MODULE 4 FINANCING EDUCATION IN NIGERIA

UNIT 1 OVERVIEW OF FINANCING EDUCATION IN NIGERIA

CONTENTS

1.0 INTRODUCTION

The quality and quantity of education provided to citizens of a nation depends largely on the extent of availability and management of financial resources. Education is a capital intensive project. It therefore, requires a lot of financial resources for the payment of personnel salaries and allowances, for the building of physical facilities, purchase of required equipment and materials. Educational financing is used as an instrument for the analysis of the financial aspects of education (diagnostic function) and as an instrument for predicting the trend an educational system is charting (prognostic function). In this unit we will discuss education finance, the funding of primary education in historical perspective and who actually funds education in Nigeria.

2.0 OBJECTIVES

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

- define education finance;
- explain the various phases in the evolution and funding of primary education in Nigeria; and
- discuss the various types of educational costs.

3.0 MAIN CONTENT

3.1 What is Education Financing?

Financing is a process by which the government provides and manages necessary resources for satisfying the needs of the people. Education finance concerns the finance of education as a public enterprise (Adamu 2007). It has been observed that education is not entirely public good provided by public schools. In other words, educational financing should also involve both private education and non-formal education. Most of the problems in Nigeria emanate from inadequate funding of education. In financing, it is necessary to note that acquisition and allocation of resources are of paramount importance. Adamu (2007), citing Benson noted that educational financing in a country is said to be properly established when the level of provision of educational services is adequate, when educational resources are efficiently and timely distributed, and when the distribution of educational resources is equitable.

On the other hand, Okunamiri (2002) defined education financing as a branch of knowledge dealing with important examination of cost versus expenditure in the provision of educational services. He went further to state that the actual cost of an activity is not merely the money spent on it but the alternative opportunities that have to be foregone or sacrificed when a given choice is made. According to him, education financing is a process by which tax revenues and other resources are obtained for the establishment and operation of educational services. It also includes the process by which financial resources are allocated to institutions in various geographical areas.
From the above two definition, we can infer that:

a. education finance concerns financing education as a public enterprise.
b. there are criteria to be met before educational finance is said to be properly established.
c. education finance is a process by which tax revenue and other resources are obtained for the establishment and operation of educational institution.
d. education finance is a process by which financial resources are allocated to institutions in various geographical areas.

Two things are striking in these definitions. First, funds and resources must be available for the operation of educational services. Second, individuals must pay tax so that the government can obtain resources for the implementation of educational policies and programmes.

SELF ASSESSMENT EXERCISE I

What is education financing?

3.2 Historical Perspective on the Funding of Primary Education in Nigeria

Historically, the funding of education in Nigeria has been accomplished through school fees, grants-in-aid from different governments and levies by cultural organisations and other types of voluntary contribution from both parents and guardians. Bozimo and Sanda (2007) noted that the missionaries in the mid 19th Century laid emphasis on primary education as a means for enhancing evangelism in the country. According to them, teachers then were made to believe that *their reward was in heaven* and were simply living on charity and the free will offerings and gifts from the host community and the mission. They further noted that even though teacher had no *good income* then, they had prestige and honour.

Isma'il (2001:75-87) noted that educational financing has not been uniform in practice from state to state and local government to local government. This trend, according to him is rooted in the manner by which education was introduced, embraced and managed. While western education was embraced with enthusiasm in the south, it was received with apathy in the north because of cultural, religious and geographical reasons.

It was reported that in the north, primary education was societal and managed by Native Authority. According to Isma'il, in the south, primary education was introduced and financed by three major missions:

a. The Sudan Interior Mission;
b. The Church Missionary Society and
c. The Roman Catholic Mission.

The unhealthy competition among these missions led to poor quality of infrastructure necessary for qualitative education. However, the then government grudgingly made meager subventions in a bid to improve quality in education. This government intervention led to a sort of dual control and funding of education. It also resulted in some sort of quality control in the educational system.

We shall now discuss the evolution and funding of primary education in Nigeria under three phrases as reported by Isma'il (2001).

Phase I 1842-1954: During this period, the three missions established, funded and managed schools based on the pattern of their home governments. Funds for the running of the schools were provided by wealthy merchants from Britain and from Sunday school collections. By 1877, the impact of the government was felt financially on the educational scene. With the emergence of 1903 Education Ordinance and its subsequent amendment in 1905, the pattern of funding schools was clearly spelt out. This ordinance empowered the Commissioner to control and provide financial assistance to schools. Consequently, they were categorised under three headings

Government School: The government-owned schools were few and adequately funded through public funds. At the beginning, local communities were not required to pay, but later, fees were introduced though very low.

Assisted Schools: These were schools established by the Missions and other Voluntary agencies. They were classified under *payment by results.* They were grant-aided on the basis of their performance during inspection, in terms of discipline, cleaniness, tone of the school and quality of teachers and teaching. Pupils in this school equally paid fees except for those exempted for socio-economic reasons.

Non-Assisted Schools: Schools under this category were established by and maintained by some Christian Missions, private bodies or individuals. They were not subjected to any rules or regulations. Fees charged in these schools were higher compared with those under the first two categories.

In the north, the funding of primary education also followed three patterns.

a. The Government-owned Native Authority schools which were maintained by native authorities.
b. Mission schools: These schools received no grants initially but were later grant-aided.
c. Muslim schools which never received any grant.

