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ASSESSMENT OF THE FACTORS INFLUENCING THE FINANCIAL PERFOMANCE OF FAITH BASED UNIVERSITIES IN KENYA: A CASE STUDY OF

THE PRESBYTERIAN UNIVERSITY OF EAST AFRICA

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ABSTRACT

Many universities in Kenya are struggling to meet their financial obligations and the private universities are greatly affected by this. This can be evidenced by the numerous cases in various media outlets and court complaints filed by various university stakeholders. The recent spot check audit by the commission of university education in Kenya Methodist University (KEMU), Catholic university of East Africa (CUEA) and the Presbyterian university of east Africa (PUEA) to ascertain their sustainability is a justification to this persistent trend. The educational transformations and the increasing demand for quality employable graduates has influenced the emergence and direction of private universities and education which has been phenomenal and widely accepted and as such, it is pertinent to monitor their financial performance.This study assessed the following factors influencing financial performance of faith-based universities in Kenya, the influence of student enrolment, agency relationship, management and government policies on financial performance of these institutions. The theories that were considered in this study were the theory of the firm, stakeholder theory agency and stewardship theory. The study adopted a descriptive research design with a target population of 138 members of staff at the Presbyterian university at main campus. According to Kothari (2000), descriptive research design is used when the problem has been defined specifically and where the researcher has certain issues to be described by the respondents about the problem. The Data was collected mainly by use of questionnaire method and where necessary applied observation and interviews.The findings reveal that there is a positive and significant direct influence between the agency relationship, student enrolment, management policies and government regulations on financial performance of faith-based Universities in Kenya.

Keywords: *Financial performance, Liquidity, Profitability and Finance.*

Background of the study

A growing body of literature suggests higher education is a critical driver of economic growth and competitiveness (Bloom, Canning, & Chan, 2006; Douglass, 2009; Johnson, 2002; Lin, 2009; Marshall, 1995; Mazzoleni, 2008; World Bank, 2002). For instance, In 2008, the government of Kenya unveiled a comprehensive and ambitious development plan aimed at transforming the country into a middle-income economy by 2030 (GoK, 2007) and education is one of key elements that has been given a lot of consideration toward achieving this by providing solutions to some of the major challenges facing the country. This importance shows that the financial performance of universities should be well managed so as to attain it. Financial performance is thus a paramount since it entails the degree to which financial objectives of the firm are being or have been accomplished. “It is the process of measuring the results of a firm's policies and operations in monetary terms (Weber, 2008)”.

The financial performance is generally determined by several factors according to various empirical studies. According to (Stierwald, 2009) the determinants of financial performance is influenced by variables like lagged profit, productivity level and size. Their measurement are based on profitability, liquidity, solvency, financial efficiency and repayment capacity (Goukasian, 2008)”.These variables are general in nature and do not address specific factors that influence the financial performance of specific firms hence the need to look further at a specific sector for assessment like the education industry.

World over, education is one of the vital pillars in economic and hence the importance attached to it by different stakeholders. The performance of this sector is closely monitored in all aspects to ensure that it achieves the desired objectives.

In view of this therefore, financial performance looks generally on how an organization is able to utilize its financial resources appropriately towards achieving the set objectives. This function plays a greater role since it’s the backbone of any business entity and failure to adhere to it leads to business failure. Currently there has been rising financial issues affecting many businesses and universities in the country found themselves in the mix that has greatly affected their operations.

Majority of private universities are struggling to meet their current financial mandate and the church based universities are the most affected by the situation due to the enormous obstacles that include and not limited to: difficulties in ensuring steady flow of qualified and potential students who can afford to pay for private university education, Healthy/stiff competition from public universities who have introduced parallel degree courses for full paying students , aggressive competition from foreign universities who have launched an aggressive campaign for recruiting local students apart from foreign ones and a lack of research focus comparable to public universities and offering specific and narrow programs. These are just part of the problems that have had an impact on the financial performance of the said universities and seem to emanate from governance, agency relationship, student numbers, inadequate funding and government policies. The objective of the study sought to assess the level of impact the variables on the financial performance and wellbeing of these ecclesiastical universities.

Many of the private universities particularly church based are struggling a lot to stay afloat in honoring their financial obligations. These shows the current policies being adopted from other sectors are not adequate enough to solve their level of capitalization hence the main aim of this study to assess the impact of the various variable on their financial performance.

