Analyzing How Students Finance College Education: A Case
Study of Students at Usiu-Africa

BY

LEONIDA AMISI OTINDO

UNITED STATES INTERNATIONAL UNIVERSITY -
AFRICA

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ANALYZING HOW STUDENTS FINANCE COLLEGE EDUCATION: A CASE STUDY OF STUDENTS AT USIU-AFRICA

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LEONIDA AMISI OTINDO

A Project Report Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

FALL 2015
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than United States International University Africa in Nairobi for academic credit.

Signed: ________________________  Date: ________________________

Leonida Amisi Otindo (ID-630573)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________  Date: ________________________

Mr. Kepha Oyaro.

Signed: ________________________  Date: ________________________

Dean Chandaria School of Business
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ABSTRACT

The general objective of this study was to determine how students finance their college education with a focus on students at USIU-Africa. The study sought to analyse how students finance their college education due to the few scholars who have concentrated to the area like Conway (1998); DeBard (2003); Ebony (2007) and Zhan (2014). The study was guided by the specific objectives which included; to determine the sources of funds for students in financing their college education; to establish what drives students to various forms of financing their education; to identify the challenges students face in the method of choice they choose for financing their education and to evaluate the measures that can be taken by students to improve their financial situation.

Descriptive research design was used in this study and the research targeted a population of 5,871 students at USIU-Africa to take part in the research. Primary and secondary sources of data were used in this study where primary sources of data were collected by use of questionnaires that were administered to the students at USIU-Africa. Secondary data was collected from books, electronic journals and the internet. The data collected using questionnaires was analyzed using Statistical Package for Social Sciences (SPSS) and descriptive statistics such as mean, frequencies and percentages and inferential statistics such as regression and correlation analysis was generated. These findings were described and presented in tables and figures.

The findings of the study also revealed that majority of the respondents agreed that their income/Salary is inadequate, college education is quite expensive, they do not get employee education benefits where they work, they don’t know how to manage their personal finances, their family has a poor financial background, they do not want to incur debt as a result of their education, looking for instant cash to clear their fees. The finding of the study also revealed that students face various challenges while financing college education including Unstable finances due to lack of a stable income, lack of permanent job, high inflation and interest rates, little knowledge on how to manage finances, lack of security/Collateral to attach to an application to seek a loan from the bank for my education. Majority of the respondents agree that unemployment limits the sources of financing, employment opens an avenue for financing college education for Students, the government needs to offer tax incentives to Students to assist them in paying their tuition
fees, investment is a brilliant way of saving for college tuition fees, financial Literacy educates on saving, investing prioritizing needs and wants which can help Students plan how to cater for their college fees.

The study concludes that majority of the students agree that their source of financing does not only come from financial aid from the institution but others sources like; loans, personal savings, benefits from the employer, friends and family contribution, proceeds from investment, constituency development fund, county bursaries and non-governmental organizations. Majority of the respondents also agreed that their income/Salary is inadequate and college education is quite expensive. The study further concluded that students face various challenges while financing their college education including unstable finances, lack of permanent job, high inflation and interest rates, little knowledge on how to manage finances and lack of security/Collateral to attach to an application to seek a loan from the bank for their education.

The study recommends that institutions should continue providing funding for students because Institutions play an important role in ensuring that students stay in school. The study further recommends the need for university to consider reducing the cost of education so as enable students to finance their education. The government coming up with strategies that will aid students deal with the challenges facing them when it comes to financing their education is also recommended in this study. The study also recommends the need for students to make use of the available opportunities that are available to them when it comes to financing their education. There is also need for financial literacy to be instilled in college students and also at the workplace among employees making financial literacy a key strategy to help students improve their financial situations.
ACKNOWLEDGEMENT

I would like to thank my family and friends for their continued support and encouragement. I would also like to thank Mr. Kepha Oyar for his continuous support and guidance in writing this research. His significant evaluation of my work has made it possible for me to complete my project successfully. I would also like to express my gratitude to all respondents who participated in this research by taking their time to complete my survey and to provide me with data without which, this research would have been impossible. May God bless you All.
DEDICATION

I dedicate this project to Elizabeth Otindo and Pauline Laibon, without them this research would not have been possible.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

According to Paramasivan and Subramanian (2013) Finance is the art of science of managing money which includes financial service and financial instruments. It is also referred to the provision of money at the time when it is needed. It is one of the important parts of business management and plays a major role in every part of business. It is divided into private and public finance with private finance including Individual/personal finance and Business or Corporate Financial. On the other hand, public finance includes revenue and disbursement of Government resources such as Central Government, State Government and Semi-Government Financial matters (Khan and Jain, 2007). Financial Management according to Garman and Forgue (1994) include, budgeting, cash and credit card management, borrowing, expenditure management, tax management, risk management, income and asset protection, investments, retirement planning, and estate planning.

