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Review

Management of internally generated revenue in Nigerian universities: Emergent issues

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ABSTRACT

Inadequate funding of university education that is occasioned by the present economic quagmire has made the need for generating revenue other than government allocation sacrosanct. It is against this backdrop that this paper attempted a holistic perusal of the issues associated with Internally Generated Revenue (IGR) in Nigerian Universities. This paper elucidated the concept of IGR, management strategies of IGR and Problems associated with IGR. It was, however, suggested that adequate technology and infrastructure should be put in place to block leakages, and competent task force personnel should be appointed over the administration of IGR, among others.

Keywords: Inadequate, internally generated revenue, management, revenue, education.

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INTRODUCTION

The Nigerian university system is geared towards the production and development of highly qualified professionals in all spheres of human endeavours. To develop, the individuals and the nation socio-politically, economically, morally and culturally. University education helps to transmit the relevant body of knowledge, indulges in research to explore new grounds for development and find solutions to problems that plague mankind, engages in the production of cultured and patriotic citizens, and strives to promote national unity.

In this era of globalization of education, Nigeria cannot afford to run a university system that compromises quality and standards if it is to compete in the global market. Globalization of the world economy is the integration of economics throughout the world through trade, education, financial flow, and exchange of technology, information and the mobility of people (Obade, 2020). Since globalization has occasioned changes in the economy and subsequently education, proved by the fact that most economies of the world are now struggling and looking for strategies that will help in the production of knowledge-based citizens who are ready to meet the global challenges, there are bound to be changes in educational processes and methods (Obade, 2020).

With the upsurge in student population in Nigerian universities, existing facilities seem to be overstretched. Lecture halls are allegedly overcrowded and the buildings are yearning for attention. Many universities in Nigeria today seem to be shadows of themselves. Many researchers seem to agree that underfunding accounts for the alleged massive infrastructural decay and management incompetencies in Nigerian universities. This financial situation is predicated on the government's alleged economic quagmire, which in turn, has made her unable to allocate the UNESCO Mandatory 27% of her annual budget to education, as well as making governments (state and federal) give directives to universities to look inward for funds up to 10% of their annual financial outlay as Internally Generated Revenue (Ademla and Ukeki, 2019).

Internally generated revenue for universities according to Obade (2020) is the income generated by a school from sources within its institution, such as tuition fees, sales of educational materials or textbooks, and rental of school facilities, among others. The management of university IGR is an important aspect of the financial sustainability of higher education institutions. The concept of IGR implies that the federal or state government does not have to accept responsibility for providing funding for all its universities on every expenditure heading. That way, the universities are therefore, persuaded to seek ways of earning additional revenue locally and to use the same in any areas of university needs that the government is not able to provide for in a given budget period (Ehiaguina, 2018).

Administrators of Nigerian Universities allegedly find it difficult to meet with overhead and capital projects. The effects of this inadequate funding are evident in the fact that the physical facilities in respective universities are in states of disrepair, several capital and research projects are abandoned, laboratories and libraries are ill-equipped, staff allege that they do not attend university-sponsored conferences regularly and there seems to be a drastic reduction in the award of research grants and fellowships (Adeniyi, 2018). Money released to some universities is not enough to pay workers' salaries and allowances, and meeting the demands of capital projects is more of a mirage (Adeniyi, 2018).

According to Ehiaguina (2018), university administrators have over the years gone back to the drawing board to fashion out different ways to generate revenue internally. Some of these ways include tuition fees, setting up of recreational facilities and filling stations, establishment of university primary and secondary schools, hiring of university facilities, endowment funds, PTA, and sales, among others. The unanswered questions in the minds of stakeholders in university education are: How many universities are able to realize the 10% IGR or more? How financially oriented are these sources of revenue influencing the funding and management of university education in Nigeria? What are the challenges associated with the collection of IGR? Are the resources galvanized from IGR effectively managed? It is against this backdrop that this paper attempted to elucidate the inherent problems and anticipated prospects of internally generated revenue in Nigerian Universities.

TRADITIONAL FUNDING SYSTEM OF NIGERIAN UNIVERSITIES

The traditional funding sources for the Nigerian public universities (Federal and State) vary from the point of view of the proprietorship of the institutions. The federal universities are funded by the federal government via grants for personnel costs, research funding and capital expenditures (Akinsanya, 2018; Akhigbe, 2020; Okobuka, 2021). It is on the statutory note that federal universities do not charge any tuition fees, dues and several manners of levies. The state universities are primarily funded by the state government that established them.

