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## Sources, Management, and Challenges of Funding Nigeria's Universities in a Volatile Economy and the Implications for Sustainable Development

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**SOURCES, MANAGEMENT, AND CHALLENGES OF  
FUNDING NIGERIA'S UNIVERSITIES IN A VOLATILE  
ECONOMY AND THE IMPLICATIONS FOR  
SUSTAINABLE DEVELOPMENT**

Keynote Lecture delivered by  
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At the Maiden Edition of Annual Bursary Lecture holden at  
Elizade University, Ilara Mokin, Ondo State, Nigeria.

**1. INTRODUCTION**

I consider it a honour to be invited to deliver the maiden edition of Annual Bursary Lecture to the highly resourceful finance administrators and exchequers collocating here today at Elizade University, Ilara-Mokin. Elizade University, Ilara-Mokin is a Federal Government-licensed private institution established by a patently transparent and selfless, successful man, Chief Michael Ade.Ojo, a lover of quality and functional education, who has emptied himself to help humanity.

I equally pay tribute to my colleagues, the immediate past Vice-Chancellor, Prof Olukayode Amund and the current Vice-Chancellor of Elizade University, Prof Olukayode Thadius Ijadunola, FWACP, MD, the Chief Host, and to the Bursar of the University, Mr. Olusegun S. Ajeigbe, FCA, MBA, ACTI the Host of this Conference.

Permit me to commence on a congratulatory note by recognising the efforts of the Vice-Chancellor, Prof Kayode

Ijadunola, and his formidable management team in aligning Elizade University for global excellence and significance.

Today, we are gathered to discuss funding and financing, which, to me, is the most pivotal aspect of Higher Education Institutions' (HEIs) governance framework. I am here, in particular, to add to the knowledge base of effective funding of higher education institutions and the implications for sustainable development.

The funding of Universities has always been a critical issue irrespective of the economic environment within which they operate. Consequently, Universities in the developed world, and to some extent, in developing countries including Nigeria, are typically finding ways of achieving financial self-sufficiency. The critical issues of equity of educational opportunities and demographic trends bring about many learners being admitted into Universities (despite not meeting the needs of university-bound students).

This calls for the continuous erection of structures/buildings to accommodate the learners for academic and living; recruitment and training of quality personnel; procurement of cutting-edge technology and equipment; and continuous improvement of instructional materials with adequate currency. All these and many more will require more funds to bankroll the critical needs (Akpan, 1995).

In like manner, the existing dispensation of a volatile economy with higher inflation rates, incessant increases in exchange rates, hikes in prices of goods and services, and insecurity have influenced and affected the cost of education.

## **2. WHAT IS FUNDING AND FINANCING?**

It is apposite for me to briefly define and draw a correlation between the terms funding and financing. Firstly, funding is the money provided as resources to finance a need, program, and/or project. It is typically money that a government or an organization provides for a particular purpose.

In this context, it is University Funding. This, however, is different from financing because funding must be readily available to serve as a source of repayment for financing. In the real sense of it, financing is an act of obtaining or furnishing money or capital for a purchase or enterprise.

### **2.1 University and Funding**

A University is typically an institution of higher education and research that awards academic degrees in several academic disciplines. The name “university” is derived from the Latin phrase “universitas magistrorum scholarium” which translates to “community of teachers and scholars”. In Nigeria universities are classified Public Universities (Federal and State) and Private Universities.

University funding is the adequate allocation of resources which effectively covers both current and future costs in the provision of university education knowledge. (Fabayo et al, 2017) It is a notorious fact that management is a judicious utilization of resources. These resources are human (human capital), infrastructures, machines, materials, methods, markets, and money (funds) by which the value for money must be realized.

To effectively manage and administer the University resources adequate funding is required. This makes the role of funding in a university to be pivotal for its well-being, strength and existence. The need to pay staff salaries and wages, procure requisite instructional materials, build and rehabilitate existing academic buildings and other structures, staff and student development programs, recurrent expenses, cutting-edge technology, and e-resources, among many others, require more, and more funds.

For the university to cater to all these needs more funds must be available within the reach of the University Administrators. The bottom line is that funding is critical to the smooth running of the University, its development, progress and sustainability. This will typically provide the needed carrying capacity for the accreditation approval of programmes in the University by the National Universities Commission (NUC), our regulator, and by the many professional accrediting Bodies. Relying on only one source of funding for the running of the affairs of the University will be catastrophic.

