



Nigerian Economy and its Higher Education Sector-An Overview

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ABSTRACT

The paper looks at higher education in Nigeria which encompasses a range of about 128 institutions, and it is largely provided by both public and private sector. The impact of these higher education institutions has not kept abreast with development in the labor market. The system has suffered a lot from limited accessibility, low quality, and relevance and inadequate resources to meet emerging challenges. The funding of higher education institutions in Nigeria during the last 54 years of its existence as a sovereign nation suggests that there exists a chronic under-funding of the system, both at the public and the private level. The constant demand of the citizenry of the country to have access to higher education also continues to create more pressure to expand the capacity of higher education in Nigeria. In the context of high or proportionate of population growth in Nigeria in which the majority are youth, the present number of higher education institutions is rather small to provide equitable access to higher education institutions in Nigeria. The serious issue of inadequate financing of the higher education institutions in Nigeria and the proclivity to make adequate expansion is chanced upon with several challenges as identified in the main text of this paper.

Keywords: Nigerian economy, higher education, funding, access and equity to Higher education

INTRODUCTION

Nigeria as a British colony, got her independence in 1960 and the year marked a turning point and a beginning of the new era of socio-economic development of the country. In the last 54 years of its existence as an independent country, Nigeria has experienced many transformations. As indicated by Benhin and Barbier (1999); EY (2014), at the early stage, Nigeria depended on agriculture as the sector accounted for over 90 percent of the GDP in the early 1960's and that constituted two thirds of the employments in the country when Nigeria's major exports were cocoa, groundnuts (peanuts), rubber, and palm oil. According to World Bank (2008), cocoa and groundnut (peanut) production development were 300,000 and 500,000 tons respectively. In the early 1960's, Nigeria's economy was also developing very well in products such as cassava as Nigeria was the largest producer in Africa between 1960 - 1970's while other products included palm oil, rubber, and rice also kept the economy progressing until the country experienced the fossil oil boom, industry explorations, abandoning agriculture.

As stated by Akinyosoye (2005) and Ayodele and Folakun (2005), from 1970 upward oil production and exploration started to dominate the economy and this caused neglect of the agricultural and the manufacturing sector in favor of an unhealthy dependence on crude oil. Hence exploration, production, and exportation of oil remain the main source of revenue to fund socio-economic expansion and development in Nigeria. Oil exploration and the new pattern in the economic development in Nigeria meant that more foreign companies and labor would be required. But Nigeria lacked skilled and qualified

manpower of her own and thus depended on expatriates to provide skilled and professional services. After a long time of exploitation by foreign companies, it was obviously important that Nigeria did not continue to be dependent on a foreign workforce, hence education in general and higher education in particular has an important role to play in producing well educated and skilled manpower to accelerate the economic growth and move towards being self-reliant.

It is important to note that knowledge has become the most important factor for economic development in the 21st century (Duderstdt, 2002). Organization of Economic Cooperation and Development (OECD) (2010) further stated that through its capacity to augment productivity, knowledge has increasingly constituted the foundation of any country's competitive advantage. Hence, education in general and higher education in particular are fundamental to the establishment of an innovative knowledge economy and a thriving society in any nation. Unfortunately, according to Amaghionyeodiwe and Osinulu (2012), the potentials of higher education systems in developing countries to fulfil this responsibility are frequently frustrated by a plethora of insufficient finance, low efficiency, poor quality, and lack of good governance. The general opinion about Nigerian education system is that it has not been performing at the paradigm expected of it. Certainly, the performance of the system is on the decline as postulated by Simbowale (2003); Samuel, Basse, Olorunfemi, (2012). Nigerian higher education institutions have grown colossally in size and undergone tremendous transformation since the inception of her independence 54 years ago. However, it is unfortunate to note that their ability to act as engines of growth and development is being challenged due to many problems. Even though it is important to point it out from the start that data on economic and higher education finance are very hard to get, and the researcher tries to obtain more data from different sources. However, once these issues are taken together, they would provide a broad insight of the Nigerian economy and of her higher education.

Nigerian Socio-economic indicators

Nigeria is a country in West Africa with a total area of 923,768 square kilometers and a population of about 170 million (EY, 2014). The land boundaries stretch to nearly 4,047 kilometers and the coast line stretches to nearly 853 kilometers. Nigeria is surrounded by Benin, Cameroon, Chad, and Niger republic. Nigeria is the largest oil producing country in Africa and the 6th in the world (Odeleye, 2009). Oil is a major feature in the Nigerian economy and has been such since the oil boom in the 1970's. It provides 20 percent of the GDP, 95 percent of foreign exchange earnings and about 65 percent of budgetary revenue (Ayodele and Falokun, 2005) The rise of the price of oil from 1999 to its peak level in July 2008 has seen growth in the Nigerian economy making it one of the fastest growing in the world (World Bank, 2010). Largely, the subsistence agriculture sector has not kept pace with the rapid population growth; though Nigeria was once a larger net exporter of food and now Nigeria imports some of her food requisites. Agricultural sector over the years has been suffering from a lack of commitment by the government and hence, the nation suffered from inadequate funding, mismanagement, inconsistency, poor government policies, and the lack of basic infrastructure to sustain its survival (World Bank, 2010). Despite the oil wealth, 70 percent of Nigerians live in poverty (National Bureau of Statistics, (NBS) 2013). According to the latest Human Development Index (HDI) from 2012, life expectancy is 52 years in Nigeria, and the country has the lowest HDI ranking among the Organization of the Oil Exporting Countries (OPEC) members (World Bank, 2013). With the population of 170 million and ample natural resources, only one third of the population is living above one USD a day while the other two-third struggle to survive on less than one dollar a day (World Bank, 2013). While this scenario makes Nigeria to be an African slumping economic giant, the stagnant non-oil economy prevails.

