful job match, hence the longer are workers likely to stay on the next job." In the same study, Mincer finds that educated workers engage in higher levels of training specific to the firm, making workers more valuable to their firms, thereby reducing the probability of involuntary (i.e., non-employee initiated) job turnover.

Our discussion so far points to the fact that investment in education is beneficial to an individual in terms of earnings as well as opportunity for employment. Besides these benefits there are other advantages that cannot be measured in terms of naira and kobo but are considered highly significant. This will be our focus of discussion in the next section.

### **3.2.3 Non-Market Private Effects**

Evaluations of the returns to schooling often analyse the labour market returns to education. The compensation for increased human capital formation is not limited to the earning of money. Education often affects the quality of life in ways rarely thought about or recognised. This section discusses the non-market outcomes of education.

Hall (2009) observes that aside from the effect of education on increased earnings (hence, money available to spend on health care and likelihood of having employer-provided health benefits), persons with higher levels of education tend to have better health than those with lower levels. Individuals with high levels of human capital have made an investment in themselves, an investment that they protect by taking preventive measures to increase the probability of better health. Annual

checkups, mammograms, and regular exercise can all be viewed as investments in the maintenance of human capital.

OECD (2002) observes that there is now robust evidence that human capital is a key determinant of economic growth and emerging evidence indicates that it is also associated with a wide range of non-economic benefits such as better health and well-being. Wolfe and Zuvekas (1995) compiled a comprehensive review of the effect of non-market outcomes of education. They found considerable evidence that as a person increases his level of schooling, he may increase his health status and this effect could also extend to his loved ones as well. Evidence presented by Wolfe and Zuvekas point to a positive association between an individual's level of schooling and the health status of the person's family, controlling for other factors. Other evidence supports this finding of a positive association between education and better health. One of the strongest findings was an empirical study by Grossman (1976) who finds that schooling has a positive and statistically significant effect on current health, even when controlling for past health.

However, evidence from some countries seems to indicate that private rates of return are falling over time (Tilak, 1997a, 69). Moreover, the very concept of rate-of-return analysis in education has been subject to criticism (Leslie 1990; Bennell 1996; Curtin 1996). One argument is that greater earnings for individuals with higher levels of education do not reflect the intrinsic value of education, so much that school systems operate as screening devices, in which only the more talented get through to higher levels. This view does not nullify the value of investments in education, but casts a different light on the reasons for earnings differentials at different levels of education. Other criticisms of rate-of-return analysis are that the presentation of exact numbers gives the illusion of precision.

## **SELF- ASSESSMENT EXERCISE 2**

- i. With reference to specific examples, what are the factors responsible for increasing enrolment figures in the educational sector?

### **3.3 Public Returns on Educational Investment**

Economists have been interested in economic growth since Smith (1776) made his inquiry into the wealth of nations. It was not until the introduction of the concept of human capital in the 1960s that economists attempted to study the relationship between education and economic growth. The pioneering work of Becker (1995), Schultz

(1987), Mincer (1993), and Denison (1985) provided new information on the link between education and economic growth.

### 3.3.1 Economic Growth

The contribution of education to economic growth occurs through two mechanisms. The first, and most highly publicised, is through the creation of new knowledge, known as *Schumpeterian growth* (Hall, 2009). According to Hall this concept is named after Joseph Schumpeter, who originated the theory that human growth was strongly influenced by cycles of innovation. He added further that more highly educated individuals translate into more scientists, analysts, technicians, and inventors working to increase the stock of human knowledge, through the development of new processes and technologies.

This leads us to the second way that education affects economic growth. Education affects economic growth through the diffusion and transmission of knowledge. Schools provide the education level necessary to understand and digest new information, and a way to transmit new information. Increases in educational levels helped the invention and innovation in the computer industry over the past 30 years. Nevertheless without schools to teach how to use computers and new applications, the effect of such innovation would be reduced.

According to Hall (2009), early attempts to analyse the increase in output of goods and services (i.e., economic growth) were incomplete, but researchers soon found out that increases in human capital had a significant effect on economic growth. Griliches and Jorgenson (1967) concluded that increased levels of human capital explained half of one percentage point of the annual growth in output. Other research confirmed this finding. Denison (1995) undertook one of the most comprehensive studies on the effect of education on economic growth. Denison estimated that education per worker was the source of 16 percent of output growth in nonresidential business. In another study done for the Rand Corporation, 21 percent of the growth in output from 1940-1980 was the result of an increase in average schooling levels, (Kings and Smith, 1988). Estimates of the effect of human capital on economic growth in the United States mostly range from 10 to 25 percent, although some recent evidence disputes this finding. Hall (2009) citing Barro reported that while initial levels of schooling were important to economic growth, changes did not contribute to growth.

Hall (2009) observed that by improving the productivity of American workers, education increases the wealth of the United States. He added that in order to illustrate the magnitude of the effect of increased educational levels on economic growth in the United States, one must

consider the effect on gross domestic product (GDP) if educational levels had stopped rising in 1959. In real terms, GDP rose from \$2,210.2 billion in 1959 to \$7,269.8 billion in 1997. If one were to assume that increased education levels contribute 16 percent to economic growth, and that this education improvement did not occur, the result would be that in real terms 1997 GDP would be lower by approximately \$1,260 billion dollars, standing at just over \$6,009 billion in 1997.

In general, most developing countries perceive education as a vital and important tool for rapid development both at societal and national levels. Apart from the effect of education on national development, education is also perceived as a catalyst that brings about rapid socio-economic, political, scientific and technological development. This implies that education is not only seen as a factor that would bring about wholesome national development, it is also perceived as an instrument for fast-tracking such development. As a result of this, most developing nations have been committing a lot of human and financial resources in support of aggressive drive, to provide educational opportunities for their citizens at various levels.

In the case of Higher Education, the World Bank noticed a correlation between economic development and the development of higher education, and that enrolment ratio in higher education is one of the indices of development. For instance, relevant statistics shows that enrolment ratio in higher education average 50% for countries belonging to the Organisation for Economic Cooperation and Development (OECD), compared to 21% in middle income countries and 6% in lower income countries (World Bank, 1998). Ade-Ajayi (2001) sees higher education of which university is a sector as a 'catalyst' to stimulate other levels of the educational system, and enhance its contribution to the development of the whole educational system, notably through improved teacher education, curriculum development and educational research.

Educated people are well-placed to be economic and social entrepreneur, with far reaching impact on the economic and social well-being of their communities. They are also vital to creating an environment in which economic development is possible. Good governance, strong institutions and a developed infrastructure are all needed if business is to thrive, and none of these is possible without highly educated people.

### 3.3.2 Non-Market Public Effects

Education benefits society in ways that cannot be measured by economic growth. Hall (2009) observed that education enables Americans to be better mothers, fathers, children, voters, and citizens. Investment in education generates positive "neighborhood effects," i.e., outcomes that yield significant gains to others. In his 1962 classic, *Capitalism and Freedom*, Nobel Laureate Milton Friedman describes some of the "neighborhood effects" associated with education. A stable and democratic society is impossible without a minimum degree of literacy and knowledge on the part of the citizens, and without widespread acceptance of some common set of values. Wolfinger and Rosenstone (1980); Neuman (1986) observe that education can contribute to both.

### 3.3.3 Education and Democratic Values

In similar vein, Hall (2009) observes that educational attainment correlates well with those items associated with a stable and democratic society, that is, informed and interested voters. Educated people read more about the issues, watch more news programmes to stay informed, and take a more active interest in public affairs. Data from the *Condition of Education 1996*, published by the U.S. Department of Education, finds that 57 percent of Americans with four or more years of college voted during the 1994 congressional elections. Individuals with four years of high school voted at a rate of 30.6 percent. Other studies show that level of education influences voting more than any other socioeconomic factor.

Higher education has been identified as having role of promoting an open and meritocratic civil society. Higher education is expected to embody norms of social interaction such as open debate and argumentative reason; to emphasise the autonomy and self-reliance of its individual members; and to reject discrimination based on gender, ethnicity, religious belief or social class. The best higher education institution is a model and a source of pressure for creating a modern civil society. This is an ideal not often realised, but is nevertheless a standard against which to measure national systems. In addition, a society's understanding of what form of political democracy will suit it best can be advanced on the basis of debates and research that start in the universities and colleges.

Higher education also helps to promote the enlightened citizens necessary for a democracy. It achieves this by instilling the norms and attitudes crucial to democracy in its own students, who then become teachers, lawyers, journalists and politicians and business leaders, whose practices should promote enlightened citizenship across society.

Higher education also contributes insofar as it demonstrates pluralism, tolerance, merit, reasoned argument and other values that are as critical to democracy as they are to the educational process.

### **3.3.3.1 Education and Social Stability**

In a study conducted in the United States of America on the effect of educational levels on criminal activity with emphasis placed on the overall level of education in society. As a first step, 15 states were identified that had the highest percentage of adults over the age of 25 with a high school diploma. The average crime rates were then compared with the average crime rate in the 15 lowest states. The crime rate per 100,000 people is 20 percent lower on average in the high education states. The simple observation, however, may have occurred by chance. It is possible that high educational attainment states had other qualities (e.g., higher law enforcement spending, older populations) that explain their low levels of crime. A more sophisticated analysis that incorporates other qualities is therefore considered as appropriate.

In 1994, a study by two researchers at the National Bureau for Economic Research found that youths that work and attend school have a decreased likelihood of engaging in criminal activities, (Witte and Tauchen, 1994). Additionally, their findings suggest that the acquisition of education has a greater effect on crime reduction than the higher income that is associated with superior educational attainment. Other researchers, analysing recidivism rates of criminals, found that convicts with low levels of education had a higher probability of recidivism than convicts with high levels of education, (Beck and Shipley, 1989).

Data suggest that there is also a reduced reliance on welfare and public assistance programs among those with higher levels of education. In 1996, for example, 25-34 year-olds who were high school graduates were ten times as likely as college graduates to have received income from Aid to Families, with Dependent Children or public assistance income, (National Centre for Education Statistics, 1998). These data are consistent with empirical work by An, Haveman, and Wolfe (1993) that showed less reliance on income transfers among those with increased education.

Other evidence confirms the link between education and illegitimacy. The probability of a woman who has never married having a child decreases dramatically as she acquires more schooling. According to a 1998 United States Census Bureau release, the probability that an unmarried woman between 25-34 years of age who is not a high school graduate will have a child is 68.9 percent. For unmarried women with a

bachelor's degree the illegitimacy rate is 7.8 percent, (Bachu, 1995). This finding, however, does not hold other factors constant and illegitimacy may therefore be a result of some other quality. Using econometric analysis to hold other qualities constant, An, Haveman, and Wolfe also find evidence that a negative relationship exists between education and out-of-wedlock births.

### **SELF-ASSESSMENT EXERCISE 3**

- i. How would you convince the executive on the need for government's funding of education?

## **4.0 CONCLUSION**

Our discussion so far indicates that educational attainment is not only vital to the economic well-being of individuals but also for that of nations. Access to and completion of education is a key determinant in the accumulation of human capital and economic growth. Educational outcomes also extend beyond individual and national income. Education is a force that develops well-rounded and engaged citizens, and builds more cohesive and participatory societies.

## **5.0 SUMMARY**

In this unit, you have learnt that benefits of education are divisible into two, namely; private returns and social returns. The private returns constitute individual benefits while social returns accrue to the whole society. In most cases, private returns are greater than social returns because government give more in subsidies than they take from taxes. In addition, you have learnt that correlation exists between education and individual, as well as national development. At the individual level, such benefits include improved earnings, employment opportunities and improved quality of life, while at the public level such benefits include utilisation of skills and knowledge acquired for national development and social stability.

## **6.0 TUTOR- MARKED ASSIGNMENT**

- i. Justify the need for the huge investment by governments and private individuals in education.

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## **UNIT 2 CONCEPTUAL ISSUES IN EDUCATION FINANCE**

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### **1.0 INTRODUCTION**

The need for adequate provision of resources for quality education delivery services underscores the importance that is associated with issue of finance. This is because among the various resources (that is, human, material and finance) required for the success of an educational system, finance plays a vital role. This is because its availability and effective management will determine the availability and utilisation of other resources. It is also capable of influencing the quality and quantity of other resources which are needed for execution of educational programmes. Therefore, it is considered desirable that educational managers must be familiar with certain terminologies in education finance. In addition, it is observed that economy of a nation partly determines the content of its policy. For instance, the more economically developed a nation is, the greater is the support to education. It is also important to know that interplay of factors also influence the amount of money that is allocated to education. While the

benefits accruing to education has been highlighted in Unit One, you will be intimated with some basic terminologies in education finance, as well as the reasons behind the involvement of government in funding of education. In addition, you will be exposed to the various factors influencing the degree of financial assistance to education from government.

## **2.0 OBJECTIVES**

At the end of this Unit, you should be able to:

- define some basic concepts in education finance
- state reasons for government involvement in the funding of education
- highlight the merits and demerits of government funding of educational system.
- itemise factors that influence government support of education.

## **3.0 MAIN CONTENT**

### **3.1 Basic Terminologies in Educational Finance**

The concern of school finance or educational finance is the relationship between cost and expenditure in the production of educational services.

The real cost of an activity is not simply money spent on it, but the alternative opportunities that have to be foregone or sacrificed when a particular choice is made. Resources allocated to an activity can either be measured in terms of expenditure (paid or money value) or in real terms (opportunity cost); it could be time put in by the teachers and students and services rendered by physical facilities (buildings, equipment and furniture) with respect to an educational process. The measurement of real cost is based on the opportunity cost concept. In other words, if a particular choice of an activity has been made, then opportunity cost of that activity is the alternative opportunities that have been given up. For example, to a student, the opportunity cost for attending a secondary school, is represented by the alternative way he could have spent his time among others.

For the purpose of achieving quality education delivery, both institutional and student financing require adequate attention and this is what education finance is all about. The goal of education finance is to ensure adequate provision and effective utilisation of available resources, while at the same time exploring alternative strategies to ensure continuous inflow of resources for sustainable education. Oguntoye (1987) defines educational financing as the process of procuring and disbursing of financial resources for the provision of

education of a given standard, stipulated by a society. Olagboye (2004) defines education finance as a means by which money is provided for the development and maintenance of the entire education system. All activities that are geared towards the process of sourcing, allocating and managing public school revenues in the production of educational services for the attainment of educational objectives constitute education finance.

Education finance can be further classified into two, namely; institutional finance and student finance. Institution finance relates to the cost of servicing the various inputs into the educational system, such as the human and physical resources. On the other hand, student finance can be defined as any form of assistance or aid by means of provision of money or material resources (books, equipment, stationery, materials) given to the students in need, to compliment the limited resources available to them in the course of studies, to help pay for their educational expenses. This can be in form of scholarships, loans, grants, bursaries, graduate fellowships, foreign aids, donations and exchange programmes.

Some of the basic terminologies that are frequently used during discussions on education finance will now be examined. These terminologies include public finance, budgeting, taxation, revenue, expenditure, cost and investment.

### **3.1.1 Public Finance**

This refers to government's securing of financial resources to pay for goods and services which the citizens enjoy. It concerns the need for revenue, expenditure and debt operations of the government and the impact of these on the society. It also relates to the effects of collecting and spending money on the economy and the society with a view of bringing about reforms on revenue and expenditure processes. Public finance tends to concentrate on an assessment of how to reform the revenue and expenditure of government and an examination of the reform of individual taxes.

### **3.1.2 Budgeting for Education**

This encompasses the process of financial allocation built on education plan of a nation, balanced with adequate income plan and corresponding spending plan. A budget is meant to reflect the overall plan of an organisation, (in this case an education system) in addition to the requirements to achieve the plan.

### 3.1.3 Revenue

This is the money that governments receive from services they provide or through taxes. This implies that revenue can be internally generated or externally generated. It is external when money comes in through taxes but it becomes internal when it is through provision of certain services. It is however important to note that internally generated revenue is a rarity in government organisations. Therefore, the bulk of revenue accruing to government is mainly through externally generated revenue, mainly through taxes and special levies.

### 3.1.4 Education Costs

The ways in which costs are classified vary greatly. Costs can be measured and defined in many different ways. Indeed, the classification of educational costs raises a lot of economic, financial, institutional and technical questions: What has to be sacrificed? When does money have to be paid? Who has to pay? And what is the function of the inputs? The answers to these complex issues and problems vary with regards to the various bodies or groups of individuals who take decisions regarding the various aspects of costs and revenue within the educational system. Education costs are of various types and examples include: money costs and opportunity cost. Money costs refer to money expenditure on the inputs that are used in the educational process. The inputs include items such as the time of teachers, students and other staff, books, materials, equipment and buildings. Money costs are also known as direct costs.

Opportunity costs of education refer to all the real values of the alternatives, which have to be foregone in order to provide or consume education. These include earnings forgone by the students in order to enroll in educational institutions rather than seek paid employment and sacrifice made by the society, in order to provide education for its citizens.

### 3.1.5 Cost and Expenditure

Cost, to a nonprofessional, is narrowly defined as the money value incurred in the process of production. However, to the economist, cost involves not only money spent but also the alternative forgone in order to produce a given item or service. The *Dictionary of Modern Economics* (1985) defined cost as a measure of what must be surrendered or given up in order to acquire, obtain or produce an item. On the other hand expenditure is viewed as the amount of resources that are directly spent or expended on the procurement of goods or services.

Expenditure on education from the budgetary sense, therefore, is the monetary value of resources assigned to educational institutions during a given year. Nevertheless, this does not reflect the 'true cost' or 'real cost' of education. The 'cost' or 'real cost' of education is the alternative opportunities that have to be sacrificed or forgone in the process of providing educational services. For example, the opportunity or real cost of building a new university is the alternative projects that are forgone such as health, road, telecommunication, building technical schools, primary schools, and so on. Thus, "cost in education represents the value of all resources, in terms of money and sacrifice, used to accomplish educational projects" (Longe, 1988). Indeed, the inputs of education can be measured in terms of money or of real resources that are used up in the educational process, such as of students and teachers, and other staff and books, materials, equipment, and buildings; all of which have alternative uses.

### **3.1.6 Investment**

This refers to allocation and use of resources for the production of goods or services which will provide satisfaction of human needs. Examples include factories, machinery and education, with the latter regarded as investment in human capital.

## **3.2 Financing Public Service: A framework**

The scope of public sector has grown massively in Nigeria since independence in 1960. Similarly, such expansion in government activities has been observed in many developing countries. The reasons for public sector involvement are many. In a capitalist system, government's involvement is, in theory limited to areas where the private sector cannot perform efficiently, or where the provision is beyond the capacity of the private sector. In the socialist economy, the private sector is limited and the provision of services is highly centralised.

In the developing countries characterised by low income, underdeveloped human and material resources, poor technology and poor political and economic institutions for the quick development of a formidable private sector on whose shoulders the provision of certain services should fall, there is the excessive involvement of government in the provision of services. The government has become an octopus with hands in every pie. In Nigeria, the private sector is gradually emerging since the early 1970's and is showing its capacity to operate efficiently but its functioning is being hampered by government regulations.

The intervention of government in the economy can be justified in four areas, namely: external security; public works and functions; maintenance of law and order; and protecting property and the maintenance of the sovereignty, or the executive level of national government. While the argument for public sector involvement in national defence, the maintenance of law and order and that of the sovereign and executive level of government is cogent. This is not the case with what is generally referred to as public works under which are the provisions of roads, hospitals, schools, harbours and the like. Early writers such as Adam Smith, Marynard Keynes and Alfred Marshall support public sector allocation in these areas, on the ground that the private sector would fail to provide such services because they could not be provided on a profitable basis. Since such services enhance the happiness of the people and provide basic infrastructure for the development of a strong and virile private sector, then the public should take the necessary step for their provision.

### **3.3 Rationale for Government Support for Education**

In Unit One, we learnt that education has both individual benefits as well as social benefits. Therefore, this perception to a large extent determines the level of government's involvement in the financing of education. For instance, where the benefits of education are considered to be sufficiently large, government should subsidise education to ensure it is not under-provided, that is, at the costs where marginal social benefits exceed marginal social costs. In addition, a social imperative for non-exclusion posits education as a merit good or a public good, perhaps out of the belief that social stratification may occur if education is freely chosen. For instance, children may have problems in expressing their demand for education while individuals might not realise the benefits of education until it is too late. For a choice to be meaningful requires an awareness of what is being chosen, and there may be an information asymmetry between the educated (who know what the education is worth) and the uneducated (who cannot be sure). Government may embody past wisdom benefits of education (and how best to generate human capital) and so have a role to play in reducing uncertainty and ignorance.

On the contrary is the perception that private returns are higher than social returns on education, and therefore greater responsibility for the funding of education should be borne by individuals. It has also been observed by Psacharopoulos and Patrinos (2002) that the degree of public subsidisation increases with the level of education, which has regressive income distribution implications. That is, those who have the benefits of higher education are better remunerated than those with lower qualifications, thereby bringing about disparity in their social economic status.

However, despite the various controversies on the government involvement in the funding of education, it has been observed that various governments all over the world are heavily involved in education, its provision, funding and regulation because of capital constraints and concern over the equity of the allocation of educational provisions. Government involvement has also been justified on the ground that incomplete contracts may arise when there are difficulties in measuring quality of good (for example, how schooling might inculcate social mores) leading to a sub-optimal allocation of resources; then government can come in and write and enforce the contracts. In addition, education is unlike other consumables, in that resale markets are limited. The government may underwrite outcomes by guaranteeing medical jobs for instance for graduates in medicine.

On the supply side, government may offer education more efficiently than the private sector. First it may provide services which are efficient to bundle together along with education. For example, a society through government underwrites unemployment so that unemployment-reducing education will have a fiscal effect on welfare payment, allowing provision of education and other public services to be merged. It is also possible that the longer term horizon of government may allow it to be a credible provider of education as a government reputation can be trusted. In addition, there may be economies of scale or standardisation in gathering information and organising provision which the private market would under-provide. The key example here is that of organising a curriculum, where schools may benefit from using a common curriculum and firms may find it easier for screening workers.

However, it is observed from the foregoing that education is very important and at the same time, a capital intensive project that is too expensive, and if its control is left in the hand of private sector, most individuals might not be able to bear the cost. This is why government has to step in. The following therefore constitute the reasons for governments' involvement in the financing of education.

### **3.3.1 Market Failure**

Adam Smith was one of the first people to think about the decision of undertaking education as being almost the same as an investment in a machine, and how we might also consider it comparable to some form of financial investment. The idea is that before an investment decision is made, the investor takes into account the costs and revenues involved in it, say, a project, and the solution being that they will be indifferent between undertaking the project or not where the costs of revenues are exactly equal. We, like Smith, can look at education in the same way but there is a problem, in that the costs and revenues discussed in the

foregoing are quite measurable, can be contracted, or easily forecasted. Further, if it was necessary to borrow to undertake a project, there may be some form of real asset that could be seized if the revenue stream failed. None of this is very possible with an investment in education. For example, economists have attempted to measure the returns to education and come up with figures from three percent to ten percent. In addition to this is that education is not “collateralisable”, in that if the borrowers defaulted on their loan, the lender would not be able to remove the asset. So we see capital market failure in education, which means that it is necessary for the government to intervene.

### **3.3.2 Merit Goods**

There are some goods, such as education, which the government, as society’s representative, decides are beneficial to its subjects to consume. However, left up to themselves, the government predicts, the subjects will not consume enough of those commodities to maximise society’s welfare. That is, the aggregated preferences of the subjects are not the same as the preferences of society. Consequently, it is necessary for the state to fund the provision of a minimum amount of say, education, which it has predetermined as the optimal amount, for if it were left to the private market individuals would under-consume it.

### **3.3.3 Decreasing Cost of Education**

In a situation of perfect competition, production is said to be profitable where marginal cost equals marginal revenue, and also where marginal cost equals average revenue. The average revenue represents the price. A producer will continue to push production to the point where, marginal cost just equals the price people are willing to pay. At this point, the producer reaches the social optimum output (where marginal cost equals marginal revenue), the costs will not exceed total revenues.

In an imperfect market, the producer has control over price. This is a situation of oligopoly, monopolistic competition or pure monopoly. The producer chooses a price-quantity combination where marginal cost is lower than average, since it is a seller’s market with no consumer’s sovereignty to ensure that marginal cost equals average revenue. The major consequence is that the reduced output is the best profit and this is not the optimal for social output.

If the economic good is socially desirable, then it becomes the responsibility of government to influence resource allocation in such a way as to make output closer to or at the social optimum level. But if the firm faces decreasing production costs at the point of social optimum quantity, it cannot produce at a profit. The producer who

wants to satisfy social optimum output can only do this at a loss. In the long run, the goods will not be available in the market since losses cannot be maintained for a long period of time. The government therefore has to come in. The intervention could either be through the production of such goods by the government, or it could subsidise the production of such goods in order for the private sector to produce the desired good at the social optimum quantity.

### **3.3.4 Concept of Externality**

The concept of externality relates to the observation that the provision of education to a group of people in the society has a spill-over effect on others that are not fortunate to have access to education. Such benefit is referred to as external benefit or neighbourhood effect. For instance, if an individual is educated in a family, because of his empowerment through education, he might be able to assist the less privileged members of his family either through establishment of industry, where they could be gainfully employed, or in other ways. They might not be members of his immediate family, it could be people that are unknown to him but from his immediate society. Even though only an individual has the opportunity of going to school, others will benefit from his education. Therefore, since the benefit of education is not limited to him, there is that moral obligation on the part of the government to consider this external benefit and finance a certain part of education process.

Oguntoye and Alani (1998) developed the concept of externality better with particular reference to government allocative decisions. They made a distinction between private benefits and costs, and social benefits and costs. The former are those internal effects of an economic initiator that are completely taken care of in the pricing of the product emanating from the economic agent. They are fully internalised by the economic agent. The latter benefits and costs include both internal private effects and external effects which escape the price mechanism. These are not internalised by the economic agents that bring them about.

In a case where social benefits exceed private benefits, external economy exists and a private producer, being rational, may produce less of such goods since all the gains are not realised by him. He is not being fully compensated for all his activities. The policy prescription in this case is for government to provide a subsidy to the private producer of the good, to the extent of what the producer cannot realise from the pricing of the good.

On the other hand, if social costs exceed private costs, an external diseconomy case exists. There will be tendency for this economy agent

to over supply this “economic bad”, since he is not absorbing all the costs. Others in the society are made to bear some of the costs of the goods in question. The case of external diseconomy can be handled by the imposition of tax on the producer of “economic bad”. For instance, a firm which produces industrial wastes that are hazardous can be made to clear the waste by a government law or regulation, or the government can do the clearing for him and he pays in form of taxation.

With respect to education, it is known to generate external economies to the extent that if its production is left to the private producer, he will ensure that he continues to produce up to the point where every naira invested yields at least equivalent amount in naira benefit. At the point where he is not making profit, he will stop providing the service. Thus if education is left to be produced by the private sector alone, there will be an under-supply of education such that a lot in the society will not have the benefit of education because of its costs.

Another issue that comes up is how to quantify external benefits of education. As discussed in Unit One, these benefits are classified into two namely; social benefits and individual benefits. It is the difference between these two benefits that the government has to finance, that is, the difference between the social and private benefits. In reality, it is difficult to say what the difference is. Since it is difficult to quantify the two, government takes up the decision to finance a greater part of education and that is political decision. In other words, the externality problem arises because the educational economists have not been able to justify what benefit accrues to the public and what accrues to the individual. This is perhaps the origin of the free education policy.

### **3.3.5 Attainment of National Objectives**

In Nigeria as well as in other countries, education is perceived as a tool for socio-economic and political developments, and as such it is accorded the necessary attention. This position is well articulated in the Nigerian National Policy on Education, which stated that education is an instrument par excellence for effecting national development. This is partly responsible for the inauguration of the Ashby Commission set up in 1959, to examine the needs of Nigeria in the area of Post-Secondary School from 1960-1980. The significance of education, particularly university education is probably responsible for the interest shown by the various Nigerian governments in this sector of the educational system. This is reflected in a situation where until 1999 all universities in Nigeria were public universities, that is, they were owned either by the Federal or state governments. In addition to this, the Federal Government has always linked the establishment of universities with National Development Plans. Thus, from historical perspectives,

various administrations in Nigeria appear to recognise the pivotal role of education, particularly, university education in national development.

### **3.3.6 Effective Control of the Nation**

Education in general and higher education in particular have been highly rated as promoting values that are more inclusive and more public than other civic venues such as religious communities, households and families or ethnic and linguistic groups. In the case of higher education, it is expected to embody norms of social interaction such as open debate and argumentative reason; to emphasise the autonomy and self-reliance of its individual members and to reject discrimination based on gender, ethnicity, religious belief or social class. The best higher education is a model and a source of creating a modern civil society.

More generally, a society that wishes to build or maintain a pluralistic, accountable democracy will benefit from a strong higher education in two respects. The first is the task of research and interpretation. A society's understanding of what form of political democracy will suit it best can be advanced on the basis of debates and research that start in universities and colleges. Secondly, higher education helps to promote the enlightened citizens necessary for a democracy. It achieves this by instilling the norms and attitudes crucial to democracy in its own students, who then become the teachers, lawyers, journalists, politicians and business leaders whose practices would promote enlightened citizenship across society. Higher education also contributes insofar as it demonstrates pluralism, tolerance, merit, reasoned argument and other values that are as critical to democracy as they are to the educational process.

While this observation might be faulted on the ground that most of the political problems in the developing countries are traceable to the activities of the elites, higher education has always been seen as a venue for reasoned discourse rather than partisanship, for tolerance rather than discrimination, for a free and open search for truth rather than secrecy or deception. For these reasons universities are frequently the first target of dictators. This same argument can be extended to the lower levels of the educational systems as they serve as feeders to higher education. The conventional wisdom that "he who controls the education of the young controls the future of the nation" holds sway here. For the government to easily execute its policies and objectives, for the effective control of the nation, it becomes incumbent on it to not only control the education of the young, but also to fund it.

### **3.3.7 Income Distribution**

The macroeconomic impact of education is strong, just as the individuals with better education tend to succeed more in the labour market, so economies with higher enrolment rates and years of schooling appear to be more dynamic, competitive in global markets and successful in terms of higher income per capita. It is thus in the interests of a much wider set of policy makers, as well as the business community, to become more actively involved in national debates about reform and future of education system. Government has to create a condition for an acceptable optimum in the distribution of national income equally in accordance with the policies of equalisation of opportunity. Education being the instrument for acquisition of knowledge and skills needed for effective participation in economic activities has to be provided by the government.

Having examined how the perception of benefits of education has influenced government policy on education, we shall now examine some of the constraints behind the inability of government to adequately fund education. This is against the background of various agitations from different stakeholders on education, particularly students that education is a right that should not be denied them.

#### **SELF-ASSESSMENT EXERCISE 1**

- i. Define the following terminologies of educational finance: public finance, budgeting for education, revenue, educational cost, cost and expenditure, investment.

### **4.0 CONCLUSION**

In this Unit, attempt has been made to clarify certain terminologies in educational finance. This is with a view to acquainting you with some of the basic education finance terminologies. The knowledge of such terminologies empowers educational managers to discuss freely on issues pertaining to educational finance during their routine administrative assignments. In addition the rationale for government involvement in educational finance has been discussed extensively, based on individual and public benefits derivable from investment in education.

### **5.0 SUMMARY**

The discussion in this Unit indicates the concern of educational finance as that of relationship between cost and expenditure in the production of educational services. Cost of education are measured in terms of

expenditure (paid or money value) or in real terms (opportunity cost). It is also observed that classification of educational costs raises a lot of economic, financial, institutional and technical questions such as: what has to be sacrificed?, when does money have to be paid?, who has to pay?, and what is the function of the inputs? Finally the perception of educational benefits by government has been identified as a major determinant of level of governments' involvement in educational finance.

## **6.0 TUTOR-MARKED ASSIGNMENT**

- i. Explain briefly the concept of educational finance. What are the major determinants of governments' involvement in educational finance?

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 3 CONCEPT OF EDUCATION FINANCE**

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### **1.0 INTRODUCTION**

In Unit Two, education finance was classified into two, namely; institutional finance and student finance, with the former being the cost of servicing the various inputs (human and physical resources) into the educational system, while the latter is any form of assistance or aid given to the students in need, to compliment the limited resources available to them in their course of study, to help pay for their educational expenses. This can be in form of scholarships, loans, grants, bursaries, graduate fellowships, foreign aids, donations and exchange programmes. When education finance is constrained, it has grievous implications on provision of physical and material resources, as well as the academic performance of students. It is observed that in Nigeria, student finance appears to be a controversial issue, in view of resistance that follows any attempt by government to charge economic rate to improve on institutional finance. On the other hand, institutional finance is not that controversial, as the school authority normally has no say in whatever is made available to the institution. All a school administrator does is to operate within the limits of available resources. In this unit, you will learn more about issues pertaining to institutional and student finance in Nigeria, as well as basic methods for education finance. This will give you insight into the various challenges of education finance in

Nigeria, and how best to resolve them using experiences of some developed economies that can be used as models.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- classify educational finance
- identify constraints to education finance in Nigeria
- identify specific developments on student finance in Nigeria
- itemise some of the measures that can improve student financing in Nigeria
- state the basic methods of educational finance

## **3.0 MAIN CONTENT**

### **3.1 Institutional Finance**

Institutional costs are incurred by institutions (educational) in the process of carrying out their activities. These consist of capital costs (expenses on durable items: building, furniture, electricity and water installation, land, equipment etc) and current or recurrent costs (expenses on consumable items: teacher and non- teacher salaries and allowances, maintenance, books and stationery, transport, scholarships, etc). Inadequate institutional finance has implication on the ability of various institutions to recruit sufficient number of teachers and provide basic infrastructure. Some of the challenges of inadequate institutional finance include over-crowding, poor sanitation, poor management and poor intra-sectoral allocation. Other features are abandoned capital projects, inadequate funding, and poor condition of service among others. These perceived inadequacies often lead to poor quality of teaching and poor quality of products. This implies that without strategic plan for education finance, quality of education is constrained.

### **3.2 Student Finance**

In unit one you learnt about the rationale behind government involvement in school finance. It is however important to note that initiatives for student finance did not start from government but through the efforts of the missionary. Student finance is going to be discussed extensively in this unit because of its volatile nature, as students normally resent any move on the part of government to introduce any form of levy on them. This is premised on the argument of most students that, they are entitled to free education at all levels in view of the enormous wealth of the nation. It is observed that if there is any

aspect of education finance which poses serious challenge to educational administrators and government at various levels, it is that of student finance.

Student financing in Nigeria dates back to the introduction of Western education by the missionaries, in the 19<sup>th</sup> Century, when education was financed through church donations and contributions by philanthropic organisations and individuals. The colonial administration later contributed through grants and with the passing into law- the 1882 Education Ordinance, government financial involvement had started.

After independence, student financing by the three regional governments- North, East and West, was vigorously pursued through financing students for higher education in Nigerian universities and higher institutions in the United Kingdom and the United States of America. This was occasioned by the need to provide high level manpower for the running of independent Nigerian State. The buoyant financial resources emanating from the oil boom of the early 70s after the Nigerian civil war further facilitated financing students.

In order to facilitate student financing, Nigerian Student Loans Board was established by Decree 25 of 1972, and reconstituted by Decree 12 of 1988, essentially to assist students to finance their education through loans. However, by the early 1980s the fortunes of student financing began to witness a downward trend. This was mainly due to dwindling financial resources as a result of economic recession, occasioned by fall in oil price and the reduction of export quota by OPEC; political instability; over-spending on other sectors at the expense of education; the growth and expansion of higher institutions, coupled with the free education policy at all levels during the civilian democratic regime.

The decade 1980-1990 witnessed a general decline in student financing such that Federal Government sponsored overseas scholarship was suspended in 1985, awards under the Bureau on External Aid (BEA) tenable in Eastern European Countries were equally suspended due to the break-up of the Russian Federation; scholarship awards tenable in Nigerian higher institutions became reduced to one thousand (1,000) postgraduate awards only, and even then, payment of allowances was always in arrears.

In 1993 efforts were made to revamp student financing by the establishment of Nigerian Education Bank by Decree 50 of 1997. The Bank was to provide financial assistance to students in the country's institutions of higher learning, as well as individuals in both public and private sectors which participate in the educational sector; to make provision for all inadequacies of the defunct Students Loans Board; to

provide loans to students to finance their education in institutions of higher learning and to approve and disburse loans for educational purposes. The defunct Nigerian Education Bank could not take off effectively due mainly to insufficient finance, administrative bottlenecks and low repayment from student beneficiaries. With the phasing out of Nigerian Education Bank, students loans scheme was equally been suspended, thereby narrowing the opportunity for students' assistance towards their education (Bello, 2002).

In 1999, at the inception of another civilian administration, attempts were made to improve on student finance with some fund committed to the resuscitation of the Federal Scholarship Board, to aggressively pursue proactive student financing programmes for the benefit of teeming qualified Nigerian students. However, there were indications that more avenues for sourcing for funds must be explored, to meet the growing demands of financial assistance by the numerous qualified students desiring to further their education. In 2002, Bello (2002) observed that for the award tenable in Nigerian tertiary institutions, out of a total 120,000 students that were qualified for the award interview, a total of 39,574 were interviewed between November 19 to December 7, 2001, out of which only about 15,000 were awarded scholarships (that is, 37.9%), for the first phase of a total of 50,000 awards to be implemented for the 2001/2002 academic year. For the Commonwealth Scholarship and Fellowship Plan (CSFP) award, 1,418 qualified candidates with First Class and Second Class Upper degrees were short-listed for interview for postgraduate courses tenable overseas. However, only 53(that is, 37.9%), were nominated to six Commonwealth member nations, who made offers for nomination of candidates for the few awards given.

