

# TAXING OR AIDING PRIVATE UNIVERSITIES: EDUCATIONAL ADMINISTRATORS' VIEW POINTS IN CROSS RIVER STATE, NIGERIA TOWARDS POLICY MODIFICATION

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## ABSTRACT

This study explored universities educational managers opinion in Cross River State, Nigeria on taxing or aiding private universities in Nigeria and its implications for policy modification. This survey designed study had three research questions which guided the investigation. With the use of simple random sampling technique, 88 educational administrators were drawn from the population comprising of the directors, dean and head of departments in the two institutions studied. Data collection were carried out using a researcher constructed instrument known as Private University Taxing or Aiding Questionnaire (PUTAQ). Descriptive statistics using tables, percentages and rank order were used to statistically analyze data collected. Results obtained revealed various merits/demerits of taxing or aiding private universities, and that private universities should not be taxed for now since they were still at the developing stage in Nigeria. Aids in the form of specific grant-in-aid should be given to the universities by government. It was recommended that private universities in Nigeria should be given a definite tax holiday period and that there should be a relaxation of visa on expatriate services in education by the government

**KEY WORDS:** Taxing, Aiding, Policy, Private Universities

## INTRODUCTION

University education is a vital tool for a country's economic growth and development. The importance of education generally, coupled with the pressure on government to meet the demands for education, necessitate deregulation of education in Nigeria. This gives rise to private participation in university education (Johnson, 2001). As such, there is need for Nigerian government to package an appropriate fiscal policy which can encourage investment, ensure social equity and provide social services in this sector. Taxing or aiding is an essential instrument in this regard. It is on the basis of these facts that stakeholders in education are desirable to know the compelling reasons in the public interest for government to either tax private universities' income or aid them to be qualitative and functional.

Taxation (whether direct or indirect) is a system of raising money through compulsory levy on individuals, firms and companies to finance

government. In public finance, taxes constitute the primary receipts of government being the important tool of the fiscal policy. (World Bank, 2007). This will reduce both personal disposable income and corporate profits. Such reduction in after-tax corporate profits will reduce the profitability of new investments. Conversely, if the economy is depressed and government want to encourage investment in any sector of the economy, say education, corporate tax rates might be reduced or waived. This will increase the incentive of individuals and organizations to expand their investments in the sectors of the economy. In the light of the above, should universities be treated like corporate bodies and subjected to education tax?

The deregulation of university education in Nigeria brings about multiplicities of private universities which operate on the basis of profit-making motives. According to Quddus and Rashid (2000), such private institutions are vulnerable to

abuse such as fraud, greed and profiteering. This calls for tax imposition on the income of such institutions by the social critics. But then, such decision is against the provision of Income Tax Management Act (ITMA) 1961 which exempted educational institutions from taxation. Again, government has the obligation of providing incentives for private education especially as education yield, externalities that compel national leaderships world wide to give it unquestioned priority (Psacharopoulos, 1985). It is on this ground that Ruch (2002) supported public support of private education in view of the effect taxation has on efforts and enterprises (Ridgway, 1982).

Educational aids can be internal or external. Internal aids are initially provided by owners. External or foreign aids are provided by external bodies to be used on capital items and scholarship. The main concern here is the ability of private universities to adequately fund these institutions to be functional and qualitative. It is on this ground that Obasanjo (2005) confirms the need for National Universities Commission (NUC) to assist private universities and for these institutions to take advantage of grant importation on educational materials which attracted 2<sup>1</sup>/<sub>2</sub> per cent duty.

