



**DAKAR REGIONAL OFFICE  
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**FINANCING HIGHER EDUCATION  
IN AFRICA  
A MARKETING PERSPECTIVE**

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# FINANCING HIGHER EDUCATION IN AFRICA A MARKETING PERSPECTIVE

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## *Abstract*

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«Non-profit organisations face a host of problems that would be analysed as straight forward marketing problems if found in the profit sector»<sup>1</sup>.

The financing problems of African Universities have received much attention. At a time when operational costs are rising far beyond their means, their governments continue to cut back financial support in spite of inflation.

How can our universities ensure availability of resources to enable them to continue to produce the skilled manpower vital to the continent's development? Like any product or service, can higher education be «marketed» using an effective marketing mix?

This paper examines the relationship between the University of Ghana and its target markets. It discusses how the University can effectively manage its exchange relationship with target markets and thereby deliver services at a «price» that at least covers costs, while ensuring their satisfaction.

It concludes that if African Universities are to survive, expand and remain competitive, they must be responsive to the needs and wants of their target markets.

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<sup>1</sup>Kotler, Philip. Marketing for Non-Profit Organizations, Prentice Hall Inc 1975, Preface ix..

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## *Introduction and the Case for Change in Organisational Philosophy*

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The University of Ghana, Legon, started in 1948 as the University College of the Gold Coast, with special relationships with the University of London. In 1961, by an Act of Parliament, it became the University of Ghana. From its inception, the University has been supported almost entirely by subventions from government. About 80 - 90 % of its expenditure (recurrent, capital and development) have come from the national budget. Up till 1961, it received grants quinquennially upon the recommendations of a Grants Committee. Then, it was possible for the University to plan its expenditure and its operations and to make sporadic but modest investments. Since 1961, however, the University has had to operate by deficit spending. Progress in academic work has been disrupted in several ways due to lack of resources, including equipment and materials for teaching and research. This has resulted in low morale among all categories of staff as well as students, and consequently a rapid exodus of academic staff especially in the 82's. Today, the country's three Universities are being accused of falling academic standards and output.

The present financial crisis of these Universities are however attributable to five (5) main factors.

- General decline in the national economy
- Inadequate subventions
- Mode of disbursement of subventions
- Inadequate user charges in spite of dwindling resources.
- Lack of appropriate policies.

Like any other University in Africa, the

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University of Ghana was traditionally not required to pay attention to the development and management of financial resources the way some higher educational institutions do. Studies<sup>2</sup> show that many African Universities are now having to look beyond their national governments for financial and material support to meet the cost of their operations. Indeed they are not only having to diversify income sources, efforts are being made to maximise the use of capacity, to recover some costs, and generally to become more cost-effective in their operations. While these changes are commendable it is necessary to be reminded that change must be pursued within an organisational conceptual framework.

Universities do not operate in isolation. Like any other institution, they operate at cost and are equally susceptible to market forces. The question of who pays for tertiary education in Africa must therefore be revised and placed in proper perspective. It is important for our universities at this stage in their development to re-open dialogue with their markets. While it has often been argued that the majority of university students in Africa cannot directly bear the cost of their education, it is usually forgotten that institutions by themselves cannot absorb the cost of all their operations when what they receive keeps eroding. Like any other institution, universities require adequate resources, human, material and other, if they are to fulfil their mission to the satisfaction of the markets. This implies that they must recover costs, be cost-effective and efficient. Where total dependence on national budgets is therefore no longer a viable option, a system of cost-sharing appears logical. It is necessary to be reminded however, that «markets» will only pay for services where they perceive value. «Markets» there is used colloquially to describe groupings of customers. Students are the direct or immediate beneficiaries of higher education and they constitute a university's major market. Society, as the ultimate beneficiary of higher education, is therefore an indirect market. In between these two markets are intermediaries, namely faculty, governments, employers, donors, alumni, etc.

With persistent financial constraints, African Universities now face a challenge of managing their

exchange relationships with these target markets in a way that ensures the institutions' survival and growth and satisfaction for the target markets.