It is important to note that the amalgamation of Northern and Southern Nigeria in 1914 did not bring about uniformity in the funding of primary education in Nigeria. Under the 1947 constitution, the financing of education became more central than before.

In 1894, Sydney Phillipson was appointed to review the grants-in-aid for the country. His review covered very wide and comprehensive grants-in-aid system as it affects teachers' salaries, head teacher's allowances, administrative expenses, salaries of supervisors and other expenses of school. Schools which attained exceptional standard in efficiency, teaching, discipline and tone received special grants. From 1950 onwards, the region gained greater autonomy and they took over the responsibility of financing education. They were, however, subjected to an overall central thorough inspection to ensure standards as well as proper management of funds. This phase ushered in the first phase of Universal Primary Education (UPE) in both western and eastern regions.

Phase 2: *The Introduction of Regional Schools*

As a result of autonomy granted to the regions, the western region introduced U.P.E. in its educational system in January 1955. Though Voluntary Agencies and Government schools still continued with educational expansion, the Government continued with provision of financial grants which covered pupils registered, construction work and expansion of school buildings. This does not however mean government take-over of schools. In the eastern region, the U.P.E. was introduced in 1957 but collapsed after two years. We have in the earlier unit treated the introduction of U.P.E. in these regions.

In the north, the expansion of education along UPE line was very slow and more methodical. This was because, by then they did not see the benefit of such education because of their religious inclination. However, the Oldman report on education in the north resulted in the Northern Nigerian Education Law of 1962 which established the Local Education Authority with the following functions.

a. Bearing the financial responsibility of the primary schools in respect of money collection and disbursement.
b. Establishing an official local administration responsible for ensuring minimum standards for buildings, staffing and equipment in schools.

By 1970, the government took over the running of schools nation-wide. This, therefore, means that the government is now responsible for full management and financing of schools in terms of recurrent and capital expenditure. This take-over resulted to over-stretching resources thereby leading to poor management. The much talked-about fall in the standards of education today, the lack of discipline and morality in our schools has been attributed to Government take-over of schools.

Phase 3: *The Introduction of the Federal Government UPE in 1976*

The Third National Development Plan (1975-1980) made education the most priority. This led to the introduction of U.P.E. in 1976. A total of 300 million naira was allocated as capital expenditure for 250,995 additional classrooms for all states during the plan period, in addition to 6,699 classrooms for teacher training and for primary school teachers. Initially, the federal government had the intention of financing the project alone, it later found out that it was not feasible. This led to the sharing of primary education funding between the federal, the state and local governments. While the federal and state governments always met their own financial obligations, local governments did not. It was reported that some local governments diverted educational funds to other sectors. This led to the non-employment of qualified teachers, lack of provision of equipment and modern teaching aids and textbooks that were either inadequate or unavailable. The inefficiency and ineffectiveness in running primary schools by both the state and local governments led to mass workers strike nation-wide owing to non-payment of teachers' salaries for up to six months in some states. The UPE programme was meant to be *free* and *compulsory* from 1979, but such slogan has since been dropped due to unprecedented student enrolment and the enormous financial involvement. The problems raised by UPE, notwithstanding, the programme was expected to reduce the high rate of illiteracy and provide equal educational opportunities for all Nigerians. It was also expected to bridge the educational gap between the various parts of the country.

The Current Funding Pattern of Primary Education

In 1993, the Primary Education Edict No. 31 of 1988 was amended and renamed National Primary Education Commission (NPEC) Decree No. 96. The NPEC is charged with the responsibility of receiving from the Federal Government funds meant for primary education and allocating the funds to the Primary Education Board of each state and any agency responsible for the Federal Government sponsored Special Primary Education Project in accordance with the formula presented in Decree 96 of 1993.

At the state level, the State Primary Education Board (SPEB) is responsible for the disbursement of fund provided to it from the Federal (National Fund) and State Governments (State Fund).

At the local government level, the Local Government Education Authority (LGEA) utilises the money received from the SPEB to pay salaries and personnel emolument of school staff, acquire and distribute materials and equipment to all primary schools in its area of jurisdiction, maintain school buildings and other infrastructures and use the funds to run the schools. In a nutshell, the money for funding primary education comes from the federation account. It is important to mention here that NPEC has been replaced by the Universal Basic Education Commission (UBEC) at the federal level and by State Universal Basic Education Commission (SUBEC) at state level. We shall discuss this commission later in our subsequent lectures.

SELF ASSESSMENT EXERCISE II

Discuss briefly the three phases of primary education funding in Nigeria.

3.3 Basic Concepts in Educational Cost

Writing on educational cost, Ayeni (2003) citing Babalola argued that cost of education is what we give up in order to educate people in schools. Consequently, cost is a sacrifice that is incurred in doing something. This sacrifice could be monetary, tangible or psychic.

Educational Cost: Ayeni noted that educational cost is the sacrifice or denial incurred by individuals, nations, states and even institutions of learning in educating or producing a person or persons. Different agencies utilise indicators of educational cost in arriving at decisions related to diagnostic use i.e. analysis of financial aspects of education and prognostic or evaluative use i.e. projection of the trend of the educational system.

According to Ayeni, there are two major levels of analysis – (a) Detailed analysis and (b) Overall analysis.

(a) **Detailed Analysis Type:** This identifies the differences that exist between the private expenditure on education (expenses by parents etc) and public expenditure on education (expenses by government(s). This detailed analysis responds to the questions on what the unit cost of education is, level by level, the purpose for incurring such costs and what nature are such incurred expenses?

