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INVESTMENT THEORIES AS A PANACEA TO UNEMPLOYMENT CHALLENGES IN TERTIARY INSTITUTIONS IN NIGERIA

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Abstract

The challenge encountered by tertiary institutions in terms of funding is on the rise annually. There is no institution that is self sufficient and therefore they require the assistance of the government. The government also is not able to provide this assistance as required due to financial burden on her shoulder. It is important to find solutions outside the box which is why theories of investment are paramount. It provides knowledge of what is expected by the society and the individuals. Theories such as human capital theory, equilibrium model, unemployment and Keynesian theory of investment were examined. The problem of the study includes unemployment, lack of data and fund for tertiary education. The study established that investment in tertiary education is the responsibility of government and the citizens. Thus, human capital theory is a possible solution to unemployment challenges. Therefore, it was suggested that educational planners should provide data for tertiary education planning purpose among others.

Keywords: *Funding Investment, Theory, Tertiary Institutions, and Unemployment*

Introduction

Tertiary level of education that is meant to provide solutions to developmental growth of any nation is challenged majorly by lack of funds. Both individuals and government have failed in their financial responsibility to tertiary education. The lack of funds, in fact the budget allocation to tertiary education has been on the increase in terms of monetary release. The released fund is not enough to handle both recurrent and capital expenditures of the institutions. Thus, Tetfund released funds to cater for capital projects. Therefore, it is low when compared with the annual total budget. Most times it is usually below 10% of the annual budget. Likewise, parents and individuals pay higher fees in terms of transportation, accommodation and feeding.

The inability of both individuals and government has brought about students' loan bill signed by President Bola Hammed Tinubu and it was approved by the 10th National Assembly (Suleiman and Ileyemi, 2023). It is believed that students' loan would improve tertiary education funds and provide opportunity for more students to gain access to it. However, it can only provide temporary solution that would result into another problem of loan repayment. Without gainful employment there would be no means of paying back and the rate of unemployment in South-west rise on a daily basis.

Therefore, it is important to examine various investment theories that would provide solutions to the problem of tertiary funds. Investment theories are established to ascertain different concept in order to affirm its effectiveness and relevance to a particular problem. There are various theories such as Keynesian theory, human capital theory, and classical theory of employment, growth model, price incentive model, efficiency wage theory, a competitive model of labour, Okun's law and elasticity of employment. All these theories have their strengths and weakness and their characteristics are peculiar to capitalist or socialist economy. Examination of each and how it can solve unemployment challenges in tertiary institutions is inevitable. The problem of this study includes unemployment of university graduates, lack of funds for tertiary institutions and individual's inability to invest in tertiary education. Therefore, this paper examined various theories and it applicability in resolving unemployment and funding challenges in tertiary institutions in Nigeria.

Concept of Investment theories

Investment is a cash flow or object bought with the aim of raising money. It has to do with larger value of cash flow for a period of time. Anytime a person buys property for investment purpose, the reason is to generate wealth in the future and not for immediate consumption. This implies a modification of capital stock over a period of time. It is usually a flow notion and not a stock notion. Therefore, according to Jayachandran (2024) investment theories refer to statement or phenomena applied to acquired assets over a specific period of time. It deals with acquired assets meant to generate future wealth. This simply means that for any investment to be embarked upon there must be possibility of benefit at the end of it all. The invested money must produce profit to justify the process.

Challenges of Funding Education in Nigeria

The educational funding in Nigeria is a peculiar one due to various challenges it encounters. The challenges to funding of education in Nigeria are numerous and it includes: lack of data, unstable educational policies, and explosion of population as well as lack of funds. In the words of Ogboka (2023) the following are the challenges faced by tertiary funding in Nigeria. Diversion of released funds by management of various institutions. The allocation method used in disbursing money to different institutions. The behavior of external agencies that provide funds. Other challenges are increased demand for tertiary level of education as well as agitation of having smaller units.

Funding of Education in Nigeria

Educational funding at all levels for public schools in Nigeria is solely the responsibility of the government. Government release revenue to the Ministries of Education at Federal and State levels. The Ministries disburse the funds to local, state and federal schools. It covers primary, secondary and tertiary level which is also known as higher education (Ogboka et al, 2023). Also the funding of education is solely the responsibility of the owner; this implies that government higher education is paid by for by the government while private tertiary institutions are paid for by the proprietor. According to Ogbonnaya (2012) there are two sources of paying for higher education and these are internal and external means.

