

Implications of Financial Distress on Tertiary Education in Nigeria

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Abstract: *The study examined the implications of financial distress on tertiary Education Nigeria. The financial distress in tertiary institutions in Nigeria today can be attributed to poor management and leadership problems. This has tremendously affected the operations of higher institutions in Nigeria. The university system requires a lot of funds for effective administration to be able to achieve its goals. The inability of the government to stick to the UNESCO 26% of national budget for education has seriously affected the management of Nigerian universities. Most of Nigerian tertiary institutions today face a lot of problems due to financial distress. As many of them find it difficult to pay workers' salaries, provide adequate infrastructure and teaching equipment. The causes and implications of financial distress on tertiary Education were examined. It was recommended that both federal and state governments need to collaborate more with the private sector to explore opportunities for raising non-traditional funds and participation in education financing. Also, government should stop the habit of diverting the funds meant for tertiary education projects to other sectors. In addition, funds disbursed for projects and programmes should be adequately supervised, monitored and evaluated to achieve effective implementation.*

Keywords: financial distress, tertiary education, administration, government, management

INTRODUCTION

Tertiary Education is an Education offered after secondary school Education in Nigeria. This Education helps to build the bedrock for good and quality civil societies. Enenalo (2016) sees tertiary Education as the Education received after the completion of secondary Education which

takes place in institutions such as universities, polytechnics, college of Education and also other various bodies offering correspondence courses. The tertiary Education is to enable every individual to acquire both physical and intellectual skills that will enable him/her to be self-reliant and useful member of the society. The goals of Tertiary Education according to Olatunde-Aiyedun, Ogunode and Ohiosumua (2021) was in line with the FRN (2014) to include: the contribution of national development through high-level manpower training; provide accessible and affordable quality learning opportunities in formal and informal education in response to the needs and interests of all Nigerians; provide high-quality career counseling and lifelong learning programmes that prepare students with the knowledge and skills for self-reliance and the world of work; reduce skill shortages through the production of skilled manpower relevant to the needs of the labour market; promote and encourage scholarship, forge and cement national unity; and promote national and international understanding and interaction.

Finance is very important in tertiary education because it serves as a crucial requirement for effective management of higher institutions in Nigeria. However, it is inadequate especially in the government owned tertiary institutions in Nigeria; due to political interference and instability, tertiary education has faced a lot of problems in its funding, some of these problems are; inadequate educational infrastructure/facilities, strike action among academic and non-academic staff, low standard of education, among others. The grant and subventions given to various tertiary institutions by the government are insufficient to ensure effective management of the institutions. In addition, the cases of diversion of educational funds, embezzlement of funds, corrupt leadership etc. all have resulted to financial distress in tertiary institutions

Most of Nigerian tertiary institutions today face a lot of problems due to financial distress. Many tertiary institutions in Nigeria find it difficult to pay workers' salaries, provide adequate infrastructure and teaching equipment. Ogunode (2020) observed that inadequate funding is one of the major problems affecting the administration of public universities in Nigeria. He also emphasized that the budgetary allocation for the administration of public universities is inadequate to implement the programme of universities in Nigeria. The university system requires a lot of funds for effective administration to be able to achieve its goals. The inability of the federal government to stick to the UNESCO 26% of national budget for education has seriously affected the management of Nigerian universities (Ogunode & Abubakar,2020). In this study, the researchers will discuss the financial distress in tertiary institutions in Nigeria, causes of financial distress, implications of financial distress on tertiary education and remedial measures.