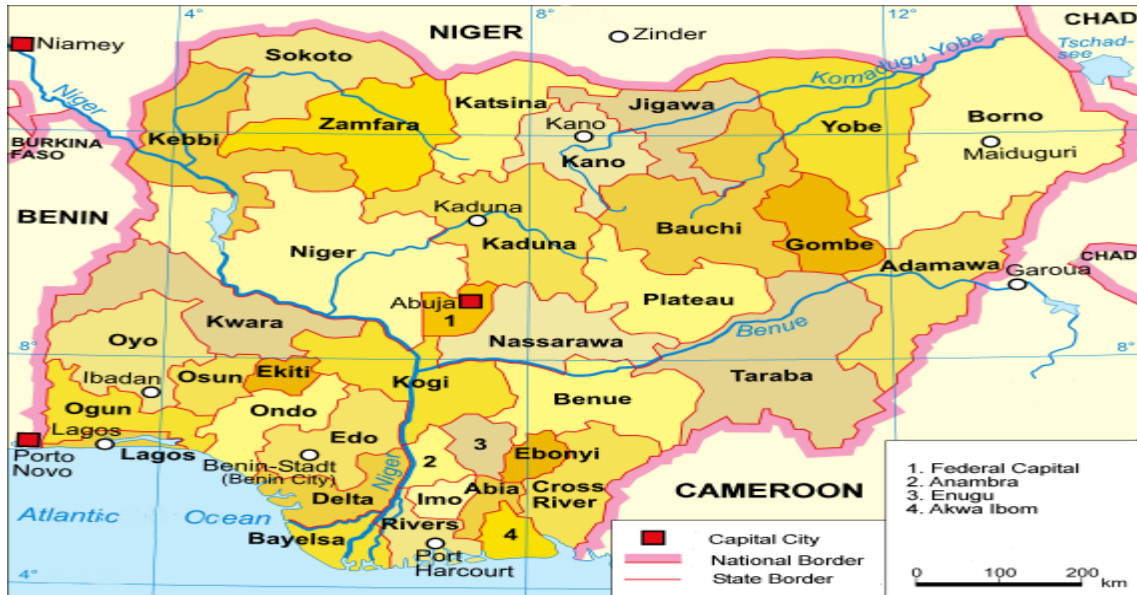


Figure 1: Map of Nigeria
 Source: Google Maps (2015)

Nigerian economy faced numerous challenges with the plunge in the real growth rate of economic activities which were being experienced in both the oil and the non-oil sectors as stated by (Odeleye, 2009) . This assertion conforms to what Obada (2013); Nwangwu and Ononogbu (2014) stated that oil production was less than expected due to embarrassing challenges of oil theft, pipeline vandalization, and the issue of Boko Haram insurgency which is still protracting from 2009 till date while the non-oil sector was mostly affected by the floods and unprotected consumer demand. According to the National Bureau of Statistics (NBS, 2013) data from 2012 indicated that real GDP grew by 6.34 percent in the first quarter of 2012. NBS, (2013) further reveals that the rate of economic activities was slightly higher than the initial estimate of 6.17 percent and 6.28 percent respectively. Nevertheless, the revised growth rate was lower than those recorded in 2011, which was 6.96 percent and 7.50 percent respectively. Therefore, the economy declined by 0.62 percent and 1.11 percent respectively in the first two quarters of 2012 compared to the corresponding quarter in 2011.

The oil production in Nigeria was estimated at 2.37 million barrel per day (mbpd) in 2012 and this is against 2.48 mbpd produced in 2011 (NBS, 2013; CBN, 2013). The records from the Central Bank of Nigeria further reveal that the 4.4 percent decline in crude oil production level was attributed to disruptions in production due to such incidents as oil theft and vandalism that prevailed in the oil producing areas. On the one hand , the non-oil sector was adversely affected by the floods caused for the most part of 2012. However, the manufacturing sector did record a slight rise in the second quarter of 2012 as a result of positive development in the power sector (World Bank, 2013).

Nigeria is ranked 30th in 2013, 40th in 2005, and 52nd in 2000, in the world in terms of GDP (PPP) as of 2013, and the second largest economy in Africa but behind South Africa (World Bank 2013; Kushnir, 2015). Its re-emergence, even as it is now, the manufacturing sector is not performing as expected but, the sector is the third-largest in Africa, and it contributes a large proportion of goods and services for the West African region. World Bank (2013); CBN (2013) reports that Nigeria was previously hindered by years of mismanagement, and economic reforms of the past decade, but the above scenario has put Nigeria back on track towards achieving its full economic potential. The purchasing power parity (PPP) in Nigeria has increased from 170 billion USD in 2000 to 451 billion USD in 2012, although estimates of the size of the informal sector (which is not included in official figures) put the actual numbers amounting closer to 630 billion USD. Correspondingly, the record from NBS (2013) and CBN (2013) shows that the

GDP per capita doubled from 1400 USD per person in 2000 to an estimated 2,800 USD in 2012. The population of Nigeria equally increased from 120 million in 2000 to 170 million in 2013. The records further reveals that although much has been reckoned as a major exporter of oil, Nigeria produces only about 2.7 percent of the world's supply (Saudi Arabia: 12.9 percent, Russia: 12.7 percent, USA:8.6 percent). To put oil revenue in perspective Nwangwu and Ononogbu (2014) stated clearly that at an estimated export rate of 1.9 Million barrel per day (300,000 million cubic meter per day), with a sale price of 65 USD per barrel, Nigeria's revenue from petroleum is about 52.2 billion USD in 2015. Therefore, export rate of the petroleum sector per se (as it is) is important, and it is predominant as a small part of the country's overall vibrant and diversified economy.

Considering the development of the economy above, the paper intends to show how important it is for the development of the human capital which is the key factor for moving steadily and surely towards the economy. As stated by Davies (2003); Woodhall (1997), human capital is an important factor for the wealth of a nation due to its influence on the overall production of the country. Furthermore, technological progress can provide more efficient production-methods like the use of information and communication technology and other machinery, but human capital in the form of skilled labor is very vital to manage and develop them as well as to improve the quality and productivity of the existing labor force. The formation of Nigeria's human capital is therefore of great importance in the coming years if Nigeria wants to be competitive in the future. However, Ben (2011) stated that Nigeria has a problem with its human capital. Even though human capital is only one factor of many that drives economic growth and development, it is equally a very significant factor for the development process for a developing country like Nigeria. The level of human capital in a country relates to a greater extent to the level of productive capacity of that country. This explains why human capital development must be considered as one of great importance in the future (World Bank, 2008).

Then how well is Nigeria as a country performing in human capital development? This can be assessed by looking at the Human Development Index (HDI) which provides a measure of human capital development in the three dimensions... Income, health, and education. The 2014 values of HDI showed that Nigeria ranked 156th with the value of 0.459 among 187 countries. This value places Nigeria at the bottom, meaning that Nigeria is considered to have a low level of HDI. The relative rate for Sub-Saharan Africa as stated by World Bank (2014) is 0.475 while it is 0.910 for the US, and 0.694 as the world average. Nigeria with 0.459 stays a little below the African average of 0.475.

The Knowledge Economy Index (KEI,) which takes into account whether the environment is considerable for knowledge to be used effectively for economic development, has put Nigeria at the 118th place with a KEI score of 2.04 in 2008 and 119th place with a KEI score of 2.2 in 2014. This puts Nigeria behind other African countries like South Africa which ranked 57th in 2008 with KEI score of 5.55 and ranked 67th in 2014 with KEI score of 5.21, and also Nigeria is behind Tunisia which ranked 71th in 2008 with KEI score of 4.73 and ranked 80th in 2014 with 4.56 KEI score. Table 1 compares KEI ranking for the most recent period 2014 with 2, 000 levels for the African countries for which this index rankings are available for the countries mentioned. The ranking followed the most recent KEI ranking in Africa (KEI, 2014).

