



Impact of Economic Recession on Funding of Business Education Programmes in Nigerian Universities: A Case Study of University of Benin

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Abstract. Education in Nigeria has been plagued by inadequate funding over the years. This has continued despite various interventions by successive administrations. The current economic recession in the country has further worsened the situation with its attendant consequences on the different sectors of the economy, which includes the university education subsector. In order to capture the challenges of economic recession, this paper undertook a historical survey of global economic recession and Nigeria and the impact on funding education especially, the university education subsector programmes with specific reference to business education programme of the Department of Vocational and Technical Education, University of Benin. It analyzes the budgetary allocation to the department in the last four years and determines the adequacy of the allocation to business education programme, in the face of inflationary trend in the recessed economy. Findings show that business education programme has been inadequately funded and that there has been neglect of infrastructure and the provision of teaching and learning facilities. The survey also unraveled the fact that budget was not allocated to training of needed manpower, as focus was on payment of salaries and purchase of consumables for the day to day running of the department. Recommendations have been made amongst which are: the need to improve internally generated revenue through entrepreneurship centres and the need for government to increase the budgetary

allocation to the education sector to meet the recurrent and capital expenditure for implementation of business education programmes.

Keywords: Economic Recession, Business Education, Funding of Business Education Programmes, Nigerian Universities, University of Benin

1. Introduction

One major challenge in our educational system is inadequate funding. Successive government have intervened at different levels, but there seems not to be political will to fund the sector in line with the UNESCO bench mark of 26% of a nation's budgetary allocation to education. Globally, there had been 22 economic recessions between 1902 and 2009. Nigeria plagued into economic recession in 2016 when the Country's GDP recorded negative growth for two consecutive Quarters at -1.5% and 0.36%. This situation affected all sectors of the economy including the university education sub-sector. In order to capture the challenge of economic recession, this paper undertook a historical survey of global economic recession and Nigeria and the impact on funding education especially university education sub-sector programmes with specific reference to business education programmes of the Department of Vocational Technical Education, University of Benin.

Table: Historical Recession in the World (1902-2009)

Year	Duration (Months)
Apr 1960 – Feb 1961	10
Dec 1969 – Nov 1970	11
Nov 1973 – Mar 1975	16
Jan 1980 – Jul 1980	6
Jul 1981 – Nov 1982	16
Jul 1990 – Mar 1991	8
Mar 2001 – Nov 2001	8
Dec 2007 – June 2009	19
May 1923 – Jul 1924	14
Oct 1926 – Nov 1927	13
Aug 1929 –Mar 1933	43
May 1937 – Jun 1938	13
Feb 1945 – Oct 1945	8
Nov 1948 – Oct 1949	11
Jul 1953 – May 1954	10
Aug 1957 –Apr 1958	8

Source: National Bureau of Economic Research (NBER 2016)

Table 1 above shows the longest economic recessions ever experienced in the world and lasted for 24 months (Jan 1910 – Jan 1912), while the shortest so far was 6 months (Jan 1980 – July 1980). Until the last 25 years, recessions were a common event, often occurring every few years. Between 1902 and 2009, the world had experienced a total of 22 recessions (NBER 2016)

The recent economic development shows that the global financial crisis of 2007 – 2008 is considered by many economists to have been the worst financial crisis, since the great Depression of the 1930s. It began in 2007 with crisis in the subprime mortgage market in the US, and developed into a full-blown international banking crisis with the collapse of the investment bank, Lehman Brothers, on September 15, 2008. Excessive risk-taking by banks such as Lehman Brothers, helped to magnify the financial impact globally. Massive bailouts of financial institutions and other palliative monetary and fiscal policies were employed to prevent a possible collapse of the world financial system. The crisis was nonetheless followed by a global economic downturn, known as the Great Recession. (Wikipedia; 2007-2008).