Private finance is the focus of this study which will focus on personal finance in analysing how Students finance their education. According to Garman and Forgue (1994), personal finances are considered important in achieving financial success which has to do with how people save, spend, protect, and invest their financial resources. According to the Standard model theory of Personal finance as discussed by Hull (2013), one will not be rich but will avoid being poor with good personal financial management which is what most people want. This theory discourages on debt and should not be let to grow or taken in the first place. He advises that one cannot build wealth until negative wealth has been erased and people should stop trying so hard until they have erased their debts.

In the promotion of economic growth, education is widely accepted as a leading instrument which is essential in the world for countries to be able to climb out of poverty (David, Canning and Chan, 2006). According to Bloom, Hartley and Rosovsky (2006), Public and private benefits are provided by higher education. Higher education creates greater tax revenue, increase savings and investment, and lead to a more entrepreneurial
and civic society. Nations health, population growth, governance and technology are improved greatly. This has been supported by the benefits of higher education observed in India enabling the country to leap into the world of economic stage stemming from its decades of long successful efforts to provide high-quality, technically oriented tertiary education to a significant number of its citizens (David et al. 2006).

To any country or society that desires socioeconomic development, stable democratic institutions and poverty reduction, higher education is crucial (Bruns, Mingat and Rakotomalala, 2003). Institutions of higher education serve as spaces for equipping students with advanced knowledge and skills equipping them for positions in government and private enterprises (Oketch, 2003).

Personal finance management then becomes necessary for Students which gives a background of how their education can be paid. The ability to manage personal finances has become increasingly important in today’s world and young people especially students must plan for long-term investments for their education, retirement, family and short term savings and borrowing for a down payment for a house, a car loan, among other things. Unfortunately, studies have shown that most Students do not have adequate knowledge of personal finances (EBRI, 2005; KPMG, 2005 and PSRA, 2006). This results in young people making the wrong decisions about their finances.

According to Luthje and Nikolaus (2003), Students form the better part of our society as a result of the contributions they bring to the society. These are young individuals between the ages of 21-40 with a college degree with 17.3 percent of this Students population involved with starting a business or managing one according to the Global Entrepreneurship Monitor (GEM). These businesses are seen to be technologically innovative with high growth potential. Students are also seen to attain the highest level of education among all age groups as indicated by an economist Enrico Moretti. He attributes this to the fact that for every college graduate who takes a job in an innovation industry, five additional jobs are eventually created in that city and as result regions with a well-educated population experience greater growth in per capita income (Brandstatter, 1997).
According to Smith (2014), Students also include those that have graduated from college but have struggled to find work and have resulted to going back to school for the graduate degree with the hope of increasing their chances of getting the graduate job they have always dreamed of. More reason to this is because almost half of recent graduates are in non-graduate jobs. The longer young people convince themselves that working in such jobs is a stepping stone to a better career, the more harmful it is to their long term job prospects. This results in most young people going back to school to further their studies.

The decision of going back to school for a young professional is coupled with thoughts of how fees will be settled and research shows some Students have thought about going back to school but the thought of financing their education puts them off. To which Hilary Whorrall, careers adviser at the University of Sheffield argues that Students need to make sure they understand why they're going back to study and establish if it is a good investment to make (Smith, 2014).

College education tuition fees have been increasing over the years in various countries worldwide. According to Campos (2015), over the past 35 years, college tuition has nearly quadrupled to $9,139 in 2014 dollars. This has resulted in low income and minority families barred to access college education due to high costs of college fees leading them to increasingly rely on loans to finance their children’s higher education (Long and Riley, 2007). Two thirds of college students in the US in 2008 completed their degrees by taking loans (Lewin, 2009). This is an illustration that many families’ income and savings are insufficient to cover the increasing cost of higher education. Policies of financial aid in colleges and universities have also changed to not only being need based but also merit based (Long and Riley, 2007). This has resulted to families and students to rely on private loans and government loans being the accessible option for them (Zhan, 2014).

In Africa, according to World Bank (2010), public investment of higher education over the last 15 years has been maintained with countries allocating nearly 0.78 percent of its Gross Domestic product (GPD) and 20 percent of its current public expenditure on education to this sector. In Kenya, local microeconomic changes and policy shifts of the funding agencies particularly the World Bank are characteristics of higher education financing (Gravenir, Wangenge and Njihia 2005). Higher education financing in Kenya
has passed through various funding regimes ranging from full support to cost sharing and private participation since Independence (Odebero, Bosire, Sang, Ngala and Ngware, 2007).