South Africa possesses the most advanced knowledge economy in terms of KEI ranking in 2014. South Africa shows great potential and performance on education, information, and communication technology and innovation pillars. Other African countries like Botswana, Namibia, and Tunisia, also showed good performance on the KEI. By this ranking, South Africa rose to 67th position and Namibia to 89th position in 2014 as compared to the position in 2000 (see Table 1 below) in the world. Uganda rose to the second position and ranked 118th, in the list of gainers in KEI rankings since 2000, while Tunisia and Morocco emerged 80th and 102th respectively in 2014 rankings, since 2000. Furthermore, Egypt reached the 88th but dropped to 97th in 2013, while Nigeria and Mozambique ascended to fifth positions and ranked at 119th and 130th respectively in KEI ranking 2014 as reported in (KEI, 2014).

Table 1: KEI Actual indicator for Nigeria and 6 African countries 2000-2014

| Country | Rank 2000 | KEI 2000 | Innovation | Education | ICT | rank 2013 | KEI 2013 | Difference | Innovation | ICT | Education | Change 2000-2014 |
|---------------------------|-----------|----------|------------|-----------|------|-----------|----------|------------|------------|------|-----------|------------------|
| Best Performance | | | | | | | | | | | | |
| South Africa | | 5.21 | 6.78 | 4.71 | 6.28 | 67 | 5.21 | 0.34 | 6.92 | 4.98 | 4.51 | |
| Tunisia | 89 | 4.15 | 4.24 | 3.92 | 4.54 | 80 | 4.56 | 0.17 | 4.58 | 5.00 | 4.10 | 9 |
| Medium Performance | | | | | | | | | | | | |
| Morocco | 93 | 3.61 | 4.04 | 2.02 | 3.93 | 102 | 3.61 | -0.16 | 3.67 | 4.32 | 2.00 | -10 |
| Nigeria | 124 | 2.09 | 2.84 | 1.95 | 2.35 | 119 | 2.2 | -0.16 | 2.72 | 2.41 | 1.87 | 5 |
| Lower Performance | | | | | | | | | | | | |
| Tanzania | 126 | 2.02 | 2.23 | 0.74 | 2.10 | 128 | 1.76 | 0.5 | 2.39 | 1.70 | 1.05 | -2 |
| Mozambique | 135 | 1.76 | 1.31 | 0.12 | 1.84 | 130 | 1.76 | -0.05 | 1.89 | 1.41 | 0.33 | 5 |

Source: Extracted from KEI World Ranking 2000-2014

Table 1 lists six African countries in KEI ranking in 2000-2014. Nigeria lost her competitive advantage mainly because of large deterioration in their education pillar with the score of 1.95 in 2000 and 1.87 in 2014 out of 10 points. South Africa and Tunisia are relatively doing well compared to other African countries. Ranked 124th in 2000 and 119th in position in 2014 in KEI, Nigeria's overall performance hampered primarily due to weakness in all the three pillars of the KEI with a value of only 2.09, it was put to the 124th position in 2000 and a value of 2.2 put it in the 119th place in 2014. The weakness in all three variables depicts that the countries are generally conducive to institutional environment for success in the knowledge economy. In the education pillar, lower score in average years of schooling and secondary school enrolment rates have led to a drop in education. The ICT pillar has registered a sizable improvement moving up to 2.41, mainly because of an increase in the number of telephone users.

Table 2: Global Competitiveness of Nigeria – 2007 and 2014

| Country | General competitiveness ranking | | | Higher Education Ranking | | | Innovation Ranking | | |
|---------------------------|---------------------------------|------|--------|--------------------------|------|--------|--------------------|------|--------|
| | 2007 | 2014 | | 2007 | 2014 | | 2007 | 2014 | |
| | Rank | Rank | Change | Rank | Rank | Change | Rank | Rank | Change |
| Best Performance | | | | | | | | | |
| South Africa | 44 | 52 | 8 | 56 | 84 | 28 | 99 | 42 | -57 |
| Morocco | 64 | 70 | 6 | 83 | 101 | 18 | 70 | 84 | 14 |
| Medium Performance | | | | | | | | | |
| Kenya | 99 | 106 | 7 | 88 | 100 | 12 | 56 | 56 | 0 |
| Nigeria | 95 | 115 | 20 | 109 | 113 | 4 | 69 | 73 | 4 |
| Lower Performance | | | | | | | | | |
| Tanzania | 104 | 120 | 16 | 123 | 132 | -0.16 | 85 | 92 | 7 |
| Uganda | 120 | 123 | 3 | 115 | 127 | -0.2 | 87 | 101 | 4 |

Source: Extracted from Global Competitiveness Index 2007-2014

According to the Global Competitiveness (GCR, 2014), Nigeria after some retrogression in the rankings over recent years, has moved up to 115th place in 2014, thanks to improved macroeconomic conditions (showing a positive government balance and a drop in inflation) and the financial sector started recovering from its 2009 crisis. Nigeria as a developing country has many strengths on which to build, including its relatively large market (33rd) in the world, which provided its companies with opportunities for economies of scale. The Global Competitiveness Index 2013–2014 shows that Nigeria's businesses are also sophisticated by regional standards (66th) in the world, with some significant level of development, Nigeria also has some companies that hire qualified managers, and a readiness to delegate decision-making authority within the organization. Likewise, the country registered improvements in her

labor market, based on more efficient use of talent. Despite a slight improvement since 2012, the institutional environment did not support a competitive economy because of the country's restlessness on ground of ethics and for reasons of protection of property rights, corruption, undue influence, and government inefficiencies (Global Competitive Index, (GCI) 2014). The security situation in the country continues to be crucial and it has worsened since 2013 (134th out of 189 countries). Additionally, Nigeria received a poor assessment for its infrastructure (130th out of 189 countries) as well as for its health and primary education levels (142nd out of 189 countries). Furthermore, the country was dilatory in harnessing the latest technologies for productivity enhancement, as expanded by its low rates of Information and Communication Technology (ICT) penetration (GCI, 2014).