(b) **Overall Analysis Type:** This guarantees that necessary information about how the provided educational monetary resources that will be utilised are made available. It takes into consideration the time trend of educational expenditure in line with the nation’s available population, Gross Domestic Product etc.

The following according to Ayeni constitute the various types of educational costs:

Accounting Costs: This is the direct financial expenses that are incurred on education. Invariably, it is the expenses that go into producing or educating an individual in the various school setting. This includes the financial costs of labour services, raw materials, costs of the laboratory equipment and machinery and so on.

Capital Costs of Education: These are the cost incurred on fixed items such as buildings, vehicles, equipment which usually have long life span of usage in the process of producing a student. On the long run, the cost on the capital or fixed items becomes variable.

Current or Recurrent Costs of Education: These are expenditures on goods and services that bring short-lived benefits in the process of educating the students. The current expenditures are the prices paid on the various educational inputs, such as teaching personnel, non-teaching personnel and materials in the process of educating an individual.

Private Costs of Education: These are the direct expenses incurred by individual(s), families in the process of getting somebody educated. It includes costs of books, uniforms, entertainment etc.

Institutional Costs of Education: These are costs that various institutions of learning incur as a result of fulfilling the objective of provision of educational services to the public. The institutional cost comprises both capital and recurrent costs. The capital cost is made up of costs of building, furniture and equipment, while recurrent costs consist of costs on salaries, scholarship and other consumables.

Social Cost of Education: This is defined as those borne by the public through the government. It is made up of the private and institutional costs excluding scholarships and tuition fees. In other words, social cost is made up of earnings foregone, expenditures on books, uniform, transport, furniture and equipment, buildings, salaries and other consumables.

Explicit Costs of Education: The explicit cost of education involves the actual payment to other educational transactors which is receipted. It often reflects in the statement of accounts.

Implicit Costs of Education: This cost is hidden and represent the value of the foregone opportunities. It does not involve any actual cash payment to other educational transactors, and therefore, does not reflect in the statement of accounts.

Opportunity Costs of Education: This is the alternative foregone, in order to acquire some levels of education. The opportunity cost of any educational level is the income that students have given up while undergoing their education. The opportunity cost of education has been described by various authors as being very important. Being very important, the opportunity cost does not need actual expenditure on education. Rather, it represents the real charges emanating from the operation of education systems that do not require actual expenditure.

Sunk Costs of Education: These are costs that are related to the determination of having a change in either the level or the nature of any educational activity. These costs are the expenditures that have been made in the past or that must be paid in the future, as part of contractual agreement. If one has paid or is having to pay a given contractual amount of money, it does not affect one's decision to change the level or nature of the said educational activity.

Incremental Costs of Education: These are the costs that are incurred in the process of effecting a change in the nature of a given activity. Incremental costs involve all various costs that are liable to change or vary; for instance variable costs, marginal costs etc. It does not include overhead costs that would not be affected by a particular change in decision.

Factor Costs: The factors of production in education are land, labour, capital and entrepreneur. These factors must be adequately present before any meaningful productive activities can occur. School structures must be erected while the labour consisting of both teaching and non-teaching personnel must equally be present in the school. Capital must be present so that the educational productivity activities will not be adversely affected. The entrepreneur is sometimes referred to as the organiser. He/She is expected to integrate and harness all other factors – land, labour, capital and ensure that they are put to their optimal use for the attainment of identified objectives of the organisations. There are prices paid for varied resource factors used for educational production. For the land, rent is paid on it, while for the labour comprising teaching and non-teaching staff, salaried and wages are paid. While interest is paid on capital and the entrepreneur, profit.

SELF ASSESSMENT EXERCISE III

State 10 types of educational costs you know.

4.0 CONCLUSION

We shall conclude this unit by stating that educational development in a particular country is the responsibility of the individual, society and the government because education is a capital intensive enterprise. Governments, parents and students sacrifice a lot for the purpose of education. In every country, education attracts high level of attention as a result of its position as a social service with direct economic impact. As a result of population explosion in the school system, the cost of financing education has been on the increase.

5.0 SUMMARY

In this lecture, you have learnt the meaning of education finance. Education finance was defined in various ways. We also discussed the funding of primary education stretching from colonial days to the present day. You also learnt about the basic concepts in educational cost. Also discussed in this unit were the various types of educational costs.

6.0 TUTOR-MARKED ASSIGNMENT

1. (a) Define education finance in your own words.
   (b) Explain the criteria that are required for the establishment of proper educational financing
2. Describe the various phases in the evolution and funding of primary education in Nigeria.
3. Discuss at least five types of educational costs.

7.0 REFERENCES/FURTHER READING

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UNIT 2 SCHOOL BUDGET

CONTENTS

1.0 INTRODUCTION

The demand for education has over the years increased tremendously. The problem in education enterprise in Nigeria is that decisions that affect educational programmes are always made in a haphazard manner. In most cases, accurate statistics are either not available or inadequate. Most of our educational projections are always faulty. These flaws have always resulted in the collapse of most of the educational policies in this country. It is axiomatic that rational decision-making system is very important for any purposeful, meaningful and comprehensive planning. This rational decision-making is hinged on adequate system of budgeting. It is important to mention that government educational budgets are the major administrative instruments through which public investments in education are translated into tangible achievements.

2.0 OBJECTIVES

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

- define school budget;
- state the relevance of educational budget in school administration;
- describe the framework of educational budget; and
- explain the budgetary process in education.

