IMPACT OF FUNDS MANAGEMENT ON THE PERFORMANCE OF SPECIALISED FEDERAL UNIVERSITIES IN NIGERIA

BY

ALI Francis
M.Sc/ADMIN/8694/2009-2010

BEING A THESIS SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M. Sc) DEGREE IN ACCOUNTING AND FINANCE.

DEPARTMENT OF ACCOUNTING
INSTITUTE OF ADMINISTRATION
AHMADU BELLO UNIVERSITY, ZARIA

JUNE, 2011.

DECLARATION

This thesis is the product of my research effort. The study was carried out by me, and all materials and ideas borrowed from various sources are duly acknowledged in the bibliography. To the best of my knowledge, this work has not been submitted elsewhere for the award of any degree or any certificate.

ALI FRANCIS _____

Sign

CERTIFICATION

This thesis entitled "Impact of funds management on the performance of specialized federal universities in Nigeria" meets the regulation governing the award of Degree of Master of Science in Accounting and finance of Ahmadu Bello University and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This research work is dedicated to God Almighty who keeps, provides, guides and protected me throughout the course of this work. Also to my beloved brother, Superintendent Andrew S.Ali whom God used to initiate the pursuit of the higher degree and finally to my dear wife, Mrs, Kehinde R. Ali who stood by me in prayers and encouragements.

ACKNOWLEDGEMENTS

To ascribe this great accomplishment to personal effort is to be unfair to God Almighty and fellow humanity through whom immense contributions and assistance aid the attainment of this success. I am forever grateful to all who had contributed in one way or the other to the completion of this course.

I am thankful and remain indebted to my supervisor Dr. M. I Fodio for his gentleness and patience to painstakingly guide, read and correct this work. My sincere appreciation also goes to him for his contributions to the success of this work. My heartfelt appreciation goes to Dr. A. Bello for his immense contribution to the work.

My inestimable gratitude goes to all staff of Bursary, audit and academic department of the four universities I studied for their support in providing the materials and documents needed for the work. Also I will not forget the efforts of my Head of Department, lecturers and staff of Accounting Department, I am grateful to you all. My appreciation goes to all my course mates Mallam Shehu, Mr. Ojo O, Malam Jafaru, Mr. Role, Sister /Blessing Ajoma and others too numerous to mention: God bless you all. To all my fellowship workers and members, I say God bless and may He keep you to the end for your prayers for me.

My heart went out to my only mum, Mrs. Odachi Ali, my Sisters, Ene Carew, Ede J, Ali, Victoria E, Ali and to all my brothers Oguche Ali, Adrew S,

Ali, Micheal Ali, Alfred O, Ali God Bless you all and your families. To my wife Kehinde (MGL), I say thank you and God Bless you for your understanding when full attention was not given to you in order to finish this work.

Finally to my loving God and Father whose hands lie all power, I say all glory and Honour be ascribed unto you.

ABSTRACT

Specialized federal universities are established separate from the general universities to engage in research and development as indispensable to national economic development. To translate these laudable objectives into concrete reality, adequate funding must be accorded to specialized federal universities. It is still not clear whether the funds management influence the performance of these specialized universities. This study examined the impact of funds management on the performance of specialized federal universities in Nigerian. The study used both primary and secondary sources of data; the secondary data utilized are the Annual Budget estimates while the primary utilized questionnaire administered. The Simple regression was used to address the quantitative aspect of the study and simple percentage was used to address the qualitative aspect of the study. The result of the study reveals that funds management has significant impact on the physical facilities, researches and number of graduates produced by specialized federal universities. The study therefore, recommends among others that the federal government should increase its funding (capital, recurrent and research grants) to specialized federal universities and encourage internally generated revenue by ensuring state and local government, private enterprises and other non- government agencies (i.e. third party) are contributing their quota.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

The major objective for the establishment of specialized universities separate from conventional universities is to focus solely on some specific sub-sectors of the economy because of their importance to national development. In emphasizing the reason for the establishment of specialized universities, Obasanjo (2000) states that the need for specialized universities to ensure speedy transformation of science and technology in Nigeria was intended to institutionalized the teaching of science at the tertiary level with a the view to repositioning Nigeria for the challenges ahead.

It is in a bid to show its commitment to this important sector of the economy, that the Federal Military Government under President Ibrahim Babangida established universities of Agriculture as institutional infrastructure to correct the obvious defects of the colonial paradigm for research, extension and training (Idachaba, 1988).

Universities of agriculture were established separate from the general universities against the background to the weaknesses and defects of existing network of faculties in federally – owned general universities and state owned

universities; extension services of state ministries of agriculture, the agriculture development projects and a multiplicity of tertiary institutions offering sub-degree programmes in agriculture (Idachaba, 1988).

It is against the above and many other backgrounds, that the universities of agriculture were established with the aims of providing prompt solution to farmers' practical problems, raising farm output and incomes and accelerating the drive towards national food sufficiency (Idachaba, 1988).

The Federal Universities of Technology were also established to give effect to the nation's drive for the much-needed self-reliance in science, engineering and technology.

The establishment of specialized federal universities is a step in the right direction. Whether the good intentions will materialize depends largely on the translation of declared political intent of creating the universities into sustained political commitment and the management of the available funds that will impact positively on specialized federal universities. It hardly needs to be emphasized that as adequate funding holds the key to the success of every establishment, so it is to specialized universities. It was in a bid to emphasize the need for adequate funding to specialized universities that Idachaba (1988), asserts that the choice that must be made is either to continue with the old time of exhortations, platitudes and defective existing institutional structures or back up declared

political intent in the new approach to agricultural research, training and service with required funding to make a positive revolutionary difference.

Although adequate funding of specialized federal universities in Nigeria is important, but the management of available funds by specialized universities is much more important. Every organization has an objective that prompted its formation. It is the pursuance of the goal that necessitates the acquisition of funds. To achieve this purpose of its existence, the use of funds must not be left to chance. Consequently, funds are of no value if they are not applied to the attainment of specific goals; not just any goals but goals, which are central to institutions reasons for existing. Obasanjo (2004) stress that "Technological oriented universities in the country must show-case the result of their research work to justify the huge government investment on them".

1.2 Statement of the Problem

The establishment of specialized federal universities separately from general purpose universities is to engage in research and development which have been identified as indispensable to national economic development. However, complaints from the management of specialized universities show that funds allocated to these universities are inadequate (Idachaba, 1988). According to Babangida (1998), government on its part has frowned at the poor

management of funds in federal universities. The government has also called on specialized federal universities to justify the huge government investment on them (Obasonjo, 2004).

Consequently, could the challenges of physical facilities, graduate output and research output in our universities be that of poor funding or management of available funds? This is very important as no organization as observed by Mikailu(2002) can succeed or even survive without sound decision on the management of its resources.

In view of the above, the question then is, has the funds management in specialized federal universities in Nigeria any significant impact on the physical facilities, research and number of graduates? This research work is set out to examine the impact of funds management on the performance of specialized federal universities in Nigeria.

1.3 Objectives of the Study

The overall objective of this study is to examine the impact of funds management on the performance of specialized federal universities in Nigeria. The study is designed to achieve the following specific objectives.

(i) To find out whether funds has been managed effectively in Nigerian specialized federal universities.

(ii) To determine the impact of funds management on the physical facilities of specialized federal universities in Nigeria.

(iii) To ascertain the effect of funds management on research output in specialized federal universities.

(iv) To determine the contribution funds management to the number of graduates in specialized federal universities.

1.4 Research Questions

In view of the first objectives above, the study shall address the following research questions:

(i) Are available funds to specialized federal universities prudently managed?

(ii) Is there established and effective internal control system to ensure effective management of available funds?

(iii) Are there any impact of funds management on the physical facilities, research and number of graduates?

1.5 Research Hypothesis

In view of the objectives of this research, the following hypotheses have been formulated in null form:

(i) Funds management has no significant impact on the physical facilities of specialized federal universities.

(ii) Funds management has no significant impact on the research output of specialized federal universities.

(iii) Funds management has no significant impact on the number of graduates of specialized federal universities.

1.6 Significance of the Study

The study on the impact of funds management on the performance of specialized federal universities will be relevant to all stake holders like the federal government of Nigeria which is the sole financer: the management of specialized federal universities and private sectors since to the best of my knowledge no research work has assessed the impact of funds management in specialized universities using physical facilities, number of graduate and research as a proxies of performance.

1.7 Scope of the Study

This study emphasizes on examining the impact of funds management on the performance of Nigerian Specialized Universities. The study covers only specialized federal universities which are made up of federal universities of Agriculture and Federal Universities of technology. The study covers a period of eight years from 2001 – 2008.

CHAPTER TWO
LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

Since the establishment of Federal Universities in Nigeria in the 1960's and their expansion in the 70s and 80's, the issue of funding has been at the center of discussions about how the Universities can be well positioned to meet their obligations to the society. Otahi (2005) notes that education generally is placed on the concurrent legislative list of the Federal, State and Local Governments by the 1963, 1979, 1989 and 1999 constitutions of the Federal Republic of Nigeria. This is because of the important role education plays in the development of an economy.

Otahi (2005) affirms that the most sensitive and explosive issue in the management of university education is financing, yet the annual Federal Government expenditure on education in Nigeria shows that education has never been on the priority list of government. According to Pray (1997) it was only in 1978 and 1982 that the federal government spent more than 6 percent of total expenditure on the sector. This shows that funding in the Nigerian universities is very daunting. According to Halidu (2005), Government owned Universities have in the past faced the crisis of mismatch between the universities revenue

(funding) and their annual expenditure requirements and obligations. He notes that the universities are operating within an environment of rapid expansion in facilities and human resources. Nigerian universities have thus had to operate within severe financial and budgetary constraints.

Funding and management of funds in Nigerian Federal Universities and other Federal Higher Institutions have been subjects of discussion in seminars, workshops, journals and newspapers. Researchers have carried out studies showing that universities and research institutes (especially public ones) lack the financial support required to carry out meaningful research work.

Obudu (1997) and Sylvester (1991) both concluded from their studies that funding to federal research institutes was inadequate. Nasir (2005) asserts that government alone cannot fund universities and there is the need for universities to seek for other sources of fund. From the government's viewpoint, the poor performance of universities has been attributed to mismanagement of funds. Babangida (1988) frowns at poor financial management in Ahmadu Bello University. Obasanjo (2004) urges specialized universities to showcase the result of their research work to justify the huge government investment on them. Okwach (2003) attributes the high cost of financing university education in Africa to poor planning in these institutions. The situation is made worse by a failure to exploit economies of scale, a high reliance on expatriate labour, the

importation of book and equipment, the provision of students' accommodation and mismanagement of funds.

This chapter provides an insight into these and similar issues. In particular, the chapter reviews theoretical, survey and empirical works on funding and fund management. The chapter further discusses the importance of control and problems associated with funds management. The chapter finally examines other sources of funds opened to specialized federal universities that can be exploited to support the Federal Government funding.

2.2 Funding and Scope of Funds Management in Specialized Universities

Funding is the key to the success of every establishment, be it business firm, or not-for profit making organization. Out of all the inputs into the university system, funding is selected by operators as the single most important non-material resource. "Get funding right and most other things will fall in place" is a popular cliché among managers of Nigerian federal universities (Babatunde, 2006). Much as every establishment needs adequate funding, much more is the importance of management of available funds for the survival or success of every establishment.

Management of funds is an aspect of financial management. Its focus is on how funds are acquired and how they are utilized by an organization. This can be

drawn from the way financial management has been defined in the literature. Aborode (2005) defined it as been "concerned with making decision about provision and use of a firm finances. It can also be viewed as been concerned with the acquisition, financing and management of assets of an organization with an overall goal in mind". According to Finkler (2005),

> *"Financial management is the subset of management that focuses on generating financial information that can be use to improve decision making. In proprietary or for profit organizations, an underlying goal of those decisions, is to maximize the wealth of the owners of the organization while the public service organizations like the specialized federal universities, the decision are oriented towards achieving the various goals of the organization with maintaining a satisfactory financial situation"*.