The three tiers of Government, namely, the Federal, State, and Local through award of scholarships and bursaries by their agencies, assisted in student financing in Nigeria. At the Federal level, the Federal Scholarship Board formulates policies on student financing, implements various scholarship programmes of the Federal Government tenable in the country and abroad, and coordinates the policies and programmes of state scholarship Boards in order to guide and streamline scholarship programmes nationwide. The Federal Government Scholarship Awards are for students who are in the various institutions in their second year of study and above, and who have scored a minimum of 3.0 Cumulative Grade Point Aggregate (CGPA) in the previous academic year's examination. For a scholar to continue to enjoy the award, the 3.00 CGPA must be attained. The people in difficult circumstances, (the handicapped) are given automatic scholarship after participation in the due process of the award, that is, attending school, attaining a CPGA of 3.00 or more, completing and submitting duly endorsed application

form and attending interview. The awards are targeted mainly at indigent students to assist them gain access to higher education.

### **SELF-ASSESSMENT EXERCISE**

- i. List different attempts for facilitating student finance by the government.

#### **3.2.1 Constraints on Student Financing in Nigeria**

In Nigeria, student financing, which is mainly through government scholarship and bursary schemes, has been confronted with a lot of challenges due mainly to lack of diversification of sources of funds and financing agencies. Some of the problems are listed as follows.

1. Since scholarship is 'money' or what 'money' can provide for the pursuit of education, finance is the basic ingredient for student financing; the greatest constraint is finance/funding for award programmes. Funding scholarship programmes depend on the economic condition of the nation and the political will of the time. Thus, the Federal Scholarship Board which is the agency of the Federal Government for student financing programmes continues to face steady decline in financing allocation.
2. The rise in the number of students desiring higher qualification with corresponding increase demand for assistance has diminished foreign bilateral and multilateral awards.
3. Stringent conditions for foreign awards such as foreign language as language of course have hindered full utilisation of awards.
4. Lack of coordination of various awards.
5. Cost-sharing formula between government and organised private sector has not been fully developed and properly coordinated for the involvement of the private sector and commercial banks in student financing programmes.
6. The failure of the Nigerian Students Loans Board and the Nigerian Education Bank.
7. The Federal Scholarship Board as a department in the Federal Ministry of Education is enmeshed in a bureaucratic bottleneck that hampers full cooperation with non-governmental, private, commercial organisations, government corporations and agencies for the expansion of student financing programmes.

### **3.2.2 Possible Solutions to Constraints Facing Student Financing**

According to Aminu (1986), prior to 1975, Government had nothing to do with fixing fees and charges for the universities. Government supported their own candidates and others sponsor their candidates. In 1975, the Federal Government decided to step in, because there was oil money. Universities were ordered not to charge fees for undergraduate courses and pegged feeding arrangement to 15kobo per meal and lodging to N30 per session. In 1977, Government discovered that it could not sustain the misguided generosity and a review was ordered. A national crisis, following attempts by government to increase the cost of a meal from 15 kobo to 50 kobo, and lodging from N30 to N45 per session, erupted in April 1978, many Nigerians lost their lives in the ensuing crisis. He added that by first abolishing fees and pegging feeding and lodging charges in most educational institutions, Governments have lost enormous sources of revenue for education. It is doubtful if any civilian government in this country would wish to face the commotion that could follow any attempt to reintroduce tuition fees or to increase charges in our educational institutions.

The reality on ground is that government cannot cope with the financial demand of the educational sector in Nigeria. Therefore, a realistic funding strategy is required to ensure quality delivery of educational services. The model that has worked in other developed nations of the world might be considered bearing in mind the peculiarities of the situation in Nigeria. For instance the Federal Government in principle agreed that parents should share part of the cost of financing their children's education, but not until the financial status of their parents has improved. The question is when is their financial status going to improve or how do you determine whether there has been an improvement in their financial status? The following recommendations are therefore suggested for improvement of student financing in Nigeria.

- The private and social benefits of education require that the government, students and or their families, other stakeholders such as the employers of labour should contribute significantly to student financing.
- There is the need for all the stakeholders in education to agree on a realistic cost-sharing formula. For instance parents must be willing to bear part of the cost of sending their children to schools instead of expecting government to shoulder the entire responsibility.

- There should be diversification of sources of funding through active participation of Banks, public and private enterprises, Foundations, World Bank Agencies, Education Tax Fund and other relevant agencies.
- Proper estimation of unit cost of education at all levels to ensure adequate provision of necessary financial support.
- Effective coordination of the various activities of the stakeholders to ensure harmonious relationship.
- Restoration of scholarships, loans and bursary with consideration for the real unit cost of training at different levels of education to cater for less privileged students.
- Introduction of tax holidays as incentive for various employers of labour to support student financing.
- Resuscitation of the Student Loans Scheme but with active involvement of the family. Some banks are already doing this as part of their social responsibility, but a syndicated loan scheme from which parents can take loan at very low interest should be put in place.
- Reviving and reviewing educational bilateral agreements with friendly nations (such as the United States of America, France, Germany, Japan, India, Eastern European, South and North Africa, Middle East and Latin American countries) to include scholarship award article in the agreements.

### **SELF-ASSESSMENT EXERCISE**

- i. Describe briefly constraints to students financing and suggest appropriate solutions.

### **3.3 Methods of Funding Education**

The increasing cost and increasing public expenditure on education especially in the developing countries, have given rise to what observers and education economists regard as the financial crisis in public education (Callaway and Musone, 1968). There is therefore, the need to consider who the beneficiaries of educational investment are and who bears the burden of education cost.

Most studies reviewed revealed varied opinions on who should bear the burden of education financing. Eze (1983), for example, noted that

financing education has been a controversial issue on which no consensus has been reached among economists on how best it can be done.

Kayode (1972) argues that in deciding how to distribute the burden of education expenditure in Nigeria, the national objective should be taken into consideration. Thus, for example in order to realise two of the national objectives: building a just and egalitarian society and a free and democratic society, he felt that primary education should be provided without making private individuals to bear the burden. The private sector should be actively involved beyond this level. In the same vein, O'Donoghue (1971), believes that if education were treated as an activity of purely personal concern, then the students and their families would be made to pay the cost of their own education; but if it is viewed as having returns that accrue to the community, then public sector financing both on the demand and supply sides, would be adopted in the form of subsidies.

While justifying the need for subsidy in education, Woodhall (1969) asserts that in most countries higher education is financed by a combination of public and private sources of funds. According to Woodhall cost per pupil in higher education tends to be very much higher than cost per pupil at any other level of education. He went further that even if universities charge fees, these generally do not represent the full cost of tuition, so that some form of subsidy is required to finance the current and capital expenditure of universities.

Mbanefoh (1980) and Shared (1979) share the same view on determining the share of the burden of education through the consideration of the beneficiaries of educational investment. According to Mbanefoh, though the private return to higher education is high, the externalities are equally high. Therefore the public sector should continue to aid students through subsidies and loans. Sheehan notes that various levels of education are largely financed by the public sector because of the increasing emphasis on issues such as education and manpower link, social returns to education, as well as the fact that there has been a widespread political commitment to educational opportunity and making education available to those who cannot afford to pay.

There appears to be a consensus that because of the peculiar nature of education which makes it a 'merit' good (that is, neither purely private nor purely public good) provision of education fund should be a joint responsibility of the private and public sectors. The Federal Government of Nigeria for example, asserted that education is an expensive social service. She thus believed that the three tiers of government as well as local communities, individuals and other

organisations should participate in the financing of education. Osisioma (1986) notes that fees constitute a means of getting parents and guardian to participate in the financing of their children's education. It should be noted however, that the level of education exerts influence on the degree of participation between the public and private sectors suggested by Kayode.

It has been observed that a major issue in many developing countries is how the cost of education should be shared between public and private sources of funding, and what mechanisms should be used to allocate resources between institutions. There has been considerable research in recent years on alternative method of financing education institutions and providing financial support for students.

Studies have revealed significant changes during the 1980s in methods of financing higher education. For instance, a survey by OECD (Williams and Furth, 1990) examines the trends and patterns of finance in thirteen OECD countries, and showed that in most countries higher education faced increasing public funding due to economic recession and shifting public priorities; and that universities and other higher education institutions were required to respond by seeking new sources of funding, and adoption of more "market-oriented" approached to funding and income generation.

It has equally been found that universities in developing countries face severe financial constraints. Hinchliffe (1987) shows that this is particularly severe in Africa, but an examination of the patterns of finance for developing countries by the World Bank (1986) shows that everywhere, higher education institutions faced dwindling budgets, increased pressure on resources, and urgent need to improve efficiency and tap new sources of finance. A number of recommendations have therefore been made for reform of higher education finance in developing countries. These include a shift in the balance between public and private funding, increased cost recovery and greater reliance on loans, rather than grants as a form of financial support for students. Some of these changes are being considered or introduced as elements of the Structural Adjustment Programmes (SAP) while in other developing countries; governments are also experimenting with new sources and mechanisms for funding institutions and students. The question of whether student support should be provided by means of grants, scholarships, loans or other means, or whether cost recovery through fees or a graduate tax is feasible or desirable, on ground of efficiency or equity has provoked considerable controversy in many countries.

The role of education in the socio-political and economic development of a nation as discussed in preceding sections is indispensable. To this end, individuals, institutions and government participate in financing education. According to Babalola (1995), there are two basic methods by which an education system can be financed, namely; centrally versus locally financed education system and publicly versus privately financed education system. Each of these methods will now be discussed.

### **3.3.1 Centrally versus Locally Financed Education System**

Education is centrally financed, if the financial burden of education is borne by the central or the Federal government with little or no financial involvements from the regional, state or local governments. On the other hand, education is said to be locally financed when the financial burden of education is mainly borne by the regional, state or local governments. For example, in Nigeria, education is placed under the concurrent legislative list. This implies that the financial burden of education is the joint responsibility of the federal, state and local governments.

It is important to note that an education centrally financed will enhance uniform standard while locally financed education is prone to political pressure in many aspects, thereby leading to variation in standard.

### **3.3.2 Public versus Privately Financed Education System**

Education is said to be public financed when it involves primarily the use of general tax revenue. In several cases tax revenue is supplemented by user charges. For education to be solely public financed, the following conditions must hold.

#### **3.3.2.1 Joint and Equal Consumption**

A solely publicly financed education system must not generate gain or losses that can be assigned to any individual. The consumption of education should be necessarily joined and at the same time equal. Equal consumption implies that the more there is for one person, the more and not less there should be for another. The joint consumption implies that the benefits or losses of education are not divisible and as such make it practically impossible to assign the benefits or losses to any particular person. Therefore everybody is motivated to avoid payment for public education.

### **3.3.2.2 Imperfect Market Condition**

Under this condition, education bears no price tag and therefore it is very difficult to put into market. To this end, there will be the need for education to be publicly financed. In other words, if an individual decides to pay for education and such payment does not affect the quantity of education provided, then such an individual will not be motivated to pay, thus necessitating that education should be publicly financed. It must be noted that under normal condition, a rise in price ought to lead to a rise in quantity supplied as well as to a fall in the quantity demanded by the price of education, there is need for public financed education.

### **3.3.2.3 Deregulation of Administrative Control**

There must not be any administrative rationing of the supply of education, if education is to be publicly financed. Any limitation on the quantity of education supplied is technically equivalent to pricing education or selectivity, which implies rejectivity and discrimination against some people. This will lead to a breakdown of joint and equal consumption condition.

Where the conditions discussed above cannot hold, there is the need for education to be privately financed. It is glaring that government cannot solely finance education without the involvement of private individuals who benefit from education. It thus implies that education should be publicly and privately financed.

## **3.4 Private Financing of Education**

The use of direct user charges as the main source of educational fund is referred to as private financing of education. Usually consumers of educational services are asked to supplement taxes by paying part of the cost of educational services; this may tend to increase private costs of education, thus reducing private net benefits of education. It should be noted that directly or indirectly the buck of educational finance falls on parents. Direct finance is in the form of monetary and material provisions for children schooling, while parents contribute indirectly through taxes, levies, rates, donations, etc to fund education.

### **3.4.1 Rationale for Private Financing of Education**

The following are some of the conditions that make private financing of education inevitable.

- a. Reduction in national income. This has led to dwindling

budgetary allocation to the education sector. Thus fees are being charged and meal subsidies were removed especially in tertiary institutions.

- b. Inter-sectoral competition for public funds. Other sectors, such as defence, transport and communication, sports etc, compete for public fund in recent times. There is thus, a drastic curtailment in educational investment. Private sources are therefore sought to supplement public expenditure available to education.
- c. Expenditure factor in the share of education in public spending is usually large. Population/enrolment increases have the tendency to increase this trend. A larger share may no longer be feasible with time (see b above). There is therefore the need to supplement private financing.
- d. Selective system of user-charges is necessary in countries where subsidy on education benefits the 'wealthy' children than others. This is on the basis of equity principle which demands that subsidisation of education should neither make the poor poorer nor the rich richer.

### **3.4.2 Conditions under which Private Financing can succeed**

Private financing of education is likely to succeed if the following conditions are met:

- a. Where there is fiscal constraint on expansion of heavily subsidised educational system
- b. Where social pay offs are low and there is the tendency for over expansion, a mismatch and an eventual incidence of unemployment. Private financing may be used to discourage enrolment.
- c. Where there is inefficient incentive structure to be made prudent. Private financing tends to make users become more of investors than consumers by scrutinising costs more closely and reducing wastages.
- d. Where there is the need to generate additional revenue to supplement government expenditure on education.

### **SELF-ASSESSMENT EXERCISE**

- i. Explain briefly the basic methods of educational finance.
- ii. What is the rationale for private financing of education and under what conditions would it succeed?

### **3.5 Factors Influencing Allocation of Resources to Education**

Economics and educational planners have over the years shown greater

interest in resource allocation problems. Consequent upon increasing financial constraints on educational investment, the search for alternative sources of financing educational investment has been embarked upon and intensified in developing countries.

According to Fafunwa (1973), public financing of education started in 1877 when the colonial administration provided an annual amount of 200 pounds to each of the three missions involved in the establishment of schools in Lagos Colony. Since then successive governments have been allocating a given amount to education in view of the need to use education for the needed scientific, technological, socio-political and economic reawakening of the country.

Government usually allocates sizeable proportion of its revenue to education in order to enhance national development. According to Ajayi (1997), the proportion of national revenue that will be allocated to education is influenced by several factors among which are the growth rate of the national economy; the world market condition; competition from other sectors of the economy; the nature of the sources of revenue and the nation's policy on education.

### **3.5.1 The Growth of National Economy**

Education contributes to economic growth through increased Gross Domestic Product arising from the additional training of the labour force. To this end, government devotes resources to education. However, the proportion of the national resources that will be devoted to education will depend on the rate of economic growth of a nation. If the economic growth rate is low, it may be difficult for the government to devote more resources to education.

### **3.5.2 The World Market condition**

Agriculture is the mainstay of most African states. As a result of this, the price of agricultural products in the world market determines their national income. However, fluctuations in the world prices of agricultural products make it difficult for these countries to decide the proportion of the national revenue that should be allocated to education on annual basis. Presently, the dominant source of national revenue in Nigeria is oil. Therefore, the Federal Government's budget is usually predicated on the price of oil in the international market. For instance, Adelabu (1992) observed that the world-wide shortage of many raw materials experienced immediately after the Second World War (1939-1945) resulted in phenomenal increase in the export trade of Nigeria. As a result of the increase in revenue, the then colonial government freed a large sum of money as government grants-in-aid towards expanding the

existing inadequate educational facilities while improving existing standard.

The current crisis in the Niger Delta area of Nigeria that culminated in the invasion by the Joint Task Force; the subsequent Amnesty Programme put in place by the Federal government are meant to ensure steady oil exploration which is the mainstay of the nation's economy. This is because once there is disruption in the production of oil or if there is a setback in the price of oil in the international market, there would be negative impact on the nation's economy.

### **3.5.3 Competition from other Sectors of the Economy**

The revenue of a country is distributed among the various sectors of the economy in order to foster national development. Education is one of these sectors and its share of the national revenue depends on the needs of other sectors of the economy. When other sectors call for more attention of the government, the proportion of the national revenue devoted to education may reduce. For instance, 13.5 percent of the Gross Public Investment during the Second National Development Plan (1975 – 1980) plan period was allocated to education. The reduction in the proportion of revenue allocation to education could be attributed to the competing demands from other sectors of the economy.

### **3.5.4 The Nature of Sources of Revenue**

This determines a country's budgetary allocation to education. If a country relies on only one source of revenue, it may not be able to adequately finance education when compared with other country that diversifies her sources of revenue. For example, Nigeria's sole reliance on oil revenue could retard educational development in the country due to fluctuations in oil price in the world market, which could adversely affect government's financial commitment to the sector. If there is diversification of the nation's sources of revenue, the Federal Government would have more sources from which to derive revenue. This scenario would guarantee greater allocation to education.

### **3.5.5 The Nation's Policy on Education**

Educational policy of a nation is a statement of educational aims and objectives and the procedures for achieving them. It creates sense of direction and unity of purpose among the individuals and various agencies involved in the administration of education in a country. If the main focus of the educational policy of a nation is on the provision of technologically-based education rather than literary form of education, more proportion of the government's revenue may be devoted to

technologically-based education. Similarly, where the government is expected to play a dominant role in the attainment of educational objectives, more proportion of its revenue will be devoted to education than where the private sector is expected to play such role.

### **SELF-ASSESSMENT EXERCISE**

- i. Explain various factors influencing educational finance.

## **4.0 CONCLUSION**

The various components of educational finance have been examined together with their significance on the overall attainment of educational goals. This aspect of education cannot be ignored as it serves as the bedrock for educational system. Therefore, educational managers are expected to evolve strategic plans on how to ensure continuous flow into the system. Failure to ensure this will constrain educational quality with its attendant implications on socio-economic and political development of a nation.

## **5.0 SUMMARY**

In this Unit, you have learnt about classification and significance of educational finance with student finance identified as a more volatile aspect of educational finance. The initiative of student finance came through the pioneering efforts of the missionaries until government intervention through scholarships, bursary awards and other forms of financial assistance. The assistance from government has suffered serious setback and possible solutions were provided. The rationale for private finance of education was highlighted while factors influencing allocation of resources were extensively discussed.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Describe the concept of educational finance and proffer solutions to various challenges of educational finance.

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 4 HISTORICAL PERSPECTIVE OF EDUCATION FINANCE IN NIGERIA**

### **CONTENTS**

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### **1.0 INTRODUCTION**

Our focus in this Unit is to examine educational finance in Nigeria from the perspective of history, both as a former British colony and later as an independent nation. This is because of the significance of history in shaping policy direction in different countries. This is considered significant in a country like Nigeria that has been governed by the colonial administration, the civilian and military administration. For instance, from the period 1960-2010, this country has witnessed 32 years of military administration and 18 years of civilian rule. The nature of administration to a large extent determines policy direction and hence influences its disposition towards education, as well as other sectors of the economy. For example, a democratic administration is expected to take certain decisions in accordance with the principle of democratic ethos, whereas a military administration is built on unitary command system that is alien to democratic values. All these developments have implications on educational financing as well as other policy issues pertaining to education. Therefore, this section will examine the impact of the vacillating policies of the different administrations in Nigeria on education finance. These stages are the colonial period, period of limited self-government and the independence period (1960 to date).

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- state the difference between the policy of the colonial administration and post colonial administration on education
- identify the specific landmarks in policy direction and corresponding impact on education financing in Nigeria
- highlight the various challenges to educational finance in Nigeria
- state solution to some of the constraints to educational finance in Nigeria

## 3.0 MAIN CONTENT

### 3.1 The Colonial Era

Western education was introduced by the Christian missions and can be said to date back to September 24, 1842 when Rev. Thomas Birch Freeman arrived in Badagry. Thus, when the formal western type of education was introduced in the Protectorate in the mid-1800s, the system was wholly owned and financed by the missionaries. The colonial administration however became the major beneficiary since it recruited most of the much-needed low level manpower for trade, commerce and government from schools established by the missionaries.

There was therefore the compelling need, if only on moral ground, by the colonial administration to make some financial contributions to the schools. This financial assistance took the form of discriminatory grants to “deserving” schools. Through the 1882 Ordinance, two types of primary schools were established, that is, those fully maintained by government; and grant-aided or assisted schools (missionary schools). A third type existed – the non-assisted schools, owned by private individuals, missionaries or communities and of indifferent quality (Marinho, 1992).

According to Okunamiri (2005) under the 1905 Education Proclamation, the High Commissioner was empowered to control and provide financial assistance to schools and under the arrangement three classes of schools emerged.

**Category 1:** The first were the government schools which were very few and were financed mainly through public funds. Here the local communities were required to pay fees and these were initially levied en-block and were paid on behalf of the pupils by the local chiefs. As time went on individual pupils paid their own fees which were usually very low.

**Category 2:** The second type consisted of assisted schools which were established by the Christian missions and voluntary bodies. These were subjected to government inspection and were qualified for government grants-in-aid. They were also subjected to the provisions of the education proclamation and other rules under them. Pupils who attended such schools paid fees except where they were exempted from such payments by the voluntary agencies that established the schools.

**Category 3:** The third group of schools was the unassisted ones. They were established and maintained by some Christian missions, private bodies or individuals. These schools charged fees which were generally higher than what were paid in the first two categories of schools and they were not bound by the 1905 Education Proclamation.

Public financing of education in Nigeria started in 1877 when the colonial administration provided an annual amount of £200 to each of the three missions involved in establishment of schools in Lagos. In 1891, the total aid to education from the colonial government was £1,673 and this increased to £3,400 in 1895. Grants-in-aid in support of secondary education were fixed at 18s: 4d per student per annum provided that such student achieved 80% attendance. Government supported payment of fees with £4:18s per secondary school student (Fafunwa, 1973).

In 1903, the criterion for the award of grants and aid to the assisted school was revised. The nature of the criteria made it difficult for many schools to qualify for the award and consequently, there was reduction in grants received. Private sectors bear the greatest burden of education during the period. For example, fees ranging from £1:16s to £7:10s were paid by day students of mission – owned secondary schools while those in boarding schools paid fees ranging from £5:12s to £23:10s. Annual fees paid by day students of government – owned secondary schools ranged from £7:10s to £9:15s, while that of boarding students from £15 to £20: 15s.

In 1919, the conditions for grants- in-aids to mission schools were made less rigid by Lord Lugard. This led to the increase in number of assisted schools. As a result of the 1926 Ordinance, there was an increase in public expenditure on education through grants – in- aid system. However, the chronic depression of 1930 hampered the efforts of the colonial government to meet its grants-in-aid commitments. Between 1946 and 1947, the Colonial government invested a total of £745,850 as grants-in –aid to education.

The Northern Nigeria was administered as a separate protectorate. In 1914, the south and the colony of Lagos and the North were

amalgamated. In the North, the pace of educational development was much slower than in the South and the pattern of financing education was different. The first group was the government and native authority schools which predominated and were maintained by the native authorities. The second group was the mission schools which initially received no grants, but overtime some of them were grant aided. On the whole, in spite of the 1914 amalgamation, the legislative acts controlling education remained separate for the north and south, until the Education Ordinance No 39 of 1948 which came into force on 1<sup>st</sup> January 1949. This was based on the Davidson Ten year's plan which was the first educational legislation that covered the whole country.

The impact of this new policy, otherwise called the 1948 Sir Sidney Phillipson's formula, was the emergence of a very wide and comprehensive grants-in-aid system in respect of teachers' salaries, headmasters' allowances, and administrative expenses, salaries of supervisors and recognised expenses of a school. In addition, the policy also provided special grants to schools which attained exceptional standards in efficiency, teaching, discipline and tone. The Phillipson's formula was based on the new constitution which was introduced in 1947, and this was usually referred to as Richards Constitution. The Constitution provided for a more central control of educational administration and finance in Nigeria. This Richards Constitution was however amended in 1951 under the Macpherson Constitution and this granted the Regions greater autonomy. Education became the responsibility of Regions which were then empowered to make laws on it, but subject however to an overall central control. Under the new dispensation, the central government was expected to transfer to the Regions the actual cost of recurrent expenses.

The extent of the financial assistance by government between 1918 and 1952 shows that educational expenditure as a percentage of total government spending rose progressively from a paltry 1.0% in the 1918 fiscal year to an all high of 16.9% in the 1951/52 financial year, the year which ushered in the decade preceding the attainment of political independence by the country in 1960. The year also witnessed the establishment of regional ministries of education. One can infer from the funding pattern that the colonial administration improved on its financing of education as a prelude to self governance in Nigeria. The funding pattern during this period is illustrated in Table 1.

**Table 1:** Colonial government expenditure on education (1918-1952)

Year	Expenditure in pounds	Percentage total of expenditure
1918	35,747	1.0
1925-26	116,304	1.8
1929-30	263,456	4.3
1934-35	225,038	4.7
1939-40	264,461	4.0
1944-45	485,113	4.8
1949-50	2,308,530	8.1
1951-52	8,324,000	16.9

**Source:** Olagboye (2004): *Introduction to educational management in Nigeria*

### 3.1.1 Period of Limited Self-government

The Richards Constitution of 1949 created three regions while the Macpherson Constitution of 1951 granted legislative autonomy to the regional governments. Consequently, the regions charted the course for their educational direction. The various political developments in the country during this period referred to as period of limited self-government by Olagboye (2004) gave impetus to educational financing, as the funding of education became a shared responsibility between the country's federal and three regional governments, based on the relevant provisions of Lyttleton/Federal Constitution of 1954. Empowered by this constitution, the Western and the then Eastern regional governments introduced free universal primary education in 1955 and 1957 respectively.

It was reported by Adelabu (1992) that there was a linkage between the wealth of the former Western Region in the 50s and its educational policy. This was because between the year 1960 and 1964 there was a considerable increase in export commodities in Nigeria ranging from 125% increase in palm oil to 500% on palm kernels both of which were abundantly available in Western Region. For instance, between 1954 and 1960 the Western Region shared 38% to 46.5% of Nigeria's federal revenue as against 25.5% to 32.5% by the Northern Region and 25.5% to 31% by the Eastern Region.

In addition when the then Federal Marketing Board was regionalised in 1953, millions of pounds were allocated as shares to the individual regions using the Derivation Formula upon which Western Region received 34.4 million pounds (46.30%) of the revenue. With this

economic advantage of the Western Region, a new concept of education as a tool for nation building evolved which culminated in the first ever Universal Primary Education in 1955.

In the Western and Eastern Regions and Lagos Territory, education at the primary and secondary levels was controlled by the respective administrations. In the Western Nigeria, the free Universal Primary Education Scheme implied that all pupils who registered in primary schools would not have to pay school fees. This however did not translate to government taking over of schools as there were still in existence voluntary agency schools, government schools, moslem schools, community schools and so on. What the government did was to make financial grants to cover registered pupils in the schools as well as for construction, expansion and repair of school buildings.

This development was viewed as a monumental educational resolution, which evoked transplantation to other regions (Idumange, 2002). The free Universal Primary Education Scheme in the Eastern Region was modified two years later in order to progress in stages, because of the heavy financial burden, as the Eastern Region was not as financially buoyant as the Western Region. This however resulted in astronomical expansion in educational expenditure as well as pupil and teacher population in the concerned regions. It was reported by Adesina (1988) that the government nearly borne the greatest and entire burden of educational finance during the period. The education programme in the Western region and the Lagos Territory failed due to poor and uncertain economic support and this compelled the Federal Government to intervene through the Education Act of 1961 to improve the financing of education in these regions.

For instance, Olagboye (2004) reported that the Western Region alone, for example, spent seven million pound sterling on the construction of buildings for the scheme, while annual recurrent expenditure rose progressively from the pre- UPE sum of a little over two million pounds in the 1953/54 fiscal year to a staggering 7.9 million in 1957/58. Table 2 gives an indication of priority placed on education from year to year by the federal and regional governments based on the percentage of their total annual expenditure (on all sectors of the economy), that was devoted to education between 1955 and 1962. During this period, the federal authorities devoted an average of 16.9% of their total spending to education. On the contrary, the Eastern, Northern and Western regional governments devoted an average of 34.1%, 18.2% and 34.3% respectively of their total annual expenditure to education during the period. In general terms, the Western Regional Government, followed by the Eastern Regional Government devoted much higher proportions of their total annual expenditure to education than the Federal and the

Northern regional governments. The Federal Government devoted the smallest percentage to education during the period.

**Table 2:** Percentage of total expenditure devoted to education by Federal and Regional Governments (1955-1962)

Year	Federal	Eastern Region	Northern region	Western region
1955	18.7	28.4	20.5	38.7
1956	17.3	42.3	19.5	37.5
1957	18.7	34.0	19.5	42.6
1958	17.0	34.0	19.7	33.7
1959	15.2	34.8	20.7	28.1
1960	16.1	36.9	23.9	30.5
1961	15.5	28.2	23.6	29.1
1962	NA	26.9	21.5	29.5

**Source:** Olagboye (2004): *Introduction to educational management in Nigeria*

The Northern region did not pursue the policy of UPE as a means of financing primary education. Although primary education witnessed an increase in enrolment, however, the expansion of primary school there was slower and more methodical with the aim of making it free in future date. The Northern region through the Northern Region Education Law of 1952 established the Local Education Authorities (LEAs) which maintained and managed institutions as directed by the Minister. Other functions of the LEA include inspection and research desirable for the improvement of the educational facilities. In addition the law also empowered the education authority to establish institutions in their areas as they deem necessary.

### SELF-ASSESSMENT EXERCISE

- i. Discuss briefly the history of educational finance in Nigeria.

### 3.2 Independence Period

This period can be regarded as a continuation of the period of limited self governance as the various Regional Governments continued with their educational policies. It must be noted that during the period, the Regional Governments had some measure of autonomy and therefore controlled the resources in their jurisdiction. The attainment of independence in Nigeria on October 1<sup>st</sup>, 1960 brought a new dimension into education finance in Nigeria. According to Ndagi (1986) in a study

conducted by Callaway and Musone on financing of education covering the period 1952 through 1962/63, the findings indicated that there was a rising financial commitment due to rapid educational expansion, which resulted from increased enrolment and the adoption of the Phillipson's system of grants-in-aid. However, with the incursion of the military administration into governance in Nigeria, the various autonomous regional governments gave way to a unitary system of administrative structure. What this implies is that the Federal Government took over some of the powers of which hitherto resides in the various Regional Governments.

### **3.2.1 Education Finance during the Era of Military Administration**

It is important to note that the period in between 1968-1978 has been identified as watershed in education finance in Nigeria. This was because of the promulgation of certain Decrees that altered the revenue allocation sharing formula in Nigeria. It has been discussed earlier that the derivation formula for revenue allocation favoured the Regional Governments. Thus they had absolute control over their resources and gave certain percentage to the Federal Government. The idea of revenue sharing in Nigeria started in 1946 with the introduction of Richards Constitution which created the need to formulate proposals that would help the Regional Governments, that is, the West, East and Northern regions. This is to allow them to undertake their new responsibilities which include financing of education. Between 1914 and 1946, Nigeria operated a unitary government both in terms of political and fiscal considerations. Thus during the period of limited self-government, the Regional governments could control their finance. Therefore, when the Military regime, between 1968 and 1978 promulgated four decrees on revenue allocation, the Regional Governments were disadvantaged. The following are the Decrees that changed the mode of education finance in Nigeria.

- Decree No. 15 of 1967 provided the formula for sharing revenue among the newly created twelve states.
- Decree No. 13 of 1970 shifted the bulk of the federally collected revenue to the Federal Government.
- Decree No. 9 of 1971 gave the Federal Government the exclusive right to the revenue from the off-shore rents and royalties from oil.
- Decree No. 6 of 1975 made almost all revenue to be shared by the states to pass through the Distributable Pool Account.

Table 3 shows that the revenue sharing formula is positively skewed in favour of the Federal Government. The cumulative effects of these

Commissions and Decrees on revenue sharing in Nigeria is summarised in Table 3, which shows the amount of money and the percentage of the federally collected revenues as they are shared between the Federal Government on the one hand and the States combined on the other. From 1968-69 to 1970-71, the States received between 30% and 40% of the federally collected revenue based on the formula proposed by the Raisman Commission, but re-divided by Decree No. 15 of 1967 to suit the newly created twelve states. From 1971-72 the percentage share of the States dropped to below 30% though the actual cash values of the appropriation continued to rise at an average annual rate of increase of 39.3%, whereas the cash value of the revenue retainable by the Federal Government was rising at an average annual rate of increase of 51.0% in addition to retaining a higher annual percentage of the share of the revenue of over 60% from 1968-69 to 1970-71 under the Raisman's formula. As from 1971-72 to 1977-78, the Federal Government's share of the federally collected revenue rose to over 70% because of the combined effect of Decree No. 13 of 1970 which shifted the bulk of the federally collected revenue to the Federal Government, and Decree No. 9 of 1971 which gave the Federal Government the exclusive right to the revenue from the off-shore rents and royalties from oil.

**TABLE 3:** Shares of Federal and States of Federal Revenue (1968-1978)

Year	Retainable by Federal Government		Appropriation to the States		Total Amount
	Amount	%	Amount	%	
1968-69	180.5	61.1	114.8	38.9	295.3
1969-70	230.6	60.7	149.0	9.3	379.6
1970-71	434.2	66.5	218.3	33.5	652.5
1971-72	699.7	73.5	252.0	26.5	951.7
1972-73	928.5	72.6	349.3	27.4	1,277.8
1973-74	1,180.4	75.2	389.5	24.8	1,569.9
1974-75	2,502.4	80.0	626.1	20.0	3,128.5
1975-76	3,873.7	73.7	1,378.6	26.3	5,252.3
1976-77	4,329.3	75.2	1,427.0	24.8	5,756.3
1977-78	5,846.2	76.4	1,806.3	23.6	7,652.5

**Source:** Ndagi, J.O (1983). *Financing of education in Nigeria under the military rule*

The picture one gets during the military is that of over dependence of the states on the federal sources. On the average, over 60% of the state's revenue was from Federal sources. The situation was so terrible that the

Military Governor of Lagos State at the time, Brigadier Mobolaji Johnson, in his budget speech for 1975-76 observed that:

Whereas in the past, 65 percent of our revenue has come from sources under the control of the Lagos State Government, collectible by its own effort and only 35 per cent was due from Federal Government sources, the position had completely changed in this current financial year. With the percentage of revenue due from the state's own resources falling to about 50 per cent we have become considerably more dependent on Federal Government's subvention than ever before. Owing to the introduction of uniform taxation, the Lagos State Government stands to loose nearly N11 million which the Federal Government proposes to make good for the financial year 1974-75 only. Thereafter we shall have to bear the full effect of the loss of revenue arising from this exercise.

It is important to take note of Lagos State that was less dependent on federal sources during the fiscal years 1968-69 to 1974-75. During this period, more than 55% of the state's revenue came from the states sources; and revenue from personal income alone was more than the revenue receivable through the Federal Government. But from the fiscal year 1975-76, the position changed due to the introduction of uniform taxation.

What one can deduce from the effect of these Decrees was that the Federal Government had discouraged the State Governments by curtailing their latitudes to generate enough revenue from local sources, and deliberately applying fiscal measures like the introduction of uniform taxation and the abolition of export duties and sales tax on agricultural produce, in order to make the States more dependent on the Federal Government for their revenues. The clear picture that has emerged is the over dependence of the states on the Federal Government for their revenues, and the over dependence of the Federal Government on one dominant source of revenue.

Between the fiscal years 1968-69 to 1971-72, the dominant source was customs and excise item. But between the fiscal years 1971-72 to 1977-78 the dominant source switched to Direct Taxes which include Petroleum Profit Tax that provides the bulk of the federally collected revenue. Nigeria was, therefore, in a very precarious economic situation. If the oil industry had collapsed, then all the educational programmes would have collapsed.

The civil war period of 1967-1970 halted the implementation of UPE in Regions where it was practised. In January 1978 there began a new development in the management of primary schools, leading to the takeover of the primary and post primary education by the Government, which implied the nationalisation of the school system. The implication was that the government assumed full responsibility for the financing and management of schools, thus putting an end to the grants-in-aid system. The government or its agencies therefore assumed full responsibility for maintenance of the primary and secondary schools both in respect of recurrent and capital expenses. All this while, the funding pattern of secondary education, teacher education and technical education followed similar trend as in primary and secondary education in the country.

The Government of East Central State (one of the states created out of the old Eastern Region) was the first to take over all schools in its jurisdiction through the promulgation of the East Central State Public Education Edict 1 of 1970 that led to the taking over of all primary and secondary schools in the state. The rationale, as argued was to provide central coordination and build an integrated educational system that would guarantee uniform standards and equity in the distribution of educational facilities. Another reason was to provide stability, curb sectionalism, religious conflicts and disunity. This was necessary because some alleged that the missionaries were only interested in indoctrination (Idumange, 1992). However, not long after, there was the drastic fall in oil revenue in the late 1970s which made it impossible for the governments to shoulder the burden of education finance, and gradually, private participation was allowed to come to the rescue. Lagos State also enacted its Education Law No 11 of 1970 while the south western states followed suit in 1973.

