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Sustainable Funding Models For Higher Education In Kenya

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***Abstract:** This paper reviewed literature on sustainable funding models for higher education in Kenya. A desktop research approach was used and data drawn from secondary sources of information. Reliability and validity of data was ensured through careful selection of papers published by credible journals. It is argued in this paper that cost sharing model, student loan model combined with the entrepreneurial model are the best models to fund higher education since they have been tried in other countries and found to be effective. These models have ensured a steady flow of cash to institutions of higher learning and to students.*

***Keywords:** Sustainable, Funding Models, Higher Education*

I. INTRODUCTION

The challenge of underfunding in our institutions of higher learning has resulted into various problems such as; shortage of academic staff, reduction of reading culture among students, deserted capital projects, increased number of strikes among other problems. The analysis of models of financing institutions of higher learning is very important because it helps understand the financing instruments in the sector. If this is not done then it results into a failure in the sector. Higher education promotes economic development of a country as it provides skills which are required in the society and any economy. Therefore, there is need to come up with models which will assist Universities and the government to come up with new ways of financing higher education.

In Nigeria, (Aina, 2002; Babalola, 2002 and Samuel, 2003) in addition agree that higher institutions in Nigeria are lacking necessities to maintain quality education and thus leading to brain drain simply because of the underfunding by the government. As a means to solve these funding problems, many higher institutions are pushed to focus on income generating projects so as to source for finances. According to Obediyi and Aina (1999) the federal government of Nigeria issued a directive that institutions of higher learning should generate at least10 percent of their yearly funds through their internal income generation mean so as to enable them offer quality education. Now there comes a great challenge to our institutions interms of income generation and hence this leads to difficulties in achieving quality education.

In Kenya currently, public higher institutions of learning get their funding from the government, of which about three-quarter of the funding is used to pay emoluments leaving only a quarter of the funding for operations and maintenance and thus this is termed as inadequate simply because the quarter cannot cater for everything needed. On the other hand private higher institutions finance themselves through tuition fees simply because they don’t receive direct benefits from the government. According to Gudo (2014), there is an increase in demand for higher education by students in contrary to a decreasing financial allocation ratio by the government. This leads to decrease in students enrollment compared to those who qualify to join the higher learning institutions. In 2010/11 academic year, many private institutions recorded a decline in student enrollment compared to public universities which recorded an increase in student enrollment due to expansion. This expansion was characterized by opening of new constituent campuses and colleges. On the other hand, this automatically means that there was a decrease in quality education simply because of low financing by the government.

Therefore, there is need to assess sustainability of state funding of higher education because of the following reasons; the desire to improve quality education, increasing student’s enrollment and the need to create employment opportunities among other reasons. This paper will assess the mechanisms and models through which the government uses to allocate finances to universities and come up with a model which will help or rather guide the government and institutions of higher learning.

II. STATEMENT OF THE PROBLEM

According to Mugambi (2017), public universities in Kenya are facing financial distress as a result of the growing number of student population coupled with inadequate government funding. Some of the public universities in Kenya are insolvent since they are operating on negative capital. The current funding model which relies on average figure for all courses in all public universities has been criticized for its failure to address financial needs of public universities. To save the situation, stakeholders have proposed changes in the current funding model and as a result, this paper sought to explore and recommend sustainable funding models that can be adopted by the government and institutions of higher learning in Kenya.

III. METHODOLOY

A desktop research approach was used in this paper to determine sustainable funding models for higher education in Kenya. This type of research relies on secondary sources of information. Data was drawn from publications then discussed, concluded and recommendations made. Reliability and validity of data was ensured through careful selection of papers published by credible journals.

IV. LITERATURE REVIEW

According to the University World News (2018), the primary duty of an institution of Higher Learning is research, innovation and the pursuit of excellence, academic excellence to be precise. But in reality our institutions of higher learning are bogged down by an acute, even severe, scarcity of monetary resources. The effect of underfunding is dilapidated infrastructure and lecturer shortage. (Wachira and Kigotho, 2016). The models used to fund universities should be sustainable

The increased demand for higher education has negatively affected the current universities and poorly affected the government capacity to supply university education. According to (ROK, 2010), the Kenyan government got rid of the burden of higher education costs from being endured mainly by government, or taxpayers, to being shared with students, private sector and parents. According to (Yizengaw, 2003), Ethiopian government experienced rapid demand for higher education in the academic year 2005/2006 .This made the government to permit private provision of higher education. Also according to (Sani, 2015)in his study on public and private higher education financing in Nigeria, the demand for higher education in Nigeria is so high simply because education has been well thought of as not only an asset in human capital, but also a pre-requisite for economic development of a country.

Gichuhi (2015) in her study on alternative methods of funding higher education in Kenya, stated that for the case where education is funded by models like fees from savings, relying on friends and relatives or borrowing from banks, then it faces a lot of challenges as it hinders the access to higher education especially for the poor if the government reduces funding in higher learning institutions. Therefore there is need to look for alternative methods to fund higher education to bridge the government financial gap. She further stated that if institutions will be able to access the needed resources to support the educational system then quality education can be achieved. Therefore there is need to examine this claim to enable Kenya understand the bond between quality education and financing of higher education simply because the results will help formulate funding policies that will aid institutions of higher learning in the country. Sani (2015) in his study on public and private higher education financing in Nigeria also states that education is a pre-requisite for economic development of a country.