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### ***The Marketing Concept***

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A move from total dependence on government subvention, to efforts aimed at diversifying income sources, may be compared to cutting off the umbilical cord of a baby from its mother. Care must be taken to ensure that the institution survives and grows. Therefore, the right organisational philosophy needs to be adopted in managing the transformation and the transition from dependence on government subvention to diversifying income sources. One such organisational philosophy is the Marketing Concept.

Contemporary Marketing Concepts adopt a Marketing Mix approach. The 4Ps namely: product, price, place and promotion thus provide a conceptual framework within which exchange relationships can be managed. The Marketing Concept should be distinguished from other business concepts namely; production, product, selling and societal marketing concepts which also guide business organisations in the conduct of their affairs.

Marketing theorists assert that all organisations (universities inclusive) whether or not they are conscious of it, are involved in marketing once they relate to their markets. So, the issue is not whether or not our Universities should be «dabbling» in business principles, but how best can they manage this exchange relationship with students, governments, employers, alumni, donors, faculty etc. to ensure that the expectations of these groups are met, and at the same time institutional objectives are achieved. According to Kotler, «the tools and models that have worked so effectively to manage products and services in the profit sector are becoming increasingly relevant to management of products and services in the non-profit sectors»<sup>3</sup>. Hence, his belief that «non-profit organisations face a host of problems that would be analysed as straightforward marketing problems if found in the profit sector»<sup>4</sup>.

In the ensuing pages, we examine how a University can manage exchange relationships with target markets within the marketing conceptual framework of the four (4) Ps.

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<sup>2</sup> Association of African Universities (AAU) study on Innovative Responses to the Problem of Underfunding of Universities. A case Study of Experiences and Achievements of Six African Universities. Moses S.N. Mbajjorgu, Bursar, University of Nigeria

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

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### ***The Product Mix***

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In the business world, product decisions (including planning and development) are managerial responsibilities. They include what to produce or sell what varieties the customer needs or wants, and in what styles, sizes, shapes and colours he wants them. Product or service planning decisions should be based on market research. In adopting a marketing concept towards the planning and provision of higher education, our Universities must ask questions which are relevant and related to the needs and expectations of their markets. For example, what benefit does a student expect from pursuing a particular course of study? What are the expectations of his future employers? What purpose does society as a whole expect higher education to serve?

Granted that University education aims primarily to develop the individual's intellect, an emerging school of thought is that higher education for its sake is no longer tenable at this stage of Africa's development. Education is dynamic. Therefore, change and innovation are as vital as they are in any other industry. There is therefore the need to review the goals, objectives and content of higher education in Africa to coincide with the development needs and aspirations of the continent. If African Universities are to survive and are to become competitive they need to be responsive to the needs and wants of their markets. The prolonged economic crisis on the continent has no doubt affected the rate of diffusion of change and technology into teaching methods, practices and process in many of our universities. However, the University of Ghana, has begun to re-examine its product mix in the light of Ghana's development needs. As a result, course credit and semester systems have been introduced to provide greater flexibility in course offerings available to students and to enhance efficiency in the teaching function. Syllabuses are being revised to accommodate changes in the entire educational reform process, specifically, to cater for senior secondary school graduates who will be entering the university with different backgrounds and qualifications. A change in the structure and content of university curricula will require an assessment of current textbooks and teaching materials, particularly in the sciences, agriculture and business management.

In addition to these efforts, the University must initiate market research to elicit the needs and expectation of it's markets. Market research should begin with a survey of manpower needs (supply and demand) to establish priorities and proportions for enrolment. The current distribution (figs. 1 & 2) of students among disciplines and levels of study may then change to reflect estimated manpower needs. These moves necessitate the Academic Planning Committees of the Universities working closely with professional associations to elicit their views on what should be taught within disciplines and at various levels, ie. non-degree, degree and postgraduate levels. The rate of absorption of graduates into employment as well as their performance on the job should also be monitored to ensure that the expectation of both trainees and employers are met. This may be done centrally or at the faculty level through graduate tracer studies and employers' assessment exercises. These recommendations need not be a sole effort or responsibility of the Institutions. They require joint effort by universities, governments and employers' associations, through a co-ordinating body like the Ministry of Education or a Council for Higher Education.

