

## **BUDGETARY ALLOCATION AND DEVELOPMENT IN NIGERIA TERTIARY INSTITUTIONS.**

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### **ABSTRACT**

A budget is plan quantified in monetary terms, prepared and approved prior to a defined period of time usually showing planned income to be generated and or expenditure to be incurred during that period and the capital to be employed to attain a given objectives and this budget is indispensable to any tertiary institution in achieving their goals. This paper empirically examined the effect of Federal government budgetary allocation on the development of tertiary institutions in Nigeria spanning from 2000 to 2014. To achieve the objective of this paper, secondary data are made use. The data are on Federal Government Recurrent Expenditure from 2000-

2014. Budget figures were not used because in most cases the actual releases were below amount budgeted and Descriptive statistics is used to analyse data sourced. However, this paper ascertained that inadequate funding deters growth in the tertiary institutions. The study recommends that In the face of the declining financial resource allocation to the education sector, there is the need for alternative channels of funding which will ensure qualitative education and standard growth in Nigerian tertiary institutions.

**Key words: Budgetary Allocation, Funding, Tertiary Institution, Government recurrent Expenditure**

## **1.0 INTRODUCTION**

An inquiry into the fiscal operations and developments of Nigeria revealed that federal government expenditure on education is categorized under the social and community services sector. The implication is that education is an impure public good (Orubu,1989). The importance of education is reminiscent in its role as a means of understanding, controlling, altering and redesigning of human environment (CBN, 2000). Education also improves health, productivity and access to paid employment (Anyanwu et al., 1999). Education has a link with economic development. As once remarked by Ola (1998: 14) “If you see any economy that is not doing well, find out what is spent on education”. Aboribo (1999) have all revealed that increase in national income and per capita income is a function

of education and that differences among nations can better be explained by differences in the endowments of human, rather than physical capital. This underscores the reason why the 'Asian Tigers' in the past three decades allocated between 25-35% of their annual budgets to their education sector (Aboribo, 1999). Education funding in Nigeria involves the Federal, States and Local Governments' Appropriation and Releases for Capital and Recurrent Expenditure. It also includes Education Trust Fund, Donor Agencies, Interventions, as well as Scholarship awards by Federal, States and Local Governments (National Bureau of Statistics, 2012). The missionaries relied on donations by missions and school fees paid by the students. In other areas, communities also participated in the running of schools. The funds used in running these establishments were derived from local taxes voluntarily levied on the host communities and other donations from philanthropists. Individuals running educational institutions mostly carry on with the motive of making profits and fees charged are relatively higher than that of the government and community-owned establishments. As more states were created from the regions by the military administrations, more secondary and tertiary educational institutions were created. To regulate the activities of these institutions, regulatory bodies were created. The major ones being the National Universities Commission (NUC) for Universities, the National Board for Technical Education (NBTE) for Polytechnics and Colleges of Technology, National

Commission on Colleges of Education (NCCE) National Teachers Institute (NTI) and Universal Basic Education Commission (UBEC) (NBS, 2012).

Tertiary education (Higher education) in Nigeria is provided by universities, colleges of education, and polytechnics and the colleges of education. So far the budgetary allocation to education is not in any way encouraging. It falls far short of expectation in a country like Nigeria. Unfortunately, the rapid expansion in number of universities is not matched with available qualified lecturers and increased funding, either by federal or state governments, since most of the expansion took place at periods of economic decline in real terms. The level of funding of education thus declined over the years with attendant decay of infrastructure and low staff morale. It is governments' statutory responsibility to bear the cost of higher education in the country but the instability of the oil market and the monolithic nature of the Nigerian economy have conspired to make funding of universities and other higher education decline sharply (Jones 2013).

Higher institutions in Nigeria are funded in a number of ways. The proportion of funding and modalities vary across institutions. Government believes, it has the responsibility of providing Nigerians with free and quality education. Consequently, government through the National Universities Commission (NUC) makes it mandatory for all Federal Universities to generate 10% of their annual funds internally.