Educational System in Nigeria

Nigeria has been envisaging of acquiring knowledge based economy and social development through the provision of high quality and accessible education to all citizens in cognizance of cultural, religious, regional, or political affiliations. Nigeria with its population growth rate of 2.6 percent intends to restructure the educational system to be suitable in providing equitable and quality education for all. Hence, transforming the country to knowledge and learning hub the engine of growth in Africa. The above will lead to a paradigm shift in educational philosophy which is expected to bring far-reaching changes in the education sector. This can be achieved through the establishment and expansion of higher education systems to accommodate the high secondary school graduate. Educational system in Nigeria is endorsed as more of a public enterprise that has witnessed government complete and dynamic intervention and active government participation (Amaghionyeodiwe and Osinubi, 2006). The National Policy on Education (FME, 2004) states that in Nigeria education is used as a vehicle in achieving national development, and also as an instrument for change. Taiwo (1980); IQAS (2011) gives a historical background of Nigerian education system and they stated that from 1960, the structure of Nigerian education system was six years of primary school, five to seven years of post-primary school (Secondary, Teachers Colleges) and four to six years tertiary education (Colleges of Education, Polytechnics, and University Education). From 1985, the structure changed to pre-primary or kindergarten education (two-three years), the primary schooling which was of six years duration for children of ages six to 11 years old, the post primary education which is also of six years, but it was bifurcated (three years of junior secondary school and three years of senior secondary school) and the four years of tertiary education level. This was called the 6-3-3-4 system.

According to Ajayi (2011), from 1999, the Universal Basic Education (UBE) scheme was launched, the specific target of the scheme is total eradication of illiteracy by the year 2020 and enhancement of adult literacy rate. A very obvious implication of the UBE is that of making the first six years of schooling to be universal, which is to be free and compulsory. The burden of education in Nigeria is the shared responsibility of the Federal, State, and Local Governments. The Federal Ministry of Education plays a dominant role in policy formation and ensures quality control. However, the Federal Government is more directly involved with tertiary education than it is with lower levels of school education, which is largely the responsibility of the State government (secondary) and the Local government (primary). Education in Nigeria is provided by both the public and the private institutions (Ajayi, 2011).

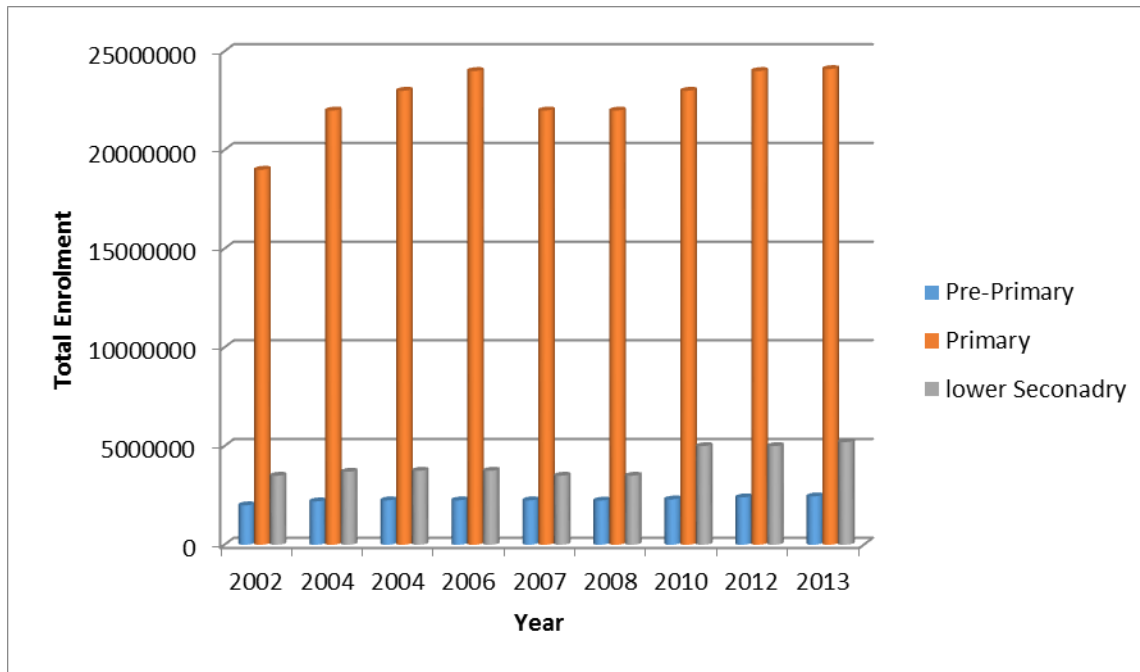


Figure 2: Total Enrolment by level of Education, 2002-2013

Source: UNICEF: All children in school by 2015

In order to have a good understanding of the situation in the education system in Nigeria especially concerning access and equity, a record from UNICEF (2013) as presented in Figure 2 shows educational participation with a summary of school enrolments by level for the 2002-2013 periods. The chart confirms the enormity of the Nigerian education system, with more than 25 million students in these three levels. In terms of trends, the results for primary level are mixed, and they show that enrolments declined between 2006 and 2008, and in recent years the declining rate is accelerating. This is somewhat surprising taking into consideration the general population growth in the country. It also demonstrates the centrality of the primary level in Nigerian education. As from 2010, the primary school population of just over 20 million students was almost three times larger than the combined total of junior secondary and pre-primary students. Interestingly, this level of education is controlled and financed by the Local Government level which has limited resources when compared with those of the Federal and the State levels.