A look at the church-based universities shows that, due to colonist and missionary work most of the world's leading universities have Christian roots. Universities like Yale, Havard, Oxford, Paris, Rome, Cambridge, Heidelberg, Copenhagen, etc. were founded as Christian institutions. These universities used to get full funding from the donors/sponsor to run their affairs thus had a solid financial performance and were able to finance all their obligations since they were not exposed to many challenges and business risks. The full funding ensured that the missionary were able to accomplish the objectives into advancement of healthcare, promotion of spiritual wellbeing and the enlightenment of citizens through education. They were centers for teaching and conducting research on various issues affecting the general society . The universities were responsible for the generation and dissemination of new knowledge which would facilitate inventions and innovations for the betterment of the general public. They also functioned as centres of vocational training for public service and church ministry. Most people went to the universities to gain marketable skills and graduate with degrees which would enable them to secure good employment in society. In order to attain this objective, the curriculum was designed to meet public needs. A variety of courses were offered including; theology, medicine, liberal arts, mathematics, and law. The universities trained people on critical thinking and application of analytical reason to solve problems. In addition to the above , the universities were expected to strengthen and disseminate the right religious faith and to instill Christian virtues among the students who would then serve as role models for the entire society. These three pillars show how the churches have been conducting their affairs in terms of providing knowledge, education and spiritual wellbeing hence the critical role they play in the sector and the need to look at their financial performance.

Back in the days, the pope and the emperor (or head of state) were the principal authorities who could grant permission to establish universities. The emperor granted charters to secular universities while ecclesiastical universities received their charters from the Pope. Since the 17th century, university charters are mainly granted by state agencies responsible for higher education. University charters all over the world continue to pursue the goals of both secular and ecclesiastical pioneer universities but each country has its own unique history regarding university education.

In Kenya, all universities are regulated by the commission of university education (CUE) formerly commission of higher education (CHE). Initially after it was established in 1995, it focused on the accreditation of private universities until 2013 when it was expanded to cover both public and private universities. According to the CUE, Private Universities are universities established in accordance with the Universities Act 1985(CAP 210B) and the Universities Rules, 1989 (Establishment of Universities, Standardization, accreditation and Supervision). According to C.U.E ,ten Christian founded universities have been chartered by while several others have received letters of interim authority. The granting of these charters and letters of interim authority plays a key role in helping the university improve on their financial performance through offering various programmes that attract students.

The Commission of university Education (CUE) is mandated with responsibility of ensuring that private universities adhere to the standards of a university. Kenya is currently leading the East Africa countries in the number of private Universities. "This is because Kenya was the region's first country to recognize the importance of private universities (Oketch, 2003)". Private universities in Kenya have notably increased owing to the growing demand for higher education and a subsequent strain on public universities to handle this demand. Oketch ,2004), "argues that the growth of Private University sector in Kenya has been fueled by several factors, including: the limited opportunities available in public universities, the constant closures of state funded universities, the need to complement government- managed higher institutions largely for their followers ".

The charters spelled out certain obligations and privileges for universities like ensuring that the ultimate goals were achieved, and the proper financial support granted so as to ensure that the universities operated smoothly. These state has completely changed and the universities find themselves going through tough times trying to accomplish the same mandate as above. A look at few institutions such as CUEA, KEMU,Africa Nazareth and PUEA shows there is a disconnect in terms of funding and thus the decision of CUE to conduct spontaneous audit check on their sustainability and financial performance well- being their main area of concern.

Statement of the problem

F**inancial performance** is an important part of running a business and thus should be handled with a lot of care since many businesses including learning institutions fail because of unsound financial management controls that govern their operations.Currently many universities in Kenya are struggling to meet their financial obligations and the private universities are greatly affected by this. This can be evidenced by the numerous cases in various media outlets and court complaints filed by various university stakeholders. The recent spot check audit by the commission of university education in Kenya Methodist University (KEMU), Catholic university of East Africa

(CUEA) and the Presbyterian university of east Africa (PUEA) to ascertain their sustainability is a justification to this persistent trend. This shows the general controls borrowed from other sectors are not working.