### **3.2.2 Government Policies and Education Finance**

The foregoing historical perspective on education finance in Nigeria indicates that various governments at the pre-independence and post-independence era have exercised considerable influence on education finance and management through their policies. Some of these policies are enunciated in the National Policy on Education. Other landmark decisions include government take-over of schools; nationalisation and expansion of higher institutions, decentralisation of the entire educational system, the Universal Basic Education, Unity Schools and quota system and establishment of agencies that influence education. These agencies include the Joint Admissions and Matriculation Board, the National Universities Commission and many others. Nwadiani (1998) observes that most educational policies in Nigeria are poorly implemented because they are caught in a web of militarism and

partisanship. Idumange (2002) remarks that politics has the capacity to dislocate educational planning and its implementation. He added further that political instability coupled with anti-intellectual leaders have conduced to debase long-term planning, while policy inconsistency, discontinuity and their attendant negative multipliers continue to hinder education in Nigeria.

### **3.2.3 Profile of Federal Government Expenditure on Education**

Issues pertaining to education finance in Nigeria have always been related to Federal Government's budgetary allocation to education. This might not be unconnected with the fact that the Federal Government takes the lion share of the federally collected revenue. It has been observed that Nigeria has not been able to come up with an acceptable revenue sharing formula and as such the issue of revenue is a contentious issue. The existing formula is positively skewed in favour of the Federal Government, followed by the States and local governments in that order. The Federation Account holds all federally collected revenue with such funds divided among the three tiers of government.

Some of the funds in the Federation Account accrue from government-owned mineral resources, a set percentage (13%) of which is returned to the states, apportioned on the basis of the states original contributions. This implies that each state is entitled to 13% of the revenue accruing from resources generated in its territory. The revenue from the Value Added Tax is also shared through allocation of 15% to the Federal Government, 50% to the state governments and 35% to the Local Governments. Of the funds remaining within the Federation Account, 54.7% goes to the Federal Government, 24.7% to state governments and 20.6% to local governments.

The Federal Ministry of Education (2003) agreed that 1978-1999 was an ill period for Nigerian education system because of the instability and financial inadequacies due largely to general economic downturn of the 1980s. The crisis led to stoppage in the expansion of primary schools, regular occurrence of unpaid teachers' salaries, the degeneration of educational facilities and infrastructure at all levels and the attendant industrial crises (strikes) across all tiers of Nigerian education system. According to the Central Bank of Nigeria (2000), poor financial investment has been the bane of Nigerian education system, to the extent that the budgeting allocation has been very low compared to others. Furthermore, the federal government percentage allocation to education has declined steadily since 1999. This is particularly important in view of the huge increase in number of intake at all levels of education-primary, secondary and tertiary. Table 4

illustrates budgetary allocation to education by the Federal Government. The Nigeria's government national budgets to education consistently fall below the 26% recommendation by the UNESCO.

**Table 4:** Federal Government Budgets From 1958 – 2008 and the Percentage Allocated to Education

S/N	YEAR	TOTAL BUDGET	ALLOCATION TO EDUCATION	% OF BUDGET TO EDUCATION
1	1958	£38,267,480	£2,260,760	5.91
2	1959	£37,647,160	£2,515,140	6.68
3	1960	£46,629,930	£2,808,040	6.02
4	1961	£52,987,260	£3,257,570	6.15
5	1962	£52,084,700	£2,705,250	5.19
6	1963	£58,109,680	£1,992,590	3.43
7	1964	£62,275,980	£2,270,360	3.65
8	1965	£78,396,370	£2,800,950	3.57
9	1966	£76,720,040	£3,244,020	4.23
10	1967	£68,484,070	£3,339,120	4.88
11	1968	£64,570,800	£1,833,400	2.84
12	1969	£81,053,740	£1,782,410	2.20
13	1970	£267,920,814	£1,850,540	0.69
14	1971	£465,837,661	£2,468,520	0.53
15	1972	£638,947,649	£3,976,650	0.62
16	1973	N1,411,429,065	N 12,378,780	0.88
17	1974	N 3,128,405,827	N 92,678,460	2.96
18	1975	N 5,252,297,373	N 240,196,680	4.57
19	1976	N 5,088,150,047	N 443,058,618	8.71
20	1977	N 7,652,554,360	N 238,617,290	3.12
21	1978	N 6,815,198,810	N 779,399,610	11.44
22	1979	N 8,805,262,310	N 326,076,020	3.70
23	1980	N 9,041,279,000	N 447,902,000	4.95
24	1981	N 8,430,897,670	N 543,664,300	6.45
25	1982	N 6,758,123,360	N 546,698,980	8.09
26	1983	N 5,560,937,850	N 224,407,210	4.04
27	1984	N 6,072,461,420	N 272,497,470	4.49
28	1985	N 6,772,342,659	N 256,856,650	3.79
29	1986	N 7,780,732,900	N 208,990,210	2.69
30	1987	N 17,517,080,030	N 337,463,940	1.93
31	1988	N 24,365,32,328	N 584,130,070	2.40
32	1989	N 30,107,057,130	N 1,067,179,030	3.55
33	1990	N 39,763,988,960	N 1,126,664,140	2.83
34	1991	N 38,665,978,779	N 419,906,180	1.09

35	1992	N 52,036,021,610	N 2,008,340,430	3.86
36	1993	N 114,600,529,300	N 6,436,080,750	5.62
37	1994	N 110,500,000,000	N,878,084,920	7.13
38	1995	N 155,200,000,000	N 12,78,676,390	8.20
39	1996	N 188,221,068,083	N 12,135,951,790	6.45
40	1997	N 404,000,000,000	N 16,440,162,815	4.07
41	1998	N 260,000,000,000	N 26,721,320,906	10.28
42	1999	N 419,500,000,000	N 27,712,000,000	11.2
43	2000	N 677,511,714,733	N 56,668,169,766	8.36
44	2001	N1,018,167,600.00	N 59,764,600,200	5.87
45	2002	N1,188,914,253.0	N109,455,200,000	9.21
46	2003	N1,226,156,000.0	N 97,586,100,000	6.49
47	2004	N1,212,231,500.0	N 93,777,000.000	7.71
48	2005	N1,801,938,200.0	N120,035,500,000	6.66
49	2006	N2,193,609,200.0	N165,213,500,000	7.53
50	2007	N1,949,594,800.0	N185,771,770,000	9.53
51	2008		N210,000,000,000	13

**SOURCE:** *Federal Government of Nigeria Gazette, (various years).*

It is expected that if the budgetary allocation from the Federal Account falls short of expectation, then the State Governments whose survival depends on statutory allocation from the Federal Account are not likely to perform better.

#### **SELF-ASSESSMENT EXERCISE**

- i. What are the implications of government policy on educational finance in Nigeria?

#### **4.0 CONCLUSION**

The conclusion from our discussion so far indicates that, the initial lukewarm of the colonial administration towards education finance in Nigeria has given way to a situation where government at various levels now shoulder the burden of education finance. While the colonial administration can be described as adopting a methodical, albeit lukewarm attitude towards education finance in Nigeria, the period of limited self- government gave the Regional Governments free latitude to dictate their educational policies based on the availability of funds. However, the incursion of the military regime into Nigeria's political terrain deprived the States (Regions) that measure of autonomy that gave them control over their internally generated income. The military through their unitary command structure jettisoned fiscal federalism and made the various states to be absolutely dependent on the Federal

Government for their financial requirements. Since States no longer have control over their resources, the urge at generating resources internally declined because such income automatically goes to the Federal Government purse. In addition, educational policy particularly during the independence era witnessed a lot of policy inconsistencies which impacted negatively on education finance. This is because the independence era witnessed political instability due to the incursion of the military into self- governance in Nigeria.

## 5.0 SUMMARY

In this Unit, you have learnt about the mode of education finance under colonial administration and the period of limited self –government. You have also learnt how the various Decrees promulgated by the military administration between 1968 and 1978 altered the trend of education finance in Nigeria. The Unit also presented the negative impact of political instability on education finance in Nigeria. The next Unit will expose you to the structure of educational system in Nigeria.

## 6.0 TUTOR- MARKED ASSIGNMENT

- i. Explain the mode of educational finance under the colonial era and the period of limited self- government.
- ii. Discuss the impact of the incursion of the military into Nigeria’s political terrain on education finance.

## 7.0 REFERENCES/FURTHER READING

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## **MODULE 2 PERSPECTIVES ON EDUCATION FINANCE**

- Unit 1 Sources of Education Financing in Nigeria
- Unit 2 Role of Non-Governmental Organisations and Foundations in Education Financing
- Unit 3 International Development Agencies and Education Finance
- Unit 4 Educational Finance in Selected Developed Countries

### **UNIT 1 SOURCES OF EDUCATION FINANCING IN NIGERIA**

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Functions of Education Finance
  - 3.2 Sources of Educational Finance
  - 3.3 Internal Sources
    - 3.3.1 Tuition Fee and Levy
  - 3.4 The Public
    - 3.4.1 Funding of Universal Basic Education
    - 3.4.2 Funding of Secondary Education
    - 3.4.3 Funding of Tertiary Education
      - 3.4.3.1 Government Subvention (Grants)
      - 3.4.3.2 Donations and Endowments
      - 3.4.3.3 Education Tax Fund (ETF)
  - 3.5 Major Forms of External Aids
    - 3.5.1 Major External Aid Projects for Operation of Educational Institutions
    - 3.5.2 Major External Aid Projects Related to General Educational Matters
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  - 3.8 Challenges on Reliance on External Aid
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

#### **1.0 INTRODUCTION**

In the preceding units, it has been emphasised that education is a capital intensive industry that requires resources procurement, allocation and

effective application of such resources for the realisation of educational goals. Funding has continued to dominate discussions on issues pertaining to quality of education. This is premised on the understanding that with adequate provision of funds other resources required for educational system are already guaranteed. In order to actualise various objectives of education, different sources are explored ranging from internally generated fund to that of external support from the public and donor agencies. Combs (1968) indicated that money is an absolute crucial input of any educational system as it provides the essential purchasing power with which education acquires its human and material input. With little money, education can be helpless. With an ample supply, its problems become more manageable even though they do not vanish.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- highlight the functions of educational finance
- identify different sources of educational finance
- outline various methods of educational financing
- identify specific contributions of donor agencies

## **3.0 MAIN CONTENT**

### **3.1 Functions of Educational Finance**

In Unit Two, attempts have been made to clarify the concept of educational finance as the process of procuring and disbursing of financial resources for the provision of education of a given standard stipulated by the society. Educational finance according to Okunamiri (2002) has two components or functions, namely, diagnostic and prognostic. The diagnostic component deals with the analysis of the financial aspect of education, while the prognostic deals with the use of educational financing as an instrument to project the trend of an educational system.

For instance, the Ashby Report of 1960 prescribed that if the Nigerian was to grow at the rate of 4% per annum from 1960- 1980, the corresponding growth rates of the senior and intermediate level manpower would be 8% and 13% respectively. Based on these recommendations, school places at the tertiary and secondary levels including primary education were projected and provided. This is a typical example of how educational finance can perform a prognostic function.

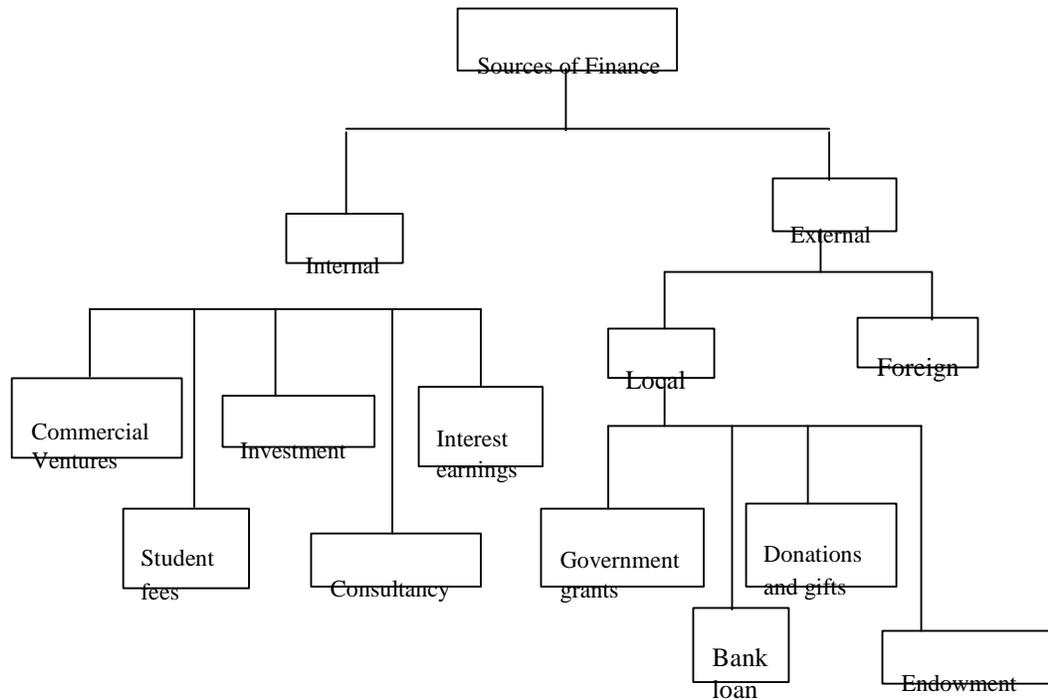
### 3.2 Sources of Educational Finance

In every country, there are those who have interest in matters pertaining to education and they are referred to as stakeholders. This is because whatever affects the educational sector automatically affects them. The sensitive nature of educational finance makes it a major source of concern to them. For instance, Babalola (2001) reported that universities in Nigeria are currently in crisis. According to him, there is less money to spend on teaching, research and community services. Universities complain of under-funding, while government accuses the universities of inefficient utilisation of available resources. The donors argue that public spending on universities should be reduced. At the same time there is a growing resistance by students to various attempts to introduce user charges at the university level.

Three categories of stakeholders in the Nigerian educational system and invariably the providers of education funds are the following:

- a. The public – represented by the federal, state and local governments.
- b. The private individuals, and
- c. Donor agencies such as the World Bank, UNESCO, UNICEF, UNDP among others.

Sources of finance can also be classified into two: internal and external as shown in figure 1.



*Figure 1: Anatomy of Educational Finance*

**Source:** Adapted from Ayodele (1997)

### SELF-ASSESSMENT EXERCISE 1

- 1 a) Describe the functions of educational finance
- b) List the major sources of educational finance

### 3.3 Internal Sources

Internal sources comprise of funds generated internally by the institutions by charging students for services rendered to them. Under this category of revenue sources are tuition, examination, accommodation, sports, medicals, ID cards and development levies, as well as others that may fall under this group. Institutions, particularly tertiary institutions equally raise funds through consultancy services. In addition, other sources include direct investment in economic and business ventures; large scale agricultural production and animal husbandry as well as income earned from banks through placement of surplus funds on fixed deposits.

It is however, important to add that internally generated revenue appears to be very important at the tertiary levels of the Nigerian university system. A directive from the Federal Government advising that Federal universities should start generating 10% of its total revenue

prompted most of the universities to explore different avenues for making money. Universities could establish both commercial and University-Productive Sector (UPS) linkages, but represent different modes of expanding the financial base of the university system. Aina (2007) identified a commercial venture as a unit or department within the university which engages in direct production of goods and services, which are sold directly to the consumers. Such units are established primarily to generate a profit. UPS linkages are those structures put in place to allow universities to sell their technical expertise and/or the products of their scholarly research to the productive sector.

Nearly all the universities are engaged in running different commercial ventures ranging from hotel services, primary and secondary schools, publishing, consultancies, petrol stations and supermarkets among others. It is observed that some of the ventures that attract high profit margins are those offering professional services such as consultancy, distant teaching and hotel services. Although the geographical location of each university could be a major determinant of how successful these ventures could be. For instance, while a cosmopolitan university like the University of Lagos could generate a lot from consultancy services due to the presence of big industrial and commercial organisations, it is doubtful if a university located in a landlocked state, like the University of Ado Ekiti can be that successful.

### **3.3.1 Tuition Fees and Levies**

Although there is a general embargo on the payment of tuition in federal universities, state universities are free to take tuition fees, but what they charge at present cannot be regarded as commensurate with the services provided by the universities. Tuition fees represent the charges for teaching services that are provided for the students. In addition to tuition, students are also to pay other charges for examinations, laboratory use, development, non-refundable admission deposits and of recent post JAMB screening test fee. It must be added however, that such fees represent an insignificant percentage of income in public universities. Aina (2007) reported that fees collected under different guises at OAU Ife between 1990 and 1995 amounted to N1.4 million; for University of Ibadan, N7.86 million (within a six session period, 1990 to 1996. UNILAG presents a more buoyant revenue generation pattern, with much of its income coming from fees (non-degree and post graduate programmes), and investments.

### **3.4 The public**

Government usually allocates sizeable proportion of its revenue to education in order to enhance national development. Both Federal and

State Governments use the common pool system of revenue collection. No source is tied to any particular expenditure item; hence education in Nigeria has no special source of revenue tied to it alone and has to compete with other public service units. Thus, the amount of money allocated to education would not only depend on the total amount of revenue available, but on the order of priority ranking for any particular fiscal year. Ndagi (1983) observed that between 1964 and 1971, the Federal Government depended heavily on Customs and Excise up to a level of over 70% by the time the military took over in 1966 and stayed at over 50% through the civil war years. By the fiscal year of 1971-72, the revenue from direct taxes was about the same level with customs and excise and once contributed up to 60% of the country's revenue. Though the amount of revenue from customs and excise had continued to rise, the relative contribution dropped to as low as 8.4% by the fiscal 1975-76 and rose to only 13.1% by the fiscal year 1977-78. This is in agreement with Ajayi (1997) that the proportion of national revenue that will be allocated to education is influenced by the nature of the sources of revenue among other factors.

At the State government level, the situation is not in any way different as the states depend on Federal Account, on the average; over 60% of the state revenue comes from this source. The same thing applies to the local governments. Thus, it is whatever is made available through the Federation Account that ultimately determines what accrues to both the state and local governments. Akinyemi (1983) reported that with the introduction of the 1979 constitution, the Federal Government ceased to have direct responsibility for primary education. The State and Local Governments assumed the responsibility for primary education. The Federal Government gave only 10% block grant to Local Governments which then disbursed in accordance with their needs.

It has been argued in several quarters that lack of fiscal federalism is the bane of Nigeria's development. For instance, during the First Republic, each of the Regions had control over its resources as it only contributed 50% of revenue generated from its resources to the purse of the Federal Government. However, with the incursion of the military into Nigeria's political terrain, the democratic practice of the First Republic now gave way to the unitary command structure of the military. This development led to a situation where the Federal Military Government has absolute control over all the resources generated from the states. This development is against democratic principles. Even though Nigeria has since returned to democracy, revenue sharing formula is still a contentious issue that has not been properly addressed. This is partly responsible for the crisis in Niger Delta where the region is demanding for absolute control of its resources.

For example in 1992, the revenue formula had a sharing ratio of 48.5:24:20 for Federal, States and Local Governments respectively with 7.5% allotted to special fund. In the one proposed in August 2001 the ratio was 41.3:31:16 respectively in Federal, States and Local Governments with special funds accounting for 11.7%. With the invalidation of the special fund by the Supreme Court, the Revenue Mobilisation, Allocation and Fiscal Commission revised it to 46.43:33:20.77 in respective order and submitted it to the National Assembly through the President in 2002. As at now the Federal Government controls about 60% of the total revenue accruing to the nation while the remaining is shared between states and local governments (The Punch, July 2004).

Up till now nothing has been done to revise this trend and this is partly responsible for the agitation for a review of the Revenue Sharing Formula by The Governors Forum so that States can pay the minimum wage approved by the Federal Government. The argument has always been that States and Local Governments are closer to the people than the Federal Government and should therefore take the lion share of the revenue. If the current status subsists then it could be argued correctly that the Federal Government should be held accountable for greater responsibility on the funding of education since the revenue allocation sharing formula is positively skewed in its favour.

## **SELF-ASSESSMENT EXERCISE 2**

- i. With an aid of annotated diagram summarise the different sources of educational finance

### **3.4.1 Funding of Universal Basic Education (UBE)**

Under the Constitution, federal and state governments have concurrent responsibility for primary education funding, while local governments have responsibility for providing and maintaining primary education subject to necessary assistance from the states, (Federal Ministry of Education, Education Status Report, Abuja, Nigeria, 2003). All the three tiers of government, namely, federal, state and local- fund primary education. Capital expenditure (buildings, books, and furniture) come from the federal and state governments' share of the Federation Account.

The Federation Account holds federally collected revenue with such funds divided among the three tiers of government. It is however noted that an acceptable revenue formula is yet to be put in place but the existing formula is positively skewed in favour of the Federal government. This is followed by the states and local governments

respectively. Some of the funds in this account accrue from government-owned mineral resources, a set percentage (13%) of which is returned to the states where such revenues are derived, apportioned on the basis of the states' original contributions. Thereafter, 15% of VAT revenue is distributed to the Federal Government, 50% to the states governments and 35% to the local governments. Of the funds remaining within the Federation Account, 54.7% goes to the Federal Government, 24.7% to state governments, and 20.6% to local governments. State governments also pay the recurrent costs of managing State Primary Education Boards (SPEB); Local Government Education Authorities (LGEA), and primary schools.

Out of the 20.6% allocation to local governments from the Federation Account, their respective state governments set aside a percentage for primary school teachers' salaries and allowances while the remaining may be used as direct assistance to primary schools. At times local governments also generate revenues that are ploughed back into the primary schools.

The Universal Basic Education (UBE) programme started in 1999 while the UBE Act was signed into law in 2004 at the federal level. It has been domesticated in all states of the federation for effective ownership and delivery. The States as well as the Local Governments have assumed more visible roles in driving the UBE process and providing effective partnership with Federal agencies charged with Basic Education delivery.

The Federal Government is solely responsible for the funding of the training of teachers for the UBE at the primary, junior secondary, adult literacy and nomadic education levels. It also has a joint responsibility with the State Government and minimally with the Local Government for (i) teacher recruitment and remuneration, (ii) provision of infrastructure, and (iii) provision of instructional and learning materials. Table 1 shows the specific ratios:

<b>Table 1: Responsibility Ratios</b>	
<i>Responsibilities for provision of infrastructure</i>	
Primary school	Federal 75%, State 25%
JSS	Federal 50%, State 50%
Adult literacy	Federal 25%, State 50%, Local 25%
<i>Nomadic Responsibilities for funding Instructional and learning materials</i>	
Primary school	Federal 100%
JSS	Federal 50%, State 50%
Adult literacy	Federal 25%, State 50%, Local 25%
Nomadic	Federal 80%, State 20%

**Source:** Federal Ministry of Education, 2003

### 3.4.2 Funding of Secondary Education

The Federal Government funds all the unity schools and the rest are funded by the state governments. The administration, management and funding of schools are shared between the State Ministries of Education, the Federal Ministry of Education and other agencies prescribed in the legislation. Education at this level is supposed to be offered free of tuition, although students are expected to pay levies as a contribution to the costs of running schools.

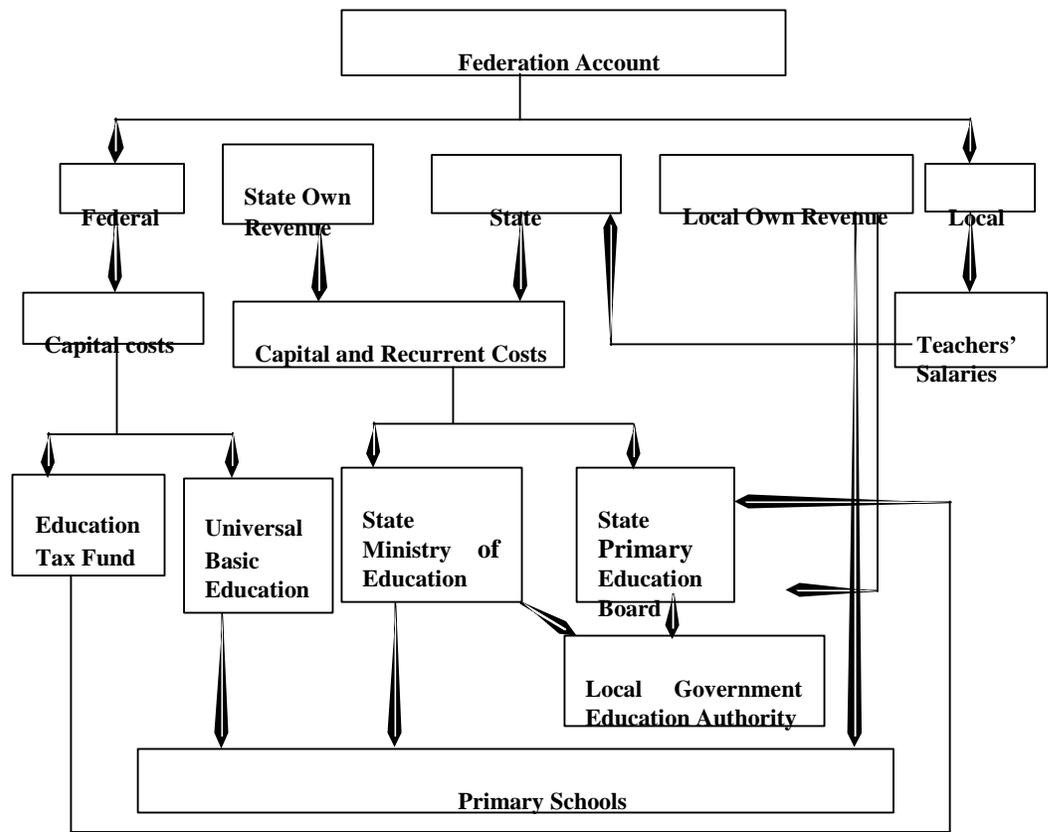


Figure 2: Funding of primary and secondary levels of education in Nigeria

Source: Report by RTI International, 2004

### 3.4.3 Funding of Tertiary Education

Tertiary education includes universities, polytechnics, monotechnics and colleges of education. Since tertiary education falls under the Concurrent Legislative list in the 1999 Constitution, all these institutions are funded by their respective proprietors. However, in the 70s, Aminu (1986) reported that a regional university of Ahmadu Bello was getting 75% of both its recurrent and capital budget from the Federal Government. The regional University of Nigeria and University of Ife were getting respectively 30% recurrent and 50% capital subventions from the Federal Government respectively. The current situation is that state universities no longer receive such financial support from the Federal Government except through intervention agencies of the Federal Government like the Education Tax Fund.

Some of the conventional sources of funding institutions of higher learning include the following:

### **3.4.3.1 Government Subventions (Grants)**

Government grants and subventions constitute about 98% of the total budget of Federal Universities. It is instructive to note that university education is tuition free at the Federal Universities. Public universities in Nigeria depend solely on their respective owners for funding. The situation is a bit different in state universities that charge tuition. According to Akangbou (1987), this method of funding education is usually very important because in most, if not all countries, education is seen as a social service and governments allocate a sizeable proportion of their annual budget to the provision and financing of education. According to Aina (2007), in North American public universities, about 77% of universities budget was received from the government, and 7% was derived from tuition fees, 5% from institutions' internally generated funds, 4% from foreign aid, 1.5% and 1% from private and industrial donations respectively. This tends to confirm that government funding of universities is a general situation all over the world.

According to Okebukola (2003), for the purpose of administration, funds to universities are classified as recurrent or capital. In turn, the recurrent category is partitioned into personnel and overhead costs. Personnel costs take care of staff salaries and allowances. Overhead costs take care of the routine expenses for running the university including such items as equipment, building and road maintenance, payment of utility bills, fuelling of cars, refreshments for meetings, payment of council allowance, as well as hostel and ground maintenance.

Expenses involving building construction, purchase of laboratory, workshop, clinic and studio equipment, purchase of vehicles, major rehabilitation of plants and machinery are covered under capital costs. Data available in NUC from federal universities show that in 2002, 98% of personnel expenses were paid for through grants from the Federal Governments through the National Universities Commission (NUC, 2003). For overhead and capital expenses, government remained the major financier. Table 2 shows the sources of funds for university financing.

**Table 2:** Sources of funds for the Universities

	Source	Percentage
Personnel	Government grant	98
	Other sources	2
Overhead	Government grant	45
	Income from user charges	49
	Income from investment	6
Capital	Government grant (NUC)	68
	Government grant (ETF)	12
	Private sector support	10
	Income from investment	4
	Others	6

**Source:** NUC, 2003

All other grants/revenues outside the government yearly subventions are regarded as endowments, fees/levies; gifts; international aids; investments and other internally generated revenues.

### 3.4.3.2 Donations and Endowments

Other sources of funding education in institutions of higher learning in Nigeria are through donations and endowments. Aina (2007) observed that at the University of Ibadan, a major way of generating money for the university is through endowments. This initiative started as a result of harsh economic conditions occasioned by the civil war. These two forms of financing educational institutions appear to be very common in the developed countries of the world. The United States of America appears to have perfected these sources of income generation to such an extent that a huge sum of money is derived from them. According to Emenemu (2007), in the past, substantial grants were received from organisations like the United Nations Educational Scientific and Cultural Organisation (UNESCO), the United Nations Development Programme (UNDP), the Ford Foundations, the Rockefeller Foundation, the Carnegie Foundation, the German Academic Exchange Services (DAD), the Canadian International Development Association (CIDA) among others. The oil boom in Nigeria appears to have denied Nigeria some assistance they were getting from some of these donor agencies in the past. This is because, Nigeria is not regarded as a poor nation in terms of resources, but some of these agencies identified Nigeria as a country where abundant resources are mismanaged. In Nigeria, there are philanthropists that have either donated physical facilities or endowed professorial chairs in some Nigerian universities.

### **3.4.3.3 Education Tax Fund (ETF)**

The Education Tax Fund is an initiative of the Federal Government towards the funding of education in Nigeria. According to Ade-Ajayi (2001), the Education Tax Fund was originally proposed by the Committee of Vice Chancellors of the Federal Universities for the exclusive funding of the universities, but the initiative was hijacked by the Federal Government which now led to the inclusion of all other levels of education inclusive of tertiary institutions. The Education Tax Fund was established through the Education Tax Fund Decree Number 7 of 1993 which compelled companies operating in Nigeria, which have up to 100 employees on their pay roll to contribute 2% of their pre-tax earnings in any one year to the Education Tax Fund for the funding of education. While Education Tax Fund has improved the provision of physical facilities through the construction and rehabilitation of new classroom blocks, hostels, staff office complexes, laboratories among others, the demand of these universities remains unabated.

### **SELF-ASSESSMENT EXERCISE 3**

- i. With specific examples, describe the mode of education financing at the tertiary level of the Nigerian educational system

## **3.5 Major Forms of External Aid in Nigeria at Independence**

External aid usually takes two main forms: the extension of loans or grants for specific purposes, and 'technical assistance' which includes the supply of personnel and equipment and the training of Nigerians abroad, mainly in the donor countries. During the period between 1960 and 1965, Nigeria did not receive loans for specific educational projects, as the first International Development Association (IDA) credit of this kind was still under negotiation with the International Bank for Reconstruction and Development (IBRD) at the end of 1964. However, a credit from IDA worth \$20 million was approved for secondary education and signed on March 1, 1965.

The external aid received by Nigeria can be classified as follows: (a) capital grants for building and equipment of educational establishments; (b) supply of school equipment; (c) supply of teaching and administrative staff; (d) services rendered under general technical assistance programmes, such as (i) administration and educational planning, (ii) educational research, (iii) organisation of training courses for teachers, school administrators and supervisors, and (iv) organisation of conferences and seminars; (e) award of scholarships, fellowships, bursaries and visitorships tenable abroad.

Most agencies sponsored specific educational projects through agreements with the Nigerian government in which the contribution of both sides was fixed in advance in accordance with a plan of operation. In some cases, more than one agency participated in a single project. Scholarships were awarded under a single national scheme or under separate schemes sponsored by different national organisations and the number available for each scheme was set year by year. A certain co-ordination of the aid given by the most important agencies operating in Nigeria was undertaken by the Bureau for External Aid for Education,' a unit sponsored by the Carnegie Corporation and attached to the Federal Ministry of Education. Our discussion in this unit will only be limited to the major external agencies for which it has been possible to access information during review of relevant literature.

### **3.5.1 Major External Aid Projects for the Operation of Educational Institutions**

From independence, the sum of over £20 million was committed by external agencies for the establishment, expansion and operation of educational institutions in Nigeria and, at the end of 1964, £7.7 million, or 38.2 per cent of commitments had already been expended or disbursed. Most of the projects were begun at the end of 1962 as part of the six-year development programme which began in 1962. Table 3.1 gives the breakdown by region and types of institution.

**Table 3.1:** Major External Aid Projects by Region and Types of Institutions

	Aid committed (£ thousand)	Aid disbursed	Distribution of total aid		
			Of total committed	Committed	Disbursed
<i>By region</i>					
Northern	5 116.0	1017.7	19.9	25.4	13.2
Eastern	5 470.9	2351.7	43.0	27.2	30.6
Western	6779.8	3227.1	47.6	33.6	41.9
Lagos	2 228.8	815.2	36.6	11.1	10.6
Country-wide	552.1	284.7	51.6	2.7	3.7
All of Nigeria	20 147.6	7 696.4	38.2	100.0	100.0
<i>By type of education</i>					
Primary					
Secondary	1 558.1	718.6	46.1	7.7	9.4
Teacher training	5 998.8	2 149.0	35.8	29.8	27.9
Technical and vocational	2716.3	564.2	20.8	13.5	7.3
Higher	9 874.4	4264.6	43.2	49.0	55.4
Total	20 147.6	7 696.4	38.2	100.0	100.0

**Source:** Callaway and Musone, 1968

As Table 3.1 shows, the allocation by region of commitments gave to the Northern Region 25.4 per cent of the total and slightly more to the East (27.2 per cent) and West (33.6 per cent), while the Federal Territory was allotted 11.1 per cent. Disbursements show that the Eastern and Western Regions—where projects, especially those concerning the universities of Ibadan and Nsukka, were started had received 30.6% and 41.9% respectively of the total amount, while the Northern Region had received only 13.2%. This is reflected in the percentage of disbursement over commitment.

The distribution by type of education shows that there were no projects involving primary schools, while higher education and teacher training absorbed most of the funds—49.0 per cent and 29.8 per cent respectively. Of the remaining part, 13.5 per cent went to technical and vocational education and 7.7 per cent to secondary education. Technical and vocational education has the lowest percentage of disbursements (20.8 per cent).

The differences noted are mainly attributable to changes in the policies of the donors and recipient governments as to the priorities to be assigned to the various fields of education. In the first instance higher education attracted most of the aid available. Then, teacher training at the secondary level was considered as a priority area of investment, and more recently particular consideration has been given to the development of technical and vocational education.

### **3.5.2 Major External Aid Projects related to General Educational matters**

The improvement of the educational machinery and its efficiency has received particular attention from the major donors since the beginning. A total of almost £2 million was committed during the period under consideration for this purpose, of which 60.5 per cent had been disbursed by the end of 1964. Table 3.2 shows the analysis of these figures.

Most of the amount committed was allocated to the federal government (38.1 per cent) or devoted to country-wide projects (55.5 per cent), while only very little (6.4 per cent) was assigned to regional projects.

Educational planning and modern teaching aids (including broadcasting) absorbed respectively 34.5 per cent and 34.2 per cent of commitments and 52.7 per cent and 31.2 per cent respectively of disbursements. Examinations and testing accounted for 14.2 per cent, subject teaching 14.4 per cent, while small amounts went to school health and nutrition and sundry research.

The figures show that the introduction of modern techniques in the administration and operation of the school system were the main concern of the external aid agencies, though the amounts committed and expended seem to be inadequate for a country such as Nigeria with a school population of over 3 million and with 17,000 educational institutions spread over a large area.

**Table 3.2:** Major external aid projects related to general educational matters in the period 1960-64

<b>By region</b>					
Northern	8.7	8.7	100.0	0.5	0.8
Eastern	62.2	59.9	96.3	3.4	5.3
Western	47.3	47.3	100.0	2.5	4.2
Federal	708.3	370.2	52.3	38.1	32.9
Unspecified	1031.3	637.8	61.8	55.5	56.8
All of Nigeria	1 857.3	1 123.9	60.5	100.0	100.0
<b>By subject</b>					
Educational planning and	641.1	592.4	92.4	34.5	52.7
Examinations and testing	263.4	69.4	26.3	14.2	6.2
Modern aids and broadcasting	635.3	351.2	55.3	34.2	31.2
Subject teaching	267.6	90.1	33.7	14.4	8.0
School health and nutrition	29.6		0.0	1.6	
Sundry research	20.8	20.8	100.0	1.1	1.9
<b>Total</b>	<b>1 857.3</b>	<b>1 123.9</b>	<b>60.5</b>	<b>100.0</b>	<b>100.0</b>

**Source:** Callaway and Musone, 1968

### 3.6 Voluntary Teachers' Schemes

Some foreign governments established as part of their aid programmes to developing countries a form of voluntary service in these countries which was mainly directed to the field of education. The most important of such schemes operating in Nigeria were the Voluntary Service Overseas (VSO) and the Graduate Voluntary Service Overseas (GVSO) sponsored by the United Kingdom government and organized through the British Council, the Peace Corps Volunteers (PCV) sponsored by the United States government, and the Canadian University Service Overseas (CUSO) sponsored by the Canadian government in co-operation with Canadian universities. The VSO and GVSO services started in 1961 and 1963 respectively. The first group of PCVs arrived in Nigeria in 1961 and the CUSO group in 1963.

