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Financial Resources and Performance of Public Universities in Kenya

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ABSTRACT

Purpose: the study examined the financial resources influence on Public Universities performance in Kenya.
Design/Methodology/Approach: Correlational research was design approach. On a population 160 a total of 114 was calculated using Yamane's formula. Basically both descriptive and inferential statistics were computed.
Findings: the thesis affirmed a strong relationship between financial resources and performance. The findings validate resource based view proposition.
Implications/Originality/Value: The study contributes to literature as it highlights the critical role financial resources play in enhancing organizational performance in public universities. The findings can inform policies relating to public universities financial resources. Besides accessibility to funds should be sought by universities at all costs to enable performance.

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Introduction

Universities of the 21st century face resource based challenges (Hadad, 2017). Shillingi (2022) noted that organizations with loyal staff and adequate resources succeeded in enhancing teamwork, togetherness and in implementing organizational goals. Universities are struggling to some significant margin infact a number of university campuses have closed down which has been attributed to resource capacity. Public universities students have even been affected by low numbers. Since moderation of KCSE results and factoring C plus and public sponsored entry grade the private sponsored student numbers have gone down. MOE (2023) provides that private sponsored candidates led to resource accumulation through fee payment plans that made them pay a magnitude of fees which was on time. University employees have complaint severally with even university unions being on forefront complaining about minimal concerns to human resources despite their commitment (UASU, 2024). This is all attached to inadequacies and inefficiencies attached to universities resources. The link between national government and public universities on resources has skewed approach. The government supports universities based on their resource capacities and number of students on board. This has therefore led to challenges that are based on complaints where some universities are underfunded. Moi university has been on knees for the last two years with signals leading to its performance and management. The management sets its foot on resource capabilities which has led to financers, investors turning off. The institution has always reported financial challenges right from student's welfare to workers and even lecturers. The university employees have turn down tools occasionally (MOE, 2024). The university new funding model in practice and even on halt has caused more cries within the public universities fraternity. This has even led to more complaints from stakeholders who report that the management of higher learning has lacked proper approach towards resource mobilization (MOE, 2024). The education task force has also reported that public universities have been struggling as a result of less attention from key stakeholders.

The initiative to bring in the new banding model to finance universities has elicited debates and concerns from stakeholders. The criteria used to categorize the need situation of learners is a prior concern. It has emerged that learners are affected and university funding has also been affected greatly. This debates have further escalated to crisis on tuition fees remittances.

Financial based resources refer to monetary price which forms firm's assets. A firm can derive benefits from having adequate financial resources such as enhanced financial performance, organizational performance and managerial effectiveness (Bua & Ibuh, 2014; Rubasin & Nuradhi, 2021; Ochola, Nyamita & Okello, 2022). Universities derive benefits through resource capacity. It is therefore indicated that the structures in place in Universities would be essential in generating resources. The debts in place by universities have resulted to solvency concerns. There are always concerns that indicate Universities are in financial problems.

According to Sebastian (2018) resources were key in achieving organizational objectives and goals in Tanzania's manufacturing firms. Elbanna and Abdel-Maksoud (2019) affirm financial resources positive impact on organizational performance of the surveyed public companies. According to Faderai (2016) most Nigeria's government owned firms were underfunded resulting to negative performance.

Kenyan public universities are therefore always in financial problems. The study indicates that there exists a variance in financial capacity. The study examines financial resources of public universities based on resources at disposal.

Statement of the Problem

Public universities in Kenya have severally faced financial challenges basically as a result of low capitation for its government sponsored students. The current funding model based on banding has further indicated inefficiencies. To make matters worse the program is in limbo as stakeholders are not sure on its efficiency. Furthermore, students have not received capitation based on banding yet allocation reflects in the student's capitation account (MOE, 2024).

Persistent concerns on public universities finances has elucidated concerns. The government has gone to an extend of for inquiry and task force to examine the debatable funding model in Kenya. Player in the ministry have even been affected since operations have been affected by court orders given over funding model. The quick closure of the old funding and rush in adoption of new model has raised eyebrows. It is upon such concerns that the financial resources pegged on capitation to sustain universities has been an issue to examine (MOE, 2024).

