

Financing Options for Education in Ekiti State

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I. Introduction

Investigations into the determinants of economic growth across countries and over time have shown unambiguously that investment in education permits rapid economic growth and improvements in productivity.

Investment in education has been found to be a dependable tool for economic, social and political engineering. In the field of economics, seminal works on growth accounting (Barro,1991), Ojo and Oshikoya (1995), Berthelemy and Varoudakis (1996), to mention a few), all found that education broadly defined, exerts positive influence on the rate of economic growth. Primary and secondary education in particular, is known to exert strong and positive influence on the rate and pattern of growth.

In its study of the growth performance of Asian countries titled *The Asian Miracle*, (1993), the World Bank found that growth in investment, human capital, population growth and relative income were the chief determinants of growth. But breaking human capital into its various components—primary school enrolment, secondary school enrolment and overall educational attainment—the Bank found that primary education was by far the largest single contributor to predicted growth rates (World Bank, P. 52).

The study concluded that education is the main theme of the story of the differences between Sub-Saharan Africa and the East Asian high performers (World Bank, p.54). In their own study of Chinese Taipei,

Berthelemy and Varoudakis found that overall, well-targeted education policy accounted for 9 per cent of the growth and 23 percent of productivity improvements posted from 1951 and 1991. Ojo and Oshikoya found similar evidence in a cross-section study of selected African countries. Thus the case for education as a mover of growth and improvements in productivity cannot be overstated.

In terms of social engineering, education has been found to be a major instrument for social mobility by reducing inequality in societies through its capacity to level the playing field for all players (citizens) in a country. By inculcating the ability to read and write in more and more people over time, education has the potential for widening their horizons and thereby empowering them to be able to make more rational and informed choices in political and other matters affecting them. For example, an educated citizenry would be in a better position to make informed choices concerning political, economic and social issues and also be in a position to contribute more meaningfully to national discourses.

II. Education as a Public Good

Education belongs to that class of goods called public goods. A distinguishing characteristic of a public good is that it is non-rival and non-excludable. By non-rivalry is meant that the consumption of the good by one individual does not reduce the availability of the good for consumption by others.

On the other hand non-excludability means that no one can effectively be excluded from the consumption of that good. But excludability cannot be absolute because by levying school fees for example, certain consumers can be excluded from the benefits of education. This explains why

education is often referred to as a non-pure public good because it does not strictly speaking meet the criterion of non-excludability.

If left to the free interplay of market forces, the joint criteria of non-rivalness and excludability can cause problems for the production of public goods. Such problems come in the form of market failures whereby the competitive market may not be able to produce the goods in required quantities and in the right quality. The presence of market failures therefore represents the major rationale for government intervention in the production of such goods (Ojo and Ogunpola, 1975). Thus for a government that embraces the economic, political and social benefits of education, the provision of education cannot be left strictly to whims and caprices of the market as its production may not be in the amount and quality that a government desires for the development of its political space.

The provision of private good (for example a shirt) does not raise a pricing problem for the shirt manufacturer. The manufacturer knows that for him to stay in business, he must cover cost. In other words, he must ensure that his marginal cost of production is equal to his marginal revenue and that both are equal to the price of the shirt. But this is not so with respect to public goods.

Education among other public goods has certain characteristics that make its pricing particularly difficult. Education confers benefits on the society that provides it as well as on the individual who benefits from it. The public policy dilemma is how to share the costs and benefits of education between the government that takes it upon itself to provide it as a public policy choice and the beneficiaries of education given that government resources have alternative uses.

The ideal economic pricing arrangement would require a government to strike a delicate balance between the costs to the government and the benefits to be derived there-from and the benefits to the individual and the cost of education to that individual. Theoretically sound as it may be, this solution abstracts from political and equity considerations and may therefore not be ideal. While the pricing regime predicted by economic theory may be unattainable, public policy can still generate what one can call second-best solutions, which are capable of striking a delicate balance between political imperatives, economic efficiency and social justice.