In the past, higher education was free in Kenya with the government covering both tuition and living expenses irrespective of the financial status of the students (Gravenir et al. (2005). Higher education was free at the time as the government wanted to have trained people to take over from the colonial masters. However this did not continue for long as, Odebero et.al., (2007) indicate that, the support for free higher education was a challenge to the national budget because of the increase of university demand which posed a challenge to the government and donor agencies. This made it difficult for the government to offer subsidized university education.

The World Bank published a paper on Education in Sub-Saharan Africa which recommended the African governments to increase participation of beneficiaries and families to relieve the National budget strain (World Bank, 1988). Fees were to be directly introduced to public universities by the African government. Recommendations from the World Bank were taken up by the government of Kenya because of poor performance of the economy and the government had to adjust their finances and reduce their expenditure on education by introducing cost sharing. This is whereby students and their families had to cover for their maintenance and tuition costs at the University (Republic of Kenya, 1988).

Uganda and Nigeria also adopted the recommendations of the World Bank and introduced cost sharing of higher education though it was met by stiff resistance. In Uganda students resisted the policy due to lack of financial aid in their universities for needy students (Ngolovoi, 2010). This was not any different in Nigeria where students resisted the cost sharing policy pointing to the fact that they were not involved in the formulation of the policy. Students argued that they could be more accepting of the policy if they were involved in decisions regarding tuition fees as well as financial aid (Obassi, 2002).

In response to families that were not able to raise the tuition fees, the government founded Higher education Loans Board (HELB) in 1995 with an attempt to address the needs of
those who were vulnerable as a result of the Structural Adjustment Policies (SAP’s) implemented at that time. This entity was supposed to give scholarships, bursaries and loans to Kenyan students who are needy and would want to pursue their studies in higher education. (Republic of Kenya, 1995; Odundo and Njeru, 2005). Universities also came up with financial aid programs and scholarships to help needy students get a chance to go through university and attain a degree, masters and even doctorate studies. Hence, it is against this background that the study aims to analyze how Students finance college education in Kenya.

United States International University-Africa (USIU-Africa) located in Nairobi, Kenya is the oldest private secular university in Eastern Africa. The university was founded by William C. Rust and registered under the Companies Act (Cap 486) on 18th September, 1969. USIU-Africa has had four Vice Chancellors at its helm including the founder William C. Rust, Dr. Dee Aker, 1981-1984; Dr. Lillian K. Beam, 1984-1994; and Professor Freida Brown director since 1994-1999 and has been Vice Chancellor since 1999. The university received its accreditation in 1999 from the Commission for Higher Education (CHE) in Kenya and in 2008 received accreditation as an independent university from the Western Association of School and Colleges (WASC) in the United States (USIU-Africa, 2015).

Over the years the university has grown to a student population of over 6,000 students including undergraduate, graduate and doctoral programs. The institution is quite multicultural and the student population is diverse with representation of students from 70 countries worldwide. The university has three schools which include the School of Business, School of humanities and school of Science and Technology and with a total faculty representation of 241 including fulltime and part-time lecturers. The faculty-student ratio includes 1:29 for Undergraduate students and 1:24 for Masters’ students (USIU-Africa, 2015).

The graduate students’ population at USIU-Africa is of 1085 students. This includes 6 Masters Programs and 3 executive Masters Programs at the university. Excluding the executive programs, the population of students in Masters Programs includes a total of 930 students. The undergraduate students’ population includes 4,786 students including
students in 11 degree programs. Important to note is that the graduate and undergraduate students include both working and non-working students who are referred as Students in this study (USIU-Africa, 2015).

**1.2 Statement of the Problem**

There is vague research on analysing how Students finance their college education. This is due to the few scholars who have focused on the area. Conway (1998) identifies the various ways of financing college education, DeBard (2003) evaluating on the alternative financing methods of college education and Ebony (2007) on funding a college education. Other studies like that of Zhan (2014) discuss the impact of youth debt on college graduation.

Studies have focused on how universities and colleges source for funds but not how the students finance their education. This is evidenced by studies conducted by Onyango (2001), Nyam (2008) and Maina (2002) who dealt with finances in the area of effective and efficient management of schools, effectiveness of accounting systems and management of school finances according to Union List of Dissertations from the year 2000 to 2008. Onyango (2001) determined the competences needed by head teachers for effective and efficient management and leadership of secondary schools. In addition, Nyam (2008) investigated on the effectiveness of accounting control systems in educational institutions while Maina (2002) investigated on head teacher preparation and support services provided in management of school finances. None of these studies focused on analysing how Students in colleges finance their college education.