Studies have done on effect of financial resources have proven that it enhances performance (Bua & Ibuh, 2014, Rubasin & Nuradhi, 2021; Ochola, Nyamita & Okello, 2022). Further the studies were done in varying contexts for instance in Sri Lanka (Rubasin & Nuradhi, 2021) and Nigeria (Bua & Ibuh, 2014). Rahim *et al*. (2015) study was done in SME's in Kenya and Mbugua (2024) did the study in Kenya's commercial banks.

Study Objective

To assess the impact of financial based resources on Public Universities performance in Kenya.

Theoretical Review

It is premised on Resource based view (RBV) which was proposed by Wernefelt (1984) and Barney (1986). University resources are based on fee payment that is generated from parents and government sponsorship (Barney & Hesterly, 2012). Further resources emanate from own source financing such as patent rights, investments, innovations and research programmes. It is upon this that financial resources are necessitated by resource based theory. The theories tenants being based on assets and knowledge drives the general agenda of performance.

Public learning institutions resources are however skewed towards government funding which has been the key concern since delays or inefficiencies in funding has done more harm than good to such institutions. This leads to inflexibilities in executing the programs that need funding (Barney & Clark, 2007).

The delays from ministry in disbanding funds make financing in universities to face challenges. University programs in the long run are not able to improve as a result of delays. In some universities it is reported that an entire academic year may elapse without release of student tuition fees yet processing for examinations and payment of part time trainers is key which end up un attended to. This builds more problems for sustainability of institutions. Regarding timely disbursement, it is not the case and this has made operations clearly a challenge. Furthermore, adequacy of funding is a concern. Given that students tuition fee allocation is less that fee allocated for programs it raises questions of inadequacies. It is upon this concerns that there exist challenges on the funding models in place (Rubasin & Nuradhi, 2021).

The student's capitation therefore cannot make activities sustainable. Universities are forced to source alternative sourcing which even end up getting loans from banks. These loans make situations worse since concentration is usually on repayment of loans and not meeting needs of the universities. Inadequate capitation at the end makes things more difficult for universities. The other concern being accessibility of funds was reported a challenge since apart from national government capitation other options for funding is a concern. The study hence learned on options entered on loans to sustain operations. This has further escalated on basis that universities are not able to access external and foreign funding. The concerns have resulted to further desires to improve the university financial resource provision (Ochola, Nyamita & Okello, 2022).

Resources are provided on basis of knowledge and asset. The knowledge based resources are associated with the skill levels by organizations. In quest for financial resources experts need to examine the ingredients that lead to financial resources. The study brings on board the resource skills levels. This leads to efficiency in resource mobilization. Recruitment of qualified and experienced staffs would bring a difference. The professionalism and consistency in the process leads resource focus. The skill levels therefore leads to reinforcement in the sector. The asset levels leads to concern since the magnitude of assets, provision of resources and structures in place are a concern. Resource based view theory concerns are of dire need and concern to public university sustainability. It has been recognized that a stable resource base makes financial performance attainable. Furthermore stable resource improves the status view of an organization. Repetitively entities have always been on toes to harness the resources. This gives a competitive ability. It is the resources that distinguish a firm from others since resources explain the going concerns and ability to enable more performance (Rubasin & Nuradhi, 2021).

The study provides that combination of asset and knowledge resources leads to progress in the university affairs. Molding and retaining knowledge resources becomes a concern. Intellectual capacity and innovations leads to financial sustainability in the form that innovation aid financial growth through award of resources. The reward for innovations leads to financial resource growth. The study further affirms that university structures and facilities count a lot on their existence and growth (Rubasin & Nuradhi, 2021).

Universities devised mechanisms for funding through research and development initiatives has bored less fruits since majority of institutions renders the efforts futile. The increase I number of universities and competition that has emerged has made financers to balance the cards hence scramble for resources leading to inadequate resources. On basis that universities are not profit based organizations and fact that offer public good to the country they experience a lot of challenges that encompass financial concerns. It is upon this concerns that questions arise on efficiency, performance and service delivery in regard to financial resources. Players in the sector have therefore provided basis for concerns that public universities are in situation that need proper capitation (Rubasin & Nuradhi, 2021).

Empirical Review

Nkosi (2015) noted that resources were crucial in a study done in South Africa's Mpumalanga local Municipality on factors that affect strategy implementation where inadequate financial resources was pointed out as being a significant challenge in implementing strategy.