Few studies have been carried out in the fiscal policy attainment applicable to education in Nigeria as recorded in studies such as Ogbodo (2001), Ironi (2003), and Itiveh (2008). Little or non has been done on taxing or aiding private universities and the influence of fiscal policy modification in Nigeria. Therefore, this study is geared towards establishing compelling reason for taxing private universities or aiding them in order to achieve the desired fiscal policy objectives of encouraging investment, redistribute income, ensuring social equity and providing essential social services to the people. This is critical in view of the reality that private university education depend on how the recipients are willing to pay and also, how the society are willing to augment. Moreso, the meeting point between private rate of returns from investment in education and the public benefits from education can result in increased tax revenue from educated people whose education is being subsidized (Ajom, 1983 and Nwadinigwe, 2005). On the basis of the above facts, this study aims at:

1. Ascertaining the merits/demerits of taxing or aiding private universities by a Nigerian government
2. Finding out the educational administrators' opinion on whether private universities in Nigeria should be taxed or aided by the government

### Statement of Problem

Taxing or aiding private universities has been an issue of concern to individuals, groups and government in Nigeria. The problems revolve around inadequate funding and the need to adopt appropriate fiscal policy on private universities. Most parents in Nigeria cannot afford the type of education desirable of their children/wards, yet government cannot do more because of its weak pecuniary base. Thus, there is need for policy modification to either bring the fiscal policy in line with existing statutes in other developing economies or to bring it in line with the desired economic policy objectives of government. It is on this basis that the researcher attempts to find out the perception of the university administrators on the merits/demerits of taxing or aiding private universities and whether private universities should be taxed or aided by government of Nigeria.

### Research Questions

1. What are the merits/demerits of government taxing private universities?
2. Are there any merits/demerits of aiding private universities by government?
3. Should government tax or aid private universities?

### Methodology

This study was conducted in Cross River State of Nigeria, one of the six states in the south-south geo-political zone of the country. It covered two universities located therein. One owned by the Federal Government (University of Calabar) while the other one is owned by the State Government (Cross River University of Technology). Both are located in Calabar, the state Capital. The population was made up of 16 Deans, 3 Directors and 85 Heads of Departments from the two universities.

A simple random sampling technique was adopted to select 7 faculties and 3 institutes from universities of Calabar to give a sample of 7 deans, 3 directors and 43 heads of departments. Also, in Cross River University of Technology, all the 6 faculties were used for the study, and this gave a sample size of 11 deans, 2 directors and 62 heads of departments totaling 75 respondents.

A researcher-constructed instrument called Private University Taxing or Aiding Questionnaire (PUTAQ) was used for data collection. The instrument had two sections, A and B. Section A sought demographic information such as sex, age and position. Section B contained 6 items. Items 1 and 2 required the respondents to agree or disagree with the statements. While items 3 to 6 were open ended questions that required the respondents to indicate 1

merit/demerit of taxing private universities, as well as 1 merit/demerit of aiding them.

Administration of the instrument was done through face-to-face hand delivery method. A total of

66 copies of the instrument were returned, thus giving an 88 per cent return rate.

The information gathered from the respondents were subjected to descriptive statistics; using tables, percentages and rank order.

**RESULTS**

**Research Question One:**

What are the merits/demerits of government taxing private universities?

**TABLE 1: Rank order of merit/demerit effects of taxing private universities (N = 66)**

S/N	Items	Merits Responses	S/N	Items	Demerits Responses
1.	Human resource Development	36 (54.55%)	1.	Undeclared income arising from high school charges to avoid taxation	44 (66.67%)
2.	More income from government	32 (48.48%)	2.	Decrease in access to education due to high school charges	39 (59.09%)
3.	Help to plan and regulate the institutions	31 (46.97%)	3.	Reduction in funds available for development	32 (48.48%)
4.	Help to monitor their activities	14 (21.21%)	4.	Limited funds for research and development	21 (31.82%)
5.	Aid in redistribution of income	12 (18.18%)	5.	Increased financial burden on parents	18 (27.27%)
6.	Eradicate tax evasion by other entrepreneurs	8 (12.12%)	6.	Discourage private participation in education	15 (22.73%)

**N = 66 in all cases.**

The results of data analysis presented in table 1 have shown that the sampled educational administrators were able to appropriate the effects of merits/demerits of taxing private universities in Nigeria. Only 54.55 per cent of the respondents agreed that taxation of private universities can assist in human resource development. Also, 48.48 per cent and 46.97 per cent agreed that taxation of the private institutions will contribute to more income for government and help to plan/regulate the institutions. Other benefits of taxation as shown on table 1 ranges from 21 per cent to 13 per cent only as indicated in table 1.