According to Akinsulire (2005) financial management connotes responsibility for obtaining and effectively utilizing the funds necessary for the efficient operation of an enterprise. The financial function centers on the management of funds, raising and using them effectively. It therefore covers all functions concerned in attempting to ensure that financial resources are obtained and used in the most effective way to ensure attainment of the objective of the organization.

Brockington (1983) defines financial management, as that part of total management function which is concerned with the effective and efficient raising of funds; raising of funds alone, is not enough for the survival and overall

attainment of the organization's goal, except there is effective and efficient management of such funds so acquired. Bradley (1974) defines financial management as that area of business administration devoted to enable the spending unit to achieve its goals. It is applicable to such spending units as governments, universities, churches, labour unions and business firms. Financial Management as an activity is not applicable to business firms alone. Non-profit organizations also find very useful the application of financial management.

Management of funds as shown by these definitions involves also the allocations and expenditures of funds at the disposal of an organization on its various activities. As Ovwielfuoma (1993) pointed out in his definition of financial management, action involved in the management of funds are reflected on the organization balance sheet. What a firm used its funds for in any financial year are also reflected on the sources and uses of funds statement which is prepared annually.

According to NUC (2003) universities have had a long tradition spanning over seven centuries existing as enclaves away from "town". This community fended for itself in the provision of water, electricity, postal, security, transport, and such other services that were deemed critical to meeting the basic needs of members. Some of such (municipal) services were provided as if the university

was an island. Some others were eked from the locality in which the university was physically immersed.

Traditionally also, the bill for municipal services was picked by a pool of beneficiaries of such services including the proprietors(s) and the user-staff, and students. Examples of such funding mechanism for municipal services can be traced to Salerno, Paris and Oxford that were the ancestors of our universities of today.

The underfunding of universities in Nigeria can be traced to the takeover of all existing universities in the mid 70s by the Federal Government and the eventual centralization of their management (Obasi and Eboh, 2002).

The first decade of the Federal Government's takeover of the universities and abolition of fees (1976/77 – 1986/87) was marked by progressive short-fall in the grants given to the universities. For example, Obasi (2002), recommended subventions compared to actual subventions released by government showed increasing shortfalls by 14.4% in 1979/80, 15.9% in 1981 and 35.4% in 1982. The wide gap between what was requested and what was actually made available became a dominant feature of Federal Government funding in later years (Obasi 1991). To worsen the situation, the percentage share of education in planned total investment was only 10.9% in the 4th National Development which covered the

period, 1981 – 1985 (Iyayi 1986). Yet as the Cookey commission observed, within the same period (1975 – 80) student enrolment rose from 32,286 to 57,772 showing a tremendous increase (Cookey Report, 1981). If the scenario of the first decade of underfunding was disturbing, then that of the second decade 1988 – 1997 appeared very embarrassing, following the implementation of the Structural Adjustment Programme (SAP) and the attendant economy wide fiscal reform, beginning from 1986. For example in the 1987/88 session, the sharp decrease in funding reflected a shortfall of between 30 – 40% vis-à-vis the figure for the 1986/87 session; ASUU (1987). Comparing this period with the first decade, Aluko, (1992) observed that in 1990, Nigerian Universities received only one-fifth of the real value of the money they got in 1980. Again ASUU (1992) observed that when compared with a decade ago, the present funding level after adjusting for inflation is less than 20% of the level in 1982.

The period 1993 – 1998 was the worst in history of university funding in Nigeria as both political factor and sharp depreciation in the exchange rate of the naira combined with poor fiscal releases to deny universities of needed levels of resolves. The funding crisis climaxed in the university lecturers' industrial strike that led to the loss of the 1992/1993 academic sessions. Although successive governments did not deny the fact that the universities were under funded (during the period under review), yet there was no drastic measure to arrest the situation

either by radical improvement in their funding level or through the adoption of cost sharing policies (Obasi and Eboh, 2002).

2.2.1 Government Funding of Nigeria Universities

The Federal Government maintains a policy of no tuition fees in federal universities while at the same time allowing students enrolled in state universities to pay tuition fees in addition to room and board, (Education Chronicle, 2002). The government through the National Universities Commission makes it mandatory for all Federal Universities to generate 10% of their total yearly funds internally through various revenue diversification means (Odebiyi & Aina, 1999). The education Tax Decree No. 7 of 1993 enforces the payment of 2% of profits of limited liability companies registered in Nigeria as education tax to be disbursed according to the ratio of 50:40: 10 to higher, primary, and secondary education respectively. The share of higher education is further allocated to the universities, polytechnics, and colleges of education according to the ratio of 2: 1: 1 respectively (Alan & Ajayi, 2002).

The common feature of educational financing in developing countries is that the high proportion of the resources devoted to education comes from public funds. Nevertheless, the public/private sharing ratio varies among countries, so also are the mechanisms by which the costs of education are financed (Mingat et al, 1994). Governments, with the required dose of political will and

determination, can devise mechanisms for shifting part of the financial burden of education to individual students and their families, to employers or to local communities and not just central government (Psacharopoulous and Jimenez, 1984).

All federal universities receive the bulk of financing from the federal government through the National Universities Commission. The federal universities' budgeting process and expenditures have to adhere to budgeting and expenditure formula stipulated by NUC (Hartnet, 2002). Most discussions about funding are usually anchored on whether it is 'adequate' or 'inadequate'. The terms 'adequate' and 'inadequate' may be regarded as polar pairs, (Raymond, 2005). When something is said to be adequate, it is meant to be contrast with something that is inadequate and vice versa. It is much the same as when reference is made to real and unreal, certainty and uncertainty or genuine or counterfeit. The terms are two sides of the same coin. ASUU has been fighting for a satisfactory level of funds that can make the universities function effectively.

2.2.2 Other Sources of Funds to Specialized Federal Universities

Sources of funds can be distinguished one from another in variety of ways. Some are short term, medium and some long term. Some represent ownership (common stock) and some do not (all kinds of debts). Some are secured and

others unsecured. According to Weston and Brigham (1982), sources of funds can also be distinguished one from another in terms of cost and in terms of the type of the institution from which they are available – banks, finance companies, small business, corporations, and so forth.

In fact all funds comes from either inside the firm or from outside the firm. When funds comes from inside the firm they are called internally generated, or from internal sources. Also when a fund comes from outside the firm they are said to be from external sources.

Specialized Federal Universities just like every other conventional federal university are owned and funded by the federal government (Hartnett, 2000).
The government through the national universities commission makes it mandatory for all federals universities to generate ten (10) percent of their total yearly funds internally through various means of revenue diversification, (Odesiyi & Aina, 1999)

Halidu and Ishola (2005) have broken down the sources of funds to all federal universities into the following:

(i) Recurrent Fund:

This represents that portion of the university resources earmarked for current operating purpose as shown in the annual recurrent budget.

They include government subvention (for payment of salaries and wages and overheads) and the university internally generated funds (e.g. student registration fees, investment income received from the university business ventures, recoveries from salaries, and miscellaneous income).

(ii) Capital Funds:

This represents funds allocated for the purpose of capital expenditure such as construction of physical facilities, acquisition of equipment and plants, as shown in the annual capital budget. They include capital government subvention and grants received from outside, any balances at the financial year end do not lapse but carried forward to the following year until the process of the acquisition of the asset is completed. Other grants include; teaching and research equipment grants and library development grants.

(iii) Loan Funds:

University staff amenities are financed from loan funds. The principal ones are motor vehicle loan scheme, furniture loan scheme, and staff housing scheme.

(iv) Third Party (Benefactors) Funds:

These are funds provided by outside private donors for specific purposes, usually for the student prizes, staff development or specific

research. The donor usually prescribes the purpose for which the fund is made. Each category of fund is identified by the code assigned to it. The bursary is to ensure that proper books of accounts are maintained. In order to keep track with expenditure, in the case of the third party/benefactor funds, each departmental head is required to operate and maintain a vote book in which he/she enters all commitments as they are made.

Nasir (2005) observes that competition for government funds by the sector has been on the increase, leading to the thin spread of government resources. In order to survive therefore, educational institution (specialized) Federal Universities must continue to build on their strengths to achieve considerable growth in private sector support, if they aim to realize their overall mission and strategic initiatives.

Bearing the above scenario in mind therefore, the ability to conduct effective fund raising campaigns to secure external funding, for research and/or service projects has become a necessary skill to be acquired by personnel in the Nigerian specialized Federal Universities.

Nasir (2005) also shows a number of campaigns an institution could embark upon to generate funds to include:-

(i) Private Individuals :

These are well to do members of the society, who share or are ready to share some of the values of the university and are by implication, willing to make fund available for the university. They could have some historical, economic or political attachment to the university.

(ii) Alumni:

The alumni of a university are its best ambassadors, they can be used to foster the course of the university. Most alumni would be happy to be associated once more with their former institution. Almost all alumni want to see their universities succeed as an institution. They know the university and therefore can project the image of the university to the outside would.

(iii) Foundations, Corporations and Agencies :

These are registered quasi or non-governmental not – for profit organizations (NGOs). They make grants primarily to other non-profit organizations. Foundations grant-making differ from that of government agencies in the sense that foundations have greater discretion in disbursing their funds. Both, however, are alike in that, they all want to spend their funds wisely, that is in support of projects that hold the greatest promise of making real contribution to their area of concern.

2.3 Funds Management in Specialized Federal Universities

Management of funds from the government and other sources is a very important function in any organization. No matter how adequate or inadequate funds made available to specialized universities, they will be of no value if they are invested in wasteful and unproductive venture by its management. Prudent management of funds among other things ensures orderliness and control in the allocation and application of funds (Abdul-hamid, 2005).

According to Abdul-Hamid (2005) to ensure fiscal stability and prudent funds management, the management, regulation and control of funds of the universities, must be placed in the hands of the highest authority that is, governing council.

At the end of March 2003 Universities stake holders' forum, the subject of payment for municipal services for Nigerian universities was major discussion point. There was unanimous agreement that the cost of such services should be shared. The question that was tackled next was, who pays for what service? A common thread that ran across answer to this question was, who ever enjoys a particular service should pay for it. It was however affirmed that all municipal costs that are associated with academic buildings and operation should be borne by the Federal Government for Federal Universities in spirit of government's

tuition free policy. It was further affirmed that universities should take full advantage of municipal and other services in the Local and State Government where they are located.

2.3.1 Problems of Funds Management in Specialized federal Universities

The high cost of funding universities has been attributed to poor planning in these universities. The situation is made worse by a failure to exploit economics of scale (Okwach, 2003).

According to Kwanashie (2005) while National Universities Commission (NUC) has some more or less clearly articulated guidelines and parameters for allocating resources to individual universities, only few universities have been able to develop any rational and clearly articulated basis for internal distribution of resources. Because of this, scarce resources are often easily misapplied with critical functions starved of resources while merely facilitating activities are generously supported. Part of the reason for this is the absence of any clear and precise knowledge of what critical functions are and their real cost.

Effective fund management would require among other things:

(i) Clear understating of what the critical functions of the institution are in the context of its goals;

(ii) Capacity for determining the critical resources and resource levels required for the effective discharge of these functions;

(iii) Capacity for deploying resources in a creative way to eliminate duplication and wastage.

(iv) Openness to and capacity for creative realignment of funds – both existing and to be sourced – in pursuit, of the strategic goals of the university.

(v) Development of transparent, performance - driven and result oriented criteria for the allocation of resources to the various functions and units of the university.

Adefila (2005) identifies poor funding as one of the major problems of funds management as it often force university management to start allocating funds to its various activities without due regard to budget submissions. Accordingly, this can lead to loss of confidence in budgeting, as faculties/departments waited for allocations based on funds at the disposals of the university. Part of the effect of this will be the abandonment of in-depth planning and control, with the claim that they would not be considered for anything.

2.4 The Relevance of Control in Funds Management

According to Richman and Farmer (1975) control is one of the management functions which includes those activities designed to compel

events to conform to plans. The authors suggested that management in simple terms involves decision making about what goals to pursue and how to attain them. Once the decision is made, control, another basic managerial function, becomes important.