In sum, the need to extend the role of African Universities beyond the traditional role of teaching and research cannot be over emphasized. There is even a greater need to link the activities of the universities to the productive and service sectors through intensification of consultancy services. In the University of Ghana this is certainly being done under the Consultancy Centre, established in 1989/90. The Centre has to date already successfully executed over 30 consultancy assignments for clients including private, public and non-governmental organisations such as USAID, UNDP, UNFPA, Ghana Commercial Bank, Lever Brothers, Minerals Commission, Ministries of Works and Housing and Education, the Environmental Protection Council, Aveyime Cattle Ltd, to name a few.

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### ***The Price Module***

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Price is a concept everyone understands. It goes by different names; fees, rent, rates, interest, dues, honorarium etc. In an educational institution, price covers fees such as application, registration, examination, matriculation and boarding and lodging

### UNIVERSITY OF GHANA STUDENT ENROLMENT BY DISCIPLINE

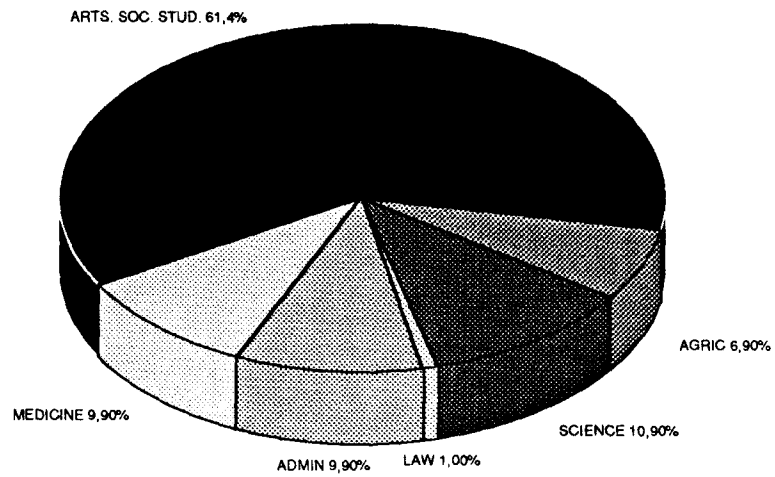


FIG. 1

Source: Univ. of Ghana, Planning Unit

### UNIVERSITY OF GHANA STUDENT ENROLMENT BY LEVEL OF COURSES

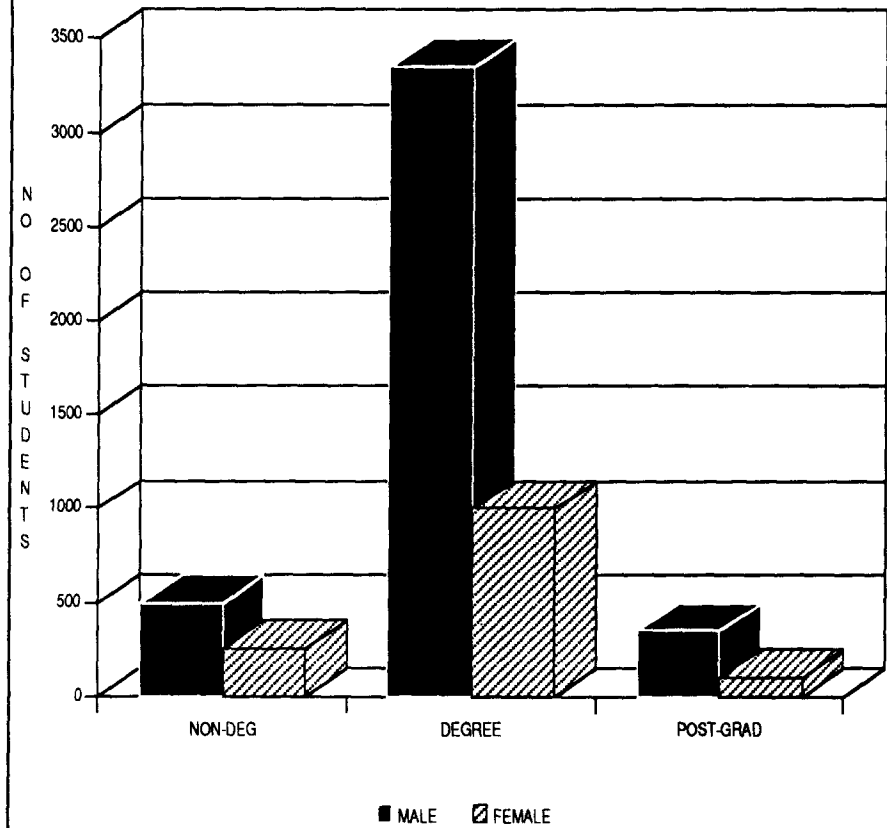


FIG 2

Source: Univ. of Ghana, Planning Unit

where applicable. In most African Universities, fees are set at unrealistic<sup>5</sup> levels and usually unrelated to cost (Table 1). Often, they are determined by government policy which basically assumes that students cannot afford the cost of their education. As such, the institution's ability to recover costs is crippled. Various funding mechanisms have been experimented on the continent including fee-free education, bursaries, scholarships and loan schemes. It has become evident that due to a number of factors, these funding mechanisms have not always yielded the expected results. Some of these factors are socio-cultural and economic, but principally these mechanisms have not placed responsibility either on beneficiaries or on the institutions to perform or to pay back.

While it is justifiable to maintain that basic education should remain free, it should be equally justifiable to maintain that the cost of tertiary education being higher, should not be the sole responsibility of Governments. There should be individual responsibility on the part of a beneficiary to locate his source of funding. This may include a variety of sources including family, churches, philanthropic organisations, district assemblies and financial institutions including insurance companies. This view is debated on the basis of equity in access and therefore funding mechanisms continue to pose issues of controversy, particularly, for African governments. The concept of price in the Marketing approach to financing higher education in Africa, will therefore form a separate subject for discussion.