3.0 MAIN CONTENT

3.1.1 What is School Budget?

Various authors have defined school budget in different ways. Adesina (1990:142) defined school budget as a plan for financing a school system for a given period. He went further to state that budgetary procedures is used to describe the steps that the school administrators as well as school boards take in planning and administering the budget from the beginning to the end. According to him, the final product, the *budget document* is the entire paper which shows the details of both the school budget and the budgetary procedure.

Ozigi (1982) noted that budget simply means the anticipated total revenue and expenditure for each year based on the estimates of the income accruing to the institution or the organisation in question. In this case, the estimated expenditure is based on the anticipated revenue. However, the actual revenue may be more or less than the amount originally estimated. When this happens, it will certainly affect expenditure. This situation will necessitate a review of the budget in order to either increase or reduce the expenditure on different items.

Writing on budgeting, Ogbodo (2004) noted that school finance involves planning and budgeting about financial plans. He argued that a budget is a plan but all plans are not budgets. According to him, even a highly detailed plan about a project in the future is not a budget until how much money that will be committed to such a project is specified. A budget, in his opinion, is a special type of plan because it is concerned with money. It deals with how much government, school board or an individual school plans to spend and how the expenditure is to be financed. Budget deals with expenditure and revenue questions for a given future time period. The given time period is normally one fiscal year. The fiscal year is any consecutive twelve months period that is chosen by any organisation as its budget year. In Nigeria, the fiscal year starts in January and ends in December.

Schick, cited by Ogbodo (2004:103) identified three major uses of budget. According to him, these are:

- Control
- Management
- Planning.

A budget ties the operating officials to the stated policies and objectives formulated by top administrators. Control is enforced by accounting practices and reporting procedures that restrict the transfer of funds from one account to another. Budget also regulates the number of positions available to a system or organisation. The control aspects of the budget are important to discourage misappropriation of public funds.

The management aspects of a budget involve efforts to discharge efficiently and effectively the plans and policies that have been approved while the planning aspect involves the determination of objectives, the evaluation of alternative courses of action and the authorisation of selected programmes.

SELF ASSESSMENT EXERCISE I

In your own words, define school budget.

3.1.2 The Relevance of Educational Budget

Educational budget is very relevant in school system because it serves as a rudder of a ship or a compass that controls the direction in which school projects move. In the absence of school budget, the school is managed on the impulse of the moment. In this case, the management of the school does not have a direction and implementation of school projects is done haphazardly. Ikediugwu (2000:6-8) identified the importance of the school budget thus:

- It is a tool for the allocation of resources among competitive projects and interest groups within the communities.
- It is an organisational forecast of its income and expenditure over a given period.
- It indicates the projects or items on which the organisation will spend its revenue for the period and also the sources from which the organisation expects to raise the revenue to spend.
- Budgeting is a mechanism for achieving economic stability.
- It is an important process by which accountability and responsibility can be provided in a political system.
- It is a catalyst for the provision of variety of information.
- It is viewed as a process of detailed decision-making on the use of resources available.
- It is the making of financial plan of what money may be received over a certain period of time or in connection with a certain project and how money will be spent.
- It is also a plan of target in quantitative end or money value prepared for a future period of time.
- Budgeting is an instrument used for financial and project decision making at all levels of public and private administration.

We cannot but agree with Ezeocha that:

> *Good budgeting attracts the support of tax payers whose money is being made use of, and whose children are likely to benefit from the budget. For instance, they are likely to approve a budget that is neither ambiguous nor wasteful in its allocation to educational services (Ezeocha in Ogbonna 2005:34).*

SELF ASSESSMENT EXERCISE II

State at least six relevance of educational budget.

According to Nwangwu (2007), school budget has three basic features:

i. It is a financial plan.
ii. It expresses the type of educational needs envisaged.
iii. It is usually prepared to cover a period of time, in order words, an academic session.

A good school budget should contain in detailed terms the estimates of receipts and expenditures as well as educational plan for the session. Scholars usually talk of the triangle of educational budgets involving:

- the educational plan;
- the expenditure plan; and
- the revenue plan

The Educational Plan

It is necessary to note that educational plan is the back bone of any educational budget. The success of the school system is either enhanced by adequate revenue or marred by starving it with fund. There is, therefore, the need to strike a balance between school policy and plan on one hand and the finance available to the school on the other.

In preparing school budget, the starting point is the educational plan. The educational plan will show in clear terms the educational needs, strategies to meet such needs, the expected resources needed to meet the needs. In other words, it will show the needs to be attained, how such needs will be attained, who is to realise such needs and with what resources (Nwangwu 2007). In this regard, therefore, educational objectives should be determined, the personnel required determined, other relevant resources and the cost estimates also determined.

The Expenditure Plan: This is simply the translation of the educational plan into costs. Expenditure items are classified and numbered. This is to ensure proper accounting and easy administration. State Ministry of Education usually has a standard classification. It is necessary that such standards are adhered to strictly for purposes of clarity and uniform.

After the expenditure classification, the step that follows is collection of data that are needed for determining the cost of each classified item for the academic session. The budget is basically an estimate, consequently, the costs need not be exact. However, it is expected that the estimate should be fairly accurate to make the estimate realistic and reasonable.

