

**ASSESSMENT OF THE CONTRIBUTION OF INCOME
GENERATING ACTIVITIES ON PERFORMANCE OF
MASENO UNIVERSITY – KENYA**

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ABSTRACT

The government support towards public universities has been on a steady decline, and the universities have been forced to operate under very tight budgets. This study assessed the contribution of Income Generating Activities (IGAs) on the performance of human resource and physical development of Maseno University (MU). The study will form a basic source of reference to the stakeholders who are interested in the private financing of universities. It adopted descriptive exploratory correlation and cross sectional survey research design. The study targeted a population of fifty one departments of the university where census sampling technique was used to select the sample frame. Both primary and secondary data was collected through the use of questionnaires which were designed into both open and closed ended questions. From the findings, there exist a strong relationship between IGAs and the performance of the human resource and the physical development of MU. Coefficient of correlation by the Product Moment Method of Karl Pearson indicated $r = 0.927$, which is easily explained by using coefficient correction of determination $r^2 = 0.859$. Therefore IGAs had made a major contribution in the

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performance of the human resource and physical development of the university. However, it was found that among other drawbacks, the progress of running IGAs has been hampered by inadequate funds for further expansion, lack of qualified personnel, lack of awareness of the presence of IGAs and lack of full support from the top management. The study thus, recommends competent management both at the university and IGAs institutions, recognition of what are IGAs and sustainability to ensure the existence of the facilities in future.

INTRODUCTION

The greatest challenge facing public universities in Kenya today is financial. This is because of the shrinking government funding, rising expenditures and escalating debts which are realities the universities have to contend with. According to Maseno University College Final Accounts of 1993/94 the college incurred a deficit of Kshs. 26,201,122 while in 1992/93 the deficit was Kshs.4, 390,350 indicating an 80% deficit increment. In addition the Balance Sheet reflected a negative working capital of Kshs. 35, 432,249. The college was unable to meet its obligations when due, while creditors stood at Kshs. 58, 122, 812 in 1992/93 and at Kshs. 41, 024, 016 as at 30th June 1994. The college had attributed its precarious financial position to under-funding by the government. Therefore, there was need to generate additional funds for the growing needs of the university. The problem is more pronounced when considering the scarcity of funds for the development of university facilities by the government of Kenya. Accordingly, other studies indicate that there are other potentially incentive sources of extra source of funding universities, which includes income generating activities and externally funded contracts. Due to low financing of public universities by the government, many of them including Maseno University could neither develop nor expand its facilities. The universities needed to expand due to pressure of the number of students applying to be admitted. Consequently Maseno University which was relatively young and needed to expand its human resource and develop its facilities took up the challenge to initiate IGAs. This study therefore seeks to investigate the extent to which IGAs have contributed towards the performance of MU in terms of personnel performance and the physical development using the resources from IGAs.

THEORETICAL FRAMEWORK

This is a finance research study which is the study of funds management where the general areas of finance are business finance, personal finance (private finance) and public finance. Business

finance was the main are of study and it included saving money and often includes lending money. The field of finances deals with the concepts of time money risks and how they are related. It also deals with how money is spent and budgeted. One facet of finance is through individuals and business organizations which deposit money in a bank. The bank lends the money out to other individuals or corporations for consumption or investment and charges interest on the loans.

This study is based on the financial systems' theory which allows the transfer of money between savers and borrowers. It comprises a set of complex and closely interconnected financial institutions, markets, instruments, service practices and transactions. Financial systems are crucial to the allocation of resources in a modern economy; because they channel household savings to the corporate sector and allocate investment funds among firms. They also allow inter-temporal smoothing and consumption by household and expenditure by firms; where they enable households and firms to share risks. In this study funds are required for use in various divisions of the university. These funds to be allocated to the divisions must be raised from some source and shared out according to the needs of the various divisions. Due to lack of funds the university had to look for other sources of raising funds, hence the need for the introduction of IGAs. The process of how funds are raised and distributed follows what happens within the above system hence makes it suitable for the study

FORMATION AND PERFORMANCE OF IGAs

Universities have resources that can effectively be used to contribute towards income generation provided that the necessary catalytic investment is made to unlock the revenue. Maseno University, in her attempt to supplement her finances received from the government launched the Department of Investment of Economic Enterprises (IEE), which was established on 17th October 1994 with the major objective of systematic identification of income generating opportunities for the University (Maseno University College, 1997). The situation was more or less the same in the other Universities. To mitigate the worsening financial situation, the Universities started parallel degree programmes where students who do not qualify for government sponsorship pay full cost of their courses. Kaimenyi (2005) argued that there were about 14,000 parallel students at the University of Nairobi, just half of the total student

population of about 30,000. The University gets additional revenue from the program as students pay much more than their regular counterparts. Accordingly the University collects between Kshs. 800,000 million and Kshs. 1 billion a year, and that 35% of the money is set aside to pay lecturers, and the rest is used to develop the University's already existing facilities. All other public Universities have started the parallel programmes with different levels of success. It is however Makerere University in Uganda that has made the most remarkable success in this area. At the beginning of 1990 Makerere was at the verge of collapsing. But with the introduction of parallel programmes, the University has been able to expand its enrolment from 3,361 students in 1993 to more than 22,000 students. At least 20% of the students pay fees making it possible for the University to finance 30% of its annual budget.

