International Journal of Educational Policy Research and Review Vol.1 (1), pp. 001-005, January 2014
Available online at http://www.journalissues.org/journals/ijeprr/

Original Research Paper

Financing higher education in Kenya: Public – Private partnership approach

Accepted 19 November, 2013

Calleb Gudo

Faculty of Education and Arts,
KCA University – Kenya.

Author
E-mail:callebgudo@yahoo.com

Higher education in Kenya is characterized by students' preference for public universities due to government financial support associated with such an admission. This demand for university education has significantly increased and continues to swell against a backdrop of decreasing ratio of financial allocation to universities from the Government. Since 2000/1 academic year, only about 6% of registered Kenya Certificate of Secondary Education candidates, which is an equivalent of 25% of candidates who meet minimum university entry requirements, gets admitted on Government sponsorship to public universities. It is this surplus supply of qualified students that created market for privatization of university education in public and private universities in Kenya. It is argued in this paper that the current arrangement in financing higher education in Kenya is inadequate. It is recommended that the Government develops instruments that encourage public – private partnership in provision of physical learning facilities and non- discriminatory financial support to students in both public and private universities.

Key words: Public-private partnership, demand, privatization.

INTRODUCTION

Kenya operates 8-4-4 education system. This means learners take eight (8) years in primary, four (4) years in secondary and four (4) years for university education. Learners sit for summative examinations at the end of primary and secondary school cycles. The end-of-cycle examinations are important for selection and admission to the next levels; being secondary and university respectively. After four years in secondary school a student is expected to sit for Kenya Certificate of Secondary Education (KCSE).

The demand for university education in Kenya has significantly increased and continues to swell. Many secondary school graduates and the working class continue to look for opportunities to pursue university education. The result is a rapid rise in student enrolment not only in public universities, but also in private universities as shown in Table 1.

The student enrolment shown in Table 1 above relates to data from seven public universities and eleven accredited private universities in Kenya. The Table illustrates fluctuating rate of increase in student enrolment in both public and private universities. The fluctuations were higher among private universities.

In the 2009/10 academic year, most private universities recorded a decline in student enrolment. Some attracted only about 50% or as low as 11.62% of previous year's enrolment. This indicated high level of fragility of private universities. In the same academic year, public universities experienced a steep increase in student enrolment. This was attributed to expansion of capacity among the existing public universities. This expansion had to do with opening new constituent colleges and campuses. Growth in student enrolment has been considered as a revenue stream for public universities and business opportunity for private sector investors in higher education. Since 2002/03 academic year this increase has been high and is believed to have been accompanied by decline in quality of university education (Gudo et al, 2011).

Universities Joint Admissions Board (JAB) normally admits fresh KCSE qualifiers who gain direct entry to

Table 1.Student Enrolment in Kenyan Universities, 2002/03 – 2010/11

Type of University		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/2011
Public	Enrolment	71,832	72,550	81,491	81,677	91,337	97,107	100,648	122,700	150,926
	Yearly increase as a %		1.0	12.32	0.23	11.83	6.32	3.65	21.91	23.0
Private	Enrolment	8,680	9,541	12,660	13,606	20,892	21,132	22,198	20,089	31,327
	Yearly increase as a %		9.92	32.69	7.47	53.55	1.15	5.05	-9.5	55.95

Sources: Statistical Abstract (Republic of Kenya, 2009, 2011).

Table 2. Number of Candidates with C+ and above in KCSE (2001-2006)

Year	No. of candidates scoring C+ and above	Total no. of candidates registered	% of candidates scoring C+ and above	Module I Candidates admitted	No of candidates admitted as a% of no. with C+ and above
2001	42,158	194,798	21.64	10,966	26.012
2002	42,721	198,076	21.57	10,923	25.568
2003	49,870	205,730	24.24	10,263	20.58
2004	58,230	219,405	26.54	10,632	18.259
2005	68,030	260,665	26.10	12,479	18.343
2006	63,104	243,453	25.92	16,151	25.595

Sources: Financing University Education in Kenya: A Report to the Ministry of Higher Education Science and Technology (2009).

universities based on individual performance and the agreed cut-off points in any year. However, the self sponsored students apply directly to respective universities, which decide on the students to admit or not. The Table above shows the number of students who obtained grade C+ and above in KCSE, thus, qualifying for university admission through JAB.