The Revenue Plan: In school budget, revenue plan closely follows expenditure plan. This is the detailed estimate of receipts, which could be used by the school administrator to finance educational plan. Ukeje, Akabogu and Ndu (1992:282) noted that the common classification of revenue receipts in educational institutions or school system include:

- Revenue from local sources;
- Tuition fees;
- Equipment fees;
- PTA levies;
- Revenue from state sources;
- Revenue from federal sources and so on.

Budget Administration: The chief executive of the school, the headteacher is the controller of the budget. In this respect, no expenditure should be made without his/her approval or authorisation. There is the need for proper co-ordination of all expenses done and the budget should act as a guide to this purpose. When this is done, a situation where some items in the school are not bought because of fund whereas there is overspending in some items is avoided.

3.1.3 The Framework for Educational Budget

The educational budget, as an instrument for educational planning involves different short term plans, which are in most cases translated into educational programmes through the annual budget funds. The budget essentially dictates the direction and the level of educational plan implementation. In other words, the annual educational budget is a tool, which can be employed to articulate, analyse, execute and evaluate government programmes for the education sector.

Babalola (2003:261-262), identified two levels of educational budget – (i) micro- and (ii) macroeconomic levels. According to him, at the micro-level, the budget is a tool, which can be used to implement institutional objectives relating to investment in the consumption of education.

At the macro-level, the educational budget can be used to address macroeconomic issues of the nation or a state. It is, therefore, necessary for the budget to take into consideration the existing macroeconomic issues while preparing the annual educational budget. These issues include the rising cost of education, unemployment, the role of government in education, user charges (i.e. fees), public subsidy in education, excess demand for education etc. These issues represent the areas of economic concerns irrespective of the fact that they have their roots in individual micro decisions relating to investment and consumption of education.

Microeconomic goals, which an educational budget must take into consideration, include the production of maximum number of graduates and school leavers; in other words, absorbing the excess private demand for education. Other goals include producing the right type of manpower to fit the labour market, reduction of educational wastages (dropout and repeater wastages), high level of social return on education investment.

Bababola argued that most of the macroeconomic goals which educational budget must address are interrelated. For instance, the rising cost of education can keep education out of the reach of those who would have ordinarily invested in it, with the consequence of changing the production, distribution, and consumption patterns of goods and services produced in the economy. It is, therefore, imperative that those at the affairs of school budget should take special interest in macroeconomic balance and consistency among macro-economic goals. What this demands is setting some targets for the annual budget within which the macroeconomic goals will be realised. Such targets include educational cost stability or control, reduction of unemployment, avoidance of budget deficits, educational growth rate and balance between supply of and demand for education.

SELF ASSESSMENT EXERCISE III

Explain the two levels of educational budget?

3.1.4 Budgetary Process in Education

The budgetary process is certainly a time consuming one. It demands clearly spelt out of all the estimated revenue and expenditure section by section and item by item. Ogbonnaya (2005:83) identified four processes that are involved in budgetary process. According to him, the process involves:

- careful study of the educational needs of the school and estimation of the revenue that will be necessary to meet these needs;
- planning and procurement of the necessary revenue to implement the educational programmes agreed upon;
- the determination of the revenue that will be available to execute the educational programmes;
- the determination of the ways to allocate the available revenue in such manner as to avoid friction, duplication and waste.

Lacey, cited by Babalola (2003:269-272) discussed various steps that are essential in budgetary decision-making process. These steps include the following:

Step 1: *Determination of the overall levels of spending:* A central body is responsible for the determination of the spending level within budget period. The global ceiling is then communicated to all cost/revenue centres/units. In response, all cost/revenue centres send back their estimates of individual programme costs for compilation and aggregation.

Step 2: *Allocation of estimated available resources among sectors:* A central body sends budget circulars indicating macroeconomic forecasts, policy objectives and how the budget is expected to help attain them. In return, cost/revenue centres send budget proposals indicating current and capital aspects. For capital expenditure, proposals for new projects based on criteria indicated in the budget circular are presented. The proposal will provide information on the rate of return, availability of financing, implementation capability and consistency with overall objectives. For the recurrent expenditure, a time-table will be prepared to propose annual breakdown of expenditures for inclusion in the budget.

Step 3: *Response to budget circular:* This involves negotiations among various decision-making bodies. The usual approach is incremental (non zero-based). Previous expenditures are scrutinised with special emphasis on the proposed increases. Negotiations may be conducted on the basis of programme, but most frequently, they are based on line items (i.e. traditional budget) which cut across programmes. The traditional budgeting system focuses mainly on what government money is spent and it tends to over-emphasize cost with little or no attention paid to the benefit derivable from or even the efficiency of expenditure. The line-item budget as the traditional budget is called, provides almost no information on the objectives of spending such as, for instance, raising the level of literacy in a given area or providing textbooks for the handicaps.

Step 4: *Preparation of draft budget document:* A central body does this since requests generally exceed resources. It is inevitable that there will be adjustment, integration and harmonisation.

Step 5: *Approval of draft budget:* Usually this is done at the cabinet level. A return of a draft budget for revision and modification may occur several times during the cycle.

Step 6: *Preparation of final budget:* The budget office may have to prepare a cogent summary and copious annexes at this stage. This is in preparation for legislative review.

Step 7: *Consideration by the legislative (or similar body):* This may be the most difficult part of the process. The review can involve:

- consideration of budget framework (macroeconomic policies and assumptions behind revenue and expenditure forecasts).
- examination of detailed proposals at budget committee and sub-committee level.
- final plenary session to pass the budget into law.