Nakhone (2004) argues that the increase in the student population has not been matched with similar growth in resources. Whereas there has been an increase in the student population in Africa by 61% between 1980 and 1990, there has been a reverse trend in financing. The public support per student at the same period dropped from Kshs. 346,500 to Kshs. 82,500 in real terms for sub-Saharan Africa. It is evident, therefore that expansion of enrolment should be managed in a manner that will preserve or enhance educational quality.

RESULTS AND DISCUSSIONS

10 Hindrances in the running of IGAs at the university

Source: Research data (2010)

From the data, the progress of running the IGAs at the university was mainly being hampered by lack of fund and lack of qualified personnel. This was evidenced by the fact that majority of the response cited these constraints as the major factors hindering the progress of IGAs at the university. Asked on the possible ways of improving IGAs at the university, the respondents suggested instituting qualified personnel, ensuring availability of staff ensuring availability of funds to buy new equipments and maintaining the existing ones. The researcher further wanted to know from the respondents how IGAs contributed towards the development of the university. Here, the respondents acknowledged the fact that the operation has contributed towards the creation of job opportunities not only to the students of Maseno University but also to other

stakeholders of Maseno. Besides, they also said that it had ensured income generation that had assisted in the development of the infrastructural facilities within the university

4.4.7 Financing of the university

The researcher then decided to analyze from the respondents if the university was either under financed or not. From the respondents, 55% said yes while 45% said no

Table 14 Financing of the university

Category	Frequency	Percentage
Yes	19	55%
No	15	45%
Total	34	100%

Source: Research data (2010)

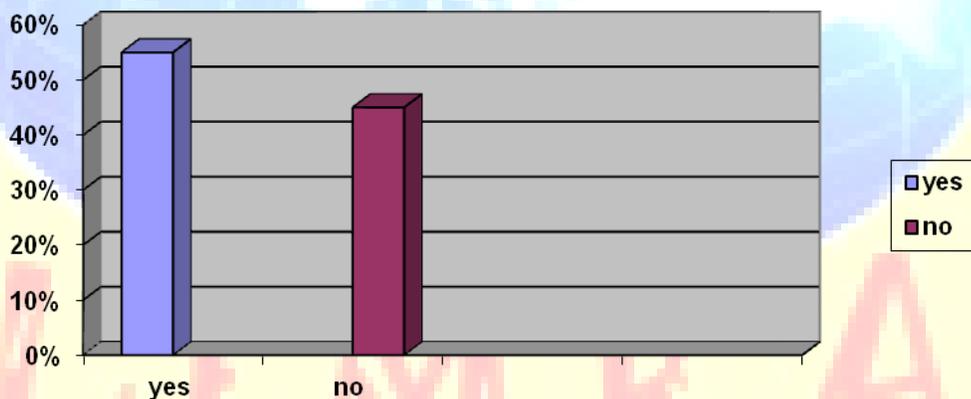


Figure 11 Financing of the university

Source: Research data (2010)

From the data, it could not be told as to whether the university was under financed or not. Among the respondents who said yes argued that the university was under funded since some infrastructures within the university were not effectively managed due to inadequate finance. From those disputed the fact the university was underfinanced said that the university did not have any shortage in as far as funds were concerned since they were always able to pay their staff on time, and the purchases items needed was always maintained when required.

4.4.8 Contribution of IGAs

Here, the researcher wanted to determine the contribution of IGAs according to areas of use. From the data, MITC contributed 5%, varsity plaza contributed 14%, Kisumu hotel contributed 63% while farm contributed 18%.

Table 15 Contribution of IGAs

Areas	2005/06/07	2007/08	Total	Percentage%
	Kshs.(000,000)	Kshs.(000,000)	Kshs.(000,000)	
MITC	9	4	13	5%
Varsity plaza	14	19	33	14%
Kisumu hotel	67	83	150	63%
Farm	27	16	43	18%
Total	117	122	239	100%

Source: Maseno University strategic plan (2010)