## **2.2 Sources of University Funding**

Knowing fully well that education is power and university education is significant to the wealth of the entire Nation, the university system must, therefore, be well-funded through robust funding sources. The sources of funding are categorized mainly in Primary and Secondary Sources.

### **2.2.1. Primary Sources of University Funding**

The primary sources of University funding are grouped into the Proprietor and Non-Proprietor Funding (AbdulRaheem, 2009). The Proprietor Funds are funds injected or released into the University (Public and Private) by either the Visitor to the

university in the case of Public and the Founder of the University in the case of Private Universities.

The Visitors to the Universities are the President and Governors for Federal Universities and State Universities, respectively.

The funds are in the form of government monthly subventions and grants from the Tertiary Education Trust Fund (TETFund). However, the private Universities are excluded from the TETFund.

On the other hand, the Non-Proprietor Funds are the internally generated revenues (IGR) from tuition and ancillary fees.

### **2.2.2 Secondary Sources of University Funding?**

1. **Endowment Funds:** Financial assets donated to the university, often with the stipulation that only the income generated can be spent, not the principal amount. This provides a long-term source of income.
2. **Alumni Donations:** Financial contributions made by alumni, which can be used for scholarships, building projects, research, or general operational costs.
3. **Research Grants from the Government, Donor Agencies, and NGOs:** Funds awarded by governmental bodies, private foundations, and NGOs to conduct specific research projects.
4. **Loan from a Financial Institution or Capital Market:** Borrowed money from banks or through the issuance of bonds in the capital markets, which must be repaid with interest.

5. **Parent Teachers Forum:** Contributions or funds raised through collaborative efforts between parents and teachers, often aimed at specific projects or improvements.
6. **Revenue Generating Ventures:** Income from university-owned businesses or services, such as bookstores, housing, food services, or intellectual property licensing.
7. **Collaboration/Partnership:** Financial or in-kind support resulting from partnerships with other educational institutions, corporations, or organizations.
8. **Award of Honorary Degrees to Deserving Philanthropists:** Recognizing philanthropists with honorary degrees in hopes of encouraging donations or fostering goodwill and support.
9. **Launching/Appeal Funds:** Specific fundraising campaigns targeting the general public, alumni, or other potential donors for particular projects or endowments.
10. **Engaging in Part-Time and Open Distance Learning Programs:** Offering educational programs that cater to part-time, non-traditional, or remote students, generating additional tuition revenue.
11. **Engaging in Remedial and Summer Programs:** Offering additional educational programs, like summer courses or remedial classes, to increase enrollment and revenue.
12. **Private Contributions from any University Member and or Stakeholders:** Donations or gifts from faculty, staff, students, or any stakeholders directly associated with the university.

## **2.3 Funding Strategies for Nigerian Universities**

### **2.3.1 Public Universities**

The legal framework for funding federal universities in Nigeria constitutionally requires the National Assembly, on recommendation by the executive arm, to make appropriation to all sectors including education. The Federal Law (LFN 2004, CAP N81, Sections 4(1)f and 4(8) empowered the National Universities Commission (NUC) to receive block grants from the Federal Government for the purpose of disbursements to Federal universities. Past Block Grant funding system has ensured that the Federal Government made Block grants to the universities through the National Universities Commission.

The block grants were structured into capital and recurrent components while the recurrent grants were further divided into Overhead and Personnel costs at ratio of 40:60 (Okojie, 2010).

Nigeria currently practices funding system by direct legislation for public universities. This ensures funding is made to individual universities through legislative appropriation by the National Assembly, upon recommendation of the NUC and consideration by Federal Ministry of Education, Federal Ministry of Finance, and National Planning Commission in a medium-term, three-year, needs-based budget planning process.



### 2.3.2 Private Universities

The Private universities are owned by individuals or corporate bodies, which in many cases are faith-based organizations. Private universities are wholly funded by the proprietors/promoters and as such they do not benefit from the NUC government grants (Idumange and Major, 2006).

### 2.4 Nigeria Higher Education Foundation 2014 (NHEF)

In 2004 the John and Catherine MacArthur Foundation encouraged a small group of US based patriotic Nigerian professionals to participate in the capacity building of Nigerian universities towards self-sustenance. Consequent upon the Nigeria Higher Education Foundation (NHEF) was established with seed funding from the MacArthur Foundation with its Board comprising successful and highly respected Nigerian-Americans.

