

Higher Education Finance and Cost-Sharing in Nigeria

I. A Brief Description of the Nigerian Higher Education System

The higher education system in Nigeria is composed of universities, polytechnics, institutions of technology, colleges of education that form part of, or are affiliated to, universities and polytechnic colleges, and professional, specialized institutions (IAU, 2000). They can be further categorized as state or federal universities, and as first, second, or third generation universities (Hartnett, 2000:1). Federal universities are owned and funded by the federal government, while state universities are owned and financed by the states (there are 36 states). First generation universities are the six universities established in the 1960s and early 1970's; second generation universities are seven universities established in the mid 1970's; while third generation universities refer to the eleven institutions, including the universities of technology, established in the 1980's and 1990's (Hartnett, *ibid*).

According to the Association for the Development of Education in Africa (2000) there are 43 higher education institutions in Nigeria: 11 state universities, 3 approved private universities; and 29 federal universities including 3 agricultural universities, 1 military university, and 4 inter-university centers.

Three levels of university education exist in Nigeria. The university level first stage offers a Bachelor's degree after a minimum of three years and a maximum of six years (e.g. in medicine). The university level second stage offers a Master's degree following one year of post-Bachelor's study. The university level third stage offers the doctorate degree two to three years after the Master's. To gain admission into the first level of university education, one has to pass the competitive University Matriculation Examination (UME) (IAU, 2000).

Higher education in Nigeria can be further divided into the public or private, and the university or non-university sectors. Public universities, owned by the federal and state governments, dominate the higher education system. Private universities and other tertiary education institutions are a recent phenomenon. In recognition of the need to encourage private participation in the provision of university education, the Federal Government issued a decree in 1993 allowing private investors to establish universities following guidelines established by the government.¹ More than 60 applications have been received by the government from private university sponsors since the decree's promulgation. Of these, only 7 have been approved.²

The non-university sector is composed of polytechnics, institutions of technology, colleges of education, and professional institutions, most of them operating under parent ministries. There is no sharp distinction between the university and the non-university sectors; most of the institutions in the latter sector are affiliated with universities.

The Nigerian higher education system, in spite of being Africa's largest higher education system with nearly 400,000 students, is unable to admit all qualified applicants every year (ADEA, 2000:3; Ajayi, T., & Alani, R.A. 1996:23). For example, in the academic years 1990, 1991, and 1992, only 15.31 percent, 16.71 percent, and 14.73 percent respectively of the applicants were able to gain admission through the Joint Admission and Matriculation Board (JAMB) (Ajayi, T.,

¹ U.S. Embassy in Nigeria (2001) *ibid*.

² <http://chronicle.com/daily/2001/08/20010809070n.htm>

& Alani, R.A. *ibid*). In 1998, just 35,000 new students were admitted to university study out of some 400,000 applicants (ADEA, *ibid*).

Numerus clausus is applied in admission to some disciplines determined by the National Universities Commission (NUC) and conditioned by the availability of instructional facilities at the level of institution (IAU, 2000).

Three parallel strategies are being pursued in order to expand access to higher education in Nigeria. First, distance higher education programs are being established; second, good quality private universities are being encouraged and third, plans are in the works to expand all university campus enrollments to a maximum of 30,000 students (ADEA, *op cit.*).

The participation rate in higher education is 395 per 100,000 persons. Women accounted for 34 percent of total enrollments in the 1997/1998 academic year. Female students also represented 35 percent of new entrants in the same academic year, a significant increase from the 26 percent recorded in 1988/89 (Hartnett, 2000:4).

The Federal Government controls universities and other higher education institutions through the following organs: the Federal Ministry of Education; the National Universities Commission, which among other things allocates funds to federal universities and also prescribes the spending formula, and the Committee of Vice Chancellors of Nigerian Federal Universities, which acts as a coordinating body and offers advice to government and universities governing councils on matters of general and specific concern to higher education. Each university is administered by a Council and a Senate, and is headed by an appointed Vice Chancellor as CEO. Within universities and colleges, the institutes and centers are more autonomous. The Academic Staff Union of Universities (ASUU) safeguards the interests of the academicians in the Nigerian university system.