Corporate governance has a direct impact on financial performance since it determines how the institutions are run and managed in terms of allocation of various resources. Lack of proper governance structure leads to poor working relationship that result in inappropriate use of resources hence affects significantly the financial performance of these universities. Government is a key player in any business through various agency regulations that are there to ensure even playing ground. Through the commission of university education and ministry of education, the government has set out on how various institutions should be operated and the level of market to operate in.

Student population forms the main revenues centre for these universities in terms of revenue generation. Due to lack of enough student numbers who can help in revenue generation to break even, the universities have been operating under pressure to deliver on their daily obligations. All the universities are all running in the same basket to get students and there have been injustices to some due to the perceptions and prestige in the eyes of the public domain.

There have been previous researches done on the financial performance of public universities but very few in the area of private universities especially ecclesiastical universities has been lacking thus forcing these entities to apply the general recommendations given by the other findings. It is this gap that has led to the need of assessment of the factors that influence the financial performance of church-based universities in Kenya.

LITERATURE REVIEW

The impact on the debt policy is still ambiguous because of conflicting findings of scholars. Some scholars report a positive relation between inside ownership and debt (Dutta, 1999) while others report a negative relation (Jensen et al., 1992) (Theis and Casey, 1999) and according to (Ugurlu,2000), debt is not influenced by inside or institutional ownership. According to entrenchment hypothesis managerial controlled firms have lower debt ratios as compared to institutionally controlled firms (Ugurlu, 2000) .The agency problem was originally raised by Berle and Means (1932) who argued that agency costs might be incurred in the separation of ownership and control due to inconsistent interests of management and stockholders. Jensen and Meckling (1976) suggested that the incomplete contractual relationship between the principal and the agent might cause the agency problem. Separation of ownership and management does not come without costs. (Berle and Means ,1932) introduced the canonical agency problem by suggesting that dispersed ownership leads to less corporate monitoring. (Jensen and Meckling ,1976) further spurred the interest in the theoretical and empirical aspects of the modern theory of corporate finance by formalizing agency costs as a conflict of interest between managers and shareholders.

A closer look of the church based universities currently shows the principals are engaged in indoor battles with the agents since they don't want to give autonomy to these institutions .These fights have had great impact in the operations of the universities in terms of funding and managing the daily affairs particularly among the top brass which has led to inadequate financing and funding which is very detrimental to the performance of any organization and thus calls for prudent management. As a result of the conflict between the two parties their operations are greatly affected unlike public universities which are heavily financed by the government, Christian Universities depend greatly on the payment of fees as their main source of income. Most of church-based universities in Kenya are facing a new phenomenon which is a main financing challenge that is 'how to do more with less', Due to this situation, the two parties need to work in harmony for the betterment of the universities concerned. The legal distinction between a private and a public university lies in the source of funding. Since the owners are the main financiers of these universities they have to ensure that their set parameters are followed and achieved. The Universities (Establishment of Universities) Standardization, Accreditation and (Supervision Rules, 1989), stipulate that 'private university means a university with funds other than public funds. Public university means a university maintained or assisted out of public funds. In essence, law requires that private university funding be largely from non-public sources.' This definition is not only limiting but also challenges the concept of partnership in higher education. Due to this limitation a sound rational relationship is very paramount towards achieving the financial performance of the universities.

Universities rely heavily on the number of students to increase their revenue base hence financial performance. After half a century in which universities were financed directly by government, and students were supported by maintenance grants from the state, the introduction of tuition fees in 1998 signaled a new era, and a move that was hesitant at first, but now accelerating towards a free market in higher education. Due to this all universities are doing all they can within their disposal to increase student population in their institutions. It is believed that with the right number of students, they are able to improve on their cashflows thus leading to better financial performance. Successive governments have retreated further from direct funding, allowed the cap on fees to be raised, lifted restrictions on student numbers and put no limit on the amount that both local and foreign students can be charged. This has given liberty to various universities to charge fees that they hope will be able to cater for their financial obligations. Most of the universities base their fees charges on brand and perceptions in the eyes of the public. They also factor the level of the programmes and the level of competition in the market. To remain financially stable, while at the same time depending on tuition as the primary source of income, the private universities are ensuring that student enrolments remain steady. Kenyan private universities are not alone in this predicament. Virtually all private higher education institutions are tuition-driven, with tuition and fees accounting, on average, for about 60 per cent of total annual income (Taylor and Massy, 1996).