2. Economic Recession in Nigeria

Economic recession has become a major topic of discussion by major stakeholders in Nigeria, and beyond. Nigerian economy plunged into recession in 2016 when International Monetary Fund (IMF) and Central Bank of Nigeria (CBN) agreed that the economy may not gain stability until 2017 with low GDP growth of -1.5%. The economy having recorded

a negative growth in two consecutive quarters, financial analysts and indeed, the Federal Government of Nigeria accepted that the economy was in recession. The first quarter growth was -1.5% while the second quarter recorded a growth of -0.36%. However, by the fourth quarter of 2016, the economy picked a positive growth of 0.8%. This was not enough to conclude that it has overcome the recession. Several factors are responsible for economic recession in any given economy. Some of these reflect:

High inflation- this is a general rise in the prices of goods and services over a period of time. As inflation increases, the percentage of goods and services that can be purchased with the same amount of money decreases.

Accumulation of debt servicing especially foreign debts.

High interest rate - This discourages potential investors in the economy. They limit liquidity or the amount of money available to spend.

Fall in aggregate demand, fall in wages, income – this refers to wages that have been adjusted for inflation. Fall in real wage means that a worker’s pay is not keeping up with inflation. The worker might be making the same amount of money, but his purchasing power has been reduced.

Mass unemployment and general loss of confidence on the government due to economic indices.

Reduced consumer confidence – If consumers believe the economy is bad, they are less likely to spend money, because their confidence is psychological, but can have a real pact on any economy (Mckinney 2016).

2.1 Causes of Recession in Nigeria

In Nigeria, there are several factors responsible for the economic recession. The immediate factor was the global 'oil shocks' occasioned by a gradual slide in the price of international crude from average \$100 per barrel in 2011 to decline of less than \$50 dollars in 2015. Nigeria as a major oil dependent country was greatly affected because the much-needed foreign exchange to finance import of major raw materials, food and other commodities that are consumed by Nigerians was in short supply. This led to budgetary cuts in the different sectors of the economy, including import prohibition and restriction of goods for which Nigeria have comparative advantage.

The remote causes of the recession in Nigeria, are the activities of the Niger Delta Avengers (NDA) in the oil producing areas of the South-South of Nigeria, which was a major factor responsible for poor revenue earnings by government. As we are generally aware, the country's crude oil quota in the international market as regulated by Organization of Petroleum Exporting Countries (OPEC) is 2.2m barrel per day. The bombing and vandalization of major oil pipelines led to the shortage of crude output available for sale in the international market.

According to the Group Managing Director (GMD) of NNPC Makantio Baru; Nigeria lost a total of 643m litres of Premium Motor Spirit (PMS) known as petrol valued at N51.3billion through pipeline vandalism in 2015, while 1,447 incidences of vandalism was reported in 2016 (Daily Post Staff July 22, 2016). The GMD of NNPC noted that the supply and distribution of Nigeria's oil and gas resources remain critical to the survival of our economy, while the budget plan of the Federal Government is grossly affected as a result of the incidences of pipeline vandalism.

As a consequent of the above, Nigeria lost a total of 700,000 barrel of crude oil per day from a projected 2.2m barrel per day. This meant that average crude available to sell as at July 2016, stood at 1.5m barrels per day at \$38 budget benchmark. This is aside from the fact that Nigeria had lost a tangible oil trade with the USA, following the Shale oil boom in that country (alternative source of energy) which led to the fall in the demand for Nigeria crude.

The last straw that broke the camel's back was the effect of the September 2016 attack on Forcados export facility leading to a large production shut-in, a drop in oil exports and a sharp decline in power generation, throwing many homes into prolonged

blackout, and turning gas-dependent industries and others to alternative power sources such as generators and solar power. Estimated loss of revenue was put at \$3billion. Several demands were made by the Niger Delta agitators on the Federal government by elders of the region in order to find a lasting solution to their social and economic challenges.