The Nigerian University System which commenced in 1948 with the establishment of the University College of Ibadan as an affiliate of the University of London, being the only one in the country was adequately funded in all aspects of teaching and research by both governments of Nigeria and Britain. In addition, universities were established between 1960 and 1973 and were also adequately funded by the federal government. Akhigbe (2016) and Okobuka (2021) both affirmed that the universities were well funded, that even subventions, scholarships/bursaries were made available to poor students and that there was no significant difference in the amount requested by universities and the amount received from the government. This was also the same with the first-generation state universities.

The financial problems of Nigerian universities started after the establishment of third-generation universities between 1975 and 1980. The sudden underfunding of universities at that time was linked to the depreciation in the country's economy evident in the downward trend in oil and non-oil exports, with rising import bills (Osadebe, 2021). These changes are responses to a worldwide phenomenon of the rising cost of university education in excess of the corresponding rates of increase of available revenues. In order to cope with government funding reductions, universities worldwide now generate additional sources of funds.

Inadequate funding of universities has had a calamitous effect on teaching and research and universities themselves have been forced to embark on income-generating projects in order to source for funds (Ehiaguina, 2018). Therefore, the available revenue is spent on capital projects, administration, teaching, research and welfare. Capital projects and salaries repeatedly take the bulk of the total revenue, while teaching and student welfare tend to be given less priority. This tends to be responsible for the incessant student/teacher riots and strike actions respectively (Odesami, 2022).

With the reduction in the budgetary provision for education, the depreciation of the naira and the low price of oil, Nigeria's main source of foreign currency earning, the provision of scientific and teaching materials has been drastically curtailed. Quality of teaching has fallen considerably, the libraries are hardly updated in terms of research materials, journals and books, and the morale of staff is low (Ehiaguina, 2018). Allocations to universities are going down, while students' enrolments continue to rise, capital projects cannot take off and in areas that they take off, they are allegedly abandoned due to lack of funds.

The by-effect of this dwindling finance in the Nigerian University system is explicated in many adaptive mechanisms such as curtailment of laboratory/practical classes, freezing of new appointments, limited number of field trips, and low quality of research and teaching, among others. From this foregoing, it is evident that these effects as highlighted above cripple the ability to optimize the production of skilled output, and graduates, for the maximization of our ever-expanding economy and global productivity.

Sources of internally generated revenue (IGR)

Fees

Fees encompass tuition fees, accommodation fees, development levy, ICT levy, sports and registration fees. There have been divergent opinions on the payment of tuition fees in universities. While it is evident that students pay fees other than tuition fees in some federal universities, there have been repeated calls for the introduction of tuition fees in such universities by stakeholders in universities.

Ademola and Ukeki (2019) posited that the issue of tuition fees should not be politicized and made a non-serious issue. They pointed out cardinal issues that urgently needed attention from the universities as the need to collaborate with banks to start special students account, innovative moves to attract more financial institutions to the campus, constitute an IGR Drive Committee, with improved friendly students' services. Aisabor (2020) asserted that fees, as a whole, are a major source of IGR, as concerted efforts were made to distinguish tuition fees from other fees. Other fees include hostel fees, ICT fees, health fees, etc. Aisabor (2020) observed that tuition fees are not paid in federal universities, adding that fees collected by some federal universities are higher than those collected by some state universities that collect tuition fees. It is, however, the opinion of this paper that the word "fees" encapsulates all manner of fees paid in the universities.

Bookshop/printing press

Bookshop and Printing Press are other major sources of raising funds for a University. Since the university is a learning and research centre, it is therefore imperative to open and stock a bookshop with the necessary books and materials for its students' use. Instead of taking all printing jobs from staff, students and departments use, the university, can establish its printing press for all printing and publication jobs. There should also be a rule that all printing jobs from the university should be done in the university's printing press.

Research, contract and consultancy services

Universities can also undertake research for big organizations like oil firms. Funds generated from this research can be used by the institutions. The Universities could canvass for research from industries and these industries should be ready to employ their services. Universities can also vie for contracts and use the proceeds for funding. Departments running professional courses should use their students as on-the-job training to do contracts. Various departments in the universities, like Accounting, Fine and Applied Arts, Architecture, Building, and Medical Laboratories should sell their services to the public by showcasing their findings and good works in exhibitions (Ademola and Ukeki, 2019).

Demand driven courses/certificates

Another great means of generating funds is for the universities to offer demand-driven academic courses and programmes. The courses could be at diploma or certificate levels. Practical and professional career courses and programmes will sell themselves and attract students from within and without especially this time when the oil and global recession is having an effect on the global economy. It is opined that a prescription of demand rather than supply influences the academic curriculum. The influx of foreign exchange paid by foreign students will boost available revenue in Nigerian Universities.