The adequacy of tuition and fees as a source of finance could also be scrutinized against their contribution to recurrent (operations) budgets in the institutions. A look at other developed countries shows that the increasing financialization of higher education, the process by which financial institutions and markets gain influence, raises fundamental questions about the place of universities in society. In order to service their debt, the sector is relying on the promise of future student numbers. But students who now leave university with an average of £44,000 of debt are being encouraged to think more like consumers, demanding returns on their investment. University leaders are being forced to rethink their priorities and the purpose of the education they provide. For university finance directors, the pressure to attract students, and their all-important fees, has intensified, while international applicants who are often charged twice as much as UK and EU nationals have become ever more attractive targets. In a further step to bring market forces into the sector, the government ended controls on student numbers, allowing universities to accept as many students as they like. This clearly shows the importance of students' numbers to the financial performance of these universities hence the changes in legislations.

In this study, enrolment has been used to refer to the number of students in the Universities at a time. Universities enrollment continues to jump in leaps and bounds as the number of students attending higher education institutions are reaching millions of students. Fueled by significant enrollment increases by minority and female students, as well as recent high school graduates and adult students, the number of students at campuses across the country increased significantly over the last few years. According to business daily newspaper (dated October 5th, 2017 page 2), the number of enrolment in private universities increased from 54,459 to 85,889 in the same period. This rise in number according to (HELB)has led to straining resources whose capitation has been growing at a slower pace. This is an indication that they are not able to fund the students and this normally leads to drain of resources to the universities concerned. These drain in resources can sometimes be very detrimental to the operations of the universities if they lack other sources of funding .Changes in higher education are not constant, as the importance of a College degree and the number of students enrolled keeps rising.

First, a trend toward higher skills has been deserved in countries and in the most-advanced developing countries. This is illustrated by recent data from Argentina, Brazil, and Mexico showing a rising rate of return for tertiary education, a reversal of earlier trends in the 1980s. Management of universities is focusing much on distance learning to reduce on the level of dependence on full time class teaching. This helps to increase space for universities by encouraging students to come in occasionally on a face-to-face interaction and spend much more of their time reading on their own.

In Kenya, nearly all universities have adopted these models of e-learningto attract many students thus help in improving their financial performance. Finally, universities are now resorting to exchange programmes. This is affected by students being attached to other universities either for research or active learning. This works mainly on international students of some universities who can study from other universities in their countries as the qualifications are awarded by various universities. This is aimed at reducing congestion at some universities by utilizing space within other universities that are already well established. As noted by (Coombs ,1987), continuing education is growing in importance because of the necessity to update knowledge and skills regularly. The traditional approach of getting a degree before starting one’s professional life is being progressively replaced by lifelong education. The traditional structure of the university as a pyramid with a majority of first-degree students and a smaller group of graduate students will be replaced by an inverted pyramid with a minority of first-time students, a larger group of students pursuing a second or third degree, and a majority of students enrolled in short-term continuing education. New training needs and competitive challenges will require many universities to transform their governance, structure, and mode of operation.

A key aspect is the ability to reorganize traditional disciplines, taking into consideration the emergence of new scientific and technological fields, such as biotechnology and advanced materials science, which require the creation of inter and multidisciplinary programs across traditional institutional barriers. The capacity of universities to enroll more students requires a careful study by each institution and potential revision of their master plans. Academic programs guide the direction of master plans and development of university infrastructure. It follows then that as program realignment is better understood in the context of the commission's report, the infrastructure required to support the realignment and existing capacity relative to required additional capacity of university facilities, will become clearer. But regardless of the outcome of such a process, the value of existing university infrastructure is significant, and costs associated with maintaining this asset even at current levels will be considerable. In his emphasis of the challenges of enrollment to education management, (Murang ,2004) gave the following explanation. “Universities have reached a level of failure to accommodate all the students they have. Some universities did not have enough classrooms or even a library. This limitation has greatly affected the student population in return affecting low financial performance of the institutions”. He expressed the following imaginations as some of the ways enrollment was affecting management; “imagine university without required courses or majors or grades. Imagine a degree only valid for five years. Imagine ranking institutions by their degree of Internet connectivity. Imagine a country whose main export earnings came from the sale of higher education services. Imagine a socialist country that charged full-cost tuition fees in public higher education. Are these science fiction images or real-life stories of a revolution in higher education? ”. (Brian ,2003) stresses that some states are looking at new ways to deal with changes in higher education institutions.

