International Journal of Economics, Commerce and Management
United Kingdom Vol. III, Issue 5, May 2015
http://ijecm.co.uk/ ISSN 2348 0386

ASSESSMENT OF FINANCIAL CHALLENGES AFFECTING OPERATIONS OF PRIVATE TERTIARY COLLEGES IN NAKURU TOWN, KENYA

A. N. Mugo
School of Human Resource Development
Jomo Kenyatta University of Agriculture and Technology, Kenya
faizerann@rocketmail.com

S. T. Ngahu
School of Human Resource Development
Jomo Kenyatta University of Agriculture and Technology, Kenya
Jmsivi2012@gmail.com

Abstract

Tertiary colleges offer education opportunities to students who fail to secure admission to universities due to lack of requisite fees or failure of meeting entry points. Private tertiary colleges are run and funded by private entities. There have been instances of financial constraints in these institutions. The foregoing necessitated this study which sought to assess the financial challenges affecting operations of the aforesaid colleges. Specifically, the study sought to establish the influence of financial management skills on operations of the aforestated private tertiary colleges. The contemporary theories of management guided the study. The study was conducted amongst private tertiary colleges in Nakuru town, Kenya. The target population constituted 89 employees of these institutions. The study adopted descriptive research design. A census survey was conducted. The study employed a questionnaire to collect primary data. Data was processed and analyzed with the aid of the Statistical Package for Social Sciences software. Descriptive and inferential analyses were duly conducted. The findings indicated that financial management skills affect operations of private tertiary colleges positively and that the relationship between the two constructs is statistically significant (r = 0.665; p < 0.01). The study concluded that the role played by financial management skills in the *operations of private tertiary colleges cannot be understated. It is recommended that the management of private tertiary colleges should organize for workshops and/or seminars with the aim of imparting financial management skills in their respective employees. The study is an eye opener regarding how private tertiary colleges can circumvent financial challenges that have hitherto been hindering their operations.*

Keywords: Financial management, Nakuru town, Tertiary colleges, Theories of management

INTRODUCTION

Education is very important to socio-economic prosperity of a country. Institutions of higher learning which include universities and tertiary institutions are obliged by the ever increasing competition to maintain and build their reputation for excellence in research, teaching, and knowledge exchange. In the same light, it remains crucial and a prerogative to secure financial sustainability both in short and long term and also to maintain confidence in the financial health of the education sector with the object of stimulating increased investment. Globally, there is an ever increasing demand for higher education as more and more students require access for further study (Grobler, 2013). The author further noted that, the already the millions of students who annually qualify for university admission are unable to do so since the existing universities do not have the requisite capacity.

Higher education is said to play a crucial role in the U.S. society. It helps in attainment of economic and social success to individuals. Experiences and skills acquired from post secondary education reverberate throughout life in terms of higher earnings, a lower likelihood of unemployment, and better decisions about health (Neil & Turner, 2002). They further observed that one of the key obstacles to college enrollment, particularly for low-income students, is the financial outlay required to attend.

According to Education International (EI, 2009), one of the core challenges facing the education sector in Sub-Sahara Africa is financing education for all. Most of the governments in this region depend on donor funding support which more often than not comes with several strings attached. Therefore, such governments are incapacitated to support sustainable implementation of education for all. UNESCO (2005) observed that, the economic crisis and resulting financial squeeze, and structural adjustment programmes of the 1980s generally reduced the efficacy of the public sector in providing continued and adequate funding support for an expanding higher education sector. It is further noted that different countries adopted various strategies to cope with the situation. One of the strategies adopted by many countries was encouragement and promotion of private higher institutions of learning.

Teshome (2008) assessed the challenges facing higher education in Africa. Inadequate finance and inability to diversify funding were some of the notable challenges. The author argues that, higher education institutions in Sub-Sahara Africa are critically constrained by lack of sufficient finances as a result of poor economic conditions, among other factors. In the same light, financial austerities have been blamed for incapacity to retain quality faculty and staff, minimizing staff student ratio, and poor learning and research facilities and resources (Kapur & Crowley, 2008). Institutions are increasingly forced to diversify revenues, but usually with very limited experience, expertise and capacity to mobilize resources. The lack of adequate funding has constrained systematic research capacities across the Africa, influencing their competitiveness in knowledge generation and adaptation, as well as integration in the global knowledge society.