In business organisations price decisions do not attract much controversy. They are made with care because price is the variable element in the marketing mix that is closely related to revenue and profit.

The company knows that to recover costs and to make profit, products must be priced realistically and competitively. A business organisation when setting price would follow a number of steps.

1. **Determine Demand.** The company estimates a demand schedule for the number of units the market is likely to buy at alternative prices in a given period.

2. **Estimate Costs.** Three types of costs affect an organisation's operations.

a) **Fixed Costs.** These do not vary with units of

production. Usually they are referred to as overheads. They are incurred whether or not the company produces. Lecturers have to be paid whether or not students are in session.

b) **Variable Costs.** These vary with units of production, as for example, boarding and lodging costs.

c) **Total Cost** is the sum of fixed and variable costs for a given level of production for a given period.

For any organisation to continue to function, price must at least cover costs even when profit is not desired. Cost recovery by African Universities is essential for their survival and growth.

3. **Analyse Competitor's Prices.** Competition in a business environment affects price determination because competition affects demand for a company's products/services. Where demand for higher education outstrips supply, our Universities currently do not have the need to take into account competitor's prices.

4. **Select a Pricing Method.** A host of pricing techniques exist including the following; break-even analysis, cost-plus pricing, discriminatory pricing, perceived-value pricing, psychological pricing and many more.

These techniques may not strictly apply to price setting for educational institutions, but our universities can at least estimate both costs and demand, apply break-even analysis and set prices at levels that at least cover variable costs. The present imbalances (Figs. 3a & 3 b) in cash inflow and outflow will then reduce, while the universities pursue other sources of funding to cater for capital and development needs. For nationals however, tuition fees in the form of staff remuneration may continue to come from the national budget. Most higher educational institutions approach the pricing problem in two stages.

a) They decide on the level at which they can feasibly price various services. In other words they determine unit costs for the different disciplines and levels of study.

b) They then decide how much they can allocate as financial aid to deserving or disadvantaged students.