The deal with the private universities is just one of a number of strategies the government is mulling over as it moves to expand access to university education, to give the economy the much-needed human capital to drive its long-term growth strategy, Vision 2030. The government, for example, spend an extra US$293 million on its public universities during the next financial year (which began in July), potentially easing the admissions crisis and helping to improve the clinging quality of learning. This kind of funding has helped the universities in attaining their financial performance expectations in running their affairs. Many universities due to poor financial performance are not able to expand and improve greatly on their academic programmes. For years Kenya's government has been unable to bankroll universities to required levels because it has been weighed down by a budget deficit that hit the US$2 billion mark this year, 22% of the country's annual budget. Below-target government revenues in a challenging economic environment have only made matters worse.

The number of students in Kenya’s universities is soaring, up 28% in 2014 compared to 2017. But, contrary to expectations, the government has cut funding by 6% for the upcoming fiscal year, adjusting its higher education spending to US$588 million compared to the US$627.2 million allotted in 2014/15. The funding cuts makes it difficult for universities to cater to the growing numbers of students taking courses, and they will necessitate strategies to secure funds from alternative sources.(Gok,2007)
Universities were challenged by the Commission for University Education (CUE) to stop offering diploma and certificate courses by July 2015 although that directive is yet to be fully adopted. The universities were greatly against this policy since it had a direct impact on the revenues and could have a bigger impact on their financial performance. These courses had become more common in Kenyan universities both because of increasing student numbers and because they were good sources of revenue, and they were often the result of collaboration between universities and more commercially oriented colleges. The CUE order, which requires that such courses be offered only by colleges and technical institutes, were to effectively eliminate this source of revenue for universities thus affecting them adversely. Integral to the CUE decision to require universities to cease offering diplomas and certificates is an attempt to increase the quality of education offered in Kenya’s universities. The argument has been that offering these courses is “outside of the core function” of universities, and that students interested in them would be better suited to technical colleges. By requiring such students to attend technical institutes, the hope is for more places to be opened up for students to pursue university degrees. There are quite a number of universities struggling as result of this such as PUEA, KEMU, CUEA and Africa Nazareth University. Also underlying the government policies through CUE is a sense that universities have become too

focused on revenue generation to the detriment of quality and therefore the need by government to allocate more resources to both private and public universities to boost research and innovation.In order to boost financial aid to student the financial year 2015/16, the government through the Higher Education Loans Board (HELB) received US$83 million under the new budget, up from the current US$63 million and representing a 33% increase. This went to a great deal in promoting the universities revenues streams and helping in their operations by boosting their financial performance. (Economic Survey 2015)

According to the (education sector report ,by the treasury) on access to University Education, “the number of universities both public and private increased from 65 in 2013/2014 and 67 in 2014/15 to 70 in 2015/2016. This expansion in the number of universities has led to an increase in enrolment of students pursuing university education in both public and private universities to stand at 475,750 in 2015/2016 from 421,152 in 2014/2015 and 361,388 in 2013/2014. The number of students receiving university loans increased from 145,007 in 2013/14 to 167, 861 in 2014/2015 and further to 181,933 in 2015/16. The total amount of funds disbursed for undergraduate loans also increased from Kes 6.176 Billion in 2013/14 to 6.828 Billion in 2014/2015 and further to Kes 7.223 Billion in 2015/16. The number of students receiving scholarships also increased from 74 students in 2013/2014 and 75 students in 2014/15 to 83 students in 2015/16. In 2015/16. The number of students receiving bursary funds increased from 10,711 in 2013/14 to 15,174 in 2014/2015. A total of 15,171 students received bursary funds in 2015/16. The amount disbursed increased from 70.2 million in 2013/14 to 91.08 million in 2014/2015. In 2015/16 a total of Kes 92 million was disbursed as bursary”(education sector report) and republic Of Kenya, (2014) survey.
This is an indicator of how the government is playing a key in ensuring provision of education to its citizens, by doing so, it is helping the universities also improve of their finance health so that they can offer quality education so as to achieve the government vision of 2030 as enshrined in our constitution.

METHODOLOGY

The study adopted a descriptive research design. The target population consisted the employees of the Presbyterian university in main campus of the various job groups and significant number of the general public who access the services of the university. Data was analyzed qualitatively.