II. Financing Higher Education in Nigeria

The Federal Government maintains a policy of no tuition fees in federal universities while at the same time allowing students enrolled in state universities to pay tuition fees in addition to room and board. In May 2002, the Federal Government issued an order “*forbidding*” the charging of tuition fees at all 24 federal universities as these universities were contemplating charging tuition fees as a cost recovery strategy. The Government believes that it has a duty to provide qualified Nigerians with free university education. Before this presidential decree, federal universities intended to charge a tuition fee ranging from US\$ 200-400 per semester.³ (See The Higher Education Chronicle, Tuesday May 28, 2002).

The Government through the National Universities Commission makes it mandatory for all federal universities to generate 10 percent of their total yearly funds internally through various revenue diversification means (Odebiyi & Aina 1999: vii, 36).

The Education Tax Decree No. 7 of 1993 enforces the payment of 2 percent of profits of limited liability companies registered in Nigeria as an education tax to be disbursed according to the ratio of 50: 40: 10 to higher, primary, and secondary education respectively. The share of higher education is further allocated to the universities, polytechnics, and colleges of education according to the ratio of 2: 1: 1 respectively (Ajayi & Alani *op cit.*). As of Summer 2002, no

³ Wachira Kigotho (2002). “Nigeria Forbids Public Universities to Charge Tuition.” Available at <http://chronicle.com/daily/2002/05/2002052806n.htm>

information was available to show the amount of funds collected and disbursed since the promulgation of the education tax decree. It is known that the Education Bank was supposed to be a depository of the funds collected through the decree.

All federal universities receive the bulk of their financing (almost 95 percent) from the Federal Government through the National Universities Commission (Hartnett, 2000: 1). Furthermore, the federal universities' budgeting processes and expenditures have to adhere to budgeting and expenditure formula stipulated by NUC as follows: 60 percent total academic expenditure; 39 percent for administrative support; and 1 percent for pension and benefits (Hartnett, *ibid.* 7).

At the general level, four sources finance university education in Nigeria (Ogunlade, 1989: 523):

- (a) support from federal and state governments constituting more than 98 percent of the recurrent costs and 100 percent of capital costs,
- (b) student contributions towards living expenses on campuses constituting less than 1 percent of the total operating costs of institutions. While there is no evidence to suggest this percentage of students contribution is capped by the government, anecdotal evidence suggest that successive administrations in Nigeria (civilian and military) have been reluctant to charge more than nominal fees probably to obtain and maintain public support. Charging realistic fees has been unpopular among policy makers (Ogunlade, *ibid.* 525),
- (c) private contributions by commercial organizations in the form of occasional grants for specific purposes, and,
- (d) interest earnings on short-term bank deposits and rents of university properties.

Other sources of finance to higher education in Nigeria include endowments, fees/levies, gifts, and international aid from international organizations. For example, the World Bank has financed a US\$ 120 million project titled: Federal Universities Development Sector Operation (Odebiyi & Aina 1999: 28-29; Babalola, J.B., Sikwibele, A.L., & Suleiman, A.A. 2000).

Cost Sharing Measures in Higher Education in Nigeria

To respond to the problem of chronic under-funding, Nigerian public universities adopted an array of cost sharing measures, notable among them being the following:

Student contributions. Student contributions are made through a multitude of fees: tuition in state and private institutions⁴, acceptance, registration and certification, caution (equivalent to security deposit in US), sports, identity cards, late registration, examination, laboratory, transcript, and medical center registration fees. These fees vary in amount paid from one university to another (Ajayi & Alani *op cit.* 12). In all federal universities, undergraduates pay the following fees: examination NGN 200 (US\$ 3.7); registration NGN 150 (US\$ 2.77); Students Handbook for new students NGN 200 (US\$ 3.7); accommodation (excluding food) NGN 90 (US\$ 1.66); hostel maintenance NGN 200 (US\$ 3.7); sports NGN 150 (US\$ 2.77); and acceptance fees for new students NGN 300 (US\$ 5.55). Other amount of fees charged include: caution NGN 100 (US\$ 1.85) for science students and NGN 150 (US\$ 2.77) for arts students; students union fees NGN 60 (US\$ 1.11); medical registration NGN 100 (US\$ 1.85), identity card NGN 400 (US\$ 7.40); departmental registration NGN 50 (US\$ 0.92) for parent department and other departments NGN 25 (US\$ 0.46), and library fees NGN 50 (US\$ 0.92). Students also are required to pay NGN 300 (US\$ 5.55) for management information system; NGN 200 (US\$ 3.70) for examination results verification for new students; and late registration NGN 1000 (US\$ 18.51) (Prof. J.D.