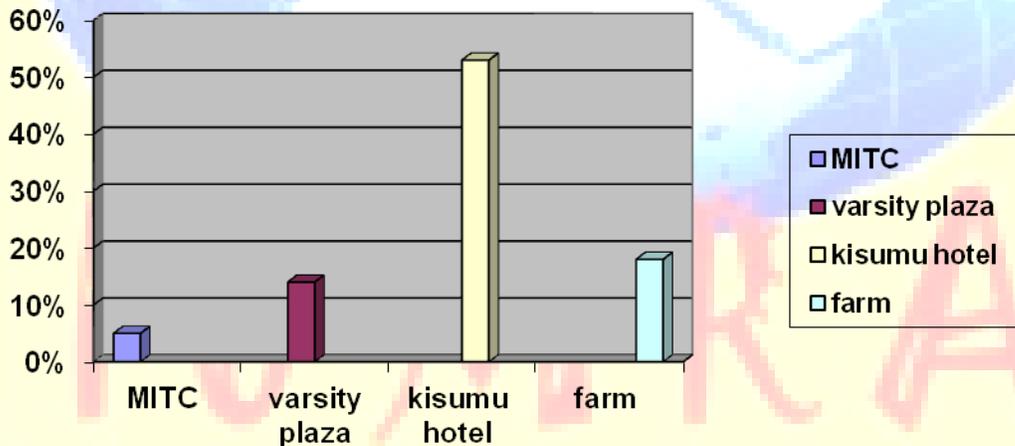


Figure 12 Contributions of IGAs according to areas

Source: Maseno University strategic plan (2010)

It is observed that Kisumu Hotel provides the university with a lot of revenue, followed by farm, then varsity plaza and finally MITC. In the researcher’s further analysis, it was realized that this was based on a variety of activities being offered by the areas. It was thus found that Kisumu hotel offered a variety of services warranting its highest contribution. When asked about the

plans to improve IGAs, the respondents said that several measures were being put in place to improve IGAs like expanding the existing facilities, and ensuring the management is well equipped with the necessary managerial skills, that is development oriented management.

4.4.10 Level of satisfaction

The researcher finally sought to analyze the level of satisfaction of the respondents. From the respondents, 10% were very satisfied, 40% were satisfied and 20% were not satisfied while 30% were not sure.

Table 16 Level of satisfaction

Category	Frequency	Percentage
Very satisfied	3	10%
Satisfied	14	40%
Not satisfied	7	20%
Not sure	10	30%
Total	34	100%

Source: Research data (2010)

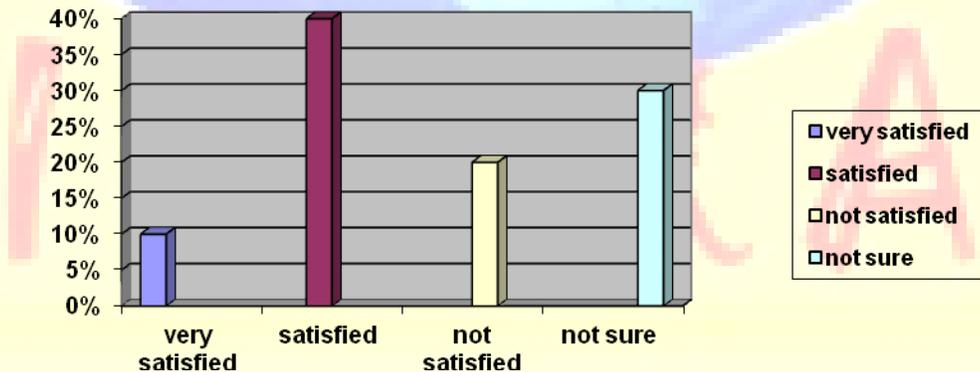


Figure 13 Level of satisfaction

Source: Research data (2010)

From the data, it could be noted that much as the majority of the respondents were satisfied, the level of satisfaction was wanting and thus a lot still needed to be done to improve on the satisfaction levels of the university with regard to IGAs. On the general views of the university,

the institution had made a progress with regard to its general operations, from academics, students' admission and the curriculum activities among many other areas.

CONCLUSION AND RECOMMENDATIONS

The study concluded that the Maseno university possesses in a number of IGAs and that most of their finances are generated from these IGAs institutions. The study also concluded that the progress of running IGAs has been hampered by inadequate funds for further expansion, lack of qualified personnel and lack of full support from the top management. The study finally concluded that Kisumu hotel is the best IGAs institution that has greatly generated the highest revenue among other IGAs institutions.

As a result of the role played by the IGAs not only at the Maseno university but in other universities, the researcher recommended that for its economic stability and to ensure proper maintenance of the existing facilities, IGAs must be at the fore front in championing for expansion of the facilities that ensures continued generation of revenue for the day to day activities within the university. The study also recommends competent management both at the university and IGAs institutions. Moreover, the research recommends IGAs institutions ensure recruitment of competent and qualified personnel at all levels of management for effective running of their facilities. More important is having the knowledge of the existence of IGAs in all departments because this may change the way people work, especially when they are aware of the satisfaction they get from its income. Therefore all departments should start IGAs in whichever way to avoid depending on what others have generated. This should start from the Heads of Department, Dean of Faculties and Directors of schools. Finally the direct Entry students' fees should be treated as IGAs as done in other Universities and also as requirement by the government. Accordingly, Maseno University has been unique on the way module 11 fee income is handled. According to the study the fee is received as income but the departments do not make a follow up of happens to it. The researcher recommends that the departments should make a follow that the money can be apportioned or shared prorata between the university and the workers.

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