Internal control system is an important building block in an efficient system of funds management. The definition of internal control by Institute of Chartered Accountant of England and Wales (ICAEW) as used by Koleade and Peter (1984) views it as the whole system of controls, financial and otherwise established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies safeguard the assets and secure as far as possible the completeness and accuracy of the records."

Management is responsible for deciding on the extent and the type of system of internal control appropriate to its own entity or institutions. In deciding on the extent and type of internal control, management will have to consider the following major areas (Koleade and Peter, 1984)

(i) Specification of employee's responsibilities and authority.

(ii) Division of responsibility for task which, if performed by one person, might lead to loss of control or inaccuracy. Within this field of

financial control, the major areas requiring separation are authorization, custody, disbursement and recording. The idea is that as far as possible these aspects will be undertaken by different employees so that no one person has responsibility for all the aspects relating to a single type of transaction, this gives room for transaction delegated to an individual to be checked by some other person. This process is referred to as internal check.

(iii) Formalizing procedures and rules for the conduct of business to provide a system of control; and establishing an information system, including appropriate documentation to maintain control, to promote good decision making and to provide evidence that the procedures and rules for the conduct of business are working.

(iv) Ensuring by a process of continuous review that all these aspects are operating as management intends, that they are consistent with the current environment, and that suggestions for their improvement are brought quickly to management's notice.

According to Millichamp (1987) the basic principle underlining internal control is that it should make it difficult for people to be dishonest and or careless. This principle underscores the importance and objective of internal control in funds management as funds raised or allocated to institutions and

placed in the hands of dishonest managers will be siphoned and misappropriated for personal benefits at the expense of the overall benefit of establishing such institution where there is no internal control.

The definition of the Canadian Institute of Chartered Accountants as used by Adeniji (1998) views internal control as the plan of the organization and all the coordinating systems established by management of an enterprises to achieve managements objective of ensuring as far as practicable the orderly and efficient conduct of its business including the safeguarding of records and the timely preparation of financial information.

Adeniji (1998) identifies the main objectives of internal control from the above definition as follows:

(i) To ensure that operations of an organization are carried on in an orderly and efficient manner.

(ii) To ensure that whatever policies management had decided to follow at any point in time in respect of any aspect of the organization's operations, are strictly adhered to by all members of staff.

(iii) To safeguard the assets of the organization and records against misuse, destruction and theft.

(iv) To provide reliable data that will assist management in carrying out its operations.

(v) To ensure that records are complete, accurate and properly authorized.

(vi) To protect organization resources against waste, fraud and inefficiency.

(vii) To evaluate the level of performance in all divisions of the organization and promptly detect error and fraud.

The achievement of the above objectives by any organizations' internal control system will enhance the prudent management of the organization funds. The primary responsibility of ensuring prudent management of funds rests with management. One of the ways by which management can discharge this responsibility is by instituting an effective internal control system. One of this internal control system is the internal audit unit /department.

2.4.1 The Internal Audit Unit and Funds Management

Kolade and Peter (1984) defined internal audit as "an independent appraisal activity within an organization for the review accounting, financial and other operations as a basis for service to management." It is a managerial control which functions by measuring and evaluating the effectiveness of other controls.

According to Ambrose (2004) the internal audit unit is to ensure that:

i. Income is raised in accordance with relevant statutes.

ii. Expenditure is legal under the relevant statutes and that is has been authorized by the appropriate committee.

iii. The accounts comply with statutory requirement and have been drawn in accordance with sound accounting principles.

iv. The system of internal control is satisfactory.

v. Proper accounting records are kept, and

vi. Appropriate checks are carried out to discover errors and frauds.

The internal audit unit in federal universities undertakes continuous examination of the work of the bursary to ensure that proper records are maintai8ned in accordance with the prescribed procedures. It also carries out a prepayment audit of all payment transactions and occasionally undertakes special investigation. Prepayment audit according to Halidu (2005) entails ensuring:

i. That claims and invoices are authorized by the departmental head or by person authorized to do so.

ii. That the right code of account has been charged.

iii. That payment voucher prepared by a clerk was checked by another clerk and approved for payment by the sectional head or any other person authorized to do so

iv. That the amount shown on the payment voucher agrees with the detail amount shown on the vouchers.

v. That the payees name is on the payment voucher.

vi. That the internal check as prescribed in the accounting procedure is strictly followed.

2.4.2 Budget and Budgetary Control in Funds Management

To an economist, there are many wants while the resources to satisfy them are limited and have alternative uses. To judiciously utilize the limited resources require proper planning of expenditure vis-a-vis the expected income. When what to spend is planned and things to be done are listed in their order of priority, it will ensure that the most important things or projects are executed first. Business and government owned organizations draw up estimates of anticipated income and expenditure for their financial year which is normally a period of twelve months. Such estimates are known as the annual budget.

The Chartered institute of Management Accountant (CIMA) defines budget as "a financial and or quantitative statement, prepared and approved prior to a defined period to time, of the policies to be pursued during that period for the purpose of attaining a given objective.

2.4.3 Budgetary Planning

A budget may be defined as a plan showing how resources are to be acquired and used over a specified period. It is a plan that has been carefully prepared for all phase of operations of a business for a specific future period of time. Johnson (1992) defines budget "as a statement that expresses future plans

in financial terms." He added that the plans become firm commitment for which funds have been allocated. It is the job of the management to allocate funds to operations so as to produce the best possible result for the university. And since funds are limited and have to be divided in one way or another, the budget becomes a mechanism for making choices among alternative expenditures.

A budget serves as a means for achieving the objectives of an organization which as already indicated above have alternative ways of achieving them. It also serves as a communication device. The management's plan will not be carried out unless the organization understands what the plans are:

The budgeting process is a powerful force in motivating managers to work towards the overall goals of the entire organization. This happens when heads of responsibility centers understand that top management regards the process as important and when they participate in the formulation of their own budgets. Besides, a carefully prepared budget is the best possible standard against which to measure actual performance.

Considering these vital roles that a budget plays, it is therefore very crucial to optimum management of funds; moreso, as finance is a scarce resource.

The budget is an instrument of accountability. It is responsible for the proper management of funds and programmes for which funds are appropriated.

It is an operational document which specified either directly or implicitly the cost time and nature of the expected results,

Budget ensures healthy fund administration, accounting and financial control /discipline. Managers of every organization, be it a profit or nonprofit making one should endeavour to have budget.

According to Abdul-Hamid,. (2005), typical text books in cost accounting usually define three types of budgets which are static, flexible and zero base budgeting. Static budget is similar to the ones used in the public sector where the budgeted and standard cost are different and organization identified the different level it could possible operate at and the budget expenses for each level. Zero-base budgeting is used in service center budgets and is designed to justify every Naira included in budgets. Once a budget has been approved, it constitutes an action plan for the managers concerned and they are responsible for ensuring that they adhere to that plan unless changed circumstances makes this impossible or undesirable. The accounts department will help managers keep track of their performance by issuing periodic reports, showing the actual achievement compared with the budget.

2.4.4 Budgetary Control

The Chartered Institute of Management Accountants (CIMA) has defined budgetary control as the establishment relating the responsibilities of the officers

to the requirements of a policy and the continuous comparison of the actual with budgetary result either to secure by individual actions, the objective of that policy or to provide a basis for its revision. The objective of a well performing budget, resources allocation and management system are to:

(i) Control aggregate spending and deficit.

(ii) Facilitate strategic protestation of expenditures across policies, programmes and project for a locative efficiency and equity, and

(iii) Encourage better use of budgeted resources to achieve outcomes and produce outputs at the lowest possible cost.

Odubu (1997) defines budgetary control as the comparing of the actual operation with the budget to determine if the plans are being carried out and if not to ascertain the reasons for deviations so that corrective measures can be taken by the management. The budgetary control system covers the preparation of the budget, coordinating the various departments of the organization and establishing responsibilities, comparing actual performance with that budgeted and acting upon these results to achieve maximum profitability. It helps to control expenditure because of its monitoring nature.

In defining budgetary control and what it entails, Johnson (1992) points out that:

> *The control stages of the management and control circle begin with the budget and also include controlling, measuring, reporting, analyzing and feedback. These stages are often referred to collectively as budgetary control. Budgetary control is concerned with ensuring that actual expenditure is in line with budgeted amount and that the objective and levels of activity envisaged in the budget are achieved.*

Budgetary control system provides a yardstick against which actual result can be compared and enables management to know where action is needed to remedy a situation that will affect the budget. It helps to direct capital expenditure in the most profitable direction. It relates expenditure to the person responsible for each function, thus affording an effective method of control. It is an important principle of the system that an executive is held responsible only for expenditure within his control.

Productive efficiency of a government establishment that deals purely on teaching and research work may be difficult to measure annually like it is applicable to a profit making and business organizations for two reasons; firstly, some research projects may take more than a year to be completed. Secondly, specialized federal universities are non-profit making organizations.

According to Balogun (1980) while productive efficiency could be measured to an appreciable extent in input-out put terms, such measure is impracticable in non-profit making and general civil service organizations. But

the budgetary control system helps to measure performance by comparing actual results with the budget. With proper planning and the necessary controls, funds will be judiciously utilized and the enterprise or organization can achieve its goals.

2.5 Effect of Funds Management on Specialised Federal University

According to Mabogunje (1991), there can be little doubt that universities education is the key to the development of a people's ability to manage and induce change whist facing the challenges of making choices and of increasing the range of choice. If development entails a free release of the energy of a people, education, particularly the right kind of education and in its widest sense, is the only means of bringing about such a release and at the same time facilitating the emergence of a political structure that will throw up the right kind of leaders.

Consequently, university education for development (and particularly for local development) must be recognized as veritable agency in the arduous task of democratic learning and adaptation. University education must be understood as entailing a formal and informal process of equipping an individual to be fully aware of his environment and to exploit, manage and dominate same for the benefit of himself and the society at large.

University education should not be construed as merely the acquisition of literals or other skills or the preparation of individuals for the employment market. It must be seen as a process in which an individual is engaged virtually from the cradle to the grave. University education like other forms of investment in human capital, can contribute to economic development and raise the incomes of the poor just as much as investment in physical capital, such as transport, communication, power or irrigation. The world bank which provides financial and technical help for the development of poor countries, has long recognized the importance of investment in university education and has been active in this field since 1962.

When the bank was first established in 1944, however, education was not counted among the productive purpose for which it was authorized to provide investment capital. This attitude prevailed through the 1950s, when official statement of bank policy took the view that the bank should concentrate its lending on projects designed to make a direct contribution to the productive capacity of its members, rather than finance projects such as construction and equipment of schools and universities. Even though such project were considered essential to the development of a country, the bank's proper role, as a bank was said to be confined to providing loan for the more directly productive sectors of the economy. Gradually, this attitude changed, however, both within the World

Bank and the world at large. One of the principal reasons for the shift in thinking was the growing interest during the 1960s in the economic value of education, when described by Bowman, (1966) as the "human investment revolution in economic thought". Before long, economists were trying to measure the contribution of education to economic growth and many were examining the concept of investment in human capital.

This actively influences government planners, international agencies, and educators throughout the world. It also helped to fuel the growing demand for university education, which had been sparked by political independence recently gained in many of the developing countries.

Eventually, World Bank policy reflected this recognition that education is a productive investment in human capital. The Investment Development Association (IDA) was established as bank affiliated in 1960 to accelerate economic development and promote higher standard of living and economic and social progress in the poorest countries. Education was then seen as one of the most important ways of contribution to social progress and in 1962 the first education project was initiated. The justification for this investment was that education is not only basic human right, but also a basic component of social and economic development, and that properly planned investment in education pay great economic dividends, especially in the poorest countries like Nigeria.

Today, few will dispute that human development contributes to economic growth no less than physical capital. Yet many developing countries have become discouraged about the economic value of university education because the skill strategies in 1960s have been replaced by unemployment among the educated, poverty and envious disparities of wealth and opportunities persist despite massive funding of education, especially university education.