Students need to finance their college education comfortably this can be achieved by an individual’s standard of living which is a function of financial resources and the ability to use those resources efficiently being evaluated. This is because there is lack of knowledge on effective management of personal financing among the Students (KPMG, 2005). Many of this young people are taking on inappropriate risks through poor personal financial choices or lack of awareness, and the greatest demands are placed on those least equipped to deal with them.
The widespread situation of people with fewer resources who also lack the ability to finance their education is also disturbing. A survey establishing a baseline of financial literacy in the United Kingdom (Financial Services Authority, 2006) found similar disturbing results. Among these findings are that people aged 18 to 40 who present the bigger part the Students are less financially capable, on the average, than their elders.

Identifying the sources of financing college education, evaluating their challenges and identifying the measures that various stakeholders can take is essential in bridging the knowledge gap in this area of personal finance (Ebony, 2007). This study aims to contribute by; analysing ways which Students in colleges can cater for their studies looking at the options they have and what they can learn from personal financing for better management of their resources (Conway, 1998).

This study is also driven by the education culture in Kenya as the study sought to answer how Students in Kenya finance their education even when 60% of them are unemployed (Daniel, 2014). According to the author, Kenyan culture is very unique since education is regarded very highly and it is thought to guarantee employment. Parents are willing to take loans and go hungry so long as their children are in school. It is believed that with educated children in Kenya there is a bright future since they will bring for the society and home which forms the basis for this study.

1.3 General Objective

To determine how Students finance their college education with a focus on students at USIU-Africa.

1.4 Specific Objectives

1.4.1 To determine the sources of funds for Students in financing their college education
1.4.2 To establish what drives Students to various forms of financing their education
1.4.3 To identify the challenges Students face in the method of choice in financing their education
1.4.4 To evaluate the measures that can be taken by Students to improve their financial situation
1.5 Significance of the Study

1.5.1 Governments
This study will provide information to the Kenyan government on the state of college/university financing for Students. It will assist them come up with ideas of how to help the Students get education at a reduced rate for example introduction of tax incentives to assist them pay their tuition fees.

1.5.2 Employers
This study will assist employers see the need to provide employee benefits to their employees to further their education. This will act as a favourable remuneration package for employees who will not quit their jobs in quest for education but can still work and manage to pay their education. This will reduce the employee turnover in organizations at the same time cut cost of hiring from time to time.

1.5.3 Students
The findings of this study will help students know different ways of paying the college fees and expand their knowledge in financial management- personal finance. This is because most students are known to consume their savings at present forgetting their future consumption due to poor financial management.

1.5.4 Researchers and Academicians
This study will be used as source of information and reference to develop on more research areas. In addition, the study will compel the attention of researchers and academicians in analysing various ways Students can pay their college education.

1.6 Scope of the Study
This research project is limited to students of United States International University-Africa located in Kasarani Nairobi. This is due to the time constraints of three months which is the expected time period to complete the project. Data collection and analysis conducted in fall 2015 which marks completion of the project.
The limitations of this research include; the inadequate literature in the area of study and the reluctance of Students at the university to provide the required information for this research. Research in this area is scarce and literature to base to this study is limited. The students reluctance to provide the required information because the research is based on their personal finances which most people would not want to disclose to their fellow colleagues but to only trusted institutions like a banks and Sacco’s.

1.7 Definition of Terms

1.7.1 Students
These are young people between the ages of 21 and 40 who are characterized as high entrepreneurial and civic-minded people (Zhan, 2014).

1.7.2 Personal Financing
Personal finance are financial decisions of an individual or family unit. It addresses the ways in which individuals or families obtain, budget, save and spend monetary resources over time, taking into account various financial risks and future life events (Paramasivan and Subramanian, 2013)

1.7.3 Higher Education
This is education or learning at a college or university (David, Canning and Chan, 2006)

1.8 Chapter Summary

This chapter looks at the background of the study, Statement of the problem, objectives guiding this study, significance of the study, scope of the study and definition of terms. This paves way to chapter two that will discuss the literature review of various scholars on Students and how they finance their college education guided by the specific objectives mentioned in chapter one.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This section tackles literature review by various scholars on how Students finance their college education. This literature is guided by the specific objectives highlighted in chapter one which include; to determine the sources of funds for Students in financing their college education; to establish what drives Students to various forms of financing their education; to identify the challenges Students face in the method of choice they choose for financing their education and to evaluate the measures that can be taken by Students to improve their financial situation.

2.2 Sources of funds for College Education Financing for Students

2.2.1 Institutional Financial Aid

Institutions play an important role in ensuring that they keep students who are not able to raise their full tuition fees in school through various investment in financial aid programs this is in line with seeking to maximize quality and minimize tuition increases (Hennessy, 2006). Financial aid Programs include grants, scholarships and work study programs that are given to students in colleges and universities to assist them in payment of their tuition fees (Ebony, 2007). Grants are a form of financial aid that is almost free for students. The difference between a grant and a scholarship is that a grant is earned while a scholarship is awarded based on merit e.g. Academic, athletic or community service oriented. These grants together with scholarships are award allocations that are not paid back. The funds for the grant and the scholarships are obtained from the university/college or from private organizations (Ebony, 2007).

