FINANCIAL SUSTAINABILITY IN NIGERIAN PUBLIC TERTIARY INSTITUTIONS: CHALLENGES AND WAY FORWARD

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Introduction

Education worldwide serves as the engine of economic growth and development. Tertiary institutions which comprises of Universities, Polytechnics, College of Educations, among others, are established for the purpose of achieving specific goals that converge to realization of a country's developmental aspirations. For these various institutions to play the roles expected of them, they must have adequate funding. Funding of tertiary institutions in Nigeria has now become an issue of concern to the Nigerian government, the affected institutions and other stakeholders.

The government that is statutorily vested with the responsibility of financing tertiary education is now facing serious budget constraints due to a downturn in economic conditions and decline in oil price that constituted the major source of its revenue. Another factor is the increase in the number of the institutions due to the growing demand for tertiary education that is not matched with needed funding. This financing gap is reflected in the state of disrepair of physical infrastructural facilities, several capital projects that have been abandoned and also, the quality of education output (graduates) churned out by these institutions.

In an effort to address these under-funding challenges, tertiary institutions have set up units that embarked on income generation activities. The purpose of these Income Generating Units (IGUs) is to supplement the ever declining government budgetary allocations to tertiary institutions. While, these efforts are laudable, they however, appear not to be sustainable in addressing the under-funding problem.

Sustainability simply means being able to 'endure without giving way'. Sharma (2002) defined sustainability as the ability of an organization to continue functioning into the future without experiencing growth decline due lack of key resources.

Financial sustainability is regarded as one of the cardinal challenges in many tertiary institutions today. Thus, the main aim of governance in tertiary institutions is to ensure they are able to generate adequate income in a sustainable way to enable them to discharge their operations efficiently and invest in their academic and research activities without over relying on the government funding. The inability to match the revenue generated to the expenditure of tertiary institutions as well as poor financial management have largely contributed to the current abysmal financial condition of higher educational institutions in Nigeria. The aim of this paper is to identify the competing financial sustainability frameworks of tertiary institutions, the major challenges facing the frameworks and the way forward.

Financial Sustainability Frameworks

With the escalating costs of higher education, increase in enrolment, and the worsening economic conditions, tertiary institutions are not getting adequate external funding to efficiently achieve their mission. Hence, the issue of financial sustainability is taking the front burner as the main challenge facing tertiary institutions today. Accurate and meaningful models of financial sustainability are imperative for tertiary institutions in order to determine the long-term feasibility of learning programmes. There are a lot of studies conducted worldwide for the purpose of addressing financial sustainability issues in educational settings. One of the studies which is prominent, is the study conducted by Driscoll, Clare and Dennis (2013) in which they argued that for higher education to be sustainable (and therefore sustainably financed), “five abilities” must exist. They are: availability, dependability, capability, affordability, and marketability.

Availability

Availability is the ability to access the right technology, materials, facilities, tools, and people that make sustainability possible. It is also the long-run operational availability of the services or products of the entity.

Dependability

Dependability refers to the reliability, maintainability, supportability and consistency of the services or products. Students must be able to rely on tertiary institutions to deliver the tools for success. Students depend on teachers and mentors for their education.

Capability

Capability is about performance measurement and management. One measure of the effectiveness of a university is linking a graduate’s specific degree to the success in his/her career.

Affordability

Affordability focuses on the cost of acquiring education. It is no secret that higher education is becoming the exclusive preserve of the privileged ones. It must be design in a way that makes it affordable to all segments of society that have the mental capacity to pursue it.

Marketability

For an educational institution, it should not be the goal to just increase the financial bottom line. Each institution of higher education must define its sustainable knowledge-based competitive advantage and pursue a marketing plan for this advantage. Proper communication of competitive advantage and managing change will lead to sustainability.

In another study conducted by Njoki (2016), extensive review of financial sustainability models as they relate to higher institutions of learning were considered. The general consensus of the review is that institutions should look into three key pillars in order to ensure financial sustainability: i). identifying and better understanding of costs of all activities and projects, ii). maintain reasonably diversified income structure; and finally, establish adequate accountability frameworks. This position has been supported by Almagtome, Shaker, Al-Fatlawi, and Bekheet (2019) in which they reiterate that the diversity of revenue sources helps the long-term financial sustainability of the public universities.

David (2012) reviewed Massy's (2004) financial sustainability framework for universities, and argued that for financial sustainability to exists, universities should focus on three main elements—educational (academic) value, costs, and revenue.

Academic Value

Academic value is an essential component of financial sustainability particularly for 'not-for-profit' firms like public universities. Ferns, Oliver, Jones, and Kerr (2007) viewed the notion of academic value around quality and relevance, which includes student opinion, graduate employability, progress, retention, market and policy imperatives, and demand.

Cost Management

The cost of university education should be in consonant with the cost of performing basic function of teaching, research and community service. Only institutions that know the full costs of their activities and projects can measure if they are able to operate on a financially sustainable scale.

In an effort to determine cost and cost management for educational institutions, Swift (2010) conducted a meta-analysis of literature and identified a number of approaches. These include **macroeconomic**, **accounting** and **activity-based costing (ABC) models**.

Macroeconomic approaches generally involve methods of estimating costs by considering multiple institutions or whole sectors. Accounting costing methods allocate budget expenditure to academic organisational units. Costs of all non-academic activities like, community engagement, administration and associated overheads, are excluded and the remainder assumed to provide a measure of educational costs.