Theoretical Framework

The researcher considered the system theory as the most appropriate theory for this study. Von Bertalanffy developed this theory in the year 1920. A system was viewed as a series of interconnected and interdependent components, with the interaction of any of the system's features affecting the entire system. For one part of the system to function correctly, it must interact with and rely on the other parts. According to Capra, as quoted in Mele, Pels, and Polese (2010), systems

theory is an integrative theory about every system in nature, community, and many systematic domains that provides a structure to learn about an event from a comprehensive perspective. Therefore, a system can be referred to as a collection of interlinked units cooperating to attain a common purpose. According to this theory, an organizational system has four major components which are;

- Inputs – These include the workers, materials, machines and other informational sources required to produce goods and services.
- Transformation processes: These include managerial and technical abilities used to convert inputs into outputs.
- Outputs: The products, services, profits and other results produced by the organization.
- Feedback: Refers to information about the outcomes and the position of the organization relative to the environment in which it operates.

The system receives human and materials resources as input, such as financial resources, instructional resources, teachers, students (input) are admitted into a particular class in order to achieve the set objectives. The process takes place within the system that involves deployment of both human and materials resources for the administration, management, supervision, implementation of teaching and learning programme. The output is the successful completion of the programme and the emergence of a graduate from the system. By using the system approach, administrators are able to plan, organize and coordinate the human and materials resources well in order to facilitate the flow of activities between divisions. Every division is important in the system and must enjoy a healthy relationship within the system in order to realize the objectives of the system. The harmonious cooperation between divisions cannot be over emphasized. If the funds required to implement the school programme is not adequate, it will surely affects the entire system because each division's role is crucial for the survival of the system.

Financial Distress in Tertiary Institutions in Nigeria

School finance is the relationship between cost and expenditure in the production of educational services. Olagboye (2004) viewed education finance as a means by which money is provided for the development and maintenance of the entire education system. All activities that are geared towards sourcing, allocating and managing public school revenues in the production of educational services for the attainment of educational objectives constitute education finance. According to Bua and Adzongo (2014), every school leader needs to plan the school budget either semester by semester or annually to accomplish optimal school objectives and for the proper administration of finances. It is the responsibility of the school administrator to ensure that the necessary finances, which are routinely requested, are used to meet the needs of the school. This will enable schools to be able to take care of important tasks and greatly improve the quality of education for all students.

Financial distress can be defined as the process in which the operating fund of an organization is insufficient in achieving the various tasks of the organization. The financial distress in tertiary institutions in Nigeria today can be attributed to poor management and leadership problems. This has tremendously affected the operations of higher institutions in Nigeria. Observation revealed that most of the Nigerian leaders in the educational institutions are only interested in their pocket rather than improving the welfare of the institution they are appointed to head. Umudike Patricia Mbah in *The Guardian* (2022) opined that poor quality of teaching staff, poor staff welfare, lack of educational opportunities and poor academic attainment are major problems affecting Educational sector as a result of inadequate funding. It appears that the current financial distress in tertiary institutions in Nigeria is impacted by lack of proper funding. As Ochai (2005) pointed out, lack of finances presents difficulties for management in every organization.

In addition, the issue of haphazard financial planning due to insufficient and or poor data also constitute to financial distress in our tertiary institutions. The National Universities Commission always requested universities to submit accurate data on students' enrolment, numbers of staff and number of facilities and equipment available in each university. Unfortunately, wrong, insufficient and poor data are always submitted, making it difficult for the commission to know the particular funds it should allocate to the universities for development. Added to this fact is that, there is no agreed and consistent policy for funding the universities by the government. The result is that the universities and the National universities commission end up getting from government, only "what the nation can afford" (Noun 2017). Ogbonnaya (2007) in Uwaoma (2009) rightly noted that the achievement of educational goals depends on adequate financial support and that the various government of the Federation cannot adequately fund educational institutions.

Causes of financial distress in Tertiary Institutions in Nigeria

The following are some of the causes of financial distress in tertiary institutions in Nigeria;

1. Unstable policies: Ogbonnaya (2012) defined unstable policy as a policy that frequently changed. In Nigeria, there is no agreed policy for the funding of tertiary education by the government. Hence, this result to tertiary institutions getting from the government only what the country can afford. For instance, newly appointed officials in the institution may decide to make or choose their own policies and fund such policies to the detriment of other policies formulated by their predecessors. This has really resulted to lot of financial crisis in higher institutions in Nigeria.