III. Financing Education in Western Nigeria: a historical perspective

In January 1955, the Government of the old Western Nigeria started the implementation of its Free Universal Primary Education. It was a watershed in the annals of Nigeria as it opened up free education to about 391,859 children for the first time (Adesola, p.54). The foresight of the political leadership of the time predated international thinking on the subject as contained in the Education for All programme of 1990 and the United Nations Declaration on the Rights of the Child (to education among other things). It also predated the growth accounting research findings mentioned above. The programme not only underscored the abiding faith of the political class of the time in the youth of the region, it is also to the credit of the quality of that leadership.

Under the Free Education scheme, the payment of school fees came to an end in the Western part of Nigeria. The scheme which was financed largely from government budget, consumed a whopping 66 per cent of that budget (Adesola, p.68). Since its initial introduction the scheme has undergone several changes, including its emphasis and focus. It has even taken ideological overtones with the far left insisting it must be free at all

levels . The changing nature of the concept has also brought to the fore, the financial implications of such a desirable scheme. A notable change came in 1976 when the Federal Government instituted the Universal Primary Education as a tuition-free programme throughout Nigeria.

Another change occurred in 1979 when the five states created out of the old Western Nigeria opted for free education at all levels as one of their five cardinal programmes of development. The extension of the scheme beyond the initial goal of primary education was to make a huge dent in government finances. If during its first phase the scheme consumed about 66 per cent of government budget when its coverage was only primary education, one can only guess what its budgetary impact would be when it is extended to all levels of education. It is no wonder that the quality of students, teaching and infrastructure declined correspondingly in the face of ever-expanding demand for education.

As we have argued elsewhere, "the extrapolation of education beyond the primary level, raises serious economic questions, including the long-term sustainability of the entire educational system. Beyond those levels (at which free education is proven instrument of economic and social engineering), the existence of private and social benefits as well as private costs and social costs in education raise their heads in the determination of public policy towards education.

The social costs are the costs of financing education, where the benefits include among others, the availability of more and better-trained manpower.

The private costs are the potential costs to the individual if the government had not provided free education. For individuals, the rewards to education are clear: those with higher qualification earn on average far more over a lifetime than the less qualified. The coexistence of both

private and social benefits on the one hand, and private and social costs on the other, poses a policy dilemma as to how to reconcile, at the margin, those costs and benefits in the face of alternative uses of government resources .

It is an accepted fact that the cost of education increases as one moves up the education ladder from primary to higher institutions. Given this attribute, it means that the government cannot for ever fund education exclusively without generating a corresponding deterioration in the standards of education. The currently observed collapse in educational standards in the country is traceable in part to the poor funding of the system as it relies almost exclusively on the government” (Ojo, 2010).

IV. Financing Options for Education in Ekiti State

Mobilising Revenue for Education

The capacity of a government which has (for some of the reasons mentioned above) opted for free education at all levels, obviously depends on the magnitude of resources it can generate and on the alternative use of those resources. In the 1950s free primary education gulped a massive 66 per cent of the budget annually leaving competing demands for resources to suffer. In those days those competing demands were not as much as they are today.

The success of that programme as noted by Tinubu (2010, p.25) was due to the nature of the Constitution of the time which permitted true fiscal federalism. Under this Constitution the principle of derivation permitted each region to tailor its expenditure to its locally derived revenue. But successive military governments have replaced true federalism with more or less a central system of government whereby states are made highly dependent on the federal government for monthly financial allocation. With the notable exception of Lagos State, virtually no state of the

federation can boast of a sustainable programme of internally generated revenue.

Since one cannot eat one's cake and still have it, a government cannot afford to allocate a disproportionately large share of its budget to education without neglecting other development sectors. In Ekiti State, the competing demands for resources are first, the imperatives of transforming subsistence agriculture into a modern agricultural economy, and then using that sector as basis for the industrialization of the State.

Other competing demands include the development of modern infrastructure (as basis for development) and poverty reduction initiatives like health and sanitation. In order to be able to finance education and still be able to meet these other development objectives, the government must embark on a sustained programme of generating internal revenue along with a judicious allocation of the mobilised resources to all sectors of the economy.