Grobler (2013) asserted that, in South Africa the increased students' growth has overstretched the existing resources. In the country, issues closely related to higher education are generally declining funding of universities (both public and private) and the concomitant increases of student fees to ensure financial sustainability of the institutions. The private sector of higher education is self-financing and at times produces profits. Its primary source of income is student fees (UNESCO, 2005). It is averred that, the number of middle-level colleges had rises from 160 in 1990 to more than 250 in year 2000. More than 60,000 students enrolled in middle-level colleges in Kenya by year 2003. These colleges cater for various post-secondary school career courses leading to certificate, diploma and higher diploma awards (Ngome, 2003). The tertiary colleges are either public or private. The private tertiary colleges (Private tertiary colleges) play a significant role in provision of tertiary education in Kenya. They compliment the government-owned tertiary colleges in providing career focused education and training programmes to the post-secondary school's students. The rise of Private tertiary colleges is due to the incapacity of the core public institutions to meet the demand for tertiary education in Kenya.

Wanjohi (2013) pinpointed inadequate financial resources to hamper the Kenya's government efforts towards ensuring realization of education for all (EFA). Though the free primary and secondary education has escalated the enrollment at this level in the recent past (UNESCO, 2005); the foregoing has been associated with significant financial constraints, and indeed it has worsened beyond the secondary school's level. A point in case is a private learning institution which is currently facing an auction of some of its prime property by commercial banks. The author notes that several other academic institutions are in financial trouble.

Statement of the Problem

Private tertiary colleges play a very vital role of complementing other institutions of higher learning in meeting the education demand in Kenya. Unlike, the public education institutions which are financed by the taxpayers through the exchequer, private tertiary colleges are obliged to devise their own means of financing their operations. The primary source of their revenue is the tuition fee. The finances sought are employed to cater for the recurrent expenditure such as remuneration of the employees (teaching and non-teaching) and administrative costs. More so, the colleges are expected to set aside, funds for development. Being profit-making entities, they are expected to pay taxes to the government.

Against this backdrop, private tertiary colleges face myriad of financial challenges; a situation which has compromised their operations. Indeed, the academic performance of some of these colleges has gone down due to their incapacity to attract quality lecturers. In extreme cases, some of these education institutions have been closed down altogether due to their inability to financially sustain themselves. Given that, there are hundreds of employees who get their daily bread from the private tertiary colleges and thousands of students whose sole access to tertiary education is through these colleges, it is needless to say that, the financial challenges facing private tertiary colleges reverberate far and wide. The foregoing warranted this study which aimed to establish how the various financial challenges facing private tertiary colleges affect their operations.

Research Objective

One of the hypothesized challenges facing operations of tertiary colleges borders on financial management skills. Therefore, the study sought to determine the effect of financial management skills on operations of private tertiary colleges in Nakuru town

Research Hypothesis

H_{01}: There is no significant relationship between financial management skills and operations of private tertiary colleges in Nakuru town.

THEORETICAL REVIEW

Contemporary Theories of Management

Under the contemporary management theories, this study reviews the contingency theory, and the systems theory. Contingency theory states that, when managers make decisions, they must factor in all aspects of the current situation and act on those aspects that are crucial to the situation at hand. It is asserted that, leadership or management style largely depends on the prevailing situation (Karanja et al., 2014). The scholars exemplify that, in the context of a learning institution, a more participative and facilitative leadership style is probably the best.