Table 2 above shows that only about 25% of students qualifying for university admission get admitted to public universities. This number of students admitted through JAB is about 6% of the total candidates taking KCSE. The Joint Admissions Board (JAB) through a merit-based selection criteria accords the best candidates the chance to study in public universities in their respective areas of interest. Capacity constraints, in universities are magnified by increases in the number of secondary school graduates who qualify for higher education.

While university expansion has led to increased access, the quality of the education provided raise serious concern. Educationists have argued that the raise in student enrolment was implemented without specific staff recruitment and expansion or upgrades of learning resources at the universities, thus adversely affecting the quality of education in public universities (Mayunga, Stefan & Christoph, 2009; Kiamba 2004 & Sihanya (2009).

Statement of the Problem

The large number of qualified students missing opportunity to pursue university education is largely due to inability of the Government to put up facilities or afford financial assistance to pay direct and indirect costs of higher education (tuition fees, books, and living expenses). Thus, there is need to find solutions aimed at increasing transition of students qualifying for university admission.

The question that should be answered is: What form of higher education students' financing should Kenya government adopt? The study therefore sought to determine sustainable university education financing system that can be adopted to support qualifying university students in Kenya.

METHODOLOGY AND LIMITATION OF THE STUDY

This was a desk top research and did not involve field inquiry. The research relied on information available on websites and publications of government agencies. In future, funds may be obtained to facilitate field inquiry. The information used in this document are believed to be authentic and provided by the relevant bodies to engage the public in meaningful discussion. The study sought to identify sustainable ways by which the Kenya government could satisfy financial needs for universities and the students who qualify for admission into the institutions.

The limitation of this study is that it is based on secondary sources of information. It is possible that field inquiry could have provided more elucidating information. However, the study provides very useful insights in financing university education.

Literature review: A comparative view

Both economists and educators are in agreement that

Table 3. Expenditure for University Education in Kenya 2007/08 – 2011/12 (Kshs million)

Description	**2007/2008**	**2008/2009**	**2009/2010**	**2010/2011**	**2011/2012**	**% Drop or increase**
Recurrent expenditure	10,941.5	12,899.8	16,266.5	33,784.5	31,137.4	7.8
DevelopmentExpenditure	693.0	1,967.0	2,340.4	3,022.2	7,404.7	145.0

Source*:* Economic Survey (Republic of Kenya, 2012).

human capital plays a substantial role in achieving higher economic growth and increased labor productivity for a country. It is believed that an individual, firm or nation's decision to invest in human capital is as important as many other investments. This investment involves initial costs like tuition fees and foregone earnings while at school which the individual, firm or nation hopes to obtain a return in the future through increased earnings and productivity (Benjamin et al, 2011). A study by Chou (2003) found that 42 percent of Australian economic growth between 1960 and 2000 was attributable to the rise in educational attainment. Studies have also shown that in families without a history of participation in tertiary education, the expectations of attending university among their children is unclear (Bowers-Brown, 2006).

Since 1989, most Australian students contribute to the cost of their higher education through the Higher Education Contribution Scheme (HECS). It is a loan which students in Australia can take to help cover their higher education costs. HECS was designed to ensure university access to all students regardless of socio-economic background. Besides HECS, there are a variety of public and university financial grants, scholarships, bursaries and loan support schemes available to tertiary students to cover living expenses such as rent, transport, health care and subsistence (Commonwealth of Australia, 2005). Beneficiaries start repaying loans once their annual salaries reach the minimum threshold for compulsory repayment. Each income range has a repayment rate, which increases with the former student's income. The repayment rates range from 4 percent at the lowest income level to 8 percent at the highest.

In Singapore, the Government subsidizes the high cost of tertiary education through the Tuition Grant Scheme (TGS). The TGS is open to all students enrolled for full time undergraduate and diploma courses. Students who receive the tuition grant are required to pay the difference, referred to as *direct payment.* In addition to the Tuition Grant Scheme, students are eligible for a Tuition Fee Loan, a Study Loan or a Central Provident Fund Board loan subject to eligibility criteria. The repayments of loans have a grace period which extends to a few years after completion of study and interest rates are lower than the market rates (MOES, 2008).

Student loans are currently the main form of student aid, as in the U.S., Germany, and Sweden. Interest rate subsidies from government meant that students received a substantial *effective grant,* which ranged from 15 to 33 percent of the value of the loan in the U.S., 40 to 60 percent in Sweden, and 70 to 82 percent in Germany. This substantial subsidy, however, was "too often unappreciated by most students or their parents" (Woodhall, 2007).

