



Crowd Funding and Financial Outsourcing in Secondary Education: Benefits and Challenges

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ABSTRACT

This paper examined crowd funding and financial outsourcing in secondary education. The paper also x-rayed the concepts; crowd funding, financial outsourcing and secondary education. It went further to discuss the benefits of crowd funding and financial outsourcing to secondary education and its challenges. Based on the content of the paper, the writer recommended amongst others that government through the school board should encourage school administrators to formally include crowd funding as an integral strategy for financing secondary education in Nigeria. Also, secondary education institutions should involve in financial outsourcing activities to support their Internally Generated Revenues (IGR) and government funds which would subsequently lead to smooth funding and effective administration of secondary schools.

Keywords: Crowd Funding, Financial Outsourcing, Secondary Education

INTRODUCTION

The rapid explosion of students' enrolment in Nigeria schools since the attainment of independence and in recent years has made education a thorny responsibility for government alone to shoulder. This rise in the student population coupled with inadequate funding of the sector has resulted in poor teaching, lack of instructional materials and dilapidated buildings in the whole system. There is no doubt however, that the inadequate funding of the education sector in the country has hindered the accomplishment of some of the aims and objectives of education as contained in the National Policy on Education.

It must, however, be stressed that education cannot be an instrument par excellence for achieving national development where the sector is not effectively managed to accomplish its aims and objectives. The success of any organization such as the school to a large extent depends upon the resources available to it. Fund is very important in this respect because by it, all other vital elements in the school can be obtained, such as school building, purchase of instructional facilities, payment of teachers' salaries/allowances and running expenses.

In Nigeria today, secondary education schools may have been observed to be in crisis due to the inadequacy of necessary facilities for effective teaching and learning. The learning environment of the schools have relative poor physical infrastructure coupled with the issue of students attendant outburst in recent years. These of course have made secondary education a thorny responsibility for the government to shoulder alone. According to the Federal Republic of Nigeria (2014), the basic framework for educational management in the country, as provided in the 1999 constitution, spelt out basic national objectives for education. It stipulates that the government should seek to ensure equal and adequate educational opportunity at all levels, to promote science and technology and to eradicate illiteracy. To achieve these objectives, all hands must be on deck. In other words, a holistic approach involving not just the government alone, but also the private sectors and the general public.

As Lamptey (2019) points out, it would be unreasonable for school to keep expecting more from their governments than they are already receiving due to the numerous and competing demands for improvement in all social sectors, that these government are confronted with. He concludes that government subsidies could not and should not be expected to take care of all financial needs of schools. The immediate effects of these are manifesting in the lack of expansion and rehabilitation of infrastructure of institutions, brain drain and frequent disruptions of academic work due to student and staff strikes. The impact of this low funding on all facets of academic activities in the secondary school is tremendous. This emerging reality no doubt reveals that government cannot single handedly continue to bear the cost of education alone. Thus, for effective management and funding of the secondary education, it calls for both crowd funding and financial outsourcing.

The financing of education like the secondary education is a joint responsibility of the federal, state and local government, as well as the private sector. In this connection, government welcomes and encourages the participation of local communities, individuals and other organizations. (FRN, 2014:47). Therefore, the main thrust of this paper, is to look at how crowd funding and financial outsourcing can benefit or support the funding of secondary education not only in Nigeria but the world at large. In this regard, the paper reviewed concepts like; crowd funding, financial outsourcing, and secondary education. The paper also highlighted the benefits of crowd funding and financial outsourcing to secondary education, the challenges of crowd funding and financial outsourcing and the way forward.

LITERATURE REVIEW

Crowding Funding

Crowd funding is an internet-based method to raise capital or funds which involves pooling small amounts of money from individuals. Crowd funding is defined as an open call essentially provided through the internet, for the provision of financial resources either in form of donation or exchange for some form of reward and or voting rights in order to support initiatives for specific purposes (Lambert & Schwienbacher, 2010 as cited in Stephen & Arul, 2017). Crowd funding is regarded as a more recent development where a proponent (single individual, team, or an organization) creates a call directed to the public at large and asks for a specific project to be funded. Through the internet, projects tend to be funded by a relatively large number of people who contribute relatively small amounts; thus, the entire funding source is dependent on a large number of small contributions (Mollick, 2014). This is an increasingly popular practice for funding projects in many sectors of the society and economy.