A. HIGHER EDUCATION FUNDING MODELS

a. COST SHARING MODEL

In Rwanda according to (Nuwagaba,2013) in his study on Evaluation of the current higher education funding model in Rwanda using Higher Education Students' Loans Department, found that Rwanda uses cost-sharing model among other models such as use of tuition fees, internally generated funds by higher learning institutions and bank loans. In his findings, he concluded that the cost sharing model was the best model for Rwanda but it faced challenges of corruption .He noted that those who deserved to be given the funds were not given but rather those who did not deserve were awarded. Nuwagaba adds that, good financing of higher education helps in production of graduates who are not only good in academics but also who are competent in the corporate world and this is the goal that Kenya want to achieve in its vision 2030.

Adeniyi and Taiwo (2011), in their study analyzed the cost-sharing policy in higher education in Nigeria and found that the model had a very positive response in the education sector and has been very effective in the country as the government; parents and students undergo cost-sharing which has helped in facilitating higher education in the country. He further revealed that the continued survival of higher education in Nigeria will depend on the mutual contributions between parents and the government in pre-determined proportions by the government.

According to (Moe,1996) the education of Zambia highly depends on government, but due to decrease in revenues, Zambia government in 1996 gave a directive to public universities that they should try the cost-sharing method as a model to finance higher education whereby parents and the government would be active participants in providing the funds to help the universities activities smoothly. However, (Masaiti, 2013) in his study on prospects and challenges of cost-sharing model in Zambia's public universities, found that the cost-sharing policy was appropriate for Zambia but lacked the government's support or rather implementation. He further recommended that the cost-sharing model should be implemented in order to make universities more effective, productive and sustainable.

On the other hand, according to (Gichuhi,2015),the Kenyan government uses the cost-sharing model as way of financing higher education due to a rapid growth in demand for higher education. This helps the government and parents to share the cost. The government total expenditure for the education sector has increased over the years. In spite of the increase in budgetary figures, financing challenges remain and especially per student cost. This is because the parents and students fail to honor their parts more so those from poor backgrounds and thus leading to problems of funding.

b. THE GRADUATE TAX MODEL

The Graduate Tax Model is one of the models that is used to fund university education. According to Rogerand Hosein (2010)a university graduate earns significantly more compared to one without any tertiary education. In Kenya, there are over 495,000 university graduates. (Standard Media, *2015*).A specific account is opened by the Ministry of Finance and the taxes levied on university graduates deposited in that account. The money accumulated in the account is later disbursed to various universities as per a predetermined allocation model. (Roger and Hosein, 2010)

As an example, let's say that the average person with no university education earns Kenya Shillings:

K_0

The tax rate imposed by the government is:

f_0.

Therefore the revenue collected by the government is;

$C_0 = f_0\ K_0$(Note: this is the amount that a person with no tertiary education is taxed)

For a graduate, the income and the tax rate increase from K_0 to K_1 and f_0 to f_1 respectively.

$C_1 = f_1 K_1$ (This is the amount taxed from a university graduate)

$C_i$denotes the revenue that the government collects and the change in revenue is denoted by,

$\Delta C = f_1K_1 - f_0K_0$

It is this change in revenue that is important in this model. We are not really interested in K_0 but in the increase in income as a result of tertiary education.(Roger and Hosein, 2010). Critics of this model claim that the model is unfair. It is well known that the most successful graduate students earn a living in engaging in activities that have nothing to do with their undergraduate studies. These are the people who venture into entrepreneurial activities and run successful business with no relation whatsoever with their academic pursuits. (Economic Affairs, 2010).In the job market, people are rewarded for their skills and expertise and not a bunch of papers. For one to earn a good salary, the person needs to work hard and smart. Hence critics of this model claim that what in essence is being taxed is success and hard work (Economic Affairs, 2010). Historically, governments have been known to raid such kitties in case of emergencies and hence in the long run the model may not work.

c. DEFERRED PAYMENT MODEL

This model entails the government extending loans to needy students. Student loans are viewed as a form of investment on human capital since these students will later become doctors and specialists. (Wenli Li, 2013).One thing that stands out about student loans is that they are solely used to fund tuition fees, stationery and accommodation. Students have little credit and financial history and hence it is paramount for guarantors to sign so as to minimize risk of defaults. Usually no property or assets are attached to this loan.

According to Wenli Li (2013*)*, student loans are affected by the laws of demand and supply. Demand is the willingness of a student to apply for a loan, whereas, supply is the availability of student loans. The government ought to have sound recovery methods to ensure the loans given out are recovered promptly. If the recovery mechanisms are poor then the model will become unsustainable in the long run. The recovered funds are later disbursed to other needy students.

