

# Assessment of Gaps in Higher Education Financing in Ghana

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**Abstract:** Despite rising educational costs, governmental financing for higher education has decreased, especially in the developing world. This is attributable to a number of factors, including competition for public funds among various economic sectors, competition between higher education institutions and other sub-divisions of education, and the innovative rationale of modern public administration. These developments necessitate the pursuit of novel ways to financing higher education. This involves an examination of the financing of higher learning in various countries. To that end, the goal of this study was to evaluate current education finance in Ghana in order to point out the existing gaps in practice. The study used a comparative research methodology to compare and contrast developing worldwide best practices in higher education finance with present practices in Ghana. The findings of the study show that present means of higher learning finance are narrowly targeted. According to the findings, current financing mechanisms have problems that the funding model do not address. The paper concludes with policy and practical recommendations. Among other policy choices, governments and educational institutions should search for new potential funding sources for university education and align funding with country's development needs and targets.

**Keywords:** Assessment, Higher Education, Financing, Gaps

## I. INTRODUCTION

Generally, there is no gainsaying the fact that investing in a nation's workforce is a critical component of assuring economic success and human development. People can become creative in tackling societal challenges by developing their human capital through education (Llyod & Payne, 2003). To ensure that education continues to play such a vital function in life, it is essential to guarantee that university education, specifically, is fiscally viable. However, government investment on higher education has fallen in several countries for a long time (Tilak, 2006). This downward trend in higher education spending can be ascribed to variables including structural adjustment initiatives that reflect the opinion that the government should only engage a limited function in funding university education. Total public higher education expenditure, the fraction of universities spending as a ratio to a nation's economic output or overall government spending plan, and relative and absolute allotment to essential priorities like research and scholarship programs, among other things, all show a pattern of reduced public funding for higher education. This trend is more pronounced in poor countries and not in affluent economies such as the UK, New Zealand and Australia. Consequently, in

several countries, especially in rising economies, there has been a switch in the ways of funding (Panigrahi, 2018). Given this, over the years many novel strategies of financing university education have been used to fulfill the increasing demand for university education. Higher education confronts a financial crisis, according to Experton and Fevre (2010), as a consequence of the growing amount of people studying. These authors show that Africa has indeed managed to maintain its national investment in university education, allocating nearly 0.78% percent of its GDP and roughly a rate of 20 percent of actual governmental education spending to this area. It is also said that the number of people enrolling in institutions of higher learning appears to be increasing, virtually tripled between 2.7 million in 1991 to 9.3 million in 2006. (a 16 percentage per year rate). However, state funds allotted to the government sector only quadrupled, implying that enrolment exceeds financing. Both content and usefulness of curriculums are being harmed as a result of the decrease in government spending.

In the case of Ghana, Atuahene (2008) claims that the major obstacle for higher education in Ghana is the falling financial resources and increasing demands for tertiary education. This difficulty is compounded by additional issues such as limited accessibility, high costs, low retention and recruitment of academics, and a deteriorating infrastructure. Evidence clearly shows that the expense of higher education is rising while government spending is decreasing in relatively speaking. For instance, a five-year period from 2011 to 2015 shows what is indicated below: 2011: 39.7%; 2012: 79 percent; 2013: 49.2%; 2014: 46.6 percent; 2015: 41.0 percent (Newman and Duwiewua, 2015). As a result, Newman and Duwiewua (2015) contend that tertiary education institutions ought to find additional funding support as well as reorganize current financial arrangements. Though finance is still a major concern, it is sufficient to address all issues in terms of achieving higher education's goals. Reforms in key areas such as resource allocation efficiency, curriculum reform, pedagogical practice modification, governance structure strengthening, and autonomy should all be implemented (Hanushek and Woessmann, 2007; World Bank 2007). This is particularly vital in terms of higher education's strategic aims, which include encouraging research, boosting quality, and promoting relevance

Indeed, university education is becoming more expensive, which has been worsened by a decrease in public funding for higher learning. Other factors, including an increase in student

enrolment, necessitate the search for university education income streams. The government, GETfund, as well as other development partners have been the primary sources of funding for higher learning. There is a scarcity of data on financial limitations in higher learning in Ghana, according to an assessment of the reviewed studies. (David et al., 2018) investigated the evolution of education funding in Ghana at all stages, as well as the proportion of public expenditure in the country, but they did not investigate the funding disparities for higher learning. In a different study, (Atuahene, 2009) looked at the perspectives of the many actors involved in the Ghana Education Trust Fund, which is one of Ghana's key sources of higher education funding. The author was interested in hearing how legislators, registrars, administrators, student leaders, and state officials perceive GEfund's impact on infrastructure projects, scientific inquiries and research and capacity building, technological advancement, science and math training, student access, and social equality. The disparities in higher education funding were also not addressed in this study. In a related study, (Atuahene, 2006) undertook a policy analysis of tertiary institution financing in Ghana, focusing on its goals and influence on education. In the light of this, the goal of this research is to examine the current state of university education funding in the country of Ghana in order to identify gaps that may be addressed by enacting policies that would improve university education funding.