RESULTS AND DISCUSSIONS.

Relationship between the variables

Before verifying research hypotheses for the study, it is important to establish how respondents rated themselves on financial performance. The major aim for such representation is for the fact that, financial performance was our said dependent variable which was influenced by agency relationship, student enrolment, management policies and government regulations. Therefore, the following are descriptive statistics showing how respondents rated themselves on financial performance.

Agency relationship and financial performance.

Table: Responses on Agency relationship.

	SA		A		N		D		SD	
Statement	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**
There are many potential conflict of interest between the Principals and the agents in the University.	30	47%	26	40%	8	13%	0	0%	0	0%
The Principals provides an internal nomination process for the Universities agents	41	64%	20	31%	3	5%	0	0%	0	0%
The University has an internal written policy regarding B.O.D members having recurrent positions as directors in other Universities	31	48%	26	41%	6	9%	1	2%	0	0%
The University has unequivocal list of shares owned by the members of BOD	29	45%	29	45%	6	9%	0	0%	0	0%
The University provides formal performance appraisal review of the Principal managers regularly.	23	36%	27	42%	14	22%	0	0%	0	0%

KEY: ***SA****-Strongly Agree,* ***A****-Agree,* ***N****-Neutral,* ***D****-Disagree,* ***SD****-Strongly Disagree*

According to table 4.6, the highest response rate was noted on the second item, with frequency 41 (64%), respondents believed the principals provides an internal nomination process for the Universities agents which minimizes the conflicts of interest therefore strengthening agency relationship between the principals and agents.

Relationship between student enrolment and financial performance.

The responses in Table 4.7, represented most respondents 40 (62%) agreed that the University posts its enrollment for new students on the newspapers, social media platforms and internet which shows a high positive influence on the financial performance. This implied that student enrolment in faith-based universities is well constituted.

Table: Responses on student enrolment

	SA		A		N		D		SD	
Statement	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**
The University provides equal opportunities and access to information for students from different backgrounds.	26	40%	28	44%	10	16%	0	0%	0	0%
The University posts its enrollment for new students on the newspapers, social media platforms and internet.	40	62%	21	33%	3	5%	0	0%	0	0%
Majority of the students in the university are enrolled from the parishes established by the church and its environs	26	40%	33	51%	5	9%	0	0%	0	0%
Majority of the students admitted at the university selected the university as the first option of their choise and are from the christian community	27	42%	26	41%	11	17%	0	0%	0	0%
The university has been engaging the students requlary to own the university and make them the right ambassadors to market it appropriately to increase their numbers	29	45%	23	36%	12	18%	0	0%	0	0%

KEY: ***SA****-Strongly Agree*, ***A****-Agree*, ***N****-Neutral*, ***D****-Disagree*, ***SD****-Strongly Disagree*

Relationship between management policies and financial performance

Table: Responses on management policies

	SA		A		N		D		SD	
Statement	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**
The BOD is responsible for vision, mission and Strategic plan	24	38%	28	44%	8	13%	1	2%	3	4%
All candidates are given a written appointment letter as directors	40	62%	17	27%	3	5%	3	4%	1	2%
The University publishes and distributes its financial results and management analysis for analysts.	35	55%	23	36%	6	9%	0	0%	0	0%
The University posts its financial results and management analysis on the internet i.e through the Universities website.	17	27%	29	45%	14	22%	1	2%	3	4%
The Universities annual reports are clearly described.	23	36%	27	42%	14	22%	0	0%	0	0%

KEY: ***SA***-*Strongly Agree,* ***A***-*Agree,* ***N***-*Neutral,* ***D***-*Disagree,* ***SD***-*Strongly Disagree*

According totable 4.8, respondents highly believed that all candidates are given a written appointment letter as directors and the University publishes and distributes its financial results and management analysis for analysts which was proved by the policies set by the management with a response rate of 40 (62%) and 35 (55%) respectively.

Relationship between government regulations and financial performance.

Table 4.9: Responses on government regulations.