Systems theory postulates that, a system relies on cohesion of constituent parts in such a way that, if one part of the system (that is, subsystem) fails or is removed, the nature of the entire system is generally affected. Systems are said to share information and feedback among the four components (inputs, processes, outputs, and outcomes). In a learning institution, inputs would include resources such as raw materials, money, technologies, and people. These inputs go through a process where they're planned, organized, motivated and controlled, ultimately to meet the organizational needs. Outcomes would be educational services to students, enhanced quality of life or productivity for students and cooperative environment for researchers. Feedback would be performance levels, information from human resources carrying out the process, students, etc. Feedback also comes from the larger environment of the organization, such as influences from society, economics, and technologies. This overall system framework applies to any system, including subsystems (departments, programs, etcetera) in the overall organization. Systems theory may seem quite basic. Yet, decades of management training and practices in the workplace have not followed this theory (Sebakwane, 1997).

EMPIRICAL REVIEW

In this part, empirical studies that have hitherto been conducted in respect of financial challenges affecting operations of learning institutions (private tertiary colleges) are reviewed. The review adopts a funnel approach where global, regional, and local studies are reviewed in that order.

Financial Management Skills

According to a study by Ximei (2004), Nan Hua Industry and Business College is a typical struggling private college in rural China mainly owing to its management problems. A part of these problems is the hurdle of managing the institution's finances. Malaj et al. (2005) further studied financial management in the education system in Albania particularly in reference to higher education. The authors noted that, in Albania, there has been growing debate on independence of higher education. The debate, they argued, is twofold. One is relative to the problems of financing the higher education while the other is in the choice of financial management system.

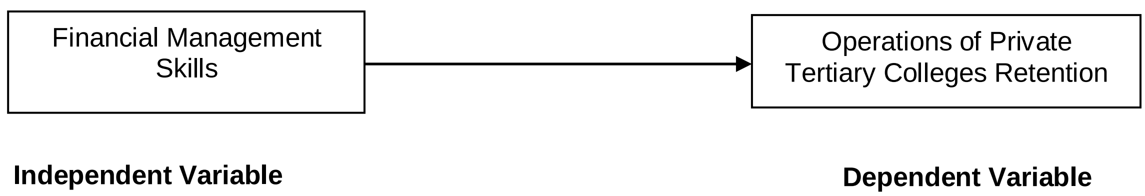
Arguably, due to limited sources of finance against the backdrop of many needs, the financial management in higher education institutions is a crucial task. Ineffective management is feared to occasion the failure of independence of the aforementioned institutions. Girdwood

(1999) assessed tertiary education policy in Ghana between 1988 and 1998. He quoted a study on private tertiary education coordinated for the Ministry of Education by the Association of African Universities. The study recommended among other thing, provision of services and incentives, including financial management and other administrative services for which charges would be applied.

Conceptual Framework

Conceptual framework illustrates the interaction of study variables; mainly the independent and dependent variables. The two sets of variables are in tandem with the study objectives. Figure 1 shows the conceptual framework.

Figure 1: Conceptual Framework



As outlined in Figure 1, the independent variable is financial management skills while the dependent variable is the operations of private tertiary colleges. It was presumed that the financial management skills affect operations of private tertiary colleges.

RESEARCH METHODOLOGY

Research Design

The study adopted a descriptive survey research design. Descriptive design attempts to answer the “what?” questions (Kothari, 2008). In the context of the current study, the research question which was derived from the general objective was: what are the financial challenges affecting operations of private tertiary colleges in Kenya? On the other hand, the study was a survey since it was conducted at a specific point in time, that is, between January and March, 2015.

Target Population

The target population is simply the population of the study. In other words, it is the population to which the study findings will be generalized. The target population comprised of all the 89 account, finance and management staff of all private tertiary colleges in Nakuru town, Kenya.

Census Study

The relatively small size of the target population negated the essence of sampling. Therefore, a census survey was adopted where all members of the target population participated in the study. This method also eliminated both the sampling error and sampling bias. The foregoing enhanced the generalizability of the study findings to the study population.

Research Instrument

The study employed a structured questionnaire to collect primary data from the respondents. The questionnaire according to Mugenda and Mugenda (2009) is a suitable tool for collecting data in survey research. The questionnaire was structured in such a way that it captured respondents' profile and data pertinent to study objectives.