The sponsoring governments' costs for the volunteers covered mainly preliminary training, maintenance and supply during the recruitment

and discharge periods, and transport to and from Nigeria. Living costs in the form of salary for the PCVs were paid by the United States government, while United Kingdom and Canadian volunteers were paid by the Nigerian government according to pre-established salary scales. In addition, the Nigerian government provided free housing and transportation within Nigeria.

**TABLE 3.3:** Cost to Donor of Peace Corps Volunteer Teachers during the period 1961 to 1964 (in £ thousand)

Year	Northern Region	Eastern Region	Western Region	Midwestern government	Federal	All of Nigeria	
1961	42.4	122.6	73.1			18.9	257.0
1962	58.9	223.9	150.9			21.2	454.9
1963	235.7	306.4	259.3			23.6	825.0
1964	<del>310.7</del>	310.7	207.1	207.1		<del>39.4</del>	1 075.0
Total	647.7	963.6	690.4	207.1		103.1	2661.9

There are no published accounts of the costs sustained by the external agencies for such schemes; therefore, only estimates are possible on the basis of the average unit cost per volunteer and the cumulative number of years of service rendered.

Graduate and non-graduate United Kingdom volunteers at the end of 1964 had rendered approximately 109 years of service at the average cost to the donor country of £350 each for a total of £38,000.

CUSO had rendered approximately twenty-one years of service at the average cost of £620 per volunteer, for a total of £ 13,000. Only for the PCVs is it possible to give the breakdown by year and region of their cost, which is calculated at the average rate of £2,360 from 1961 through 1963 and £2,070 in 1964, as indicated in the third annual Peace Corps report and shown in Table 3.3.

### 3.7 External Aid Scholarship Scheme

Almost all countries included in the list of external aid donors and enjoying diplomatic relations with Nigeria had their own schemes for scholarships and training, but unfortunately no report is available on the number of scholarships awarded and their cost to the donor country.

The schemes for which it has been possible to collect some reliable estimates are the United Nations fellowship scheme, the United

Kingdom Special Commonwealth African Assistance Plan (SCAAP), the US-AID Participant Training Programme, and the Afro-American Institute's African Scholarship Programme of American Universities (ASPAU). Although these schemes are the most important as far as the number of awards granted yearly is concerned, they may represent less than 50 per cent of the total aid received by Nigeria in this form.

During the period under consideration, the cost of the schemes mentioned above to the donors amounted to £2,716,800, distributed as indicated in Table 3.4. The average cost per student for one year's training varied from country to country according to the cost of travel, the cost of living in the receiving country, and the financial treatment accorded to the students by the donor. In addition, a great number of awards did not specify the cost of educational services provided free of charge in government-owned universities, stating only that the scholarship holder would enjoy a tuition fee-free education.

Table 3.4 does not reflect this cost because the number of students is not calculated in student-years but in number of awards, while the total cost refers to the sum actually disbursed at the end of 1964.

**TABLE 3.4:** Cost to donors of scholarship schemes during the period 1960-64 (estimated)

Programme	Number of students	Total cost (£ thousand)	Average cost per student (£)
United Nations Expanded Programme of Technical Assistance (UN-EPTA)	96	154.6	1 610
United Nations regular programme	132	208.9	1 580
United States Agency for International Development (US-AID)- participants	682	1 252.7	1 840
African Scholarship Program of American Universities (ASPAU)	376	873.2	2320
Special Commonwealth African Assistance Plan (SCAAP)	<del>233</del>	<del>227.4</del>	<del>975</del>
<b>Total</b>	<b>1 519</b>	<b>2716.8</b>	<b>1 790</b>

For a long time foreign grants have aided many programmes particularly in the Nigerian universities, especially the post graduate studies and staff development. For example, the University of Ibadan received from the Ford and Rockefeller Foundations, a sum of N7, 711,592 for the development of its 1962 - 67 quinquennium. Other bodies which were reported to have supported Nigerian universities and individual research in the system include IDRC, CIDA, SIDA, USIAD, Commonwealth Scholarships, UNFPA, UNIFEM and British Council among others. However, subsequent to the country's face off with the United Nations over non- democratic principles in governance and a bad record of human rights ideals, many of such institutions have withdrawn their funds and have stopped supporting researches, and programmes in the Nigerian universities. This in particular followed the sanctions the United Nations took against the Nigerian government under the military dictatorship.

In 1939, the Carnegie Corporation sponsored a survey of library needs of British West Africa, undertaken by Margaret Wrong and Hans Vischer, two years after the return of Dr. Azikiwe to Nigeria. The survey report indicated the British lack of interest in library matters in Nigeria, it noted that in 1939, of the 152 subscribers to the Lagos Library, only seven were Africans and 145 were Europeans. Azikiwe had been very critical of the Lagos library service as highly discriminatory — a reminder of the racist practices he had experienced in the United States. The few Africans who could use the library were “those with sufficient Western education, social standing, and connections not to feel out of place in such a milieu... it provided valued recreation for the British administrative and professional class and for their wives, and for an even tinier group of Nigerians of similar background and mind.”

The Carnegie Corporation, nevertheless, in 1940, made financial grants to Nigeria for library development. Table 3.5 gives an overview of financial grants to Nigeria from 1932 to 1959—a year before Nigerian independence.

<b>Table 3.5: Carnegie Grants to Nigeria, 1932 – 1959*</b>		
<b>Purpose of Grant</b>	<b>Date</b>	<b>Grant (in U.S.\$)</b>
1. Library Development	1932	\$6,000.00
2. Books for Schools and Colleges	1940	\$3,000.00
3. Purchase of Books for Lagos Public Libraries	1940	\$27,323.00
4. Regional Libraries and Reading Rooms	1940	\$1,412.00
5. Library of Congress Catalogue and Supplement for University College, Ibadan	1951	\$1,126.00
6. Purchase of Books for Library of Nigerian College of Arts, Science, and Technology	1954	\$10,000
7. Library Training Course at the University College, Ibadan	1959	\$88,000.00
	<b>Total:</b>	<b>\$136,861.00</b>

\*Florence Anderson, Carnegie Corporation Library Program, 1911–1961 (New York: Carnegie Corporation, 1963): 99.

### **SELF-ASSESSMENT EXERCISE 3**

- i. Write short notes on the contributions of donor agencies to educational finance in Nigeria at independence

### **3.8 Challenges of Reliance on External Aid**

Absolute reliance on external aid for education finance has been observed as placing recipients at the mercy of the donors. This is an unreliable source of education finance. Tamuno (1987) remarked that Nigeria's independence opened the field for educational endowments and technical aid from non-Commonwealth sources: notably, from the USA. University of Ibadan, for example, in the early 1960s, had strong support from such US-based Foundations as Rockefeller, Ford and Carnegie. The Nuffield Foundation and British Council also gave steady encouragement during this period. Western Europe was not left out: DAAD, the German Academy exchange Service also showed interest in technical aid.

The independence of other African states and the establishment of new universities in Nigeria, during the 1960s and 1970s dispersed the field of philanthropic support so far as the expatriate educational foundations were concerned. Besides the OPEC status and complexities of petro-politics at home and abroad, from the 1970s, made it increasingly difficult for foreign tax payers to justify technical aid to universities in Nigeria. Moreover, the urgency of other competing interests for development in Nigeria, particularly after the creation of new states in 1967 and 1976, limited the level of funding available to Nigeria's universities.

With Nigeria's grave economic crisis from the late 1970s, the funding problems of Nigerian universities assumed new dimensions. The attempts made by government to introduce free tuition from the 1977-78 session, in Nigerian universities and polytechnics, failed to win the lasting support of students. A further attempt made by government and the universities to impose new schedules of board and lodging fees in the same session precipitated widespread unrest among students in April 1978. Moreover, the SFEM and SAP-related economic recovery programmes, enforced from September 1986, widened the perimeter of frustration inside and outside university campuses. This marked the beginning of steady decline in the quality of academic programmes in the universities.

#### **4.0 CONCLUSION**

The discussion so far indicates the existence of diverse sources for educational finance with greater responsibility for educational finance as that of the government. At present there is neither an enduring policy nor a framework for sustainable educational finance. This is an aspect that should be of major concern to the different tiers of government if quality of education is not going to be compromised.

#### **5.0 SUMMARY**

In this Unit you have learnt about the components of educational finance and various sources of educational finance. In addition you have been exposed to tripartite form of funding among the three tiers of governments in Nigeria. One noticeable thing that characterise educational finance is that of policy inconsistency. It is also observed that unlike in the 60s when the donor agencies were actively involved in educational finance in Nigeria, such assistance is no longer as it used to be. This is because, besides pressure on donor agencies from other independent African countries, Nigeria is described by these donor agencies as a rich country that lacks the capacity to manage its wealth.

## 6.0 TUTOR -MARKED ASSIGNMENT

- i. With reference to specific examples, what are the challenges of education financing in Nigeria

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## **UNIT 2      ROLE      OF      NON-GOVERNMENTAL ORGANISATIONS AND FOUNDATIONS IN EDUCATION FINANCING**

### **CONTENTS**

- 1.0 Introduction
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    - 3.3.1 Carnegie Corporation of New York
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    - 3.3.5 Soros Foundation
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### **1.0 INTRODUCTION**

In Module One, you learnt about the active role of government in educational finance and that despite the huge investment in education, educational finance continues to dominate discussion at different fora on issues pertaining to education at different levels. In addition to initiatives of governments and private individuals, there are other organisations that are actively involved in educational finance globally. Most of these organisations are domiciled in developed countries and therefore are international in outlook and exist as non-profit agencies. These organisations are either non-governmental agencies or foundations.

## **2.0 OBJECTIVES**

At the end of this Unit, you should be able to:

- state the evolution of education development projects
- list important aid agencies
- mention their scope of operations

## **3.0 MAIN CONTENT**

### **3.1 History and Strategies of Education Development Projects**

The origin of contemporary education development projects can be traced to the programmes of bilateral and multilateral official development assistance, offered to newly independent and developing countries after the World War II. Since then, these programmes have undergone a lot of revision in terms of the goals and purposes, content, format, actors, financing and delivery of education development projects in the last half of the twentieth century.

Official development assistance, also referred to as aid for education expanded rapidly during the 1950s and 1960s, when many previously colonized countries became independent. Industrialised countries were seen partly responsible for the development of poorer and newly independent countries, through the provision of both financial resources and technical skills. Many multilateral institutions were founded to deliver development assistance, including the International Bank for Reconstruction and Development (IBRD), and the United Nations Development Program (UNDP). Foundations such as the Rockefeller and Ford Foundations became early players in the delivery of education development projects. Bilateral development assistance institutions, such as the United States Agency for International Development (USAID) were also established and came to deliver both the largest share of international funding for development in general and for the development of education in particular.

Ideas about modernisation and progress dominated the work of these organisations. Development was generally defined as linear progress towards the kinds of economic and political systems existing in the westernised industrialised world. Education, which was associated in industrialised countries with economic progress and national development through the creation of human resources, quickly became an important component of their development agenda.

Initially, educational aid was primarily used to provide tertiary or graduate training to foreign nationals in donor countries, to bring trained educators to developing countries, or to help establish international professional organisations. However, in the 1960s, the focus of educational aid shifted somewhat as concerns about “brain drain” and continued dependency of developing country on external institutions, led donor governments and organisations to support vocational programmes and the construction of tertiary and secondary institutions in developing countries. Donors began to invest in discrete education projects, which often focused on training for education providers (for example teachers), provided technical support to education ministries, or constructed schools. Projects tended to fund capital as opposed to recurrent costs (like teacher salaries), and were small in scale. They were staffed and monitored by the donor organisation. Individual donors often specialised in a specific type of educational intervention or level of education, thus dominating that field and pattern of its development in the recipient country.

In order to attain their goals, donors have adopted different strategies to ensure that beneficiaries are able to maximise the benefits of such assistance. These approaches include project method and aid for education.

### **3.1.1 Project Model**

The project model for delivering aid has several advantages over initial focus on high level training. It often kept developing countries personnel in the country for training, trained lower-level personnel, built infrastructure, and offered a greater variety of technical services and training. The following weaknesses were associated with project model by Joel Samoff (1997):

- Fragmentation of educational development and planning into a set of mismatched and coordinated donor-led interventions.
- It tended to emphasise short-term goals over long term needs.
- It encourages many of the recipient countries’ ministries of education to focus their resources on short term project management and evaluation rather than on system-wide development
- Donor resources were often tied – provided only to finance goods and services from donor nationals.
- The choice and implementation paths of education projects were often highly politicised.
- Education development projects produced complex donor/recipient government interactions, often coloured by the ideological or institutional experience with education in the donor country, and by the donor’s control over resources.

The foregoing are some of the factors that constrain education development projects from functioning as the simple transfer of technical and financial resources as originally anticipated. Therefore, instead of being a blessing, such aid could turn out to be a curse if not properly managed.

### **3.1.2 Aid for Education**

It is observed that despite appreciation by various donor agencies on the benefits of education to national development, education aid budgets began to stagnate or decline. At the same time, the balance of influence among donors that were active in educational development projects shifted, with the World Bank emerging as the most significant lender to education both in terms of technical and financial capacities.

Throughout the 1980s and 1990s, many developing countries faced a serious crisis in the national education spending, caused by widespread scale economic collapse and by subsequent structural adjustment programmes. Financial tensions fuelled debates among donors about the merits of educational expansion versus qualitative improvement, basic versus post primary expansion of education, and academic versus technical/vocational or adult education. The 1990 World Conference on Education for All, sponsored by the United Nations Educational, Scientific and Cultural Organisation (UNESCO), the World Bank, the United Nations Children's Fund (UNICEF), and others brought donors and developing countries together around a more unified aid agenda that focused on the revitalisation of primary education in the poorest developing countries. Many donors subsequently redirected their educational development efforts to focus on primary education. However, despite string rhetoric, overall levels of donor aid did not increase substantially during the last decade of the twentieth century.

Donors also began to debate the merits of sector or system wide approaches in education during the 1990s. Sector-wide approaches differ from project-based approaches in a number of ways. One of the most obvious ways is that sector-wide aid provides money directly to the budget of the developing countries, on the basis of a long term education development plan. There is debate about whether the effect of this mechanism is to give the recipient government greater control over how money is spent, or whether this shift actually amounts to greater restrictions on the government. First, sector-wide aid is often heavily conditioned, and second, donors now can expect recipient governments' entire sectoral approach to align with their increasingly convergent notion of what kind of education is best for development. Furthermore, instead of providing small-scale aid to many countries, the sector-wide model is highly selective, targeting the few countries able to provide a

rational sector plan for educational change. Lastly, sector wide aid is increasingly linked to wider acceptance of reforms in the areas of governance and economic policy.

### **SELF-ASSESSMENT EXERCISE**

- i. Briefly discuss the disadvantages of project model as a form of educational aids.

### **3.2 Nongovernmental Organisations (NGOs)**

Nongovernmental organisations (NGOs) are entities, usually international and non-profit making organisations, which work in an independent fashion and play complementary role with government for the benefit of society. The approach of NGOs ranges from lobbying and advocacy to operations and project-oriented organisations. Since becoming players in the international economic development world in the early 1980s, NGOs have proliferated in both developed and developing countries.

On the other hand, foundations are institutions through which private wealth is contributed and distributed for public purposes. They are institutions financed by charitable contributions or endowments and can either be for profit or non-profit entities, depending on the manner in which their money is invested and managed. Foundations generally grant funds to certain causes in keeping with their mandate and mission. In the case of education, Foundations often supplement the public provision of finance for education, specifically channeling funds to needy or privileged few in a population. The board of a Foundation establishes the grant-making policies from which the programming agenda is then derived. Foundations provide grant money to a variety of organisations, including non-profit making NGOs, universities and schools. The programming agenda is periodically revised to keep abreast of changes in the society. For example, following the 2000 U.S. presidential election controversy, the Carnegie Foundation changed its programming agenda to include strengthening U.S. democracy as one of its four main programme areas.

given

A lot of criticisms continue to trail the activities of various Foundations. While some are of the view that Foundations promote the causes of the elites and powerful, (Arnové, 1977) others argue that they facilitate institution building (Puryear, 1994; Coleman and Court, 1993). Although these two positions may seem diametrically opposite, a common thread running through them is that social change and development becomes more viable with funding from private charitable contributions. Whichever way one looks at it, it is important to note that

Foundations and NGOs play active role in international development. Attention will now be focused on the individual organisations, their mandates, objectives, programming agenda and target populations.

### **3.2.1 The Cooperative for Assistance and Relief Everywhere (CARE)**

The Cooperative for Assistance and Relief Everywhere (CARE) is a non-profit, non-sectarian federation of agencies and NGOs devoted to channeling relief and self-help materials to needy people in foreign countries. Originally organised in the United States in 1945 to help war-ravaged Europe, CARE soon expanded its programme to include developing nations in Asia, Africa, and Latin America. Famous for its "CARE packages" of food and other necessities, CARE is also involved in population, health care, land management, and small economic activity. It is an international organisation with ten member countries and headquarters in Brussels, Belgium.

Its goal is to build self-sufficiency by helping families meet three basic needs: income, education, and health and population services. Its work in education includes promoting literacy, numeracy, and school attendance, particularly among girls who are often denied schooling. Its programmes improve education for all children, with an emphasis on keeping girls in school. Groups are created so parents and teachers can discuss traditional educational barriers, such as housework or baby-sitting, which keep girls from attending school. CARE also provides economic incentives to help parents cover the cost of keeping their daughters in school.

CARE first began its education programme in 1994 with pilot projects in Peru, Guatemala, India, and Togo. Within four years of its inception, it expanded this number to twenty-nine projects in eighteen countries.

### **3.2.2 Education International**

Located in Brussels, Belgium, Education International (EI) has become an important organisation for many NGOs, such as teachers unions, in their advocacy work at the national and international level. As an international association of teacher unions, with local teacher associations or unions as members, EI's mission is based on a growing conviction that basic education is a key factor in the eradication of poverty and a cornerstone of freedom, democracy, and sustainable human development. Education also plays a role in eliminating the worst forms of child labor.

Through the Global Campaign for Education (GCE), this NGO brings together organisations working in 180 countries and seek to hold governments accountable for the fact that 125 million children are denied education. Education International, Action Aid, Oxfam International, and Global March against Child Labor jointly launched this program. In terms of teacher evaluation, EI advocates a type of evaluation that is perceived by teachers as being affirmative and supportive as well as balanced and fair and that can contribute to promoting quality in education.

### **3.2.3 Save the Children**

Save the Children is an international non-profit child-assistance organisation based in Westport, Connecticut, which works in forty-six countries worldwide, including the United States. Its mission is to make lasting, positive change in the lives of children in need. Save the Children is a member of the International Save the Children Alliance, a worldwide network of twenty-six independent Save the Children organisations working in more than 100 countries to ensure the wellbeing of children everywhere. The goal of the organisation is premised on the understanding that in a world where the majority of illiterate adults are women, improving access to education for girls is urgent. However, with education, this cycle can be broken. Studies show that an educated mother is more likely to provide her children with adequate nutrition, seek needed health care, and send her girls, as well as boys to school.

Save the Children focuses on education as a critical means of improving the quality of life for both mothers and their families. In an effort to address the lack of access to quality education experienced by more than one billion people, Save the Children's programmes support communities in the development of quality education programmes. Its programmes include research and project development in each community, which lead to the implementation of active intergenerational-learning programmes for all ages, early childhood development, primary education, and youth and adult nonformal education.

Save the Children's education programmes have produced many dramatic results in the lives of women and girls around the world. In Afghanistan, where prior to 2002 girls were kept in seclusion and not allowed to attend formal school, the programme has established home-based classrooms to provide basic education that would otherwise be denied. More than 20,000 girls in remote villages of Mali, where schools were once rare, are learning to read and count.

## **SELF-ASSESSMENT EXERCISE**

- i. What is a Non-Governmental organisation? Write a short note on the operations of any Non-Governmental organisation as they relate to educational development.

### **3.3 Foundations**

In the previous section, Foundations just like NGOs were described as international initiatives that often supplement the public provision of financing for education. The various activities of some of these Foundations will be the focus of discussion in the next section.

#### **3.3.1 Carnegie Corporation of New York**

The Foundation was founded in 1911 by Andrew Carnegie for the "advancement and diffusion of knowledge and understanding among people of the United States." The Carnegie Corporation as a general-purpose grant-making Foundation, channels close to 7.5 percent of its income for the same purpose in countries that are currently or have been members of the British Commonwealth. Most of such grants are directed to the British Commonwealth Africa. As a grant-making Foundation, the corporation seeks to carry out Carnegie's vision of philanthropy, which he said should aim "to do real and permanent good in this world."

The focus of the corporation's work has evolved over time, adapting its programme areas to changing circumstances as Andrew Carnegie wished. Although current programme directions have been designed to correspond with the corporation's historic mission and legacy and to maintain the continuity of its work, they are also intended to serve as catalysts for change. The Corporation's focus after a review of the Foundation's management structure and grant programmes in the early twenty-first century includes education, international peace and security, international development, and strengthening of U.S. democracy. In addition, a new programme, Carnegie Corporation Scholars Program, strives to support fundamental research by young scholars with outstanding promise and also by established expert who stand to contribute significantly to the corporation's mission.

In education, the Carnegie Corporation dedicates a large chunk of its funds to education reform, ranging from early childhood education to higher education. The education programme focuses on three key areas: early childhood education, urban school reform, and higher education. Within these areas, the corporation's goals are to promote the creation of high-quality early learning opportunities on a large scale: by

accelerating urban school reform; strengthening the education of teachers; and stimulating an examination and strengthening of liberal arts education. In education, the corporation has traditionally had a significant impact on public policy for children, teachers, and other stakeholders in the educational process. Through its focus on education, Carnegie has successfully convened special bodies of experts and opinion leaders to study related issues and publish several key reports. There is also the Carnegie Foundation for the Advancement of Teaching. This is a national and international centre for research and policy studies about teaching. With a focus on the scholarship of teaching, the Foundation seeks to generate discussion and promulgate sustainable, long-term changes in educational research, policy, and practice. Foundation programmes are designed to foster deep, significant, lasting learning for all students and to improve the ability of education to develop students' understanding, skills, and integrity.

### **3.3.2 The Ford Foundation**

The Foundation was established in 1936 by Henry Ford, the founder of Ford Motor Company, and his son Edsel. The Ford Foundation is one of the most important and prominent Foundations in the field of education. From 1936 to 1950 the Foundation made grants mostly to organisations in its home state of Michigan. In 1951 the foundation moved to New York City and began its focus on national and international giving. The Ford Foundation is a private philanthropic institution, which seeks to improve the well-being of people around the world by funding "experimental, demonstration, and developmental efforts that give promise of producing significant advances in various fields."

The Foundation is governed by a board of trustees and administered by a professional staff. The board of trustees includes CEOs, senior officials in higher education, and people involved in Native American interests. The trustees determine general policies and budgets. The staff evaluates grant applications, identifies institutions to administer programmes, and makes recommendations for grants. The Foundation has identified certain programme areas in which it is interested in funding projects. It generally does not make grants for normal operating costs of an organization, construction of buildings, or for strictly religious activities.

The foundation has identified six broad categories of programmes in which it is interested: urban poverty, rural poverty and resources, human rights and social justice, governance and public policy, education and culture, and international affairs.

The type of work the Foundation funds are equally diverse. The Foundation funds projects, which involve direct assistance to the needy, and grants to organisations, which seek to influence public policy. Over the years the foundation has provided grants to establish new organisations, found new academic departments at universities, fund demonstration projects, and assist other philanthropies. The foundation has organised coalitions with other philanthropies, government, and nonprofit organisations to work on projects. It also administers its own projects.

In some cases the foundation has funded programmes on an ongoing basis, which over time become established institutions, such as Community Development Corporations (CDCs). Since the late 1960s it has made grants of nearly \$200 million to CDCs in depressed urban areas, which initiate economic development projects; raise additional funds; offer job training, day care, and credit; and advocate for improved government services. The Ford Foundation has sixteen offices overseas. Approximately 35 percent of the annual budget is allocated for overseas projects. Programs include agricultural development in Latin America, Africa, and Asia; a training program for judges in China; international studies in Chile; and philanthropy in Egypt.

### **3.3.3 The Bill and Melinda Gates Foundation**

The William H. Gates Foundation (founded in 1994 with a focus on health issues in developing countries) and the Gates Learning Foundation (founded in 1997 but renamed the Gates Library Foundation) merged in August 1999 to become the Bill and Melinda Gates Foundation, which encompasses those two Foundations and the Gates Centre for Technology Access. The Gates Foundation ranks as one of the wealthiest private Foundations in the world. The Foundation was established by Bill Gates- the Microsoft cofounder and chief executive officer. The Washington-based Foundation located in Seattle is led by Bill Gates' father; William Gates Sr. The Foundation supports initiatives in education, technology, global health, and community giving in the Pacific Northwest.

Although many benefit from the linking of the globe in a digital web of communications and information flow, the foundation strives to pay attention to those who have not shared in the promise of the digital age. The Bill and Melinda Gates Foundation is dedicated to sharing the promise of new technologies with all citizens. The Foundation is focusing its efforts on three critical areas: (i) U.S. education; (ii) libraries; and (iii) public access to information. In its work on education, the foundation perceives the education system as an immensely important strategic front for forging a future in which all

children can participate in the opportunities of the digital age. In March 2000, the Foundation announced a \$350 million, three-year investment in a series of education grants designed to help all students achieve at high levels by improving teaching and learning and enhancing access to technology.

In 1999 Bill and Melinda Gates made a defining gift of \$1 billion to establish the Gates Millennium Scholars programme, which will provide scholarships for academically talented minority students (African-Americans, Asian-Americans, Hispanics, and Native Americans) who would otherwise not have the financial resources to attend college. Additional scholarships are available for minority scholars pursuing graduate degrees in science, mathematics, engineering, education, or library science.

### **3.3.4 Rockefeller Foundation**

Based in New York City, the Rockefeller Foundation is a knowledge-based, global Foundation with a commitment to enrich and sustain the lives and livelihoods of poor and excluded people throughout the world. The foundation seeks to identify, and address at their source, the causes of human suffering and need. The Foundation's approach to current global challenges focuses on poor people's daily existence, and how the process of globalisation can be turned to their advantage. Programme funding is focused on grant-making areas that reflect the interconnections between people's health, food, creative expression, and the impact of globalisation on the poor. The Rockefeller Foundation's central goal is to "give full expression to the creative impulses of individuals and communities, in order to enhance the well-being of societies and better equip them to interact in a globalised world."

Within the unit that encompasses education, knowledge, and religion, the Foundation seeks to enhance educational opportunity, especially for low-income and chronically disadvantaged groups, and to address the challenges of pluralism and diversity using interdisciplinary and collaborative approaches. Through education reform, the Foundation seeks to enhance the capacity of schools and higher education institutions to broaden access and increase levels of student achievement, particularly for historically unserved populations. In higher education and scholarship, the Foundation seeks to build fields of knowledge that deepen scholarship and public understanding of pluralism and identity. The Foundation emphasises the importance of social science training as a means to educate a new generation of leaders and scholars who can be more effective in their civic roles.

## 4.0 CONCLUSION

From the foregoing, Non Governmental Organisations and Foundations have been very active in educational finance and will continue to do so. It is however, important to note that over the years financial assistance from such agencies has witnessed a steady decline. Therefore, this source of educational finance is unreliable.

## 4.0 SUMMARY

This Unit has examined the various activities of both NGOs and Foundations in the area of education finance. It is observed that most of these organisations are based in the developed countries particularly in the United States of America. This country, apart from being the richest economy in the world is also well endowed with citizens that have imbibed the culture of sharing part of their wealth with less developed economies, through the establishment of Foundations. It is also observed that while there are similar organisations like this in Nigeria, their activities are not on large scale as the foreign-based ones or at best they are established for political considerations.

## 6.0 TUTOR-MARKED ASSIGNMENT

- i. Write short notes on FIVE named Foundations with specific references to their geographical location and area of focus.

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### **3.0 MAIN CONTENT**

#### **3.1 Definition of International Development Agencies**

International Development Agencies are governmental organisations established between or among different nations to fulfill certain obligations based on mutual understanding. Such organisations can either be that of a particular country or agencies of the United Nations. For example, the United States Government or the Swedish Government could establish development agencies in Nigeria based on bilateral agreements between either of these two countries. These agencies may not be established in any other country besides Nigeria, as long as that country does not enter into any bilateral relationship with either the United States of America or Sweden. On the contrary, other development agencies of the United Nations are replicated in other countries, as long as that particular country is a member of the United Nations. Thus International Development Agencies are agencies of government or that of an association of comity of nations, whereas Foundations and NGOs are not but philanthropic organisations established by individuals or societies and are independent with its own Board and ability to decide on its mode of operations.

#### **3.2 Types of International Development Agencies**

During the discussion on the meaning of international development agencies, it was emphasised that they are products of bilateral agreements between two countries as well as those member nations of the United Nations. It then follows that there are different types of international development agencies based on ownership. This will be the focus of discussion in the next section of this Unit

##### **3.2.1 United States Agency for International Development**

As an agency within the U.S. State Department, the United States Agency for International Development's mandate includes assisting countries with disaster recovery, poverty reduction, and the expansion of democratic reforms. USAID education and training support activities fall within this mandate and cover six major areas: basic education, learning technologies, higher education, workforce development, participant training, and telecommunications reform and applications. USAID's current efforts in basic education include activities such as the Demographic and Health Surveys Education Data for Decision-Making (DHS Ed Data), which builds on population-based demographic surveys and provides data for planning and evaluation of education policies worldwide; the Global Education Database (GED), a computer-based database of international statistics; and Basic Education and Policy

Support (BEPS). Learning technologies consist of activities such as Global Information Network in Education (GINIE). Higher education includes activities such as the Higher Education Partnerships and Development and Advanced Training for Leadership and Skills (ATLAS). In 2001 the George W. Bush administration reorganised USAID into three spheres of influence: global health, economic growth and conflict prevention and developmental relief. The second sphere captures most education funding.

USAID has continually tried to define its education policy. Policy papers from the mid-1980s established the priorities for USAID funding of "basic education and technical training". First, a 1982 statement proclaimed that assisting countries to establish more efficient systems of education was an essential component of an effective development strategy. These efforts would include raising the level of basic education and relating technical-training system more effectively to productive employment. A 1984 paper stated the policy of improving primary education enrolment, programme efficiency and diversification of training. In the 1990s a USAID -higher education community consultation was designed to ( i)enhance the US foreign assistance programme by incorporating the experience and knowledge of higher education institutions to develop better USAID policies, country and sector strategies and activity design and implementation;( ii) collaborate constructively in the delivery of development and humanitarian assistance when interests are compatible; and (iii) increase the transparency of USAID's decision and policy making processes relevant to higher education institutions. In 1997 the agency released a strategic plan listing the seven goals supporting USAID mission, the third of which was to build human capacity through education and training. Despite these laudable objectives, the amount allocated to education and training is considered to be insignificant. For instance, in 2002, out of the \$7.7 billion total fiscal year budget request, only 3 percent was allocated to education and training.

### **SELF-ASSESSMENT EXERCISE**

- i. List various activities of USAID as they concern educational development.

### **3.2.2 Canadian International Development Agency (CIDA)**

Canadian International Development Agency assists in issues of health, education and agriculture, peace building, governance, human rights, land mines and information technology. CIDA works with variety of partners, both inside and outside Canada, and it supports projects in more than 150 countries. Partners include nongovernmental

organisations (NGOs), the private sector, and academic institutions- in Canada and recipient countries -as well as a number of international organisations and institutions. Some projects are done bilaterally, while others are carried out through multilateral organisations. According to CIDA, its primary objective regarding development assistance is to support sustainable development in developing countries, in order to reduce poverty and contribute to a more secure, equitable and prosperous world. In funding education projects, CIDA has chosen to define education as "the acquisition of knowledge, skills and training through formal, non-formal, and informal systems and activities."

CIDA has its official origin as Canada's External Aid Office, created to reduce poverty and promote growth. The office's primary functions were to administer assistance programmes funded by the Department of External Affairs, coordinate operations with other agencies, and consult with international agencies and Canadian NGO's and Canadian's efforts to obtain aid for countries affected by disasters. Education became more of a focus to CIDA in the 1970s, as growth was promoted through equity by targeting interventions at the poor and meeting "basic human needs." The 1980s were characterized by structural adjustment policies, forcing developing nations to reduce deficits, privatize and deregulate industry, and promote exports.

With the 1990s came an emphasis on "accountability and value-for-money spending." In 1990 Canada co-chaired the United Nations World Summit for Children, and it set a ten-year agenda for improving the well-being of children. Goals included attaining a basic education for all children and achieving at least an 80 percent completion rate of primary education for all boys and girls. However, rising public debt and nationwide unemployment forced Canada to cut social programmes in the 1990s, and also led the country to emphasise development programmes that best served Canadian trade and competitiveness objectives. During this time CIDA faced some criticism for having "no comprehensive, official policy on basic human needs," having out-of-date "sub-priority" policies on areas such as education, having an "underdeveloped" management information system, a tendency to "underestimate, undervalue, or ignore altogether the record of engagement in basic human-need by the nongovernmental sector," and a need to boost accountability assessment.

In 2001, CIDA released *Social Development Priorities: a Framework for Action*, in which budgetary allocation for social development programmes, including education, increased from 19 percent to 38 percent. The plan called for quadrupling funding for basic education to \$164 million annually. The additional financial commitment provides support for activities that promote the development and reform of the

basic education sector in selected countries, strengthen the integration of locally driven education efforts, and improve the quality of basic education. The two stated goals were to increase gender equality and to achieve universal primary education by 2015. The plan called for improving programming, investing in girls' education, strengthening action against HIV/AIDS, integrating efforts of local communities and NGOs, and strengthening global political commitment.

### **SEF-ASSESSMENT EXERCISE**

- i. What are the constraints to CIDA's activities in the area of educational development?

### **3.2.3 The Swedish International Development Cooperation Agency**

The Swedish International Development Cooperation Agency handles Sweden's bilateral international development cooperation and much of its relationship with central and Eastern Europe. Although SIDA contributes financial resources and skill development, it holds partner countries responsible for their own general development and improvement. SIDA supports development through nine operational areas, including social development that encompasses education.

According to the 1997 annual report, SIDA gives priority to programs that have a direct effect on classrooms, particularly textbooks and teacher training. In education, this has included funding primary education in rural areas and building education centres in villages. SIDA has supported the privatisation of textbook production in Tanzania. One-third of SIDA's cooperation is channeled through various multilateral organisations (such as the United Nations agencies and the World Bank).

For many years Swedish aid focused on nations that had advanced the most toward a planned economy. In the first part of the 1990s, total Swedish aid declined, thus affecting development programme aid. In 1999 Howard White's *Dollars, Dialogue, and Development: An Evaluation of Swedish Programme Aid*, noted that SIDA had an excessive bureaucratic burden, which acted as a constraint to SIDA's operations. Also, SIDA supported anti-inflationary policies, which some felt might be "detrimental for long-run growth by undermining investment in human capital" programmes, such as education and training. Questions also arose about how well Swedish programme aid (which comprised about 12% of total aid in the 1990s) supported policy change in recipient countries. At the turn of the century, SIDA began to reduce the number of projects by 25 percent in order to maintain quality

and efficiency. SIDA also determined that certain countries had developed sufficiently to warrant replacing development grant aid with other types of cooperation. Indeed, the 1997 annual report mentioned phasing out "one-sided giving" in favour of development that "creates mutual benefits and from which all parties gain." According to SIDA, at the centre of all development cooperation is developing knowledge and skills, but major efforts in education will not succeed unless other important functions in society, such as public administration, trade, and industry work properly.

### **3.2.4 The Department for International Development (DFID)**

The Department for International Development is the British government entity responsible for promoting development and reducing poverty. DFID's has six divisions (Africa, Asia, Eastern Europe, western hemisphere, International, and Resources) and seven advisory groups or departments, of which education is one. The majority of DFID's assistance goes to the poorest countries in Asia and sub-Saharan Africa.

The current department was created in 1997, with policy outlined in the *White Paper on International Development*. DFID replaced Britain's Ministry of Overseas Development, which was created in 1964. One of the three initial objectives was to improve education, health, and opportunities for poor people. In particular this meant promoting effective universal primary education, literacy, access to information, and life skills. It created targets based on the United Nations conventions and resolutions, which aimed at universal primary education in all countries by 2015 and the elimination of gender disparity in primary and secondary education by 2005. DFID's stated priority was "to achieve the full participation of all children and adults in quality education at all levels."

DFID focuses its education support on access, quality, retention, and equity. Initial strategies included strengthening and extending partnerships by involving local communities in managing schools, reconstructing school systems in poor countries, and promoting research to improve understanding of how education can contribute to the elimination of poverty. Early spending review suggested that DFID needed to become more selective and focused on poverty reduction in its assistance.

#### **SELF-ASSESSMENT EXERCISE**

- i. Write short notes on the activities of DFID in the area of educational development.

### 3.2.5 The Japan International Cooperation Agency (JICA)

The Japan International Cooperation Agency was created in 1974 to handle Japan's bilateral Official Development Assistance (ODA). As Japan's governmental aid agency, JICA has a stated goal of "helping people to help themselves." Japan handles official development assistance through a program devised in 1954 as a part of the Colombo Plan to assist Asian countries. That program has three components: (i) bilateral grants; (2) bilateral loans; and (3) multilateral assistance. JICA is responsible for most of the first component, bilateral grants, which are composed of grant aid and "technical cooperation." The agency also conducts surveys and helps execute a capital-grant assistance program on the part of Japan's Ministry of Foreign Affairs. In addition, JICA has helped create a long-term training programme to allow foreign students obtain academic degrees in Japan as well as a grant-aid program to support foreign students.