	SA		A		N		D		SD	
Statement	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**	**Freq**	**(%)**
The university has been adhering to the set rules and regulations by the goverment via its agencies to carry out its operations	24	38%	29	45%	8	13%	0	0%	3	4%
The university has been receiving adequate number of students from the goverment through the placement agency as per its capacity	40	62%	20	31%	3	5%	0	0%	1	2%
The goverment has been sending on timely basis the tuition fees allocation to the university to help in their operations	29	45%	27	42%	8	13%	0	0%	0	0%
The university has been sharing vital data/information with goverment agencies like cue, kups and helb to enable quality service delivery as per their mandate	24	38%	26	40%	14	22%	0	0%	0	0%

KEY: ***SA****-Strongly Agree,* ***A****-Agree,* ***N****-Neutral,* ***D****-Disagree,* ***SD****-Strongly Disagree*

The responses in table 4.9, represented most respondents 40 (62%) agreed that the university has been receiving adequate number of students from the government through the placement agency as per its capacity. This implied that Government regulations are well implemented and well put into action in the faith-based Universities.

Regression Analysis.

A regression analysis between the dependent variable and the independent variables was carried out where agency relationship, student enrolment, management policies and government regulation were the independent variables while the dependent variable was financial performance. Table 4.10 indicate that the r-squared for the model was 0.463, which indicates that the independent variables can be used to explain about 46% of the variation in financial performance of faith-based universities in Kenya.

Table: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813a	0.463	0.416	0.499928242

a. Predictors: (Constant),agency relationship, student enrolment, management policies, government regulation

Results in table 4.11 give the analysis of variances in the regression model. These results indicate that the model had an F-ratio of 5.600 which was significant at 0.2% level of significance. This result indicates that the overall regression model is statistically significant and is useful for prediction purposes at 5% significance level. This further indicates that the independent variables (agency relationship, student enrolment, management policies and government regulation) used are statistically significant in predicting financial performance of faith-based universities in Kenya.

Table 4.11: Analysis of Variances

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.511	4	0.504	5.600	.002a
	Residual	4.228	51	0.090		
	Total	5.739	55			

a. Predictors: (Constant),agency relationship, student enrolment, management policies, government regulation

b. Dependent Variable: financial performance

Results in table 4.12 below present the test of the statistical significance of the independent variables in the model. This provides the estimates of independent variables, their standard errorand the t-ratios. The table also provides the statistical significance of each independent variable in the regression model. The results indicate that Agency relationship had a t-ratio value of -2.716.This t-ratio is significant at 5% level of significance (0.009) which indicates that Agency relationship is a significant predictor of financial performance of faith-based Universities in Kenya. The estimate of coefficient value for agency relationshipis 0.179 which indicates that financial performance of faith-based Universities in Kenya is positively influenced by agency relationship.

The results indicate that the t-ratio for student enrolment for the university was 2.886. This t-ratio is significant at 5% level of significance (0.006) which indicates that student enrolment is a significant predictor of financial performance of faith-based Universities in Kenya. The estimate coefficient value for student enrolment is 0.195 which indicates that financial performance of faith-based Universities in Kenya is positively influenced by student enrolment.

The results indicate that the t-ratio for management policies was 2.743. This t-ratio issignificant at 5% level of significance (0.007) which indicates that management policies is a significant predictor of financial performance of faith-based Universities in Kenya. The estimate coefficient value for management policies is 0.122 which indicates that financial performance of faith-based Universities in Kenya is positively influenced by management policies.

The results indicate that the t-ratio for Government regulations was 2.642. This t-ratio is significant at 5% level of significance (0.008) which indicates that Government regulations is a significant predictor of financial performance of faith-based Universities in Kenya. The estimate coefficient value for Government regulations is 0.165 which indicates that financial performance of faith-based Universities in Kenya is positively influenced by Government regulations.

Table 4.12: Regression Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		**B**	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	0.907	0.232		3.908	0.000
	Agency relationship	0.179	0.066	0.351	2.716	0.009
	Student enrolment	0.195	0.067	0.422	2.886	0.006
	Management Policies	0.122	0.086	0.021	2.743	0.007
	Government regulations	0.165	0.058	0.032	2.642	0.008

a. Dependent Variable: Financial performance.

The multiple regression model becomes,

$$Y = 0.907 + 0.179X1 + 0.195X2 + 0.122X3 + 0.165X4 + \varepsilon$$

Where: Y = Financial performance

X1= Agency Relationship.

X2= Student Enrolment.

X3= Management Policies.

X4= Government Regulations.