On the other hand work study programs provide part-time employment to students to assist them pay their tuition fees. In some universities and colleges the money is given to students to assist them pay their living expenses (Ebony, 2007) while in other universities the money is paid directly towards tuition fees. DeBard (2003) indicate that, the 1998 National Center for Education Statistics close to three out of four undergraduate students
work while enrolled in higher education. This statistics have shifted to even include the masters students who 90% are employed. 10% of those unemployed are employed on campus through work study programs and this assists the students to meet their tuition fees.

Baker and Velez (1996) adds that a larger proportion of students now study parttime and work parttime in campus. In reference to the National Center for Education Statistics (1998) reports that between 1970 and 1994, the part-time enrollment in higher education doubled. DesJardins, Ahlburg and McCall (1999) indentify that, Work-study offers more positive effects than other types of aid because it provides students with the opportunity to become more involved with and attached to the campus and the staff.

2.2.2 Loans

Ebony (2007) indicates that, loans are divided into private loans obtained from private organizations like banks and Saccos and the government loans that Students borrow from the government and repay after they have finished with their studies. According to World Bank (2010), students loans have existed in for over 50 years with the loan programs having been proposed as early as 1952 in Lesotho then Bostwana in 1966. Loan programs became full fledged in 1973 when they were being introduced in Nigeria and then Kenya in 1974 (Woodhall, 1991). World Bank (2010) indicates that, as of 2008, 13 African countries had operational loan programs, and several more were considering establishing programs (Burundi, Mauritius, Mozambique, and Uganda).

Government loans programs were created in response to the cost-sharing imperative and the introduction of tuition fees in colleges and universities. This was to allow students and their families to share in the costs of higher education by covering tuition fees and maintenance costs (World Bank, 2010). In South Africa, 40 percent of students’ loan is converted to grants by the National Student Financial Scheme if the borrower performs well at the university/college (Jackson, 2002). In Botswana, the loan scheme is designed to influence degree program selection at the universities. All students are eligible for the program but the repayment of the loans depends on the course they studied at the university (World Bank, 2010).
Espenshade and Radford (2009) studies, consistently indicate that educational loans have positive effects on college enrollment in colleges and universities, particularly for those families that are not able to pay their fees (Baum and McPherson, 2008; Heller, 2008) providing students the necessary financial resources they require to attend college. Other studies indicate that educational loans are not related to chance of college graduation, especially among disadvantaged college students (Ishitani, 2006; Kim, 2007; Knight & Arnold, 2000).

**2.2.3 Savings**

According to a study conducted in Canada, 87% of parents hope that their children will go through college and out of this number, 41% save for the education (Trejls, 2001). This is considered as the easiest way to join college by planning early. Conway (1998) indicated that, the sooner young people start saving for their college education, the more time their money grows. He encourages young people to make use of government savings bonds and mutual funds. Information about saving being delivered early maximizes the benefits to saving at a critical factor for young people (Advisory Committee on Students Financial Assistance, 2008).

(Hossler and Vesper, 1993) indicate that, low- and moderate-income students and families find it enormously difficult to save for college while attempting to meet daily living expenses. The author explains that it is still possible to save a little money each month which can be encouraged by talking with students and parents about college costs and higher education. It may be overwhelming to attempt to meet the entire cost of attendance but is a relief for students and parents when they have the ability to use savings to pay for smaller costs such as books, transportation, or parts of their tuition, fees, room, and board (DeBard, 2003).

According to Fromma (2015), control is the key to saving money and remaining solvent while in college as indicated by Meka West an accountant and money coach in the Penny Smart Girl website. Meka West indicated that one thing a young professional can do while in college is to know their money situation for example how much money one has and determining how much one can set aside for savings. This avoids the reliance on family
and friends through borrowing and use of credit cards to keep days moving. West argues that it doesn’t matter how much one saves but what matters is what the money is used for.

2.2.4 Employer Benefits

Mercer (2012) indicates that, a benefit package can help plan for old age and unexpected events (like becoming ill or injured), and can save employee money on day-to-day expenses and is a reason employees stay in organizations. According to (Pegg, 2009), employee benefits are growing rapidly and the products that are available in today’s and tomorrow’s benefits market have the potential to impact on every aspect of an employee’s life and for that reason, they have a positive impact on an individual, employee to be aware of and understand the benefits their employer currently offers (Katz, 1998).