Okojie (2010) reports that all federal universities receive bulk funds from federal government through the National Universities Commission (NUC) differentiated into capital and recurrent grants with the recurrent grant to be disbursed based on NUC funding criteria of 60% on personnel cost and 40% on overhead cost, out of which library cost, research cost and capacity building cost are allocated 10%, 5% and 1% respectively.

The 2013 budget speech christened Fiscal Consolidation with Inclusive Growth provides for an aggregate expenditure of N4.92 trillion representing a modest increase of about 5% over the N4.7 trillion appropriated for 2012. This is made up of N380.02 billion for Statutory Transfers, N591.76 billion for Debt Service, N2.41 trillion for Recurrent (Non-Debt) Expenditure and N1.54 trillion for Capital Expenditure. Economic and social sectors will continue to be driven largely by private sector activity. Key allocations in the budget are as follows Works N183.5 billion; Power – N74.26 billion; Education – N426.53 billion; Health – N279.23 Defence – N348.91 billion; Police – N319.65 billion; and Agriculture & Rural Development – N81.41 billion.

Ibukun (1997) however lamented that there is growing shortage of funds and learning resources in the university system. According to Oyeneye (2006) and Adegbite (2007), the major challenge facing the management of university system in Nigeria is inadequate funding meanwhile, Ajayi & Ayodele

(2004) argued that there was an increase in the proportion of total expenditure devoted to education, but this has been considered to be rather grossly inadequate considering the phenomenon increase in student enrolment and increasing cost, which has been aggravated by inflation. Besides, Ajayi & Ekundayo (2006) remarked that the Nigerian government over the years has not been meeting the United Nations Educational Scientific and Cultural Organisation (UNESCO) recommendation of 26% of the total budget allocation to education sector. Aina (2007) posited that government priority to education is still very low. These revelations expose the extent to which the government itself is a contributing factor to the financial imbroglio of the university system in Nigeria.

The objective of this paper therefore is to examine the trends and impact of federal government's budgetary allocations on Nigeria Tertiary institution.

## **LITERATURE REVIEW**

### **2.1 Budget**

A budget is a plan for saving, borrowing and spending. A budget can be defined as a financial or quantitative statement prepared and approved prior to a period of time of the policies to be pursued during those periods. A budget is defined as a plan quantified in monetary terms, prepared and approved prior to a defined period of time usually showing planned income to be generated and/or expenditure to be incurred during that

period and the capital to be employed to attain a given objectives. A budget is an organizational plan stated in monetary terms. Budget helps to aid the planning of actual operations by forcing managers to consider how the conditions might change and what steps should be taken now and by encouraging managers to consider problems before they arise. In business world, estimate or forecast that is approved by the management is regarded as a budget (Wheldon, 2012). A budget is always in respect of a period of time. Budgets may be yearly, quarterly, monthly, weekly, daily or other period (Lucey, 1996).

The budget of a government is a summary or plan of the intended revenues and expenditures of that government. In Nigeria the budget is normally presented by the executive arm of the government to the legislative arm before it becomes appropriation bill.

## **2.2 Tertiary Education**

Tertiary education system in Nigeria is composed of universities, polytechnics, institutions of technology, and colleges of education that form part of or are affiliated to universities and professional specialized institutions (IAU, 2000). The universities can be further categorized as state or federal universities, and as first, second, or third generation universities (Hartnett, 2000). Federal universities are owned and funded by the federal government, while state universities are owned and financed by the states

(there are 36 states). Tertiary 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. 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.

### **2. 3 Education System in Nigeria**

The role of education in human development cannot be over emphasized. It has been described as an important tool in any human society, which makes man to develop faster than other creatures. Education is the bedrock of all human sectors – political, medical, agricultural, security, etc. (Idogho & Imonike, 2012). Education in Nigeria is directed towards self-realization, better human relationship, individual and national efficiency, effective citizenship, national consciousness, national unity, social, cultural, economic, political, scientific and technological progress (Federal Government of Nigeria, 2004).