Reliability of the Research Instrument

Reliability is a measure of consistency of the research instrument if and when administered to respondents drawn from different populations but exhibiting similar characteristics. The reliability was tested using the Cronbach alpha was employed to measure reliability. The two variables, that is, financial management skills and operations of tertiary colleges returned $\alpha = 0.761$ and 0.721 respectively and were thus deemed to be reliable.

Validity of the Research Instrument

A research instrument is said to be valid when it measures what it purports to measure. There are various types of validity. However, in this study the content validity of the instrument was determined. This type of validity is not statistically measurable (Kimberlin & Winterstein, 2008). In that case, expert opinion of the University supervisors was sought as a way of determining the instrument's content validity. Only after achieving both reliability and validity threshold of the instrument was the instrument employed to collect data for the main study.

Data Processing and Analysis

The collected data was first cleaned and edited as a measure of dealing with extreme outliers. This was followed by coding of the data with the aid of the Statistical Package for Social Sciences (SPSS) software. Coding of the data eased the process of electronically processing and analyzing the data. Both descriptive and inferential data analyses were conducted on the coded data. Descriptive analysis reflected the opinions of the respondents regarding various constructs being studied. On the other hand, inferential analysis which was in form of Pearson's correlation coefficient enabled the study to relate the independent variables with the dependent variable thus facilitating drawing of inferences in line with the study objectives.

FINDINGS AND DISCUSSIONS

Financial Management Skills

This section outlines the opinions of the account, finance and management staff of private colleges in Nakuru town. A summary of these opinions is presented in Table 1.

Table 1: Descriptive Statistics for Financial Management Skills

		N	Min	Max	Mean	Std. Dev
i.	Financial management in tertiary colleges is crucial	68	1	5	4.00	1.382
ii.	Skilled accountant and finance officers are crucial in managing colleges' finances	68	1	5	3.53	1.471
iii.	Our college has enough accountant and finance officers	68	1	5	2.82	1.392
iv.	Accounts and finance officers are adequately trained	68	1	5	2.71	1.497
v.	Our college gets technical support in financial management from the govt	68	1	5	2.53	1.203
vi.	Accounts and finance officers attend seminars/workshops to equip them with requisite skills	68	1	4	2.47	.922

According to the findings, respondents agreed (mean ≈ 4.00) that financial management in tertiary colleges is crucial, and that skilled accountants and finance officers are crucial in managing colleges' finances. On the contrary, respondents disputed (mean = 2.47) that accounts and finance officers attend seminars/workshops to equip them with requisite skills. Moreover, it was found that respondents were not sure (mean ≈ 3.00) whether private tertiary colleges have enough accountants and finance officers; accounts and finance officers are adequately trained; or whether private tertiary colleges get technical support in financial management from the government. The findings underscore the vitality of financial management skills among relevant staff while lamenting the deficiency of those skills amongst employees of these colleges.

Operations of Private Tertiary Colleges

The study linked the financial management skills to operations of private tertiary colleges and then sought the respondents' views regarding the same. Respondents' views on the aforesaid subject are illustrated in Table 2.

Table 2: Descriptive Statistics for Operations of Private Tertiary Colleges

	N	Min	Max	Mean	Std. Dev
Financial management skills influence the college's running/operations	68	1	5	3.71	1.328

It was established that, on average, financial management skills affect the operations of private tertiary colleges in Nakuru town. The mean response for the proposition on the same was inclined towards 4.00 (agree). In other words, it can be argued that indeed financial management skills do influence the operations of private tertiary colleges.

Effect of Financial Management Skills on Operations of Private Tertiary Colleges

In line with the second objective the study investigated the relationship between financial management skills and operations of private tertiary colleges in Nakuru town. The result of the correlation analysis regarding the same is illustrated in Table 3.

Table 3: Correlation between Financial Management Skills and Operations of Private Tertiary Colleges

		Operations of Private Tertiary Colleges
Financial Management Skills	Pearson Correlation	.665**
	Sig. (2-tailed)	.000
	N	68

**. Correlation is significant at the 0.01 level (2-tailed).

The findings indicated that there exists a strong, positive and statistically significant relationship between financial management skills and operations of private tertiary colleges in Nakuru town ($r = 0.665$; $p < 0.01$). The findings show that financial management skills are very important in running the aforestated colleges. The findings could also be interpreted to mean that enhancement of financial management skills is likely to result in better running of private tertiary colleges.