Thus, several vital questions with respect to university education remain yet to be answered; how, for example should government plan investment in university education in the face of growing financial constraints and the undiminished thirst for education opportunities? How can scare resources be used as productively and efficiently as possible? And to what extent can education contribute to the goal of economic growth and social equity? Some of the answers can no doubt be found in the lessons of past experience.

The concept that investment in human capital promotes economic growth actually dares back to the time of Adam Smith and the early classical economists, who emphasized the importance of investing in human skill. In the 1960s Schultz (1963) and Denson (1962) show that university education contributes directly to the growth of National Income by improving skills and productive capacities of the labour force. This important funding led to a glued of studies of the economic value of investment in university education. Research in this area in 1970s

showed lack of economic growth and a certain ambivalence about the role of universities education in development.

Recently, the World Bank has expressed renewed interest in human development particularly university education, as is reflected in its 1980 World Development Report. The contribution of education to growth is even stronger if the complementary between university education and other forms of investment are taken into account (Psacharopulpus 1984).

The early attempts to measure the contribution of university education to economic growth were based either on the growth accounting approach, by using pension and others, or on the rate of return of human capital, an approach adopted by Schultz and others. Growth accounting is based on the concept of aggregates capital (K) and labour (L) the simplest form of production function, assumed in many of these studies, is a linear homogeneous production function $Y = F(K, L)$.

Schultz (1963), measures the contribution of university education to economic growth(that is, in terms of the rate of return to human capital which he then compared with the rate of return to the physical capital) led him to suggest as Denison had, that a substantial proportion of the rate of growth of output in the United States was due to investment in university education. This method has

also been used to estimate the contribution of university education to economic growth in developing Malaysia.

According to Roe and Edgar (1983), no economic system is purely capitalist, socialist, or communist. The government of all civilized nations supply certain human wants because private enterprise cannot meet them or can provide for them only inadequately.

Furthermore, the private enterprise system cannot function successfully unless government performs certain services. Every civilized nation needs a system of laws, methods of enforcing those laws, police force for protecting life and property, a plan for educating the young, health protection, highway national defense and many other services and facilities.

We have a mixed economy – parsely private and parsely public. What criterion can be used to determine whether a particular good or service can be better produced in the private or the public economy? Economists suggest that the exclusion principle is one criterion to use in order to determine the sector of the economy in which a good should be produced. Under this concept, when a person has paid for a service or commodity and that person has exclusive control over it, the benefit is said to be exclusive and can therefore be produced efficiently in the private economy. For example, if a person buys a television set,

that individual has exclusive control over its use. On the other hand, the benefits of such goods as national defense, police protection, administration of justice and many other are not exclusive and therefore can be more efficiently produced in the public economy.

It might be argued that the benefits of university education are exclusive to the person receiving the service, but it shows that the social benefits of university education are as significant or more significant than individual benefits. In United States, University Education is produced in both the public and the private economies. However, most of it is produced in public economy. In developing countries like Nigeria, Ghana and Malaysia higher education receive substantial amount of fund from the public resources.

Another reason for public financing of universities education is the social importance of individuals' receiving an education. It is of no concern to the general public whether a person purchases or does not purchase a television set or a sandwich. But it does concern the public whether the person becomes literate and receives sufficient University Education to function efficiently in the society.

Despite the necessity of satisfying our wants and needs through the public economy, there are some who argue that government produces nothing and that it is a burden on the economy. In the view of economist, if the government satisfies

a human want or need, it is producing something the economy needs and it is an essential part of the total economy.

2.5.1 Effect of Funds Management on Physical Facilities

Adeogun, (1999), states that the university enrolment has been growing steadily without the corresponding growth in the resources necessary to maintain the required standard of education. There is a shortfall in educational resources such as recurrent grant needed for the running cost of the universities, capital grant needed for the provision of more academic space and maintenance of existing structures, teaching and research, equipment grant needed for buying new and servicing old equipment, library development fund for the acquisition of current books and journals. Various expert have highlighted the magnitude of the problem. Akangbou (1992) observed that in the past, lecture halls, classrooms, laboratories as well as houses were quite adequate for the enrolled student. Unfortunately, the rapid expansion that occurred in the university system over the last one half decades has not been matched with proportionate increase in available building.

Saint (1992) notes that, enrolment is often increasing faster than the capacity planned to accommodate this growth. The result is overcrowding, a shortage of teaching, material and laboratories, deterioration of physical facilities, strain on administrative system and reduced performance by staff and students.

Applying Boyle's law in federal Universities Education, Aminu (1988) indicates that with the same level of resources the quality of Education is inversely proportionate to expansion. What this means is that expansion has not been backed by the prospect of increased resources in Nigerian federal universities for the period after 1979, whereas the expansion was purely on geopolitical consideration.

Rising enrolments and reduced funding have produced general agreement that it has resulted in poor quality teaching (Aminu 1986). Apart from the inability of academic staff to catch up with increase in enrolment, the quality of teaching staff continues to be a matter of concern to most university people during the last few years. It is believed that the hardship of the last few years have discouraged young brilliant graduates from enrolling for post graduate studies and the few senior lecturers and professors that were available have had to leave for other better paid jobs in other sectors of the economy or abroad (Akandgbou, 1992).

In the area of book/material deterioration, Nwana (1992) observes that the book and educational equipment situation in the tertiary institutions of the country has reached an alarming level so much so that people have begun to query whether we can claim to be giving qualitative education in these institutions. To emphasize this point, Saint (1992) observed that 22 of 31 African

Universities are less than 25 books per student. In comparison, American colleges and universities libraries average 78 books per student. Although the number of books per student is not a strong indicator of educational quality, it does give some evidence of an institution's capacity to provide basic resources for learning.

In view of the foregoing, it is vital to look more closely at the issue of educational quality in a period of enrolment increase and declining resource inputs. It was further observed that enrolments were characterized by admission in excess of available facilities due to pressure of demand for University education. The steady annual growth of student population in Nigeria federal universities appears to be the major cause of destabilization of the system. It is the only variable that is allowed to increase irrespective of the status of the available education resources. A number of measures had been taken by Government to address the resource inadequacy in the federal universities in the past through special capital grant and more recently the World Bank credit facilities. Under this world bank credit facilities 214,233 volumes of library books worth US D9.65 million 8,533 pieces of teaching and research equipment worth US 16.578 million and another US D9.870 million worth of journals were injected into the twenty Federal Universities that participated in the programme.

In addition, about three hundred and fifty University staff enjoyed staff development programme overseas (NUC, 1996). These ad hoc measures go a long way in bringing some relief to the system but the past glory and integrity of the Universities as far as the quality norms are concerned are far from being restored. This standpoint was shared by Longe Commission(1991) in its report which states that it is only by finding a permanent cure for chronic under funding that the higher educational system in Nigeria can be saved from collapse, or may be given an opportunity for survival and renewal. In his report to National Constitutional Conference Committee on civil service and parastatals, in relation to the statutory recurrent and capital grants to the universities, (Okebukola, 2002) observed that "what may look like large sums of money are actually insufficient for running a University system".

The system either as individual University or collectively did not help itself by stretching the available resources and by admitting more students; under these condition true quality education cannot be achieved until there is evidence of present and potential educational resources to match the enrolment growth. This situation has provided the need to investigate the extent to which the enrolment increase has affected the resource inputs in the Federal Universities and the consequent impact on the quality of education.

2.5.2 Effects of Funds Management on Research

According to Emovon, (1989) research is an important part of University activities. It has been described by Robbins as a wide range of intellectual activities that serve to increase man's power to understand, evaluate, and modify his word and his experience. There are two types of research which are undertaken in the University System namely, pure or fundamental research and to a lesser degree, applied research. In the former case such research may be esoteric and for knowledge for its own sake. It provides fundamental information about the World around us. There is no doubt that researches in Nigerian Universities have contributed to the advancement of knowledge of global significance about the environment. Works of individual researchers have also formed the basis for the formulation of policies about Nigeria and developing world by the governments of the federation and international bodies.

In recent years, applied research has been undertaken with vigour. This is particularly so in the scientific field in which there is great enthusiasm for import substitution research. Thus, some of our Engineering and Technology faculties have replicated and sometimes designed and fabricated machines suitable to our own environment. For example, the technology faculty at OAU, Ife designed a yam pounding machine. Research activities have been most noticeable in the food industry. For instance, malt for brewing beer were made from local grains;

the use of microbial action on sugar solution to produce palm wine, and so on. However, inspite of the achievement in research since 1960, the equipment situation is still very limited and funding is inadequate. (Emovon, 1989).

According to Emovo (1989) research result has been the bedrock for planning strategies for economic activities. The university Laboratories, workshops, farms, Hospitals, and other facilities are put to the service of society.

In university of Ibadan such research is in progress on cancer management among others. In Obafemi Awolowo University, Ife, Drugs are being produced for commercial purpose. In Ahmadu Bello University, Zaria, the institute of agriculture is engaged in producing high yielding crops for the extension services and the fabrication of modified traditional farm tool. In Usman Danfodio University, Sokoto, work is progressing in solar energy. Economic achievement have been made by university research staff and university trained Professional Management, Business, Engineering, Technology, Medicine, Administrative work and Agriculture

2.5.3 Effects of Funds Management on Graduate Output

The poor financial situation of the universities is very serious and it is no secret. The sharp deterioration started from about 1976/77 sessions owing to increased commitments for federal takeover of all universities, abolition of tuition fees and pegging of boarding and feeding charges (Aminu, 1986).

With the increase in the number of universities the resources of the federal government were soon overstretched and the gap between the demands of universities for funds and the grants became widened (Oladipo, 1988). At global level, it was observed from the analysis of the evolution of Higher Education in the last two decades that the two most remarkable trends of this level of Education are:

(a) Quantitative Expansion and (b) Problems of keeping or providing academic quality and the need to examine the effectiveness and efficiency of the system (UNESCO, 1991).

At the regional level it was further observed that the deteriorating state of African economies, which has resulted in lack of progress in various areas, has also hit universities very hard. Shortage of foreign exchange has meant much needed journals; laboratory equipment and books cannot be bought. Old equipment cannot be replaced and the installation of new facilities has virtually stopped. Deteriorating purchasing powers in the wider society has also meant that students cannot afford to pay even minimum of fees. They cannot afford to buy books and to feed themselves, while pursuing higher education.

Quality is the product of a combination of factors principal among them are educational standards and incentives to uphold them, staff development and retention, educational inputs, research and postgraduate programmes and freedom

of expression (Saints, 1992). The issue of quality in the university is crucial because mere quantitative expansion is valueless if the so-called high-level manpower is academically and intellectually incapable of solving the nation's problem.

Kuh (1981) identified four societal trends which underscore the importance of quality:

(i) Declining enrolments

(ii) Changing student characteristics

(iii) Changing societal expectation for higher education

(iv) National and local economies.

Weethar and Brown, (1991) observed that despite the long-term interest in "Quality", defining and measuring it has proved remarkably elusive. They however found five indicators of quality namely faculty quality, student quality, size quality, resource quality, and overall prestige. In their view faculty is a continuous resource that provides the basis for student learning and for creating and disseminating knowledge. Studies employing this measure typically focus on productivity, on faculty reputation and prestige or on the qualification and background of faculty.

Addressing the nature of the concept of quality in relation to higher education, Harvey (1993) grouped widely differing conceptualization of quality into five. These are viewing quality as exceptional, as perfection, as fitness for purpose, as value for money and as transformation. He also identified aspects of the Educational system that are the major focus of attention: input, process and output. He opined that those national system that place most emphasis on external quality control tend to focus on ensuring the quality of the input to higher education through control over the appointment of staff, the admission of students, and controls over the content and duration of courses.

