

Analysis of Financial Performance of Income Generating Activities in Public Higher Learning Institutions: Experience from Egerton University, Kenya

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Abstract

Income generating units have been in operation in Kenyan Public Universities since the 1990s. Their establishment was aimed at cushioning the Universities from the effects of the reduction of Government capitation to finance their recurrent and capital expenditure. However, most Public Universities in Kenya still suffer from financial distress despite the creation of these IGUs. This study sought to evaluate the financial performance of the IGUs at Egerton University and its former Constituent Colleges between 2003 and 2012. Secondary data was collected from financial statements from which key financial ratios were computed and used to analyze the financial performance of the IGUs over a period of ten years. Empirical results indicated that Module II study programs were the most profitable IGU. Furthermore, the IGUs recorded a fifteen percent rate of return on investment and a liquidity ratio of over 3. However, the declared surpluses did not take into account the personnel emoluments for the University staff working in the IGUs. There is need for public Universities to maintain accurate and complete sets of financial statements for informed decision making.

Keywords: Financial Performance, Income Generating Activities, Financing Public Universities.