University farms

The university can set up farms or reactivate ailing ones as a means of boosting income through the process of rearing breeds of animals and poultry to boost her income. Students in the Department of Agriculture could be made to work on the farms of the Universities as their continuous assessment and proceeds from the farms can go a long way in helping the school and various departments. Universities can also play significant roles both in research work and practical agriculture in other to feed the growing population and reduce the nation's dependence on imported foods. Concentrating on this venture is believed to yield handsome rewards and go a long way in ameliorating the funding problems of universities.

Part-time, remedial and long-vacation programmes

Nigerian universities undertaking to run part-time programmes and remedial programmes make revenues available for the institutions as it creates time and appointment for the working class and those who missed the first opportunities. This can either be evening part-time, weekend part-time or long-vacation part-time programmes. Such programmes should be made in such a way that civil servants may be favoured in terms of fees and lecture time. If conducive, more workers will further their education and at the same time make more money for the schools.

Remedial programmes are undertaken in universities for people who cannot meet entry requirements. Recently in some universities, there has been the introduction of long vacation programmes. These programmes are run for students who could not pass their examinations at a sitting. They are given make-up examinations which brings in more money into the university coffers.

Establishment of community banks

The banking business is acknowledged as the vehicle of development in the economy. Since the services rendered by the public liability company, banks can also be performed by the Community Banks, and coupled with the fact that there is always a market for its existence, therefore, floating a community bank in a university with contributions from associations and individuals within the university community can be a better non-governmental source of funding the development of the university community and other staff within the community. The Ahmadu University, Zaria has some positive stories to tell in this regard (Ehiaguina, 2018).

Endowment funds

An endowment scheme is a sort of fund to which donors contribute for purposes of re-investment. In other words, it is money that has been given to the university to be held in perpetuity. The management may not be spending it, but the income may be disbursed on operational projects. Many universities do establish endowment funds where rich individuals or organizations assist in the development of quality education. Usually, prominent citizens donate money to the universities to be held in their honour in perpetuity. The intention is that the donor’s name be immortalized in the universities. For example, lecture halls, stadiums, classroom blocks, etc are named after such persons. The publicity of these endowment funds is low. Universities should publicize these through the media and the names of donors are also published to serve as an incentive for others to donate.

Alumni association

The old students of a University are usually very proud to remember their Alma Mata. Strong alumni associations should be formed in schools. Universities should seek financial support from their alumni. Old students could be recognized and invited from time to time to deliberate on the position of their alma mata. The school authority could keep track and record of their old students to always know and follow up on their progress in life.

Rent and leasing of equipment and materials

In this era of dwindling financial resources in the federal and state universities, leasing can be a vital source of finance for the system as the money which would have been tied down to some assets and properties is channelled to other sectors of productive services. The most appropriate lease is the service lease because of its innovative nature and saving the universities from utilizing absolute equipment and facilities. If the universities are to remain the citadels of innovation in this unpleasant time, lease options may ensure that all necessary equipment is acquired without tying down their scarce resources and suffering the consequent loss. Also, it will conserve funds that will now be deployed to vital productive sectors of the establishment.

Car park

Car park services can be introduced by university authorities in which staff, students and visitors can be allocated separate parks. In the case of staff and students, theirs should not attract fees, while visitors to the university could be directed to park their cars at designated parks where a sum of money will be paid for security or services charges for the time and period. Coupons could be used to check the cars or vehicles. Also, motorcycles as popular means of transport are ubiquitous in every nook and cranny of university campuses today. The university management can legalize their use within and around the university by designating parking lots for them and selling coupon tickets at rates determined by them. This will yield additional revenue to the university.

Establishment of a university secondary school

Universities can set up secondary schools as a means of generating funds. The school should be meant to accommodate staff children and members of the public for specific fees. The teachers should be employed on agreed salaries and not the university workers' salaries as is currently happening in some universities. Fees paid by the students can be a very important means of boosting the university fund.

Setting up filling stations

Universities can set up viable filling stations for fund generation. This involves setting up petrol stations where staff, students and members of the public can purchase their fuel and motor needs. This could be made to be in operation at all times so that the funds' generation can be sustained. The pump price should be made to be at par with what is obtainable in other fuel or gas stations.

Sustaining this venture means that more fuel will always be available where more people will buy and more revenue generated for the universities.