According to World Bank (2010), in order for Sub-Saharan Africa to reap the benefits of investment in human capital, higher education institutions must have sufficient financing to provide quality training and sound professional prospects to their students. Economic pressure and a huge expansion in demand for higher education have led higher education institutions in the world to seek alternative sources of revenue to finance their activities.

The Kenya government proposed in its 1970-74 and 1974-1978 Development Plans to withdraw grants to students at the university in favour of a loan scheme (Republic of Kenya 1974 & 1978). Thus, in the 1974/75 academic year, the government withdrew the students' free education in favour of a Students' Loan Scheme for all those who wanted to pursue university education (Republic of Kenya, 1983).

Noble as it was, the Students' Loan Scheme faced difficulties in loan recovery (HELB, 2002). This prompted the government to create Higher Education Loans Board (HELB) through an Act of parliament in the year 1995 to monitor the university loan scheme and ensure efficiency in loan recoveries from past recipients.

Currently public universities receive most of their funding from the government. Of this amount, about eighty percent (80%) of government capitation to public universities goes to pay emoluments leaving only twenty percent (20%) for operations and maintenance. Private universities on the other hand, fund themselves through tuition fees and they are run as 'not-for-profit' trusts. They do not receive any direct benefits from the government. They can, however, apply for tax waivers on some imported equipment (Republic of Kenya, 2009).

University education and training is expensive and requires considerable investment. In 2009/10, the proportion of public spending by the Kenya government at university level as percentage of total education allocation was estimated at 11%. This excluded direct household financing paid by students.

Table 3 above shows that the recurrent expenditure on university education in Kenya was expected to decline by 7.8% in the fiscal year 2011/2012 while the development expenditure for university during the same period was expected to more than double. It is difficult to explain the

Table 4. Sources of Student Finance

Sources of Finance	Kshs	%
Grant from Government – Student Loans	2, 120, 000,000	44.067
Grant from Government – Bursaries to Students	82,387,048	1.713
Amount Utilized from Loan Recoveries	2,608,489,202	54.221
Total Financing for the Year	4,810,876,250	100.001

Source: HELB. (Sunday Nation July 8, 2012)

decline in recurrent expenditure, but the increase in development expenditure could be attributed to the expected double intake by the universities later in the year.

Higher Education Loans Board (HELB) is the agency used by the Kenya government to give financial support to Kenyans pursuing university education. During the financial year 2011/2012, the Board disbursed a total of Kshs 4,810,876,250 to 133,091 Kenyan students pursuing undergraduate and post graduate education in Kenya and other East African Community countries.

Table 4 above shows that amounts recovered from previous beneficiaries government support is the major source of finance for students' support accounting followed by grants from the government.

Table 5 below shows that majority of beneficiaries of HELB loans are undergraduate students. It also shows that only 141,998 of students applied for financial support. This is disturbing in view of large number of KCSE candidates qualifying for university admission and the number of self sponsored students admitted in universities against prevailing poverty levels in the country. One would have expected a larger number of applicants. This pointed to lack of adequate information on availability of such students' support.

Literature on funding university education in Kenya confirms that public funding is inadequate (Republic of Kenya, 2012). This is likely to affect input-output relationships and reduce the quality of university outputs in terms of teaching, research and provision of services critical to the economy. Secondly, the Kenyan economy has witnessed a fluctuation due to recent global recession and exogenous shocks, growing by 2.6% in 2009 from 1.6% in 2008.

An education taskforce (Republic of Kenya, 2009) identified possible university funding sources as the government, family households, the private sector, market financial instruments like university education bonds, guaranteed loans, university education insurance fund, endowment funds and income generating activities. It should be noted that HELB currently gives loans and bursaries to undergraduate while postgraduate students are eligible for loans and scholarships.

From the discussions above, it is apparent that many countries not only appreciated the need for financial support to university students, but have adopted several strategies to provide this support. These experiences offer lessons in formulating sustainable strategies that Kenya government and its relevant agencies can adopt to design the content and detail of its own financial support for university education. In the circumstances, the financial support available through HELB reach a negligible number of potential beneficiaries. Secondly, majority of students enrolled in the private universities and the self sponsored in public universities come from the middle class social group – those who can afford to pay fees. Where does this leave the qualified students from the peasantry?

Whereas we appreciate, the role played by universities in this country to expand research and knowledge base alongside meeting social and economic needs for a highly educated and skilled population, that education should of necessity be characterized by quality, equity of access and inclusiveness of students from diverse social and economic background.