The demerits of taxing private universities as given by the respondents tend to reveal a higher trend. For example, 66.67 per cent of the respondents confirmed that the institutions could hide information concerning their income to avoid payment of tax to government while 59.09 per cent indicated that taxation may bring about decrease in access to education occasioned by high school charges. Other demerit effect of taxation ranges between 48 per cent to 23 per cent as shown in table 1.

#### Research Question Two:

Are there any merits/demerits of aiding private universities by government?

**TABLE 2: Rank order of merits/demerits of aiding private universities (N = 66)**

S/N	Items	Merits Responses	S/N	Items	Demerits Responses
1.	Provision of qualitative educational facilities by government	41 (62.12%)	1.	Encourage them to be financial dependent on government	46 (69.70%)
2.	Reduction of students' cost	38 (57.58%)	2.	Aids may be misappropriated if not monitored	45 (68.18%)
3.	Proliferation of access	35 (53.03%)	3.	May encourage teachers attrition	41 (62.12%)
4.	Service delivery improvement	28 (42.42%)	4.	Other sectors of the economy suffer	40 (60.61%)
5.	Encouragement of research and development	20 (30.30%)	5.	Reduction in standards due to disfunctionality	32 (48.48%)
6.	Stability in proliferation	15 (22.73%)	6.	Excess control by government	12 (18.18%)
7.	Encourage new private universities to open up	12 (18.18%)	7.	May encourage excess profit making	7 (10.61%)
8.	Encourage private universities to compete favourably with public universities	8 (12.12%)			

#### N = 66 in all cases.

The result presented in table 2 revealed that a greater proportion of the educational administrators did not encourage aiding of private universities. Only 62.12 per cent of the respondents agreed that aiding private universities will help to provide qualitative educational facilities by government. Other merits effects of aiding private universities by Nigerian government ranges from 57 per cent to 13 per cent as shown in table 2. On the other hand, 69.70 per cent of the respondent disclosed that aiding private universities will encourage them to be financial dependent on government. Other demerits include misappropriation of fund (68.19%), teachers attrition (62.12%) and reduced funding to other sectors of the economy (60.61%). Other demerits effects ranges from 48 per cent to 7 per cent as shown on the results in Table 2.

#### Research Question Three:

Should government tax or aid private universities?

**TABLE 3: Percentages of responses to opinion on taxing or aiding private universities (N = 66)**

<b>Tax</b>			<b>Aid</b>		
Agreed	32	(48.48%)	Agreed	45	(68.18%)
Disagreed	34	(51.52%)	Disagreed	21	(31.82%)

**N = 66 in all cases.**

The results of data analysis in table 3 indicated that 32 (48.48%) of the educational administrators agreed that private universities should be taxed while 34 (51.52%) of them disagreed. On the other hand, when asked if private universities should be aided, 45 (68.18%) of them agreed while 21 (31.82%) disagreed. This result disclosed that a greater proportion of the respondents favoured private universities being aided rather than being taxed.

**DISCUSSION OF RESULTS**

The outcome of the analysis of research question one disclosed that there are a greater percentage of demerits than merits effects of government taxing private universities. This finding suggested that taxing private universities means imposing financial burden on the private universities which may eventually be transferred to the students (whose fees is already high) in the form of high school charges. This could limit the students considering the prevailing economic situation in Nigeria and reduce access to educational opportunities at this level. Furthermore, incidence of tax on funds available to the institutions may adversely affect learning facilities, deplete meager resources available for recurrent expenditure and research and development. This therefore mean that taxing private universities will reduce their income. This tend to be consistent with the outcome of Ridgway (1982) which revealed that taxation has a number of effects such as reducing the level of disposable income, redistribution of income, effect on price, effort and enterprise. Private univerisites are attended by children of the rich or high income earners who can afford to pay the fees in the institutions. The fall out of this is that there is social equity while income of high social class are redistributed to stabilize the economy which may not call for taxing such private institutions.