The responsibility then lies with the individual applicant to locate his source of funding when offered admission. In this way there is responsibility on the part of the institution to present the beneficiary with value for his money, especially when the student has the choice to withdraw to another institution. Such a situation can only apply if the universities determine unit costs for various courses. It is regrettable that unit costs have not been determined for specific courses taught in the University of Ghana and so these are not brought into play when negotiating with both government

<sup>5</sup>Ghanaian students pay 3,000.00 cedis and 12,000.00 cedis application and registration fees respectively. Equivalent of \$5.00 and \$1000 respectively. (600 cedis to one dollar).

**Table 1**

**University of Ghana  
Fees to be paid by Foreign Students  
in Dollars**

	Non-Degree		Degree		Post-graduate	
	R	NR	R	NR	R	NR
Application Fees	30	30	30	30	30	30
Lodging	640	-	640	-	640	-
Tuition	400	400	1,300	1,300	2,500	2,500
Examination	30	30	30	30	150	150
Out of Pocket Allowance	1,300	1,300	1,300	1,300	1,300	1,300
Registration	20	20	20	20	20	20
Medical Examination	30	30	30	30	30	30
JCR, SRC, etc.	5	5	5	5	5	5
Medical Attention	50	50	50	50	50	50
Book Allowance	300	300	300	300	300	300
Feeding Allowance	672	-	672	672	-	1,120
<b>Total</b>	<b>2,777</b>	<b>2,165</b>	<b>4,677</b>	<b>3,065</b>	<b>6,445</b>	<b>4,635</b>

