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INFLUENCE OF ENDOWMENT FUNDS MOBILIZATION ON FINANCIAL SUSTAINABILITY OF UNIVERSITIES IN KENYA

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ABSTRACT

Public and private higher education institutions in Kenya have increasingly faced challenges of financial unsustainability in recent years. Achieving financial sustainability requires institutions to secure regular and reliable internally generated funds to support their operations. In the context of dwindling government funding, escalating operational costs, rising debts, and deteriorating infrastructure, universities are under mounting pressure to identify and implement alternative income-generating strategies while preserving academic quality and institutional viability. This study evaluated the influence of **financial resource mobilization strategies** on the **financial sustainability** of universities in Kenya. Specifically, the research examined the impact of **Endowment funds mobilization** on financial sustainability. The study was supported and anchored on Resource Mobilization Theory. A sample of 64 universities comprising 34 public and 30 private institutions was drawn from a population of 76 chartered universities in Kenya as of December 31, 2022, using Yamane's formula. Stratified sampling ensured proportional representation. Primary data were collected from 290 senior university officers through structured, self-administered questionnaires. Instrument reliability was confirmed with a Cronbach's alpha coefficient exceeding 0.9, surpassing the 0.7 threshold. Secondary data were obtained from university reports and audited financial statements covering the period 2018–2022. Data analysis involved descriptive and inferential statistics, with hypothesis testing conducted using binary logistic regression at a 95% confidence level ($\alpha = 0.05$). Chi-square analysis was used to determine the association between endowment funds mobilization and financial sustainability in the Kenyan Universities. The study found a significant association between endowment funds mobilization and financial sustainability in the Kenyan Universities at the 5% level ($P < 0.05$). As shown by the Nagelkerke R Square percentages, Endowment funds mobilization account for 68.5% of the variation, confirming its importance as a long-term funding mechanism. From the findings of multivariate regression analysis, it was clear that endowment funds mobilization is significantly associated with financial sustainability ($P = 0.004$). If endowment funds are mobilized, universities in Kenya are 2.900 times more likely to achieve financial sustainability ($OR = 2.900$) compared to those that do not implement such strategies.

KEYWORDS: Endowment funds Mobilization, Financial Resource Mobilization strategies, Financial sustainability

1.0 INTRODUCTION

The ability of an organization to diversify its revenue streams while recognizing and evaluating all of the costs required to run its business both now and in the future is known as financial sustainability (Afriyie, 2015). According to Wachira (2018), an institution is deemed financially sustainable if it can bring in sufficient finances to pay for its current and future commitments without sacrificing those endeavors.

Financial sustainability refers to the state of an institution's finances, highlighting a favorable ratio of income to expenses and effective resource management in operational operations while taking standard environmental considerations into account (Koleda & Oganisjana, 2015).



Higher education institutions in wealthy and developing nations alike have realized that money from trade and industry is growing in importance and gradually making up a larger share of overall revenue. The perception of universities as purely educational institutions is gradually being replaced by the perception that they are crucial centers of economic advancement (Twene, 2014).

Universities across the globe are increasingly turning to endowment funds as a strategic mechanism to ensure long-term financial stability. Endowments not only buffer institutions against fluctuations in tuition revenue but also support critical academic functions such as scholarships, research, and infrastructural development (McPherson & Schapiro, 2021). Prestigious institutions like Harvard and Yale have demonstrated how robust endowment management can reinforce institutional excellence and autonomy (Alexander, 2000).

In the Kenyan context, however, endowment funds remain significantly underutilized. Most public and private universities continue to rely heavily on government subventions and student fees, both of which have proven volatile and insufficient in the face of rising operational costs, staff remuneration demands, and infrastructure deterioration (Waithaka, 2020). The absence of comprehensive endowment policies, limited alumni engagement, and weak philanthropic culture further constrain the development of sustainable financial buffers in Kenyan universities. Consequently, institutions are vulnerable to fiscal shocks, especially during periods of reduced enrollment or delayed government disbursements (CHE, 2022).

Mobilizing endowment funds presents a viable avenue for diversifying university revenue streams, strengthening financial sustainability, and supporting long-term strategic priorities. It also reflects a shift toward entrepreneurial university governance where resource generation is aligned with institutional vision and public accountability (Obamba & Mwema, 2009). This study aimed at evaluating the influence of Endowment funds mobilization on financial sustainability of universities in Kenya.

2.0 PAST STUDIES

Mahamood and Rahman (2015) study on endowment finance for universities to elucidate the function of endowments in augmenting university income. The results showed that endowments contributed significantly to institutions' income, improving their sustainability and quality. According to Kathomi's (2022) observations, endowment trust monies were distributed more to private universities than to state universities. The study concluded that private institutions were more successful than public universities in luring outside partners who had made contributions to trust funds and endowment coffers. Nevertheless, the endowment trust funds' revenue margin indicates that it is insufficient to augment the current financial sources.