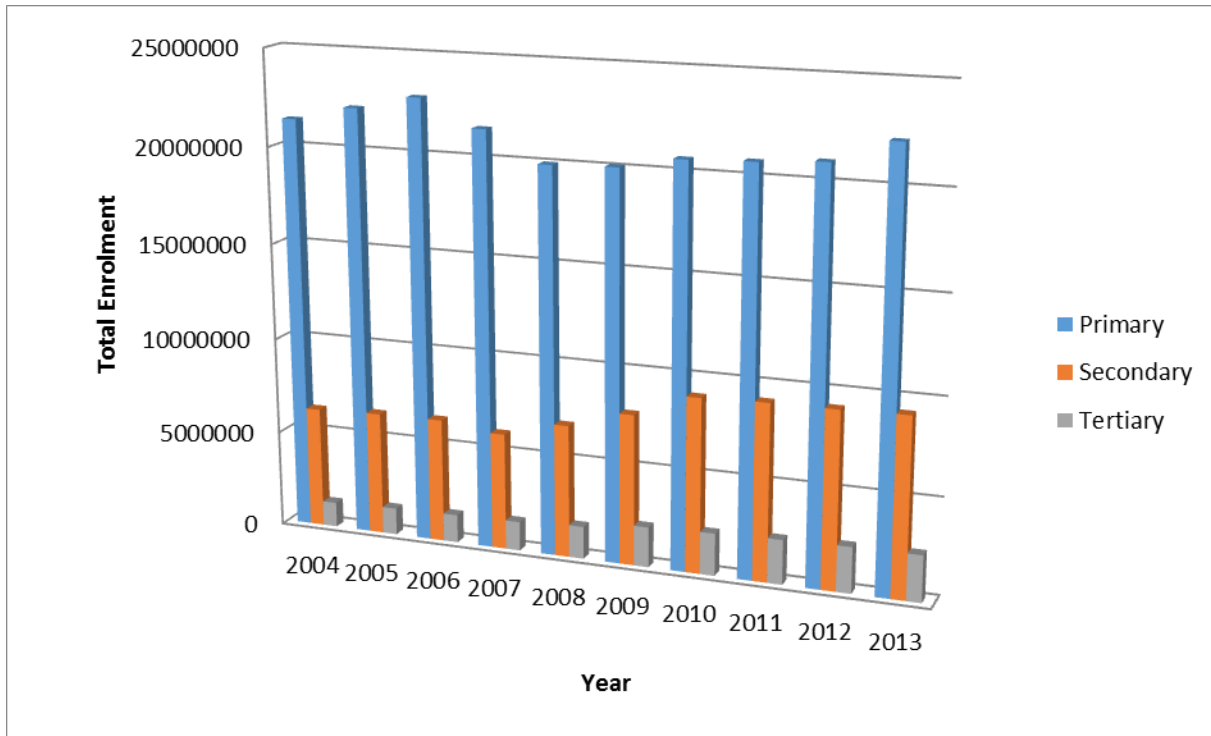


Figure 3: Total Enrolment in Primary, Secondary and Tertiary Institutions
Source: UNICEF 2013: All children in school by 2015

Figure 3 shows a manifest wide gap in enrolment between primary and secondary level and between secondary and tertiary level. These pose a serious burden on the higher education in Nigeria because of increased social demand. Many candidates want to have access to the very limited number of accommodation in the higher education institutions. This is a result of compelling urge on higher education in Nigeria because of increasing numbers of students completing secondary school education and who want to get admitted to higher education institutions. The percentage of secondary school graduates stood at 80.1 percent in 2013. This number is significantly higher when compared with the available accommodation in the higher education institutions. This is one of the major problems that Nigerian higher education providers find it very difficult to cope with national demand and focus (Munzali, 2005; Olayiwola, 2012). Demand for higher education and especially, university education has increased tremendously over the years in Nigeria and this has led to a critical situation by which universities admit more than their accommodating capacities (Adeyemi and Osunde, 2005; Afolayan 2015).

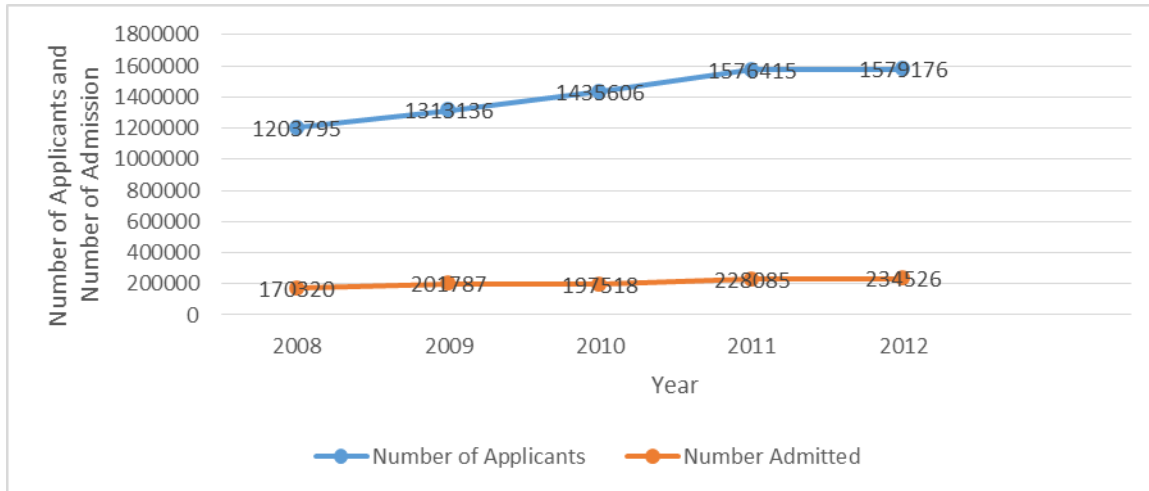


Figure 4: Number of Applicants and number of Admission into Higher Education in Nigeria

Source: Joint Admission and Matriculation Board, 2013.

Figure 4 reveals that out of the number of candidates who have applied for admission in Nigeria only about 14 percent get admitted every year. This implies that about 86 percent of the candidates seeking admissions yearly are unable to get admitted to Nigerian higher education institutions. Joint Admission and Matriculation Board (JAMB) (2013); Akintayo (2004) revealed that the enrolment trends are such that in the 1960/1961 sessions, the total enrolment was just 1,395 students in the only two higher education institutions and the enrolment increased by 72 percent in the following year 1962/1963 to 2,406, students were admitted to five higher education institutions. By the year 2005, the total enrolment in Nigerian universities had increased to 810,120 and increased further to 1,101,365 in 2011 to 118 higher education institutions. It is estimated that by 2017, the total number of enrolment reckoned in Nigerian higher education would be three times as that of 2011. This enrolment trend is very high compared to what is available in other developing countries, and more so, when compared with the available facilities and constructions on ground. However, despite this intensification in higher education enrolment, public expenditure on Nigerian higher education continues to decline (Ekanem, Okon and Ekpon, 2012; Akinyemi, 2013; Afolayan, 2015).