The Nigeria Higher Education Foundation's initial effort was geared towards providing support to top five universities in Nigeria namely: Ahmadu Bello University, Bayero University, University of Ibadan, University of Nigeria Nsukka, and University of Port Harcourt.

NHEF US-based Board members play key strategic, intellectual and financial roles in supporting undertakings and have led initiatives to help raise funds. They have also contributed financially towards capital development projects and implementation of new programmes (NHEF, 2014).

The Foundation has made steady progress toward fulfilling its mission of promoting excellence in higher education and in assisting public universities in Nigeria to become self-

sustaining by raising public awareness and support for them (Faboyede et al, 2017).

### **3. MANAGEMENT OF UNIVERSITY FUNDING**

No matter the quantum of funds available to any University in Nigeria and across the frontier, wastage should be prevented. To achieve this, every university financial administrator and principal officer should provide a fiscal and monetary policy and other robust management framework for the judicious use of funds (in-flows and outflows). This policy must ensure accountability, transparency, probity, and performance evaluation.

Human Capital should be constantly reviewed and assessed for productivity, performance and efficiency. Periodical planning and forecasting analysis should be embraced to avoid high employee turnover and over-bloating.

Appropriate cutting-edge technology, campus-wide connectivity, and the use of Artificial Intelligence should be considered to ensure a manageable workforce and better turnaround time. Inventory and Asset Management Applications should be implemented to prevent undue theft.

Human capital should be encouraged to multitask to avoid duplication of roles, while quiet exiting of the system must be prevented.

In ABUAD, all financial collections are computerized thereby leaving no room for leakages or fraud. It also prevents any financial obligation default by the students. The budgetary provisions must be strictly adhered to.

## 4. CHALLENGES OF UNIVERSITY FUNDING

The cost of University education is fast increasing and a single source of funding cannot sustain it. Even the government budget for education is incredibly low at about 6.39 per cent of the total budget of the Federation Budget that stands at a staggering amount of 27 trillion Naira which, is far lesser than the recommended UNESCO minimum benchmark of 15 per cent. This is the more reason why the Joint Admissions and Matriculation Board (JAMB) lamented that spaces are not available in Nigeria's Universities to meet the needs of University-bound students.

For instance, the JAMB Registrar, Prof Is-haq Oloyede said that for just 78,000 available spaces for Medicine and Surgery across Nigeria's tertiary institutions, 400,000 candidates applied. This indicates that 19.5% of the Medicine and Health Sciences candidates who sat for the 2022 Unified Tertiary Matriculations Examination (UTME) can only be offered admission into various Medical training universities in the country if all are eligible. Assuming there is enough funding, the brilliant prospective candidates would have been offered admission to study in Nigeria's Universities. The paucity of funds will continue to destroy the education ecosystem if it is not critically looked into.

### 4.1. The Issue of Finance/Funding

It is a historical fact that in the early universities of medieval era, students collected fees and paid the salaries of their teachers. They also issued the working rules. If, for instance, a teacher was absent from class, he was punished by the imposition of a fine.

The funding of university is as crucial as the functions expected to be performed by the university. To this end, it is an open secret that there exist various sources and modes of funding universities.

Modern universities may be financed by a national or state government depending on the circumstances of the university in question. In some cases, the universities depend largely on tuition fees paid by their students.

#### **4.2. Over Dependence on Government**

Nigeria presents a typical case of over dependence on government for the provision of virtually everything. While recognizing that the government, at all tiers, is the largest employer of labour, this however, does not warrant that governments must be excessively depended upon.

Unlike what obtains in other parts of the world, until very recently, the government was responsible for the establishment of universities (federal and state). This probably explains why the main focus is directed at the government for the sustenance of our universities. Total dependence on government for the provision of everything has not; is not and will never be the solution. No wonder, virtually all our government owned universities, (and tertiary institutions generally), like other parastatals, are underfunded (Afe Babalola, 2021).

Aare Afe Babalola considers that “Time has come and Nigeria must face the reality of its economic and financial circumstances and do what others elsewhere do to propel their universities to institutions of national relevance, capable of fulfilling their national aspirations.”

