Evaluation of Monetary Challenges Affecting Operations of Private Tertiary Colleges in Nakuru Town, Kenya

A. N. Mugo

Abstract—Tertiary colleges are the institution in between the secondary and the universities. They are set aside for those students who fail to join universities due to failure of meeting entry points or lack of requisite fees. Most of these institutions are run by private sectors while a small percentage is run by public sectors. Due to various challenges here have been instances of monetary constraints in these institutions. This facilitated this study which hunted to evaluate the monetary challenges affecting operations of the private tertiary colleges. The study sought to establish the access of funds and credit facilities on operations of the aforestated private tertiary colleges. The pecking order theory guided the study. The study was conducted amongst private tertiary colleges in Nakuru town, Kenya. The study adopted descriptive research design with target population of 109 employees of these institutions. 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 access of funds and credit facilities 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 funds and credit facilities in the operations of private tertiary colleges cannot be understated. It is recommended that the management of private tertiary colleges should devise various sources of funding such as initiating income-generating projects and liaise with corporate entities for sponsorship of needy students.

Index Terms—Funds and Credit Facilities; Nakuru Town; Tertiary Colleges; Pecking Order Theory

I. INTRODUCTION

According to Neil & Turner, 2002 education is very vital in the U.S. society because assist in attainment of social success and economic to individuals. Hence, skills and experiences acquired from tertiary private colleges education resound throughout life in terms of making proper decisions and suggestions, higher earnings, a lower likelihood of unemployment. They further noticed that one of the problem that hinders students from college enrolment, especially with low-income, is the monetary expend required to attend.

Reference [1] stated that, one of the core challenges facing the education sector in The Sub-Sahara Africa is financing education for all. Since most of their government rely on donor funding support which more often than not comes with several strings attached making their government unable to sustain itself. Different countries have adopted various strategies to cope with the current situation, including encouragement and promotion of private higher institutions of learning. 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, monetary austerities have been blamed for incapacity to retain quality faculty and staff, minimizing staff student ratio, and poor learning and research facilities and resources [2]. 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 research capacities across Africa, influencing their competitiveness in knowledge generation and adaptation, as well as integration in the global knowledge society.

According to [3], there is no adequate monetary resources to impede the Kenya’s government efforts towards ensuring realization of education for all (EFA). stated that the free primary and secondary education has facilitated the enrolment at this level in the recent past. Notably the significant monetary constraints have worsened beyond the secondary school’s level [4].

II. STATEMENT OF THE PROBLEM

Most of the students join the private tertiary colleges every year. Hence they play a very vital role of complementing other institutions of higher learning in meeting the education demand in Kenya. The main source of their revenue is the tuition fee, whereas they also sought finance from monetary institution to cater for expenditure such as remuneration of the employees and administrative costs. Moreover, the colleges are expected to set aside, funds for development and pay taxes to the government.

Nevertheless, private tertiary colleges face myriad of monetary challenges; a situation which has compromised their operations which not only lead them to compromise with the quality performance due to their incapacity to attract quality lecturers. In some situation, these education institutions have been closed down altogether due to their inability to monetary sustain themselves, it is needless to say that, the monetary challenges facing private tertiary colleges echo far and wide. The foregoing warranted this study which aimed to establish how the various monetary challenges facing private tertiary colleges affect their operations.
A. Research Objective

The hypothesized challenges facing operations of tertiary colleges is accessing to fund and credit facilities. Therefore, the study sought to determine the effect of funds and credit facilities on operations of private tertiary colleges in Nakuru town.

B. Research Hypothesis

H₀: There is no significant relationship between access of funds and credit facilities and operations of private tertiary colleges in Nakuru town.

III. Theoretical Review

Pecking Order Theory of Capital Structure

The pecking order theory was proposed by [5] and is founded on the hypothesis that, financing follows hierarchy (order), and that firms prefer internal over external financing and debt over equity. Brounen et al. add that, the underscoring factor is the asymmetry of information. That is, the more asymmetry, the higher the costs of the sources of financing [6].

According to [6] there are several factors that determine capital structure of organizations. Monetary flexibility, it was established, is the factor that most crucially drive capital structure; a situation that suggests a “pecking order” model application. The pecking order theory stipulates that, debt should be encouraged when a firm experiences insufficient profits, and also when equity is undervalued [5]. However, Brounen et al. rejected the aforementioned hypothesis [6].

IV. Empirical Review

In this part, empirical studies that have hitherto been conducted in respect of monetary 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.