According to Carrera and Luss (2014), various employers have tried to replace the concept of lifetime employment that was there in the past with employee benefits like an education cover. This is an investment companies make on their employees by helping the employees develop skills that make them more valuable in future employment without the implied commitment of continued employment in their current company (Landes, 2012). Hakala (2008) argue that, organizations educating their employees leads to productivity enhancement and shows that a company values its employess and their future.

However, Employers in organization are cautious on giving this benefit because of the notion that their talented employees can end up using the company resources to earn a degree and quickly leave for a better job or a better company (Landes 2012). Hakala (2008) disagrees with this argument supporting his claims with a survey that was conducted by Spherion Atlantic Enterprises LLC., a staffing and employment-services firm where 61 percent of respondents who received training or mentoring said they were very likely to remain with their current employer for the next five years or more.

2.2.5 Family and Friends Contributions

This is the easiest way to get financing for college education. According to Trowler (2010), Friends and Family financing is always the easiest to complete. The level of
support from this group depends on the level of interaction and closeness with this group (Pegg, 2009). Someone to sponsor needs to be equipped with solid business skills and understands the risks and benefits of what they are getting into (Wigfield, 1994). At the very least, students are requested to narrow their list down to family and friends who are willing to support education and have faith in the student that they will succeed, understand students plans and are clear about the risks (Slack, Cambers and Johnston, 2004).

Key to note is that students sourcing for funds for their university education should be sure that the friends and family members they approach for assistance are aware in advance to plan themselves financially. It is a good idea for the student to draw a plan of how they will be able to meet their other tuition fees obligations to show their commitment (DeBard, 2003).

According to Kokemuller (2007), although borrowing from family and friends can be a risky proposition. Doing so makes one indebted to that person. Especially family, the Students are expected to perform in their best behaviour and perform well in college. However a number of benefits no interest unlike the bank where there are normal charges that come with borrowing; less financial pressure to repay, no repayment timeline asked for compared to borrowing from a bank; there is potential debt forgiveness in case one is not able to repay. Family especially may give that as gift on graduation and asked not to repay which is unlike a bank when a loan is borrowed has to be repaid. Trust also comes with borrowing from family and friends than in a bank where likelihood of being deceived in settling rates and terms is a possibility.

2.2.6 Constituency Development Fund (CDF)

Ngolovoi (2006) indicates that, in Kenya, students in both private and public universities can apply for grants and bursaries from CDF. This is a body that was formed under an act of parliament to finance community projects in the year 2003. The overall goal of this body was to eradicate poverty (GoK, 2006). 10 percent of the total CDF money was set for needy students to apply for bursaries in their respective constituencies (GoK, 2006).
According to Flavia (2003), the CDF funds are used to help needy students from poor backgrounds access mostly primary and secondary education as well as to students pursuing higher education at tertiary institutions. This programme was especially set for bright students in each constituency where they are supported through fee payment. Through the programme, many needy students have been able to access the needed education.

2.2.7 County Government Bursaries

There has been an increasing demand in education in Kenya which has become an important service for its citizens. Education in Kenya is ranked of high quality and standards which has led people from all over the world to come to study in Kenyan schools. This demand for education has made the education institutions in Kenya to become very expensive for the ordinary citizens with students forced to drop out of schools due to lack of fees. After the establishment of the county governments in 2013, counties set aside funds in their budgets to assist bright and needy students in the respective counties access education through bursaries (Wa Kimani, 2015).

In May 2015, the county government of Nakuru disbursed Ksh55 million for bursary which was to be distributed equally in their 55 wards to benefit 17,000 students. The governor of the county Kinuthia Mbugua mentioned that the student to benefit from the bursary were to represent 10 percent of all students in the county. In the year 2013 and 2014, over 49,000 students in Nakuru benefited from the county bursary program and was seen to impact positively on the welfare of citizens in the county (Kivandi, 2015).

2.2.8 Non-Governmental Organizations

According to Eklof, Holmes and Kaplan (2005), nongovernmental organizations (NGO’s) work independently but compliment the work of governments for the benefit of constituencies in the civil society in respective countries they are based in. Their operations range from lobbying and advocacy to operations and they are also project oriented. Though this operation areas they are organizations in different sectors from education, health, human rights to land management among others areas. Some of the organizations that contribute towards education of young people in the society include;
Care international, Oxfam International, Action Aid, Save the Children and World Vision (Stae University, 2006)

The NGO’s contribute in education by; holding the government accountable by making sure that monies set aside for education are channeled to the right place. NGO’s also provide a platform for communities to discuss the traditional barriers that would keep children out school. Incentive generating activities for families is also developed by this NGO’s which assist parents raise money to educate their children through the economic activities they learn in forums organize by the NGO’s (Eklof, Holmes and Kaplan, 2005). Care International is an example of an NGO that has contributed greatly in this kind of initiatives (Stae University, 2006).

