

# Financing Higher Education Institutions in Africa: Possible Future Directions

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# Introduction

- There is demand-response imbalance in managing university financial issues in Africa
- Underfunding, over-dependency on public funds and tuition fees stifle universities
- Financial challenges shake the higher education institutions' autonomy
- Question: How can universities exist as autonomous in the absence of dependence upon a single or narrow base of support?

# Introduction cont...

- For over 30 years many universities in Eastern and Southern African countries were totally government universities and thus financed totally by the government
- Today: the snag is in managing *private* university finances in difficult times
- How can a *private* university meet both capital and operational costs?
- Should private universities just be for business or quality education?
- Fiscal contexts are crucial to resolve the problems

# The African University Context



**BIG CLASSES: 450 TO 500 STUDENTS**

# AFRICAN UNIVERSITY CONTEXT



SHARING OF UNIVERSITY COMPUTER  
LABARATORY

# Introduction cont...

- Private universities are mostly affected by community poverty elements compared to public universities since they don't get subsidies from the government
- The cost of technology, competition for faculty and staff, increased competition for students, rising costs of goods and services make it very difficult for universities to meet their desired goals

# Rationale

- The challenges and many other weaknesses in Tanzania have implications on access, equity and quality of higher education in many countries (Knight 2009)
- The study hypothesizes that, with the current *financial trends that exist in many African countries and universities, there is a growing mismatch between university revenues and their operational and capital expenditures*

# Rationale

- Learning about university budgetary history, internal structures and decision making structures are important in designing and forging the universities way forward (Barr & McClellan 2011:141)
- Questions: Is it possible for an African university to achieve the main goals of the university?
- Accra Declaration stated that all universities should become “Development University” (Wandira 1972).

# Data Collection Strategy

- This study consisted in documentary analysis of raw data and financial reports from five university colleges which are owned and operated by one board of owners or trustees from the year 2011 to 2014
- Both revenue and expenditure votes were analyzed
- Descriptive and inferential statistical techniques were employed

# Hypothesis

- The aim was to examine the extent to which tuition fees, administration fees, costs of accommodation and local financing predict the state of operational and capital expenditures in the universities
- *Hypothesis: with the current financial trends that exist in many African countries and universities, there is a growing mismatch between university revenues and their operational and capital expenditures*

# Study Findings

- Significant positive correlations between college size and revenue collected from tuition
- Significant positive correlations between tuition fees and operational expenditures
- No significant correlations between accommodation fees and any other votes of income or expenditure
- Table 1 below provides the means, standard deviations, number of respondents and correlations

# Table 1: Means, SD and Pearson Correlations

		Mean	SD	N	1	2	3	4	5	6
1	College Size	8.2	.79	5						
2	Tuition Fees	14.7	.92	5	.993(**)					
3	Admin Fees	13.0	1.1	5	.916(*)	.895(*)				
4	Accommodation Fees	11.3	1.2	4	.812	.870	.844			
5	Local Financing	11.3	1.2	5	.803	.837(*)	.838(*)	.927(*)		
6	Operational Expenditure	14.5	1.0	5	.997(**)	.993(**)	.936(**)	.847	.845(*)	
7	Capital Expenditure	13.0	1.6	5	.722	.665	.910(*)	.496	.665	.746

**\*\* Correlation is significant at the 0.01 level (1-tailed)**

**\* Correlation is significant at the 0.05 level (1-tailed)**

**Table 2: Regression Analysis to Test for the Variance Accounted for by IVs**

Variables	Model 1		Model 2	
	Operational Expenditure		Capital Expenditure	
	$\beta$	$\beta$	$\beta$	$\beta$
<b>Control Variable</b>				
College Size	.63 <sup>†</sup>	.52 <sup>†</sup>	1.4 <sup>†</sup>	1.01 <sup>†</sup>
<b>Independent Variables</b>				
Tuition Fees	-.78	-	-	-
Administration Fees	-	-	-	-
Accommodation Fees	1.3	1.5	-1.6	-1.7
Local Financing	1.45	1.8	1.3	1.5
$\Delta R^2$	-	.46 <sup>†</sup>	.36	.28
Model R <sup>2</sup>	.54 <sup>†</sup>	-	.64	.64
Adjusted R <sup>2</sup>	.316	-	.45	-
Model F	2.384	2.384	3.483	3.483
N	4	4	4	4

<sup>a</sup>Missing data and listwise deletion reduced sample size from 5 to 4. \*\*\*  $p < 0.001$ ; \*\*  $p < .01$ , \*  $p < 0.05$ , †  $p < .10$ ; all tests are one-tailed.

# OLS Results

- The regression analysis results showed no significant explanations of the independent variables to the dependent variables
- Only college size as a *control variable* explained change in the university expenditures both operational and capital
- Thus, *the hypothesis was not supported* except college size factor which accounted for changes in both revenue and expenditures

# Findings cont...

- Size of the college was significant in explaining the operational and capital expenditures
- The Model  $R^2$  was .54 ( $p < .10$ ). The standardized beta value was .52 ( $p < .10$ ) for operational expenditure and 1.01 ( $p < .10$ ) for capital expenditure
- Implication: one SD change in college size has significant changes in revenue and expenditures
- Overdependence in tuition fees is dangerous because it is also dependent on admissions

# Conclusions

- Financing higher learning institutions amid challenges associated with low students enrolment and too much dependence on tuition fees for university sustainability has both research and practical implications
- Universities are urged to look for alternative ways in order to manage universities with less dependence on tuition fees
- Local financing should be encouraged but expenditures on unnecessary things should be limited

# Conclusions cont...

- These financial challenges and limitations in managing higher learning institutions have implications for institutions and students who may not get fair and equitable access to higher education
- Amidst all these challenges, universities should strive to give quality education besides meager resources available

THANK YOU FOR LISTENING