On the contrary, inadequacy of financial skills, say, by having employees who lack these skills is likely to hamper the operations of these colleges. Conclusively, the findings led to the rejection of the second null hypothesis that stated financial management skills do not significantly affect operations of private tertiary colleges in Nakuru town.

SUMMARY

It was agreed that financial management in tertiary colleges is crucial, and that skilled accountants and finance officers are crucial in managing colleges' finances. Respondents disagreed that accounts and finance officers attend seminars/workshops to equip them with requisite skills. Moreover, it was found that respondents were unsure whether private tertiary colleges have enough accountants and finance officers; accounts and finance officers are adequately trained; or whether private tertiary colleges get technical support in financial management from the government. The findings underscored the vitality of financial management skills among relevant staff while lamenting the deficiency of those skills amongst employees of these colleges. The findings concurred with Malaj et al.'s (2005) assertion that education institutions are likely to collapse due to the problems of managing the institution's finances. It was established that there exists a strong, positive and statistically significant relationship between financial management skills and operations of private tertiary colleges in Nakuru town ($r = 0.665$; $p < 0.01$).

CONCLUSIONS

It is concluded that the role played by financial management skills in the operations of private tertiary colleges cannot be understated. In the same light, it is inferred that most of private tertiary colleges in Nakuru town have accountants and financial officers with scanty financial management skills. The aforesaid employees rarely get trained on financial management in spite of the importance of having skills in the aforementioned field. On the basis of research findings following recommendations are made:

1. It is recommended that private tertiary ought to upscale the remuneration terms of their staff in order to attract and retain top-notch employees.
2. Tertiary colleges should organize for workshops and/or seminars with the aim of imparting financial management skills in their respective employees.

REFERENCES

Education International (EI) (2009). Education for All by 2015. Retrieved on November 24, 2015 from http://www.ei-ie.org/docs/IRISDocuments/Education/

Girdwood, A. (1999). Tertiary education policy in Ghana. An assessment: 1988-1998. Report for the World Bank.

Grobler, G. (2013). UNIS on the challenges facing higher education. London: The Association of Commonwealth Universities.

Kapur, D., & Crowley, M. (2008). Beyond the ABCs: Higher education and developing countries: Working Paper Number 139. Center for Global Development.

Karanja, B.W., Gikungu, J.M., & Wagithunu, M.N. (2014). Effectiveness of management theories in learning institutions in Kenya. Mediterranean Journal of Social Sciences, 5(5), 77-80.

Kimberlin, C.L., & Winterstein, A.G. (2008). Research fundamentals. Am J Health-Syst Pharm, 65.

Kothari, C.R. (2008). Research Methodology: Methods and Techniques. New Delhi, India: New Age International Publishers.

Malaj, A., Mema, F., & Hida, S. (2005). Albania financial management in the education system: Higher education. Working Paper No. 54. Bamberg: Bamberg Economic Research Group on Government and Growth.

Mugenda O.M., & Mugenda A. G. (2009). Research Methods: Qualitative and Quantitative Approaches. Nairobi: Acts Press.

Neil, S.S., & Turner, S. (2002). Back to school – Federal student aid policy and adult college enrollment. Journal of Human Resources, 37(2), 336 – 352.

Ngome, C. (2003). African Higher Education: An International Reference Handbook. Indiana: Indiana University Press, 2003),

UNESCO (2005). Challenges of Implementing Free Primary Education in Kenya: Experience from the Districts. UNESCO Nairobi: UNESCO.

Wanjohi, A.M. (2013). Challenges Facing Kenya in Achieving Education For All. Nairobi: Kenya Projects Organization (KENPRO).

Ximei Xie. (2002). Case Study of Nan Hua Industry and Business College. In The Report of Research of Chinese People-Run Education. Unpublished Report, Shanghai Education Science Research Institution.