The internal means of paying for tertiary level of education varies from one university to the other. However, it is not limited to the following: secondary and primary schools owned by the institution, guest house, bakery, pure water factory, bookshops, printing press, school car stickers, and consultancy services. On the other hand, the following are the external means of funding tertiary institutions: government grants, education funds, tertiary education trust fund (TETFund).

Human Capital Theory

Human capital theory began in 1978 immediately after post war by Strobel. It occurred at the 73rd annual conference organized by the American Economic Association and it took place at St. Louis, Missiouri on the 28th of December 1960. Presidential address was given by Theodore W. Schultz of the University of Chicago titled ‘investment in Human Capital’. Human capital deals with individual’s investment in themselves, through education, training and any other way of acquiring skills which is meant to improve productivity and bring about high lifetime earnings (Watts and Savannah, 2023). Thus, education is crucial for economic development. Therefore, the benefits accruable are of utmost importance. Investment in human capital is divided into two: that is investment in formal education and on the job training. Formal education is acquired by going to school to learn skills and knowledge. Education is then viewed as both consumption and capital investment that brings about return. Both quantitative and qualitative aspects of human resources and their characteristics to produce high result and their costs definitely produce encouraging outcome (Ross, 2023). Therefore, this theory is relevant in the aspect of investing in human beings to become graduate that will fill vacant positions. It would also assist individual in determining the level of education to acquire having weighed the investment.

General Equilibrium Model

General equilibrium model will be the most appropriate framework for analysis in designing and implementing meaningful employment strategies and quantifying their social and economic consequences against the background of a more deregulated and liberalized economy (Charles and Munichillo, 2023). High investment generates increase productivity that enlarges output. Output enlargement would produce employment opportunities and cause an unexpected hike in salaries and capital income that reduces high rate of poverty. According to Keshab (2017) many profit maximizing firms produce compatibles for certain responsibility and employ staff when they get appropriate individuals for their vacancies based on the market signals of demand and relative price of goods as well as cost of production. Likewise, there are many employees looking for employment that is compatible with their skills or many other who quit jobs to join the pool of unemployment.

Unemployment and salary rates in equilibrium are product of the bargaining between employees and organisation. Whether the rate of unemployment drops or increase relies on relative share of access and departure into the labor market (Robert, 2007). Matching and bargaining functions are the major element of an equilibrium unemployment model. Matching function aggregate vacancies and unemployment with job creation as

$$S = S\ (V, C) = V'U(t-y) \qquad (1)$$

It shows that S represents the quantity of vacancies available for the unemployed and Y is the difference between zero and one. The normal value expected between employment and unemployment is 0.5. This reveals a consistent state between creating employment and employment destruction.

Unemployed people and employment creators negotiate over salary by applying Nash-product for negotiation that reflects that income received is better than being unemployed. This is represented by equation 2.

$$(E\ I - U)\beta\ (j\ I - V)1\text{-}\beta \qquad (2)$$

Elasticity of market creates privilege for profit that is shared among organizations and staff as revealed by parameter B that can take any figure between zero and one. Symmetric solution of this satisfies joint profit maximization condition as:

$$(E\text{-}U) = \beta\ (j\ i + W\ i - V\text{-}U) \qquad (3)$$

Seeking for employment can be done using three of these equations.

1) Unemployment dynamics relies on the proportion of employment destruction – λ(E-U), and the proportion of employment creation –θ q (θ)U

$$E = \lambda\ (I\text{-}E) - \theta\ q\ (\theta)\ U \text{ and in equilibrium}$$

$$E = \frac{\lambda}{\lambda + \theta q(\theta)} \qquad (4)$$

Where is the proportion of idiosyncratic shock of employment destruction and is the ratio of vacancy to the unemployment and q (Q) is the probability of filling a vacancy with an appropriate person through the combination process explained in (4).