Again, the academic managers were probably concerned about the fact that the nation cannot afford to have sub-standard universities that will churn out graduates that cannot contribute towards the growth and development of the nation. This implies that taxing the private universities (a fiscal policy change) as opposed to the provision of Income Tax Management Act 1961 exempting educational institutions in Nigeria from taxation, must be examined on the grounds of achieving its policy objectives towards improving the standard of living of every populace.

The results of research question two indicated that private universities could be aided but in kind. Interestingly, this finding is in line with the position of

Obasanjo (2005) who in response to vice chancellors of private universities appealing for financial aid from Education Tax Fund, stated that "I will not put government money into private universities as a matter of policy". He advised that National Universities Commission could assist private universities in research, while importation of educational materials could attract 2<sup>1</sup>/<sub>2</sub> per cent duty.

The results in table 2 further showed that respondents 46 (69.70%) believed that aiding private universities may lead to financial dependence on government while 45 (68.18%) and 41 (62.12%) of them opined that such aids may be misused, and encouraged teachers attrition at the expense of public universities. This view was consistent with the position of Quddus and Rashid (2000) that in higher education the private sector is vulnerable to abuse such as fraud, greed and profiteering. Thus, unscrupulous entrepreneur can defraud the public. Moreso, the uniqueness of the finding of this study was derived from the fact that migration of the lecturers could give private universities edge over the public universities. This articulation was in consonance with the report of Nwadnigwe (2005) that academic staff of the private universities were being taken from existing public universities. The implication of this was the need for policy modification following the mounting deficits in funding education in order to seek higher revenue or improve the revenue elasticity and buoyancy of the tax structure (Erik and Balt, 2005). This could achieve desired objectives of providing facilities and access to education.

The analysis on table 3 was quite revealing and expose strongly the need to aid private universities as against taxing them. A plausible explanation for this findings may be based on the prevalent situation of limited access in public universities. This explained why despite high tuition charges by these private institutions, parents still patronize them. The society now regard higher education as a private good with not enough immediate and positive externalities to justify public support (Ruch, 2002). The private universities are

therefore helping to develop the manpower required to bring about growth and development in Nigeria. Fiscal policy affecting education could be made through choice and consensus of the society as occasioned by the policy objectives. These objectives must be stimulated by physiological, socio-cultural, political, economic and environmental needs of individuals, community and the entire world for need satisfaction.

### CONCLUSION

On the strength of the findings of this study, it was therefore concluded that private universities should not be taxed for now because the sector is still relatively underdeveloped despite the progress so far made. Also, the activities of the private universities are noble, in view of the social services provided by them. They need to be supported by aid-in-kind. By so doing, policy objectives are articulated to meet individual and communal needs through functional education which could enhance meaningful development in Nigeria.

### RECOMMENDATION

1. Government should give a definite guaranteed period to new private institutions to grapple with high unit costs until they become full stream for taxation. The period of taxation should agree with the period of the institutions would enjoy economics of scale and fall in their unit costs.
2. The private universities should be aided by government in specific areas through grant-in-aid. (e.g capital aid for classroom construction or staff development), relaxation of visa demands on expatriate services, reduced or waived import duties rates and credit facilities available for educational professionals to invest in education.
3. Special attention should be given to science, technical and vocational education because of high cost involvement by the institutions and high need by the society. Special grants-in-aid should be offered to such private universities to encourage them to venture into and sustain such investment which could be purely carried out on profit principles by the entrepreneurs.

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