One of the proposed conditions for granting the government of Nigeria an approval of the investment credit under the World Bank project was to "hold enrolment stable. All universities with enrolments above 10,000 are granted the credit in order to ameliorate the overcrowding of classrooms, lecture theaters, laboratories, libraries and other Universities facilities (World Bank, 1999). The structure of enrolments without the necessary resources input and stability that characterizes the university system today needs improvement. No Educational system can be better than the teachers who operate it, the absence of and/or delay in infrastructure facilities and poor conditions of services have forced many academic staff to look elsewhere for their salvation. Apart from service problem of brain drain from the Universities, not many of the products of the Nigerian

University Postgraduate School would want to take-up lectureship in the universities (Oni, 1988, Mbanefoh, 1994). In other words, the problem of academic staff shortage observed today is likely to persist for some time to the future even within the context of rising students' enrolment. Already, this problem, which has not reached an alarming level, started manifesting itself in the early part of this decade.

The state of tertiary education in the country today can be described as that of crisis generated and sustained by the persistent disequilibria between the supply of and demand for educational services. The politics of quota and federal character in University admission and the establishment of state universities have not solved the problem of quantity and quality in the provision of university Education.

Adeogun (1999) affirms that in a research conducted in 1960's and 1970's about 80% of the respondents rated the University graduates as very good while 19.8% said they were good. In 1980's and 1990's on the other hand 75.9% of the respondents rated graduate as good while 24.1% branded them poor. In summary, this is very true of the fact that the majority of the respondents judged the 1960's and 1970's as a period of optimal enrolment, adequate resource inputs and good quality of education. The respondents on the other hand gave impression of

1980's and 1990's as a period of high enrolment, diminishing resource impact and falling quality of Education.

According to Adeogun(1995) raw materials processed by Nigerian University stem in term of students have increased from 3,646 at inception in 1962, to a total enrolment of some, 216,200 by 1991/92 academic session.

Expressing concern over the quality of the product of Nigerian universities Banjo (1989) posited that if the number of graduates have increased steadily over the years, we may well ask whether this has been done at the expense of the quality of these products. Standard is something which, some would say that the Nigerian University system has always been fastidious about. Articulating a similar view, Saint (1992) alluded that universities find themselves at odd with their government over unmet expectation, offering a product of uncertain quality because of financial unsuitable condition.

According to Atanda and Tamuno (1989), the universities in Nigerian have produced graduates in all fields relevant to development. These graduates are today participating effectively in running Nigeria's affairs. They are found in the Administrative, professional and sub-professional cadres. There are more graduates produced in Art and Social science than in the Natural science and technologies despite government policies to ensure that the ratio of science to

the Art at admission should be 60:40. Nevertheless, the curriculum in disciplines continue to undergo review to meet the needs for development. They contain sufficient ingredients for self-reliance with introduction of general studies, entrepreneurship programmes, and problem solving approach to teaching; the university graduate should be able to generate personal jobs. Atanda and Taminu (1989).

2.6 Theoretical and Conceptual Framework

Different theories of funding have been developed over the years as to how best higher institutions should be funded. Some of the theories relevant to this study are discussed in the following subsections.

2.6.1 Formula Based Funding Theory

The allocation of funds to public universities is usually based on base formula funding method.

According to Abdulkadir(1990), the economic downturn of the early 1980s forced governments to put efficiency on the front burner of all concerns in funding. Due to the inadequacy of input-based funding which comprises only few incentives for efficient operation of higher education, output criterion was introduced into the funding of universities to address the perceived inadequacy.

The output criteria include among others, the number of graduates trained by an institution, the number of study-credits obtained, and research output.

Output based funding is believed to contain more incentives for efficiency because it is based on performance measures. The determining factor however, is the selection of indicators to measure the output both in quality and quantity. Australia, Germany, United Kingdom and New Zealand, among other countries use the input-criteria formula in financing universities. The United Kingdom however uses other attributes to weigh each input.

Until 1992, the universities funding council was responsible for the funding of universities in the UK after which regional independent higher education funding councils were established. The funding councils recognized the peculiar problems of UK universities and therefore apply other related funding for a range of purposes apart from the recurrent funding for teaching and research (Sambo, 2003). The peculiarities recognized for funding purposes include among others are size, location, age and presence of monuments in the institutions.

Sambo (2003) argues that another feature of HEFCE funding is the determination of standard and actual resource needs of each institution for the fiscal year. The teaching grant is carried forward from one year to the next if the

difference between standard and actual resource is plus or minus 5 percent. Institutions outside the 5 percent “tolerance band” have their grants or student numbers adjusted to the tolerance band over a specified period.

In either case, an agreement is drawn up between the funding council and each institution, which spells out the weighted activity, which is being funded against the resource being allocated. The innovation in funding universities in the UK lies in the recognition of students who are underrepresented in higher education and those with disabilities and the allocation of specific funds to the institutions to cater for them.

In Germany and Denmark, enrolment is not a criterion in the funding formula, while in Dutch universities; the number of new entrants determines around 13% of total funding. In all countries, the criteria for allocation whether input or output are weighted. The weights are determined by the nature of the discipline, level of the programme and type of institution.

Okebukola (2003), opines that input-based funding is the most prevalent form of financing universities in Africa. The funding of universities in Ghana is based on weighted student number. The weights are assigned cost ratings using a formula developed and administered by the National Council of Tertiary Education. Despite this funding method, based on weighted students, the

payment of staff salaries are “considered sacrosanct”. In Sudan, the National Council for Higher Education allocates funds to public universities in the country based mainly on the negotiating power of the minister of education and vice chancellors. The number of students is used to appreciate the level of funding but not the actual monies that go into the institution.

Many countries in Sub-Saharan Africa are increasingly using the negotiation approach to determine the quantum of funds going into higher education institutions. This process is more flexible than formula-based funding and usually start-of with the previous year’s allocation.

In South Africa, financing of higher education is based on the principle of shared costs, equity and redress. The principle of shared costs sees education as a “private good” in most cases because of its high private returns. The principle stipulates that students and/or their parents must share the cost of financing of education. Institutions that produce graduates that are seen as “pure public goods” like teachers and nurses are totally financed by government.

Allocation of public funds to universities in South Africa is predominantly through a base formula funding method. The formula is determined to a large extent by full time equivalent students and involves the transfer of funds to the institution either based on teaching cost, actual average student costs, or

normative unit costs. In any case, the subsidy formula accounts for about 85% of the public funding of the universities.

2.6.2 Demand and Supply Funding Theory

The demand and supply model of funding universities is predicated on the market orientation of university education, which is increasingly being seen as a commodity. The distinction between these concepts of financing institutions could be hazy due to their various definitions of concepts. (Omoregie 1995).

In any case, the basic differentiating factor is the part that receives the resources from the government. In the case of supply side funding, the institutions receive the money from the government while on demand side funding, funds are provided by the demanding party, which are the students. The advantage of this system is the assumption that the client (student) who is critically aware of the scarcity of the resources he receives will tend to use them more efficiently (Jongbloed and Koelman, 2000). This approach is yet to firmly take root in the funding of institutions though many countries are gradually adopting issuance of student vouchers, which is one of its variants.

2.6.3 Relative Funding Theory

In Relative Funding Model, universities are funded in the number of planned students counted in full-time enrllment. Adeogun (1999), argues that in some countries like Australia, public financing of universities is based on initial negotiations between the individual institutions and government. Similar

negotiations take place between Nigerian Federal Universities and the National Universities Commission during the annual Estimates hearing Sessions named as University System Annual Review. Prior to 1987 when the formula of budgeting and funding was put in place, principal officers of each Federal University would meet with the National Universities Commission to agree on the operating budget of the particular institution for the following fiscal year. The total budgetary request for the institutions as mutually arrived at with the National Universities Commission would then be forwarded to the Federal Government. The actual budgetary allocation was distributed pro-rata among the universities. The 1987 reform brought in formula based budgeting, which also combines with base allocation.

In Australia, the Higher Education Funding Act of 1988 spells out the modalities of allocating grants to higher educational institutions for teaching, capital and research purposes. Operating grants are distributed using a normative allocation model called the Relative Funding Model (Detya, 2001). The model uses ten different funding weights, varying from 1.0 in social science to 4.7 in medical programmes for each discipline taught in the universities. The weights also take into account the level of offer that is either undergraduate or postgraduate. The relative funding model is also used in Nigeria in allocating funds to the universities at a weighted ratio of undergraduate arts student to 2

undergraduate science and 1.5 postgraduate arts and 2 postgraduate science (Akangbon 1989).

2.6.4 The Taximeter-Model of Funding

In the taximeter model, funding is directly linked to students who pass their examinations, (Canton and Van demer, 2001). This is the model adopted for Danish universities where funding is based on a unit-cost principle. Universities receive funding for each student who passes an examination and the total number of such students determines the available budget for each university. Universities are not compensated or funded for students who fail their exams or do not take the exams but would continue to be taught in the university until they pass the examinations and payment made for only that year. The taximeter refers to the fare or tariff paid by government per passed examination, which varies according to the field of study. The tariff has three components as identified by Canton (2001) namely:

i. Cost of education and equipment;

ii. Joint cost (administration and building);

iii. Practical training (laboratory, clinical, field work).

The taximeter model could be described as another variant of performance (output) based funding. It however does not take internal efficiency of each university into consideration; neither does it promote one. The model also has the

potential of compromising quality in university education since the incentive for funding is based on the number of students who passed their examination. Counties that adopted this variant of output based funding have instituted quality assurance mechanisms to maintain and guarantee the quality of higher education.

Evaluation of the taximeter system was performed in Denmark in 1995 and 1998. In both evaluations, the model was found "to give greater concern to students needs and an increased focus on value for money in education. It has also taken measures to significantly reduce students' drop out rate" (Canton, 2001). The major drawback of the system is its open-ended nature to funding where the higher the number of students who pass their exams, the more resources are made available to universities. It also make financial planning more difficult since it is not possible to determine in advance how many students will pass their exams and therefore the amount of funding the universities will receive from government.

2.6.5 Contract Funding Theory

Under this model, a funding government enters into a contract with a university to train a certain number of students in different disciplines for an agreed amount of money. The contract spells out the details of the agreement including the responsibilities of each party and methodology of payment (Liiverpool, 1999).

The advantage of this method is that it is simple and easier to use compared with a complicated formula funding. It can however only be efficiently used for a limited number of institutions and where the cost of training per student is determined. Contract financing is increasingly being used in Germany, France, Sweden, Australia and New Zealand.

Funding models and mechanisms can be analyzed through different dimensions, Ablrecht and Ziderman (1992) has identified three main criteria; performance based, cost based and negotiation based. Other dimensions include input-orientation, and outcome-orientation (Koelman, 1998) demand – side and supply – side performance – basis and unit cost basis (Johnstone 1998).

2.7. Conceptual Framework

From the funding theories discussed above, student enrolment is an essential element in many funding models. Very few countries use performance as single criteria. Different funding mechanisms have different effects in different aspects of the operations of universities.

For the purpose of this study, the relative funding theory approach has been adopted. This is premised on the fact that specialized federal universities funding is based on initial negotiation between the individual specialized federal university and the National Universities Commission which this is hinged on funding theory.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

It is important for every researcher to spell out the procedures of his investigation. In this regard Osuala (2001) observes that procedure gives the reader the background against which he or she could evaluate the findings and conclusions of the report. In addition, the provision of step by step procedures could enable another researcher duplicate or replicate the study in another situation.

This chapter therefore discusses the nature of the research, population of the study, sampling techniques, the type of data used as well as the methods of data collection and tools for data analysis used.

3.2 Research Design

This study is descriptive in nature. Ndagi (1999) defines a descriptive research as a study that is concerned with the collection of data for the purpose of describing and interpreting existing conditions, prevailing practices, beliefs, attitudes, on-going process or any other phenomenon.

Descriptive research is the systematic ways giving a picture of situation or population. The need for systematic ways of telling what a situation is means the situation is no longer simple and without synthesis. This underscores the importance of descriptive research, as accurate descriptions are imperative for making a wide range of policy decision.

The study involves the collection of data about actual funds receive including actual internally generated revenue and the actual total amount spent for the purpose of describing existing conditions and prevailing practices in terms of funds management of available funds in specialized federal universities.