2.2.9 Foundations

This include institutions whereby private wealth is contributed and distributed for public purposes (Stae University, 2006). The foundations raise funds through charitable contributions or endowments. The funds are set towards various activities in the society including; education where funds are channeled to needs or deserving populations for their education for example the Bill and Melinda Gates Foundation who have contributed greatly in educating people. In the year 2000 the foundation announce a $350 million which was three-year investment in a series of education grants. This was to help students achieve high levels of education and enhancing their opportunities access to technology (Bill and Melinda Gates Foundation, 2002).

2.3 Drivers to Various Forms of College Education Financing

2.3.1 Inadequate Salary

Ebony (2007) indicates that employee motivation levels drop when they are not able to receive the right compensation for the job they do. Employees don’t receive the compensation to which they are entitled. They may believe there’s no use in putting forth the effort to do a good job when their pay is significantly lower than competitors’ wages. (Katz, 1998). Hakala (2008) points out that, low levels of motivation have an impact on performance, and poor performance affects the organization’s bottom line.
To address salary issues Ebony (2007) explains that to effectually motivate workers to increase productivity, companies need to adopt set of tools that incorporates salary increases while placing added emphasis on non-monetary rewards. Providing incentives, bonuses, or the opportunity to increase wages through piecework pay, organizations can institute changes that improve morale, such as leading by example, treating all workers fairly, and providing an empathetic work environment where workers’ needs are honoured (Wigfield, 1994).

Allowing an employee to tend to family issues like an unwell child can go a lot in creating a loyal and productive employee than a pay increase. (Mercer, 2012). Providing training and opportunities for advancement like education covers motivates workers to increase productivity while increasing their sense of value to the company. (Carrera and Luss, 2014). Open communication, fairness, security, and rewards aimed at successful teamwork also complement a balanced managerial style that encourages both loyalty and higher productivity (Wigfield, 1994).

### 2.3.2 High Tuition Fees

The current university funding system is unsustainable because of the high number of students who will never be able to afford to pay off their loans after graduating (Garner, 2014). This is as a result of Institutions worldwide facing financial problems that stem from universal forces. These problems include the high and increasing tuition fees for higher education which are attributed to a historically-entrenched, tertiary education production function that is both capital and labor intensive and that has proven throughout the world to be especially resistant to labor-saving technology (Johnstone, 2003).

Due to high tuition costs many students at the universities and colleges have sought other forms of financing their education. Other forms of financing education have led to student in debt which is now so high compared to average salaries that many graduates in respectable public sector professions are getting. This makes it difficult for them to pay up their debts some even by end of the 30-year repayment period (Garner, 2014).
Munyaradzi (2014) indicate that over the last decade the decline in government funding of higher education along with the increasing costs of various services and products universities provide have led to increase in tuition fees in universities and colleges. This indications do not show the cost decreasing or university education being free as indicated by some student association groups. According to Johnstone (2003), in the recent past most countries in Africa, tertiary education was largely dependent on government or taxpayers for the revenue to meet the high and rising costs. The source of taxation was heavily depended on exports and imports, state owned monopolies, and multinational enterprises, and the worsening terms of trade and the privatization of state owned enterprises. The governments have also turned to collecting taxes from individual incomes, retail sales, and property that are more expensive to collect and easier to evade (Sawyer, 2004).

2.3.3 Lack of Employer Education Support
According to Carrera and Luss (2014), the effect of employer education backing amplifies past the prompt impact of guaranteeing that labourers have the obliged assets, and that they are not encountering high levels of stress or dissatisfaction. The discernment that an organization values their commitments and wellbeing can have an intense impact on employee’s connection and responsibility to the association (Pegg, 2009). Additionally, Opportunities for advancement demonstrate that an association values workers. Since importance of career paths and opportunities is a concern shared by workers across a range of sectors, organizations can support them by providing consistent learning opportunities that enable workers to build a skill base that can be applied to a variety of work settings. (Mercer, 2012).

According to Gordon (2013), in this competitive world, organizations need to put effort to ensure that they retain cream of the crop employees through offering benefits such as the education cover. Employers must offer benefits that are valued most by the employees and education is one of them. Failure to offer such benefits employees move from one company to the next until their needs are met. Companies are however unable to offer employee tuition benefit due to the performance of the economy. According to (Landes, 2012), times of recession, education benefits are the first to be cut off by
companies as they try to scale down their expenses and last to be reinstated when the situation has improved.

Taylor (2014) indicate that, employee education support in most organizations tie down employees to the company. This because some companies expect the employees to return the favor by working in the company for a number of years after finishing their education. For example at USIU-Africa employees of the university are given employee tuition waiver where upon completion of studies, employees are expected to work for the organization for an extra year. If an employee decides to leave before the one year is over, they are expected to pay 50% of the total fees that was paid toward their education by the organization. Students would not want to be tied down in one place as a result they would rather take a loan from a bank which is a quick fix than waiting for employee support.