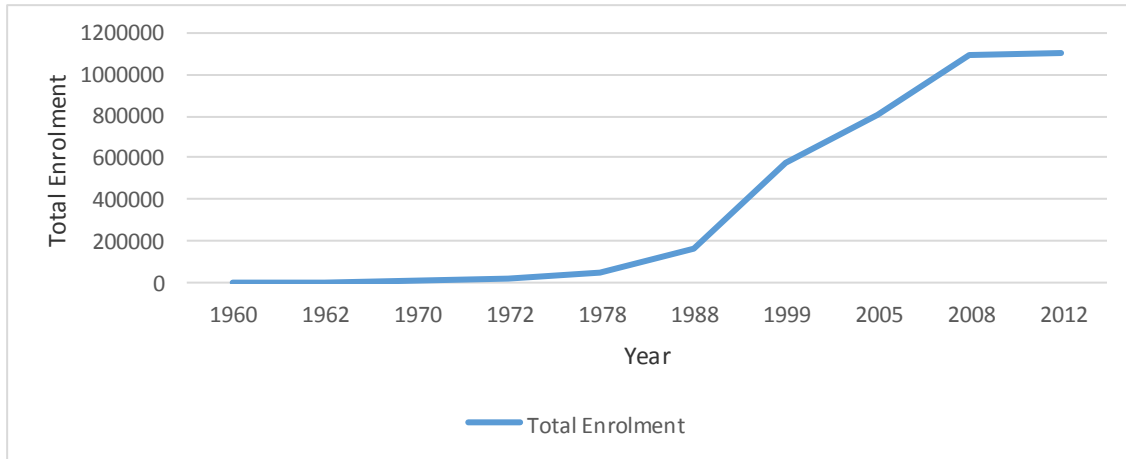


Figure 5: Higher education total enrolment by year

Source: JAMB 2013

As asserted earlier in the literature, higher education provides reciprocally higher level human resources for driving the economy and ensuring rapid societal transformation, Oluede and Idogho (2012) further buttressed this view in which they said that higher education gives greater opportunity for the citizenry to develop and work towards improving the economy. However, the more expensive the higher education is, the lesser possible is for rapid social and economic development. Therefore, there is the need for the society to provide opportunity for the youth to make a positive impact on the economy. This opportunity is in the form of higher education participation rate, which to elucidate, it is defined as the proportion of 18-35 years age group that is enrolled in tertiary education. Higher education participation rate for selected 16 countries is as shown in **Figure 6**.

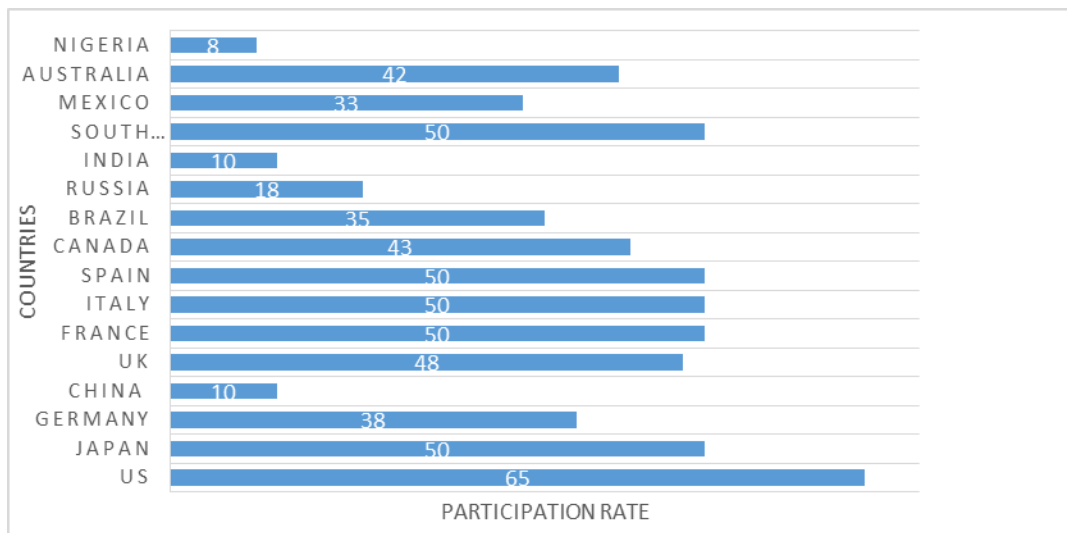


Figure 6: Higher Education Participation Rate, Nigeria and 15 other Countries in percentages

Source: Adopted from Oluede & Idogho (2012)

Figure 6 illustrates the highest Higher Education Participation Rate (HEPR) among the above 16 countries of the World with 65 percent for USA while Spain, Italy, and Japan each recorded 50 percent. The lowest HEPR for the league of 16 countries was 10 percent, while Nigeria’s HEPR was 8.1 percent. The implication of the above is that Nigeria needs to initiate providing access to higher education to the

youth, and this is the only feasible way, if there was an increase in the number of higher education institutions in the country. Increasing enrolment in the face of macroeconomic crises according to Ajayi and Ekundayo (2008) has a serious implication more especially for Nigeria, and if enrolment number is to be increased, then more higher education institutions will have to be established.

The allocation to education has dropped to a low of 8.7 percent in 2013 which is lower than 2012 allocation of 10 percent. This is very low compared to the 26 percent recommendation of the UNESCO (Osinulu and Daramola, 2013; Akinyemi, 2013). The assumption is that the total recurrent expenditure on higher education depends on the desired level of public expenditure per student and the expected total number of students in public institutions. There is a positive correlation between public finance and enrolment, if higher education meets with the stated objective of teaching and learning, research and community service. Then such an increase in enrolment will be affected with a corresponding increase in funding. This is a serious problem in Nigeria, the budgetary allocation to education has been on the decline while enrolment doubled every year, said by Afolayan (2015). The effect will be seen in physical deterioration and a general low quality of graduate output which will in turn affect the economic growth and the development of the country (Simbowale, (2003); Bamiro and Adedeji, 2010).

Table 3: Enrolment and Total Recurrent and Capital Grant of Nigeria Higher Education.

| Year | Enrolment | % increase | Grant to Public Higher Education | | Total '000,000' | % increase |
|------|-----------|------------|----------------------------------|-------------------|-----------------|------------|
| | | | Recurrent '000,000' | Capital '000,000' | | |
| 2004 | 254,098 | - | 41,492 | 11,973 | 53,566 | - |
| 2005 | 354,654 | 43.3 | 45,264 | 11,423 | 56,688 | 5.5 |
| 2006 | 476,437 | 25.5 | 89,195 | 7,080 | 96,275 | 6.1 |
| 2007 | 911,679 | 47.7 | 75,535 | 9,430 | 84,965 | 7.2 |
| 2008 | 1,192,050 | 23.5 | 93,558 | 15,402 | 108,960 | 6.6 |
| 2009 | 1,199,651 | 6.4 | 101,134 | 11,110 | 112,244 | 2.9 |
| 2010 | 1,375,671 | 12.8 | 108,321 | 10,221 | 118,543 | 5.3 |
| 2011 | 1,559,621 | 11.7 | 111,564 | 8,675 | 120,240 | 1.4 |
| 2012 | 1,741,671 | 10.4 | 110,786 | 11,985 | 122,772 | 1.6 |