Activity-based costing (ABC) is a costing methodology that attempts to identify activities in an organisation and allocates the cost of each activity to the programs, within operational units, that the activities support. The key elements that define ABC structure are resources, activities, products, and drivers; and the underlying assumptions are that products undertake activities, and activities consume resources that have a cost. Activities are costed and linked to the products by a driver, via any factor that cause resources to be consumed (Swift, 2010). There has been a general consensus that ABC offers significant management advantages to organisations— including the ability to more accurately estimate costs, clarity around what causes costs to exist, and more relevant intelligence for strategic decision making.

Revenue Generation Capabilities

Funding is predominantly a direct function of output measured directly by students' enrolments. Bamiro (2012) highlighted six basic sources of revenue available to public tertiary institutions in Nigeria. They are:

i. Government Allocation
ii. Allocation from Tertiary Education Trust Fund
iii. Student Fees/Levies
iv. Grants
v. Endowments
vi. Internally Generated Revenue (IGR)

Internal Revenue Generation

Tertiary institutions all over the world establish business enterprise to aggressively generate funds and to provide facilities that will make the learning environment very effective. The essence is to have business firms that serve the institution community as well as the external customers of the Institution.

There are so many ways tertiary institutions can generate internal revenue and these include:

i. increasing international student enrolments;
ii. increasing revenue from Distance Learning Programmes;
iii. continuous Professional Development (CPD) and executive education
iv. industry engagement;
v. alumni and benefaction

Other ways of generating revenues include investment in investible areas that comprise of:

a. Agriculture that include:

- Poultry farming business – Production of day old chick
- Cattle farming business – dairy
- Rice processing business
- Animal feed production and sales
- Palm oil plantation, production and marketing

b. Beverage production and marketing

c. Water business that include:

- Intravenous Fluid
- Sachet
- Bottled and Distilled

d. Automobile repairs and fleet management services

e. Waste management services

f. Pharmaceutical company

g. Micro finance banking

h. Investment that include:

- Capital Market – Shares, bond and debentures
- Money market – Treasury bills and other short term investments

i. Bakery and confectionery

Financial Growth Sustainability Drivers

There are certain drivers that are paramount to financial growth sustainability and these according to Sharma (2008) include:

i. **Authentic Leadership**: authentic leadership fosters the development of authenticity among followers and contributes to the well-being and sustainable performance of the employees. Avolio etal. (2008) maintain that leaders must know who they are and be conscious of the fact they work on their weaknesses and learn to apply the strengths of their character.

ii. **Organizational Culture**: is a "set of values, beliefs, and feelings together, that are created, inherited, shared and transmitted within one group of people and that, in part distinguish that group from others". Cultural organizational learning would focus on the mutual creation of compatible and shared meanings (Geis & Geis; 2001).

iii. **Public Relation**: is the art and social science of analyzing trends, predicting consequences, counseling organizational leaders as well as planning and implementing a program of action that will serve the interest of not only the organization but also that of its public. Public relations structures are needed to address sustainability questions across and in collaboration with the community partners (Olusegun; 2006).

iv. **Networking (social capital)**: this means institutions must move towards powerful partnerships in order to maintain the critical role they play in the improvement of quality of life for individuals and the enhancement of community development and progress. For networking to effectively work, leaders need to systematically assess the partnership's values that enhance the value of the collaboration (Berger & Luckmann; 1966).

v. **Investment Portfolio Element:** is a listing of investment activities that the institution is engaged in. This covers "investment in equity and debt securities, excluding any such instruments that are classified as direct investment or reserve assets". Institutions should be faithful to sustainability and engage in building institutional competence that takes generation to acquire wealth (Markowitz; 2002).

Factors affecting viability and financial sustainability of Tertiary Institutions' ventures

There are many factors that negatively affect the viability and sustainability of tertiary institutions' venture and these factors cut across almost all tertiary institutions in Nigeria as argued by Biodun (2018), notable amongst them are:

i. Poor recruitment policy thereby compromising quality and talented staff.
ii. Undue interference from the management of the university on day to day operations of the university.
iii. Disconnect between research output and the university enterprise.
iv. Board members are not composed based on expertise, competence and exposure in commerce, boardroom politics and corporate governance.

v. Poor financial reporting.
vi. No adherence to law and guideline from relevant regulatory authority.
vii. Market is limited to the university environment.
viii. Credit facility to the university without repayment in time.
ix. Poor funding.
x. Limited knowledge of the business.
xi. Low interaction with private sector.
xii. Mismanagement.
xiii. Weak internal control system.

Way forward for Financial Sustainability in Tertiary Institutions in Nigeria

For Tertiary Institutions to have financial sustainability, they must put in place efficiency measures that will generate more revenue for the Institutions. The measures could include:

i. reduce overheads relative to the core functions of institutions;
ii. collaboration amongst institutions in order to save on spending;
iii. improve debt collection;
iv. source donor funding;
v. put in place processes to generate additional third stream funding
vi. emphasizing more on research proposals writings to attract additional funding and grants from foreign donor agencies and countries;
vii. efforts at increasing IGR should be done on a continuous rather than ad-hoc with full involvement of university management;
viii. no revenue generating unit should be ignored no matter how small;
ix. Clear strategies for IGR should be prioritized; areas of the core competences and internal resources should be identified.
x. Compliance with corporate governance principles.
xi. Some forms of semi-autonomy should be considered for all IGR units with clear deliverables and workable reward system to encourage high performance.

Conclusion

Considering the role of universities as agents of economic growth and development, certain important drivers must exist for them to be financially sustainable. These important factors include entrenching academic value that emphasises quality, skills and student employability. Others include establishment of an investment unit that will be responsible for developing investment portfolios and business development strategies to enable universities to get adequate financial resources for effective knowledge creation. Finally, there is the need for a university leadership that leads by example and upholds extant financial regulations to ensure value for money.

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