Education in Nigeria is generally stratified into three sectors, which are basic, post-basic/senior secondary and tertiary education. However, another stratification based on the horizontal division of education into types is also available (FGN, 2009). According to Omojomite (2010), the education

sector in Nigeria has passed through two phases of development: the phase of rapid expansion in the growth of the sector (1950 – 1980); and the second phase of rapid decline in the sector in terms of growth (1981 – 2009). A look at the trend of events indicates that the situation still remains the same with the latter period to date (Obi & Obi, 2014).

The responsibilities for administering the education sector in Nigeria are shared among the federal, state and local governments. Thus, in the country's constitution, education is on the concurrent list but the Federal Government is empowered to regulate all its sectors, engage in policy formation and ensure quality control. Also, the provisions of the constitution allow each tier of government to focus its responsibilities mainly on a sector of education. The Federal government is involved directly in tertiary education. The states take care of secondary while the local government handles primary education. Despite this arrangement, the Federal government is expected to support the state and local governments on counterpart funding to enhance the quality of education in the country.

Tertiary education is under the supervision of commissions set up by law and which operate as parastatals of the Federal Ministry of Education. For instance, universities are supervised by the National Universities Commission (NUC) while Colleges of Education are supervised by the National Commission for Colleges of Education. The National Board for

Technical Education oversees Polytechnic education. The Commissions are responsible for policy decisions affecting their institutions, maintenance of standards through a system of periodic accreditation of courses, distribution and monitoring of government funding, appointment of members of governing councils, as well as the day-to-day running of the institutions. Although each level of education has, at various times, been a concurrent responsibility of both Federal and State Governments, the Federal Government has been involved most heavily at the tertiary level. The federal government is faced with the responsibility of taking care of most especially federal universities. As it has been found that virtually all the problems of universities in Nigeria are attributable to inadequate funding (Ajayi & Adeniji 2009). As Okebukola (2008) rightly observed, the depressed quality of education in Nigeria has been explained in part by the inadequate funding of the system. As all stakeholders in the education sector have listed funding inadequacy as a problem. The fortune of the educational system in Nigeria is, perhaps, at its lowest ebb. There has been a consistent denigration of the system in the last two or three decades (Kazeem & Ige, 2010).

#### **2.4 Budgetary Allocation to Education Sector**

The budget is a financial plan, expressed in quantitative terms, and used in controlling government finances for a specified period of time, usually a year (Salawu, 2005). However, in the National Budget, social services (under which

Education falls) have consistently received poor budgetary allocations when compared with other sectors. A look at Nigeria's annual budgetary allocation and expenditure shows that the Federal Government of Nigeria (FGN) has not been committing a proportion of her financial resources to the growth of economic social and community services. This time series data on Federal Government's budgetary allocation to the educational sector between 2000 and 2014 shows that less than fifteen percent of funds expended by the government during this period was on education. It is doubtful if the situation has improved today (NBS/UNICEF, 2014). The growth rate of Nigeria's annual budgetary allocation to education shows fluctuating trends as the rate of education increases and decreases at different intervals. However, the year 2014 witnessed a declining rate of -20.31% because there was a decrease in the expenditure on education from the previous year 2013 from N390.42billion to N311.12. This is not good enough because the ratio of total budget allocation to education to total annual budget is a measure of relative degree of priority given to education (CBN, 2014).

## **2.5 Effects of Inadequate Budgetary Allocation to Universities**

Imhabekhai and Tonwe (2001) reported that the federal government provide for over 80 per cent of all the funds needed for capital and recurrent expenditures in the tertiary institutions in Nigeria. The Federal Government of Nigeria is

increasingly finding it difficult to meet the high cost of funding tertiary education in Nigeria most especially federal universities

According to Udoh (2008), the government finds it increasingly difficult to match the growing enrolment of students with qualitative funding due to drastic reduction in revenue and economic despondency experienced in the country.