One of JICA's education contributions is through this capital-grant assistance programme. These projects may hold public value but are not highly profitable, as grant aid involves financial assistance without obligation of repayment and is focused upon basic human needs. Education projects are funded through general grant-aid, and projects include construction of education-related facilities such as school buildings, expansion of broadcast education services, and training and retraining of educators. Aid is also provided for specific local needs.

In addition, JICA provides for training through technical cooperation which entails fostering of human and socioeconomic development through the exchange of technology and knowledge. JICA engages in technical cooperation with developing countries in six basic ways: (i) by providing training in Japan; (ii) dispatching Japanese experts to provide training abroad; (iii) supplying equipment; (iv) providing technical assistance in the development of projects; (v) conducting economic development studies; and (vi) dispatching Japanese volunteers to work in developing countries. Training, expert dispatch projects, and volunteer dispatch each have educational elements. Training courses include both group and individual courses, and many group courses have been implemented in the field of education (such as "The Practice of Science Education"). The volunteer dispatch programme sends Japan Overseas Cooperation Volunteers (JOCV) to primary and secondary educational institutions. The expert dispatch sends experts to education-related agencies and vocational-training programmes in Japan and overseas. Finally, project cooperation is directed at universities through such programs as agriculture, engineering, and medicine.

The Japanese government's interest in assisting developing countries grew after receiving aid from the World Bank in the 1950s for its own reconstruction. In 1954 Japan established Official Development Assistance (ODA), and according to JICA, Japan's development assistance has expanded annually since that time. Initially, Japan focused on funding Asian countries, but toward the end of the twentieth century began expanding aid to eastern and central Europe. By 1992 it was the major donor in twenty-five countries. With the creation JICA in 1974, Japan's ODA started taking a more country and issue-specific approach. As the cold war came to a close, certain development issues, such as education, the environment, and population began to receive more global attention, and this was reflected in JICA projects. Beginning with the 1990 World Conference on Education for All in Jomtien, Thailand, Japan adopted the international goals of extending primary education and eliminating gender inequality in education. Consequently, a much larger portion of JICA's contributions have gone to primary schools, whereas until 1990 higher education had received greater emphasis.

### **SELF-ASSESSMENT EXERCISE**

- i. Explain the various ways by which Japan assist developing nations in the area of technical cooperation.

### **3.2.6 The German Organisation for Technical Cooperation**

The German Organisation for Technical Cooperation is owned by the Federal Republic of Germany, and it operates as a service enterprise for international development cooperation. Established in 1975 as a private-sector enterprise with a development policy mandate, the GTZ supports international development, reform, and technical cooperation on behalf of the Federal German Ministry for Economic Cooperation (BMZ) and other German ministries, partner-country governments, and international organisations. Education represents one of the GTZ's sector-related themes, and it has four major components: educational aids, basic education, vocational training, and universities/scientific and technical institutions.

The first educational area, education aids, operates by the name of the Crystal project. Crystal provides teachers' aids such as textbooks and materials, specialist literature, and consulting. Consulting services are provided for vocational training, work-oriented training, and development cooperation (such as the application of new media and education aids). Services and materials are free to developing countries, and many of them are described in a Crystal catalog.

In the second area of basic education, the GTZ serves in an advisory role. The GTZ advises developing government partners on ways to improve their basic education systems. The suggestions focus upon quality, efficiency, and relevance through the design of programming methods and system structures. The GTZ's educational philosophy supports a decentralised approach utilising parents and communities. Three major basic education activities include: (i) developing and introducing appropriate curricular elements and relevant learning and teaching materials; (ii) institution building; and (iii) systems consulting.

Vocational training encompasses the GTZ's third education area. These services are aimed at policymakers, industry, research and planning institutions, state and private training institutions, and in company training facilities. The GTZ serves a consulting and planning role for the general vocational field as well as individual institutes of further and advanced training and vocational agencies. Specific services include concept design, planning, and evaluation, along with the establishment and commissioning of agencies and staff.

Finally, the GTZ provides consulting for universities and scientific and technical institutions. The goals of this higher education theme are to improve the performance capacity of education and research systems, to boost training performance and research capacity, and to encourage an exchange of ideas and experience at the academic level through international linkages. The GTZ provides services such as developing education and research systems, developing institutions, consulting on programme conduct and efficiency, and the promotion of cooperation in training and research.

When the GTZ was developed, most services were conducted out of the head office. Though the head office is still the major interface between the government and project implementation abroad, in an effort to cut costs, the organisation began to emphasise decentralisation and regionalisation in the late 1980s and early 1990s. This shifted responsibility to the field offices in more than sixty partner countries. The GTZ has also focused most heavily on advisory services.

### **3.2.7 The United Nations (UN)**

The United Nations is an [international organisation](#) whose stated aims are facilitating cooperation in [international law](#), [international security](#), [economic development](#), [social progress](#), [human rights](#), and achievement of [world peace](#). The UN was founded in 1945 after [World War II](#) to replace the [League of Nations](#), to stop wars between countries, and to provide a platform for dialogue. It contains multiple subsidiary organisations to carry out its missions.

There are currently [192 member states](#), including every [internationally recognised sovereign state](#) in the world but the [Vatican City](#). From its offices around the world, the UN and its specialised agencies decide on substantive and administrative issues in regular meetings held throughout the year. The organisation has six principal organs: the [General Assembly](#) (the main [deliberative assembly](#)); the [Security Council](#) (for deciding certain resolutions for peace and security); the [Economic and Social Council](#) (for assisting in promoting international economic and social cooperation and development); the [Secretariat](#) (for providing studies, information, and facilities needed by the UN); the [International Court of Justice](#) (the primary judicial organ); and the [United Nations Trusteeship Council](#) (which is currently inactive). Other prominent [UN System](#) agencies include the [World Health Organisation](#) (WHO), the [World Food Programme](#) (WFP) and [United Nations Children's Fund](#) (UNICEF). The UN's most visible public figure is the [Secretary-General](#), currently [Ban Ki-moon](#) of South Korea, who attained the post in 2007. The organisation is financed from assessed and voluntary contributions from its member states, and has six official languages: [Arabic](#), [Chinese](#), [English](#), [French](#), [Russian](#), and [Spanish](#)

The UN is financed from assessed and voluntary contributions from member states. The General Assembly approves the regular budget and determines the assessment for each member. This is broadly based on the relative capacity of each country to pay, as measured by their [Gross National Income](#) (GNI), with adjustments for external debt and low per capita income.

The Assembly has established the principle that the UN should not be overly dependent on any one member to finance its operations. Thus, there is a 'ceiling' rate, setting the maximum amount any member is assessed for the regular budget. In December 2000, the Assembly revised the scale of assessments to reflect current global circumstances. As part of that revision, the regular budget ceiling was reduced from 25% to 22%. For the least developed countries (LDCs), a ceiling rate of 0.01% is applied. In addition to the ceiling rates, the minimum amount assessed to any member nation (or 'floor' rate) is set at 0.001% of the UN budget

There are specialised agencies of the United Nations which are autonomous organisations working with the UN and each other through the coordinating machinery of the [United Nations Economic and Social Council](#) at the intergovernmental level, and through the Chief Executives Board for coordination (CEB) at the inter-secretariat level. Specialised agencies may or may not have been originally created by the United Nations, but they are incorporated into the [United Nations System](#) by the [United Nations Economic and Social Council](#), acting

under Articles 57 and 63 of the [United Nations Charter](#). At present the UN has in total 17 specialised agencies that carry out various functions on behalf of the UN.

The specialised agencies that are considered relevant to education finance include the United Nations Educational Scientific and Cultural Organisation and the World Bank. The World Bank Group comprises a group of five legally separate but affiliated institutions: the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). It is a vital source of financial and technical assistance to developing countries around the world. Its mission is to fight poverty with passion and professionalism for lasting results, and to help people help themselves and their environment by providing resources, sharing knowledge, [building capacity](#) and forging partnerships in the public and private sectors. Three of the five World Bank Group organisations, namely the IBRD, the IFC, and the IDA, are specialised agencies of the United Nations.

The United Nations Educational, Scientific and Cultural Organization (UNESCO) is a specialised agency of the [United Nations](#). Its stated purpose is to contribute to [peace](#) and [security](#) by promoting international [collaboration](#) through [education](#), [science](#), and [culture](#), in order to further universal [respect](#) for [justice](#), the [rule of law](#), and the [human rights](#) along with fundamental [freedoms](#) proclaimed in the [UN Charter](#).

UNESCO has 193 Member States and seven Associate Members. Most of the field offices are "cluster" offices covering three or more countries; there are also national and regional offices. UNESCO pursues its objectives through five major programs: education, *natural sciences*, social and *human sciences*, culture, and communication and information. Projects sponsored by UNESCO include *literacy*, technical, and teacher-training programmes; international *science* programmes; the promotion of independent *media* and *freedom of the press*; regional and cultural *history* projects; the promotion of *cultural diversity*; international cooperation agreements to secure the world *cultural* and *natural heritage* (*World Heritage Sites*) and to preserve *human*.

UNESCO has Institutes and Centres. The institutes are specialised departments of the Organisation that support UNESCO's programme, providing specialised support for cluster and national offices.

- [UNESCO International Bureau of Education \(IBE\)](#); Geneva (Switzerland) specialises in educational contents, methods and structures. IBE shares expertise on curriculum development and aims to introduce innovative approaches in curriculum design and implementation, improve practical skills, and facilitate international dialogue on educational policies and practices.
- [UNESCO Institute for Lifelong Learning](#) promotes lifelong learning policy and practice with a focus on adult learning and education, especially literacy and non-formal education and alternative learning opportunities for marginalised and disadvantaged groups.
- [UNESCO International Institute for Educational Planning \(IIEP\)](#); Paris (France) and Buenos Aires (Argentina) is a centre for training and research to strengthen the capacity of countries to plan and manage their education systems.
- [UNESCO Institute for Information Technologies in Education \(IITE\)](#); Moscow (Russian Federation) serves as a centre of excellence and provider of technical support and expertise in the area of ICT usage in education.
- [UNESCO International Institute for Capacity-Building in Africa \(IICBA\)](#); Addis Ababa (Ethiopia) works to enhance the capacities of regional, national and local level educational institutions in Africa, thus providing the opportunity for technological improvements, such as the utilisation of electronic media for networking and for educational purposes, targeting both individuals and institutions.
- [UNESCO International Institute for Higher Education in Latin America and the Caribbean \(IESALC\)](#); Caracas (Venezuela) contributes to the development and transformation of the tertiary education through the reinforcement of a work plan that, among other purposes, attempts to be an instrument to support the management of change and the required transformations, in order that higher education in the region becomes an effective promoter of a culture of peace that allows to make viable - in an age of globalisation - the human sustainable development based on principles of justice, equity, freedom, solidarity, democracy and respect of the human rights.
- [UNESCO International Centre for Technical and Vocational Education and Training \(UNEVOC\)](#); Bonn (Germany) works to strengthen and upgrade countries' Technical and Vocational Education and Training (TVET) systems.

- [UNESCO European Centre for Higher Education](#) (CEPES); Bucarest (Romania) promotes co-operation and provides technical support in the field of higher education among UNESCO's Member States in Central, Eastern and South-East Europe

### **3.2.8 Nigerian Technical Aid Scheme**

The Federal Government of Nigeria in 1987 established the Nigerian Technical Aid Corps (TAC) scheme as a foreign policy tool that would serve specific national interests. The statute establishing the scheme – Decree 27 – was signed into a law on 22 January 1993 and officially documented on 5 May 1993, thus giving it a legal backing and framework. As an instrument of Nigeria's foreign policy, the TAC programme is an alternative to direct financial aid for African, Caribbean and Pacific (ACP) nations. It is designed, not only to provide manpower assistance in all fields of human endeavour, but to also represent a practical demonstration of South-South cooperation. (South-South refers to underdeveloped and developing countries in the southern hemisphere).

The Key objectives of the scheme are:

- sharing Nigeria's know-how and expertise with other ACP countries.
- giving assistance on the basis of assessed and perceived needs of recipient countries.
- promoting cooperation and understanding between Nigeria and recipient countries.
- facilitating meaningful contact between youths of Nigeria and those of recipient countries
- complementing other forms of assistance to ACP countries.
- ensuring a streamlined programme of assistance to other developing countries.
- acting as a channel through which South-South collaboration is enhanced.
- establishing a presence in countries which, for economic reasons, Nigeria has no resident diplomatic mission.

When viewed against the background that Nigeria is a developing nation, it could be stated that the Scheme has been a huge success. For instance, between 1987 and 2004, 1,677 TAC volunteers have been deployed to 33 countries, thereby demonstrating that the scheme has provided a clear direction in Nigeria's foreign aid and technical assistance policy. Since its inception, TAC has recorded substantial progress in the following areas:

1. Increase in the number of recipient countries from African, Caribbean and Pacific regions.
2. Increase in the number of volunteers deployed abroad.
3. Overwhelming interest from both Nigerian volunteers and recipient countries under the biennium TAC scheme.

The strength of the TAC programme and its success is predicated on the fact that it is a people-oriented and people-centered assistance programme geared towards the development of recipient countries. The implementation of the scheme has endeared Nigeria to many countries as a facilitator of effective cooperation in socio-economic development among ACP countries. Ultimately, Nigeria stands to gain enormously, both politically and economically, from recipient countries.

The prospects of the TAC programme are very bright. Recently it attracted the attention of the Commonwealth, which signed a Memorandum of Understanding (MOU) with the Nigerian Government in March 2003. The MOU calls for the provision of Nigerian expertise to needy member states under the Commonwealth Assistance Programme (CAP) to be managed by the Directorate of TAC in Nigeria. Other international organisations that have shown interest in the TAC programme include the United Nations (UN) Volunteer Service and the Japanese Agency for International Cooperation (JAIC).

The effectiveness and viability of TAC as a foreign policy instrument is demonstrated in the commendation it receives from recipient countries and other members of the international community. TAC has played a cardinal role in cementing existing relations between Nigeria and beneficiary countries, and, on a wider scale, in creating an atmosphere of partnership where it otherwise would not exist. The programme is also a deliberate policy option for the consolidation of Nigeria's role in the independence struggles of some African countries. It is a catalyst for peace, progress and development among both beneficiary and non-beneficiary countries. The scheme is currently the only viable volunteer service operated by an African country. Management of the TAC scheme is carried out by the Directorate of TAC, which falls under the Ministry of Foreign Affairs.

#### **4.0 CONCLUSION**

The various international development agencies have assisted a lot in providing supplementary support to some governments in the area of educational development. These international development agencies are either established by individual countries or the United Nations specifically for technical and financial support for educational development in various countries. The initiative of the Federal

Government of Nigeria in this regard is also commendable as it would go a long way in projecting her image among comity of nations.

## 5.0 SUMMARY

Overall, bilateral agencies have been expanding their education and training goals since the early 1990s. The 1990 Jomtien World Conference on Education for All was among the main factors shaping education policy regarding the geography and the goals of bilateral aid. The bilateral aid agencies have faced issues such as dwindling resources, the loss of donors as well as rationale for aid. This is partly due to greater support of domestic aid instead of foreign development assistance, and an overall decrease in public support. In addition, as interests of donors have taken precedence over the interests of recipients, development aid has suffered. Other issues facing bilateral agencies include problems working through recipient governments, the inconsistency between economic and social development objectives (which span countries), and inconsistent foreign policy goals (with regard to specific countries)

## 6.0 TUTOT-MARKED ASSIGNMENT

What are your views on activities of International Development Agencies and the implication of reliance on financial assistance from beneficiaries on education finance?

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## **UNIT 4 EDUCATIONAL FINANCE IN SELECTED DEVELOPED COUNTRIES**

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### **1.0 INTRODUCTION**

The basic principles, objectives and policies of student financing are supposed to be based on equity, equality, access, cost sharing and assistance to the needy. It is observed that while these are the ideals, the reality is far from what is on the ground in some countries, particularly in developing countries like Nigeria. It is therefore important that experience of some selected countries will now be examined for comparative purposes. This is with a view to identifying the best practice that can be adapted or adopted as the case may be. It must however be added that political leadership exercises significant influence on the allocation of resources to education. The political leadership determines who gets what out of the financial resources through budgetary appropriation. In other words, total public expenditure on education are determined by the political process. It is in the light of this that educational finance in selected developed countries will be the focus of this unit.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- identify the percentage of total budget that is committed to educational finance in the selected countries
- state the sources of educational finance in these countries
- list the roles of each tier of government in educational finance
- identify similarities and dissimilarities in educational finance among these countries
- list the impact of politics on educational finance

## **3.0 MAIN CONTENT**

### **3.1 The United States of America**

In the United States of America, while most citizens of this country believe in the democratic ideal of equal education for all, the reality is that the quality of education is hardly equal for all children in all school districts. This is because the system of education funding is so heavily dependent on state and local tax revenues, which in turn are so dependent on the economy in various areas of the country, schools even within the same state receive unequal allotment of money.

#### **3.1.1 Funding of Public Education**

There is variation from state to state among public schools on educational finance. Some schools receive much of their funding from the local government rather than state or federal sources. For example, 89 per cent of New Hampshire's revenues for public schools come from local sources. On the other hand, over 90 percent of Hawaii's public school revenues come from the state. New Mexico and Washington receive more than 70 percent of their revenue from the state (Walters 1994). Although the percentages of federal funding for schools also varies most states receive less than 10 percent of their education revenues from the federal government.

#### **3.1.2 Local Funding of Education**

Property taxation originated on the U.S frontier, where wealth was measured in land. It remains a widely used form of taxation because it produces a fairly stable rate of collection since it is difficult to evade. Property taxes are also used to fund other municipal services, such as police, fire, parks, libraries and municipal roads. Most states have laws that place limits on the property tax rates local school districts can levy – a greater rate requires approval by the voters of the district.

Today, local taxation provides much of the school funds in half of the states. On the average 43.9 per cent of school revenues come from local sources. Ninety eight per cent of that local school revenue is generated from property taxes, which are based on the assessed value of real estate (residential and commercial land and buildings) and personal property (automobiles, jewelry, stocks and bonds). When funding for schools is primarily based on local property taxes, significant inequities develop. The richer a district, the higher the assessed property values. The larger the tax base, the greater the funding for local schools.

Other local funding sources for schools include local sales taxes and special room taxes in hotels and motels. However, poorer districts are likely to have less flexibility assessing these forms of taxation because few non-residents spend money there. Therefore, where a district that is able to raise more revenue from these types of taxation than other districts, it makes funding of education even more unequal. This implies that if school funding remains dependent on property tax, larger and larger differentials in funding per pupils will occur, resulting in significant differences in resources and facilities available to students.

### **3.1.3 State Funding of Education**

State funds for education come from a variety of tax sources, including one or a combination of the following: sales, income, inheritance, gift, use and occupation taxes; franchise and licence fees and state lotteries. It is not only the amount of revenue collected that affects the funding of schools but also how that revenue is allocated to local districts.

#### **3.1.3.1 State Aid Formulas**

The allocation of state revenue to local districts occurs through state aid formulas. The three commonest are: a *flat grant*, *equalisation grant* and *foundation grant*. *Flat grant* is usually based on the districts average daily attendance during the previous school year. Each district receives the same amount for each student in attendance. Flat grants do not take into consideration variations among school districts in local taxing ability. Adjustments are made, however, for special students, such as: the disabled, and in some cases, for school districts with large fluctuations in student population during the school year. *Equalisation grant* provides the same guaranteed yield to rich and poor districts, which tax themselves at the same rate. Equalisation formulas require rich districts to give the state surplus tax revenue above the state per pupil funding level and thus guarantee that such money is distributed to poor districts to make up the difference between the guaranteed per pupil yield and actual lower tax yield. *Foundation grant* ensures a minimum level of revenue per pupil by targeting state aid to poor

districts. The state prescribes the required foundation level per pupil and a minimum tax effort to be made by the district. If the district is willing to make the prescribed tax effort but fails to raise the foundation amount because of low property valuation, the state makes up the difference with a foundation grant.

Some states set qualifying or minimum local taxes, which districts must levy in order to qualify for state funds. This is to prevent wealthy districts from using state equalisation funds rather than local funds for public education. Conversely, some state constitutions or laws set ceiling for the amount of local tax dollars that can be spent on public schools. Thus, if districts are below the upper limits, they may authorise new taxes on property, districts whose spending has reached the maximum may not levy new tax monies for schools. Note that minimum and maximum are designed primarily to help equalise educational spending across districts within a state. There is, however, no formula for equalising funding among the states where great diversity still exists.

### **3.1.4 Private Alternatives to state and Local Funding**

In 1994 eleven states had passed laws (six others were considering them) allowing schools or school districts to be chartered by groups of citizens, including businesses and foundational strategies including creative ways to fund public schools often through private partnerships. It is too early to tell the effect these new school organisations will have on funding for public education. In 1972 only 0.3% billion of \$1.8 billion in private funding for K-12 education went to public schools, the rest went to non-public schools (Council for Aid to Education). However, in the future the funding and organisational structure of charter schools and other public – private partnerships may provide an answer to the problem of inequality of funding in a limited number of school districts in which these partnerships are possible.

### **3.1.5 Federal Funding of Education**

The U.S. Congress has no obligation to provide funding for public education but does so voluntarily. Federal aid to education comes through grants from several federal agencies, the U.S. Department of Education, the Office of Economic Opportunity, the National Science Foundation, the National Endowment for the Humanities and the National Endowment for the Arts, among others. Funds flow directly from the federal agencies and indirectly through state agencies. For example, funding for an educational project for an interdisciplinary programme in the humanities might come directly from the National Endowment for the Humanities. This constitutes direct federal aid.

However, the National Endowment also provides significant funding to each state's endowment and funding for this same programme might come, then from the state humanities council. This is indirect federal funding.

Federal funds are not meant to support the schools but rather to improve and equalise educational opportunities for all students, and to encourage innovative programmes within the public schools. Federal funds frequently take the form of matching or seed-money grants. These require that state and local districts either match the amount supplied by the federal grant or extend the project funded by the federal government beyond the granted period. In this way, the federal government ensures state and local involvement in the project and its funding.

In the United States of America student financing programmes come from various sources and are mainly handled by non-governmental organisations, international agencies, foundations, banks and universities. Government funding is in the form of loans, fellowships and awards co-sponsored by banks and organisations. The sources of funding include: World Bank Agencies, Government Agencies, Commercial Banks, Private Enterprises and Corporations. For instance, the Colorado Students Loan Programme (CSLP) is a successful student loan guarantee, self-funded student financing agency that within 20 years has been able to achieve a reliable, efficient and cost effective system of delivering, managing and recovering Students Loan Funds. By the year 2000, the agency had a loan guarantee of over \$40 Billion and serving 500,000 students. The agency is a division of Colorado Department of Higher Education established to support students' access to post secondary education by ensuring availability, effective delivery and responsible management of educational financing; and to provide quality service to all programme participants (Bello, 2002).

## **3.2 United Kingdom**

### **3.2.1 State Funded Primary and Secondary School System**

State-run schools and colleges are financed through national taxation, and take pupils free of charge between the ages of 3 and 18. The schools may levy charges for activities such as swimming, theatre visits and field trips provided charges are voluntary, thus ensuring that those who cannot afford to pay are allowed to participate in such events. Approximately 93% of English school children attend such schools.

Almost all the state-funded schools in England are maintained schools, which receive their funding from Local Authorities. Since 1998, there have been four main types of maintained schools in England, namely;

- Community schools in which the Local Authorities employ the school staff, own the schools' land and buildings and have primary responsibility for admission.
- Voluntary controlled schools, which are almost always church schools, with the lands and buildings often owned by a charitable foundation.
- Voluntary aided schools, linked to a variety of organisations. They can be faith schools or non-denominational schools. The charitable foundation contributes towards capital costs of the school.
- Foundation schools where the school land and buildings are owned by the governing body or by charitable foundation.

### **3.2.2 Independent Schools**

Approximately 7% of English schools children attend privately run independent schools. Education at independent schools is usually chargeable. Such schools, some of which are burden schools, cover primary and secondary education and charge between £2,500:00 and £3,000:00 per year. Some schools offer scholarships for those with particular skills or aptitudes or bursaries to allow less well-off students to attend.

### **3.2.3 Higher Education**

In the academic year 2009/2010 undergraduates pay tuition fees set at a minimum of £3,225:00 per annum. The fees are repayable after graduation contingent on attaining a certain level of income, with the state paying all fees for students from poorest backgrounds. UK students are generally entitled to student loan for maintenance.

## **3.3 Educational Funding and Politics**

The influence of political leadership on the allocation of resources to education cannot be underestimated. This is because it is the political leadership that determines who gets what out of the financial resources through budgetary allocation. In other words, total public expenditure on education are determined by political process, (Blaug, 1970). In Nigeria as well as in other African countries, government is a major factor in the ownership, finance and control of educational institutions. This means that educational institutions rely heavily on government for funding. It must however be emphasised that over reliance on government by institutions portends great danger for them. This is because fluctuations in budgetary allocation to education as a result of frequent government changes has far reaching implications for the development of educational programmes. For instance, Agagu (2010)

observed that policy implementation is often affected by erratic budget allocations.

The consistent fluctuations in budgetary allocation to education over the years have seriously impacted the development of education in Nigeria. Besides posing serious challenges to the implementation of new educational policies, inadequate funding has also scuttled existing educational programmes. All these constrain the implementation of laudable educational programmes.

In the United States of America, one might tend to have the impression that education is not affected by politics. However, it is observed that it is far from being correct. For example, in 1978-1979, during President Jimmy Carter's administration, 9.8% of all the money spent on the U.S. public education came from the federal government, 45.6% from the states and 44.6% from local sources. By 1988 there had been a shift in the percentage of funding received from each of the three sources: 6.3% came from federal government, 49.55 from state funds and 44.1% from local sources (US Department of Education, 1990). In the first two years of President Bill Clinton's administration, more federal education legislation was passed than during the entire previous decades. This development was expected to translate into a larger percentage of federal dollars towards education.

A shift in federal funding for education has been attributed to the fact that the more politically liberal federal government, the greater the likelihood of more centralised funding of education because state and federal aid programmes equalise educational opportunity for students in all schools. The usual method of funding education, that is, local property taxes, is necessarily unequal since the tax base of richer communities is much larger than that of poorer communities. On the other hand, the more politically conservative the federal government, the greater will be decentralised funding of education. Decentralisation occurs because of a belief in home rule, keeping the centre of government as close to the population as possible.

### **3.4 Lessons for Educational Finance in Nigeria**

The foregoing clearly indicates that Nigeria has a lot to learn from experiences in the United States of America and the United Kingdom. Some of the things that Nigeria can incorporate into her existing funding pattern of education include:

- **Diversification of sources of Education Finance:** One of the banes of education finance in Nigeria is that of overdependence on government. Experience in the USA and UK indicates that a

lot of money is generated from other sources outside the support from government. Jones-Esan (2007) observed that the bitter truth which populists did not want to hear is that Nigeria remains one of the few countries where by and large education is funded by the government. Nigeria presents a classical study in over dependence on government for the provision of virtually everything and such over dependence is inimical to the success of the nations' educational objectives.

- **Introduction of tuition fees:** The undue politicisation of education in Nigeria led to abolishing tuition fees in 1978 at the universities, since then no administration in Nigeria had the political will to revisit the need for introduction of tuition fees. Experience in the USA and UK indicates that tuition fee contributes significantly towards education finance in these countries. Tuition fees are becoming the international rule and not the exception.
  1. In Canada, tuition fees are paid and they are on the rise. In Australia, differential fees are paid on the basis of income. For Japan, with effect from 2000, state universities would be allowed to have greater autonomy and, more importantly, they have freedom to set their own fees levels, and national Universities fees set at £2,700. In China, fees are set according to market conditions, taking into account both costs and demand.
  2. In America, fees at public and private institutions are rising by an average of 14.1% from 2002-2003 to 2003-2004 at public institutions. Overall, the split is between public universities which charge around \$5,000-\$15,000 (£2,900-£8,600) per year depending on location, type and length of course; and private universities where fees can be as high as \$30,000 (£17,300) per year.
- **Adequate provision of scholarship:** There is an urgent need to revisit various scholarship schemes that were in existence in the 70s. In addition to this, the Students' Loan Board must be re-established to cater for those who are unable to qualify for various scholarship schemes that must have been put in place.
- **Policy consistency on education finance:** There must be put in place an enduring policy for sustainable education finance. This will reduce considerably the impact of changes in administration on education finance in Nigeria.
- **Redistribution of wealth:** A policy must be put in place whereby the affluent in the society will be made to finance the

education of the less privileged ones in the society. The present situation where education of students from higher social economic background is subsidised by the government tends to deny children from lower social economic background certain benefits.

#### **4.0 CONCLUSION**

Our discussion in this unit indicates that governments in the two developed economies have been able to develop a framework and enduring policy on educational finance. This has helped to establish a sustainable educational development. This is in sharp contrast to Nigeria, where government has not been able to come up with an enduring policy that makes provision for sustainable educational development. Until the Nigerian government is able to borrow ideas from developing economies, educational finance will continue to face serious challenges. Government no doubt has a crucial role to play in educational development as there is a link between education and politics.

#### **5.0 SUMMARY**

The United States and Britain have shown the involvement of the three tiers of government in educational financing. For instance, in the United States of America, the local governments assume a large share of funding through property taxes and personal taxes. States also use aid formula in the funding of education. In the United Kingdom at the primary and secondary school system, almost all the state funded schools receive fund from local authorities. Thus the structure is on ground that ensures compliance with policy direction on education. In addition to this is that the less privileged in the society have access to education through redistribution of wealth and provision of bursary and scholarship. When this is compared to the situation in Nigeria, the existing crisis on educational finance will continue to be a regular of the nation's educational system.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

- i. Compare education finance in Nigeria with that of the United States of America.

#### **7.0 REFERENCES/FURTHER READING**

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## **MODULE 3      BUDGETING      AND      FINANCIAL ANALYSIS**

Unit 1	Budgeting and Uses
Unit 2	Educational Costs and Financial Analysis
Unit 3	Management of Financial Resources

### **UNIT 1      BUDGETING AND USES**

#### **CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	The Meaning and Concept of Budget
3.2	Types of Budget
3.3	Importance of School Budget
3.4	Budgetary Process in Education
4.0	Conclusion
5.0	Summary
6.0	Tutor-marked Assignment
7.0	References/Further Reading

#### **1.0      INTRODUCTION**

This Unit is designed to acquaint you with the meaning and concept of Budget. The types of budget, importance of school budget as well as budgetary process in education are discussed.

#### **2.0      OBJECTIVES**

At the end of this Unit, you should be able to:

- explain the meaning and concept of budget
- identify the various types of budget
- discuss on the various types of budget
- explain the importance of school budget

#### **3.0      MAIN CONTENT**

##### **3.1      The Meaning and Concept of Budget?**

The term “budget” is frequently used where disbursement of money is involved. Simply put, budget is a statement of financial plan over a

given period. Budgeting has been considered as an integral part of the planning process. It essentially involves translating goals and objectives as well as targets into financial plans.

According to Musaazi (1982), educational (school) budgets are financial plans aimed at translating educational (school) objectives into reality. In the same vein, Edem (1987) is of the view that a budget is a statement which describes how to finance the various educational objectives outlined for the year or a given stated period.

A careful analysis of the above and other conceptions of budget by other scholars point to the fact that a budget is a financial blueprint for the operation of an organisation, including the school system for the fiscal year. A budget is a means by which the planned objectives and targets are translated into a programme of action and in financial terms. Thus a school budget is an established financial standard needed to consciously guide the activities of a school administrator towards the attainment of the aims and objectives of the school, in a given fiscal year.

### **3.2 Types of Budget**

The following types of budget can be identified in the educational system

- (a) Line Item Budget
- (b) Programme budget
- (c) Performance Budget
- (d) Zero-Base Budget
- (e) Planning, Programming and Budgeting System (PPBS)
- (f) Incremental Budget.

#### **a) Line Item budget**

This form of budget involves listing of specific items of revenue and expenditure on line-by-line basis. In this type of budget, revenue and expenditure plans for the current year and one or two preceding years are prepared in tabular forms. This type of budget which is predominant in most Nigerian schools, allows each department to continue with the implementation of existing programmes since it is backward looking in preparation. It also makes budget preparation and auditing easy. It also guides against misappropriation of fund. However, in spite of the above merits, line item budget is lengthy in preparation. In addition, it does not actually relate to specific projects or objectives (and targets).

**b) Programme Budgeting**

In this method of budgeting, provisions are made for the programmes to be executed. The budget will be made according to the functions, programmes and activities of each department in the school. To this

end, a school budget will be classified into various departments.

For

instance, we may have Language department's expenditure, Vocational department's expenditure, Bursary department's expenditure, Science department's expenditure and so on. The purpose of this budgeting method is to show how funds are being spent on each programme of the school.

The table below shows Federal and State Governments' expenditure on education between 1990 and 1994

<b>FEDERAL AND STATE GOVERNMENTS' EXPENDITURE ON EDUCATION, 1990 – 1994</b>					
YEAR	TOTAL EXPENDITURE (NM)	TOTAL EXPENDITURE ON EDUCATION IN CURRENT VALUE (NM)	EXPENDITURE ON EDUCATION AS % OF TOTAL EXPENDITURE	EXPENDITURE ON EDUCATION AS % OF GDP	EXPENDITURE ON EDUCATION IN CONSTANT VALUE (1958 = 100) (NM)
1990	99,550.3	7,345.5	7.3	2.0	2,507.0
1991	119,413.2	7,857.1	6.6	2.4	2,374.5
1992	178,782	11,310.7	6.3	2.1	2,364.1
1993	261,625	16,916.4	6.5	2.4	2,249.8
1994	191,604.8	22,045.5	11.5	3.2	1,367.2

**Source:** Annual Abstract of Statistics, 1995 Edition

1. Overall expenditure is the sum of expenditure at Federal and State levels.
2. State expenditure on education is assumed to be 25 percent of the total expenditure of the State and this was added to the published figure at the Federal level each year.
3. Composite consumer price index (combined rural and urban centres) published on page 340 of the Abstract of Statistics was used as a deflator

Also, this second table shows the budgeted total and educational expenditure at the Federal and State levels between 1982 and 1984 (in billion N)

**BUDGETED TOTAL AND EDUCATIONAL EXPENDITURE AT THE FEDERAL AND STATE LEVELS, 1982 AND 1984 (IN BILLION N)**

	1982	1983	1984
Total Expenditure	16.8	17.0	11.3
Educational Expenditure	3.2	3.5	2.1
Educational/Total	19.0%	20.6%	18.6%

**Source:** Federal Ministry of Education, Science and Technology, Planning and Development Division, Statistics Section.

The table above shows that educational expenditure accounted for close to 20 percent of the total budgeted expenditure during the three years shown in the table. The decrease seen in 1984 could be explained by economic decline and the emergence of a military government that clamped down on excessive spending. The period of the Second Republic was that of high expenditure on education in general. This was in the face of massive oil glut in the international oil market, resulting into a decline in oil revenue which is the major source of foreign exchange, gross mismanagement of the economy, deficit spending, high inflation as well as huge domestic and foreign borrowings. The problems were compounded by the high demands for education and the need to diversify the curriculum at both the secondary and tertiary levels, and to improve the quality of education.

The main advantage of programme budgeting is that it reduces the goals and objectives of the school system into specific operations and the method to accomplish them is determined. However, its problem is that it requires a sophisticated information system and a programme may take several years to be completed.

**c) Performance Budgeting**

This method of budgeting emphasises the performances of the work to be done. There are ways of measuring the achievement of each programme. It is possible to ascertain performance based on each unit of work. For instance, in construction of a laboratory block in a school, the budget would not only show the amount to be spent on the whole block, but also the amounts to be spent on foundation, setting of blocks, roofing, plastering and so on.

The advantage of this budgeting is that it is very informative and it makes the control of school fund easier. Its problem is that it requires elaborate account, data processing and a lot of paper work.

**d) Zero-Base Budgeting**

Zero-base budgeting unlike the line-item budgeting does not take cognisance of the previous year budget. It puts each programme under review every year and its costs are computed from the scratch, as if the programme never existed. This method of budgeting involves taking a fresh look at programmes and activities each year without considering the previous year budget.

Zero-base budgeting enables school administrator to allocate resources to programmes based on priority. Nevertheless, it is very expensive to implement and could make some school administrators exaggerate the benefits of pet projects in order to have them funded.

**e) Planning, Programming and Budgeting System (PPBS)**

This new approach to budgeting is concerned with identification of organisational goals in measurable terms and selecting the best programmes for achieving such goals. This method of budgeting enables an organisation to eliminate costly programmes that can waste resources, and also provide a means of making the cost-benefit analysis of each programme in relation to the pre-determined objectives.

Planning, Programming and Budgeting System helps a school administrator to identify and define the goals and objectives of the school, on the basis of which appropriate programmes are designed to achieve such goals and objectives. However, the problem of this budgeting system is that it tends to be too sophisticated for developing countries where there is lack of reliable statistical data and shortage of experts. Furthermore, the problems of defining and establishing priorities of objectives of the school system may be encountered as a result of value judgment which may not give room for objectivity.

According to Luthans (1977), PPBS is a control and decision-making process “that combines programme budgeting with system analysis”. In other words, it is a system approach to programmed budgeting. According to Ayodele (2004), PPBS involves planning and budgeting for more than one budget period and with focus on socially determined goals. This new dimension to budgeting enables the organisation to identify its goals and determine the best programmes or activities to achieve such goals. PPBS ensures the elimination of costly and resource – wasting programmes. It also ensures a cost-benefit analysis of each programme or activity vis-a-vis the predetermined objectives. It should be noted however that PPBS tends to be too sophisticated for developing nations characterised by lack of reliable and timely data and shortage of experts.