**KEY: R = Resident: NR = Non-Resident**



## UNIVERSITY OF GHANA CASH INFLOW AND OUTFLOW

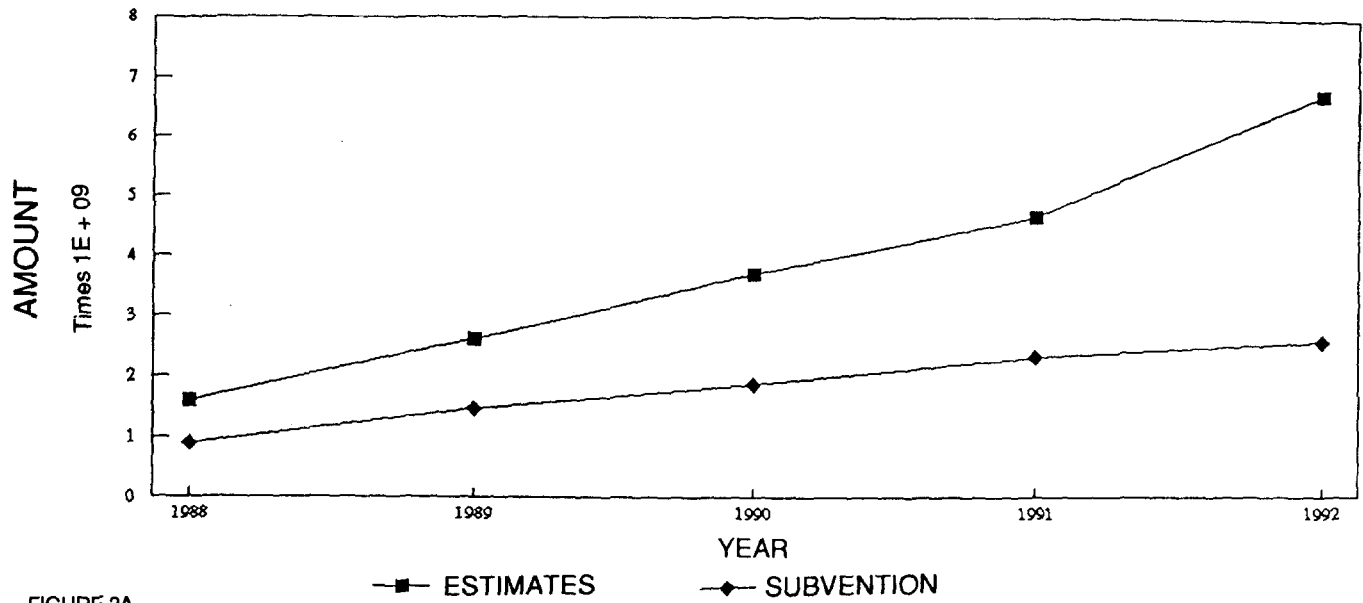


FIGURE 3A  
SOURCE: UNIVERSITY OF GHANA PLANNING UNIT

## CASH INFLOW AND OUTFLOW

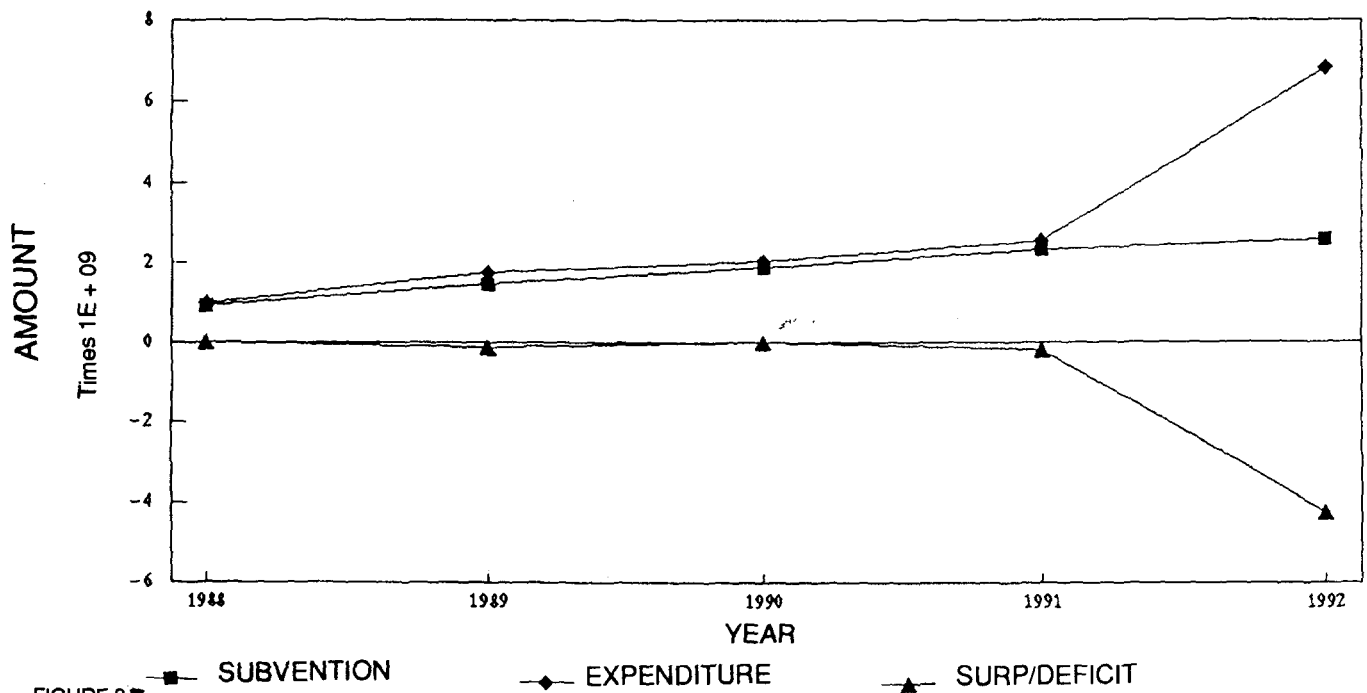


FIGURE 3B  
SOURCE: UNIVERSITY OF GHANA PLANNING UNIT

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and students. How much does it cost the University to train a student in Agriculture, Medicine, History, Music, Botany etc. and to do so at certificate, degree and post-graduate levels? Until unit costs are determined the bargaining power of our African universities with their markets, particularly with their governments, will remain weak.

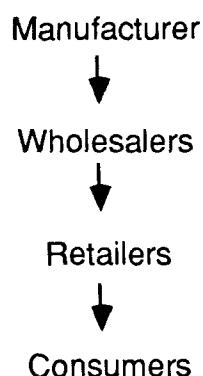
Unit costs will need to be revised from time to time to reflect changes in market forces, including inflation. The current practice among UK Universities to determine fees for various disciplines and levels of study and negotiating with government for acceptance may be worthy of emulation.

