AN EVALUATION OF THE CONTRIBUTION OF INCOME GENERATING UNITS IN FINANCING PUBLIC UNIVERSITIES: A CASE OF EGERTON UNIVERSITY AND FORMER CONSTITUENT COLLEGES

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A research project submitted to the Graduate School in partial fulfillment of the requirement for the Award of degree in Masters of Business Administration of Egerton University

EGERTON UNIVERSITY

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DECLARATION

I declare that this research project is my original work and has not been presented to any institution of learning for the award of a degree, diploma or any other award.

Signature……………………………. Date………………………….

Murage Samuel Mwangi

REG. CM11/0422/08

This research project is submitted with my approval as the student’s supervisor

Signature……………………………. Date………………………….

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DEDICATION
This research project is dedicated to my wife Grace and son Brandon for their prayers, encouragement, and support for the long periods of my absence they endured while I was conducting research and preparing this research project.
ACKNOWLEDGEMENT

I would like to extend my sincere gratitude and appreciation to all those who through their assistance, constructive criticism, advice, guidance and moral support made this study a success. First, I thank the almighty God for His guidance and wisdom throughout the process. My gratitude also goes to my supervisor Dr. S. Onyuma for his patient, technical as well as professional advice. I wish to express my heartfelt thanks to Egerton University and staff who participated in the study and for providing the necessary data and on the right time. Lastly, I would like to thank my family members for their patience, understanding and being at my side during the difficult times of this project work. Thank you so much and may the Lord God bless you in a mighty way.
ABSTRACT

Income generating Units have been in operation in the public Universities since their inception in 1990s. Their establishment was meant to cushion the Universities from the effects of the reduction of Government capitation to finance their recurrent and capital expenditure. The Government of Kenya was the sole financier of higher education until 1991 when it became unable to fully finance this education. To find a way out of this fiscal distress, Public Universities were called upon to implement new ways of generating extra income to supplement the ever decreasing capitation from the Government. As a wakeup call, Public Universities initiated various income generating activities which include Module II Programme, Research & Consultancy services, Commercial ventures like hotels, hospitals, fuel stations and general production units, among others. However, most Public Universities are still suffering from financial distress despite the creation of these IGUs. The study sought to evaluate the contribution of the IGUs in financing Public Universities. The study was conducted in Egerton University and its former constituent colleges by December, 2012 and the results were inferred to represent all Public Universities as they are managed by same legal and financing structures. The study population consisted of 22 deans, 2 directors of institute 14 IGU managers and 4 Finance Officers in Egerton University and its Constituent Colleges. A census was conducted on all the 42 members of staff as the group was small and manageable hence there was no need of further sampling. Data was collected using self administered questionnaires and documentary records. Data analysis was done using descriptive statistical analysis where frequency, means and percentages were used. Financial ratio analysis were employed to analyze the financial performance of the IGUs over a period of ten years from 2003-2012. Data presentation was in form of tables and pie-charts. A correlation statistical analysis was performed to establish the relationship of IGUs and University expenditure. The findings indicated that the IGUs are contributing very little to financing public Universities expenditure. To improve the financial performance of the IGUs in Public Universities, there is need to have a radical change in planning and execution of IGUs and also establishment of investment companies to manage the IGUs. Public Universities should also set clear guidelines on utilization of the internally generated funds. For further research it was suggested that a similar study can be conducted in other Public Universities and also a study on factors affecting financial performance of IGUs in Public Universities.
TABLE OF CONTENTS

Declaration...........................................................................................................................................ii
Copyright...........................................................................................................................................iii
Dedication...........................................................................................................................................iv
Acknowledgement............................................................................................................................v
Abstract.............................................................................................................................................vi
Table of Contents....................................................................................................................................vii
List of Abbreviations..............................................................................................................................x
List of Tables.........................................................................................................................................xi
List of figures.........................................................................................................................................xii

CHAPTER ONE: INTRODUCTION ........................................................................................................1
1.1 Background of the Study.............................................................................................................1
1.2 Statement of the Problem...........................................................................................................4
1.3 Research Purpose.......................................................................................................................4
1.4 Research Objectives...................................................................................................................4
1.5 Research Questions.....................................................................................................................5
1.6 Significance of the Study............................................................................................................5
1.7 Scope of the Study.......................................................................................................................5
1.8 Definition of Terms....................................................................................................................6
1.9 Limitations of the Study.............................................................................................................7

CHAPTER TWO: LITERATURE REVIEW.............................................................................................8
2.1 Introduction...................................................................................................................................8
  2.1.1 Financing Higher Education..............................................................................................9
  2.1.2 Financial Performance of Public Universities...............................................................13
  2.1.3 Financial Distress in Public Universities........................................................................16
  2.1.4 Entrepreneurism in Public Universities...........................................................................17
  2.1.5 Categories of Income Generating Units in Public Universities.......................................20
    2.1.5.1 Module II Programmes.............................................................................................22
    2.1.5.2 Open and Distance Learning.....................................................................................24
    2.1.5.3 Commercial Ventures.............................................................................................25
    2.1.5.4 Research and Consultancy Services.........................................................................25
    2.1.5.5 General Production Units.........................................................................................26
  2.1.6 Utilization of Internally Generated Funds in Public Universities.......................................27
  2.1.7 Sustainability of Income Generating Projects...................................................................29
    2.1.7.1 Financial Resources/Funding....................................................................................29
    2.1.7.2 Team Work...............................................................................................................29
    2.1.7.3 Skills Training............................................................................................................29
    2.1.7.4 Project Plan and Project Management.................................................................30
  2.1.8 Phases of a Successful Income Generating Project............................................................30
    2.1.8.1 Project Development Stages......................................................................................31
    2.1.8.2 Project Control System.............................................................................................33
    2.1.8.3 Project Management Team.......................................................................................33
  2.1.9 New Venture Planning.........................................................................................................34
4.8.1 Effectiveness of IGUs in Addressing Financial Hardships in Public Universities

4.8.2 Recommendations

4.9 Correlation analysis between IGF and Total actual Expenditure

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

5.2 Overview of the Study

5.3 Summary of Findings

5.3.1 Demographic information about respondents

5.3.2 General Information About the IGUs

5.3.3 Management of the IGUs

5.3.4 Financial Performance of the IGUs

5.3.5 Utilization of Internally Generated Funds

5.3.6 Contribution of IGUs to Financing Public Universities

5.3.7 Relevancy of IGUs

5.4 Conclusions

5.5 Recommendations

5.6 Recommendation for Further Research

REFERENCES

APPENDICES

Appendix 1: Letter to Respondent

Appendix 2: Questionnaire for IGUs Managers and Deans of Faculties

Appendix 3: Questionnaire for Finance Officers

Appendix 4: Data Collection Sheet

Appendix 5: Letter of Research Authorization