**f) Incremental Budget**

This type of budget makes use of the information in the budget of the preceding year. In this wise, the budget of a particular year (t) is a function of the budget of the preceding year (t-1).

This is expressed mathematically as follows

$$X_t = a X_{t-1} + U_t$$

Where  $X_t$  = current year's budget

$X_{t-1}$  = Preceding year's budget

a constant

$U_t$  = random variable to cover unforeseen contingencies.

The value of  $U_t$  is assumed to be zero in most cases except under rigorous econometric assumptions and analyses.

### **3.3 Importance of School Budget**

The role of school budget in school administration is indispensable. It is an instrument for planning and control in the school system. Budget serves as an instrument for planning because it specifies financial procedure through which the goals and objectives of the school system can be achieved. Programmes and policies designed to achieve the objectives of the school system are implemented through the operation of school budget. It serves as an instrument for control because it is an established standard against which the performance of the school system is evaluated. Through the operation of school budget, it is easy aims and objectives, through implementation of the various programmes budgeted for in a year. Problems connected with the inability of the school to implement some of the programmes budgeted for are also identified for appropriate actions to be taken.

School budget encourages teamwork among the staff as they work together to achieve common goals and objectives. Budget ensures the coordination of school activities by giving financial direction to the various activities and programmes being carried out with a view to achieving the school goals and objectives.

### **3.4 Budgetary Process in Education**

A general budgetary decision making process as identified by Lacey (1989) and Adeogun (2004) includes the following steps:

**a) Determination of overall levels of spending**

This is the responsibility of the central spending level that also communicates the global ceiling to all cost/revenue centers/units. The individual unit/section programme costs/revenue for these centers are compiled, sent and aggregated.

**b) Allocation of estimated available resources among sectors**

Budget circulars are forwarded to cost/revenue centers on the basis of macro-economic forecasts and policy objectives. The cost/revenue centres will respond by sending their respective proposals showing current and capital components.

**c) Response to budget circular**

This entails negotiations among the various bodies involved in decision making on the budget. The non zero-based (incremental) approach is used to screen previous expenditure vis-a-vis proposed increases. It should be noted that most often than not, the line item budgeting which cuts across all programmes is employed.

**d) Preparation of draft budget document**

This involves adjustment, integration and harmonisation of requests, vis-a-vis the available resources, by a central body.

**e) Approval of draft budget**

This is the responsibility of the cabinet. This involves revision and modification several times during the cycle.

**f) Preparation of final budget**

This involves the preparation of concise summary with all detailed annexure by the budget office for legislative review and debate.

**g) Consideration by the legislature (or similar body)**

This involves the following activities:

- Consideration of budget framework;
- examination of detailed proposals at budget committee and sub-committee levels; and
- final preliminary session where the budget bill is passed into law.

**h) Release of fund**

This is the responsibility of the Ministry of Finance, which administers payment, in order to ensure that the control of flow of expenditures is adequately coordinated. Three basic methods are involved viz:

- Immediate release of the entire approved budget amount;
- release of funds against payment vouchers and / or receipts and
- periodic release of funds.

**i) Implementation of capital expenditure**

At this state, the Ministry of Finance should ensure that appropriate laws and regulations have been complied with before fund release. Implementation of capital/project expenditures involves the preparation of forecasts of expenditure for the fiscal year as well as determining the administration of bidding or contract procedures (due process).

**j) Procurement**

The central body should ensure uniform contract procedures. The procurement process (including advertising, cost evaluation, bid evaluation, negotiation with contractors and review of contractors' performance) should be properly administered and monitored by the spending agency. It should be noted that no contract is awarded without been sure of budgetary allocation.

**k) Reporting**

A periodic progress report and accounts should be prepared by the spending agency. These will then be consolidated and annualised by the Ministry of Finance (or the supervising Ministry).

**l) Monitoring and evaluation**

Two parties – Spending agency and the Ministry of finance, have specific roles to play at this stage.

**(i) The Spending agency**

- Periodically reviews actual expenditures.
- Analyses budgetary lags; and
- matches financial and physical progress.

**(ii) The Ministry of Finance (i.e. the central monitoring body)**

- Conducts periodic over - all progress review either independently or jointly with the spending agencies.
- Revises policies and objectives as and where appropriate in the light of the reviews done; and
- reallocate funds if and where necessary.

**m) Cash management**

The monitoring body (Ministry of Finance) should prepare an overall plan for cash management. This is to curb borrowing outside limits and to ensure that interest on loans is minimised. Excess funds should be submitted by the spending agency on time. In addition, process requests for funds should be done promptly and timely.

**SELF-ASSESSMENT EXERCISE**

- i. Discuss the application of Zero-Base Budgeting to school finance.

**4.0 CONCLUSION**

Budgeting is critically essential in school finance. The importance could also be seen from the importance of school budget provided in this Unit

## 5.0 SUMMARY

The meaning and concept of budget, types of budget, importance of budget have been discussed in this Unit. All these among others are important elements in school finance.

## 6.0 TUTOR-MARKED ASSIGNMENT

Highlight the various importance of School Budget in Educational Administration.

## 7.0 REFERENCES/FURTHER READING

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## **UNIT 2 EDUCATIONAL COST AND FINANCIAL ANALYSIS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Meaning of Education Costs
  - 3.2 Concept of Educational Costs
  - 3.3 Types of Educational Cost
  - 3.4 Educational Cost Production Function
  - 3.5 Factors Influencing Educational Costs
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  - 3.7 Traditional Control Technique
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- 5.0 Summary
- 6.0 Tutor- Marked Assignment
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### **1.0 INTRODUCTION**

This Unit is designed to expose learners to the knowledge of education costs, concepts of educational costs, types of educational costs, cost analysis in education, educational cost/production function, factors influencing educational costs, uses of cost analysis in education and traditional control system are adequately discussed.

### **2.0 OBJECTIVES**

At the end of this Unit, you should be able to:

- define education costs
- discuss the concept of educational costs
- enumerate the types of Educational Costs
- explain production function
- discuss factors which influence educational costs
- state the uses of cost analysis in education
- explain the traditional control technique

### **3.0 MAIN CONTENT**

#### **3.1 Meaning of Educational Costs**

The ways in which costs are classified vary greatly. Costs can be measured and defined in many different ways. Indeed, the

classification of educational costs raises a lot of economic, financial, institutional and technical questions; such as what has to be sacrificed? When does money have to be paid? Who has to pay? And what is the function of the inputs? (Psacharopoulos and Woodhall, 1985). The answers to these complex issues and problems vary with regards to the various bodies or groups of individuals who take decisions regarding the various aspects of costs and revenue within the educational system. There is, therefore, the need to map out the structural analysis of the various cost and revenue concepts using generally agreed descriptions as yardstick.

### **3.2 Concept of Educational Costs**

Cost and expenditures cost, to a non professional, is narrowly defined as the money value incurred in the process of production. However, to the economist, cost involves not only money spent but also the alternative forgone in order to produce a given item or service. The Dictionary of Modern Economics (1985) defined cost as a measure of what must be surrendered or given up in order to acquire, obtain or produce an item. On the other hand, expenditure is viewed as the amount of resources that are directly spent or expended on the procurement of goods and services.

Expenditure on education from the budgetary sense, therefore, is the monetary value of resources assigned to educational institutions during a given year. Nevertheless, this does not reflect the 'true cost' or "real cost" of education. The 'true cost' or 'real cost' of education is the alternative opportunities that have to be sacrificed or forgone in the process of providing education services. For example, the opportunity cost or real cost of building a new university is the alternative projects that are forgone such as health, road, telecommunication, building technical schools, primary schools, etc. Thus, "cost in education represents the value of all resources, in terms of money and sacrifice, in terms of money and sacrifice, used to accomplish an educational project" (page? 1988). Indeed, the inputs of education can be measured in terms of money of real resources that are used up in the educational process, such as time of students and teachers, and other staff and books, materials, equipment, and buildings, all of which have alternative uses.

### **3.3 Types of Educational Cost Analysis**

Three groups of decision makers are involved in the production, consumption, or funding of educational services. These are as follows.

- i. The institutions; as represented by schools at all levels.

- ii. The households; as represented by private individuals and their parents.
- iii. The society; as represented by the government at all levels.

It is on the basis of the above that cost in education falls into three broad categories: institutional costs, private cost and social costs.

### 1. Institutional Costs

These are costs incurred by the institutions (educational) in the process of carrying out their activities. These consist of capital costs (expenses on durable items: building, furniture, electricity and water installation, land, equipment etc) and current or recurrent costs (expenses on consumable items: teacher and non-teacher salaries and allowances, maintenance, books and stationery, transport, scholarships, etc).

### 2. Private Costs

These refer to the expenses by the individual students, their parents' guardians or their sponsors in the process of undergoing formal education. These consist of expenditures on tuition fees, books, accommodation, transport, uniform, etc. This is in addition to the opportunity costs of schooling in the forms of forgone productive contributions to family income and/or income earnings.

### 3. Social Costs

These refer to the costs borne by the society, represented by the cost incurred by the Federal, State and Local governments in the process of providing education for citizens. Technically, it is private cost plus institutional cost less the value of scholarship and tuition cost.

Longe (1982) provides a set of equations based on the above classification of cost of education thus:

$$\text{Total cost (T)} = P + S + U$$

Where:

$$\text{Private cost (P)} = (X1 + X2 + X3)$$

$$\text{Social cost (S)} = (P + U - X9 - X10)$$

$$\text{Institutional cost (U)} = (Q+R)$$

And where:

$$\text{Current cost (F)} = (X4+X5+X6)$$

$$\text{Capital cost (Q)} = (X7 + X8)$$

And where X1, X2....., X10 are variables:

$$X1 = \text{School fees}$$

$$X2 = \text{Uniform expense}$$

$$X3 = \text{Transportation expense}$$

X4	=	Salaries
X5	=	Supplies
X6	=	Maintenance
X7	=	Buildings
X8	=	Equipment
X9	=	Scholarships
X10	=	Tuition fees

#### **4. Direct and Indirect Costs**

The direct cost of education is the amount of money expended in the production and purchase of educational services. It refers to the direct money expenditure on education by the private individuals (direct private cost), institutions (direct institutional cost) and the government (direct social cost). These costs include expenditure on books, transport, uniform, tuition, salaries and allowances of staff, equipment and building.

On the other hand, indirect costs of education are real costs or opportunity costs of education. They may be incurred by the private individual (student) who determines to undertake an educational programme, or by the government that decides to provide educational training programme for its citizens. Indirect private cost is the value of the income or earnings forgone by the student while in school, less the tax he would have paid if he had earned the income. Indirect social cost, on the other hand, is the value of the contribution of the students to the economy if he was working and this is measured by the gross income or earnings forgone by the student because he is in school. Thus indirect private cost is income forgone after tax, while indirect social cost is income forgone before tax.

#### **5. Capital Costs and Recurrent Costs**

Recurrent costs represent all expenditures on 'consumable' items, which bring immediate or short-term benefits and have to be regularly renewed, hence the term "Current Costs" or "Operating Costs". Expenditures on personnel services and summable supplies that are rendered or used up within one fiscal year (book, stationery, fuel, etc) are current in nature.

On the other hand, capital costs involve expenditure on the procurement of durable assets such as buildings, equipment or land, which are expected to yield benefits over a long period. They relate to more durable items that render useful services over a long period of years if properly maintained (hence major repairs and maintenance are, strictly speaking, items of capital costs since they prolong the useful life of capital items).

The measurement of both capital and recurrent costs may be in term of actual or current prices, or in terms of constant price level. An analysis of educational expenditure trends, for example, may be concerned either with trends in actual expenditure or expenditure expressed in terms of constant purchasing power. This is necessary in order to give allowance for inflation/deflation.

### 3.4 Educational Cost Production Function

Cost function is a mathematical and/or graphical representation/description of the relationship between cost and the level of activity (output). In education, cost function shows the relationship between costs of education and the number of students enrolled or number of graduates. The analytical device of the cost function is used as a convenient way to represent the dependence of costs on output or scale and to illustrate the relationship among total costs, Average costs and Marginal costs.

#### **Total Cost (TC)**

These consist of the costs of all resources used at any particular scale of operation. In actual empirical studies, TC may refer to total recurrent expenditure, while in other studies; capital costs may be included in measuring. I

TC. In the same vein, total cost consists of the summation of fixed costs (FC) and Variable costs (VC); that is,  $TC = FC + VC$ .

Indeed, TC is a function of the level of output or scale of activity i.e.  $(TC = f(X))$ . For example, it is obvious that a school with 500 pupils will incur greater costs than one with only 100 pupils. Likewise, a university department with 50 students will incur lower costs than one teaching 120 students in the same subject, *ceteris paribus*.

#### **Fixed Costs (FC)**

These are expenditures on items, which do not vary as output varies. These consist of expenditure on classroom, chalkboard, tables and desks. They include expenditure that must be incurred irrespective of pupil or student numbers, hence the term “set-up costs”. For instance, at the construction stage of a school, the level of activity or output is zero but expenses have to be incurred on buildings and fittings which represent the FC, or “set-up costs”. More so, a particular building in a school may accommodate varying number of students until the maximum capacity is reached. Whatever the number of students (who will eventually become the output) housed in such building, the cost will not change. However, the cost of maintenance is not included here since this could be done to the maintenance cost. Fixed cost is incurred

every year whether students are admitted or not. That is why it is also referred to as unavoidable cost.

### **Variable Costs (VC)**

These are expenditure on items, which vary with output on the short run. Such items include chalk and stationery. The magnitude of VC obviously depends on the scale of activity. It should be noted that TC is to a larger extent included by VC than FC since the former changes as output changes. This also applies to the short run situation, where some factors are variable. Where the students' population rises, with no change in educational technology, more teachers will be needed for the additional classrooms to be created. The cost of employing more teaching personnel can be viewed as variable cost since it changes with enrolment.

### **Average Cost (AC) or Unit cost per Student**

Average cost or Unit cost is the total cost of producing a given level (or annual rate) of output divided by the number of units of output produced. The unit cost per student is the total cost in a given period either for the whole system, or more likely, for some particular part of it, divided by the number of students in the same education category. In other words, it measures the cost of educating one pupil or student.

Stated mathematically:  $AC = \frac{TC}{X}$

Where:  $AC =$  Average or unit cost  
 $TC =$  Total Cost  
 $X =$  number of students.

### **Marginal Cost (MC)**

This is the change (either increase or decrease) in total cost resulting from changes in output by one unit. Marginal cost is the additional cost incurred when one additional student is enrolled, hence the term 'incremental cost'. Indeed, the MC of one unit of output is the extra expenditure incurred when one additional unit is produced and the result is a marginal increase in total output. The marginal cost of education is measured by the increase in TC which occurs as a result of increasing enrollment by one unit.

## **3.5 Factors Influencing Educational Costs**

According to Bowen (1980), a number of internal factors lead to variations in the cost of education

(a) **Internal Factors:** these affect staff recurrent cost, non-salary recurrent cost and capital cost.

- i. Staff Recurrent Cost:** this forms the major proportion of total current costs of education. It is influenced by average staff salary, student-staff ratio, academic-non-academic staff ratio and the average class size. Teacher qualification coupled with grade structure or level of salary will equally affect the average salary per teacher and non-teacher. Indeed, since education is labour-intensive, the pupil-teacher (staff) ratio and the level of teacher qualifications are both potent determinants of educational costs.
- ii. Non-salary Recurrent Costs:** these include expenditure on maintenance, such as electricity and water bills and cost of consumable items. This type of cost is equally influenced by factors such as changes in pupil-class ratio, the curriculum content and general inflation.
- iii. Capital costs:** these are affected by location of the institution, style or design of buildings, the classroom space allocation, the curriculum and inflation.

The relevance of this assertion to other countries outside the United States of America, however, will depend on the way in which institutions are financed. It is more likely to apply in countries, where, as in the United States, a large proportion of institutions are privately financed.

**(b) External Factors:** these include the variables outside the institutional set up, which are beyond the immediate control of educational authorities, and which determine the costs of education in the country. Some of these external factors have been identified by Coombs and Hallak (1972).

- i. The impact of inflation on Education:** this is usually associated with increase in the prices of goods and services. This factor has been found to be a major factor responsible for increases in educational expenditure in developing countries, and in Nigeria, in particular.
- ii. The impact of rising demand for education:** There are four main factors underlying this increase in recent times and they all have far-reaching effects on the internal costs of educational systems and on their cost – effectiveness. These are as follows:
  1. The unprecedented increases in youth population. According to an IIEP study in Tanzania, by 1989 the cost of first level education was projected to eight times their level in 1968, consequent upon rapid population growth.

2. A 'revolution of rising expectations' of people on the role of education as the pathway to individual socio-economic and political advancement.
3. The widespread adoption of pupil policies aimed at 'democratising educational opportunities' leading to an increase in social demand for education.
4. The rapid expansion, upgrading and diversification of 'manpower requirement' due to technological advances in the economy, and a clear recognition of education's role in economic growth and technological break-through.

**iii. Market Prices:** these are associated with inflation. Changes in market prices have greater influence on costs of educational inputs such as books and stationery.

**iv. Government Policy:** significant changes in the cost of education may evolve consequent upon government policies on salary structure, enrollment and the curriculum.

**v. The influence of external aid:** External assistance from multilateral and bilateral channels, although forming a negligible proportion of total educational outlays, exerts considerable influence on education costs in developing countries. It may come in various forms: loans, gifts etc., with far-reaching implications. Indeed, over-dependence on it may portend trouble in the educational system because it may come through too late to be of maximum use. It may even come with stringent conditionality.

### **3.6 Uses of Cost Analysis in Education**

The importance of cost analysis as a veritable tool for improving the performance and planning the future of any educational system cannot be overemphasised. The importance of education cost analysis in the planning, management and the general decision making process has long been recognised (Balderston 1974, and Fielden and Pearson, 1978).

The IIEP concluded that cost analysis could serve a variety of purposes in educational planning including the following.

- i. Testing the economic feasibility of expansion plans, proposals or targets.
- ii. Projecting future levels of educational cost.
- iii. Estimating the cost of alternative policies of educational reforms or innovations.

- iv. Comparing alternative ways of achieving the same objective, in order to select the most efficient or economic cost.
- v. Comparing the profitability of alternative investment projects.
- vi. Improving the efficiency of resource utilisation.

Fielden and Pearson (1978) gave their guide to the use of cost analysis, in the current economic climate, resources for education and training are becoming scarce. There will be increasing pressure from policy makers for cost reduction and increased “efficiency”, and there is likely to be more resistance to providing extra resources for educational project. Educational staff will therefore need even more than before, to make the best use of the resources available, to examine carefully the full resource implications of any proposed new schemes, and to support their arguments with quantitative data whenever possible. Cost analysis can be a powerful aid to achieving these.

Longe (1982) employed the use of cost analysis to determine the optimum size of secondary schools in Oyo State, Nigeria. Ayodele (1999) and Babalola (2000) employed the use of cost analysis to determine optimum size in Ondo State University, Ado-Ekiti and the University of Ibadan, respectively.

### **Cost Control**

In view of the fact that cost is greatly influenced by the size of output (or level of activity), technology and the prices of factor inputs, cost control will therefore involve manipulating these variables as much as possible. Since Average cost decreases initially with increase in output and rises at a given stage with increases in output, average cost can be controlled by extending output to the level of optimal operation of the plant. Thus, in the school system, increasing pupil-teacher ratio to the level that can be managed by the teacher without sacrificing efficiency can reduce unit cost.

Costs can also be reduced through improvement in organisation and method of production. Efficiency in the use of available resources will reduce wastes and reduce costs in education, although it is a labour intensive enterprise. Some areas of waste in Nigerian school system include: overuse of middlemen in purchases; external printing of stationery materials; overstaffing; waste of stationery; misuse of vehicles, servicing vehicles outside garages, inadequate arrangement for the repair and maintenance of instruments and equipment; waste of electricity and continued payment of staff who left the service (ghost workers). These costs and wastes can be reduced, at least, through effective planning, organising and controlling machinery. This is further explained by Ayodele (1999) when he stated that:

Although, the prices of factor inputs are outside the control of firms, they attempt to reduce the influence of prices through bulk purchasing, as well as employing less qualified and inexperienced personnel and training them on the job. Educational institutions can embark on central bulk purchasing of stationery instead of purchasing on departmental bases. They can also make use of direct labour in construction works in order to reduce costs. A more intensive use of buildings (especially during holidays) will reduce costs.

### **3.7 Traditional Control Technique**

#### **The Budget**

A widely used device for managerial control is the budget. Indeed, it has sometimes been assumed that budgeting is the primary device for accomplishing control. As will be noted, however, many non budgetary devices are also essential. Primarily because of the negative implications of budgeting in the past, the more positive-sounding phrase, “profit planning” is often used, and the budget is then known as the profit plan.

#### **Concept of Budgeting**

Budgeting is the formulation of plans for a given future period in numerical term. As such, budgets are statements of anticipated result, in financial term- as in revenue and expense and capital budgets, or in non financial term- as in budgets of direct-labour-hour, material physical sale volume, or units of production. It has sometimes been said that financial budgets represent the “dollarising” of plans.

Sometimes people do not understand how and why budgets must be based on plans. In fact, some enterprises, especially non-business enterprises, do attempt to develop budgets without knowing the plans. But when they do so, money allocated to pay for people and their salaries, for office space and equipment, and for other expenses become a matter of negotiation between a top authority and the managers in an enterprise. The usual result is that funds are not rationally allocated on the basis of what is really needed to accomplish desired goals. Many of us have seen this kind of uncertainty and consequent “jockeying for position” in government and university budgeting. Only by having clear goals and action plans to accomplish them can anyone in a top position of authority know how much money is necessary to do what is desired.

### **Purpose of Budgeting**

Through numerical statement of plans and breaking of these plans into components, than the consistent with the organisation structure, budgets correlate planning and allow authority to be delegated without loss of control. In other words, reducing plans to definite numbers forces a kind of orderliness that permits managers to see clearly what capital will be spent by whom and where, and what expense, revenue, or units of physical input or output plans will be involved. Having ascertained this, manager can more freely delegate authority to carry out the plan within the limits of the budget. Moreover, a budget, to be useful to a manager at any level, must reflect the organisational pattern. Only when plans are complete, coordinated, and developed enough to be fitted into departmental operations can a useful departmental budget be prepared as an instrument of control.

### **Dangers in Budgeting**

Budgets should be used only as a tool of planning and control. Some budgetary control programmes are so complete and detailed that they become cumbersome, meaningless, and unduly expensive. There is danger in over-budgeting, through spelling out minor expenses in detail and depriving managers of needed freedom in managing their departments. For example, a department head was underrated in an important sales promotion because expenditures for office supplies exceeded budgeted estimates; new expenditures had to be limited, even though his total departmental expenses were well within the budget and he had funds to pay personnel for writing sales' promotion letters. In other departments, expenses were budgeted in such useless detail that the cost of budgeting of many items exceeded the expenses controlled.

Another danger lies in allowing budgetary goals to supersede enterprise goals. In their zest to keep within budget limits, managers may forget they owe allegiance primarily to enterprise objectives. The budget experts recall a company with a thorough budgetary control programme in which the sales department could not obtain information needed from the engineering department on the grounds that the latter's budget would not stand such expense. This conflict between partial and overall control objectives, the excessive department independence sometimes engendered, and the consequent lack of coordination, are symptoms of inadequate management, since plans should represent a supporting and interlocking network, and every plan should be reflected in a budget in a systems way.

A latent danger sometimes found in budgeting is that of hidden inefficiencies. Budgets have a way of growing from precedent, and the fact that certain expenditure was made in the past becomes evidence of its reasonableness in the present; if a department once spent a given amount for supplies, this becomes a floor for future budgets. Also,

managers sometimes learn that budget requests are likely to be pared down in the course of final approval and therefore ask for much more than they need. Unless budget making is accomplished by constant reexamination of standards and conversion factors by which planning is translated into numerical terms, the budget may become an umbrella under which slovenly and inefficient managers can hide.

There are many definitions of the term budget. Some people have defined budget as a total annual estimate of revenue and expenditure. According to Musaazi (1982), budget is defined as a financial plan through which educational objectives are implemented and translated into reality. Roe (1961) defined the educational budget as the translation of educational needs into a financial plan which is interpreted to the public in such a way that when formally adopted it would express the kind of educational programme the community is willing to support financially and morally for a one year period. According to Adesina and Fagbamiye (1988), a budget is the financial blue print for the operation of the school for the fiscal year. In its broadest sense, the term school budget means a plan for financing a school system for a given period.

Until recently, education was considered as subject beyond the scope of ordinary economic analysis. Moral and philosophical issues previously made the economist's tool rather blunt for the analysis of any investment in man and in particular that in education. The most popular of the reasons given for this shying away from investment in man is that, free men are first and foremost the end to be served by economic endeavour and therefore not property or marketable assets, while education is suggested to be part of the 'humanisation' process.

There is some truth in these and other reasons put forward but one equally faced with other truths of which the most relevant in any society and the unlimited demands being made on them. The resource constraint is the justification for subjecting education to economic analysis. For nations to develop their economy rapidly, education cannot be allowed to claim just any proportion of limited resources.

### **Importance of School Budget**

School budget is very important because of the paid expansion of education services and facilities at all levels, and particularly the concern for quality education in our public schools, public expenditure for education have risen and will continue to rise considerably. As population increases more children will have to be educated. Additional facilities will have to be made available and existing ones improved. There will be demand for increased educational services and programme. There will be additional teachers with demand for quality education and consequently additional costs.

The ability to cope with the present and future educational needs requires information about and knowledge of budgeting. Also, the recognition of such educational problems provides the need for our principal to have more systematic and rational planning and budgeting procedure, for the public school within the total economic and social development.

### **Budget Preparation**

In preparing the school budget, if the budget document is to achieve its purpose and be made effective, it should include: a statement of the broad philosophy, goals and objectives of the school, a statement of the history of the school, its achievements; existing educational programmes and proposed programmes for the fiscal year; summary of proposed expenditure and receipts; detailed breakdown of receipts and expenditure; and comparative analysis to show increases and decreases with brief explanations. In budget preparation, it is important to point out the unique responsibility of those who are to make final decisions regarding the budget of a school. In the first place, the magnitude of the budget, which sets some limits on the educational programme, is determined by political processes. Within the school budget as well, bargaining among groups and individuals at all levels of the organisation affects resource allocation. The budgeting allocations result from a compromise among the demands of the organisational units and the academic departments. One of the major functions of administration is to mediate among the groups which make demands, both within the organisation and in larger community.

Participation in budget preparation and administration should be widely diffused with a view to involving those close to the point of use. Grieder (Burton, 1998) stated that wide staff participation in appropriate connection is certain to culminate in better financial planning than would otherwise be the case. According to Grieder's view, wide staff participation in appropriate connection is certain to culminate in better financial planning than would otherwise be the case. According to Grieder, budgeting is not a one- man job, nor even a job solely for the budgeting making division of large city school system. In the end, all suggestions must be brought together, sorted out, and translated into financial terms before the final selection is made for incorporation in a proposed budget. The budget operation provides the supporting data, so essential in justifying budget request to the appropriate body i.e. the school board.

In administering the school budget, the primary concern is to ensure that the results achieved by the school system justify the financial outlay. The extent to which accurate financial forecast have been made can be seen when the budget is evaluated. The success of the school

budget should be judged by the extent to which its estimate of receipts and expenditure agree with the actual amount received and expended. The degree of consistency and accuracy can be determined by company evaluation reports of the current year with those of the two or three previous years.

### **Budgeting in Secondary Schools**

The principal is the chief accounting officer. He prepares the budget together with the Bursar of his school. The Heads of Departments are also involved.

The budget preparation is based on the total enrollment of the school. The main source of revenue is the government grant to the school. Other sources of revenue include: charitable donations e.g. during Inter House Sport; Sales of farm products; launching ceremonies, harvest thanksgiving, cultural group performance; rent from school bus etc.

The Budget estimate for the school includes: estimated revenue, estimated expenditure and estimated surplus. The revenue estimate includes: Government recurrent grants, teaching staff salaries, non teaching staff salaries, rent subsidy, responsibility allowance, science inducement allowance, entertainment allowance, Games master allowance, leave bonus, NYSC allowance, overtime allowance and school running grant.

The expenditure estimate includes: personal emolument, allowances, running expenses and capital expenditure. The personal emolument includes: teaching staff salaries and non-teaching staff salaries. The allowances for both teaching and non-teaching staff include: rent subsidy, transport allowance, utility allowance, meal subsidy, responsibility allowance. Science inducement allowance, entertainment allowance, games master allowance, leave bonus, NYSC allowance and overtime allowance. The capital expenditure mostly includes: general agricultural project and seedings, technical workshop and laboratories equipment, equipping libraries with books and school fence project. The running expenses include: office stationeries, library, school examinations, water and electricity, Games and sports, general repairs of furniture, medical/first aid, clubs and societies, conferences and seminars, prizes, music materials, contingencies etc.

The importance of budgeting in the school is to assess the revenue for the school and to know the various sources of revenue. It is also to disburse the revenue according to regulations and to monitor the expenditure in executing school programmes.

The principal as the chief executive and accounting officer of the school, he has a lot of role to perform in preparing the school budget. He determines the running costs. He identifies the capital projects and votes money for the projects. The principal also presents the budget for approval to the State's Ministry of Education through the Local Government Education Authority or District.

The management of the school budget is very essential in meeting the objectives of its preparation. Revenue is spent according to approval of the budget. The subheadings are adequately controlled. Application for viament is made when necessary; that is the permission to transfer money from one sub-heading to the other.

### **SELF-ASSESSMENT EXERCISE**

- i. Briefly discuss "Budgeting in Secondary School"

## **4.0 CONCLUSION**

The issue of costs in education is very important, such that their respective roles cannot be over-emphasized. This is another vital area of school finance.

## **5.0 SUMMARY**

This Unit has discussed the meaning of education costs, concept of educational costs, types of educational cost, educational cost production function, factors influencing educational costs, uses of costs analysis in education and traditional control techniques. You can read more on these from the references provided.

## **6.0 TUTOR-MARKED ASSIGNMENT**

- i. List and explain the various types of Educational costs.

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 3 MANAGEMENT OF FINANCIAL RESOURCES**

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### **1.0 INTRODUCTION**

This Unit is designed to acquaint learners with the knowledge of resources in education. The types of resources and their respective roles in achieving the goals of education are discussed. Human resource and Personnel management as well as the major benefits of Employees' performance to Employers are also discussed accordingly.

### **2.0 OBJECTIVES**

At the end of this Unit, you should be able to:

- explain the concept of resources in education
- discuss the various types of resources in education
- explain the term "human resources/personnel management
- discuss the major benefits of Employees' performance to Employers

### **3.0 MAIN CONTENT**

#### **3.1 Resources in Education**

An education system consists of inputs that are subjected to a conccssion process in order to get desirable outputs. The inputs are the resources which facilitate the attainment of educational objectives and ensure effective teaching – learning processes at the school level. These resources include human, physical, finance, time and other resources. Finance or money appears to be the most important based on the assumption that once it is available, all other resources can be

purchased. It must however, be observed that human resources that will manage the money is equally important.

In economic terms, since these resources are always in short supply, then the need for their prudential and effectual, not lisahim be areas imperative, hence the need for resource management.

Adegboye (2004) categorised education resources under five major sub-headings as follows.

### **3.2 Types of Resources in Education**

1. Finance: Money in its various forms, including local and foreign currency and letters of credit, etc.
2. Human Resources: Teaching personnel, including lecturers, teachers, non-teaching or ancillary personnel, consultants, resource persons, students and so on.
3. Instructional/Learning Resources:
  - i. *Audio-visual Aids:* Radio sets, audio cassette/tape recorders and audio tapes, record players and records, television sets, video assets and video tapes, slide projectors and slides, flip charts, filmstrips, etc.
  - ii. *Graphics:* Charts, posters, pictures/photographs, cartoons, graphs, maps,
  - iii. *Print:* Textbooks, supplementary readers, reference books, fiction books, newspapers, journals, magazines, etc.
  - iv. *Display Materials:* Chalk boards, flannel boards, magnetic boards, etc.
  - v. *Consumable materials:* Chemicals, specimens, reagents, writing materials, stationery, etc.
4. Physical Resources/fixed Assets:
  - i. *Land:* Site/land housing all the buildings/structures of any educational enterprise or organisation, including, in the cases of institutions, school farmland as well as sports and games fields.
  - ii. *Buildings:* classroom blocks, library buildings, office blocks, laboratories, workshops, hostel/dormitories, refectories/dining halls, staff residential quarters, assembly halls/auditoria, lecture theaters, etc.
  - iii. *Furniture and fittings:* classroom furniture, office furniture, hostel/dormitory furniture, staff residential quarters furniture.
  - iv. *Equipment:* laboratory and workshop equipment, agricultural science tools and implements, office equipment (e.g. typewriters, computers, duplicating machines, photocopiers, calculators, etc).

- v. *Machinery*: workshop machines and tools, etc.
  - vi. *Vehicles*: motor vehicles, motorcycles, bicycles.
  - vii. *Electrical Infrastructure*: Overhead electrical conduction lines, meters, generating sets, air-conditioners and/or fans, sundry electrical fittings, etc.
  - viii. *Water supply*: Extensions to educational institutions and establishments, boreholes and/or deep wells, water tanks and plumbing pipe lines, etc.
5. *Time*: Measured in seconds, minutes, hours, days, weeks, months, years, decades, and centuries.

### **3.3 Human Resources/Personnel Management**

People and their abilities, knowledge and skills are the human resources which are the determinants of the success or failure of every organisation. In the education sector, the teaching and non-teaching staff, their abilities, knowledge and skills are the key resources. Their management, which requires specialised skills, techniques and procedures, goes by different appellations such as human resources management, personnel management, personnel administration or simply the personnel function. These terms are used interchangeably in this chapter.

#### **What is Personnel Management**

According to Adegboye (2004), human resources or personnel management refers essentially to the activity concerned with getting people in the workplace to give their best toward the achievement of organisational goals. In more specific terms, human resources management is that aspect of the management process which deals with the policies, procedures and practices governing the recruitment, selection, training, promotion, compensation//remuneration and working conditions of people in an organisation. In the process of carrying out these, a lot of money is incurred.

The London Institute of Personnel Management (1963) saw Personnel Management as a responsibility of all those who manage people, as well as being a description of the work of those who are employed as specialists. It is a part of management which is concerned with people at work and with their relationship within an enterprise. It applies not only to industry and commerce, but to all fields of employment (quoted by Oshinebo, 1992, p.98)

Similarly, Beach identified personnel management as:

*the activities of recruitment and employment;  
manpower planning, employee training and*

*management development, organisation planning, organisation development, wages and salary administration, health and safety (at work), benefits and services, union-management relations and personnel research.*

Flippo (1983) viewed Personnel Management from the angle of Management, describing it as the planning, organising, directing and controlling of the procurement, development, compensation, integration and maintenance of the individual, organisational and societal objectives.

Adeoye (2000) exemplified the functions of a personnel department and the personnel manager as follows: recruitment, selection; training and development; job evaluation with salaries/wages formulation of manpower policies; provision of data for planning and decision making; co-ordination of performance appraisals; promotion of organisational communication; industrial relations; personnel research, health and safety administration, as well as administration of discipline.

#### **Activities involved in Personnel Management**

Arikewuyo (2006) identified the activities that are involved in Personnel Management to include the following.

- i. Recruitment,
- ii. training,
- iii. performance appraisal,
- iv. welfare and motivation,
- v. compensation systems,
- vi. organisational developing, and
- vii. industrial relations, to mention but a few.

In similar view, Olagboye (2004) indicated that major activities of personnel management in education are roughly categorised into closely interrelated process and outlined in a rough segmental order to include the following.

- i. Employment/Staffing
- ii. Training and Development
- iii. Coordination of Staff Performance Appraisals
- iv. Transfers
- v. Separations
- vi. core Processes

**1. Employment/Staffing:** the term employment is used here to mean the same thing as staffing, which Gordon (1990) defined as the

formal process of ensuring that an organisation has qualified workers available at all levels to cater for its short and long-term objectives. Staffing is seen by Stoner and Wankel, (1986) as a continuing step-by-step process directed at ensuring that an organisation is supplied with the right workers, in the right positions, at the right time. Based on these definitions, staffing or employment is viewed here as comprising the following activities.

- i. Job analysis
- ii. Human Resource Planning
- iii. Recruitment
- iv. Selection and Appointment
- v. Induction and Orientation

- i. Job Analysis** is the process of systematically ascertaining the skills and knowledge needed for the performance of specified organisational jobs, based on the tasks that make up such jobs.
  
- ii. Human Resource Planning** also known as manpower planning, on the other hand, involves the determination of the appropriate number of workers of different types and categories, with the required skills and knowledge that an organisation, say the school system, will need over a period of time ranging from one to two or even more years. Human resource planning in a ministry of education for example produces in practice, a schedule showing the number of additional personnel that will be required in succeeding financial years. The schedule is usually made part and parcel of the annual budget where it is known as the permanent or approved staff establishment (Olagboye, 2000a:14-24).
  