3.3 Population and Sample of the Study

The population of this study is a finite population consisting of all specialized federal universities in Nigeria totaling eight; three, Federal Universities of Agriculture and five Federal Universities of technology.

For the purpose of this study, the sample has been selected by stratifying the population into generation and geopolitical zones.

The specialized Universities are stratified into the two types of specialized Federal Universities in accordance with there nature. These are:

a. Federal Universities of Agriculture and

b. Federal Universities of Technology

Each of the two types of specialized federal universities is further grouped into first and second generation depending on when it was established.

For Federal Universities of Agriculture we have University of Agriculture, Makurdi and University of Agriculture Abeokuta established in 1988 as the first generation and University of Agriculture Umudike established in 1993 as the second generation.

For Federal universities of Technology, we have University of Technology Oweri, University of Technology Yola, University of Technology Akure and University of Technology Bauchi established in 1981 as the first generation universities while in the second generation, we have University of Technology, Minna established in 1983.

Two each from the two types of specialized universities were selected, one each from the first and second generation with a representation each from the two main geopolitical zones. This is because the geographical spread of the universities is partly based on some political consideration.

From the above the population is stratified in a tabular form thus:

S/N	UNIVERSITY	TYPE OF UNIVERSITY	GENERATION	GEO-POLITICAL ZONE
1.	Univ. of Agric. Makurdi	Univ. of Agric	1st	North
2.	Univ. of Agric. Abeokuta	As above	1st	South
3.	Univ. of Agric Umudike	As above	2nd	South
4.	Univ. of Tech. Owerri	Univ. of Tech.	1st	South
5.	Univ. of Tech. Yola	As above	1st	North
6.	Univ. of Tech. Akure	As above	1st	South
7.	Univ. ofv Tech Bauchi	As above	1st	North
8.	Univ. of Tech. Minna	As above	2nd	North

From the above table, only University of Agriculture Makurdi and University of agriculture Umudike met the requirement of both generation and geo-political zone. Since we have only University of Agriculture Umudike fallen into the second generation, that is automatically selected ; Abeokuta cannot be selected because, though it falls within first generation, it also falls within the same geo-political zone (South) with Umudike, therefore University of Agriculture Makurdi which falls within the first generation and from the North geo-political zone is also automatically selected.

In the case of University of Technology, Minna which happens to be the only one in the second generation is also automatically selected. We are left with

Owerri and Akure in the first generation that are from the south geo-political zone. Through simple non random sampling, Akure is selected

The total sample drawn from the population of eight (8) are four (4) representing 50% of the population which is a fair proportion of the population that can be used for generalisation.

3.4 Method of Data Collection

For any research to be carried out successfully, relevant data must be collected in relation to the nature, magnitude and extent of the problem been studied.

For the purpose of this study, the researcher used both primary and secondary. Primary data is required in this research for the purpose of assessing the impact of funds management on the performance of specialized universities. The secondary sources of data utilized are Annual Budget estimates from the universities which address the quantitative objective of the study which test the inter-relationship between the independent variable (funds management) and dependent variables (Physical facilities, Research output and Graduate output). While in the primary source, questionnaire is administered to address the

qualitative objective of the study to establish whether there is an effective internal control system that will ensure efficiency in the management of available funds.

3.5 Data Analysis Techniques

The techniques for analysis that are used in this research are simple regression and simple percentage. The simple regression is used because it actually captures and addresses inter-relationship of the data collected from secondary sources. In addition simple percentage is used to analyze the responses of the questionnaire administered.

3.5.1 Models Specification

The models used in examining the hypotheses of the study are as follows:

$FM = \beta_0+\beta_1 Y_1+e$……(i)
$FM = \beta_0+\beta_2 Y_2+e$……(ii)
$FM = \beta_0+\beta_3 Y_3+e$……(iii)

Where:
FM = Fund Management (Measured as the variation of Budgeted and Expended Funds)

β_0 = Intercept

β_{1-3} = Coefficients independent variables

Y_1 = Physical Facilities (Measured by Expended funds on Physical Facilities)

Y_2 = Researches (Measured by Expended funds on Researches)

Y_3 = Number of Graduates (Measured Number of Graduated Students)

e = Residual or error term

3.6 Justification of Research Method and Techniques

Stratified random sampling is the sampling method used in this study. The rationale for the choice of this sampling method is that the population of this study is heterogeneous in nature. It is therefore considered very important for to take cognizance of each stratum and let each stratum benefit from the sample drawn from the population.

The formulated hypotheses of this study were tested using simple regression. This research technique was used because of the following reasons:

i) It has the benefit of determining the relationship between dependent and independent variables. It shows the magnitude of changes in dependent variables for a given level of changes in the independent variables.

ii) The usefulness in making prediction because of the linearity that exist between two variables is another reason for using this technique.

3.7 Summary

This chapter has discussed the nature of the study adopted for the purpose of data collection, analysis and interpretation. Descriptive research method is used for the purpose of this study. The choice is informed by the major objective

of the study, which, is to assess the impact of funds management on the performance of specialized federal universities.

The data used for the study are both primary and secondary sources. The primary sources employed are questionnaires and interview while the secondary data collected are the Budget Estimates of the universities. For the purpose of data analysis, simple regression and simple percentage have been utilized.

The chapter that follows presents and discusses the results of the data analyzed using the techniques mentioned above.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter deals with the presentation, analysis and interpretation of the data collected on the management of funds and empirical test of the hypotheses used in this study.

4.2 Funds Management in Specialised Federal Universities.

The total funds received and expenditures for all the universities under review are presented in table 4.1 below:

Table 4.1 Variation between the Actual funds available and the Actual funds expended

Years	FUNDS(N Billion)	Amount Spent (N Billion)	Variations (N Billon)
2001	2.672	2.771	-0.1
2002	2.886	2.771	-0.07
2003	3.215	3.235	-0.02
2004	3.351	3.271	0.08
2005	4.637	4.604	0.03
2006	5.522	5.462	0.06
2007	6.623	6.595	0.03
2008	6.512	6.467	0.04

Source: Budget Estimates of specialized federal universities.

Table 4.1 above shows that the actual funds available and the actual funds expended by the specialized federal universities did not show a high variation, indicating prudent management of available funds by the specialized federal

universities. The table shows that the universities over spent their funds in 2001 to 2003, but the highest variation of over spent is just .₦ 0.07 while the remaining years of 2004 to 2008 shows under spending of the available funds by the universities with the highest under spending of ₦ 0.08.

4.2.1 Efficiency in the Management of Funds by Specialised Federal Universities

To establish whether there is an established and effective internal control system that ensures efficiency in the management of funds available to specialized federal universities, research question two is framed.

Research Question Two

Is there an established and effective internal control system to ensure prudent management of available funds to specialized universities?

Total number of 160 questionnaire were distributed, out of these, six (6) were distributed to the heads of academic departments of each universities, fourteen (14) were distributed to the staff of bursary dept of each of the universities, fourteen (14) also were distributed to the Audit department of each of the universities and six (6) were distributed to the planning unit of each of the universities.

Out of the 160, 129 of the questionnaire were returned 35 from University of Agriculture Makurdi (UAM), 30 from University of Agriculture Umudike (UAU), 29 from Federal University of Technology Mina (FUTM) and 35 from

Federal University of Technology, Akure (FUTA). Of the 129 questionnaire returned, the age of 13 respondents ranged between 25 and 30 years; the age of 43 of the respondents ranged between 31 and 35 years while 73 of the respondents age ranged between 36 and above.

The educational qualification of the respondents shows that 18 holds Doctorate degree, 24 holds Master degree, 37 holds First degree, 26 holds Higher National Diploma, 13 holds National Diploma while 11 holds Professional qualifications alongside other degrees.

Each of the respondents have been in the service of the universities for the period of four years and above; therefore, it is believed they have the requisite knowledge and experience to provide accurate answers to questions raised in this study.

In answering research question two, the following questions were framed.

Table 4.2. Effective Internal Control System.

S/N	QUESTIONS	YES	NO	TOTAL
1.	Are subventions received lodged in personal accounts before they are transferred to the university bank account?	30	99	129
2.	Are contracts of ten million naira (₦10M) and above advertised for biding?	55	74	129
3.	Are cheques issued to settle bills and salary and wages paid without first having audited payment vouchers.	67	62	129
4.	Does the internal audit unit undertake continuous examination of the work of the bursary?	105	24	129
5.	do some of the audit staff assist in bursary work which they are expected to audit?	30	99	129
6.	Do the audit unit verify physical existence of fixed assets?	104	25	129
	Total	262	383	645

Source: Questionnaire Administered on Respondents.

Table 4.2 above shows that of the 645 responses, 257 responses representing 39.84% held the opinion that all the questions asked were in affirmative while 388 responses representing 60.02% do not agree with all the issues raised in the question.

Under this segment of our questions, the focus was on the internal control system. Therefore, effort was made to ask whether subventions received were lodged in personal accounts before they are transferred to the universities bank account. On this issue, 30 responses representing 4.65% responded to the

affirmative of the total responses while 99 responses representing 15.35% of the total response. Held the contrary view. Also, on the issue bordering on the contracts below N10M, 55 responses representing 8.53% of the total believed that was usually advertised while 74 responses 11.47% of the total responses argued that it was not advertised.

Whether cheque issued for settlement has to be audited, 67 responses representing 10.39% belief that they are audited, while 67 responses representing 9.61% of the total responses held the contrary view. Whether the internal audit unit under take continuous examination of the work of the bursary? 105 of the responses representing 16.28% of the total response argue that internal audit undertake continuous check while 24 response representing 3.72% do not agree. For further celerity, we asked whether some of the audit staff assist in bursary work. Here, 30 responses representing 4.7% says yes while 99 responses representing 15.35 of the total responses says no. finally, we did asked if audit unit verify physical existent of fixed assets? 104 responses representing 16.12% belief they do while 25 responses representing 3.88% held contrary view of the total responses.

4.2.2 Test of Hypotheses

The hypotheses formulated are tested in this section in order to determine the relationship between dependent variables (Physical facilities, Researches and

Number of graduates), and the independent variable (Funds management). The aim is to find out whether funds management has an impact on physical facilities, researches and number of graduates of the specialized universities.

The aggregate values of both dependent and independent variables for the five specialized universities and within the period of the study are presented in table 4.1 below:

Table 4.3 Aggregate Values Of Dependents And Independent Variables

Years	Independent Variable	Dependent Variables		
	X ₦ Billion	Y_1 ₦ Billion	Y_2 ₦ Billion	Y_3 Billion
2001	2.61	1.18	1.22	1207
2002	2.83	1.25	0.89	1129
2003	3.25	1.29	1.52	1284
2004	3.05	1.34	1.62	1352
2005	4.52	1.44	1.65	1566
2006	4.98	2.39	1.92	1869
2007	5.38	1.77	1.94	1489
2008	5.89	2.90	1.33	1663

Source: Annual Reports and Financial Statements of Specialised Universities (2001-08)

x = funding in Naira. y_1*=Physical facilities,* y_2 *= Researches,* y_3 *= Number of graduates,*

Table 4.3 shows the aggregate values of dependent and independent variables in columns X, Y_1, Y_2, and Y_3. Column X which is the independent variable column shows the total funds (i.e. both NUC grants and IGR) available to the universities for each of the year under study. The Y_1, Y_2 and Y_3 which is

the dependent columns shows the total funds expended on the Physical facilities, Research output and Number of graduate output respectively of the universities under study each year.

Simple linear regression has been used to estimate the relation between the dependent variables (Physical facilities, Researches and Number of graduates) and the independent variable, which is represented by funds management in Naira. The technique of t-test has also been used to estimate the regression coefficient of the variables.

4.2.3 Determinants of the Impact of Funds management on the Performance of specialized federal universities in Nigeria.

The study uses three dependent variables for determining the aggregate impact of funds management on the performance of specialized federal universities. These three explanatory variables are physical facilities, researches and number of graduates. The study hypothesizes significant relationship between explanatory variables and funds management in Naira. The regression results are presented in Table 4.2 below. The full results are contained in Appendix A.