Okojie (2010) admitted that most federally controlled universities' administrators complain of inadequate funding and they are not allowed to charge undergraduate tuition fees. The effects of this funding problem could have resulted to some of Obonya's (2002) earlier observations alluding to deterioration of physical facilities; internal and external brain drain among the intellectual class; and overstretching of teaching, research and managerial capacities in Nigerian University system. Oyeneye (2006) affirmed that making qualitative education available to all citizens is a right but there can't be quality education without adequate funding. He further stated that in Nigeria, it is difficult to ascertain the pattern of fund allocation.

Ekundayo (2008) posited that most of the capital projects being undertaken to meet the increasing number of students have been abandoned due to lack of funds. He also affirmed that the pressure on the inadequate resources has led to a decline on the staff welfare package and remuneration

coupled with depreciation of working conditions and environment. The resultant effects are high brain-drain of professional staff, persistent strike action, rioting, high crime rate, and cultism, extortion of students, admission runs, embezzlement and all sorts of vices. According to Imhabekhai & Tonwe (2001), inadequate funding deters growth in the tertiary institutions.

### **2.6 Financing Higher Education**

Funding of education in Nigeria involves the Federal, States and Local Governments' Appropriation and Releases as Capital and Recurrent Expenditure for the education sector. It also includes Education Trust Fund, Donor Agencies, Interventions, as well as Scholarship awards by Federal, States and Local Governments (National Bureau of Statistics, 2011). The bulk of financing of all federal universities are received from the Federal Government through the National Universities Commission (Hartnett, 2000). The budgeting processes and expenditures have to adhere to budgeting and expenditure formula stipulated by the National Universities Commission (NUC) as follows: 60 percent total academic expenditure; 39 percent for administrative support; and 1 percent for pension and benefits (Hartnett, 2000). It is mandatory for all federal universities to generate 10 percent of their total yearly funds internally through various revenue diversification means (Odebiyi & Aina, 1999). The Education Tax Decree No. 7 of 1993 stipulates the payment of 2 percent of assessable 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 in the ratio of 2: 1: 1 respectively (Ajayi & Alani, 1996).

### **3.0. Research Methodology**

Secondary data are made use of in this paper. The data are on Federal Government Recurrent Expenditure from 2000-2014. Budget figures were not used because in most cases the actual releases were below amount budgeted for. The Federal Ministry of Education reported that in 2006, out of the total amount of N167.27 billion appropriated for, the actual release was N163.1 billion (97.5%). So also in 2010 out of N271.2 billion appropriated for, the actual release was N234.8 billion (86.6%) (National Bureau of Statistics, 2011).

These data were sourced from the Federal Republic of Nigeria Official Gazettes and the various states' official Gazettes which were incorporated in CBN Statistical Bulletin (2000 -2011). Using this period rests on the justification of the country's vision of 2020 which started in 2004 aiming to place Nigeria among the 20 largest economies in the world by 2020 and the current administration's commitment to attain this vision. Descriptive statistics is used to analyse data sourced.

#### **4.0 DATA ANALYSIS AND DISCUSSION OF FINDINGS.**

Trend in the funding of University education in Nigeria revealed that there is no progressive increase in the funding injected to the universities with the growing cost of maintenance, increased students intake, inflation trends and overhead cost (Omopupa & Abdulraheem, 2013).