⁴ Data on tuition fees in private universities are currently not available.

Amin, Personal Communication, March 10 2002). Students' contribution to university financing for the period 1988-1994 ranged from 0.28 percent to 3.89 percent (Ajayi & Alani op cit. 12).

Private sector contributions. Contributions from the private sector to education in Nigeria are limited to the endowment of prizes and professorial chairs, and voluntary donations. Campaigns to raise endowment funds in Nigerian universities dates as far back as the 1950's when the University College, Ibadan started an endowment drive. From 1988-1994, the University of Ibadan generated approximately NGN 22.02 million from endowments and grants, which was the highest during the period (Ajayi & Alan op cit. 12). Decree # 9 of 1993 authorizing individuals and private organizations to establish private higher education institutions has also enhanced the private sector contribution to financing of higher education.

National Youth Service Corp Scheme is another cost sharing measure adopted by the Federal Government. The scheme was introduced in 1973 for graduates of universities, polytechnics, and colleges of education. Participation is mandatory for holders of first degrees and higher national diplomas from polytechnics and universities from within and outside Nigeria who have not attained the age of 30 years (Ajayi & Alani 1996:13). These graduates offer their services to the community/nation for a period of 12 months for a monthly stipend of N 900. This scheme becomes a cost recovery measure because these graduates do not collect full salaries and allowances for the services rendered to the community that presumably would have been paid for by the government or the community.

Student Loans in Nigerian Higher Education

The Nigerian Student Loan Board was first established in 1972. Between 1972 and 1991, it provided loans totaling NGN 46 million (US\$ 3.8 million) to help students finance undergraduate or graduate studies within Nigeria and abroad (Chuta, 1992: 443). By 1992, the Board had made loan awards of over N 46 million and faced the problem of recovering outstanding loans over NGN 40 (US\$ 3.34 million) leading to its suspension (Chuta, 1992: 445; Ajayi & Alani 1996:4).

The Nigerian Student Loan Board was replaced by the Nigerian Education Bank under Decree #50 of 1993. The roles of the Education Bank are to: serve as a major intermediary in Nigeria's education credit market; harness private sector resources for the funding of education; and take over part of the Nigerian government's educational funding responsibilities. The main and specific functions of the Nigerian Education Bank are: student lending, lending for publishing, equipment leasing, project financing, funds mobilization and provision of advisory services for educational purposes (Chuta, ibid. 423). The Bank's share capital is NGN 400 million (US\$ 3.34 million) fully subscribed to by the Federal Government of Nigeria. The long-term plan of the government is to privatize the Bank and make it a stockholder-owned corporation (Chuta, ibid. 426).

Loans to undergraduates are designed to place a likely debt burden on students ranging from NGN 24,000-NGN 32,000 (US\$ 201-268) for four years in 1998. Within this range, student loans are assumed to vary according to the type of course taken, duration, level (e.g. professional, or non-professional), degree or non-degree. Loans are structured to meet the higher costs of students in professional fields such as medicine, law, accountancy, architecture, quantity surveying etc.

Other functions of the Bank are to mobilize educational savings from parents and teachers by advising parents to take out educational insurance policies and initiate savings schemes for their children. The Bank also provides advisory services and undertakes scientific research on economics and financing of education; analyzes recurrent and capital costs of education,

undertakes cost-benefit analysis of educational investments; and advises on manpower development issues. The First Bank of Nigeria PLC has also launched a new product called First Education Savings Scheme (FESS) that affords parents the privilege of providing their children with quality education to any level in their quest for personal development and achievements.⁵

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⁵ See "First Bank of Nigeria PLC Launches New Products." Available at <http://www.nigeriabusinessinfo.com/fbn-newproducts.htm>