Source: National Universities Commission 2013

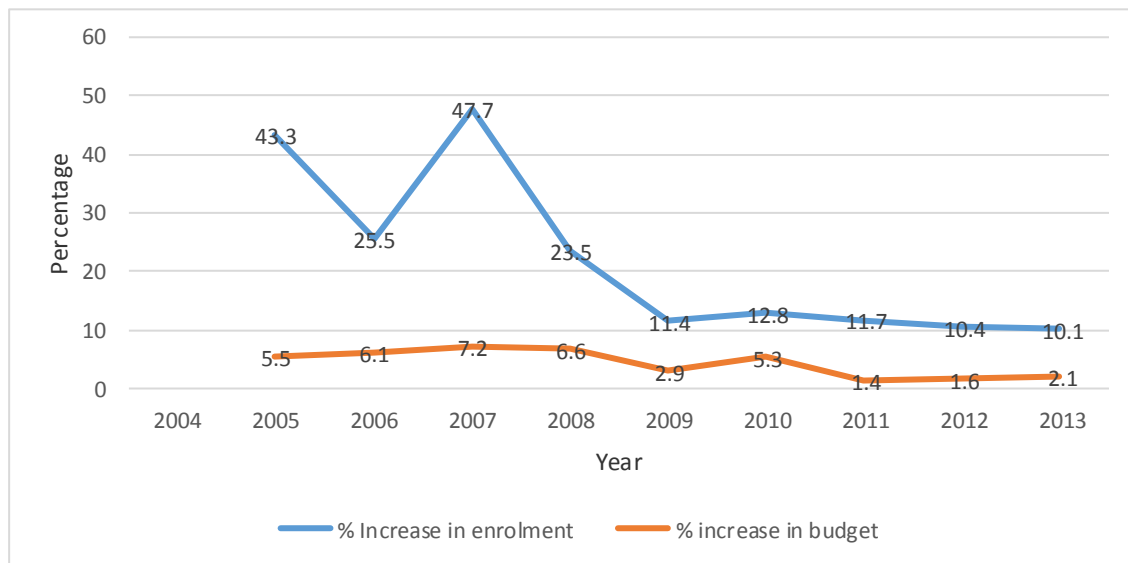


Figure 7: Increase in Enrolment and allocation in Higher Education

Source: National Universities Commission 2013

Maintaining the current rate of expansion in higher education in Nigeria would be very challenging. This is because of the growing high demand for entry by applicants and the difficulty involved in the admission process. This increase in enrolment would initially usher a cumulative effect on the current expenditure of the institutions tremendously which amounts to much more than the volume of the public resources that the institutions will receive. This financial gap would gradually widen at the rate of expansion of the system (World Bank, 2010). When this gap exists, then higher education should be strategically involved in more viable alternative modes of financing. However, if the number of students is left unmanaged, the implication would be such that the available resources per student are presumed as to decline further to varying degrees, depending on the institution. This will result in the deterioration in the quality of service provided (Okebukola, (2007); Bamiro and Adedeji, (2010); Ogbugo, (2011); NUC, (2013).

System of higher education in Nigeria

As identified earlier, social and economic development in Nigeria can be best enhanced with the development and expansion of higher education. It has been shown previously that there is a strong justification to expand the current capacity of higher education in Nigeria to accommodate the ever increasing enrolment to meet with the social and the economic demands. It is evidently clear that the public sector cannot provide the needed resources required for the expansion and development of higher education towards meeting the target objectives. Hence, there is the felt need for seeking alternative means of getting financial resources to higher education (Afolayan, 2015). Higher education leads to improved productivity which in theory should lead to higher income and economic performance as well, significantly contributing to the establishment of the socio-economic development of a nation. Thus, no nation can neglect investment in higher education (as per example Psacharopoulos and Patrinos, 2004; Miller, 2008). Therefore, investment in education will tremendously influence the practice of democracy and the development of a civil society.

Although Nigeria's economy growth has increased by six percent in 2013, yet no appreciative amount of funding has been allocated to higher education. This state of affairs might have been the cause of weak production of quality graduate output which has been identified as a major obstacle to industrial development in the country (World Bank, 2013). The high rate of expansion of the higher education system implies that something urgent must be done to adequately fund the system. The explosion in enrolment number resulting in the influx of students into primary and secondary schools is a clarion call for immediate government attention in employing other sources of funding for higher education. Even though the Nigerian government has laudable programs favoring free education, the economy of Nigeria could not sustain free education in its entirety (Adeyemi, 2011). Thus, Adeyemi (2011) further remarked that in certain cases, there might be the need for charging fees in higher education to supplement what is disbursed from the Treasury, and he noted that if education were free, people will presumably 'consume' until they are satiated; and they will 'invest' in it until the rate of return is zero, but attending school is far from being free. Ololube, Dudafa, Uriah, and Agbor (2013) questioned the so called right to free education in a depressed economy like Nigeria and remarked that experience has shown throughout the world that unless parents, the people or government possess the economic ability, rhetoric of free education is like mere mentioning of the symbol and an empty and futile exercise. While supporting the argument, Akinyemi (2013) remarked that in countries where education is free, there is a program of raising funds directly or indirectly within the system to finance the educational system.

Based on this trend, a report in 2012 by the Committee of Vice Chancellors of Nigerian Universities (CVC) stated that annually Nigerians encourage and nourish the UK educational sector to the amount of 246 billion Naira. This amount is more than 60 percent of the 2012 budget allocation to education and doubles the amount allocated to all federal universities in 2012. This breakdown of 2012 budget shows that a sum of 400 billion Naira was allocated to education. However, this amount if measured against the total amount of funds Nigerians spend on education outside the country, the impact is very high and this

scenario raises alarming questions concerning economic implications as well as a lack of confidence in Nigerian higher education system (Ekenam, Okon and Ekpoh, 2012; Olayiwola, 2012; Akinyemi, 2013).

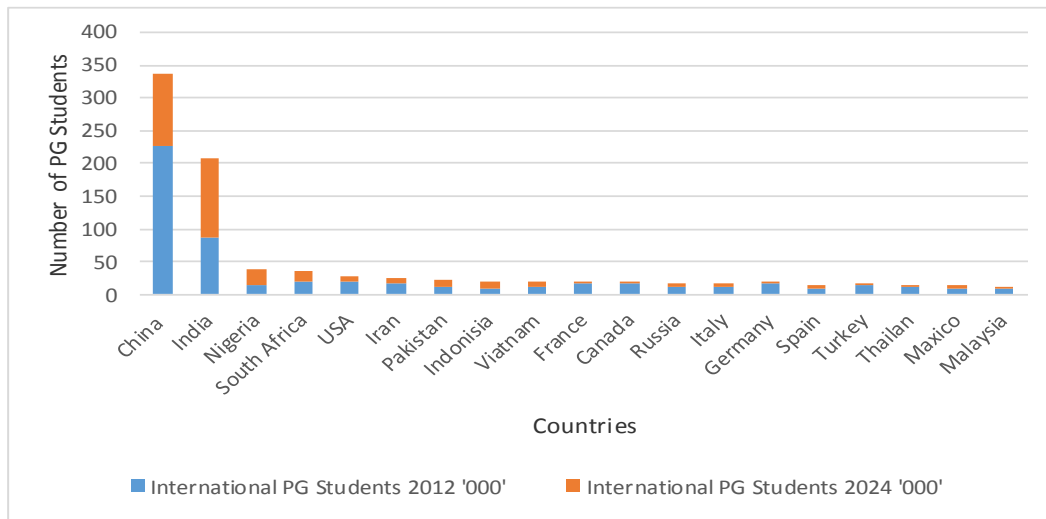


Figure 8: Home countries of UK international postgraduate students

Source: British council 2012.