A. Access to Funds and Credit Facilities

Reference [7] indicated that across the world, private institutions are funded from various sources. In China, for instance, one category of private tertiary institutions is funded by industries or sponsors. The other category is partly funded by the state. When [8] conducted a study in China, it was noted that Nan Hua Industry and Business College (NHIBC) had failed to meet the requirements in terms of its campus facilities such as library. The study further observed that, huge sums of money were required to purchase land for setting up requisite infrastructure, which was indeed beyond the economic reach of the college. The scholar feared that, if the college failed to access extra funds, then its long-term survival was in doubt.

In the United States, many students rely on monetary aid to cater for their higher education. It is argued that, lateness of most monetary aid application and notification processes limits the effect of grants on college decisions. Usually, monetary aid is delayed until the end of the calendar year or after the preparation of student and parent tax returns. Furthermore, most grant programs in the country involve review and some decision making by college monetary aid administrators. For many lower-income potential students, the effect of this delayed monetary aid review means that they and their parents cannot predict what out-of-pocket college costs will actually be. This unpredictability reinforces misperceptions about college affordability and makes grant programs less effective than they could be in inducing behaviors that would lead to college enrollment [9].

A survey of parents by [7] indicated that, 5 per cent of the parents who quashed the importance of existence of private private tertiary colleges in China reasoned that education is so important to the future of the country that it should be funded and scrutinized by the government. Reference [10] assessed strategies for effective higher education funding in sub-Saharan Africa. It was noted that in this region of Africa, international donors support tertiary education. Higher education in sub-Saharan Africa is funded by various international public and private donors. Public donors include international organizations, development banks, and organizations for bilateral cooperation between countries. A survey by UNESCO (2012) classified private donors into companies, foundations, individual billionaires, and other additional entities. The World Bank according to the survey leads the pack of organizations that fund higher education in Africa. It is averred that, most of the international donors funding is channeled by local non-profit-making organizations and international NGOs with head offices in developing countries and quite often by multilateral institutions.

B. 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. Fig. 1 shows the conceptual framework.

As outlined in Figure 1, the independent variable is access to funds and credit facilities while the dependent variable is the operations of private tertiary colleges. It was presumed that the access to funds and credit facilities affect operations of private tertiary colleges.

V. Research Methodology

A. Research Design

The study was based on descriptive survey research design. Descriptive design attempts to answer the “what?” questions [11]. The research question which was derived from the general objective was: what are the monetary challenges affecting operations of private tertiary colleges in Kenya. The study was a survey since it was conducted at a specific point in time, that is, between January and March,
The target population comprised of all the 109 account, finance and management staff of all private tertiary colleges in Nakuru town, Kenya.

The targeted population was of small size, hence negated the essence of sampling. Moreover, a census survey was adopted where all members of the target population participated in the study. This method was effective as it eliminated both the sampling bias and sampling error.

A structured questionnaire was employed to collect primary data from the respondents. According to [13] a questionnaire is a suitable tool for collecting data in survey research. The questionnaire was structured in a manner that it captured respondents’ profile and data pertinent to study objectives.

Consistency is measured by reliability instrument when administered to respondents which are drawn from different populations but exhibiting similar characteristics. The alpha was employed to measure reliability and it was tested by use of Cronbach. The two variables, that is, access for funds and credit facilities and operations of tertiary colleges returned α = 0.77 and 0.74 respectively and were thus deemed to be reliable.

Reference [12] stated that validity is not statistically measurable and therefore in this study the content validity of the instrument was determined. In that case, expert opinion of the University supervisors was sought as a way of determining the instrument’s content validity and the instrument was employed to collect data for the main study after achieving both reliability and validity threshold.

Cleaning and editing of collected data was done as a measure of dealing with extreme outliers. This was followed by coding of the data by use of the Statistical Package for Social Sciences (SPSS) software. Both descriptive and inferential data analyses were conducted on the coded data. 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. On the other hand, Descriptive analysis reflected the opinions of the respondents regarding various constructs being studied.

VI. FINDINGS AND DISCUSSIONS

A. Access to Funds and Credit Facilities

The study sought the respondents’ views regarding access to funds and credit facilities amongst private tertiary colleges in Nakuru town. Table I illustrates the pertinent findings.