## 5. TETFUND: INJUSTICE TO PRIVATE INSTITUTIONS?

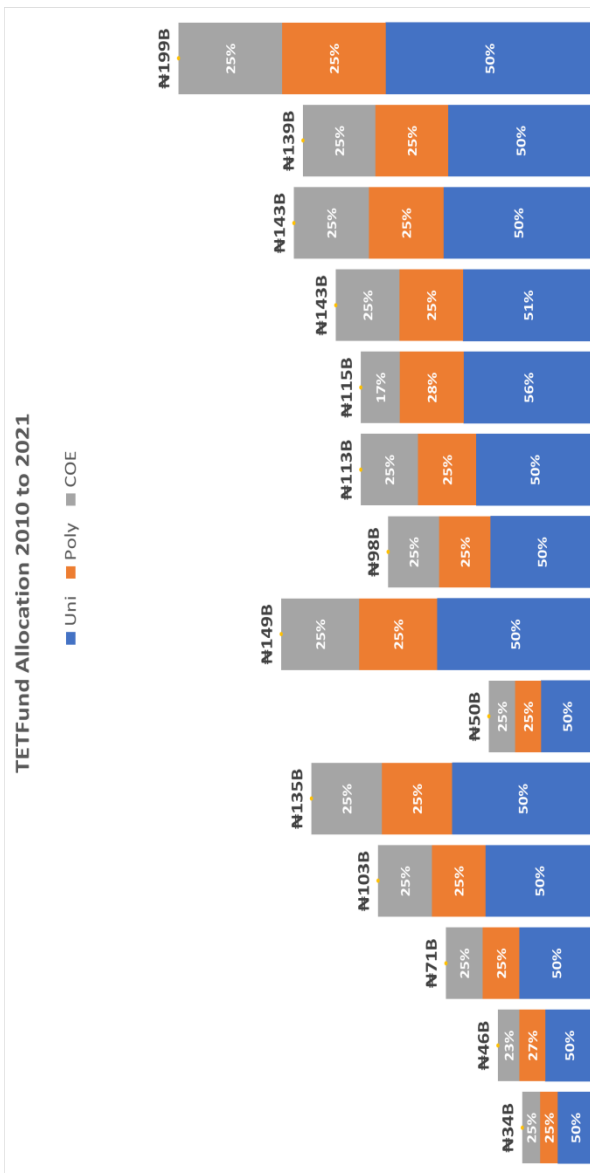
The high point is that the Tertiary Education Trust Fund (TETFund) whose establishment, according to section 3(1) of the Tertiary Education Trust Fund Act, 2011 is a financial intervention set up to rehabilitate, restore, and consolidate tertiary education in Nigeria. The funds are for the provision or maintenance of:

- essential physical infrastructure for teaching and learning,
- institutional material and equipment,
- research and publications,
- academic staff training and development, and
- any other critical and essential needs, for the improvement and maintenance of the standards in the higher educational institutions.

The Tertiary Education Trust Fund (TETFund) was established in Nigeria as a vital intervention mechanism to address critical funding needs for Higher Education. Financed by an education tax imposed on all registered companies in Nigeria (excluding those offering educational services)

Statistics from the annual TETFund report from 2010 to 2023 show a substantial increase in funding, with figures rising from NGN 34 billion in 2010 to NGN 199 billion in 2023.

The recent increase in the education tax from 2.5% to 3% is expected to further augment TETFund's resources. While there is a general rise in TETFund allocations, the proportions among public universities, polytechnics and colleges of education remain the same.



Source: Data extracted from TETFund Annual Report 2010 to 2023

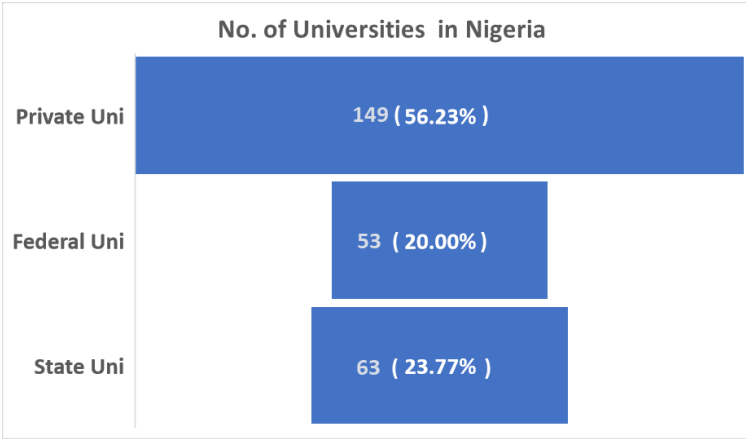
However, a glaring injustice exists within the Nigerian higher education landscape – through the exclusion of private institutions from TETFund's financial support. Despite being funded by taxes collected from both public and private companies, private universities, which play a crucial role in expanding access to tertiary quality education, are denied any benefits from TETFund.