## II. LITERATURE REVIEW

In general, there have been few studies in the realm of higher learning financing. Throughout the research conducted in the past, the main focus is on addressing the difficulties of financing HEIs (Moladovan et al., 2012); Akinkugbe, 2000; Kanaan et al., 2011). In Swaziland Akinkugbe (2000) undertook a research to evaluate financial flows throughout the educational system with the goal of determining household contributions to educational costs. According to the report's findings, education is primarily funded by the government, local communities, and households. The report also mentions non-governmental organizations, private businesses, and corporations as other streams of university funding. The State contributes 83 percent of educational sector funding, according to the study's findings, with household payments being higher at the secondary level. The implication is that the State invests more in higher education than in primary and secondary education. The paper indicates, in order to correct the educational system's imbalance, cost-sharing measures must be developed. Kanaan, et al. (2011) conducted a thoughtful evaluation of Jordan's higher learning spending patterns using a political economy perspective. The author looked into topics including sufficiency, effectiveness, and fairness, and also their pluses and minuses. According to the findings, Jordan's education spending is generally inadequate. In a related study, Sanyal and Martin (2006) report that affluent donors were the traditional sponsors of higher learning aside from the government. Though it is true that now the relative

significance of wealthy individuals' donations is reducing for many reasons, wealthy individuals' donations have remained key sources of support in countries including the United States, United Kingdom and Israel. China and India have also used initiatives to attract funds from their expatriate communities and multinational firms with operations in their nations. Endowment projects have also been launched in Africa, pioneered by the Republic of South Africa, in which the University of Cape Town raised ten million United States dollars in the year 2000 with the help of a US Fund and a UK Trust. There are other donations from The Nippon and Tokyo Foundations, two Japanese charitable organizations that pledged \$1 million in gifts to all three African universities: Egypt's American University of Cairo, Kenya's University of Nairobi, and South Africa's University of Cape Town. All of Ford, MacArthur, and Rockefeller Foundations, and also the Carnegie Corporation of New York, have started a \$100 million initiative in Africa to revive university education. Institutions around the world are looking for non-traditional, non-state funding sources like international student fees, fee-paying learners in the two-way system, and specific suited programs; inventions, licensing, royalty payments, and earnings from merchandizing via stores among others (Shattock, 2004). According to Al-Hamadeen (2009), commercial operations are among the key funders in several institutions. These institutions have effectively entered a number of subscription businesses in that they have expertise, focusing mostly on the community and private sector. It's also been stated that certain universities in the United Kingdom have used this diversification technique. The University of Loughborough, for example, is an excellent illustration of how community and corporate facilities can be hired. Cafeterias, stores, and libraries are all available for rent.

There are other existing research that highlights the weaknesses inherent in various higher education financing systems across the globe. Experton and Fevre (2010) recognize these kind of flaws like a lack of specified financing, bad blueprinting, improper spending supervising, too much state spending on foreigners, and wasteful utilization of liquid assets by universities, as evidenced by relatively high number of learners dropping out of studies and also those that need to be repeated in class, rising incremental cost and remuneration for school administrators, and elevated amounts of systemic liabilities. Bakker (2007) reports that various administrations around the world use one of two revenue sources to remedy inherent shortcomings. The utilization of input/output funding systems is one of them. In the input/output funding aspect, input indicators pertain to the resources and/or actions that are taken by higher education institutions (e.g., the proportion of learners admitted, space occupied) whereas output measures are concerned with the research and teaching efficiency of universities (e.g., accumulated credits, number of degrees awarded, number and quality of research publications and patents issued). Another is a requirement or supply-side system in which a university gets State funds in the form of cash or designated seed