In addition to the regular allocation from the Federation Account, other possible sources of internal revenue include:

- An education tax on all companies registered and operating within the state. A task force on internally-generated revenue would be able to suggest the modalities and the tax rate to be imposed.
- Other sources of revenue (e.g. levies and fines, etc) can also be proposed.
- Within the framework of public-private partnership—PPP--(which the government is advised to establish), the private sector ought to be encouraged to assume an increasing role in the funding of education. PPP can play a role in the award of scholarships, bursary, grants and loans. The availability of these schemes would reduce the financing pressure on the government budget. The private sector can also be encouraged to make donations to a State Endowment

Fund for Education.

- A State Lottery Programme can be instituted and the resources generated thereby earmarked specifically for education. It will be remembered that this was one of the major sources of revenue for the old Government of Western Nigeria in its attempt to finance the first free primary education.
- Local government authorities also have a role to play. It is on record that in the 1950s, when local government resources were meagre some local governments were able to award scholarships and bursaries to deserving students in their localities. But their financial situation has since improved significantly thanks to the formal entrenchment of local governments into the Constitution. The formalisation provides for direct allocation from the Federal government to local government councils throughout Nigeria. In 2009 and 2010 the net allocation from the Joint State Local Government Account (of the Federal Government) to local government councils in Ekiti state was a combined total amount of N17,951,090,882.88 and N22,594,651,764.83 respectively from the Federal Government. In 2010, they spent a combined amount of N6,599,893,187.77 (about 29 per cent of total allocation) on primary school teachers' salaries . This was their only contribution to education. We believe they can do more. In addition to the payment of teachers' salaries, they should be encouraged to provide scholarships and bursaries to deserving students from their local governments.

Disbursing Revenue for Education

Having mobilised resources for education, the next question is how to deploy or allocate those resources to the different tiers of education for maximum impact. Such a deployment must take account of the realities on the ground—competing demands for limited resources, political, economic and social considerations and the imperatives of equity. In proposing an allocation scheme, we need some guiding and incontrovertible principles as basis for any proposal.

Some Guiding Principles

As a guide as to how we arrive at our proposals, we provide below some facts which on account of theory and real life observations can be expected to hold true for most of the time.

- Education (particularly primary education) is desirable on economic, political, social and equity grounds. Since the poor may not readily have access to a fee-paying educational system, some form of government intervention is equally desirable in order to widen the educational opportunities for the children of the poor.

- As it is generally well known, any programme of free education represents a subsidy from the government budget to the public, both rich and poor. But the net value of the subsidy is far higher for people who possess the ability to pay than those who do not. Thus free education without some discriminatory measures is likely to worsen income inequality rather than reduce it.

Economically this may turn out to be an inefficient use of public funds. Thus the government should not inadvertently be worsening income inequality in the society in its attempt to assist the poor. This calls for a programme that is capable of discriminating between various income classes in a society.

- A programme of free education is likely to lead to declines in the quality of education as the full complement of staff and teaching materials cannot be provided because of limited resources. This has been the experience throughout Nigeria since the last two or three decades. The country now produces graduates that are not employable by universities which cannot hold their own in the intellectual world.

- It is an axiom that anything one does not pay for is not valued as much as it should. The free nature of education in our institutions partly explains the unseriousness of our youths with respect to their education. They no longer mind if they repeat the same class two or three times over. It also explains the presence of ‘‘professional’’ students in our universities. These are students who remain in the university for upwards of six to seven years for a normal four year programme. They have as a result become one of the major sources of

social unrest in our institutions.

- As educational standards decline, more affluent parents in the society are likely to opt to send their children to private and more expensive schools because they possess the ability to pay. Unwittingly a free education at all levels may be creating double (or multiple) standards in education. Thus rather than assist the poor, free education may be harming the employment opportunities of their children (because of poor training) in an increasingly competitive and flexible labour market.
- Education benefits not only the educated individual but also the society at large. Consequently there must be a mechanism for forging a partnership between the private sector, the parents and the government in the spirit of public-private partnership for the funding of education.