Note: the numbers are in thousands

Figure 8 represents the number of postgraduate students in the United Kingdom who came from different countries of the world. Nigeria is placed the third, confirming the above statement that a lot of funds are going out from Nigeria to the UK to pay for Nigerian students' higher education. In years to come, Nigeria will be the second biggest source of funds for UK's universities that have the largest number of international students, according to research compiled by the British Council (2012).

The socio-economic demand for education in general and higher education in particular has put pressure on the economy to increase the number of higher education institutions and appropriately finance it. As shown in Table 4 below, the trend in revenue allocation to education since the 1960's is varying. This can be attributed to oil price fluctuations as well as the political instability in the country and sometimes to a larger extent, an abuse of precedence by some administrations which leads to many an abandonment of project or a lack of continuity in the government projects discontinuity of policies.

Table 4: Federal Government Budgetary Allocation to Education Sector & HE

| Year | Allocation to Education as percentage of total government expenditure | Allocation to higher education as % of total government expenditure |
|------|---|---|
| 1960 | 6.02 | 0.21 |
| 1966 | 4.23 | 0.14 |
| 1976 | 8.7 | 2.30 |
| 1979 | 3.7 | 0.12 |
| 1997 | 17 | 2.61 |
| 1998 | 10.2 | 1.96 |
| 2000 | 8.6 | 1.39 |
| 2003 | 6.8 | 0.96 |
| 2011 | 10 | 1.05 |
| 2012 | 8.2 | 0.95 |
| 2013 | 8.7 | 1.30 |
| 2014 | 8.4 | 1.49 |

Sources: Central Bank of Nigeria (2014). *Statistical Bulletin and Information*.

The oil revenue constitutes the largest share of revenues collected by the government. For example, in 1982, 1992, 2002, and 2012, oil revenue amounted to 68 percent, 86 percent, 71 percent, and 75 percent respectively while the non-oil sector contributed less than 30 percent of the total revenue (NBS, 2013). This shows the level of dependence on oil revenue by the Nigerian economy. However, regarding government expenditure, the largest share of government revenue has been spent on general administration and transfer of staff in the last two decades from 1993 to 2013. This shows the excessive cost of running the government in Nigeria. Evidently, it is the allocation to the education sector in general, which keeps on fluctuating year by year. This can be attributed to fluctuation in the global oil prices and the political instability of the country. For example, Table 4 shows that during the independence year of Nigeria in 1960, six percent of the total government expenditure was allocated to education. This did not continue and rather a decline was observed, with 4.23 percent allocated in 1966. This could be attributed to the first military coup that took place leading to a regime change. The allocations appreciated to 8.7 percent in 1976, signifying government's intention to expand and develop education system to provide enough manpower to increase productivity to run the economy of the country. It was in 1976 that higher education received a boost when the Federal Government established nine new universities which entitled the second generation universities. The allocation declined to 3.7 percent in 1979 when the second civilian regime was ushered in and this may be because the budget to run the government was increased. As the legislative arm got augmented, it resulted in increasing quota spent on governance and legislation. Allocation, to other sectors had to be reduced to face this issue and adopt new trends. In 1997 and 1998, the education sector received 17 percent and 10.27 percent respectively and this was the biggest allocation since independence in 1960. The then military regime felt that education was neglected by the previous civilian regime; hence, education was given the largest quota. When the civilian regime came back in 1999, the allocation declined to 8.6 percent in 2000, which again declined to 6.83 percent in 2003 but later appreciated to 10 percent in 2011. This continued as 8% till 2014.

During the last 10 years, a larger share of Nigerian expenditure has been devoted to defense (Obada, 2013). Obada (2013) further stated that this is due to the insecurity challenges emerging from Boko Haram in the North-Eastern and the Niger-Delta militants in South-South part of the country. Security issues must be addressed effectively by any administration because without it, no social and economic developments can be achieved. However, despite fluctuations of allocation of funds to the education sector in recent years from 2009-2013, education ranked the second after security in sectorial allocation. This shows a high level of commitment by the government even though there is need for more allocation to the education sector as the recommended percentage of 26 benchmark by the UNESCO.

Oil revenue constituted about 65 percent, 86 percent, 71 percent, and 75 percent in 1982, 1992, 2002, and 2012 respectively (NBS, 2013). This clearly shows that Nigerian economy depends heavily on revenue from fuel oil production as the main source of public finance and the increasing demand of funds for the provision of public service which posed a serious challenge to the Nigerian government in terms of resorting to balance between revenue and expenditure. This is also one of the reasons why the government is forced to cut public expenditures especially, during periods when there is a fall in international oil prices (like what happened when there was a fall in the oil price in April 2014). As a result, it is inevitable for the country to experience retardation in social and economic development including the development of higher education. Therefore, the understanding of public finance of Nigeria during each physical year is very important in this regard. To get an insight on the current and future revenue and expenditure which will give an idea on the level of development and expansion that can be expected in education in general and in higher education in particular is important.

CONCLUSION

The paper gives an overview of the Nigerian economy and its higher education sector. Nigerian economy depends to a greater extent on the oil sector which contributed up to 75-80 percent of the total revenue of the country and this is not healthy for an upcoming and emerging economy. However, in essence, this will

definitely affect allocation to education and other social welfare and community service. Recently, commencing from 2010 Nigeria has registered consistently a high GDP growth rate ranging from six percent to eight percent and this makes the country to experience economic stability and uphold principles of democracy. In the year 2013, GDP of Nigeria registered more than GDP of her neighbors of Cameroon, Chad, Benin, and Niger with a wide margin. The paper highlights an urgent need to expand the current capacity of higher education in Nigeria by providing more vacancies for secondary school graduates and enhancing the level of admission to higher education institutions. Present trends show that the financing of higher education in most countries is heavily subsidized by the public sector, and even though there are variations in private contributions among countries and institutions, public finance remains the main source of funding for higher education, Nigeria inclusive. Equity and efficiency issues are the main arguments for the domination of the public sector financing in Nigeria.

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