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**DETERMINANTS OF FINANCIAL CHALLENGES IN FUNCTIONING  
OF MIDDLE LEVEL COLLEGES IN NYANDARUA, KENYA**

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**ABSTRACT**

The function of education is to have better tomorrow and think intensively. There are various levels in education starting from early childhood, primary, secondary, and higher education levels. The higher education levels consist of colleges and universities. The purpose of this paper is to present a literature review to examine the association between tuition fees and functioning of middle level colleges in Kenya. The middle level colleges are institutions which are set aside for the students who do not qualify to join universities due to poor performance or lack of requisites fees required in universities. The primary goal of this study was to investigate on how the tuition fees affect the function of middle level colleges. Tertiary colleges are normally faces financial challenges that lead them to unable to operate. This impeded this study which sought to evaluate the financial challenges in functioning of the middle level colleges. The study sought to establish the tuition fees on functioning of the middle level colleges. The study was carried out amongst middle level colleges in Nyandarua County, Kenya whereby the Competitive advantage theory of capital structure guided the study. The study targeted a population of 89 employees of these institutions. A descriptive research design and a census survey were used. A questionnaire to collect primary data and Statistical Package for Social Sciences software for data analysis was employed in this study. Inferential and Descriptive analyses were duly conducted. The findings signified that tuition fees affect operations of middle level colleges strongly and positively and that the relationship between the two assembles is statistically significant ( $r = 0.572$ ;  $p < 0.01$ ). The study ended with conclusion that the role played by tuition fees in the Operations of middle level colleges cannot be assumed. It is recommended that the management of middle level colleges should consider that the tuition fees charged on students are in tandem with the parents' capacity to cater for the same and the programmes offered.

**Keywords:** Education, Tuition fees, Competitive advantage theory, Nyandarua county, middle level colleges.

## **INTRODUCTION**

Education can be defined as a process of acquiring knowledge, beliefs, habits, skills and value. Basic education is the backbone of the community and its viewed as a human right since it alleviates poverty by improving the lives of the poor. According Jung, J, Horta, H & Yonezawa, A.(2018), a learned child has a possibility of becoming a better parent, make a better parent, enjoy a better living, espouse new technologies, make well-versed decisions, mange crises and be accountable citizen. Education is critical to economic and social development. In their research "*Introduction: Higher Education Research as a Field of Study in Asia*". They noted that higher education in Asia is momentous changing, although they have not perfected in research community, research theme, methodology and active research.

World Bank, 2011, stipulated that the aim of Millennium Development Goals is to achieve worldwide primary education for all boys and girls and abolish educational gender disparities by 2015. They also noted the progressive goals in between 1999 and 2009, whereby an extra 52 million children signed up in primary school, thereby resulting in the net registered ratio in primary education to be 89 per cent in developing countries. Sub-Saharan African has the greatest enhancement, escalating from 12 to 76 per cent in 2009, whereby regions around the humankind have recorded improving enrolment ratios. Since the introduction of the United Nation's Millennium Development Goals and Education for All goals major numbers of the poorest children especially girls and other educationally deprived groups are going to school. The global targets which was set by the have thrived in focusing government attention and donor by ensuring that more children go to school. Student enrollments two poorest regions of the world have radically augmented over the past decade. For instance, approximately 30 million new students have enrolled the education system In South Asia while in sub Saharan Africa, since 1999, at least 20 million new students joined in the same phase. Proper implementation of the policy in the classroom, motivation and sustainability of the teacher has led to the achievement enhancement of education.

According to the Medium Term Plan 2008-2012, the enrollment of pupils in primary schools in Kenyan school has made remarkable progress in mounting access to Primary education since the introduction of the Free Primary Education Act of 2003. Government of Kenya and United Nations Development Programme report (2008) stressed that in 2002, Access at primary school level in Kenya has reached nearly gender equivalence.

### **Statement of the Problem**

Most of the students join the middle level 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, middle level 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 middle level colleges echo far and wide. The foregoing warranted this study which aimed to establish how the various monetary challenges facing middle level colleges affect their operations.

### **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 middle level colleges in Nyandarua County.

### **Research Hypothesis**

**H<sub>01</sub>:** There is no significant relationship between tuition fees and operations of middle level colleges in Nyandarua County.

## **THEORETICAL REVIEW**

### **Competitive advantage theory**

The competitive advantage theory was proposed by Michael porters and Rumet (1985). The theory boosts individual industries and continues to strengthen the whole nation. The theory rest in notion that organizations can be able to achieve competitive advantage over its rivals by use of two tactics; cost advantage, which involves provision of same services and products to customers at lesser cost as compared to your competitors and the second one involves differentiation, whereby business provide better products and services than its competitors.

According to Chaharbaghi, K., & Lynch, R. (1999), the word competitive advantage refers to abilities gotten through traits and resources to execute a higher level than others in the same industry. Competitive advantage is gained when the firm implement a value creating strategy which is not implemented by its rivals.