I. Some Proposals for Financing Education in Ekiti State

Given the policy problem in educational financing, we believe there can be no set of proposals that are uniformly applicable across the broad spectrum of educational institutions. In other words any proposal must be tailor-made to the level of education after taken into account its peculiarities and considerations of economic efficiency, equity and social justice.

Primary School Education

The case for free education is strongest at this level. This is where all the attributes of education—contribution to growth, equity, economic efficiency, etc,—converge. It should therefore not be difficult to propose that education should be completely free at this level. If feasible, the government should also be able to provide basic books for the pupils at this level.

Secondary School Education

At this level pupils should be made to pay something towards the cost of their education. The fee does not have to be high (and therefore prohibitive), but it should be able to cover a certain percentage of their tuition. The pupils

should also bear the cost of boarding and books. Happily most communities own secondary school these days with the result that the pupils can always live with their parents.

At this level also local government councils could come in with targeted programmes of assistance in the form of scholarships to deserving pupils—pupils whose parents are adjudged poor by the councils. Each council will have to set up the criteria by which poverty is to be assessed. Needless to say that the selection process must be removed from political influence otherwise the purpose would be defeated.

Post Secondary Education

These include polytechnics, Technical and Vocational Education, Colleges of education, etc. At this level, pupils ought to pay a significantly higher proportion of their education by way of fees. They should also be responsible for their books, boarding and other facilities.

University Education

It is at this level that the cost of education is at its highest. It is also at this level that the state needs to tap into all sources of revenue—scholarships for brilliant students, well articulated programme of student loans that are tied to future employment, and direct support by the government to each university. Ideally, fees should be charged but that should be left to each university. The responsibility of the state government should be restricted to the provision of financial allocation to each university. Each university should, on the basis of its priorities, decide how much to charge by way of tuition and boarding. Such a fee must reflect a built-in subsidy to reflect the political philosophy of the government. It is then the responsibility of each student to meet his/her financial obligation to his/her university either through parental support, scholarships or loans.

The administration of scholarships raises a host of problems and they revolve around the issue of selection of brilliant students. We believe this process should be removed from the realms of politics by ensuring that the

Scholarship Board is composed of respected independent intellectuals from the academia. This is the only way to ensure the integrity of the system.

Our proposal is that the government should initially decide, on the basis of available resources and competing demands for them, how much to allocate to each university for recurrent expenditures. In turn each university should draw up its list of priorities and allocate resources to them correspondingly. This would require each university to decide its staffing requirements, the cost of tuition and boarding, etc. in line with a given budget from the government. This makes each university responsible for the efficient use of government subvention and removes the government from the politics of university fees.

VI. Conclusions

We have argued in this paper that education has a critical role to play in the economic, social and political development of a nation. The influence of primary education is particularly robust in the aforementioned areas. Partly because of its influence and partly because of its nature as a public good, the provision of education cannot be left entirely to market forces to determine its quantity and quality.

The intervention of the government in education raises the question of how to share the cost of education among its beneficiaries—the individual and the public--given that it benefits not only the individual but the society at large. Market prices cannot be relied upon to provide education efficiently and as such the government ought to provide some subsidy. The size of that subsidy would depend on the ability of the government to raise the required revenue and its ability to deploy the resources judiciously among competing demands, including education. It is recommended that a task force on internally generated revenue be set up to explore sources of revenue for the government with which to finance education and other development initiatives.

Meanwhile some sources of revenue were identified. These include education tax on all companies registered in the State; a State Lottery scheme; enhanced role for Local Government Councils in the financing of education; and the

possibility of building an enduring partnership with the private sector for the same purpose. The contribution of the private sector can take the forms of donations to an Education Endowment Fund and the funding of special programmes in the universities.

Finally some proposals were made for the deployment of resources to all tiers of education in the State. These proposals were anchored on some stylised facts or principles underpinning educational financing.

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