- iii. Personnel Recruitment** in Education and Cost Implications. In carrying out recruitment exercise to fill existing vacancies in Nigerian secondary schools, teachers' salaries, remuneration and retention among others which are essential factors in personnel management must be considered. According to Arikewuyo (2006), one of the most important functions of personnel management is the recruitment and selection of qualified staff into an organisation. Gomez-Mejia, Balkin and Candy (2004) described recruitment as the process of generating a pool of qualified candidates for a particular job, while selection is the process of making a "hire" or "no hire" desire regarding each applicant for a job. The process involves determining the characteristics required for effective performance and then measuring applicants on those characteristics. Ultimately, the aim or recruitment is to attract qualified job candidates. Perhaps

unqualified applicants need not be interviewed at all. Hence, in order to avoid waste of fund, recruiting efforts should be targeted solely at applicants who have the basic qualifications for the job. However, the more additional staff members are recruited into education, the higher the cost incurred.

Olagboye (2004) defined recruitment as all those activities that are directed at securing, in a cost effective way, an adequate supply of possible candidates or applicants to fill the additional positions needed by an organisation as determined through manpower planning. In the education sector, the candidates/applicants are usually located through advertisement in the media, visits to educational institutions and even by word of mouth. Recruitment is usually followed by the process of short-listing or picking from the total number of applicants, those who appear, from their application letters/forms, to be worthy of interview. The short-listed applicants are then invited for the interview.

Recruitment could be done both internally and externally. Internally, current employees may be encouraged to apply for higher positions within the organisation. Such internal recruitment gives staff the opportunity to move into the firm's that would require to be filled later. Recruitment could also be done externally. In this case, openings may be advertised on both print and electronic media, as well as on the Internet.

Recruitment could also be done through some consultancy and employment agencies. This could be effective, particularly when the organisation is searching for an employee with a specialised skill. One major advantage of the employment agencies is that they often seek for candidates who are presently employed, and not ones looking for a new job, which indicates that their current employees are probably satisfied with them. The recruitment process also involves the selection of the right caliber of staff. This also involves a series of steps through which job applicants must pass in order to be hired. Each stage probably reduces the total number of prospective candidates until the right candidate(s) is employed.

- iv. Selection and appointment:** Selection is the process of choosing from the short-listed candidates (after their interview) those most likely to be suited for the job at hand, by assessing their personnel specifications against the results of job analysis (job specification) through either or both of psychological testing and selection interview. The selection process ends with

choosing from the selection field the candidates adjudged to be the most suitable, based on their relieve performances at the interview and/or psychological testing. In Nigeria, the selection process may ultimately involve the application of the principle of geographical spread in terms of local, state or federal character.

In selection, preliminary screening of candidates may be carried out. This involves going into records, data sheets, curriculum vitae, and so on. Testing may also be introduced and this involves the examining of human resources for qualities relevant to performing available jobs. Some of the tests usually used in the selection of employees are: aptitude, achievement, vocational interest and personality tests. It behooves the Personnel Manager and the organisation to determine the type of test that is relevant to the kind of recruitment, they want to make.

Some form of oral interview is also adopted after the candidates might have passed the earlier tests. The selection interview enables the organisation to find out more about the applicant and vice versa. It provides opportunities for conversation between the applicant and the organisation. The negative consequences of poor hiring decisions according to Gomez-Mejia et al (2004) are very grave. Such poor decisions are likely to cause problems as unqualified workers may require closer supervision and direction. They may also require additional training and still not reach the required level of performance.

The selection process is usually followed by the issuance of letters of appointment to the selected candidates by the Personnel Management Department. The appointed personnel are next deployed to take up the positions for which were recruited in the first instance.

- v. **Induction and Orientation:** The activities by which new employees are introduced to the job, the organisation and other employees and provided with information on the organisation in order to integrate them as quickly and effectively as possible are usually referred to as induction and orientation. Though, the two terms induction and orientation are often used synonymously, induction is more often used to describe the ceremony by which newly qualified professionals such as accountants and medical doctors are usually officially admitted into the profession. On the other hand, orientation in the education sector, according to Olagboye, (1989:329), is the systematic organisational effort aimed at assimilating newly appointed personnel in order to minimise their problems, and to maximise their contribution to

the quality of the work of the organisation (such as the school or school system) and the achievement of organisation goals. In essence therefore, orientation in the education sector is the introduction of newly appointed staff to the objectives, policies and practices of the education enterprise and to their position and tasks as workers in the enterprise, with a view to easing their entrance into it. Thus, the purposes of orientation, among other things, are to:

- a. assist new employees in adjusting smoothly to the organisation and the job;
- b. provide specific information to new employees on the organisation (e.g. educational institutions, parastatals, etc.), their job or tasks in it and the performance expected of them, their colleagues, clients and so on;
- c. show new employees the workplace, including the available facilities (for example, classrooms, laboratories, libraries, sports and games fields, equipment, instructional aids, etc.)

It has been suggested that newly appointed staff for the school system be first given post-recruitment orientation at the ministry of education, TSC, SPEB and LGEA levels before their deployment to the schools. A second and more elaborate post-deployment orientation which will take into consideration local conditions, to be organised under the direction and supervision of individual school administrators, should then follow at the school level (Olagboye, *ibid*).

It is worth noting that the orientation which fresh Youth Coppers go through before their formal deployment and commencement of service has the general characteristics described above. It is however focused on smoothly transiting coppers from the protected life in higher institutions to the realities and practicalities of working life and labour market, as well as integration into the various communities to which they will be posted.

## **2. Personnel Training and Financial Implications**

It may not just be enough to recruit the qualified staff, it is also necessary to ensure that the members of staff are given the necessary training. This also varies according to the job specification of every worker. Training, according to Certo (1997) is the process of developing qualities in human resources that will enable them to be more productive and thus contribute more to organisational goal achievement. The purpose of training is essentially to increase the productivity of employees by influencing their behaviour. It should be

emphasised however, that the training given to employees varies in type and extent and according to the nature and skills of the jobs involved, as well as the experience of the employees concerned. According to Makinde (1992), the Personnel Manager collects information in the area of the training through discussions with other heads of departments and other documents available in the organisation. Ojofeintimi (1992) also sees the aim of training as to equip individuals with the necessary skills to enable them to find employments, to gain promotion and to have reasonable expectation of redeployment in the event of their being made redundant.

The first step in the training process is the determination of training needs. It involves the information or skill areas of an individual or group that requires further development in increasing the productivity of that individual or group. It should also be noted that the training of organisation members is typically a continuing activity, to the extent that even employees who have been with the organisation for some time and who have undergone initial orientation and skills training need continuous training to improve their skills. After determining the training needs of the workers, the Personnel Manager now designs a training programme aimed at meeting those needs.

Training of the employee begins with the orientation programme. Orientation is the process of informing the employees about what is expected of them in the job and helping to cope with the stresses of transition (Gomez-Mejia et al, 2004). Orientation therefore, involves introducing and guiding the new employees to the organisation and the various units. It is important that new employees become familiar with the company's policies, procedures and performance expectations.

Training of workers could be done formally. This may be done in various ways, such as through evening classes; revision courses for examinations of professional bodies, sandwich / part-time courses in Universities and training institutes, as well as through a sponsored full-time course in tertiary institutions. On-the-job-training is commonly used by more organisations. These may involve attending workshops, conferences and seminars that are related to the employee's job. Oshinebo (1992) further suggested the following as different methods of on-the-job training.

- a. Coaching, i.e. the trainee is put under the guidance of an experienced employee who shows the trainee how to do the job.
- b. Job rotation, i.e. the trainee is given several jobs in succession so as to gain experience on a wide range of activities.
- c. Temporary promotion, i.e. an individual is promoted into his/her superior's position whilst the superior is absent, due to some

reasons. This gives the individual a chance to experience the demands of a more senior position.

- d. Assistant to, i.e. a junior officer with good potentials may be appointed as assistant to another top officer.

In this way, the individual gains experience of how the organisation is managed at the top. Committees, i.e. training might be included in the membership of committees to enable them to gain and understanding of inter-departmental relations. It is however, suggested that management should evaluate every aspect of a training to determine if it meets the needs for which it was designed.

### **3. Performance Appraisals**

Performance appraisal or evaluation is the systematic process of assessing the present performance of workers in their jobs and of making forecasts, based on the results, about their future performance with a view to assisting organisational decisions on promotion, upgrading, training and transfers.

Even after the workers have been recruited, selected and trained, the job of Personnel Manager is not yet over. The staff needs to be appraised and evaluated from time to time. McGregor (1972) provided the following reasons for performance appraisal:

- i. To provide systematic judgments to support salary increases, promotions, transfers, demotions or terminations.
- ii. Provide a means of telling subordinates how they are doing and of suggesting needed changes in behaviour, attitudes, skills or job knowledge
- iii. To allow subordinate know where they stand with the boss; and to furnish a useful basis for the coaching and counseling of individuals by superiors.

In addition, Makinde (1992) provides the following reasons for performance appraisal.

- i. To improve the management of staff resources by helping employees realise and fully utilise their potential while striving to achieve organisational goals.
- ii. To provide Managers the information necessary for decision-making in several areas of Personnel Management (e.g.) promotion, training, discipline and so on.

Gomez-Mejia et al, (2004) further opined that most organisations conduct appraisal for administrative and / or development purposes. Administratively, performance appraisals are used whenever they are

the basis for a decision about the employee's work conditions, including promotions, termination and rewards. Developmental uses of appraisal, which are geared towards improving employees' performance and strengthening their job skills, include counseling employees on effective work behaviours and sending them for training.

The question of what to appraise in any worker varies from one organisation to the other; as well as from job to job. Thus, the appraisal of a classroom teacher may be different from that of a University lecturer. However, most public sector organisations in Nigeria base their appraisal criteria on the following: foresight; penetration; judgment; oral expression; relations with colleagues; relations with public, acceptance of responsibility; reliability under pressure; drive and determination; application of professional/technical knowledge; output of work; quality of work; punctuality and so on.

### **3.4 Benefits of Employees' Performance to Employers**

In a study, Cardy and Carson (1996) examined the benefits of performance from the perspectives of the employer were enumerated as follows.

- i. Despite imperfect measurement techniques, individual differences in performance can make a difference to company performance.
- ii. Documentation of a performance appraisal and feedback may be needed for legal defense.
- iii. Appraisal provides a rational basis for constructing a bonus or merit system.
- iv. Appraisal dimensions and standards can help to implement strategic goals and clarify performance expectations.
- v. Despite the traditional focus on the individual, appraisal criteria can include teamwork and the teams can be the focus of appraisal.

On the other hand, the employees viewed the benefits of performance appraisal as follows.

- a. Performance feedback is needed and desired.
- b. Improvement in performance requires assessment.
- c. Fairness requires that differences in performance levels across workers be measured and have an effect on outcomes.
- vi. Assessment and recognition of performance levels can motivate workers to improve their performance.

The measurement of appraisal varies from one organisation to the other. In addition, numerous techniques abound in literature for measuring and appraising staff. Whatever the instrument or technique used, the Personnel Manager must ensure an unbiased and fair judgment of all staff, irrespective of sex, age, status, ethnic or religious affiliation. It is by so doing that the goals of performance appraisal will be achieved.

### **Wages and Salary Administration**

A staff expects to be paid for the job done at a particular point in time. One of the major tasks of the Personnel Management is to ensure that the staff are paid their entitlements as and when due. This may be in form of salary, fringe benefits, personal emoluments, retirement benefits, pension allowances, welfare packages, and so on. As a matter of fact, experience has shown that one of the major causes of conflict between the employer and labour is the question of salary and conditions of service. Adeoye (2000) further asserted that an effective salary administration has many well-defined goals, some of which are as follows.

- i. Provision of a systematic determination of equitable compensation for the workers.
- ii. Control of salary costs by the organisation.
- iii. Reduction in staff turn-over.
- iv. Motivation of staff to enable them to perform at an optimum level with the provision of financial and non-financial incentives; and
- v. Promotion of employee-employer's relations.

Thus, wages and salaries' administration is aimed at attracting workers, retaining the good and productive ones, as well as motivating them for higher productivity. No doubt, a good salary structure helps to retain any workforce. Makinde (1992) contended that to do this effectively the Personnel Manager must take into consideration four major components of a salary structure. These are: the job rate which relates to the importance attached to the job; payments associated with the encouraging the employees or groups, by rewarding them according to their performance; personal or special allowances associated with such factors as scarcity of particular skills or categories of employees, long service; and fringe benefits, such as holidays with pay, pensions and so on.

### **4. Transfers**

In the context of the public and civil services of the country, the term transfer, which is a function of personnel management, generally refers to the approved movement of an employee from one office or job, position, department, ministry or even service, to another. In general

terms, transfers serve one or more of the following purposes:

- i. giving employees wider job experience as part of their development;
- ii. filling vacancies as they arise;
- iii. keeping promotion ladders open in order to keep employees interested in the job;
- iv. moving poorly performing employees to other jobs as an alternative to separation.

Outside of these fundamental purposes which transfers serve in personnel management, certain compelling reasons make the transfer of personnel a necessary and regular exercise in the administration of the school system. Some of these reasons include, among others the need:

- i. to correct over staffing/under staffing in schools;
- ii. to adjust the staffing position in schools as may be occasioned by enrollment decreases or increases in some schools;
- iii. to diffuse tension in schools experiencing deterioration in inter-personal relationships;
- iv. to relocate troublesome or poorly performing personnel for reassessment and further observation;
- v. to relocate personnel who have stayed for too long in a school and whose productivity may be diminishing;
- vi. to meet legitimate requests for transfer by personnel.

### **Forms of Transfer**

There are three common forms of transfers: material transfer, promotion and demotion. Lateral Transfer is the approved movement of an employee from one position or office to another at the same level, which may or may not be accompanied by changes in duties or remuneration. For instance, school heads and teachers in public primary and secondary schools are in practice usually moved from one school to another from time to time. Other forms of lateral transfer in the public education sector include in-cadre transfers or conversions such

### **Promotion**

Promotion is an approved movement of an employee from a lower to a higher position in the hierarchy which is usually accompanied by an advance in salary, status and authority. Promotion may or may not be accompanied by a change in duties and responsibilities such as in the case of a classroom teacher who is promoted from, say, Education Officer Grade II on GL 08 to Education Officer Grade 1 on GL 09. All employees in the public education sector who fall within the field of selection for promotion, i.e., those whose appointments have been

confirmed, who are not under any disciplinary action and who have spent the required number of years on their current posts, are normally put forward for consideration for promotion at each promotion exercise which, by the provision of Decree 43 of 1988, is undertaken twice each year.

The variables upon which promotion is based were reduced to quantifiable criteria weighted into a maximum of 100 by the decree referred to above initially, the variables comprised performance/APER scores (50), Interview (30), Additional Qualification/Examination Passed (15) and Relative Seniority (5). These criteria were later in 1995 reduced to three: Interview (65), Performance/APER scores (30), and Relative Seniority (5).

The weight of each of these criteria has since then varied over time, such that by 1998 it had become: Interview (70), Performance/APER scores (20) and Relative Seniority (10). Based on a 1998 guideline issued by the Federal Civil Service Commission, the overall pass mark for promotion is 60% in all cases (FRN, 1988, 1995, 1998).

Demotion is the approved movement of an employee from a higher to a lower post in the hierarchy, usually as a result of recommended disciplinary measure. Demotion is usually accompanied by a reduction in salary, status and authority and may also involve a change in duties and responsibilities of the demoted employee.

## **5. Separations**

The various personnel management departments in the education sector are responsible for processing the separation or disengagement of educational personnel from the service. By separation or disengagement is meant that process by which an employee leaves or relinquishes his job. Five common forms of disengagements/separations are:

1. Retirements
2. Terminations/Discharge
3. Dismissals
4. Resignation/Withdrawals
5. Deaths

1. Retirement may be voluntary, i.e. at the instance of the employee or it may be involuntary, that is, at the instance of the employer. Voluntary retirement describes the process whereby an employee on his own volition opts to stop working at his job in the service either because he has attained the retirement age of 60 years or

because he has put in a maximum number of 35 years as prescribed by the relevant public service rules. It could also be because the employee may be retired by his employers for a variety of reasons.

2. Termination is the process by which an employer disengages an employee from service for reasons of re-organisation, unsatisfactory performance or some other reasons. Such an employee may or may not be entitled to gratuity. By gratuity here is meant the lump sum of money which is paid to an employee disengaging from service. If the appointment terminated is temporary, the worker will normally be paid a month's salary in lieu of notice. If however it is a permanent and pensionable appointment, the pension rules will apply.

If the worker qualifies for pension, then his letter of termination of appointment will serve in place of a notice of retirement letter. Pension refers to the sum of money which is paid monthly to a public service worker who has retired from service.

Discharge from public service is similar to termination of appointment, except that it is only applicable to a non-pensionable appointment in which the appointee has been adjudged to be general unsuitable for further productive tenure.

3. The process by which a public service employee is separated from his job with no benefits as a result of proven misconduct after due process is known as dismissal. Once a public service worker has been dismissed, he forfeits every entitlement that would normally have been due to him otherwise. An employee could also leave public service by resignation or withdrawal of service. Resignation of appointment means giving up a job at one's own volition especially when the appointment is still temporary or on probation rather than permanent and pensionable. In resigning, the worker must give a month's salary in lieu of notice if he has served less than five years, in which case he is not qualified for gratuity.
4. Withdrawal of service is the term used to describe the voluntary disengagement of public service worker whose permanent and pensionable appointment has been confirmed and who has served for up to five but less than ten years. Such a worker is qualified for a year's salary as gratuity on withdrawal. Finally, a worker may, singularly, exit from an active service, by way of death.

### **Welfare of Workers**

The welfare of the workforce in an organisation is another major task of the Personnel Manager. Various studies have shown that a worker who has access to many welfare services within the organisation could be highly motivated. The purpose of Welfare Services, according to Ojofeitimi (1992) is to:

- i. Provide personal advice and assistance to individuals; and
- ii. Encourage a positive relationship between the individual and the organization by providing extra security and comforts.

Among the welfare services that could be provided by an organisation for its workers include: adequate retirement and pension scheme, medical services for workers and their dependants counselling services a recheck or nursery school for staff children; official cars, end of year bonus and so on.

Also Okunola (1990) summarised the social responsibilities, which all employers owe to workers as:

And in a study, Akinola (1995) established that occupational welfare programmes in work organisation lead to job satisfaction with positive externalities on workers' efficiency, productivity and commitment. For the teaching profession, Taal (1995) quoted Coomb as asserting that if teaching and learning are the beginning and the end of the educational process, then all matters that bear on the welfare, professional development and effectiveness of the teacher must be of prime importance. But in another study, Arikewuyo (200) discovered that teachers in Nigeria considered their salary; instructional facilities, transportation and accommodation as well as staff performance appraisal as fairly adequate. The teachers however, felt that medical facilities were not available at all for their welfare.

All these point to the fact that welfare of staff is very germane in every organisation and any organisation that neglects staff welfare, cannot get higher productivity from the labour force.

### **Industrial Relationship**

This is another tough task of the Personnel Manager. The establishment of an excellent and cordial relationship between the Management and the workforce arguably is a major assignment. Basically, industrial relations deals with everything that affects the relationship between workers and employers, from the time an employee joins the work organisation until he leaves the job, Fajana (2000). The Manager should be in a vantage position to create a good communication link between the organisation and the workers. Excellent industrial peace in

an organisation would ensure increased production and high level of productivity among workers. It is the responsibility of the personnel Manager to ensure that regular negotiations and collective bargaining mechanism exist in the organisation in order to reduce conflict. In order to ensure industrial peace in the organisation, Ojofeitimi (1992) suggested as follows:

The Personnel Manager and his staff must communicate in depth with representatives of organised labour,..... must make sure that proposed changes in conditions of employment are communicated to the Union reps, and the provision of enough time to enable the Union leaders to seek the employees' attitude to the proposed change. The Union reps have to be encouraged to bring their recommendations concerning changes in conditions of employment to the attention of the Personnel Management. The economic prosperity of the enterprise, its future employment plans, whether the news is good or bad, should be communicated to the Union leaders. Above all, the Personnel Management have the responsibility of inculcating in both the employees and management a healthy respect for the other's viewpoint and a desire to take whatever course of action is in the best interest of the employees and the shareholders. If the organisation is a member of an employers association, then, the Personnel Manager should represent the organisation as the activities of the Association (pp: 84-85).

### **SELF- ASSESSMENT EXERCISE**

- i. Identify and discuss the activities involved in Personnel Management

## **4.0 CONCLUSION**

Resources in Education are very scarce. So, the available ones need to be effectively and efficiently managed to achieve the goals of education.

## **5.0 SUMMARY**

The chapter tried to examine the elements of Personnel Management. It discussed the definitions and concepts of Personnel Management, as well as the major functions of Personnel management and the personnel department. This list is however, not exhaustive. The functions of the Personnel Manager are very many. These include: Control and audit functions, industrial research, personnel records management organization, development and career planning. It behooves every Personnel Manager to study these functions properly so that the goals of the organisation may be achieved.

## 6.0 TUTOR-MARKED ASSIGNMENT

- i. Discuss extensively on the essential benefits of Employees' Performance to Employers.

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## **MODULE 4 FINANCING HUMAN MANAGEMENT IN EDUCATION**

Unit 1	Human Resources and Human Capital
Unit 2	Resource Allocation in Education
Unit 3	Education and Economic Welfare
Unit 4	Cost Effectiveness and Benefits Analysis, Efficiency and Productivity
Unit 5	Measures for Reducing Unit Costs of Education and other Uses of Cost Analysis
Unit 6	Analysing Cost Behaviour

### **UNIT 1 HUMAN RESOURCES AND HUMAN CAPITAL**

#### **CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Definition of Human Resources and Human Capital
3.2	Classification of Labour Force
3.3	Importance of Human Resources
3.4	Human Capital
3.5	Means of Human Resources
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

#### **1.0 INTRODUCTION**

This unit examines the concept of human resources and human capital with emphases on the definition of human resources and human capital, classification of labour force, importance of human resources, human capital, meaning of human capital formation and means of human capital formation. The units objectives are stated below to acquaint the learner's with what they will learn in this unit.

#### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain the concept of human resources and human capital
- explain the classification of labour force
- state the importance of human resources

- discuss human capital formation
- explain the means of human capital formation

### 3.0 MAIN CONTENT

#### 3.1 Definition of Human Resources and Human Capital

Harbison (1973) defined human resources as the energies, skills and knowledge of people which are, or which potentially can or should be applied to the production of goods and services. In the same vein, Tobias (1969) defined manpower as people, humanity and society with all its aspirations, needs, and capacities. The total population of a country constitutes its human resource potential. Thus, Nigeria had human resource potential of 55.7million in 1963, based on that year's national population census, and 88.9million in 1991 based on the year's population census.

#### 3.2 Classification of Labour Force

**Potential labour force:** These are the people who are within the working age, which currently refers to the 15 – 60 year age group in Nigeria and 18-65 year age group in some developed countries. Thus, the quantity of the potential labour force changes overtime due to some factors, which include changes in the working age. Potential labour force statistics is useful for planning socio-economic development.

**Active Labour Force:** The active labour force includes all those within the relevant age range, who are able and willing to work regardless of whether or not they are employed. This implies that those unemployed who are looking for work are very much in the active labour force. To obtain the active labour force, we subtract from the potential labour force four categories of people as follows.

- i. Full-time house wives not engaged in remuneration activities
- ii. People who are physically and mentally incapacitated
- iii. Students and full-time trainees
- iv. Persons who, for any reason, are not interested in work.

**Actual Labour Force:** This refers to the actual number of people that are really engaged in productive activities. The “under-age” and “over-age” i.e. the children below the age of 15 and the retired people who engage in productive activities should be added to active labour force to get actual labour force.

#### 3.3 Importance of Human Resources

1. Availability of skilled manpower is a pre-condition for modernisation in general and economic growth in particular

2. The quality of labour in terms of brainpower, technical expertise, scientific, disposition, and effective utilisation determine how other resources (capital goods, finance and natural resources) could be effectively used and what the results would be.
3. Capital and natural resources are passive agents of development. Only human beings are the active agents since they alone are capable of accumulating capital, exploiting natural resources and building political and social organisations.

Late President John F. Kennedy of United States of America in 1963 had this to say, “Manpower is the basic resource. It is the indispensable means of converting other resources for mankind’s use and benefit. How well we develop and employ human skills are fundamental to decide how much we will accomplish as a nation. The manner in which we do so will moreover, determine the kind of nation we become”.

This is a general pointer to the words of Harbison (1973), which go thus:

“...human resources, not capital nor income, nor material resources constitute the ultimate basis for the wealth of nations. Capital and natural resources are passive factors of production, human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organisations and carry forward national development. Clearly, a country which is unable to develop the skills and knowledge of its people and to utilise them effectively in the national economy will be unable to develop anything else”.

Manpower refers to both the quantity of people and their skill-content acquired through education, training and experience.

Manpower in the economic sense, is the managerial, scientific, engineering, technical, craftsmanship and other skills which are developed and employed in creating, designing and developing organizations, managing and operating productive and service enterprise and economic institutions” (Yesufu 1962).

### **3.4 Human Capital**

Irving Fisher defined capital as any stock existing at a given time that yields a stream of services overtime, all flows of “income” therefore being the product of some item of “capital” whose value is calculated by capitalizing the income flow by an appropriate discount rate.

Karl Marx in *Das Kapital* argued that all capital consisted entirely of labour that had been expended in the past. According to him, capital was nothing more than stored-up labour from the past.

Samuelson (1964) defined a capital good as an input, which is itself the output of the economy. Capital goods therefore represent produced goods that can be used as factor inputs for further production. Thus, an important notion of capital is that it has to be produced, and some factors of production – land, labour and some capital themselves have to be employed for this purpose.

How do these definitions relate to human capital? Samuelson expatiating further on the concept of human capital noted that the process of education consists of investing in people, thereby making them more productive factors of further production. As he explained, when you see a medical school graduate, you are in a certain sense looking at a chunk of capital or at an economic production factor that is partially capital. Extending this line of reasoning, Mikesell (1968) observed that when we begin to think in terms of human capital and investment in man, the improvement of man becomes not only objective, but the principal means, of expanding and enriching social product.

The “capital value of man” is the stock of capital embodied in people. These are investments that human beings make in themselves to improve their quality. Education, on the job training, health, migration and some other activities are means whereby investments in human beings are undertaken. The consequences of education in the sense of skills embodied in people may therefore be viewed as human capital which is not to say that people themselves are being treated as capital. Maintenance and improvement of skills may be seen as investment in human beings.

Smith (1976) provided a justification for resources put into education and investments that yield benefits both to the individual and the society, by drawing an analogy between man and machine that an educated man may be likened to an expensive machine. He included all acquired and useful abilities of the inhabitants of a country as part of capital. According to him, “The acquisition of such talents by the maintenance of the acquirer during his education, study or apprenticeship, always costs a real expense, which is capital fixed and realised as it were in his person”. Such “costs of a real expense” do provide returns. Again as rightly observed, it is no accident that educated people tend to earn more than those without education, without the promise of some monetary return from education roughly comparable to the ordinary profits of an equally valuable capital, the supply of educated people would eventually dry up.

He went further to differentiate between private and social returns to education by saying that “these talents as they make a part of his fortune, so do they likewise of that of the country. Among other classical economists who appreciated the concept of human capital were David Ricardo and Alfred Marshall. Ricaro (1817) noted that workers’ outputs vary according to the level of acquired and natural capabilities and that their rewards vary accordingly. Marshall (1890) accepted Adam Smiths analogy that the acquisition of skills by man might be likened to an expensive machine. Marshall, thus, viewed education “as a national investment”, and according to him “the most valuable of all capital is that invested in human beings.

### **3.5 Means of Human Capital Formation**

The following activities are identified for improving human capabilities:

1. Formally organised education at the elementary, secondary and higher levels such as polytechnics and universities
2. On the job training including apprenticeship, system organised by employing institutions or the old style (indigenous) apprenticeship system undertaken through craftsman
3. Study programmes for adults that are not organised by firms, including extension programmes notably in agriculture adult/continuing education and literacy classes. These are self-improvement efforts pursued through reading or learning information from others
4. Health facilities and services broadly conceived to include expenditures that affect life expectancy, strength and stamina and vigour and vitality of people. In essence, better Medicare, nutrition, accommodation, and environment can affect human capabilities.
5. Labour market information, which can be purchased to show where there are job opportunities and career prospects can enhance labour mobility
6. Migration of individual and families to adjust to changing job opportunities. As Schultz (1962) observed, “Migration is also treated in this way because analytically a misplaced resource is equivalent to a less productive resource properly located. Hence, the expenditure incurred in order to relocate geographically can enhance labour productivity
7. Better organisation of work, creation of appropriate attitude and incentives and better management of people
8. Importation of skilled labour from abroad through various ways such as technical assistance, hiring of expatriates or consultants and immigration

9. A family can increase its investment in children by increasing the number of children (quantity) or by increasing the resources invested in existing children (quality). As observed by Ojo (1985), a family's preference usually affects the type or quality of its children. Thus, when children enter school at the age of six, significant differences exist in their levels of verbal and mathematical competence. Such differences reflect variations in inherent ability and the amount of human capital acquired before children enter school. The stock of human capital acquired by children is due, in turn to varying inputs of time and other resources of parents, siblings and the children.

#### **4.0 CONCLUSION**

Human Resources and Human Capital are important areas in school finance. A lot of capital expenditure is invested on Human resources for efficient realization of the goals of education. More money is needed to train teachers on-the-job for more qualifications and experience, to organize seminars and workshops for them and to service their promotions among others.

#### **5.0 SUMMARY**

Human capital formation or human resource development is the process of acquiring and increasing the numbers of people who have the skills, education and experience that are critical for the socio-economic development of the country. Human capital formation is, therefore, associated with investment in human beings and their development as creative and productive resources. It covers not only expenditure on education and training but also the development of attitude towards productive activities.

#### **6.0 TUTOR- MARKED ASSIGNMENT**

Discuss the major classification of labour force.

#### **7.0 REFERENCES/FURTHER READING**

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## **UNIT 2 RESOURCE ALLOCATION IN EDUCATION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Concept of Resource Allocation in Education
  - 3.2 Types and Relevance of Educational Resources
  - 3.3 Factors Affecting Resource Allocation in Education
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

This Unit is practically designed to enable the learners have knowledge of resource allocation in education. The learners are expected to have detailed knowledge of such areas as the concepts of resource allocation in education, types and relevance in education of resources as well as factors affecting resource allocation in education.

### **2.0 OBJECTIVES**

At the end of Unit, you should be able to:

- discuss in details, the concept of resource allocation in education
- explain the types and relevance of educational resources
- explain the factors affecting resource allocation in education

### **3.0 MAIN CONTENT**

#### **3.1 Concept of Resource Allocation in Education**

In Economics, resources are scarce and limited in relation to human wants, since these resources have alternative end uses. Price mechanism under a condition of perfect competition usually secures an optimum allocation of resources. Considering these facts, education can be viewed as an individual want, a merit want or a social want. Education as a private/individual want can be seen as a commodity, which an individual demand because of its utility. Education as a merit want can be defined as want which could be serviced through market forces or price mechanism. Education as a social want can be defined as those services, which may not be required by individual personally, but nobody is excluded from it.

According to Kelly (1992), price mechanism can only be an effective means of allocation of resources in conditions of perfect competition, where there are many sellers and many buyers and where the market is free for all to enter without any hindrances. In the real world with respect to goods and other services, perfect competition rarely exists, and so with regards to education we can hardly expect such situation to be exception rather than the general rule.

Looking at education exclusively as a private/individual want, (though this may not be right), there may still be the need for public policy to be called into play in order to help the price mechanism to adjust supply and demand because of a number of reasons. If the demand for education is so high and the supply is limited in terms of schools available in an area, the agency providing the service is entirely on Government needs to build more schools or provide subsidy to private proprietors in order to reduce the price of education. In this way, government would have interfered with the allocation of resources to the benefit of the people.

According to Ojo (1985), the other reason why government may have to interfere with the provision of education is because of its social implication. If education is regarded as a private want, it is left to the market forces of supply and demand to determine those who can purchase it. It is likely that the price will be prohibitive to many people. This situation is likely to lead to social dissatisfaction amongst the generality of the population. Another factor arising from this is that those who provide education facilities might artificially create high price of education. Proprietors of schools provide one additional facility or the other to justify incessant increases in the fees charged in private schools. Depending on the elasticity of demand and easiness of entering into the line of production, prices of such goods will be high and so monopoly profit is earned. The point being made is that, condition of perfect competition is unlikely to exist with respect to education so as to permit price mechanism to perform the function of an efficient allocation of resources.

Olagboye (2004) explained that government could by direct official control of prices and services that are related to education, or through fiscal measures, influence the efficient allocation of resources to education. Education received in this manner can be regarded as a merit want. From analytical point of view, there are convergent points in considering education as a merit want and as a social want. However, lines of demarcation can still be drawn between them. This presents some implications for educational policy makers to ask certain questions, at certain point in time. Is allocation of funds to education not being disproportionately made to the detriment of other sectors of the economy?

### 3.2 Type and Relevance of Educational Resources

Olagboye (2004) identified the types and relevance of educational resources as follow:

**Education Resources:** are the sum total of the input that goes into the education system. They are all the things that are used directly or indirectly for the purposes of supporting, facilitating, influencing or encouraging transmission or acquisition of knowledge, competence, skills and know-how. Essentially, they are used for and as well aid the education and training of the learners. Educational resources include: financial, material, physical, human, symbolic and education resource centres.

**Financial Resources:** these are the monetary inputs available for and expended on the education system. These are usually referred to as expenditure on education.

**Physical Resources:** These include buildings, classrooms, laboratories, libraries, hostels, administrative staff offices, technical equipment, reprographic equipment and other physical plant like machines, vehicles, computer sets, typewriters, duplicating and photocopying machines.

**Material Resources:** These refer to usable and consumable facilities like time, programmes, policy issues, curriculum, textbooks, maps, timetable, furniture, lesson notes, diaries, registers, chalk, chalkboard, electricity, stationery, biros, pencils, and others.

**Human Resources:** These refer to students, teachers, administrative staff, supervisory staff from the ministry of education, guidance counselors, school managers and others.

**Symbolic Resources:** These refer to things that go into the educational process to fashion out trained or educated people which include not only human and material resources but also policies, ideas and information package or knowledge system consisting of universal principles, theories and skills that are the same everywhere.

**Education Resource Centres:** These include audio-visual aids centres, language centres, media resources centres, public libraries, science and mathematics resources centres which are vital aid to the teaching learning process.

**Resource Allocation:** Allocation of resources is the distribution of resources to all sectors of the economy according to sectoral needs.

Resource allocation in education refers to how the available resources are distributed among the different levels of education and within each system of education. That is, how resources are allocated to primary, secondary and tertiary institutions. The primary motive of resource allocation is to achieve high level of efficiency. Of a high level of efficiency is to be attained in the economy, constant reallocation of resources must occur in response to changes in human wants, in the kinds and quantities of response available and in the available techniques of production. In developing the principles of resource allocation, let us first discuss the concept of resources and then consider the conditions of resource allocation leading to maximum efficiency in resource use, and finally examine certain factors that prevent resources from being correctly allocated.

**The Conditions of Maximum Welfare:** For resource allocation to yield maximum contribution to welfare, the value of marginal product of the resource in any one of its uses must be the same as its value of marginal product in all of its other uses. For example, if a worker employed on a farm contributes at the margin N20,000 worth of farm products annually to the economy's output, and that an identical worker employed in a construction firm can contribute N30,000 worth of products annually to the economy's output. If a worker was switched from farming to construction, there would be a net gain to consumers N10,000 worth of product. Obviously, some consumers or workers can be better off without making anyone worse off.

Transfer of resources from lower value of marginal product uses the higher value of marginal product, it always yields a welfare increase and maximum welfare results when these transfers have been carried out, its value of marginal product is the same in all its alternative uses.

**Resource Markets:** When the price is used to allocate resources, the concept of a resource market becomes important. Resource market depends on the nature of the resource under consideration and on the time span relevant to the problem at hand. Within a given time span, some resources are more mobile than others and consequently, their markets tend to be larger. In a private enterprise, economic system resource, prices serve the function of directing the allocation of resources.

Only under pure competition in product market and resource market will resources automatically be allocated so as to maximise real net national product or welfare. Under pure competition, a mal-allocation of any given resource causes its values of marginal products in different employments to differ from each other. Consequently, employers for whom its value of marginal product is higher bid resources away from

those for whom its value of marginal product is lower. Transfer of resource units from lower to higher value of marginal products used to increase the contributions of the resource to welfare. Its maximum contribution occurs when value of marginal product of the resource is the same in all its alternative uses. Therefore, no incentive will exist for further transfers to be made.

With some degree of monopoly in product markets, a resource will be re-allocated among its alternative uses until its price is the same in all of them. However, where employers are monopolists in some degrees, they employ those quantities of the resources at which their marginal revenue product equals its price. Marginal revenue products of the resources will be the same in alternative employments. Differing product demand elasticities cause values of marginal products of the resource to differ in alternative employments. Thus, the resource does not make its maximum contribution to net national product.

### 3.3 Factors Affecting Resource Allocation in Education

- a. **Population of the school:** The school enrolment is one of the factors that influence resource allocation. The number of students in a school will determine the number of teachers to be employed, the number of classrooms needed and the amount of grant to be given.
- b. **The type or the nature of the school:** The quantity and quality of resources made available to a school is influenced by its nature. A school offering general arts and social science subjects will attract less resource than a school that is comprehensive, technical and vocationally oriented. Also the amount of resources allocated to primary, secondary and tertiary institution varies in terms of quantities and qualities.
- c. **The curriculum:** The number and types of subjects offered in the school also determine the number of staff, physical and material resources to be provided.
- d. **The philosophy of the government:** A government that is interested in the development of individual citizens for the removal of illiteracy and development of manpower will devote more resources to education.
- e. **The state of the economy:** A country that is economically strong, viable and has interest in education tends to allocate more money than a country that is economically poor.
- f. **The degree of importance or the value attached to education:** Where education is seen as the major avenue by which the economy can develop and grow, more resources tend to be allocated by both the private and public stakeholders.