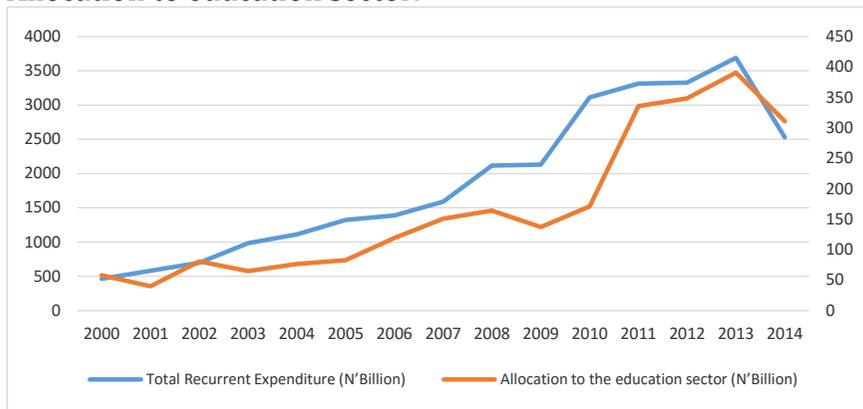
Okojie (2010) describes the current approved funding criteria used by NUC to disburse funds to Universities as follows; Capital grants on the basis of generation, that is, year of establishment of the University. Ratio of personal costs to overheads at 60:40; Library 10%, research costs 5%, capacity building 1% of the total recurrent-minimum; Academic to non-academic funding at 60:40; Expenditure on central administration – 25% maximum; Internally generated revenue 10%. The funding formula for allocating funds to these Universities has been reviewed severally based on several factors such as year of establishment, number of degree students admitted, number of academic and non-academic staff, and ratio of science and humanities based disciplines and as a result of these factors, the funding formula keeps on changing (Famurewa, 2014). The bulk of financing of all federal universities are received from the Federal Government through the National Universities Commission (Hartnett, 2000). Federal Ministry of education also informs that the trend of funds disbursements to Federal Universities is as shown in the Table below:

**Table 1:** Federal Government Recurrent Expenditure

Year	Total Recurrent Expenditure (N'Billion)	Allocation to the education sector (N'Billion)	Allocation to education as a % of total education expenditure
2000	461.60	57.96	12.56
2001	579.30	39.88	6.88
2002	696.80	80.53	11.56
2003	984.30	64.78	6.58
2004	1,110.64	76.53	6.89
2005	1,321.23	82.80	6.27
2006	1,390.10	119.02	8.56
2007	1,589.27	150.78	9.49
2008	2,117.30	163.98	7.74
2009	2,127.97	137.12	6.44
2010	3,109.44	170.80	5.49
2011	3,314.44	335.80	10.13
2012	3,325.16	348.40	10.48
2013	3,689.08	390.42	10.58
2014	2,530.34	311.12	12.30

Source: CBN Statistical Bulletin (2014)

**Figure 1:** Federal Government Recurrent Expenditure & Allocation to education sector.



Source: CBN Statistical Bulletin (2014)

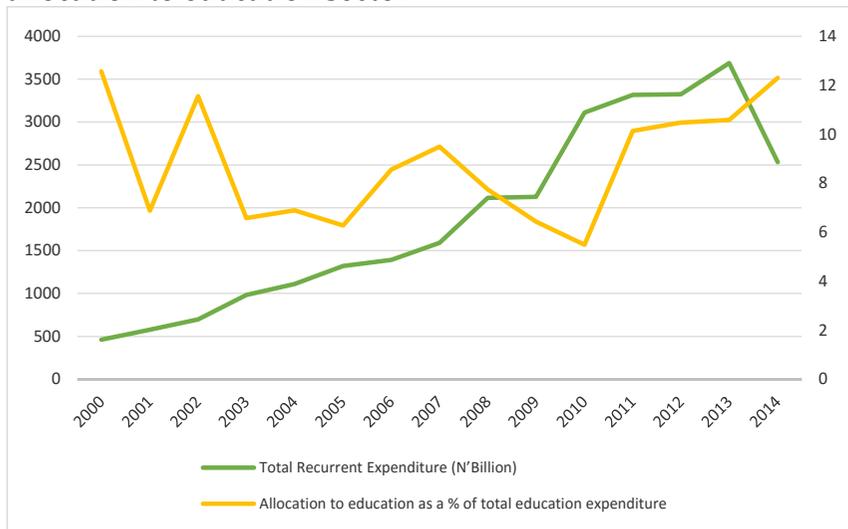
The behavior of total recurrent expenditure as shown above has been increasing quite steadily over the period under review with fluctuations that appear to be not so severe. The mean for recurrent expenditure is 1889.798bn while the standard deviation is 1089.046. The maximum and minimum values are 3689.08bn which was observed for 2013 and 461.6bn in 2000 respectively maintained over the study horizon. In 2004, total recurrent expenditure stood at 1,110.64bn and increased to 1321.23bn in 2005. The trend of increase continued from 1390.10 in 2006, 1589.27bn in 2007 and then 2117.30bn in 2008. In 2010, total recurrent expenditure stood at 3109.44bn and increased to 3314.44bn in 2011 and then to 3325.16bn in 2012. However, a decline was observed in 2013 as total recurrent expenditure declined to 2530.34bn. The relative