funding in exchange for research money (Bakker, 2007). It has long been maintained that African governments should embrace performance-based budgetary allocation rather than the traditional fixed distributions. It is also stated that this strategy may offer a framework for rectifying major policy inequalities that have arisen over time, as well as introduce more openness into the procedure, in response to the rising demands for more responsibility in utilizing of governmental and non - governmental money. Furthermore, it is suggested that performance-based disbursements will lead to increased administrative freedom because institutions need to operate within complete management supervision in order to be rated on their success. In most cases, this will necessitate the fulfillment of some prerequisites. These also include, along with other things, a trustworthy and effective data, tracking, and review process, as well as personnel that have been educated in these capabilities. Furthermore, there are also several options for improving the efficiency of existing funds. Enhanced administration is also required, as is the allocation of academic and managerial employees according to necessity. It has also been suggested that a much more methodical utilization part-time and contract-based work might benefit in cost-cutting. Strehl, Reisinger, and Kalatschan (2007) on their part argue that financing configurations of various countries' higher education have flaws mostly in following areas: totally inadequate state support, too little recognition of uniqueness between many institutions of higher learning, lack of enhancement of equality between both the university and polytechnic systems, modifications in the criteria of the funding model that may lead to opaqueness and trouble forecasting medium to long term financial outcomes.

### III. METHODOLOGY

The study follows a comparative research methodology in general. Comparative research has numerous advantages. Comparative research, according to Esser and Vliegenthart (2017), enhances our knowledge of one civilization by comparing its architecture and procedures to those of other systems. Comparative research exposes researchers to a variety of systems and ways of thinking and acting, as well as a wide range of other options and identify alternatives that could really help or point to a way out of similar problems domestically. In the light of this, the current paper examines developing best practices in higher education financing. This method in the context of this study allow the researcher to evaluate and contrast Ghana's higher education financing policies with quality standards elsewhere and as established in existing literature. Also, with such approach, the loopholes in Ghana's higher education financing practice can be ascertained.

### IV. FUNDING OF TERTIARY EDUCATION IN GHANA

University education in the country is financed by a diversity of ways. The Ghana Education Trust Fund, development partners, locally produced money by establishments, and

donations from individuals and the corporate world are all excellent pillars of funding for higher learning in Ghana. The GETFund has been absolutely fantastic in terms of infrastructural growth in higher education institutions. The Ghana Education Trust Fund was established by an act of parliament in the year 2000 to fund educational amenities in tertiary educational institutions. According to tradition, the Ghana Education Trust Fund has been funded by payments of "two and a half percent, or such percentage not less than two and a half percent of the Value Added Tax rate, as Parliament may determine out of the prevailing rate of the Value Added Tax." The sum is paid to the Minister responsible for Education by the Ghana Revenue Authority (GRA). The National Council for Postsecondary Education used to be the conduct for government funding for tertiary education institutions (NCTE). The National Council for Tertiary Education (NCTE) in Ghana is mandated by law to recommend to the Minister of Education on distribution of funds for tertiary education operating expenses and capital investment grants. In fact, a variety of other variables impact Education ministry's total tertiary sector allocations.

- a. Historical funding or incrementalism: Every year, the fund allocation is the same, with slight modifications, and is based on past year's allocation.
- b. Bidding and bargaining: Annually, a request for funding is made based on NCTE's yearly budgetary demands; and
- c. Discretion: The quantity of funding granted for goods and assets from the ministry of education is sometimes determined by the ministry's assessment of the relative importance of projects proposed for the sector.

### V. RESULTS AND DISCUSSIONS

The State government, Ghana Education Trust Fund, domestically generated resources via organizations, key stakeholders, and the corporate industry are the main stream of finances for financing higher learning in the country, according to the analysis in the earlier subheadings of the paper. It may be claimed that governments in Ghana understand their incapability to fully fund higher education, and as a result, various administrations tried to pass costs onto students and parents in past few years under the broad heading of cost sharing. As a result, tuition fees have risen, rebates and payments for maintenance have been eliminated, and student loans have been instituted in the country. In Ghana, there have been developments in the corporate world as well, including the opening of the tertiary sector to private participation. Some private higher institutions now offer tertiary education in Ghana. Despite this, there are still additional areas where the private sector's full potential can be completely realized, but these are yet untapped in Ghana. These include switching of State-owned agencies into private hands and the formation of corporate establishments with support from the State. It may also be true for the many revenue streams generated by higher education institutions.