Forbes and Schaefer (2017) defined crowd funding as the process of taking a project or business, in need of investment, and asking a large group of people, which is usually the public, to supply this investment. Kraus et al. (2016) suggest that various definitions of crowd funding exist, but none of them have received scientific acceptance. After analyzing many definitions proposed by different authors they noticed that there are common elements found in many definitions. They include: "crowd-funding focuses on raising financial funding from the public, represented by a group of people, using specific internet-based platforms (Kraus, et al., 2016). Also Dziuba (2012) as cited in Tutko (2017), writing about crowd funding, points out that it is "a process carried out in an online environment, activated through an open submission of an offer, consisting on raising financial funding from a potentially huge number of dispersed participants ('crowd'). This definition, including common elements found by Kraus et al. (2016), has been adopted in this work. Crowd funding has emerged as an alternative source of funds for an entity.

Forms of Crowd Funding

Since the advent of crowd funding in 1997, four distinct forms or types of crowd funding according to Stephen and Arul (2017) have developed within the industry. They include:

- **Reward based crowd funding:** Rewards-based crowd funding is the most common type of crowd funding option available. This type of crowd funding involves setting varying levels of rewards that correspond to pledge amounts. A standard rewards campaign offers at least three levels of pledges/rewards. Rewards campaigns tend to work well for client-facing, tangible products who require relatively lesser sums of money to be raised and may typically last for 1-3 months.
- **Equity based crowd funding:** Equity crowd funding is the exchange of actual shares in a private organization or institution for capital. In this form of crowd funding, entrepreneurs can set investor caps, minimum pledge amounts, etc. as well as approve or deny investors who wish to view their business documents. Equity campaigns are typically several months or longer in length and fit well with startups seeking huge amount in funding.
- **Donation crowd funding:** Donation crowd funding is exactly what it sounds like- the campaigns amass donations without being required to provide anything of value in return. This type of campaign serves social causes and charities best. The chief motivation of funding these projects would be the desire to associate with something meaningful and the giving back to the society.
- **Lending crowd funding:** Lending based crowd funding allows entrepreneurs, individuals or organizations to raise funds in the form of loans that they will pay back to the lenders over a pre-determined timeline with a pre-determined interest rate. Lending campaigns tend to take place over a shorter time span of around five weeks and works well for entrepreneurs or organizations who don't want to give up equity in their startup immediately.

Types of Crowd Funded Projects

The following are some identified crowd funded projects: Education, Sports, Health, Technology, Music, Arts, and Software. Nevertheless, there are some popular platforms crowd funding can be hosted, they included: Kickstarter, Pozible, Ketto, Bit Giving, Indigego, Hotstart, Pigit, Wishberry, Yourseva, Start51, Gofundme, Funduzz and Milaap.

Financial Outsourcing

The concept financial outsourcing is an economic/business term used by firms and organizations. It is defined as the strategic use of outside resources to perform activities traditionally handled by internal resources. According to Mohammed et al (2018), financial outsourcing can be defined as withdrawing from certain ways or activities of generating fund within and relying on outside vendors or methods to generate fund to finance projects, support services, or functional activities. Outsourcing occurs when an organization uses an outside method/strategy to provide a necessary business function that might otherwise be done in-house (Muller, 2000 as cited in Mohammed et al., 2018).

Financial outsourcing is an additional financial support provided externally on contractual relationship to undertake tasks managed previously by in-house funds or resources. Kpee and Ajah (2017) asserted that financial outsourcing has to do with thinking out of the box, looking for alternative ways

of sourcing for funding different from the main way of funding but accepted by convention. The reasons why firms and organizations decide to outsource vary, even if the most mentioned motive is often to achieve cost benefits and/or focus on core competencies. These two motives are often interlinked as one argument whereas managers use outsourcing in order to improve the use of capital investments by concentrating the organization's human and material resources on its main activities (Quélin, Duhamel, 2003 as cited in Isaksson & Lantz, 2015). Beside these main motives, other reasons for financial outsourcing are, to achieve best practice by acquiring access to external funds (Kakabadse & Kakabadse, 2022) to transform fixed costs into variable costs (Alexander & Young, 2016), or as a tool in adapting to rapidly changing environments (Leavy, 2018).