## **5.2. The Case for Inclusion of Private Institutions in TETFund**

The continued exclusion of private universities from TETFund raises concerns about fairness, equity, and the optimal utilization of national resources. Here's why this policy warrants urgent revision:

**5.2.1. Equity and Fairness:** Denying private universities access to TETFund contradicts the principles of equity and fairness. Private companies contribute significantly to the education tax pool, yet their employees and the broader Nigerian society cannot benefit from their contributions when seeking quality higher education at private institutions. This creates a sense of injustice and undermines the spirit of collective responsibility in addressing educational challenges.

**5.2.2. Expanding Access and Quality:** Since the establishment of University of Ibadan, Nigeria's first university, in 1948, the numbers of universities have grown to two hundred and sixty-five by February 2024. Nigeria's university's sphere is made up of 53 Federal Universities, 63 State universities and 149 Private universities. This brings the total of all universities to 265 out of which 56% of Nigerian universities are privately owned.



**Source:** Data Extracted from NUC Website, 2024

Excluding private universities from TETFund support, limits their capacity to expand and improve infrastructure, research capabilities, and academic offerings. From these statistics private universities should also be apportioned shares from the TETFund as all graduates are prepared to serve the national economy. The current situation translates into reduced access to quality tertiary education for a significant portion of Nigerian students and hampers overall human capital development.

**5.2.3 Economic and Innovation Potential:** Private universities have the potential to contribute meaningfully to Nigeria's economic transformation and innovation agenda. Investing in their research and development capabilities through TETFund can catalyse breakthroughs and foster partnerships between academia and industry, leading to knowledge-driven economic growth.



#### **5.2.4. Relevance to socio-economic development:**

Distinguished Professor Okebukola (2017) using empirical data, states that “graduates from private universities arguably exert more positive influence on the Nigerian economy and socio-cultural life of the country than graduates from public universities. ...Supporting private universities with TETFund intervention will further strengthen the productivity of private universities, all in the march to make Nigeria a true giant of Africa in its human resource capabilities and socio-economic standing”

#### **5.3. Legal and Precedence Arguments**

The Executive Secretary of TETFund, Sonny Echono, has cited the TETFund Act (2011) as the reason for restricting support to public institutions. While this is true, the Act itself was formulated in a different era – well before the proliferation of private universities in Nigeria.

In university establishment, funding is a critical factor for both public and private institutions. This is so, because financing takes a center stage in the day-to-day administration of the university, be it public or private. As the funding of a university is capital intensive access to TETFund is pivotal for the sustainability of any university.

It's time for legislative review to align the TETFund Act with the current realities of the Nigerian tertiary education landscape. Precedence exists in other countries where private universities receive government support, such as Ghana, Kenya, and the United States. These nations have workable models for extending government funding to private institutions based on merit, performance indicators, and the pursuit of national educational goals.

#### **5.4. Call for amendment of TETFUND Act 2011**

The Act establishing TETFUND (Tertiary Education Trust Fund Act 2011) discriminates against private universities. This discrimination has been hinged on the premise that government has no business in rendering financial assistance in any form to private universities since the owners claimed to have the financial capability to offer quality university education when applying for licence. However, it is a known fact that TETFUND derives bulk of its revenue from the private sector of Nigeria's economy. Equity demands that private universities should also be served by TETFUND intervention (Okebukola, 2017). This exclusion of private universities from benefiting from TETFUND is not only inequitable, but discriminatory. Also, there are empirical data to show that graduates of private universities contribute more to the economy and sociocultural life of Nigeria than graduates from public universities. Examples can be drawn from Afe Babalola University, Covenant University, Babcock University, Bowen University, Pan-Atlantic University to mention just a few (Okebukola, 2017). It is therefore highly imperative that private universities should have access to TETFUND so as to further strengthen their productivity. It is on this note that this paper recommends amendment to the TETFUND Act of 2011, most especially Sections 3(1), 6(e), and 7(1).

For ease of reference, Section 3(1) states as follows:

“There is established the Tertiary Education Trust Fund is for the rehabilitation, restoration, and consolidation of tertiary education in Nigeria which shall be managed by the Board of Trustees in accordance to Section 4.”