stable increase of recurrent expenditure for periods before 2013 is quite expected as it involves mainly the running cost for the economy. The fall in expenditure in 2014 may have been occasioned by the fall in crude oil prices which affected government revenue. The sharp fall in oil prices resulted in a 28.05 per cent drop in Nigeria's revenue.

The mean for allocations to education sector is 168.6613bn while the standard deviation is 118.555. The maximum and minimum values are 39.88bn and 390.42bn are maintained over the study horizon. The behaviour of education sector allocations appear to be characterized with more severe fluctuations compared to that of total recurrent expenditures. In 2000, allocation to the education sector was 57.96bn, it reduced to 39.88bn in 2001. In 2002, it increased 80.53bn and also declined to 64.78bn in 2003. In 2004, it increased 76.53bn and increased further to 82.80bn in 2005. In 2006, allocation to the education sector increased to 119.02bn and increased further to 150.78bn in 2007. In 2008, it increased 163.98bn but declined to 137.12bn. In 2009, allocation to the education sector increased to 119.02bn and increased further to 150.78bn in 2007. In 2008, it increased 163.98bn but declined to 137.12bn in 2009. From 2010-2013 allocation to the education sector has been on the increase moving from 170.80bn in 2010 to 390.42bn in 2013. However in 2014, allocation to the education sector declined to 3112bn and this may have been occasioned by the fall in crude oil prices which affected

government revenue. The sharp fall in oil prices resulted in a 28.05 per cent drop in Nigeria’s revenue.

Figure 2: Federal Government Recurrent Expenditure & % allocation to education sector



Source: CBN Statistical Bulletin (2014)

The behavior of total recurrent expenditure as shown above has been increasing quite steadily over the period under review with fluctuations that appear to be not so severe except for 2014 where a sharp decline occasioned by the fall in crude oil prices which affected government revenue. The sharp fall in oil prices resulted in a 28.05 per cent drop in Nigeria’s revenue. The mean for percentage allocation to education sector recurrent expenditure is 8.7% while the standard deviation is 2.369. The maximum and minimum values are maintained at

12.56% and 5.49% respectively over the study horizon. Despite the recommendation of UNESCO of 26% of national expenditure must be devoted to education, a closer look at Nigeria’s expenditure on education reveals that Nigerian government expenditure on education has not gone beyond 12%.. We can deduce that there is need to increase the amount allocated to education because qualitative education can only be attained through sufficient funding. It is imperative therefore for government to meet the UNESCO recommendation and increase the annual budgetary allowance to 26 per cent of the total federal budget (Famode, Omiyale & Adebola, 2015).

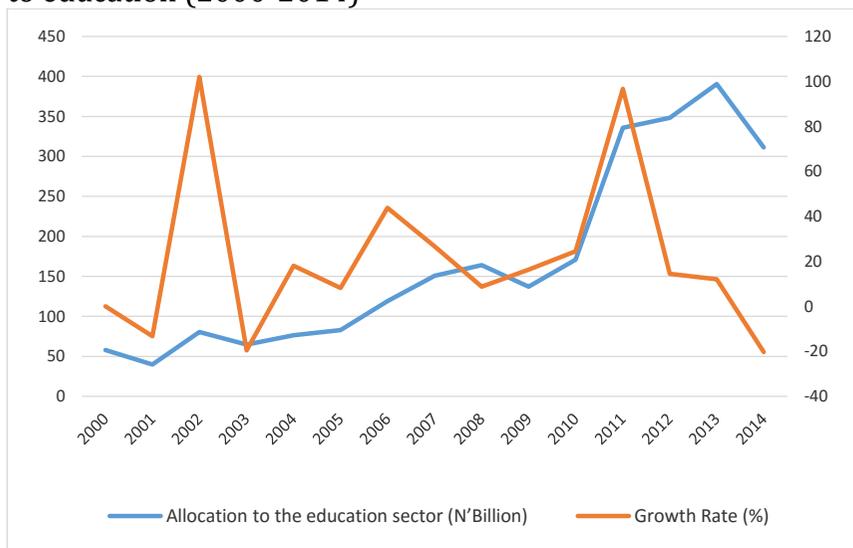
**Table 2:** Growth rate of Nigeria’s annual budgetary allocation to education (2000-2014)