2) Optimal employment creation shows how organizations balance the marginal income product of labor salary and employing and retrenching costs.

$$\text{P-E-}(r + \lambda)\frac{pc}{q(\theta)} = O$$

P is the cost of goods, E the salary proportion, and $(r + \lambda)\frac{pc}{q(\theta)}$ is the price of employing and retrenching

3) The salary curve shows positive connections between the reservation salary (X) the cost of goods P and cost of employment (θ C)

$$Ei = Z\,(I-\beta)+\beta P(I + \theta\, C) \qquad (6)$$

This theory shows the characteristics of equilibrium unemployment effect on the economy theory.

Keynesian Theory of Investment

Another relevant theory is the theory of investment since individuals and government invests in education. The most used theory in this aspect is Keynesian theory of investment. It refers to changes in capital stock, it is a flow term and not a stock, is like capital. According to Keynes investment is what capitalist do. It is believed the investment decision is the available capital; the most important is what is invested. This investment is expected to yield product after sometime (Diptimai, 2020). However, when individuals/government make investment decision, they do not have "optimal capital stock" in the back of their mind Keynes placed importance on the role of investment in the theory of aggregate output and employment. It focused on investment as the driving force of aggregate demand and short-run fluctuations in economy activity. Also, Keynes revealed the foundation of investment that was based exclusively on technological condition of capital productivity by stressing uncertainty, finance, and monetary factors as fundamental determinant of investment. The basic of this theory was to develop conditions under which "money" broadly conceived mattered for the real performance of the macro –economy (Sarwat, Ahmed and Papageorgio, 2014). Thus; investment made by government in education is as a result of available capital for future benefits. Individuals also raise capital for educational purpose so as to secure useful employment in the future.

Investment theories as a Panacea for Unemployment Challenges in South-west Nigeria

The challenges faced by tertiary institutions ranges from recurrent to capital cost, making tertiary education ineffective and constitute to regular strikes by the academic union of

Universities. However, the various theories examined can be a pointer to the solutions and create a way out for the institutions and individuals.

The first theory examined is human capital theory which is formulated on the premise that more specialized skills are required for national development. The use of this theory demands greater information and data on the needed staff in various organizations in the country. This forms bedrock for universities to work on and it will determine the number of students to be admitted and catered for by the government. Data that includes the number of staff that would retire at a particular year, those who will relocate due to marriage and greener pastures or health grounds must be available to educational planners. Working with this data would reduce financial burden on the nation and individuals and it would also make possible opportunity for employment.

The second theory discussed is general equilibrium model based on the premise that increases investment result in unprecedented output. This shows that more individuals will invest in university education when the output of graduates is encouraging with meaningful employment. The more graduates are meeting up with daily demands of the society the more other members of the society craves for increase knowledge and skills. Thus, the university and government can capitalize on this to make more income by charging fees that is not burdensome for parents and individuals.

The third theory deals with unemployment and wage rate in equilibrium and it states that the fewer the number of workers available for employment the higher the wages paid by the employers. When there are many graduates seeking for employment, the amount of money paid by employers will be lower than the normal or acceptable minimum wage approved by the government. The number of those seeking employment may reduce and the value placed on education acquired would reduce. Therefore, to avoid this situation it is important to make use of human capital theory and maintain sanity in the labour market.

The last of these theories is Keynesian theory of investment that refers to capital stock. It implies that for government and individuals that desires to invest in education they must have capital stock to invest. What is available to people is what they expend on university education and it is with expectation of having profit as the outcome of investment. Thus, government investment is germane to the success of university education in South-west Nigeria.

Conclusion

The funding challenge of tertiary institutions in South-west Nigeria is a collective responsibility of the government and the citizens. The cost of tertiary education is high and government cannot bear it alone especially in this period of subsidy removal that has affected every aspect of the nation. Thus, individuals and government should seek for ways of providing for tertiary education by in depth study of these theories and it applicability. Doing this will alleviate the problems of funding.

Suggestions

Every individual that desires tertiary education should investigate fields that are not flooded with staff in the country in order to have a better prospects.

The government should ensure that educational planners provide data that are useable for national planning to assist institutions in the process of admission. This would reduce over flooding of certain professions at the detriment of others.

The government should also insist that employers of labour including private should implement the minimum wage in order for graduates to be gainfully employed.

Entry point into universities must be controlled for unemployment of graduates to be at minimal and it will also increase the wages of staff when employers know they cannot get staff at their disposal.

Lastly, individuals should determine to invest in university educationa and not expect government to bear the burden alone.

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