Teferra (2015) provides clarification that endowments were established for both developed and poor countries in Africa. For example, the Kibaki Endowment Chair was established in Uganda on February 13, 2015. A contribution to the multibillion dollar university library was made possible by Kibaki's 4.6 billion gift to Makerere University (The Star, 2015). Wanzala (2017) argued that endowment fund mobilization has become a necessary financial strategy in Kenyan universities to mitigate delayed government disbursements and maintain operational continuity. Kathomi (2022) found that endowment funds serve as critical instruments for building long-term financial sustainability, especially in public universities facing declining government support. Leal-Filho et al. (2018) emphasized that endowment funds play a pivotal role in institutional financial sustainability by supporting operations independent of fluctuating state funding, a strategy applicable to the Kenyan higher education context.

3.0 MATERIALS AND METHODS

The present study employed a descriptive research methodology. The study made use of a deliberate sampling of the Finance officers, Registrar administration, Human resource managers, ICT Managers and Resource mobilization executives from the chosen universities. According to the goals of the research, the five university cadres are crucial in providing administrative and financial data. Primary as well as secondary data was used in the research. The yearly financial statements and financial analysis of the sampled universities covering the 5-year period from 2018 to 2022 was the source of secondary data collection. According to Kothari (2004), secondary data are those that have previously undergone statistical analysis and were gathered by another party.

The statistical formula devised by Yamane (1967) was used to determine the sample size as follows;

$$n = N / 1 + N(e)^2$$



Where n is the sample size from the population of the study, N is the population of 76 Universities under study and e is the sampling error at 95% confidence level which is 5% significance for this study. Therefore, the sample size will be

$$n = 76/1 + 76(0.05)^2 = 64 \text{ Universities}$$

Stratified random sampling also known as proportionate sampling, a method suitable once sub-populations contained in the total population differ, was used for identifying the sample size per stratum. The method ensures that there is no bias in determining the sample size. Stratified sampling involves a process of segregation followed by a random or purposive sampling from each stratum. Simple random sampling method is one in which each and every member of the population has an equal chance of being selected as respondents (Mugenda & Mugenda, 2013). Consequently, 30 private universities and 34 public universities made up the sample from the strata.

Participants were requested to fill out questionnaires in order to collect the primary data. Pre-written questions and answers to which respondents record their responses are called questionnaires, and they are an excellent tool for obtaining information from a big group in a short period of time (Sekaran, 2018). According to Kothari (2019), the questionnaire is the best method for quickly collecting a significant quantity of data. Anonymity provides a level of security while guaranteeing that all information is consistent (Chandran, 2021). The questionnaire was selected as a proper tool for this investigation for the above reasons

Responses were made as simple as possible by using a well-designed questionnaire. They incorporated both open-ended and closed-ended questions on the survey. Two parts are included in the questionnaire. In the first phase, respondents' biographical information was gathered and data on the study's variables was gathered in the second half. Descriptive and inferential analysis was done. Results and findings were presented on tables, charts and graphs.

4.0 RESULTS AND DISCUSSIONS

Demographic Information

Questionnaires were issued to 290 respondents and 215 of them were received back accounting for a return rate of 74 % and non-return rate of 26% which was partially credited to half-finished, not returned and unfilled questionnaires. Wimmer and Dominick (2012) supports a rate of return of 21-70% as sufficient, gives assurance for accuracy, reduces biasness and as acceptable for the questionnaires that are self-administered hence 74% is acceptable in this study.

Descriptive Analysis of Endowment funds mobilization Variable

The study sought to determine the impact of Endowment funds mobilization on Financial sustainability by requesting the respondents to indicate the extent to which they agree with the statements.

Table 1 :Summary of Frequency Analysis of Endowment funds mobilization ' Constructs

Statements	Disagree	Neutral	Agree	Mode
The University has Fund raising mobilization activities in place	13.5% (29)	15.8% (34)	70.7% (152)	4
Charitable donations form part of the income of the University	68.3% (147)	15.8% (34)	15.9% (34)	2
The University has Philanthropy support for its projects	73.9% (159)	11.2% (24)	14.9% (32)	2
Scholarship funds mobilizations net significant revenues	15.4% (33)	13.0% (28)	71.6% (154)	4
Alumni Fund Mobilization is done for the University	14.9% (32)	15.8% (34)	69.3% (149)	4
Endowment funds policy is in place and guides the resource mobilization	15.9% (34)	11.6% (25)	72.5% (156)	4

Source: Research Data (2025)



On the university's involvement in fundraising mobilization operations, 13.5% of respondents expressed disagreement with the assertion while a predominant 70.7% concurred that such activities exist and facilitate financial resource mobilization. The data indicated that 15.8% of the respondents may be uncertain or uninformed about these fundraising initiatives within the university. The mode of 4 signifies that the predominant reaction from participants was "Agree." This indicates that, among all the response options, a greater number of individuals selected "Agree" compared to the others. This indicates that most respondents typically perceive the university as actively participating in organized fundraising efforts to address its financial requirements.

HYPOTHESIS TESTING

Chi-square tests

Chi-square test of significance was done to test the study hypothesis and the relationship between IV (Endowment funds mobilization) and DV (Financial Sustainability) since the data is categorical in nature. The null hypothesis was tested by conducting Chi-square test to establish the association between Endowment funds mobilization and Financial Sustainability of Universities..