## **4.0 CONCLUSION**

For optima realisation of the goals of education, adequate knowledge of resource availability for use in education by educational planners and administrators is necessary. This will enable them do proper allocation of the available resources to achieve efficiency of productivity.

## **5.0 SUMMARY**

Where employers have some degrees of monopoly, but there is no resource differentiation, a resource will again be reallocated until its price is the same in alternative employments. But a monopolist employs the resource up to the point at which marginal product equals marginal resource cost. Different monopolists may face resource supply curves of differing elasticities. And, if so, marginal resource cost will be different for each even though all pay the same price per unit for the resource. With equilibrium allocation of the resource achieved, marginal revenue products differ. The usual case will be that differences in values marginal product also occur, and the resource will not be making maximum contributions to net national product.

Non-price impediments to correct allocation of resources include ignorance, sociological and psychological factors and institution restrictions. In some instances, the achievement of non-economic value may be of more importance to society than correct resource allocation. Direct interferences with the price mechanism by the government are by private groups which may prevent resources from being correctly allocated in some cases. In other cases, they may not lead to adverse effects.

## **6.0 TUTOR-MARKED ASSIGNMENT**

- i. What are the factors affecting resource allocation in education?

## **7.0 REFERENCES/FURTHER READING**

Kelly, J. (1992). *Managerial Controls*. New York: Oxford University Press.

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## **UNIT 3 EDUCATION FINANCE AND ECONOMIC WELFARE OF PERSONNEL**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Concept of Educational Finance and Economic Welfare of Personnel
  - 3.2 The Concept of Marginal Productivity
  - 3.3 Factors Affecting Earning Differentials
  - 3.4 The Concept of Income Distribution
  - 3.5 The Issue of Cost-Benefit in Education
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

This Unit introduces the learners to the knowledge of education and economic welfare of Personnel. It covers such areas as the concept of education and economic welfare, the concept of marginal productivity, factors affecting earning differentials, the concept of income distribution and the issue of cost-benefit in education is also discussed.

### **2.0 OBJECTIVES**

At the end of Unit, you should be able to:

- explain the concept of Education and Economic Welfare
- explain the concept of Marginal Productivity
- discuss the factors that affect Earning Differentials
- enumerate the concept of Income Distribution
- explain the issue of cost-benefit in Education

### **3.0 MAIN CONTENT**

#### **3.1 The Concept of Education and Economic Welfare of Personnel**

According to Adegboye (2004), Economic welfare is an issue, which has exercised the minds of economists for quite a long time. Many economists starting from Adam Smith, Mill, Davenport Marshall etc. in

one way or the other emphasised this aspect of the discipline. In specific terms, what is meant by an economic welfare? The answer is not as simple as it would appear and there is not a consensus amongst economists. However, to be precise, the term implies three things namely, increase in incomes, how these increases are distributed in the economy and cost-benefit resulting from investment. Each of these issues involve economic welfare and how education could help in maximising such welfare shall be examined. It is however, to be noted at the outset that these three issues, although for analytical reasons can be discussed separately but are in practice inter-related. For example, an investment on education which increases income may have the effect of helping to redistribute income in favour of human capital, and the cost-bearing may be positive in relation to the expenditure.

Increase in income is one of the positive indices of measuring the welfare of an individual and the community in general. Thus, countries whose per capital income are high are the rich and industrial nations of the world, while those with low per capital income are the poorer and less developed ones.

The concept of income has four elements and these are derived from four sources. First is income or earnings from labour in the form of salaries and wages. Secondly are the returns from entrepreneurship and investment known as profit. Thirdly, are interests from fixed investment on bonds and debentures. And fourthly, are rents from properties – land, building etc.

### **3.2 The Concept of Marginal Productivity**

Olagboye (2004) stated that in economics, the concept of marginal productivity theory of labour tries to show that, a business will only hire an additional input of labour if returns from such labour contribute to production more than its cost. In other words, an entrepreneur will only engage an additional labour, if the productivity from such labour is worthwhile, taking into account what he pays for the labour. This concept for one labour force can be generalised for the whole of the economy.

This marginal productivity theory is not an easy one to establish in practice. Although in general, it tries to show that what labour, i.e. human capital, is paid as a result of its output, yet there are other factors which influence reward to labour other than its productivity per se. Such factors include qualification, power of trade unions, motivation, relative scarcity of particular labour, as well as government policy on wages and salaries. We look at these issues and the extent that education can or cannot influence them.

The marginal productivity theory tries to explain why there are earning differentials based mainly on output of labour. Thus, an unskilled labour will earn less than a skilled one because skilled labour is more productive than an unskilled one. Thus, a primary school leaver with no additional skill invariably earns lower than a secondary school leaver because it is assumed that the latter will be more productive than the former. Similarly, those with higher education earn more than the lower ones. Because of this, it is easy to see the importance of education in increasing the earning capacity of the possessor of such education. But in this regard, account will have to be taken of training teachers on-the-job, which to the employer may even be rated higher than the qualification (or paper qualification as is sometimes sarcastically referred to). This in part explains why somebody with less formal education, but who is trained on the job may even earn higher than somebody else with higher formal educational qualification but no training on-the-job. However, from our point of view, it is proper to regard this on-the-job training as a form of education, which has helped in increasing the marginal productivity of labour. Thus, education, whether formal or on-the-job training, increases the earning of the possessor, and hence the general welfare of the worker.

Marginal productivity theory, difficult as it is to apply in practice, is not sufficient to explain the causes of earning differential. Therefore, the issue of qualifications needs consideration. This tries to modify the Marginal Productivity Theory of labour. It attempts to show that it is qualification, and not the output of labour, that in most cases determines reward to the holder. By mere possession of a certificate, somebody is paid higher than the other person by virtue of the paper qualification and not necessarily because of what the person can produce.

### **3.3 Factors Affecting Earning Differentials**

In Nigeria it appears to us that too much emphasis is placed on this certificate or qualification criterion in determining what the possessor is paid. Little attention is paid to productivity (Adeoye, 2000). For instance, some people are of the view that a holder of the Nigerian Certificate of Education (NCE) is in many cases, a more competent teacher in secondary schools and teacher training colleges than somebody with an Honours degrees, but with no teaching certificate. Yet, an NCE holder is paid less than a degree holder who has no teaching qualification. There are other examples of this kind. This type of differential earning and the social attitude of people holding one kind of qualification or the other, is, in our view and in part responsible for scrambling to acquire paper qualifications in this country. So those not academically fit to acquire it sometimes resort to examination malpractices in order to obtain the qualifications. However, in spite of the weaknesses of qualification criterion as an objective factor in

determining productivity of labour, it tends to prove our hypothesis, that education in general, of which qualification is an attestation, helps to increase the earning of the possessor.

Another factor, which can have an impact on earning differentials, is motivation. This motivation can be infused on labour by the management. This can be by having goals set by the management and making the workers try to attain such goals and objectives. By getting the workers motivated they can be made to produce more. Such motivation can be inculcated into them through incentives by management to labour attaining the objectives set for them. Such incentives could be rewarding hardworking staff through promotion, increased earnings or further training in order to qualify for higher status in the establishment.

Another factor which can and does influence returns on labour is the power of trade unions and pressure groups. When trade unions are very powerful, they can increase the earnings of their members above what they could earn, given the concept of the marginal productivity theory or even with the qualifications of the members. This can happen especially when the employers are not themselves organised in the form of Employers' Association.

There is no doubt that experience from many countries has shown that workers in unionised establishments have tended to earn more than those working in establishments where trade unions do not exist or are weak. Generally, trade unions have succeeded in many countries in raising wages or earnings above what they would have been, had they not exercised such pressures. The powers of trade unions however are not without limit in this regard. If unions push their demand for more wages too far, employers may cut down on the number of employees and so reduce labour costs. Employers could also try to reduce labour cost by installing more mechanised means of production and this will further cause unemployment. In Nigeria, the influence of organised labour is not as powerful as in more developed countries nor is the leadership as able as in the more advanced countries. Secondly, there is great control of trade unions. Most of them were established under a decree enacted by the last military regime. It is true that in the last year or two under the new democratic constitution, they were freer than they were during the previous thirteen years of military administration, when strike was even banned. Thirdly, where as in Nigeria, the rate of unemployment is very high, the powers of trade unions are more limited. People would rather prefer to be paid less than to be unemployed. At any rate, unions in this country do not yet generally exercise a closed door system in their organizations, whereby only unionised workers can be employed.

Another factor which affects earning, is the relative scarcity of particular kind of labour. This has nothing to do with marginal productivity of that labour. If a particular labour group says teachers are scarce as compared with lawyers in relation to their demand, it follows that teachers will earn more relative to lawyers. This has nothing to do directly with productivity, qualification or education in general. It is simply a question of the law of supply and demand. Of course, it can legitimately be argued that a situation of this nature is a function of education and that price mechanism is simply operating here. Put another way, it can be argued that the educational institutions are producing adequate number of teachers to meet their demand and teachers' earnings have to be higher than those of lawyers. In order to correct this relative scarcity of teachers and to reduce their earnings, from whatever angle it is viewed, it is still reasonable to argue that this in itself is a function of education.

Finally, government policy on wages and salaries has an impact on returns from labour. The government could as a policy fix a maximum wage for various categories of employment. With such minimum wages, other wage/salary structures follow, each trying to maintain its earning relativity. The point here is that such wage/salary policies may not be arrived at as a result of productivity of labour. When the Nigerian Federal Government early in 1980 fixed a minimum wage of N100 per month, other salary structures both in the public and private sectors of the economy had to be readjusted by employers. Also, later in 1981 and as a result of industrial actions resorted to by the Nigerian Trade Union Congress in the course of their demand for minimum wage of N300 a month, the Federal and State Governments were further obliged to raise the minimum wage from N100 to N125 a month.

### **3.4 The Concept of Income Distribution**

Distribution of income has been emphasised as one of the basic concepts of economics. This is another way in which returns of various factors of production such as salaries/wages, profits, interest rates and rents are shared amongst the population. Some economists argue that the more equitably incomes are distributed in a given society, the more stable that economy would be. In other words, this school of economic thought is of the view that one of the causes of instability in any economy is an uneven share of national income. Another school of thought, however, regards the question of income distribution as not an economic one, but rather as political and therefore normative. This school further contends that to try to equalise income distribution does not promote economic efficiency and may indeed inhibit it and that it does not provide sufficient incentive for hard work, risk and entrepreneurship.

It is not right to regard returns on factors of production and how they are divided as non-economic issues for they indeed are. Promoting human capital is more likely to enhance greater welfare. Gross inequalities in wealth could be a source of social instability which could disrupt the smooth working of the economy. However, the idea of pushing it too far cannot be supported as this could thwart efficiency in hardwork and desire to take risk.

Having established the reasons why distribution of income can justifiably be encouraged, how education can help in promoting this and thereby the general welfare will be put in further perspective. Education is one of the surest instruments of promoting the welfare of the citizens. It helps the individual to realise his full self and so climb the social ladder, sometimes from the bottom. This is all the more possible if education is free or provided or subsidised by the government. It thus enables an individual who otherwise could not have afforded it to realise his potentiality to the maximum. This will increase his earning potential as well as his social standing. This is why education is sometimes regarded as a worthwhile investment and hence are justification for government expenditure on it at all levels.

In order to assess the correct impact of education, it is necessary to categorise expenditure on it as to whether these are consumption or investment expenditure. Generally, education at primary and post primary school levels can be regarded as consumption of good or service. Therefore, it could be argued that expenditure on it is a consumption one. However such education enables the individual who benefit from it to be literate, but does not endow him with any skill and expertise at that level. In that circumstance, it might not enable him to climb the social ladder. On the contrary, it might even make him to be disillusioned, especially if he is not sufficiently qualified to obtain a worthwhile employment. While this may be true, it must not be forgotten that by such general education, the individual has got the basic intellectual exposure and equipment which might enable him improve further. His position in life is not static and depending on his ability and ambition, he may progress higher socially and economically. Many people with such limited educational backgrounds have scaled higher in this and other countries.

However, it is the skill-based and higher education that may markedly help to increase the earnings of an individual and uplift him socially. Expenditure on education of this type can be said to be an investment. The cost of such education could be expensive; hence, it is subsidised by the state or in some cases offered free. However, the private sector of the economy should contribute to the funding of education at this level since it benefits the output from it.

Judging from the Nigerian experience, education is regarded in general as an important factor for analysing the pattern of income distribution. Those Nigerians who made the first contact with European Christian converts or as traders, were the first to acquire formal western education and this has the tendency of perpetuating itself. This in part explains the disparity in the level of education attainment across the states of Nigeria. Most of the highly placed members of the society are those who had this advantage or those whose forefathers had it. Generally, the higher the level of education, the more likely the disparity in income and social status between those who had acquired it and those who had not. It is in realisation of these factors that governments in Nigeria within the last few years have accepted education as a serious investment of helping to promote the welfare of the citizens. Hence, highly subsidised and sometimes free educational system is regarded as one of the cardinal principles of the Nigerian social order. It is contained in the Nigerian Constitution of 1979.

### **3.5 The Issue of Cost-Benefit of Education**

It is widely agreed that in the discussion of the welfare of economists, the cost-benefit analysis of any given expenditure must be assessed. Cost-benefit as defined by *Prest and survey* “is a practical way of assessing the desirability of projects, where it is important to take a long view (in the sense of looking at repercussions in the further, as well as the nearer future) and a wide view (in the sense of allowing for side effects of many kinds on many persons, industries, regions etc) i.e. it implies the enumeration and evaluation of all relevant costs and benefits. This simply implies the ratio of cost to the benefits. If the output ratio is higher than the cost, then the effect is said to be positive, if less, it is negative.

The important elements in cost-benefit analysis can further enhance the understanding of this concept. These are the desirability of the expenditure, the cost, the output (benefit) and the side effects. These issues, though different, are inter-related particularly with respect to expenditure on education. One of the issues of cost-benefit analysis is the desirability of the investment in education.

Investment in education is generally considered as desirable, because of the crucial role that education plays, not only in helping to develop an individual who has acquired it, but also the impact of education on the society at large. Education helps the individual who has acquired it to a fuller self-realisation by enabling him to develop his potentials. This enhances his social status than would have been the case had he been an illiterate. The higher the level of education acquired, the greater is this advantage to an individual possessor. Besides, it helps him to improve

his income the more if the education acquired is a functional one. From the point of view of the society, investment in education is also considered desirable, because its wider positive effect on the economy by helping it, diffuses knowledge and to foster more economic development.

The other element to be considered in cost-benefit analysis is cost. At this point however, it is important to note that cost includes all expenditure in education such as salaries of teachers and those connected with educational administration at all levels. It also includes expenditure on education buildings as well as those on teaching aids such as equipment, books etc. Similarly, costs in economic terms include opportunity costs, i.e. costs in the alternative investments and expenditure. For instance, funds voted for education could, in the alternative be spent on industrial development, infrastructural facilities such as roads, bridges (etc.) or in any other sectors of the economy.

#### **SELF-ASSESSMENT EXERCISE**

- i. What is the relevance of income distribution to school finance?

#### **4.0 CONCLUSION**

It is necessary to mention that expenditure on education has been escalating in this country, as in most other countries. While this is so, it must however, be pointed out that expenditure on other sectors of the economy, such as administration, defence (etc) has also been rising. So, this rise in cost is not peculiar to education alone. It is equally true that control of public expenditure on education is weak, especially as it is largely public sector expenditure. Here again, this is not peculiar to expenditure on education alone.

Generally, control in public expenditure is weak and there is therefore the need for greater control of it. Output in relation to cost is the end product of the educational system namely, the primary school, secondary school and tertiary educational institution graduates. We must also include the side effects, because investment in education is with social and productivity expenditure. For instance, if a girl attended school, what she learnt in form of hygiene, cleanliness, health and child care may be passed on to the community or parents who could gain from her knowledge. In other words, we should not confine our discussion of the output to the direct beneficiaries.

## 5.0 SUMMARY

We see that education has some influence in determining earning from human capital, and hence, in increasing the welfare of workers in general. But other factors such as trade unions, pressure groups, relative scarcity of labour and government's income policy tend to modify such influences. It is also important to note that cost-benefits analysis of any given expenditure in education must be assessed from time to time to check waste or under spending. More so, it should be carefully noted that if the output ratio is higher than the cost, the effect is said to be positive and if less, it is negative.

## 6.0 TUTOR-MARKED ASSIGNMENT

- i. Discuss with relevant examples the factors affecting earning differentials.

## 7.0 REFERENCES/FURTHER READING

Adegboye (2004). Budgeting for control. Ibadan: Shaneson C.I. Ltd

Adeoye, M.A. (200): Basic concepts, nature and functions of Personnel Administration, In. Fadipe J.O. & Ojedele P.K. (Eds), *Management of Nigerian Education: Personnel Administration and Quality in Education*. Ondo -National Institute for Educational Planning and Administration, pp. 1 – 13.

Olagboye (2004). *Statistics of Education in Nigeria*. Lagos: Bizmosa Visual Production

## **UNIT 4 COST EFFECTIVENESS, EFFICIENCY AND PRODUCTIVITY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Concept of Cost-Effectiveness in Education
  - 3.2 The Issue of Efficiency
  - 3.3 The Issue of Productivity
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

This Unit is designed to expose the learners to the topic “Cost-Effectiveness, Efficiency and Productivity”. The major areas of concern here include the Concept of Cost-Effectiveness in education, cost-benefits Analysis, the issue of Efficiency and Productivity. The objectives of the unit as stated below have specifically provided what you will learn in this Unit.

### **2.0 OBJECTIVES**

At the end of this Unit, you should be able to:

- explain the concept of Cost-Effectiveness in education
- explain the issue of efficiency in education
- discuss the issue of productivity in education
- explain the issue of cost-benefit in Education

### **3.0 MAIN CONTENT**

#### **3.1 The Concept of Cost-Effectiveness in Education**

Effectiveness deals with the achievement of the objectives of an institution bearing in mind the institutional definition and dynamic nature of those objectives. Measurement of effectiveness will also take into account the attainment of the goals of the society and the community which the institution serves.

According to Adegboye (2004), Cost effectiveness analysis therefore investigates the relationship between institutional expenditure and the accomplishment objectives of that institution. It may however, be difficult to compare the cost of an educational programme, especially when the concept of opportunity cost is involved. Also, some educational objectives can be unquantifiable and the measurement of the achievement and such objectives may involve value judgments.

### **3.2 The Issue of Efficiency**

The word 'efficiency' is an evaluative term. When it is used, a favourable disposition towards describable tasks, aims and functions is expressed. In literature, there are two classifications of efficiency: the mechanical model and the economic model. The concept of mechanical efficiency arises mainly from considerations in physics and mechanics. Efficiency in this context is given by ratio of energy input to output. Efficiency in education refers to the capacity of the system to turn out graduates with minimal wastage. It has been observed that the concept of efficiency can be used in several contexts in education. The different meanings with which it can be used in education conclude the following:

1. efficiency of the total expenditure of education as an alternative to other welfare or non-welfare activities.
2. efficiency of the allocation of a given national budget on education over its different parts such as primary, secondary and higher education.
3. efficiency of expenditure within a section or levels of education.
4. efficiency of expenditure within a level, measured in terms of the actual output, that is, trained people produced.

### **3.4 The Issue of Productivity**

This according to Olagboye (2004) refers to the relationship between immediate costs and cumulative benefits. The term production refers to the process of transformation of one kind of goods or service to another. When the transformation of input into output is good and efficient, the system is described as being productive. Education can be viewed as a productive activity combining various inputs of capital and labour to transform one set of outputs into another (say primary school leavers into secondary school graduates).

#### **SELF-ASSESSMENT EXERCISE**

- i. What do you understand by the term "Cost Effectiveness and productivity in education?"

#### **4.0 CONCLUSION**

The issues of Cost-Effectiveness in education, efficiency and productivity are major tools that can be considered when dealing with school finance matters. Therefore, that proper handling will lead to optima realisation of educational goals.

#### **5.0 SUMMARY**

The issues of Cost-Effectiveness in education, efficiency and productivity allow economists and educational planners the opportunity to compare with other alternative investments. This is because it provides different alternative methods of assessing the investment in education before a final decision is taken by the stakeholders of education. Also, education is said to be productive when various inputs of capital and labour are used to transform one set of outputs into another.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

- i. Discuss extensively on the issues of efficiency and productivity in relation to school finance.

#### **7.0 REFERENCES/FURTHRE READING**

Adegboye (2004). *Budgeting for control*. Ibadan: Shaneson C.I. Ltd

Olagboye (2004). *Statistics of Education in Nigeria*. Lagos: Bizmosa Visual Production

## **UNIT 5 MEASURES FOR REDUCING UNIT COSTS OF EDUCATION AND OTHER USES OF COST ANALYSIS IN EDUCATION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Concept of Cost Reduction in Education
  - 3.2 Uses of Cost Analysis in Education
  - 3.3 Data Needed for Cost Analysis
  - 3.4 Recurrent and Capital Costs Analysis
  - 3.5 Cost Recovery in Education
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

This Unit discusses the concept of cost reduction in education, uses of cost analysis in education, types of data needed for cost analysis, recurrent and capital costs analysis. The objectives of the Unit as stated below have specifically provided what you will be exposed to, in this unit.

### **2.0 OBJECTIVES**

At the end of the Unit, you should be able to:

- explain the concept of cost-reduction in education
- discuss the uses of cost analysis in education
- explain the types of data needed for cost analysis
- enumerate recurrent and capital costs analysis
- explain cost recovery in education

### **3.0 MAIN CONTENT**

#### **3.1 The Concept of Cost Reduction in Education**

Before any measure for reducing unit cost is adopted, the school environment or the setting should be considered. The following strategies according to Adeoye (2000) and Ojo (1985) have been tried in different education setting to reduce cost.

1. Use of physical, material and human resources fully. This could mean increased class size, teacher's load, student/teacher ratio and reduction of wastage in the utilisation of school resources.
2. Adoption of distance learning and forms of non-formal educational techniques.
3. Employment of low-cost teachers – E.g. fresh graduates from colleges of education and universities who will earn lower than more experienced and long-serving teachers.
4. Improvising educational materials instead of using commercial ones, as commercial ones may have to be imported with large sum of money, whereas, improvised ones can serve similar purposes.
5. Bulk purchasing of education inputs. This reduces cost as discounts are given rather than going to the market to buy in pieces at retail prices.
6. Embarking on self-help projects. For instance, students in technical colleges can be used to construct building and design equipment. Students can also be used to clear school compound (instead of employing more support staff).
7. Capital cost (a component of unit cost) can be reduced by constructing simple but functional buildings, merging institutions etc.

### 3.2 Other Uses of Cost Analysis in Education

There are three major uses of cost analysis. These include:

1. **To assist in planning:** Cost analysis and estimations provide the required data for rational planning. The estimation of different costs for programme alternatives assist planners to choose the most efficient way of achieving objectives. It is possible to cost an educational project, a national education plan or out of school distance learning strategy.
2. **To help control activities:** Institutions can control their activities with the use of cost analysis and accounting system. Cost comparison between school, colleges and universities with identical programmes can provide educational administrators the much needed guidance for efficient operations.
3. **To justify request for funds:** Cost analysis provides information on the amount of funds needed by educational administrators. It specifies the resource needs in a given year in a manner desired by those responsible for educational financing.

For a specific educational programme, cost analysis informs the school

authorities about:

- a. the total cost to be incurred;
- b. economic feasibility of the programme
- c. the short and long run costs to be incurred, and
- d. how the cost burden would be shared.

### 3.3 Types of Data Needed for Cost Analysis

Tsang (1988) identified the following data needs for cost analysis:

- a. **Data on educational costs:** These include institutional costs and household costs. The former can be categorised into direct and indirect costs. These should be obtained for different levels of government, and in current and constant prices
- b. **Data on quantities of education:** These cover data on educational inputs and outputs like enrolments, graduands, repeaters, drop-outs, teaching and non-teaching staff (showing their age, experience and qualifications) and physical inputs.
- c. **Data on educational prices:** They are data on prices of the resources used in education e.g. salary and allowances for staff, prices of material resources etc. The information is useful in calculation of price indices and estimation of costs.
- d. **Data on educational norms:** These cover data on standard practices in educational institutions like pupil/teacher ratio, average class size and so on. They are important in the calculation of recurrent and capital costs of education
- e. **Socio-economic data:** These refer to data on national income and its growth rate, public expenditure, cost of living price indices, saving rate, etc.

### 3.4 Recurrent And Capital Costs Analysis

**Recurrent cost:** Current or recurrent costs are those costs incurred on inputs whose services do not exceed one fiscal year. Included in this category are costs on personnel services (e.g. academic and non-academic staff) and other consumable items like stationery that have to be purchased every financial year. Since such costs are borne yearly, they are also referred to as recurrent or operating costs. Where such costs have been expressed in monetary terms, they are referred to as current expenditure.

Items under recurrent cost or expenditure include the following:

- personnel emolument estimates i.e. salaries and allowance of staff

- rent allowance, motor basic allowance, service teacher's allowance, and overtime allowance for non-teaching staff.
- local transport and travelling allowance.
- office and general expenses covering such items as telephone bills, postage, newspaper etc.
- vehicle maintenance and running cost.
- first aid materials, art materials game and sport, maintenance of school buildings, library expenses, and bank charge.

**Capital cost:** This is the cost of purchasing durable assets whose life span extends beyond one fiscal year. The costs of physical facilities like buildings, equipment e.g. typewriter, vehicles etc, are examples of capital cost (or expenditure when they have been expressed in monetary terms). The magnitude of the capital cost at the time they are incurred needs not surprise educationists. When such costs are spread over the life span of the assets, they become a modest component of the annual total cost of education.

Items under capital cost include cost of large scale capital projects in the school. They come up rarely and they involve larger amount of money. These include the costs of erection of new buildings, classroom blocks, administrative blocks, library, hostels, staff quarters etc. Because of the large amount involved, it requires adequate planning.

### 3.5 Cost Recovery In Education

In examining strategies for addition sources of revenue for education on the part of the government, two important areas can be explored.

1. Government should reallocate larger percentage of its existing budget to education. This can be done through reallocation of money from defence and administration which always take the lion share of the national budget
2. The second method is to increase fiscal effort in the area of taxation. This can be done by bringing delinquent taxable adults into the mainstream of taxation such that total volume of revenue from this source can increase. More tax instruments can be earmarked for education use.

Other methods of cost recovery include:

- a. **Private funding of education:** What readily comes to mind here is the payment of 'user charges' in form of fees. This is predicated on the fact that education confers private benefits. The advantages in this form of financing are that (i) it reduces the costs of education to government (ii) it cuts down on the demand

for education by individuals, (iii) it increases the funds available to education institutions.

- b. **Student Loans:** This option has always been suggested to bring relief to educational finance. But while the option is very attractive in theory, it has limited practical application. The first decree on loan arrangement was Decree 25, 1972. There was another Decree 21 of 1976 on the same subject matter. Efforts made so far in this country had run into difficulties because of the problem of loan recovery from borrowers.

The major advantages of student loans are as follows.

- i. It enables students to have access to financial resources for their education.
- ii. The fact that students pay for their education will make them to work harder and complete their programme at the appropriate time
- iii. It may help to reduce repetition and dropout rates.
- iv. It increases equality of access such that the poor who would not have enjoyed higher education could benefit from it.
- v. It reduces dependence on government funding of education. Government can therefore have more money for the lower level of education.
- vi. Equity is more assured as those who benefit from higher education and who would enjoy higher than average income in the future, are made to pay for it rather than being subsidised by the taxpayers.
- vii. Demand for higher education might increase.

**Private Provision of Education.** The argument in favour of are as follows.

- i. Right of individuals and groups to have choice in education.
- ii. Efficient consideration of educational matters
- iii. Relieving government of the heavy burden of funding education.

**Community Financing of Education:** The form of community support varies. Among these are: contribution of cash and labour for building, injections of money and effort for specific purpose, collective provision of basic recurrent costs e.g. maintenance costs.

**Internally Generated Funds:** with a growing squeeze in government budget, each educational institution should design means of generating revenue from within. Among these are: endowment, various types of enterprises in the school environment, charges for using school facilities, sales of farm products, contribution by the PTA, alumni

associations, donation from groups, associations and individuals in society.

**Payroll Taxes from Employers to Finance Education:** The rationale for this is that the employers of labour in the private sector largely consume the product of education. Without directly paying for this, the economy is subsidising them. In order to make them pay something for the provision of education, Decree 7 of 1994 was promulgated. By this, registered companies are made to pay 2% of their profits hypothecated for education. This is expected to be shared by all levels of education in the ratio of 50:40:10 for higher, secondary and primary education respectively. The amount going to tertiary education is expected to be shared in the ratio 2:1: respectively to universities, polytechnics and colleges of education. With the growth in Nigerian economy in the future, substantial amount can be realised from this source.

**Payment Vouchers:** There was a proposal made by Professor Milton Friedman of the University of Chicago in 1955 on the financing of education in Chicago. He indicated that government involvement in the maintenance of minimum standard and financing of education could only be justified by the presence of external economies of consumption of educational services. According to him, there is no reason why the state should have a monopoly over the provision of education.

For this reason, government can finance its own share of education by giving parents vouchers of a specified amount per pupil per year to be spent on approved educational services from institution of their choice. In a milder fashion of the model parents who choose to send their kids to private schools are entitled to a sum equal to the estimated cost of educating a child in a public school. The sum however must be spent for education in an approved school. Advantages of this proposal are as follows.

- i. Parents will have a choice with respect to the type and quality of school attended by their children.
- ii. Market forces will improve technological efficiency of education such that inefficient schools will be forced to close, while the good ones will expand to the optimum size.
- iii. The salaries of teachers can be determined by market forces rather than be regulated by official fiat.
- iv. Parents who choose to send their kids to private schools would not have to pay twice on education since they have already made their contribution to the provision of social services by the tax they pay.

**Graduate Tax:** Graduates of tertiary education can be made to pay graduate tax as a surcharge for the public education they receive. This may be used in place of the loan arrangement that must be paid.

#### **4.0 CONCLUSION**

Cost reduction methods in education are necessary to guide against wastages in education. Cost –Benefits Analysis can be likened to the dividends of efficiency and productivity.

#### **5.0 SUMMARY**

The measures for reducing unit costs of education have been discussed alongside the uses of cost analysis in education. Also, the types of data needed for cost analysis, recurrent and capital costs analysis as well as cost recovery methods in education have been extensively explained. These among other areas can be explored by the government, private individuals and educational policy makers and implementers when dealing with the issue of school finance.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

Critically analyse the major uses and types of data needed for cost analysis in education.

#### **7.0 REFERENCES/FURTHER READING**

- Adeoye, M.A. (200). “ Basic concepts, nature and functions of Personnel Administration”., In FadipeJ.O. & OjedeleP.K. (Eds), *Management of Nigerian Education: Personnel Administration and Quality in Education*. Ondo -National Institute for Educational Planning and Administration, pp. 1 – 13.
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## **UNIT 6 ANALYSING COST BEHAVIOUR**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Analysis of Cost Behaviour in Education
  - 3.2 Factors Determining Cost Levels in Education
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

This Unit exposes the learners to the knowledge of Cost Behaviour in education. Here, the typical behaviour of cost analysis in relation to the identification and assessment of “cost drivers” are clearly discussed.

### **2.0 OBJECTIVES**

At the end of the Unit, you should be able to:

- explain cost behaviour analysis in education
- discuss the factors determining cost levels in education

### **3.0 MAIN CONTENT**

#### **3.1 Analysis of Cost Behaviour in Education**

It is clearly helpful to understand what things cost, even when comparisons can be made with the costs of similar programmes elsewhere. However, it is more valuable to the manager to understand why things cost what they do, why costs appear to differ among similar programmes, and how costs might be influenced. This requires an anatomical examination of resource utilisation’ and an understanding of ‘cost behaviour, (Tsang, 1989:58). The analysis of cost behaviour typically involves the identification and assessment of ‘cost drivers’, i.e. those factors which determine cost levels and changes in these.

#### **3.2 Factors Determining Cost Levels in Education**

Firstly, the idea of cost drivers can be used to analyse factors which determine the costs of different patterns of staff deployment to the

curriculum. An example of this is the so-called 'Pooling Committee Formula' in further and higher education (DES, 1987). This states that:

$$SSR = \frac{AGS \times ALH}{ASH}$$

SSR is student staff ratio

AGS is average group size

ALH is average lecturer hours

ASH is average student hours

This formula shows that if an institution wishes to reduce its unit teaching staff costs (in effect, increase its SSR) it can do this only by adjusting one or more of the other variables in the equation. It must increase group sizes on average, ask or require lecturers to teach more hours or reduce the average number of hours students are in class, or it could follow some combination of these strategies. Alternatively, the formula shows that if there is a wish to reduce group sizes without increasing staffing levels, the opportunity costs of doing this must be an increase in ALH, a decrease in ASH or some combination of these. These principles have been used to explain differences in college unit costs (Audit Commission, 1993), and to inform internal resource allocation models (Burton, 1998; Jones, 1986). They can also be used to show how both colleges and universities have significantly reduced their unit costs over a period of years through a process of 'decremental drift; the steady dilution of the teaching resource through reductions in average student hours, and increases in class sizes and lecturer teaching hours. Similar approaches are used to analyse staff deployment in schools, focusing on average class size, the teacher contact ratio and the pupil-teacher ratio (Davies, 1969).

Secondly, cost analysis can be used to explore a wider range of factors affecting costs than staff deployment patterns alone. Thus, a study of resource provision for pupils with moderate learning difficulties, which found wide cost variations for pupils with broadly similar levels of need (Crowther, Dyson and Millward, 1999) suggested that a number of factors were at work, including:

- different forms of special school and mainstream provision;
- differential use and deployment of learning support assistants;
- different policies about class size;
- differential deployment of special educational needs coordinators (SENCOs) and middle and senior managers in relation to pupil needs;
- costs and deployment of support services such as educational psychologists;
- differences in transport costs.

They concluded that many of the differences identified ‘would, on the face of it, appear to be unacceptable’ and they recommended that much more work needs to be undertaken in relation to both the costs and effectiveness of different patterns of provision, if efficiency and equity in resource use are to be ensured.

Thirdly, cost analysis can be used to explore the likely consequences of quite fundamental changes in the technology of educational provision (Rumble, 1997). For example, the decision to replace a traditional course for a large number of students with one based on open learning must take account of the very different cost profiles of the two models. The major costs of traditional provision arise from the teacher time required for face-to-face teaching – a cost which varies with student numbers. Open learning seeks to substitute many of these costs by specially designed teaching materials. This is likely to reduce variable costs considerably. However, the costs of staff time spent in developing the materials – a fixed cost – may well be substantial.

Finally, analysis of cost drivers can be used to help inform resourcing decisions. For example, the requirement for LEAs to develop ‘transparent’ formulae to fund their schools under local management schemes has led to a number of analyses, which have attempted to move away from traditional, incremental costing assumptions and to explore the organisational drivers which actually determine resource needs of schools. For example, Kelly (1992) explored the concept of ‘activity-based staffing’ through which staffing needs are determined on the basis of ‘professional judgment about the amount of teacher time which is necessary to provide a satisfactory educational experience for pupils in each age group. Thus, assumptions about maximum class size and about the amount of non-teaching time necessary to undertake different kinds of duties necessary to support teaching and to manage the school, led to the derivation of staffing requirements which could be translated into financial costs. Such analyses have the potential to make much more explicit the resource requirements for compulsory education. However, they suffer from a limitation which is common to many attempts to model costs on the basis of educational ‘needs’. They typically lead to the conclusion that current resourcing levels are inadequate; and, in the absence of any independent evidence on the relationship between additional resources and learning outcomes, it is not easy to use them to justify increased expenditure at the expense of other sectors when public sector budgets are tight (Yarnit, 1994).

### **SELF- ASSESSMENT EXERCISE**

- i. Examine the major determinants of cost levels in education

## 4.0 CONCLUSION

In this Unit, we have learnt about cost behaviour in education and how it is calculated. Its uses are also explained with relevant examples. We can see from the discussion in this Unit that adequate knowledge of cost-behavior and its analytic techniques are necessary when dealing with the issue of education finance.

Similarly, the decision to increase the number of students in a programme using traditional methods also needs careful analysis. In this context, staff costs are, in fact, 'semi-variable'. In other words, they increase in steps rather than continuously as student numbers increase. Thus, the additional costs of expansion depend on whether further students can be fitted into existing classes. If so, incremental costs will be very low; if not, they will be considerable as new teaching groups will need to be created.

## 5.0 SUMMARY

In each of these cases, an understanding of cost drivers provides information which can facilitate the effective planning and management of resource provision. It can offer the opportunity to achieve higher levels of 'cost efficiency', for example by changing curriculum staffing patterns or by utilising economies of scale. What it cannot do on its own, however, is to answer more fundamental questions about the relative value of particular patterns of resource deployment. To achieve this, more comprehensive conceptual frameworks are necessary.

## 6.0 TUTOR-MARKED ASSIGNMENT

- i. Discuss with relevant examples analysis of cost behaviour in education

## 7.0 REFERENCES/FURTHER READING

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