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### **Place or Distribution Mix**

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The third «p» in the marketing mix refers to distribution or «channel» decisions. How does the product get to target groups? In the business world, place decisions include the set of intermediary institutions such as wholesalers, retailers, agents, brokers, warehouses, banks etc. A simple channel of distribution may comprise the following:



The length of a channel depends on the nature of the product and the characteristics of the markets.

Universities also make decisions affecting dissemination, not only of research results but also of teaching or learning. What percentage of those who qualify for admission can be admitted into teaching departments and into residence? What off-campus arrangements can be put in place for those who meet minimum entry requirements but cannot gain access into the institution? What opportunities are there in

distance education, open universities, part-time and correspondence courses for example? What about intensifying fee paying long vacation short courses and sandwich courses? Is it not true to say that universities in Africa are not yet utilising fully the potentials that exist in these channels of dissemination? With current difficulties in over-enrolment and over crowding, what options are there in these channels of dissemination for both providers and beneficiaries of higher education in Africa? How many workers would like to benefit from university education, in which disciplines, at which levels and of what duration? Can they afford the time off to pursue regular courses in residence, away from family and other responsibilities? If not, can our Universities not accommodate their needs to mutual advantage? Such questions should begin to guide distribution or place decisions in the provision of higher education in Africa.

Teaching and research at the University of Ghana at present takes place through the following channels:

- 1) On the campus in some 40 departments, institutes and schools.
- 2) In the Medical School situated off-campus at the Korle-Bu Teaching Hospital in Accra, within some 17 departments.
- 3) At the Law School in Central Accra, near Makola Market.
- 4) At the External Degree Division of the Accra Workers College, supervised by the Institute of Adult Education. They run a five-year part-time degree programme in the humanities, Law and Business Administration for workers.
- 5) Workers' Colleges of the Institute of Adult Education at Tsito, Ho, and Cape Coast offer only remedial classes in GCE O» and A» levels.
- 6) Research activities are conducted within teaching departments and at the Agricultural Research Stations of the University at Nungua, Kade, and Kpong.
- 7) A number of purely Research Institutes like the Noguchi Memorial Institute for Medical Research and the Institute of African Studies located on the campus.

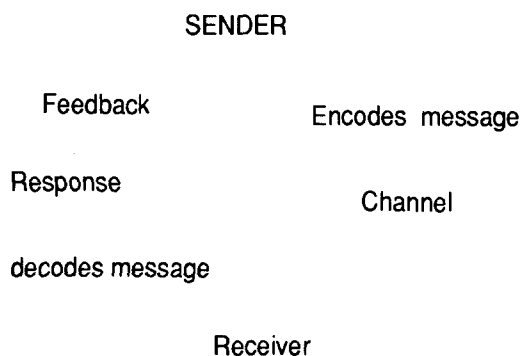
The University Research and Conferences Committee is responsible for the co-ordination of research activities in the University. As a statutory body, it has no formal linkages with those who benefit from research output from the University. Should the University seek to effectively manage its exchange relationship with target markets, formal linkages with beneficiaries of research results will have to be established. This can be done through existing bodies such as the National Board for Small Scale Industries (NBSSI), Farmers and Fishermen's Co-operatives,

the Association of Ghana Industries (AGI), through private companies, industry and commerce, and through the financial institutions. Alternatively, the creation of an independent Research Dissemination Bureau is recommended. The establishment of Consultancy Units in three out of five universities<sup>6</sup> in Ghana is a beginning point for such formal linkages with the needs of specific clients on request.

### The Promotion Mix

That a University can rely on promotion as a marketing tool to stimulate target groups to support its work is no mere state-ment. Non-profit organisations thrive on the good-will of society. Therefore, the University of Ghana can stimulate giving towards its work if it knows how to apply persuasive communication.

Promotion as a *marketing communication* tool has five (5) traditional components, namely advertising, publicity, public relations, personal selling and sales promotion. These are often referred to as the marketing communication mix. To understand promotion and to use it effectively, those seeking to promote the University's needs must be familiar with the communication process. A simple model follows the pattern below.