<table>
<thead>
<tr>
<th>Access to Funds and Credit Facilities</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate funds hamper the college's monetary management</td>
<td>68</td>
<td>1</td>
<td>5</td>
<td>4.00</td>
<td>1.506</td>
</tr>
<tr>
<td>Commercial banks put stringent conditions before lending credit</td>
<td>68</td>
<td>1</td>
<td>5</td>
<td>3.35</td>
<td>1.194</td>
</tr>
<tr>
<td>College gets funds from individual financiers</td>
<td>68</td>
<td>1</td>
<td>5</td>
<td>3.35</td>
<td>1.504</td>
</tr>
<tr>
<td>Institution faces difficulties in accessing funds</td>
<td>68</td>
<td>1</td>
<td>5</td>
<td>2.94</td>
<td>1.220</td>
</tr>
<tr>
<td>College gets funds from corporate sponsors</td>
<td>68</td>
<td>1</td>
<td>5</td>
<td>2.65</td>
<td>1.290</td>
</tr>
<tr>
<td>Private colleges do not get any funding from the govt</td>
<td>68</td>
<td>1</td>
<td>5</td>
<td>2.53</td>
<td>1.625</td>
</tr>
</tbody>
</table>

The findings indicated that inadequate funds hamper the college’s monetary management (mean = 4.00). However, the respondents were not sure (mean ≈ 3.00) whether commercial banks put stringent conditions before lending credit, college gets funds from individual financiers or corporate sponsors, institution faces difficulties in accessing funds, or if private colleges do not get any funding from the government. The findings indicated non-commitment of the respondents regarding issues touching funds and credit accessibility stemmed from the failure of most of the respondents to divulge information regarding the aforementioned subject.

B. Access to Funds and Credit Facilities

The study linked the funds and credit facilities to operations of private tertiary colleges and thus sought the respondents’ views regarding the same. Respondents’ views on the aforesaid subject are illustrated in Table II.

<table>
<thead>
<tr>
<th>Accessibility of funds and credit facilities impact on college’s monetary management</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>68</td>
<td>1</td>
<td>5</td>
<td>3.51</td>
<td></td>
</tr>
</tbody>
</table>

It was established that, on average, access to funds and credit facilities 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 access to funds and credit facilities do influence the operations of private tertiary colleges.

C. Effect of Access to Funds and Credit Facilities on Monetary management of Private Tertiary Colleges

The study assessed the implication of access to funds and credit facilities on monetary management of private tertiary colleges in Nakuru town. The results of the pertinent correlation analysis are outlined in Table III.

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TABLE III: CORRELATION BETWEEN ACCESS TO FUNDS AND CREDIT FACILITIES AND MONETARY MANAGEMENT OF PRIVATE TERTIARY COLLEGES

<table>
<thead>
<tr>
<th>Access to Funds and Credit Facilities</th>
<th>Monetary management of Private Tertiary Colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>.216</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.077</td>
</tr>
<tr>
<td>N</td>
<td>68</td>
</tr>
</tbody>
</table>

The findings indicated that the relationship between access to funds and credit facilities on one hand and monetary management of private tertiary colleges on the other is positive and weak, and statistically not significant ($r = 0.216; p > 0.05$). In other words, access to funds and credit facilities had only marginal effect on monetary management of private tertiary colleges. Interpretatively, funds and credit accessibility are largely inconsequential to the running of the aforestated education institutions. The study findings led to failure to reject the first null hypothesis which stated that Access to funds and credit facilities does not significantly influences monetary management of private tertiary colleges in Nakuru town.

VII. SUMMARY

The findings indicated that inadequate funds hamper the college's monetary management. However, the respondents were not sure whether commercial banks put stringent conditions before lending credit, college gets funds from individual financiers or corporate sponsors, institution faces difficulties in accessing funds, or if private colleges do not get any funding from the government. The findings indicated the difference in private sector education between Kenya and China where in the latter the government partly funds private institutions [7]. The findings showed the non-commitment of the respondents regarding issues touching funds and credit accessibility stemmed from the failure of most of the respondents to divulge information regarding the aforementioned subject. The correlation findings indicated that the relationship between access to funds and credit facilities on one hand and monetary management of private tertiary colleges on the other is positive and weak, and statistically not significant ($r = 0.216; p > 0.05$).

VIII. CONCLUSION

Most of the college monetary management is likely to stall or be compromised in the event there is deficiency of funds, hence, this objective is very vital. The subject of funds and credit facilities in light of monetary management of the aforestated colleges is a sensitive issue that employees if these institutions are not willing to debate on. Given that private colleges do not rely so much on external funds or credit facilities, the accessibility of the same was inferred to be marginally consequential to running of the private tertiary colleges.

REFERENCES


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