Year	Allocation to the education sector (N’Billion)	Growth Rate (%)
2000	57.96	—
2001	39.88	-13.19
2002	80.53	101.93
2003	64.78	-19.56
2004	76.53	18.13
2005	82.80	8.19
2006	119.02	43.75
2007	150.78	26.69
2008	163.98	8.75
2009	137.12	16.36

2010	170.80	24.51
2011	335.80	96.66
2012	348.40	14.47
2013	390.42	12.06
2014	311.12	-20.31

Source: CBN Statistical Bulletin (2014)

Figure 3: Growth rate of Nigeria’s annual budgetary allocation to education (2000-2014)



Source: CBN Statistical Bulletin (2014)

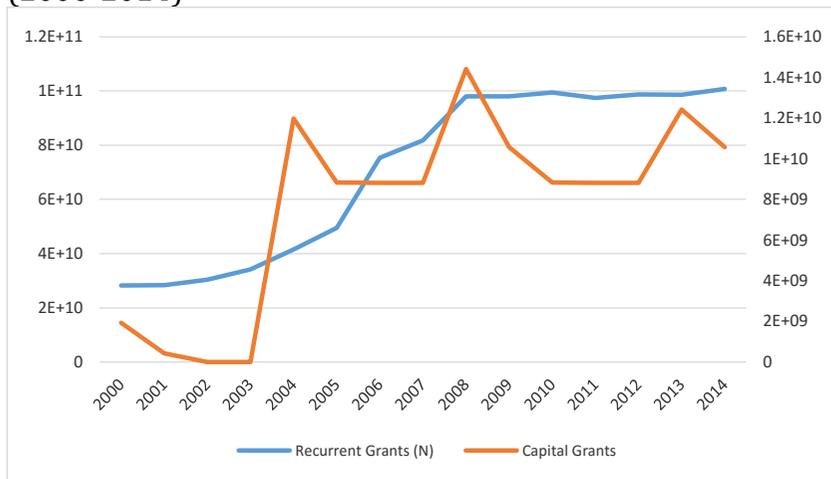
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The mean for growth rate of education expenditure has seen in figure 3 is 21.229% while the standard deviation is 36.118. The maximum and minimum values are 101% and -20.31% are maintained over the study horizon. In 2000, growth rate of education expenditure was negative at -13.19%. However in 2002, the growth rate increased to 101.93% which is the maximum for the period. In 2003, the growth rate