Bua and Ibuh (2014) investigated how finances impacted on school's performance in Nigeria. Findings revealed that payment the employees' salaries and allowances promptly significantly impacted on the secondary schools management performance.

A study done in Ghana's government owned firms by Faderai (2016) using descriptive survey research design established that allocation of adequate financial resource impacted on performance thus resource allocation was crucial for ensuring success of organizational projects and performance. Abdulrahman and Bamiduro (2018) employed descriptive research design to study Nigeria's colleges of legal and Islamic studies colleges on the link financial resource allocation had on organizational effectiveness and established that both capital and recurrent expenditure as well as revenue received from internal sources affected organizational effectiveness.

Using cross sectional survey research design Kithusi (2015) examined resources of a firm. Explanatory research design was adopted. The study found that corporate governance significantly moderated the association between organizational resources and performance and organizational resources significantly influenced performance. Studies by Kithusi (2015) and Wanyama (2020) focused on overall effect of organizational performance in as much as they both had financial resources as an indicator of organizational performance.

Njagi (2018) conducted a study in Kenya's public health institutions on the effect financial resources had on performance of public health institutions. Cross sectional design was used. The measures of financial resource included accessibility of funds, adequacy or inadequacy of funds and timeliness of financial resource provision, effective fund allocation including collaboration. The study found that there financial resources positively contributed to performance.

Thendu (2023) while conducting regression analysis established that firm resources influenced performance of Kenya's aviation industry safety management system. The study focused on the combined effect of financial, human and technological resources and used cross-sectional survey research design. Kiswili (2021) and Mbugua (2024) revealed that financial resources significantly and positively influenced deposit taking Sacco's and commercial banks agency banking performance in Kenya.

Conceptual Framework

Independent variable **Dependent variable**

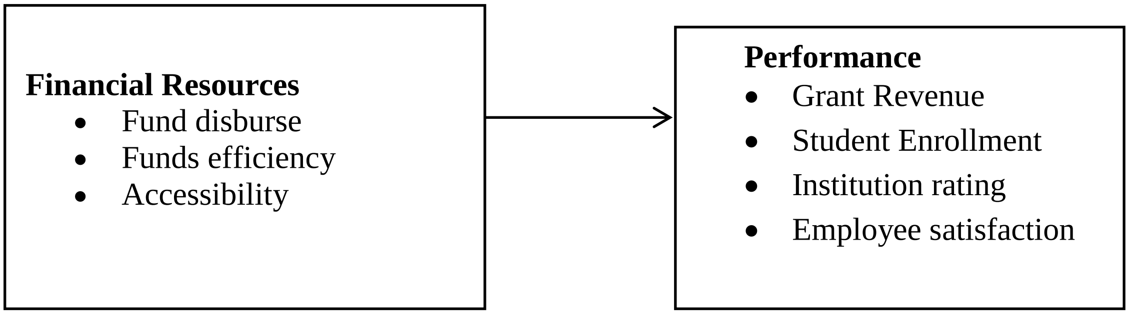

Figure 1 Conceptual framework

Methodology

Design: Correlational methodological research assessed variable relationship.The study targeted 160 of which 114 staffs were sampled in four public universities for western region in Kenya consisted of respondents from the university management. The research employed both stratified and simple random sampling methods.

Validity was tested using content validity test where the questionnaire was discussed with experts in the area of strategic management who assessed the instruments. Reliability was measured using Cronbach's Alpha test where the study had values of 0.739 and 0.871 for financial resources and organizational performance respectively which were both above the recommended 0.7 mark (Sekaran & Boogie,2013).

Results and Discussion

Response Rate

This study's response rate was 88 out of 114 distributed instruments. Those who responded were 77.2% which is considered acceptable since it is higher than the 50% threshold (Mugenda & Mugenda, 2013).