Section 6(e) of the Act reads as follows:

“The Board shall ensure disbursement of funds to various public tertiary educational institutions in Nigeria.”

Section 7(1) provides as follows:

“The Board of Trustees shall administer the tax imposed and disburse the amounts to Federal and States Tertiary Institutions.”

Aside from the fact that Section 3(1) contradicts the provisions of Sections 6(e) and 7(1) of the Act, it is clear that Sections 6(e) and 7(1) are not only discriminatory but a breach of Section 18 of the 1999 Constitution to the extent that the exclusion of private institutions is illegal, unconstitutional, unfair, and unjustifiable as the intent of the makers of the law in the establishment of TETFUND is for tertiary education in Nigeria. It is on this note that this paper calls for an urgent amendment to the Act so as to enable only established and accredited private universities that satisfy the prescribed conditions to benefit from the fund.

## **6. THE WAY FORWARD**

The Distinguished legal luminary and founder of Afe Babalola University (ABUAD), Aare Afe Babalola SAN, has been a leading voice in calling for the amendment of the Act and inclusion of deserving private universities in TETFund’s funding scope.

It is time for all stakeholders – private university proprietors, policymakers, academics, and the broader public, to in the

words of Aare Afe Babalola, SAN, OFR – “join forces in advocating for an equitable and inclusive approach to tertiary education funding in Nigeria.”<sup>1</sup>

### **6.1. Autonomy**

Education is no doubt a social service. Certainly, there will be need for funds from the government. However, it is becoming clearer than ever before now, that government alone cannot possibly provide all that the university needs. Therefore, there is the need for university autonomy whereby, the universities will be able to formulate policies which have no impute of the government and look for alternative innovative means for funding.

It is eminently clear that we cannot forever continue to run away from the truth. If we are desirous of creating institutions in the true tradition of universities in developed countries of the world, we must be ready to make necessary sacrifices and adopt policies that will propel our institutions to being the centres of excellence, learning, innovation, technologically driven by the digital globalization that our universities ought to be.

Among the advantages derivable from granting autonomy to the universities are that:

- It is universal and traditional as universities all over the world now look for their own funds and exercise freedom in its spending;

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<sup>1</sup> Aare Afe Babalola, SAN (2021). University administration in Nigeria: The role of pro-chancellor and the governing council. Keynote address at the annual Committee of Pro Chancellors, University of Lagos, Nigeria. See also Aare Afe Babalola, SAN (2024, February 07). Survive or perish at your own expense: A continued discrimination against private universities in Nigeria. Vanguard Newspaper.

- Funds that otherwise would have been spent on the universities by government can better be used for the provision of other social amenities;
- Autonomy will minimize comparability-induced conflicts as university will employ staff based on need and remunerate them based on their productivity;
- Rewards and salaries will be based on innovative resources; and
- It is compatible with privatization which is now the global economic policy.<sup>2</sup>

## 7. CONCLUSION

Funding any University in Nigeria is humongous and cannot be borne by any individual, organization or even by the government alone. Universities should explore other sources of funding as highlighted in the discussion. Private Universities' Proprietors, Pro-Chancellors and Vice-Chancellors and all stakeholders should join Aare Afe Emmanuel Babalola, SAN, the Founder/Proprietor of Afe Babalola University Ado Ekiti, to appeal to the Federal Government to support Private Universities through the TETFund and Research Grants as it is done for Private Universities in developed Countries.

Universities are called upon to develop in-built mechanisms that shall sustain them, such as innovative modes for raising funds, attracting grants and donations. There is need for

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<sup>2</sup> Ibid.

government-run institutions and private universities to be also business-oriented. IGR is inevitable as long as the government and other university proprietors fail to provide adequate funding for the universities' operating and capital needs.

Parents, guardians, the society in general, the private sector and nongovernmental agencies must be involved in financing education in the country.

A robust higher education system, where both public and private institutions thrive, calls for equitable treatment in access to funding. Private universities are not competitors to public ones; rather, they complement government efforts in providing more quality education opportunities for young Nigerians. Denying them access to TETFund weakens the overall higher education system.

It's time for Nigeria to embrace a truly inclusive TETFund. Inclusion will promote healthy competition, enhance educational standards, and unleash the latent potential of the Nigerian academic landscape – ultimately benefiting the entire nation and its global competitiveness. Thank you for listening.

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