2. Indiscipline and Corruption: The high rate of indiscipline and corruption in the Nigerian educational sector is a huge problem causing financial distress in tertiary institutions in Nigeria. The little funds released for educational administration of education are mismanaged and misappropriated (Ogunode, 2020, Edeh 2020). Noun (2017) observed that indiscipline and corruption have eaten deep into the fabrics of Nigeria society. In fact, indiscipline and corruption are today found in the industrial sector, in health institutions, in government agencies and parastatals, and even in educational institutions that were once known for order and decorum. In the ministry of education, some officials embezzle funds meant for specific projects in schools.

There are others who divert funds meant for education to other channels. For instance, some officials divert funds meant for the erection of classroom blocks into games and sports. Some others insist on gratification for every task to be accomplished or any project to be undertaken. Some administrators receive gratification for the award of contract concerning the construction of science laboratories or the procurement of teaching equipment. Kyari, Obed & Yalwa (2018), opined that in Nigeria as it is now, it may not be the budgetary figure that may be wrong or too small, but corruption is the cankerworm that has always eaten up the education budget of the nation, which has cause under development in education sector.

3. Demand from other sector: Other sectors of the economy such as health sector, security sector, transportation sector, among others are competing resource allocation with educational sector. Most times, the resources met for educational sector are diverted to other sectors. Research has it that Nigerian government spends one trillion for over five years now on security problem in the country. Funds that supposed to be used to develop other sectors of the economy like education. Noun (2012), submitted that the revenue of a country is distributed among the various sectors of the economy in order to foster national development. Education is one of these sectors and its share of the national revenue depends on the needs of other sectors of the economy. When other sectors call for more attention of the government, the proportion of the national revenue devoted to education may reduce.

4. Total reliance on government for fund: The total reliance of tertiary institutions on government for fund has enormously affected their various operations in the school. The economy situation of the nation always determines what the government will allocate to higher institutions. Therefore, this constitute to poor funding of tertiary education. The belief that tertiary education is government venture has only succeeded in bringing financial distress to the institutions.

5. Deficit in National Revenue: For the past five years now, Nigeria's revenue generation has continued to fall below the expected projected revenue. Punch Newspaper (2023) covered the actual budget deficits and projections for 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023. According to the data, deficit financing has risen by 370.54 per cent from N2.41tn in 2016 to N11.34tn in 2023. In 2015, total deficit financing amounted to N841.48bn, it rose to N2.41tn in 2016, N3.81tn in 2017, N3.65tn in 2018, N4.18tn in 2019, N6.59tn in 2020, N6.44tn in 2021, N10.78tn in 2022, and N11.34tn in 2023. The quota of the national resources allocated to education depends on the rate of economic growth of a Nigeria. If the economic growth rate is low, it may be burdensome for the government to allocate more resources to education.

Implications of financial distress on tertiary Education in Nigeria

The problem of finance has lot of negative impacts on tertiary Education in Nigeria. Some of these negative impacts are as follows:

1. Abandoned projects: The problem of fund has impacted negatively on projects completion in many educational institutions. Erunke (2022) pointed out that Tertiary Education Trust Fund (TETFund) blamed slow pace of work in its various intervention projects in public tertiary institutions across the country to fluctuations in prices of important building materials. TETFund agencies emphasized that projects in most tertiary institutions experienced delay as a result of

inflation and economic crisis in the country. Olusegun and Michael (2011) carried out a surveyed in the six states of South Western Nigeria on factors responsible for project abandonment. The research revealed the causes of project abandonment include inadequate funding, delayed payment, poor project planning, inflation, among others.