Descriptive Analysis Results

Table 1: Perceptions on Financial Resources

No	Financial Resources	S A	A	FA	D	SD
1	The ministry has delays in disbursement of funds	21 (23.9)	39 (44.3)	22 (25)	4 (4.5)	2 (2.3)
2	Disbursement of funds is always timely which makes operations easy	18 (20.5)	56 (63.6)	0 (0)	13 (14.8)	1 (1.1)
3	There is always adequate funds for university activities	10 (11.4)	46 (52.3)	30 (34.1)	2 (2.3)	0 (0)
4	Students capitation has been always adequate to sustain the university	12 (13.6)	46 (52.3)	0 (0)	28 (31.8)	2 (2.3)
5	There is easy access of funds to facilitate university programs	18 (20.5)	56 (63.6)	0 (0)	13 (14.8)	1 (1.1)
6	Public universities lack mechanisms to access foreign funding	21 (23.9)	39 (44.3)	22 (25)	4 (4.5)	2 (2.3)

Source: Field Data (2024)

From Table 1, majority 44.3 agreed, 23.9% strongly agreed and 25% fairly agreed that the ministry has delays in disbursement of funds. Equally majority of respondents agreed that disbursement of funds is always timely which makes operations easy; there is always adequate funds for university activities. While 14.3% of the respondents disagreed, students capitation has been always adequate to sustain the university, There is easy access of funds to facilitate university programs and that public universities lack mechanisms to access foreign funding. Thus many agreed over financial resources. Supported by Nkosi (2015) who concerted that inadequate financial resources as being a limiting factor in strategy implementation.

Pearson's correlation Analysis Results

Table 2: Pearson Correlation Analysis

		Financial resources	Performance
	PCorrelation	1	
Financial resources	Signif 2-tailed		
	Number	88	
	PCorrelation	.710**	1
Performance	Signif 2-tailed	.000	
	Number	88	

Source: Field Data, (2024)

Based on table 2 above results indicated (r=0.710, p.000).The findings are corroborated by those of Thendu(2023) and Mbugua (2024) who found a strong positive and significant correlation between firm resources and performance having a coefficient (R) value of 0.688 and 0.817 respectively. Similarly, Kiswili (2021) confirmed a significant and positive correlation between financial resources and Deposit taking sacco's performance.

Regression Analysis Results on Financial Resources and Performance

Table 3: Regression

Model Summary[a]

"Model	R	R Sq	Adj R Sqe	Std. Error of the Est	Change Stat R Square Change	F Change	df1	df2	Signif. F Change
1 FR	.710[a]	.504	.459	.60371	.506	88.181	1	86	.000

ANOVA[a]

Model		Sum of Squares	Df	Mean Sq	F	Signif.
	Regression	32.139	1	32.139	88.181	.006[b]
1	Residual	31.344	86	.364		
	Total	63.482	87			

Performance
Financial resources

Coefficients[a]

Model		Unstdard Coeff B	Std. Error	Standard Coeff Beta	t	Signif.
1	(Constant)	2.139	.505		4.240	.000
	FR	.371	.131	.292	2.835	.006"

The results with R2 above 50% thus 50.4% indicated financial resources influence was moderate and t value 2.835 as well as p value 0.0 signified significance role to performance.
Y=βo+β1X1+ε becomes $Y = 2.139 + 0.371\ financial\ resources$

This agrees with Ochola, Nyamita and Okello (2022) who established that financial resources impacted on performance of saccos and devolved governments respectively in Kenya. On the same vein Kithusi (2015) and Wanyama (2020) found that organizational resources influenced performance. This findings indicate that basically resources on basis of finances leads to growth since they enable performance. Studies in corroboration are based on the fact that financial resources spurs sustainability, enables meeting of expenses and it further leads to general expansion of learning entities. Finances becomes the prime facilitator of programs and activities at it enables one to budget and program at all times. It is upon such initiatives that the study found it vital that resources as provided leads to performance. Public universities have therefore been on the run to achieve financial resources to withstand the growing competition, attain quality and provide services to its clients.

Conclusion

Financial resources have a positive significant influence on public universities performance. The results agreed with the resource based view that financial resources are a core aspect and as such it is inherent for firms to ensure they have adequate financial resources.

Recommendations

Education stakeholders should make universities funding a priority. Public universities ought to generate their own financial resources and reduce reliance on exchequer.

Suggestions for Further Studies

The study was done in universities that are public in western thus the scope could be extended to other Counties in Kenya and also to Private universities. Studies may be done on other organizational resources such as Human resource and technological resources as the study focused on financial resources only. Additional studies may consider adopting moderating variables for instance organizational structure, culture and leadership.

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