E = Error term

Conclusions

The purpose of this study was to assess the factors influencing the financial performance of faith-based universities in Kenya. To achieve this, the study identified the research questions: What is the effect of agency relationship on the financial performance of the faith-based universities in Kenya? What is the effect of the student enrolment on the financial performance of church-based universities in Kenya? What is the effect of management policies on the financial performance of the mission-based universities in Kenya? How does government regulation affect the financial performance of church based private universities in Kenya?

The study utilized a descriptive research design using PUEA as a case of the study. The population of the study was drawn from employees of PUEA totalling 144 distributed across all the departments. Using a stratified random sampling technique, a sample size of 64 respondents was selected for inclusion in the study. Data collection was done using a questionnaire that was self-administered by the researcher. Collected data was inspected, keyed and coded into SPSS vs. 20 for analysis using descriptive statistics and inferential statistic. The analysed data was presented using tables for easy interpretation.

The findings reveal that there is a positive and significant direct influence between the agency relationship, student enrolment, management policies and government regulations on financial performance of faith-based Universities in Kenya. Based on the initial design of the constellation between variables, the results showed that the contribution of agency relationship variable on financial performance is 17.9%, student enrolment is 19.5%, management policies is 12.2% and Government regulations is 16.5%. Student enrolment indicated the highest individual contribution to the financial performance of faith-based Universities in Kenya. When combined, contribution of the four independent variables of agency relationship, student enrolment, management policies and government regulation reach 46.3% indicating the contribution of other variables not included in the model to predict on the financial performance are 53.7% confirming this model is of moderate goodness. Other researchers wishing to conduct similar studies may include other variables such as; capital structure, Universities culture, Universities risk and growth, total assets, liquidity ratio, debt equity ratio, Universities size, dividend yield, change in turnover, rate of returns (ROE, ROA, & ROI) and so forth. This confirms that it is necessary to conduct a comprehensive and critical analysis related to the factors influencing the financial performance of faith-based universities in Kenya.

Recommendations

This study recommends that faith-based universities should embrace and invest in agency relationship forming linkages with Shareholders, Principals, Managers and agents and other supplementary institutions since it will enable them to achieve competitive advantage as compared to other universities that are not investing in these strategies. There is a need to establish a working relationship in which both parties understand one another, agency executives should do their best to make sure every interaction feels personalized, and that they are providing honest feedback over lip service. Once the client understands that the agency has their business' best interests in mind, the relationship will flourish. Faith based Universities are also encouraged to embrace agency relationship to the fullest to achieve better financial performance. The mission-based Universities are also recommended to consider financial monitoring to be done by the board of managers and board sub-committees.

The study recommends that faith based Universities should set realistic enrolment goals which need to go beyond one number. They need to be segmented into subpopulations—major, ethnicity, geography, non-traditional, transfer, and so on.Also identify and secure sufficient resources to meet enrolment objectives plus develop an annual marketing and recruitment plan as well as a three-to-five-year strategic enrolment and revenue plan.The study also recommends that faith-based Universities should devote as much attention to student retention as they do to recruitment by developing a system for identifying which students need and want assistance, so they can help more succeed and graduate. Also, they should build a recruitment database and inquiry pool by design, not by chance and implement a strategic communications flow at various enrolment stages—inquiry, applicant, admit, deposit. Regardless of where a student enters the

The study recommends that management should respond swiftly to environmental changes and eroded value that arises fromcompetitor activities. To develop core competences there is need for good policies from the management and involvement of all stakeholders. This process of strategy choice will lead to motivation and commitment during implementation. For good involvement of stakeholders, communication must be efficient and effective. Cross-functional integration within the universities departments should be introduced to provide structural and administrative capabilities associated with cost minimization capability.

Management is responsible for making decisions which are expected to move the University towards goals and objectives attainment. Managers are considered as one of the critical assets of the University as well alongside with the employees. The decision managers play an important role in further aligning and determining the long-term objectives which may be critical to the success of the University in terms of financial performance. Hence, there is a strong need for the formulation of the specific model that addresses the relationship between management policies and the financial performance. Therefore, measures to boost the financial performance of the faith based

Universities are important. The study recommends formulation of measures to ensure to facilitate managerial policies in church-based Universities.

The study recommends that the government of Kenya be supportive to the faith based Universities by providing incentives to help them in implementing the corporate governance practices. Faith based Universities are also encouraged to embrace corporate governance to the fullest to achieve better financial performance.

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