3. Funding Business Education Programmes

The development in the Niger Delta comes with its huge financial implications and government must have the political will power to successfully address these issues whilst not undermining the funding of critical areas of the economy like the education subsector in universities where business education programmes are run as integral part of Vocational and Technical Education in Nigeria because of its unique role in the nations building, and the right of the citizens to have access to quality science and technological education.

Access to education in Nigeria, especially schooling, is a channel through which every Nigerian can integrate into the mainstream society and be able to exercise their social, economic and cultural right. Education produces knowledge, skills, values and attitudes. It is essential for civic order and citizenship and for sustainable economic growth and the reduction of poverty. Education is also about culture; it is the main vehicle for disseminating the accomplishments of a group of people. It encompasses general skills such as language, science, mathematics and communication that provide the foundation for further education and training. Education also includes the developments of values and attitudes necessary for meaningful contribution and participation in civic life. Christies (1991).

Goals of Business Education include to:

- Develop individuals who will be properly equipped with the pre-requisite knowledge and skills for productive work life.
- Develop individuals who will be capable of meeting the modern business and technological challenges.
- Develop a pool for competent and reliable technological power, capable of being mobilized in times of national economic emergency.
- Develop in the youth, the right attitude towards work.
- Equip the youths with the requisite knowledge and skills for paid or self-employment. *Ekpenyong (2010)*

3.1 The survey analyses:

- The budgetary allocation to the Department in the last 4 years.
- Determines the adequacy of the allocation to business education programmes in the face of inflationary trend in the recessed.

Findings:

- Inadequate funding of business education programmes
- Neglect of critical infrastructure
- Neglect of provision of teaching and learning facilities
- Budget not allocated to training of needed manpower
- Over concentration of resources on recurrent expenditure e.g payment of salaries, purchase of consumable per day to day running of the department.

Table 2: 6 Year Trend of Recurrent Budgetary Expenditure to VTE

Year Jan-Dec	Budgetary Allocation (N)	Actual Expenditure (N)	Variance (%)
2011	77,572,100	106,047,700	36.7(-ve)
2012	86,256,700	89,680,200	3.97(-ve)
2013	105,546,600	110,647,955	4.83(-ve)
2014	127,916,700	100,437,378	21.48(+ve)
2015	75,865,448	93,522,667	23.37(+ve)
2016	76,264,448	67,522,235	11.46(+ve)

Source: Bursary Department – UNIBEN (2017)

Table 2 above shows that the total budgetary allocation to Vocational and Technical Education for the period under review were all for recurrent expenditure. This means that emphasis was directed towards the payment of salaries of different levels of personnel in Home Economics, Technical Education, Business Education and Agriculture. The underfunding of this department has serious consequences on other infrastructural projects needed for the various courses which are in deficit. For instance, between 2011 and 2013, the budget had a negative growth from 37.7% to 4.83%, while it grew positively by 21.48%, 23% and 11% respectively in 2014, 2015 and 2016.

Table 3: 4 Year General Expenditure of VTE

Cost category	2013 (N)	2014 (N)	2015 (N)	2016 (N)
Transport and travelling	128,415	89,891	89,000	89,000
Motor vehicle Maintenance and running cost	-----	-----	-----	35,000
Printing and Stationery	-----	-----	-----	25,000
Laboratory and teaching Materials	-----	-----	-----	50,000
Maintenance of office Machines	28,350	19,845	19,000	20,000
Sundries	42,525	29,768	29,000	30,000
Hospitality	21,315	14,921	14,000	25,000
Computer Consumables	248,850	174,195	170,000	65,000
Telephone Expenses	56,700	39,690	39,000	60,000
Total	526,155368,309 - 29.99%		399,000465,000 +16.54%	

Source: Bursary Department – UNIBEN (2017)

Table 3 shows over concentration of resources of the department on maintenance and consumables at the expense of capital projects. Between 2013 and 2014, the budget dropped by 29.99%, from N526,155 to N368,309. While it increased by 16.54% between 2015 and 2016 from N399,000 to N465,000. There is actually no growth in real terms as the country’s inflation rate stood at 16% as at July 2017. This underscores the fact that budget to business education for material resources to function is inadequate.