Step 8: *Release of fund:* Ministry of Finance will administer payments so as to ensure adequate control over the flow of expenditures. There are three basic methods:

i. immediate release of budget amount;
ii. release of funds against payment vouchers or receipts showing that the spending agency has effected or is about to effect payment and
iii. periodic release of funds (for example, one-twelfth per month or one-fourth per quarter).

It is the responsibility of the spending agency to prepare forecasts of requirements over the year, prepare commitments and acknowledge receipts of goods and services and certification of expenditures on them.

Step 9: *Implementation of capital expenditures:* Project implementation includes the preparation of expenditure forecasts over the year and the organisation/administration of bidding and contract procedures. The Ministry of Finance would be responsible for ensuring that laws and regulations had been complied with before releasing funds.

Step 10: *Procurement:* A central body should be responsible for establishing uniformity in contractual procedures to ensure as many competitive bids as possible. The spending agency should administer the procurement process including advertising, detailed cost evaluation (comparing with bid prices), evaluation of bids, negotiation with contractors and review of contractor's performancy. Contracts should only be awarded after budgetary allocation is assured.

Step 11: *Reporting:* The spending agency should prepare periodic (monthly or quarterly) progress report and accounts which should be consolidated and annualized by the finance ministry or similar body.

Step 12: *Monitoring and evaluation:* The spending agency is responsible for:

- periodic review of actual expenditure;
- analysis of variation with budget estimates;
- analysis of budgetary lags; and
- matching financial and physical progress.

The central monitoring body (Ministry of Finance) is expected to:

a. conduct periodic overall progress reviews independently or jointly with the spending agencies;
b. revise policies and objectives where appropriate in the light of these;
c. reviews; and
d. reallocate funds where necessary.

Step 13: *Cash management:* The central body or Finance Ministry should prepare an overall plan for cash management. This is to ensure that borrowing is within limits and interest on debt is minimised. In addition, the spending agency should rapidly surrender excess funds or process request for funds in a timely manner.

4.0 CONCLUSION

In this unit, we have discussed school budget. We noted that for efficient and effective running of schools, there is a need for adequate fund. The fund that is made available for the running of schools needs to be spent judiciously. For purposes of accountability and judicious spending, school administrators should prepare budgets. It is axiomatic that the fundamental relevance of budget is that it guides and controls the financial activities of school administrators. The school might be primary, secondary or tertiary levels of education.

5.0 SUMMARY

In this unit, we were able to define budget. We also discussed the relevance of educational budget in the running of schools. The framework of educational budget was equally examined. Finally, we learnt about the budgetary process in education.

6.0 TUTOR-MARKED ASSIGNMENT

1. Define school budget in your own words.
2. Discuss the relevance of educational budget in the administration of schools.
3. Examine the framework of educational budget.
4. Discuss the budgetary process in education.

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UNIT 3 SOURCES OF FINANCE IN THE SCHOOL SYSTEM

CONTENTS

1.0 INTRODUCTION

The cost of education to individuals, government, parents and other stakeholders is high. This explains why a lot of money is channeled towards the provision of education to citizens. Education is the only major thing that draws a distinction between human beings and animals. It does not only preserve and transmit cultures from one generation to another, it also improves, enhances and changes culture. It is against this background that education is said to be a necessity. It is an instrument for the eradication of hunger, poverty, ignorance, and superstitious belief. In the light of these, therefore, the question that usually comes to mind is *who funds education?* The answer to this issue will lead us to the topic– *Sources of Finance in the School system.*

2.0 OBJECTIVES

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

- state why it is important that the government should participate actively in the provision of education to its citizens;
- list the sources of finance in the school system;
- explain the functions of various educational agents in Nigeria; and
- discuss the different functions performed by the federal, state and local governments in the financing and control of education in Nigeria.

3.0 MAIN CONTENT

3.1 Who Funds Education in Nigeria?

There has been this argument on whether the government should have any role to play in the financing of education or not. A school of thought argues that education should be deregulated. The argument of this school of thoughts is based on the fact that government or public schools are poorly funded and, therefore, offer inferior education to citizens. Based on this, education should be left in the hands of individuals who can fund education adequately thereby providing qualitative education. However, another school of thought believes that the government should play a significant role in the funding of education. According to Ayeni (2003:329-331) the reasons include:

(a) *State Protection of Minors:* Cohn in Ayeni (2003:329) defined minors as children that are under eighteen years of age. They are found mainly in the primary and secondary levels of education and cannot in most cases take decisions on their own. The argument is, therefore, if the government does not partake in providing education in a given nation, most parents will be giving inferior education to their children who are brilliant.

(b) *Equality of Opportunity:* The equality of education argument comprises both allocative and the redistributive areas. It is allocative in the sense that there are some families that cannot afford to educate their children to a certain level of education. This invariably implies that there will be a loss of human resources that would have been injected into the nation's economy. The redistributive aspect concerns income distribution. This is because the acquisition of additional education is required in order to obtain more income and so, if the current unequal income distribution is found undesirably, provision of education to the children of the poor is an instrument of making the unequal income distribution equal.

(c) *Education and Democracy:* Both democracy and illiteracy cannot co-exist in a society. Rather, a democratic leadership is provided upon the acquisition of higher education. There is, therefore, the need for governmental provision and support for education. This will strengthen democracy and perpetuate it.