Contributions by Parent-Teachers Association (PTA)

Parents of the immediate beneficiaries of universities should be made to contribute a little towards the funding of the school. Apart from meeting the needs of their wards, a little extra amount should be collected as equipment or development levies from these parents. This body can come under any form or name. Some schools call it the Parents Consultative Forum. This extra levy, while not too big to scare parents from sending their wards to such schools, should be used for the procurement of materials and equipment or for the purpose for which they were collected.

Universities or faculties can form Parents-Teachers Associations (PTA) or Parent Consultation Forums where interaction between the sponsors and school management can always take place. The universities can use this forum to appeal to parents/sponsors on their needs. Some of these parents/sponsors can be in positions to award contracts or change the fortune of the university. Some may donate buildings and equipment to the school. If the PTA can be very successful in the funding and running of secondary schools, it can also be good and useful in the university.

Management strategies for internally generated revenue

The management of IGR is an important aspect of the financial sustainability of universities. To this end, scholars have proposed different strategies for the effective management of IGR in universities (Ehiaguina, 2018). Among the many strategies, the following are worth considering:

Centralized financial management system

There is a need for the adoption of a centralized financial management system that ensures transparency and accountability in the use of IGR. This system involves the establishment of a financial management unit that oversees the collection, allocation and utilization of IGR in a manner that aligns with the institution's strategic objectives. The financial management unit is responsible for ensuring that all revenue generated within the university is properly accounted for and utilized in a way that benefits the university community.

Diversification of revenue sources

Another strategy is the diversification of revenue sources to reduce reliance on a single source of internally generated revenue. This involves exploring alternative sources of revenue such as research grants, consultancy services, and partnerships with industry and other service providers. Diversification of revenue sources ensures that the institution is not over-dependent on a single source of revenue, which can be unpredictable and unstable.

Robust financial planning process

Effective management of IGR requires a robust financial planning process that takes into consideration the university's short-term and long-term financial goals. Financial planning involves the creation of a budget, setting financial targets, and monitoring progress towards achieving these targets. The budget should be used on a realistic projection of revenue and expenditure, taking into account factors such as inflation, changes in government funding and other economic factors that may impact the university's finances.

Effective communication and collaboration

Effective communication and collaboration between different units within the universities are crucial for the management of IGR. This involves regular meetings and consultations between the financial management unit, academic departments and other units within the institution to ensure that revenue generated is allocated and utilized in a way that aligns with the university's goals and objectives.

PROBLEMS OF INTERNALLY GENERATED REVENUE

Despite the anticipated benefits of internally generated revenue, the under-mentioned counterproductive issues are noteworthy according to Osadebe (2021).

Outdated collection process

The university's IGR collection processes are often inefficient and outdated. For instance, the payment process is often manual, which makes it difficult for the university to track payments, identify defaulters, and reconcile accounts. The absence of electronic payment options also limits the ability of students and other stakeholders who utilize the university's IGR sources to make payments conveniently. For instance, the absence of an electronic payment system makes it relatively difficult for the university to collect payments conveniently and track transactions accurately.

Poor management/mismanagement

Poor management of Internally Generated Revenue in universities may have a negative effect on the products of the system vis-à-vis sustainable university education. It is alleged that the university's IGR is often poorly managed, mismanaged or underutilized. This leads to revenue losses and inefficiencies. For instance, the university may not be effectively leveraging its facilities and resources to generate revenue.

Fraud

There may be cases of fraud or embezzlement, which can result in the misappropriation of internally generated revenue funds. There is observably a lack of transparency and accountability in the university's IGR management. Also, the absence of clear policies and procedures for IGR management can create opportunities for corruption and financial mismanagement. This can undermine public trust and negatively impact the university's reputation.

CONCLUSION

Sequel to Nigeria's drift into deep financial slumber due to the present socio-economic quagmire occasioned by the government's reckless borrowings, anti-people policies and massive corruption with impunity, Nigerian Universities are grossly underfunded. It is against this backdrop that internally generated revenue has become a vital funding tool for the development of university education in Nigeria. Also, this paper believes that if the aforementioned catalogue of sources is meticulously harnessed, the goals and objectives of university education will be seamlessly achieved. The government (federal and state) should leverage these opportunities that viable IGR has offered to help boost university education, by encouraging universities' financial autonomy.

SUGGESTION

a. Adequate technology and infrastructure should be put in place to block leakages in the collection of IGR sources.
b. Policies should be put in place to eradicate fraud and mismanagement of IGR funds.
c. Competent task force personnel should be appointed by the management of universities over the administration of internally generated revenue.
d. There should be accountability in the IGR unit. There should be a policy of checks and balances as well as periodic auditing of IGR units.
e. Funds realised from IGR should not just be utilized but seen by all stakeholders to be judiciously utilized.

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