Secondary Education

Secondary education is widely believed to provide the optimum setting to prepare young people, predominantly adolescents, for healthy and productive adult lives, including participation in social, political, and economic spheres. It is an education level that prepare children for higher level of education specifically known as 'tertiary education'. Knowledge acquired at this level by students helps them to be independent. According to Achuonye (2017) secondary education as the name implies, comes second; that is the second level of the three-tier system of education in Nigeria. Federal Republic Nigeria (2014) defined secondary education as; the education children receive after primary education and before the tertiary stage.

In fact, the missionaries introduced secondary education in Nigeria and it started in the late 1850s. The broad objectives of secondary education are to;

- Prepare students for useful living within the society
- Prepare students for higher education

From the above definitions and objectives, secondary education is the bridge between the primary and tertiary levels. It is the spring board from where all the students of higher education take off and all primary school leavers must pass through to become useful to themselves and society.

In Nigeria, secondary education is of six-year duration and given in two stages, junior and senior levels of three years each. Secondary education completes the provision of basic education that began at the primary level, and aims at laying the foundations for lifelong learning and human development, by offering more subject- or skill-oriented instruction. The launch of universal basic education (UBE) in 1999 as a follow up to the 1977 universal free primary education (UPE) was also an important educational milestone which became a major focus of government in line with its drive to reform the sector. Despite this development, secondary education in Nigeria still suffer a lot of setbacks, especially in terms of funding. However, with innovative ideas like crowd funding and financial outsourcing, secondary education can be financed outside the traditional way, considering the benefits derivable from crowd funding and financial outsourcing.

Benefits of Crowd Funding and Financial Outsourcing to Secondary Education

The adoption of crowd funding and financial outsourcing activities in the secondary education sector comes with several public policies and benefits supported by a neo-liberal economic agenda that can transform secondary schools and other public systems to become independent from government funds and become more market-oriented, dominated by corporate-minded logics (Broucker et al., 2018). Considering increasing expenditures, secondary schools need to complement their budgets with funding from other sources like crowd funding (Drezner & Huehls, 2015) and financial outsourcing (Bekkers & Wiepking, 2021) because of the benefits. The following as identified by Association of Chartered Certified Accountants (ACCA, 2021) and McTernan (2015) are some benefits crowd funding and financial outsourcing can bring to secondary schools;

i. It provides access to funds for schools

Crowd funding and financial outsourcing are great alternative means to fund a school, and it can be done without giving up equity or accumulating debt. Rewards-based crowd funding platforms can allow schools to raise funds from their host community in exchange for simply giving their tangible products such as school halls, fields, and other school facilities.

ii. It's more efficient than traditional fundraising of secondary schools

When a principal is focused on building and raising the bar high in a school he managers by looking for a way to attract funds, he might not be able to afford all the time and attention pursuing traditional financing demands. Compared to applying for a loan or seeking government support, setting up a successful crowd funding campaign is far more efficient and effective in getting funds raised for the school. With the right platform, the school administrator can tell school's story, produce a quick video, set up some enticing rewards, and benefit from having everything in one centralized location.

iii. It's a place to build traction, social proof and validation for the school.

A strong, highly visible financial outsourcing and crowd funding campaign can provide validation and social proof that's vital in charting a school path forward. When potential sponsors show interest, the school through the school administrator have generated social proof, demonstrating that other people believe in what the school or the school management is saying. Once early adopters or sponsors vet and key into the idea, others are more likely to follow suit.

iv. Control costs for the schools

As an organization, the school management would want to increase performance or out by maximizing resources. The school management or principal can outsource finance to lower expenditures. Costs are usually the primary motivation behind financial outsourcing (Narayanan, 2009 as cited in Mcternan, 2015). The direct savings in internal labour cost can alone justify outsourcing functions to a third party outside.