(d) *Quest for Common Values:* Common values are found within societies. The provision of education makes the realisation of the values possible. Originally, the church had great role in the provision of education for citizens. This then makes it possible for the church to directly or indirectly influence the activities of the populace.

(e) *Education and Economic Growth:* Economic growth is the

increase in national output of a nation, the connection between both education and economic growth is considerable. This is because acquisition of education of the workers offers them light as per improvement, innovation in the technologies of production. It should be realised that once the goal of a nation is economic growth, then, the government's involvement in education is justified.

Finally, to forestall less production of the socially desired education, there is the need for introduction of subsidies or the government's direct provision of education. Both primary and secondary education provides social benefits more than can be perceived by individuals within society.

From the foregoing, we have been rationalising government's involvement in the funding of education. The question that arises at this juncture is can the government alone fund education? Secondary education is principally funded by the state governments. The state governments pay both teaching and non-teaching staff salaries and allowances and also the running cost. With the advent of Universal Basic Education, education is free from primary school to junior secondary education. The demand for qualitative and quantitative education is enormous. It is based on this premise that we will discuss other sources of finance for funding education in Nigeria.

SELF ASSESSMENT EXERCISE I

State the reasons why the government should play a significant role in funding of education.

3.2 Sources of Finance in the School System

Education is on the concurrent legislative list in Nigeria. What this means is that both the federal and state governments are empowered to participate in the provision of education to its citizens. Ayeni (2003) noted that many authors in Nigeria had discussed extensively the issue of financing educational programmes in Nigeria. These authors, according to him include Adesina (1980), Akangbou (1987), Babalola (1991), Abe (1998) to mention a few. Among the sources of financing educational programmes as identified by these scholars include:

Donations: These are free willing gifts in cash or kind to educational institutions. Most of the established Non-Governmental Organisations (NGOs) in Nigeria and around the globe contribute substantially to the development of education. Donations were received from foreign organisation such as Carnegie Foundation, the Ford Foundation, Canadian International Development Association (CIDA), etc. Donations also come from World Bank and UNESCO.

Government's Education Tax Fund: This is a means through which the educational sector can be financed. The Nigerian government for instance directed that companies operating within the shores of the nation must pay two percent of their annual revenue or proceeds to the coffers of Education Tax Fund (ETF). It is from this fund that some needs of the different educational levels are met, in addition to the Nigerian government financial allocation to the sector.

Akubue (2006:135) noted that in distributing the fund, the Education Tax Act 7 of 1993/94 specified the following formula:

- Higher Education – 50% (University 25%, Colleges of Education and Polytechnics 12.5% each).
- Secondary Education – 20%
- Primary Education – 20%

Currently, the Petroleum Trust Fund (PTF) also contributes substantially in the financing of education in Nigeria.

Governments Grants or Subventions: The government grants constitute an important source of educational financing. The grants can be capital and/or current grants.

- **Capital Grant:** This grant when paid to schools is meant for erection of new buildings, carrying out of major repairs of old structures and purchase of hardware, school equipment such as the laboratory equipment. The principle that underlies the granting of the subvention is the same, though the amount of grants changes on a yearly basis. One of the principles of granting subventions is proper accountability of the initial grants.
- **Recurrent Grants:** This grant is meant for salaries and allowances of the qualified teaching and non-teaching manpower in the school system. This grant changes from time to time possibly because of government policies on salaries and wages.

School Fees: The school fees represent a small percentage of the total school income especially in public schools. With the advent of Universal Basic Education, fees have been abolished in both primary and junior secondary levels of education.

Internally Generated Revenue: In this case, schools raise money through various school activities taking place within the school. Such activities include: sales of school uniforms, textbooks and stationery, staging of plays, sale of school farm products and students handcrafts.

Scholarships: This is another veritable means of financing education. Notable individuals, companies within and outside Nigeria, nations of the world always at one time or the other provide scholarship facilities to individuals for educational training. In the 1960s, Britain led the donor nations in the provision of scholarship facilities for the training of Nigeria. The British and the American governments are still offering scholarship facilities.

Taxes: Education is further financed with the proceeds from taxes paid by the parents to the coffers of the government whether local, state or federal. The tax is tagged Pay as You Earn (PAYE). This form of tax is different from the company tax paid by companies to government purse. These companies are expected to pay two percent of their annual revenue to the purse of Education Tax Fund for the development of education in Nigeria.

External Aid: The financing of education can be done through granting of external aid from multinational organisations or from countries. These aids are distributed to the different concerned schools through some institutions such as NGOs or a government department. The external aid might be in form of labour or cash. In fact, some forms of external aids are supply of experts and teachers, financing of institutions of particular sectors of the educational systems and also scholarship.

One major danger of external aid is that over dependence of an economy on it will suffer because of the withdrawal of the aid by the donor nation(s). Again, the political, economic, social, educational systems of the receiving nation are directly or indirectly tied to the operating system of the external aid donor nations. This will not benefit the recipient nation in terms of development.

Ogbodo (2003) also noted that Parents Teachers Association levies constitute a veritable source of finance for schools. According to him, funds collected through Parents' Teachers Association (PTA) levies help in meeting some needs of schools especially in the area of capital development. Many public primary and secondary schools depend on such contributions for the erection of classroom blocks, staff quarters, fencing, etc.

Endowments and/or donations are also means of financing educational programmes. Higher institutions, according to Ogbodo launch endowment funds and wealthy individuals and corporate bodies make donations to universities and/or sponsor professional chairs in disciplines of their choice. Donations are also made to primary and secondary schools.