Those who took loans from the time of establishment to date are repaying their loan with an interest rate of 4%. This has been a big problem terms of repayment by students due to high rate of unemployment in Kenya. This hinders the functioning of the organization as it is not able to give the funds at the expected time and thus affecting student's education in the higher institutions.

The interest on the student loan should be realistic to ensure that not only is the money recovered but also operating expenses and costs associated with the model are recovered. The risk associated with defaulting is shouldered by the government and not the institution, therefore measures should be put in place to punish defaulters.

On the other hand bursaries, community development funds are not reliable sources of funding simply because the student has to apply for it and provide evidence that he/she deserves the fund, In all these cases there is a great competition and at times politics also comes in as the Member of Parliament is the person in charge of the identification and allocation committee. In most cases, there is always a minimum amount to be awarded and therefore beneficiaries are never awarded more than the cost of financing. This opens a room for corruption as the allocation committee awards the bursaries to their relatives and friends leaving the genuine and needy case sun awarded or rather awarding them something that can't support even their living in the higher institutions.

d. ENTREPRENEURSHIP

The public sector is funded almost exclusively by the government hence the competition for government funds is very high. Ages ago we lived in philanthropic societies where tertiary institutions benefited from generous grants awarded by Charity Organizations but it is not so now. Grants and donations have become scarce in our current society and our institutions are starving, (Mwangi et al., 2017).The concept of our institutions engaging in income generating activities is not new in its entirety. Necessity is the mother of invention. Tertiary institutions have become very innovative in the way they source for additional funds to meet budget deficits. Some of the ways are: Providing consultancy services; Leasing of equipment, halls and land; Engaging in agricultural activities; Licensing of patents and innovation to organizations and businesses

Providing Consultancy Services

Universities are a vast reservoir of knowledge. In essence they are like a fountain, a cistern where all those athirst and desiring knowledge come and find respite. There is a ready market for consultancy services. Business men, policy makers and almost every entrepreneur is in need of expertise beyond their field of experience. This is where consultancy plays a significant role.

In order for a university to benefit from this opportunity it needs to market itself to potential clients and even offer after sale services, (Mwangi et al., 2017).

Leasing Of Equipment, Halls And Land

Most institutions own vast tracts of land that are lying idle. Portions of this land can be leased to developers and farmers so as to generate a profit. The sports facilities owned by the institutions can be rented by teams to prepare for their training.

Licensing Of Patents And Innovation

Third parties can be allowed to franchise intellectual property of the institution for an agreed upon revenue

V. CONCLUSION AND RECOMMENDATIONS

The review of literature revealed that cost-sharing model, bank loans, internally generated funding model, tuition fees and students loans boards have been used to fund higher education in most countries. The student's loans board model is being used in Rwanda and Kenya but there are challenges with this model due to unemployment of loan beneficiaries .This leads to loan repayment defaults which means the activities of loans board are interrupted.

The cost sharing model has been used in many countries like, Rwanda, Nigeria, Zambia, Kenya and many other countries. The cost-sharing model faced the challenge of corruption whereby students who deserved to be awarded finances by the government failed to be awarded at the expense of those who did not deserve. However in Zambia according to (Moe, 1996) the government gave a directive of using the model but unfortunately, the government failed to implement the model (Masaiti, 2013). In Nigeria, the cost sharing model has been very successful.

The graduate tax model has inherent weaknesses that may lead to it not working in real life. On average people with a university education earn significantly more than people without university education. In any given society high net worth individuals are people who are the risk takers and astute business men. In other words it takes more than a university degree to earn a substantial income. In the graduate tax model the more you earn the more you are taxed making the system unfair as they will be taxing hard work.

The model generates funds slowly making it undependable in the long run. As of 2018 the model was proposed in two countries namely; United Kingdom and Ireland. In contrast to the student loan model the graduate tax model does not assist needy students in covering their accommodation and stationery costs. The other issue observed by Nicholas Barr is the fact that with high tax rates most people with a university education may opt to immigrate to other countries where the system is not adopted hence leading to brain drain.

The Student loan modelis the most common model of the two. It's advantageous in that students can acquire funds based on their needs. In Kenya the two major bodies providing loans to students are; Higher Education Loans Board and KCB Masomo Loan. The loans are optional and hence are appropriate for needy students. Bursaries and community development funds (CDF) have also been used to fund the higher education but these models have been ineffective because of corruption whereby those who deserve the bursaries do not receive or rather receive very little funds thus making the models unsuccessful.

When it comes to funding entire institutions, universities can engage in income generating activities. In Kenya the government allocates KSh.130000 per student. The stalled projects in the institutions bear witness that the funds are insufficient. Agriculture being the backbone of the Kenyan economy the institutions can engage in dairy production and other farming activities. This model is superior compared to other models in that it leads to universities becoming financially independent.

This study therefore recommends adoption of cost sharing model, student loan model and entrepreneurial model in funding higher education in Kenya since they have been tried in other countries and found to be effective. These models have ensured a steady flow of cash to institutions of higher learning and to students.

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