The fact that business education programme requires enormous material and human resources to implement, again underscores the need for adequate funding, as there cannot be meaningful result without due attention to the resources needed at this level of implementation.

4. Resources required for Business Education Programmes:

At the university of Benin, the following resources have been identified as vital to the running of business education programme to meet minimum standard for accreditation by the National Universities Commission (NUC) in line with international best practice in education:

- Expansion of available classrooms and facilities.
- Equipment of library with modern textbooks and journals including personnels to manage them.
- A comprehensive review of business education curricula.
- ICT introduction into business education especially in marketing.
- Training of academic and non-academic personnel.
- Research to contribute to science & technology advancement of the country.
- Equipment of typing pools with modern and up to date gadgets.
- Consultancy services, workshops, seminars and symposium.
- Development of business education entrepreneurship centre.
- Provision of consumables
- Vehicle maintenance
- Regular staff salaries.
- Office and classroom furniture amongst others. (Oke, 2000).

Table 4: 6 Year trend of Budgetary Allocation to Education

Year	Amount (N’bn)	Increase/Decrease(%)
2011	306.60	-----
2012	400.15	+0.9355
2013	426.53	+0.2638
2014	492.00	+0.6547
2015	493.00	+1.00
2016	369.00	-33.333

Source: Budget Office of the Federation, Federal Ministry of Finance (2017)

Though the above budgetary allocation looks good with steady, but marginal increase in the period under review, the impact of inflation on the funding of the required human and material resources to run business education programme cannot be ignored. According to the National Bureau of Statistics (2017), inflation in Nigeria slowed to 16.25% in June from 17.2% in April 2017. This is largely because the Central Bank of Nigeria kept its main policy rate at a record high of 14% in May, to fight price growth and support the naira. With the inflation rate, the cost of procuring and putting in place, each of the cost items has remained prohibitive while the purchasing power of the personnels needed to run the programmes in business education is not only weak, but has been eroded by inflation. A further appropriation of the total budgetary expenditure of VTE to each of the four courses will translate to insignificant amount for business education to execute each item in the cost category. This explains why the organized labour is seeking a review of the minimum wage for workers in the country. The implication is that students who need

to fund their cost of education may be unable to do so and this affects the internally generated revenue from tuition fees that should accrue to the school authority to run the various academic programmes.

Impact of the Economic Recession on Funding Business Education include:

- A drop in budgetary allocation to education to N369bn from N493bn in 2015.
- Non-availability of comprehensive and fully equipped entrepreneurship center in Vocational Technical Education Departments of Universities due to budget cuts as a result of recession.
- Inadequate manpower in business education due to embargo on recruitment of needed personnels in the university.
- Delay in payment of salaries to workers due to poor resources of government.
- Weak purchasing power of workers in education sector due to high inflation rate.

5. Conclusion

Education is an expensive venture that requires adequate funding. In a recessed economy such as Nigeria, with high inflationary rate, financing business education programme ought not be compromised by government in its budgetary allocation to the educational sector. Aside the payment of salaries and allowances, adequate funds are required to develop critical infrastructure, provide modern teaching and learning facilities that meet the objectives of business education programme, training and retraining of the needed manpower, and improvement in classroom environment for a conducive learning. The above financing gaps underscores the fact that the present economic recession in Nigeria have negatively impacted the funding of business education programme in university of Benin.

6. Recommendations

The following recommendations are made:

- Vocational Technical Education Department should look inwards for improved internally generated revenue to support its programme implementations. A well-equipped and viable entrepreneurship centre is imperative in this regard.
- There has to be an improved collaboration of the university authority with the organized private sector for the financing of critical learning infrastructure and other facilities needed to achieve the goals of business education programme, especially in the provision of ultra-modern library and a world class ICT centre.
- Finally, the government should increase the budgetary allocation to the education sector to meet the recurrent and capital expenditure needs of universities.

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