Table 4.4: Determinants of impact of funding on the performance of Specialized universities

Sample Statistics	Dependent Variables		
	Y_1	Y_2	Y_3
Mean	1.4038	1.5262	1445
Standard Dev.	0.16621	0.3450	181.3
Minimum	1.2065	1.0873	1142
Maximum	1.5407	1.5262	1655
R	0.71	0.76	0.73
R^2	0.51	0.58	0.53
t- values	2.480	2.888	2.596
Durbin-Watson	0.802	2.44	1.738
Significant	0.048	0.028	0.041

Source: SPSS Printout of Simple Regression computed from table 4.1 above.

Table 4.4 above shows the impact of funding on the performance of specialized federal universities as computed from table 1. The table shows the impact funds management has on the dependent variable in columns Y_1 (Physical facilities), Y_2 (Research output) and Y_2 (Graduate output) using sample statistic tools as shown in the first column.

4.3 Impact of Fund Management on Physical Facilities of Specialized Universities.

A null hypothesis that funding has no significant impact on the physical facilities of Specialized universities was formulated to ascertain whether fund management has impact on performance of Specialized universities or not. The hypothesis is tested and the regression result in table 4.2 reveals a positive correlation of 71% percent between funds management and physical facilities.

This shows that between pair of funds management and physical facilities there is strong and significant relationship. Also, it corroborates the result of the regression model that funds management is playing a significant role in measuring physical facilities and the positive nature of the correlation coefficient explains the model in the regression $y_1 = \partial + \beta x$ .The result of the model reveals that for every ₦ 1 naira increase from funds management brings about ₦2.48k increase in the value of physical facilities. While the coefficient of determination (R^2) shows that funds management occupies 51% of the value of physical facilities. That is other contributors covered the remaining 49%.

In addition, t-values in the regression results (see table 4.2) indicate that physical facilities has the highest value of 2.480 compared to those of researches and number of graduates. This shows that funding management has greatest impact on the physical facilities than researches and number of graduates. This can also be confirmed by lowest mean and standard deviation values. The average value for physical facilities in the table is 1.40 billion Naira which is lower than that of researches (1.53 billion) and number of graduates (1445). This implies that physical facilities receive the highest impact followed by researches and then number of graduates. In addition, the variable with smaller standard deviation believed to have a greater impact from funding, Esan and Okafor (1995). While, physical facilities happened to have the lowest standard deviation

of 1.4038. In addition, the Durbin-Watson of 0.802 reveals absence of serial correlation within the period of the study.

However, the calculated significant values of physical facilities 0.048 (see table 4.2) is less than 5% (P>0.05). This therefore produced the evidence of rejecting the null hypothesis that funds management has no significant impact on physical facilities of specialized universities.

4.3.1 Impact of Fund Management on the Researches of Specialized Universities.

A null hypothesis that funds management has no significant impact on the researches of specialized universities was formulated to ascertain whether funds management has impact on the performance of Specialized universities or not. The hypothesis is tested and the regression result in table 4.2 reveals a positive correlation of 76% percent between funds management and researches. This shows that between pair of funds management and researches there is strong positive and significant relationship. Also, it corroborates the result of the regression model that funds management is playing a significant role in measuring researches and the positive nature of the correlation coefficient explains the model in the regression $y_2 = \partial + \beta x$ .The result of the model reveals that for every ₦ 1 naira increase from funds management brings about ₦2.88k increase in researches. While the coefficient of determination (R^2) shows that

funding occupies 58% of the value of researches. That is other contributors covered the remaining 42%.

In addition, t-values in the regression results (see table 4.2) indicate that researches has the value of 2.888. This shows that funds management has positive impact on researches but less than that of physical facilities while higher than that of number of graduates. The mean value for researches in the table is (1.526) which is lower than that of number of graduates but greater than physical facilities' value. This implies that researches receive more impact from funding than number of graduates but less than that of physical facilities. In addition, the Durbin-Watson of 2.44 reveals absence of serial correlation within the period of the study.

However, the calculated significant values of physical facilities 0.028 (see table 4.2) is less than 5% (P>0.05). This produced the evidence of rejecting the null hypothesis that funding has no significant impact on researches of specialized universities.

4.3.2 Impact of Fund Management on the Number of Graduates of Specialized Universities.

A null hypothesis that funds management has no significant impact on the number of graduates of Specialized universities was formulated to ascertain whether funds management has impact on the performance of Specialized

universities or not. The hypothesis is tested and the regression result in table 4.2 reveals a positive correlation of 73% percent between funds management and number of graduates. This shows that between pair of funding and number of graduates there is strong positive and significant relationship. Also, it corroborates the result of the regression model that funds management is playing a significant role in measuring number of graduates and the positive nature of the correlation coefficient explains the model in the regression $y_3 = \partial + \beta x$ .The result of the model reveals that for every ₦ 1 naira increase from funds management brings about ₦2.60k increase in number of graduates. While the coefficient of determination (R^2) shows that funding occupies only 53% of the value of number of graduates while other contributors covered the remaining 47%.

In addition, t-values in the regression results (see table 4.2) indicate that number of graduates has the value of 2.60. This shows that funds management has positive impact on number of graduates but less than that of physical facilities and researches. The mean value for the number of graduates in the table is (1445) which is greater than that of both number of graduates and researches' value. This implies that number of graduates receives less impact from funding than both researches and physical facilities.

However, the calculated significant values of number of graduates 0.041 (see table 4.2) is less than 5% (P>0.05). This produced the evidence of rejecting the null hypothesis that funding has no significant impact on number of graduates of specialized universities.

4.4 Analysis of Internal Sources of Revenue Exploited by Specialised Federal Universities.

The government through the National universities commission makes it mandatory for all federal universities including specialized federal universities to generate at least ten percent of their total yearly funds internally through various other sources of revenue. The comparative analysis of NUC actual grants and internally generated revenue of specialized federal universities are presented in tables 4.3.1 – 4.3.4.

4.4.1 Comparative Analysis of NUC Actual Grant and Internally Generated Revenue (IGR) of Specialised Universities.

Tables 4.3.1 – 4.3.4 shows the 90% NUC grants, the expected 10% IGR after grossing up the 90% to 100% and the difference taken, the actual IGR and the percentage change in the IGR.

Table 4.5: NUC Actual Grant and IGR OF FUT Akure

1	2	3	4	5	6	7
YEAR	**90% NUC**	**100% GROSS UP**	**Expected IGR 10% (3-2)**	**Actual (IGR)**	**DIFFERENCE IN IGR (5-4)**	**% DIFFERENCE in IGR Increase/De Crease(6/4)**
2000/01	-	-	-	-	-	-
2001/02	730,094,806	811,216,451.1	81,121,645.1	101,678,985	20,557,339.9	25.34%
2002/03	760,183,553	844,648,392.2	84,464,839.2	127,533,427	43,068,588	50.99%
2003/04	744,583,034	827,314,482.2	82,731,448.2	258,731,319	175,999,870.8	212.74%
2004/05	752,383,293	835,981,436.7	83,598,143.7	193,132,373	109,534,229.3	131.03%

Source: Budget Estimates of FUT Akure.

The above table shows the actual grants from National University Commission (NUC) and the Internally Generated Revenue (IGR) of Federal University Technology of Akure (FUTA). Column 1 shows the various years under study; Column 2 shows the actual grants received by the University from National University Commission; Column 3 shows the gross up figures of the 90% of NUC grants received to give 100% (i.e plus the 10% expected to be generated Internally by the University); Column 4 shows the 10% expected figures of IGR by subtracting the 90% NUC grants from the 100% gross up figures; Column 5 shows the actual IGR figures as collected from the Budget Estimates of the University; Column 6 shows the difference between the expected 10% IGR and actual IGR of the University; Column 7 shows the percentage difference in the IGR figures of the University to show whether there is increase or decrease from the expected 10% IGR.

Table 4.5 shows that the university under consideration exploited its IGR. We could observed that all period under consideration there was an increase on the expected 10% IGR as prescribed by the NUC. More interestingly, the increase shows growth year after year. In 2001/2002 having 25.34% as the lowest while 2003/2004 recorded the highest increase of 212.74%. on the whole, there was an appreciable exploitation of IGR source.

Table 4.6: NUC Actual Grant and IGR Of FUT Minna

1	2	3	4	5	6	7
YEAR	**90%(NUC)**	**100% GROSS UP**	**EXPECTED IGR 10% (3-2)**	**ACTUAL IGR**	**DIFFERENCE IN IGR (5-4)**	**% DIFFERENCE In IGR Increase/ Decrease (6/4)**
2000/01	503,613,415	559,570,461.1	55,957,046.11	25,599,000	(30,358,046.11)	(70.34%)
2001/02	465,200,000	516,888,888.9	51,688,888.89	30,214,000	(21,474,888.89)	(41.55%)
2002/03	430,853,655	478,726,283.3	47,872,628.33	39,545,000	(8,327,628.33)	(17.40%)
2003/04	446,889,495	496,543,883.3	49,654,388.33	51,200,000	1,545,611.67	(3.11%)
2004/05	9000,941,452	10,001,046,100	1,000,104,647	725,000,000	(275104647)	(27.51%)

Sources: Budget Estimates of FUT Minna

Table 4.6 shows the actual grants from National University Commission (NUC) and the Internally Generated Revenue (IGR) of Federal University Technology of Minna (FUTM). Column 1 shows the various years under study; Column 2 shows the actual grants received by the University from National University Commission; Column 3 shows the gross up figures of the 90% of NUC grants received to give 100% (i.e plus the 10% expected to be generated Internally by the University); Column 4 shows the 10% expected figures of IGR by subtracting the 90% NUC grants from the 100% gross up figures; Column 5

shows the actual IGR figures as collected from the Budget Estimates of the University; Column 6 shows the difference between the expected 10% IGR and actual IGR of the University; Column 7 shows the percentage difference in the IGR figures of the University to show whether there is increase or decrease from the 10% expected IGR.

The analysis of table 4.6 shows that through out the period under consideration, the university was unable to exploit its IGR effectively. There was enormous shortfall in IGR of the university living the highest decrease in 2000/2001 while the lowest was recorded in 2003/2004.

Table 4.7 NUC Grant and IGR of University of Agric Makurdi

1	2	3	4	5	6	7
YEAR	**90%(NUC)**	**100%(GROSS UP)**	**EXPECTED IGR 10% (3-2)**	**ACTUAL IGR**	**DIFFERENCE IN IGR (5-4)**	**% DIFFERENCE IN IGR (6/4)**
2000/01	671,326,292	745,918,102.2	74,591,810.22	5757,060	(68834750.22)	(0.92%)
2001/02	675,121,478	750,134,975.6	75,013,497.56	28,457,097	(46556400.56)	(62.06%)
2002/03	1,002,182,215	1,113,535,794	111,353,579.4	20,361,755	(90991824.44)	(81.71%)
2003/04	701,226,380	779140422.2	77,914,042.21	23,405,535	(54,508,507.22)	(90%)
2004/05	839,059,206	932,288,006.7	93,228,800.67	50,473,822	(42754978.67)	(45.86%)

Source: Budget Estimates of UAM.

Table 4.7 shows the actual grants from National University Commission (NUC) and the Internally Generated Revenue (IGR) University of Agriculture Makurdi (UAM) has seven columns. Column 1 shows the various years under study; Column 2 shows the actual grants received by the University from National University Commission; Column 3 shows the gross up figures of the

90% of NUC grants received to give 100% (i.e plus the 10% expected to be generated Internally by the University); Column 4 shows the 10% expected figures of IGR by subtracting the 90% NUC grants from the 100% gross up figures; Column 5 shows the actual IGR figures as collected from the Budget Estimates of the University; Column 6 shows the difference between the expected 10% IGR and actual IGR of the University; Column 7 shows the percentage difference in the IGR figures of the University to show whether there is increase or decrease from the 10% expected IGR.

Table 4.7 above shows that university of Agric Makurdi failed to harness its internal generated revenue source effectively. All the years under review show decline in their IGR. 2002/2003 recorded the highest shortfall with 81.7% while 2000/2001 has a marginal decrease of 0.92%.