He further observed that private education sector has recently been coming on strong as a veritable source of education finance in Nigeria. According to him, private primary, secondary and commercial schools are being established by entrepreneur proprietors and run on strict business principles. Professional schools that offer training in professional areas are also gaining in popularity.

Ikediugwu (2000), citing Ehiametalor and Aderounmu reported that communities are increasingly becoming aware of the importance of education and their role in bringing education nearer home for the benefit of the children. In a community, parents organise themselves into groups or age grades to provide one form of project or another to assist the state government in its efforts to provide education to its citizens,

The summary of what we have been discussing is that there is a growing acceptance of the reality by people that the government alone cannot provide adequate educational facilities for the people. Diverse sources of fund should be explored in order to ensure qualitative and quantitative education in Nigeria.

3.3 The Role of the Federal Government in the Financing of Primary School Education in Nigeria.

The financing and control of education in Nigeria is vested by law in the federal and state governments. However, by delegation, some responsibilities are vested in the local governments. The history of primary education administration as viewed reveals the instability in the government commitment of the financing of primary education.

Apart from different legislations on education in form of ordinances that were enacted, joint responsibility of regions and federal government on education started in the Macpherson Constitution of 1951. The Education Act of 1952 that established Local Education Authorities and Local Education Committees emphasized joint responsibility of the central regional and local governments, the local communities and the parents in primary education funding. In 1954 constitutional amendment, the funding of education became decentralised as the federal government and the three regions shared the responsibility of funding education. Primary Secondary levels of education was placed on residual list, only the Regional Government could legislate on these levels education while higher education was on the concurrent legislative list, that is, both the federal and regional governments could legislate on it. It was during this period that much effort was made to provide mass education in Western Region of Nigeria.

This put the public in control of education, the quantity of education in the system was the major concern of the government not the quality. After much contribution of different commission between 1960 and 1970 on financing of education, the system of grant-in-aid was eradicated; education financing was based on the enrolment of pupils with the view of improving the quality of education. The National Policy on Education 1977 (revised 1981) viewed education as an industry that needs a lot of money. Thus, section12, (106) of the policy reads thus:

> *Education is an expensive social service and requires adequate financial provision from all tiers of government for successful implementation of the educational programmes. Government's ultimate objective is to make education free at all levels. The financing of education is a joint responsibility of the Federal, State and Local Governments. In this connection, Government welcomes and encourages participation of local communities, individuals, and other organisations.*

3.4. The Role of Local Government in the Financing and Control of Education in Nigeria.

As we have noted earlier, the Federal Military Government, on August 8, 1988 promulgated Decree 31 which established *National Primary Education Commission (NPEC).* This Commission was made a parastatal of the Federal Ministry of Education whose primary responsibility was to reactivate primary education in Nigeria that had been in coma. In consonance with this Decree, Primary Schools Management Boards were established in all the states of the Federation including the Federal Capital Territory. Local Education Authorities were also established in all the local government areas in the country. However, Decree No.3 of 1991 whose title was *Local Government Education Authority,* repealed Decree No. 31 of 1988. Thus, Decree No. 3 of 1991 established Local authority in each of the local government councils in the country. By this arrangement, primary school administration and financing which had hitherto been a shared responsibility of the three tiers of government became the sole responsibility of the local government councils.

Accordingly, the functions of the Local Education Authority as contained in Decree 31 of 1991 include:

i. the day-to-day administration of primary school in their respective areas of jurisdiction;
ii. payment of salaries, allowances and benefits to both academic and non-academic staff of the authority;
iii. distribution of school equipment, furniture, registers, diaries, chalk, dusters etc to primary schools;
iv. the appointment, deployment, promotion and transfer of teaching and non-teaching staff on Grade levels 01-06;
v. handling of disciplinary problems of staff of primary schools within its areas of jurisdiction;
vi. collection of approved dues;
vii. stimulating and encouraging communal participation in all primary schools;
viii. payment for any land acquired for educational development in its area of authority (Atuma and Peretomode 2004:79).

As noted earlier, in 1993, the National Primary Education Commission (NPEC) was established through the instrumentality of Decree 96. This commission was charged with the responsibility of co-ordinating the activities of primary education in the country. However, NPEC was also replaced by Universal Basic Education Commission (UBEC) in 2004 by an Act of National Assembly known as the *Compulsory, Free, Universal Basic Education Act 2004* to manage the affairs of primary education in Nigeria.

4.0 CONCLUSION

We shall conclude this unit bearing in mind that education is an instrument for the eradication of poverty, hunger, ignorance and superstitious beliefs. Therefore, its provision should be supported by all – the government, individuals and private organisations. The sources of finance in the school system are diverse and schools should explore these sources for purposes of adequate funding of educational programmes. Also, the administration and control of education is vested by law on the federal and state governments, certain educational responsibilities are, by delegation invested in the local government.

5.0 SUMMARY

In this unit, you have learnt the reasons government should participate actively in the provision of education for its citizens. We also discussed the various sources of finance in the school system. Finally, you have learnt the important functions of the Federal, the State and Local governments in the administration of education in Nigeria.

6.0 TUTOR-MARKED ASSIGNMENT

1. Discuss why it is imperative that government should participate in the provision of education for its citizens.
2. Discuss in detail at least ten sources of finance in the school system.
3. Discuss the different functions performed by the Federal, State and Local governments in the administration and control of education in Nigeria.

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