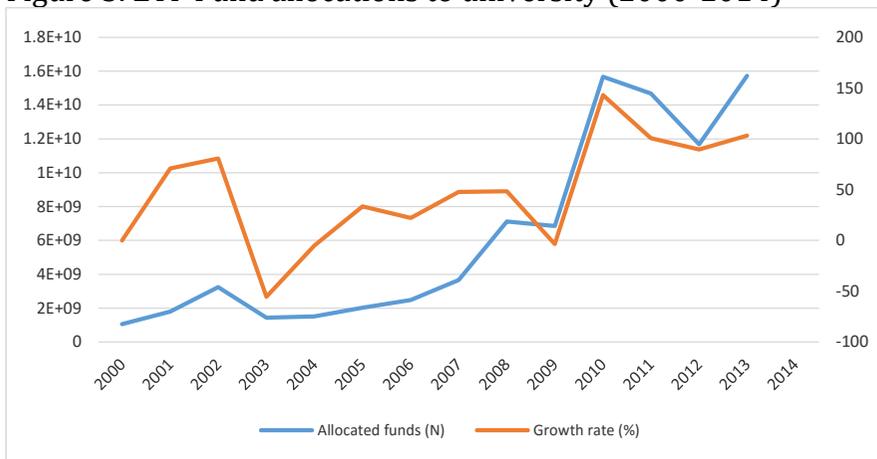
declined again to -19.56% which was reverted again in 2004 and attained a growth rate of 18.13%. In 2005, the growth rate was 8.19%, in 2006, the growth rate was 43.75%, in 2007, the growth rate was 26.69%, in 2008, the growth rate was 8.75%. In 2009, the growth rate was 16.36%, in 2010, the growth rate was 24.51%, in 2011, the growth rate was 96.66%, in 2012, the growth rate was 14.47% and this continued in 2013 with a growth rate of 12.06%. However in 2013, it reduced to -20.31%.

Figure 4. Funds disbursement to federal universities in Nigeria (2000-2014)



Source: CBN Statistical Bulletin (2014)

Figure 5. ETF Fund allocations to university (2000-2014)



Source: CBN Statistical Bulletin (2014)

From figure 4, in the year 2000, N28,206,218,865.91 was received as recurrent grants and N1,936,785,632.00 received as capital grants for the entirely 40 federally controlled Universities. As of 2009, N98,028,449,198.00 was received for recurrent grants and 10,571,861,732.00 for capital grants for the same 40 universities. Percentage increment in recurrent grants between the years 2000 and 2009 was 89.17% and for capital grants was 197.11% (Shina, 2012). The federal government introduced Educational Trust Fund (ETF) and later Tertiary Education Trust Fund (TETFund) as intervention to fund Nigerian higher education. The introduction of Educational Trust Fund (ETF) according to Agunbiade (2006) under the Education Tax Act No. 7 of 1993 and as amended by Act No. 40 of 1998 with the mandate and objective of funding educational project management to improve the quality of

education in Nigeria through a 2% education tax imposed on the profits of all registered companies and banks in Nigeria. There were great expectations with the ETF interventions but the misplacement of priority has wrapped its application to most institutions and has not achieved its aims. Figure 5 shows the trend in ETF funding and the growth rate. As can be seen, the behaviour of ETF is quite unstable with severe fluctuations over time.

## **5.0 CONCLUSION AND RECOMMENDATIONS**

An inquiry into the fiscal operations and developments of Nigeria revealed that federal government expenditure on education is categorized under the social and community services sector. The importance of education is reminiscent in its role as a means of understanding, controlling, altering and redesigning of human environment capital. This underscores the reason why the 'Asian Tigers' in the past three decades allocated between 25-35% of their annual budgets to their education sector. The Federal Government of Nigeria on a yearly basis often allocates funds to the various sectors of the economy for the overall development of the nation and one of such sector is the education sector. So far the budgetary allocation to education is not in any way encouraging. It falls far short of expectation in a country like Nigeria. The level of funding of education thus declined over the years. As stated in the National Policy on Education (Federal Republic of Nigeria,

2004), education is an expensive social service that requires adequate financial provision from all tiers of government for successful implementation of the educational programmes. The UNESCO's recommended 26% of the annual budgetary allocation to education sector is far from being implemented in Nigeria. From the analysis of data, it is evident that funding to the sector was being done in an inconsistent manner.

The study recommends that In the face of the declining financial resource allocation to the education sector, there is the need for alternative channels of funding which will ensure qualitative education and graduates from Nigerian education system. Government spending on education should be increased; since it can alleviate poverty as human capital formation improves the economy. Education financing reforms should be put in place to supplement public expenditure on education particularly when the expansion of the education system has created a big pressure on the Federal government budgetary allocation to Federal Universities.

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