Table 2: Chi-Square Tests; Endowment funds mobilization and Financial sustainability

	Value	Asymptotic Significance (2-sided)	P-value
Pearson Chi-Square	126.286 ^a	.000	0.000
Likelihood Ratio	124.680	.000	0.000
N of Valid Cases	215		

Source: Research Data (2025)

Chi-square analysis was used to determine the association between endowment funds mobilization and financial sustainability. The study found a significant association between endowment funds mobilization and financial sustainability in the Kenyan Universities at the 5% level ($P < 0.05$). Therefore, the null hypothesis which assumes there is no association between the variables was rejected.

Table 3 : Endowment funds mobilization and financial sustainability cross tabulation

			Financial sustainability3 Recoded		Total
			No financial sustainability	There is financial sustainability	
Endowment Fund3 Recoded	There is adequate endowment funds strategies used	Count	49	10	59
		% within EndowmentFund3 Recoded	83.1%	16.9%	100.0%
		Count	10	146	156
	There is inadequate endowment funds strategies used	% within EndowmentFund3 Recoded	6.4%	93.6%	100.0%
		Count	59	156	215
		% within EndowmentFund3 Recoded	27.4%	72.6%	100.0%

Source: Research Data (2023)

The results from the cross-tabulation analysis show that, among those with an endowment fund, 83.1% felt there was no financial sustainability, while only 16.9% felt there was financial sustainability. In contrast, among those without an endowment fund, only 6.4% reported no financial sustainability, while a significant 93.6% reported there is financial sustainability. In total, 27.4% of respondents felt there was no financial sustainability, and 72.6% felt there was financial sustainability. This suggests that the presence of an endowment fund does not strongly correlate

with financial sustainability in this case, with those without an endowment fund reporting a much higher rate of financial sustainability compared to those with an endowment fund.

Logistic Regression Results

In addition to the use of Chi-square analysis to test the study hypothesis, it was important to run regression analysis tests. This is because from Chi-square analysis, the researcher gets insights ultimately on the relationship of the variables of interest while in regression analysis, insights on both the relationship of variables of interest and the actual contribution of each independent variable on dependent variable is given. Regression analysis being a statistical method, enables the researcher to confidently establish factors that mostly matter, those that can be ignored and their influence on each other. In order to establish if there was a relationship between Endowment funds mobilization and financial sustainability, regression analysis was done.

Table 4: Variables in the Equation-Endowment funds mobilization

Variable	B	S.E.		p-value	Odd Ratio
Endowment of funds mobilization					
There is inadequate endowment of funds mobilization in use(RC)					1.000
There is adequate endowment of funds mobilization in place	1.908	0.592	10.381	0.001	6.737

Source: Research Data (2025)

From the findings, it was evident that a significant relationship between endowment funds mobilization and financial sustainability (p value < 0.05) was established. It also showed that where there is endowment funds mobilization, Universities in Kenya are 6.737 times more likely to achieve financial sustainability compared to Universities in Kenya that do not practice endowment fund mobilization. Universities that actively engage in endowment fund mobilization are more likely to be financially sustainable because endowment funds provide a steady, long-term revenue source, which supplements tuition fees, government grants, and internally generated income. The association also implies that lack of endowment strategies correlates with financial vulnerability, meaning universities that neglect endowment building are at greater risk of experiencing financial distress.

5.0 CONCLUSION AND RECOMMENDATIONS

Conclusion

There is a strong statistical relationship between Endowment funds mobilization and financial sustainability of universities in Kenya at 5% significance level ($P < 0.05$). This led to the rejection of null hypothesis. This suggests that the ability of the universities to sustain their operations and deliver quality education is strongly influenced by the capacity to attract, manage, and grow endowment funds. Therefore, from the results, if University administrators or the owners of universities enabled endowment funds mobilization, financial sustainability would be achieved. University administrators must realize that reliance solely on tuition fees and government funding is unsustainable. The findings emphasize the need for universities to diversify revenue streams by actively developing robust endowment programs.

Recommendations for University Administrators

The findings regarding the significant positive influence of Endowment Funds Mobilization on financial sustainability suggest that university management should prioritize and strengthen efforts in this area. This could involve developing robust fundraising strategies for endowments and strategically allocating resources to enhance endowment fund initiatives. The significant association identified in the chi-square and binary regression analyses underscores the importance of effectively establishing and managing endowment funds and implementing fundraising initiatives. Managers need to carefully consider the interplay of this resource mobilization strategy with other factors and potentially optimize Financial sustainability.

Recommendations for Further Studies

Comparative studies could be conducted to examine the effectiveness of different financial resource mobilization strategies across public and private universities in Kenya, potentially identifying best practices specific to each type of institution. Secondly, the study focused on universities accredited by the CUE by December 2022. Future research



could explore the financial sustainability of newer universities or other types of higher education institutions in Kenya, such as TVET institutions and middle level colleges .

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