## **EMPIRICAL REVIEW**

In this part, practical studies that have till now been conducted in respect of financial challenges that affects functioning of private middle level colleges are reviewed. The review adopts a deductive approach where global, regional, and local studies are reviewed in that order.

### **Access to Funds and Credit Facilities**

#### **Tuition Fees**

Studies indicate that, the privatization of the education sector has been a phenomenon around the world (Wang & Secombe, 2004). There are a number of reasons that have occasioned the aforementioned privatization. It is exemplified that in both China and Australia, the privatization of tertiary education resulted from the deficiency of government funding. The foregoing encouraged the growth of private higher education and market-oriented practices such as tuition fees (Smolicz, 1999). Smolicz observed that, the shifting of responsibility for the funding of higher education to students and their families, as well as other outside government sources, can be regarded as a form of privatization of the education sector. The foregoing resulted in among others, directly imposing fees on students when they formally state-funded colleges and universities.

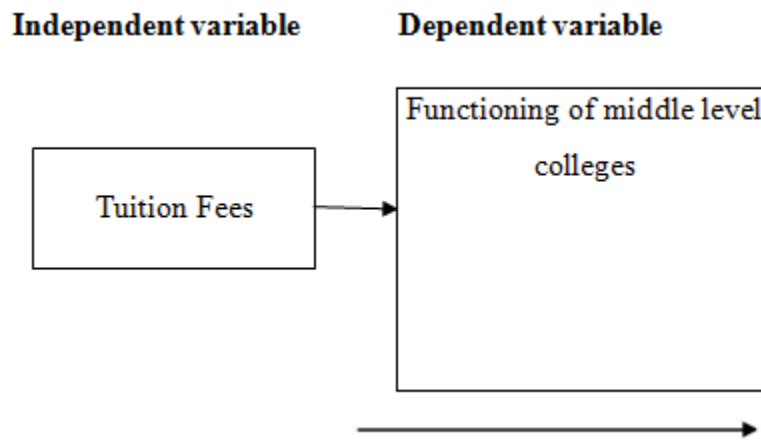
Wang and Secombe (2004) sought parents' views regarding tuition fees. The study established that, a whopping 74 per cent of the parents held the opinion that the tuition fees of private tertiary institutions were too high. A mere 5 per cent differed by suggesting that the fees were not high. Almost half (46 per cent) of the parents were unaware of the tuition fees of private colleges and whether such fees were reasonable or not. The greatest demerit of private colleges according to the parents was high tuition fees. Generally, majority of the parents viewed the tuition fees charged by these private colleges as being excessive.

Studies indicate that private learning institutions rely on different sources for funding. For example, a study on private higher education in Kenya (Abagi et al., 2005) it is indicated that private universities in Kenya vary greatly in their funding sources. Such funding may range from tithes to full dependence on tuition fees. The study showed that by 2005, only the USIU fully relied on tuition fees and was one of the few universities that had broken even. However, the study noted that, the private sector of higher education is self-financing and its primary source of income is student fees.. The scholars further posited that, the learning institutions do have a responsibility to meet the expectations of their clients, who pay a lot of money in fees. In this light, the only reason they can justify high fees is by offering quality education.

### **Conceptual Framework**

Conceptual framework pointed up the interaction of study variables; the independent and dependent variables which 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 tuition fees while the dependent variable is the function of middle level colleges. It was presumed that the tuition fees affect the functioning of middle level colleges.

### **RESEARCH METHODOLOGY**

#### **Research Design**

The study was guided by descriptive survey research design which attempted to answer the “what?” questions (Kothari, 2009). The general objective derived the research question as follow: what are the financial challenges that affect the function of middle level colleges in Kenya. The study was conducted between October and December, 2017; hence it was a survey since it was conducted at a specific point in time.

#### **Target Population**

The target population is simply the population of the study. In other words, it was the population to which the study findings were generalized. The target population comprised of all the 89 management, account, and finance staff of all middle level colleges in Nyandarua County.

#### **Census Study**

Due to the comparatively small size, the target population negated the essence of sampling. A census survey was taken on where all members of the target population participated in the study. This method was suitable because it eliminated not only sampling bias but also sampling error.

### **Research Instrument**

Mugenda and Mugenda (2009) stated that a questionnaire is a suitable tool for collecting data in survey research. A structured questionnaire was employed to collect primary data from the respondents. The questionnaire was well structured in a manner to capture respondents' profile and data pertinent to study objectives.

### **Reliability of the Research Instrument**

The reliability was veteran by use of Cronbach alpha. The two variables, tuition fees and the financial management for the middle level colleges returned  $\alpha = 0.71$  and  $0.721$  respectively and were thus reasoned to be reliable. Consistency is measured by reliability instrument when administered to respondents which are drawn from different populations but exhibiting similar characteristics.

### **Validity of the Research Instrument**

Kimberlin & Winterstein, 2008 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.