We gathered from the interview that the school been a specialized university was highly regulated in the number of intake it can absorb. This account for its inability to meet up with the 10% IGR as prescribed by NUC.
Another factor that accounted for its poor IGR performance lies in the inability to harness other revenue centre. It was also gathered from the interview conducted that there is an extent the university can go in sourcing for fund, giving the fact that it is not a business venture that is out for profit making".

Table 4.8: NUC Grant and IGR of Federal University Agric Umudike

1	2	3	4	5	6	7
YEAR	**90%(NUC)**	**100%(GROSS UP)**	**EXPECTED IGR 10% (3-2)**	**ACTUAL IGR**	**DIFFERENCE IN IGR (5-4)**	**% DIFFERENCE IN IGR (6/4)**
2000/01	728,675,052	809,638,946.7	80,963,894.67	27,751,258	(53,212,636.67)	(65.72%)
2001/02	810622035	900,691,150	90,069,115	50,341,609	(39,727,506)	(44.11%)
2002/03	778617935	865,131,038.9	86,513,103.89	61341708	(25,171,395.89)	(29.10%)
2003/04	779659556	866,288,395.6	86,628,839.56	80,146,471	(6,482,368.56)	(7.48%)
2004/05	1,525,932,412	1695,480,450	169,548,045.0	191,230,835	21,682,790	(12.79%)

Source: Budget Estimates of U.A.U

Table 4.8 shows the actual grants from National University Commission (NUC) and the Internally Generated Revenue (IGR) of Federal University of Agriculture Umudike (UAU). Column 1 shows the various years under study; Column 2 shows the actual grants received by the University from National University Commission; Column 3 shows the gross up figures of the 90% of NUC grants received to give 100% (i.e plus the 10% expected to be generated Internally by the University); Column 4 shows the 10% expected figures of IGR by subtracting the 90% NUC grants from the 100% gross up figures; Column 5 shows the actual IGR figures as collected from the Budget Estimates of the University; Column 6 shows the difference between the expected 10% IGR and actual IGR of the University; Column 7 shows the percentage difference in the IGR figures of the University to show whether there is increase or decrease from the 10% expected IGR.

Table 4.8 analysis shows similar situation with the previous one. 2000/2001 recorded the highest decline in its IGR of 65.72% while 2003/04 has the least of 7.48% decline.

Effort was made to sort for the factors that could account for this shortfall. We gathered from the interview conducted that the university has a limited number of students and it does not involve in any commercial venture that may probably enhance its IGR. Also pointed out was management policy that put certain limitations on where they can source funds internally.

On the whole, we could notice that except that of federal university of technology Akure, all other three specialized university under consideration could not in any year meet up with their IGR. Their in ability may account for their low utilization of their sources of IGR.

4.5 Discussion of Major Findings

From the presentation and analysis above, the study finds that available funds are prudently managed by the specialized federal universities; this must have been made possible as seen from the questionnaire administered from effective internal control system established by the specialised federal universities.

The study also reveals that funds management has significant impact on the physical facilities of specialised federal universities in Nigeria. This will enhance the provision of classrooms, laboratories space and office accommodation that will facilitate effective teaching and learning and thereby attaining the overall aim of establishing specialised federal universities. This is against the findings of saint (1992); Adeogun (1999); and Akangbou (1992).

The study further reveals that funding has also significant impact on researches of specialised federal universities of Nigeria. There is no doubt that researches play a significant role in the advancement and development of every nation; in spite of the central place of research, funding of researches in specialised federal universities is still very much inadequate. This agrees with the study of Emovon, (1989). This is evident as most of our universities do not set aside funds for researches, conferences and seminars. The implication of this is the inability or failure of universities of agriculture to generate new agricultural technologies that are sufficiently adapted to different local environmental niches and conditions. Also, their failure to provide appropriate technology needed for industrial development and self reliance in science, engineering and technology.

The study finally exposes that funding of specialised federal universities has a significant impact on the graduate output. This has a link with the impact of funding on physical facilities which facilitate for more enrolment and subsequently increase the number of output. This finding partly agrees with Saint, (1992) that enrolment is on the increase but that there is no capacity planned to accommodate the growth in enrolment. This will help transmit proven technologies in researcher's laboratories in to farmers' field and also provide the much needed self reliance in science, technology and engineering.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Summary

In this study an attempt has been made to assess the funding and funds management in specialized federal universities in Nigeria. To accomplish this, four specialized federal universities were sampled from the eight specialized federal universities using stratified non random sampling technique.

The source of data and method of data collection were budget estimations and statistical report and documentations from national universities commission Abuja. The data collected were analyzed using student t-test, simple percentage and chi-square. The student t-test was used to test the adequacy of funds provided by government to specialized federal universities; the simple percentage was used to analyze the internal sources of revenue exploited by specialized federal universities and the chi-square was used to assess the efficiency in the management of funds available to specialized federal universities in Nigeria.

The study formulated two hypothesis. The first hypothesis, no significant difference between the expected funds and actual funds received by specialized federal universities in Nigeria and the second, efficient management of available funds is significantly dependent of internal control system for control finance in

specialized federal universities in Nigeria. The results of the study reveal that specialized federal universities are not adequately funded as the study shows that there is significant difference between the budgeted and the actual funds received. This was also buttress by the few member of staff and lecturers that enjoyed research grants, lack of farm implements, laboratory equipment, etc. that are vital to the attainment of the universities mandate due to lack of funds.

The result also reveals that specialized federal universities failed to harness the other various sources of revenue available to them. The result shows that non of the specialized federal universities were able to generate the minimum 10% as required by national university commission except for university of technology, that was able to generate up to 10%.

The finding on management of available funds by specialized federal universities, the result shows that specialized federal universities establishes effective and efficient internal control system that ensure prudent management of available funds this was evident in the:

i. Appropriate accounting books maintained by the universities
ii. Regular updating of the accounting books
iii. Early judgment of funds in the appropriate accounts.
iv. Training programmes organized for bursary and audit staff to ensure efficiency in management of the universities available funds.

v. Continuous examination of the work of the bursary by the internal audit unit and the separation of function of the audit unit from that of the bursary department staff to ensure independence, fair and full disclosure of state of affairs.

As a whole, the result reveals that specialized federal universities are not adequately funded to ensure the attainment of the political intent of providing prompt solution to farmers' practical problems, raising farm output and incomes and accelerating the drive towards national food sufficiency. These results has been confirmed in several respects the findings of Idachaba (1988), Folurunso (2003), Odubu (1997) and similar other studies. Also the study reveals that funds available to specialized universities are prudently managed against the findings of Sylvester (1991) and Okwach (2003).

5.2 Limitations of the Study

In a study of this nature limitations can never be ruled out.

Firstly, access to some records, which have been considered confidential, and sensitivity by top management were difficult to come by but being through the help of some insiders, achievement was recorded.

Secondly, response to the questionnaire was another area problem was encountered, despite the nonchalant attitude of some respondents, out

of the 160 questionnaire distributed 129 were filled and returned representing 80.63% upon which analysis and interpretation was based.

Finally, the geographical spread of the universities used as a case study was another challenge that confronted this study as the travel verse land to collect the data needed for the study.

All the above limitations were however overcome and therefore does not affect the results of the study.

5.3 Conclusion

Based on the findings of this research, the study concludes as follows:

First, the study has provided both empirical as well as statistical evidence on the impact of funds management on specialized federal universities.

Second, the study concludes that funds available to specialized federal universities are prudently managed; this is evidenced in the establishment of internal control system in the universities.

Thirdly, the study has concluded that funds management of specialized federal universities is significantly improving their physical facilities

development. This implies that the higher the funds management of the universities the more commitment in terms of their physical development.

Fourthly, the study also concluded that the quantum and the quality of researches in specialized federal universities are motivated by level of funds management in the universities. This may be as the result of the recognition of the important contribution of researches in the universities since this is the fundamental objective of establishing any university.

Finally, the study concluded that level of funds management in the specialized universities has positive and direct effect on the number of graduate produce annually.

5.4 Recommendations

The beauty of any research work lies on the value it adds to solve the pending problems. It is in view of this that the work advances recommendations.

The recommendations of this study have been directed at four different parties who either have a direct or indirect influence on funds management of specialized federal universities. These parties are the federal government who is the sole funder, the management of specialized federal universities, private sector (multinational companies) and general purpose universities.

1. The study has established that funds received from the federal government through the NUC by specialized universities are prudently managed. On the basis of this revelation, the following recommendations are being made:

(i) The federal government should increased the various grants (capital and recurrent) released to specialized federal universities in order to acquire and have all the necessary farm implements, laboratory equipments, library facilities other physical facilities etc. that will ensure the attainment of the universities mandate and vision.

(ii) The percentage allocation for grants to specialized federal universities should be increased to enable enough staff and lecturer's engage in a meaningful research work. There is also the need for the provision of modern teaching, Learning, and research facilities in these specialized federal universities.

2. The management of specialized federal universities will find the result of this study useful in the following ways:

(i) Specialized federal universities should develop more strategies that will help them harness fully the various sources funds available to them.

(ii) For more efficient funds management specialized federal universities should attract more qualified accountants and auditor that will ensure proper and efficient disbursement of available funds.

(iv) Contracts above ten million should be advertised for more prudent management of funds.

3. The result of this study is important to private sectors like multinational companies. The result has shown that prudent management has great impact on research. More grants to specialized federal universities will enhance meaningful research work which by implication makes the provision of man power and technological training for industrial development very easy. It is in view of this, that the study recommends private sector partnership with specialized federal universities in terms of research grants and provision professorial chairs in some fields of interest that will provide manpower and training for their industries.

4. The finding of the study show that specialized federal universities has a well established internal control system that ensure prudent management of available funds. The study therefore recommends that general purpose universities take cue from specialized federal universities in the areas of management of funds.

5.5 Area of Further Research.

There could be a fresh insight on the funding of research and development of specialized universities. There could also be a fresh study on revenue generation and utilization in the Nigerian specialized universities. The Impact of funding on the Development of Federal Specialized Universities could also be a fresh research.

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DEPARTMENT OF ACCOUNTING
INSTITUTE OF ADMINISTRATION
AHMADU BELLO UNIVERSITY
ZARIA

Dear Sir/Madam

QUESTIONNAIRE

This questionnaire on "Funding and Funds Management in Specialized Federal Universities of Nigeria" is designed in respect of an M.Sc. Accounting thesis. All information given shall be treated with utmost confidentiality and would be used for Academic purposes only.

Your sincere response to all the questions below is solicited and their return without delay would be appreciated.

SECTION I : GENERAL INFORMATION

1. Name of your university ----------
2. Department----------
3. Rank ----------
4. What is your highest educational qualification?
    a. ( ) SSCE/GCE
    b. ( ) National Diploma
    c. ( ) NCE
    d. ( ) First Degree
    e. ( ) other specify ----------

5. Which of the following accounting professional bodies do you belong to?

   a. ( ) ICAN

   b. ( ) ANAN

   c. ( ) ACCA

   d. ( ) none of the above

SECTION II: FUNDING OF SPECIALIZED UNIVERSITIES

6. Is your university funded solely by the Federal Government?
   Yes ( ) No ( )

7. Does your University receive it's subvention regularly?

   Yes ( ) No ( )

8. Does your University have enough funds to enable it engage in meaningful research work? Yes ( ) No ( )

9. If your answer to question 7 is No, mention the things that are vital to carry out the institute's mandate which your department (or university does not have due to lack of funds).----------

   ----

10. How many staff and lecturers have enjoyed research grants for the past six (6) years in your department? 1 – 5 ( ) 6 -10 ( ) 11 -15 ( ) 16 – 20 ( ) 21 and above ( ).

11. In your own view, for meaningful development, how many staff/lecturers minimum should enjoy research grant in a year?

1 – 5 ( ) 6 -10 ( ) 11 -15 ( ) 16 – 20 ( ) 2 and above ( ) other sources.