2. Inadequate Educational infrastructure/facilities: The lacks of adequate infrastructure/facilities in Nigerian educational institutions are also connected to the poor budgetary allocation to Educational sector. Educational infrastructure include school buildings such as classrooms, exam hall, staff offices, seminar/conference/board rooms, laboratories, workshops, studios, farms, central libraries, specialized/professional libraries, faculty libraries, departmental libraries, etc. The factors responsible for inadequate infrastructural facilities in Nigerian public universities include; underfunding, increased in students population, corruption, poor infrastructural facilities planning, poor supervision and inflation (Ogunode, 2020).

3. Low standard of tertiary Education: The low standard of tertiary education in Nigeria can be tied to poor funding of the schools across the country. The inability of the school administrators and managers to employ adequate academic staff and acquire needed education resources to implement education services is as a result of limited funds allocated to Education. This is supported by Ogunode, Akinlade & Abubakar (2021), who opined that to ensure quality assurance in the higher institutions; it required high investment in both human and materials resources. There are a lot of resources needed to guarantee quality assurance in the higher institutions. It is unfortunate that the budgetary allocation for the higher institutions is inadequate and this is affecting the quality assurance in the system. Ogunode (2021) submitted that the budgetary allocation for the administration of higher institutions is inadequate. Due to this problem, many school administrators cannot procure the necessary human and materials resources needed to ensure quality assurance in their various institutions.

4. Strike actions: Strike action in the Nigerian tertiary institutions is linked to poor funding of the institutions. This is in support of Abubakar, & Ogunode (2021) who opined that underfunding of higher institutions has been one of the major reasons that different union groups like ASUU and ASUP, NUT goes on strike. Uzoh. (2017) submitted that the issues of funding and facilities have caused of friction between ASUU and the government in almost all instances. This is because the union at different periods has been finding it difficult to teach in an environment without the expected amenities or with poor facilities. ASUU's contention has been to refuse underfunding of the universities, which undermines the capacity of universities to maintain standards at desirable levels. Underfunding has made staff and students not to have access to the latest books and journals, laboratories lack equipment, so experiments cannot be conducted and local research funds have virtually dried up (Pemedede, 2007).

5. Lack of professional development Programmes: The lack of professional development programme in the Nigerian tertiary institutions can also be traced to poor funding. Ogunode & Oluseun (2020) who opined that inadequate funding of Nigerian higher education institutions is a major problem facing the administration of professional development programmes for employees across higher education institutions. Adequate funding is very crucial for implementing various professional development programmes in the various tertiary institutions. Inadequate funding has

been a major challenge to the development of higher education institutions in Nigeria. Many programmes for higher education institutions, such as the teaching programme, conference, workshop, research programme, among others have not developed because of poor funding. As a result of this, most public universities find it cumbersome to sponsor their academic staff to participate in these programmes.

Remedial Measures

To address the problems of financial distress on tertiary education in Nigeria, the following suggestions were made:

1. Funds disbursed for projects and programmes should be adequately supervised, monitored and evaluated to achieve effective implementation.
2. The government and Ministry of education should set up a supervision team to inspect how school administrators disburse the funds assigned for different activities in the school. This will help to reduce misappropriation of school funds by school managers.
3. The federal and state governments need to collaborate more with the private sector to explore opportunities for raising non-traditional funds and participation in education financing.
4. Government should stop the habit of diverting the funds meant for tertiary education projects to other sectors.
5. The federal and state government should create alternate source of income for the education system to ensure sustainable development in the sector.
6. The financial strength of every institutions should be considered before creating new departments out of the existing ones to avoid financial distress.

CONCLUSION

This study examined the implications of financial distress on tertiary education in Nigeria. The problems of financial distress on tertiary education include: abandoned projects, inadequate educational infrastructure/facilities, strike actions, low standard of tertiary education and lack of professional development programmes. The study concluded that funding is very significant in the development of education and also a key instrument in ensuring effective implementation of education policies, programmes and attainment of educational goals and objectives.

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