v. Access to expertise to raise fund for the schools

A specialized team member, such as a CFO (Chief Financial Officer), is expected to be an expert in their field. Essentially, a financial expert is up-to-date with any fund raising guidelines, other than the school management knowledge on fund raising. They're also well-experienced in handling various financial situations. Most of them have impressive backgrounds, years of experience, not to mention advanced degrees in business and/or finance so they can solve your school economic issues based on current trends and best practices.

vi. It serves as a marketing tool and media exposure for schools

An active crowd funding and financial outsourcing campaign is a good way to introduce a school's overall mission and vision to the society or public, as it is a free and easy way to reach numerous channels and people. Many crowd funding platforms incorporate social media mechanisms, making it painless to get referral traffic to the school website and other social media pages. Typically, this allows schools to receive thousands of organic visits from unique users and potential funders. These users are also important for viral marketing of the school, as they have the ability to share and spread the word to their connections.

vii. Scalability

Another advantage of financial outsourcing and crowd funding to a school is flexibility. The crowd funding team or outsource finance team provides solutions that are tailored to school's current situation or problem. Since the school only pay for services they need, they can scale them up or down. School don't have to worry about downsizing their staff or hiring additional members to cope with demand as the outsource finance team will cover this concern and deliver quality results.

Challenges of Crowd Funding and Financial Outsourcing to Secondary Education

Abdirahman (2017) identified the following as the challenges of crowd funding and financial outsourcing.

- **Unexpected costs.** Although many costs become more predictable, those who are supporting the school with their funds will be very careful to define exactly what the project costs cover. There are likely to be substantial additional charges for anything extra. Additionally, almost certainly those sponsoring or raising fund knows that part of the project better than the outsourcer (school management) and will ensure that the contract is carefully (and advantageously) worded.
- **Difficult to reverse.** Once an activity is outsourced and internal know how gone, it can be very difficult to bring a process in-house again. This is particularly relevant when a project comes up for renewal: the price increase might be higher than expected but it can be difficult to abandon the project or not to carry on with.
- **Damage to reputation.** If the school management does not perform properly in executing the project or activity being funded great damage can be done to the school organization's reputation.
- **Issues of confidentiality/security.** Crowd funding and financial outsourcing processes and activities can give the fund raisers or the public sensitive information that could affect the school or breach security in the school environment (p. 37).

Some other challenges as stated by Oye et al (2011) and Mac-Ikemenjima (2015) include:

- Inadequate ICT facilities/internet connectivity to access the web. Most of the ICT or e-learning facilities such as laptops, computers, smart phones etc. are expensive and fast internet bandwidth in Nigeria is very expensive. Thus, school management do not have fund to purchase this facilities to access internet on their school environment, making it difficult to create a crowd funding platform.
- Limited expertise: A lack of skilled manpower, to create and manage the funding platforms and inadequate training facilities for ICT education at the secondary school level is another cog the path of e-learning utilization.
- Resistance to change from traditional pedagogical methods of sourcing for fund to more innovative, technology-based methods by the school management.

CONCLUSIONS

The issue of raising funds has been a plague that pervaded even developed countries; talk less of developing ones like Nigeria. The economic meltdown necessitated by Corona virus pandemic has affected many sectors of economies, education inclusive. Therefore, adopting innovative means like crowd funding and financial outsourcing could go a long way in sourcing for funds to assist the education sector, especially secondary education. The paper has highlighted the benefits of crowd funding and financial outsourcing to secondary education system in Nigeria despite the challenges that may come with it. Based on the contents and discussions so far made, the writers conclude that:

- Government alone, more especially in this economic hardship, cannot single handedly shoulder the funding of secondary education system, as such there is need of private collaboration through innovative means.
- Crowd funding and financial outsourcing are innovative and reliable means secondary education can be funded or financed without dependency on the government alone.

RECOMMENDATIONS

Based on the content and conclusions made in this paper, the following recommendations were proffered:

1. Government through the school board should encourage school administrators to formally include crowd funding as an integral strategy for financing secondary education in Nigeria.
2. Secondary education institutions should involve in financial outsourcing activities to support their Internally Generated Revenues (IGR) and government funds which would subsequently lead to smooth funding.
3. In the light of the challenges mention, secondary school management should consider the quality of support they get from the public or outsourced organizations. Appropriate measures should be put in place to curb the challenges that may be a hindrance or burden to the school system.

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