Although the extent to which this is possible is dependent on the legislative structure where institutions of higher learning function, universities in the country, as an illustration, do have independence, that must encourage them to explore additional income streams. Where such attempts have been made, the outcomes have been terribly inadequate. Other income-generating alternatives in other jurisdictions should be explored by tertiary education institutions as they become more important. Among the services available are bookstores, guesthouses, printing businesses, workshop bookings, recreation centers, consultancy services, copyrights, and a number of others. In Ghana, there are few alternative finance options. Affluent donors are the dominant streams of out of the norm funding in most countries, according to (Sanyal and Martin, 2006). In Ghana, affluent donors have made donations to tertiary education, but this is not done on a wide basis. The scenario in Ghana is bleak in terms of diaspora contributions and multi-national enterprise payments, as no priority based have indeed been taken to harness these resources. Most critically, as indicated by the minimal quantity of charity contributions made to State institutions of higher learning, current funding sources do not involve significant relationships with the commercial sector. Alternative options of higher education finance, such as intellectual copyrights, licenses, rights, and running costs, fees from industry and profession-specific continuing education programs, and money from selling via outlets, also have not been maximized and increased in the country. These events highlight a deficiency in public institutions' clear strategy once it relates to "revenue-generating" research initiatives. Again, a close examination of current financial arrangements reveals that there are no sustainable policies in place, such as those that set funding policies with clearly articulated reasoning. Financing provisions look like it's made without consideration for priorities. A component that monitors and analyzes outcomes is also missing from the funding structure. For instance, a process should be in place to guarantee that financed projects have a positive influence on society. That could be in the shape of graduate job data, but these are unfortunately missing in existing finance arrangements. Considered collectively, these indicate a gap in Ghana's strategic strategy for higher education funding. Lastly, the present study proposes that more research be done on financing HEIs, with a focus on looking at possible relationships between financing options, the 'share-costing' approach (Kanaan, et al. 2011), and HEI characteristics (size, age, location, and educational programs, to name a few). Further, the funding mechanisms so far has been the use of the number of students

It is important to draw attention to the fact that in the financing of higher education, what is important is not only about the monetary resources. Unfortunately, this has been the case in Ghana. It is important that funding should be linked to other national development priorities such as increasing education access, improving quality and relevance, and promoting science and technology. There again needs to be

the introduction of other measures like performance funding in order to ensure that universities for example live up to expectation.

## VI. CONCLUSIONS

Ghana's present streams of higher learning finance, per the findings, are insufficient. So far, the only sources of finance for higher education have been government sponsorship, Ghana Education Trust Fund, aid agencies, domestically produced money by establishments, and gifts from the private sector. These financing options are insufficient to meet higher education costs. In Ghana, conventional sources of higher education funding, notably the State, have dominated. Some non-conventional avenues of university education finance have yet to be harnessed. According to the present study, the country's financial systems are weak and need to be improved in numerous areas. Although it can be said in general that the country's post-secondary education funding has evolved over time, there is the need to find other innovative ways of providing funding to higher education to meet the growing demands. Again, it can be concluded that current funding mechanisms fail to match the country's development priorities such as increasing access to education and improving quality and numbers. There is the need for additional mechanisms that address these concerns.

## VII. RECOMMENDATIONS

The study's findings point to a number of policy issues. First, it is important that other potential sources of funding for post-secondary education in Ghana need to be explored. In general, a combination of national and institutional strategies will be required. National policies will necessitate measures such as public-private partnerships and the implementation of the concept to share cost to retain public interest. Also, there is the need for the creation of organizational programmes, fiscal management, as well as cost reduction and higher efficiency through better resource utilization. Moreover, there should be the introduction of the collegiate funding models. To realize this, universities must be given the full autonomy to initiate other funding measures. The current restrictions placed on universities do not augur well to implement other funding sources. When such restrictions are removed, universities can generate additional funds from market based activities including running enterprises, research and consultancies, engage the diaspora and tap resources further from their alumni. Further, it is recommended that the use of enrolment data in funding must be eliminated. Such situations put schools with few numbers at a disadvantage. The current practice can be replaced by both based grants and institutional grants. The base grants ought to be universal and applied to all tertiary institutions. The based grants will enable schools to carry out their basic functions of teaching and learning and should be determined by full time equivalent students. Institutional grants on the other hand should be employed in order to fairly compensate schools that may be at a disadvantage due to such factors like location reasons which

tends to make cost of operation expensive. Finally, it is proposed that there ought to be the introduction of other mechanisms to guide funding allocations. Among others, the researcher suggests the need to match funding with national development goals such as increasing access to education, enhancing quality and relevance, and improving engendering science and technology. An equally important measure will be the adoption of performance funding. Under this, funding is allocated based on the achievement of certain national goals by a particular institution. This will lead to greater competition among universities and they will live up to expectation.

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