### **Data Processing and Analysis**

The procedure was to first clean and edit the collected data in order to deal with extreme outliers. Secondly, coding of the data by use of the Statistical Package for Social Sciences (SPSS) software was done. Finally, descriptive and inferential data analyses were conducted on the coded data. In order to relate the opinions of the respondents regarding various constructs being studied Descriptive analysis was used. On the other hand, inferential analysis which was in form of Pearson's correlation coefficient which was in form of Pearson's Correlation coefficient was used to relate the independent variables with the dependent variable.

**FINDINGS AND DISCUSSIONS**

**Tuition Fees**

In tandem with the third objective, the study analyzed the respondents’ views on tuition fees charged by middle level colleges in Nyandarua County. The results of the descriptive analysis are outlined in Table 4.7.

**Table 4.7: Descriptive Statistics for Tuition Fees**

		N	Min	Max	Mean	Std. Dev
i.	Tuition fees are the major source of funds for our college	68	1	5	4.29	1.415
ii.	College relies exclusively on tuition fees for running financial management	68	1	5	3.94	1.314
iii.	Students are self-sponsored	68	1	5	3.53	1.252
iv.	Students delay in paying tuition fee	68	1	5	3.24	1.173
v.	Parents complain of high fee charged	68	1	5	2.76	1.121
vi.	Tuition fees charged are high	68	1	5	2.71	.963

The study revealed that respondents held the opinion that tuition fees are the major source of funds for middle level colleges; colleges rely exclusively on tuition fees for running financial management; and that students of the aforesaid colleges are self-sponsored. The foregoing propositions returned means tending towards 4.00 (agree). Nevertheless, it was not clear (mean  $\approx$  3.00) whether students delay in paying tuition fees; parents complain of high fees charged; or if the tuition fees charged are high. The findings underline the fundamental role played by the tuition fees to the middle level colleges given that not only are they the major source of funds, but most of these colleges exclusively depending on the said fees to run their financial management.

**Table 2: Descriptive Statistics for Operations of Middle level colleges**

		N	Min	Max	Mean	Std dev
i.	Tuition fees are very important in the financial management of tertiary colleges	68	1	5	3.63	1.471

It was established that, on average, tuition fees affect the functioning of middle level colleges in Nyandarua County. 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 middle level colleges .

**Effect of Tuition Fees on Financial management of Middle level colleges**

The study sought to establish the effect tuition fees charged on students have on financial management of middle level colleges in Nyandarua county. The findings regarding the foregoing are as outlined are outlined in Table 3

**Table 3: Correlation between Tuition Fees and Financial management of middle level Colleges**

		<b>Financial management of middle level Colleges</b>
<b>Tuition Fees</b>	Pearson Correlation	.572**
	Sig. (2-tailed)	.000
	N	68

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

Illustratively, the correlation findings revealed that the relationship between tuition fees and financial management of middle level colleges is positive and moderately strong ( $r = 0.572$ ;  $p < 0.01$ ). As indicated the relationship between the two constructs is also statistically significant at 0.01 level of significance. Therefore, the third null hypothesis (Tuition fees do not have significant impact on financial management of middle level colleges in Nyandarua county) was also rejected. The findings underscored the importance of tuition fees in the financial management of middle level colleges. Explicably, increasing of tuition fees is likely to enhance the financial management of middle level colleges given that most of these institutions depend on tuition fees to operate.

**SUMMARY**

Tuition fees are very vital in operation of colleges’ financial management. Hence, there is no way these middle level colleges can operate without it. The study revealed that respondents held the opinion that tuition fees are the major source of funds for middle level colleges; colleges rely exclusively on tuition fees for running financial management; and that students of the aforesaid colleges are self-sponsored. Unlike universities in Kenya which are said to have different sources of funds (Abagi et al., 2005). Nevertheless, it was not clear whether students



delay in paying tuition fees; parents complain of high fees charged; or if the tuition fees charged are high. The findings underlined the fundamental role played by the tuition fees to the middle level colleges given that not only are they the major source of funds, but most of these colleges exclusively depend on the said fees to run their financial management. This was in agreement with Smolicz's (1999) findings that the funding of private higher education is left in the hands of students and their families. Moreover, it was revealed that the relationship between tuition fees and financial management of middle level colleges is positive and moderately strong ( $r = 0.572$ ;  $p < 0.01$ ).

## **CONCLUSIONS**

Tuition fees are the primary source of finances to private tertiary institutions in Nyandarua County. The foregoing is reinforced by the observation that most of these colleges rely exclusively on fees paid by the students to run their financial management. Therefore, tuition fees are very invaluable to middle level colleges .

## **Recommendations for Further Studies**

It is opined that there are a number of areas that scholars can research on. These include the following areas as suggested;

- i. The implication of sponsorship on financial management of middle level colleges
- ii. The effect of the Higher Education Loans Board intervention on financial management of higher education

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