RECOMMENDATIONS

1. There is need for the government to put the economy on a high growth path at rate of 10% or above and scale up wealth generation programmes. This will give the Government capacity to commit increased funds to higher education. This growth rate is possible as the Jubilee government is focusing its attention to achieving 7-10% growth rate in its first two years in government (Kenyatta, 2013).
2. The next frontier to funding higher education in Kenya is an innovative engagement of the private sector. Ways of involving private may include:

a) HELB should enter into a credit facility agreement with selected commercial banks. Through this partnership, the banks will match Kshs 4 for every shilling invested by HELB, thus expanding the fund four-fold from the current Kshs 4.8 billion to Kshs 19.2 billion. This would increase significantly the number of higher education student beneficiaries. However, it may be costly the beneficiaries in terms of interest paid.

Currently those who graduated between 1974/75 and 1994/95 academic years repay their loans at an interest rate of 2%. Those who took loans from 1995/96 academic year to date are repaying their loan with an interest rate of 4%. (HELB, 2012). Commercial banks are likely to charge administration fees raising this percentage to a range of

Table 5. Disbursement Breakdown of amounts and students per category

Category	Amount (Kshs)	No. of Student applications	No. of Successful Students
Undergraduate Loan Awards	4,405,415,000	112,536	104,134 (93%)
Undergraduate (Working students) Loan Awards	40,400,000	912	808 (89%)
Postgraduate Loan Awards	136,626,250	1,220	1,128 (92%)
Bursary Awards	82,385,000	16,081	16,081 (100%)
Postgraduate Scholarship Awards	18,200,000	375	66 (18%)
Undergraduate Teaching Practice/Field Attachment	127,850,000	10,874	10,874 (100%)
TOTAL	**4,810,876,250**	**141,998**	**133,091 (93.727%)**

Source: HELB. (Sunday Nation July 8, 2012)

6-8%.

b) Raise money for University Student loans by floating a long term education bond. Kenyans have demonstrated willingness to invest their money, each time companies offer IPOs. This is offers great opportunity to finance higher education.

3. Government legislation encouraging local and foreign private sector investment in higher education. This may include:

a) Developing legislation encouraging universities to liaise with private sector to Build, Operate and Transfer (BOT) learning facilities after recovering their cost.

b) Subsidizing or providing infrastructure such as tarmac roads, electricity, and water to both private and public universities.

REFERENCES

Benjamin SJ, Marathamuthu MS, Muthaiyah S, Raman M (2011). Affordability of private tertiary education: a Malaysian study. Int. J. Soc. Econ. 38(4): 382-406.

Bowers-Brown T (2006). Widening participation in higher education amongst students from disadvantaged socio-economic groups. Tertiary Educ. Manag.. 12(1): 59-74.

Chou YK (2003). The Australian growth experience, 1960-2000: human capital, R&D or steady-state growth? Australian Econ. Rev. 36: 397-414.

Commonwealth of Australia (2005). Financing Higher Education in Australia.

Gudo CO, Olel MA, Oanda IO (2011). University Expansion in Kenya and Issues of Quality Education: Challenges and Opportunities. Int. J. Bus. Soc. Sci. 2 (20): 203 – 214.

Higher Education Loans Board (HELB) (2002). Higher Education Loans Board (HELB) Review.

Higher Education Loans Board (HELB) (2012). Sunday Nation July 8, P.19.

Kenyatta U (2013). The Harmonised Jubilee Coalition Manifesto. Agenda for Kenya 2013-2017 and Beyond. (www.scribd.com/doc extracted on November 18, 2013)

Ministry of Education - Singapore (2008). Educational Factsheet .

Republic of Kenya (2009). Financing University Education in Kenya: A Report to the Ministry of Higher Education Science and Technology. Nairobi. Government Printer.

Republic of Kenya (2009). Statistical Abstract. Nairobi. Government Printer.

Republic of Kenya (2011). Statistical Abstract. Nairobi. Government Printer.

Republic of Kenya (2012). Economic Survey. Nairobi. Government Printer.

Woodhall M (2007). Funding Higher Education: The Contribution of Economic Thinking to Debate and Policy Development. Washington DC. World Bank.

Cite this article as : Gudo C (2014).Financing higher education in Kenya: Public – Private partnership approach .Int. J Educ. Policy Res. Rev.1(1):001-005.