For several reasons, the message may not reach the receiver in the form it was intended. Such unplanned distortions are referred to as noise. When the communication process is well understood by the University of Ghana, it can use any of the available tools to influence target groups in more than one of the

<sup>6</sup> University of Ghana, Legon, University of Science and Technology (UST), University of Cape Coast (UCC).

following ways.

1. **Inform** them about the available programmes, activities, discoveries etc. including general progress or drawbacks of the institution.
2. **Reassure** them about availability of existing programmes or the quality of their service.
3. **Remind** target groups about their obligations and responsibilities towards the University.
4. **Persuade** them to give support to its work.

To do the above effectively, the University of Ghana must take the following steps:

a) **Identify target audience.** The characteristics of each target audience will determine the message to be sent. Some research into the donor's background is therefore necessary before embarking on any form of communication or promotional exercise. The purpose is to obtain as much information as possible about the target audience. This applies especially when the University is soliciting funding for research. What are the potential donor's priorities or programmes for funding? Or his specific interests.

b) **Determine the objective** of each particular communication. Initially the objective may be to raise funds for specific projects. Subsequently, the purpose of communication may be to inform the target audience about progress being made or the effects of his previous support on the work and progress of the institution. Whatever the case, communication objectives must be clearly and precisely stated, and in writing.

c) **Design the message** to include benefits or reasons why the audience must respond to the institution's solicitation. The message must be appealing to him. To do this well requires expertise and the University must solicit assistance from marketing communication experts before embarking on a promotional drive or campaign.

d) **Select Channels of Communication.** A number of options are available. Non-personal channels include mass, display and print media, exhibitions etc. Personal channels include all word-of-mouth methods of soliciting response as well as direct written requests.

e) **Establish a budget.** A budget for a promotional campaign will ensure that expenses are kept within stipulated limits. Two budgeting techniques are appropriate in our context.

*Objective-task method*, meaning that the University will spend what the requirements of the promotion objecti-

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ves will dictate.

*The affordable method*, meaning that the university will estimate and stipulate how much it can afford to spend on any particular promotional campaign.

f) **Decide on the Promotion Mix.** This means selecting whichever of the five tools or a combination of tools best suits a particular purpose. On one occasion, personal selling or public relations strategies can be used by top Executives or even students or faculty members at virtually no cost. On another occasion, an exhibition or a seminar or even a formal advertisement may be necessary.

g) **Measure effectiveness of Promotional efforts.** Effectiveness of promotional efforts can be measured by the extent of the favourable response from the target audience, short-term and long-term. For a University's promotional efforts to be effective, there must be co-ordination from a central point. This will ensure that resources are not dissipated and efforts duplicated by departments and the main university.

In view of its present current strained financial position, fund raising can become a useful and effective promotional communication tool for the University of Ghana. Fund raising, however, is an art which requires exposition in a separate paper, with specific focus on how to cultivate alumni.

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### **Conclusion**

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Most African governments already spend a reasonable proportion of their national incomes on the education sector (Ghana 38%). Of this proportion, higher education as a subsector receives an equally

significant share (Ghana 12%).

At a time when nearly all African governments are faced with numerous and competing demands for improvement in all other social sectors, how much more can they be expected to allocate to the education sector or to higher education as a sub-sector? Particularly at a time when improvements in basic education for all citizens and the eradication of adult illiteracy are becoming national priorities, it would be unreasonable for Universities to expect more from their governments than they are already receiving. Indeed in the words of a former Rector,

«With all the goodwill in the world, Government subsidies could not and should not be expected to take care of all the financial needs of Universities».<sup>6</sup>

The needs of any University are many and no single target group can be expected to meet these needs. There must not only be cost sharing but responsibility in output and delivery of expectations. Therefore the responsibility now lies with African Universities to manage their exchange relationships with their target markets in such a way as to ensure cost sharing and mutual benefits. But since Universities in Africa are predominantly state owned, they must intensify dialogue with their governments to ensure that the right policy decisions are made. Only then will the survival and growth of Universities in Africa be guaranteed.

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<sup>6</sup> Akin Adesola, Former Vice Chancellor, University of Lagos, Nigeria.