2.3.4 Poor Personal Management of Finances

According to Paramasivan and Subramanian (2013), the only way to ensure a financially secure future is through proper financial planning. If planning is inadequate, it could spell disaster. While setbacks are inevitable, it can be devastating if you don’t have adequate planning. It is important to seek expert guidance to ensure a better future. Poor Personal Management of Finances leads to debt which is a major issue among Students today (Heller, 2008). Lack of a proper financial plan or budget becomes very easy to spend beyond your means and without being aware of it, over time this could leave one with substantial debt that could stretch toward retirement (Zhan, 2014).

Poor personal management of finances entails financial behaviors that are personal and could involve family money management practices that have consequential, detrimental and negative impacts on one’s life at home or at work. Writing a check with insufficient funds in the account may be classified as a personal financial mistake or careless behavior, however, when it occurs along with similar mistakes this is poor financial behavior (Garman, Leech and Grable, 2006). For example, a single episode, such as gambling away one’s entire paycheck, could eliminate any possibility of paying one’s monthly rent or making a vehicle loan payment in a timely manner. In addition, there are
a number of other actions, such as small amounts of wages that are always indicators of poor financial behavior.

Preparing in advance for large expenses is critical. It is much more rewarding to save for your next big purchase, and then run up your credit cards. If you are not careful, it can lead to further debt, which can easily spiral out of control and finally, Ill-preparedness for Unexpected Events (Paramasivan and Subramanian, 2013). Everybody’s life is full of unexpected events, and often these situations can lead to massive expenses. Poor financial management could spell disaster as you’re ill-prepared for such big expenses (Heller, 2008).

2.3.5 Poor Financial Backgrounds

Machika and Johnson (2014) indicate that, Individuals from poor economic status always want to change their lives through improving themselves. Tertiary education entry is one of the ways individuals change their economic status at a personal and family level. However this becomes difficult to achieve if they are not able to find alternatives to finance their tertiary education.

Without enough financial resources available in institutions of higher learning through financial aid, students from poor financial backgrounds may source funds from other sources of funding even if it’s taking a loan to finance their education. Income from students and families is the actual determining factor in the higher education tuition fees today which results to many high school students not able to attend college (Fisher, 2012). However, this does not discourage the determined students who go an extra mile to seek alternative sources of financing untill they are able to join college/university.

However, when it comes to seeking other sources of funding like loans, Students from poor financial backgrounds face challenges. Banks may require a credit history of the students which is difficult in various cases since the student have just gotten placement in their first jobs. This background drives students to seek other alternative sources of funding like financial aid for scholarships or financial aid grants (Driscoll, 2012).
2.3.6 **Incur no Debt**

According to Leef (2014), borrowing for education is not sustainable and equity is a better choice. He argues that when it comes to college education, borrowing especially through the government is usually a mistake that students make. Debt can lead to financial crisis like bankruptcy as result students seek other sources of funds to financing their education.

Leef (2014), suggests that equity financing in higher education would be a better option to finance college education. This is where by investors take up the job of financing higher education and have a stake in the student’s financial success as they have in students financial success (Palacios , 2002).This idea was proposed by Milton Friedman in 1945 arguing that loans are suitable for risky investments such as education because interest rates must be high to offset the risk involved (Palacios , 2002).

The argument was supported by Zingales (2012) who indicates that investors can finance college education of bright students from poor backgrounds through equity. He suggested that in exchange for financing the students’ education, the investors can receive fraction of the students income that derives from college attendance calculated as the difference between the actual income and the average income of high school graduates. However there have been arguments opposing this idea such as Levitin (2012) who argued that no one knows how to price equity financing of education. Financiers do not know what to ask for and students do not know what amount to part with in the future.

2.3.7 **Instant Cash**

The need to access cash immediately is also another drive to various sources of financing education. Students may focus on the sources of financing education like loans as their viable option due to the time it takes to get one. Other sources like financial aid, may have requirements that students may not have met at the time. Fear of deregistration due to lack of payment of fees and wanting to look good among peers may lead many Students to seek instant cash to clear their tuition fees.
Although instant cash is a viable option for most Students, Instant cash could lead to debt that a college student can come out of school with a massive debt burden. This makes it difficult for a young person to get out of debt for a long period of time and a debt of 20-30 years after graduating from college would exist. Trying to pay such kind of a loan with a first job employment it becomes challenging for Students to build an emergency savings account and to save money for retirement (Mrs. Not Made of Money, 2015). Clark (2010) indicate that, instant cash for education is required due to the economic troubles. However, Clark warns that this kind of cash limits Students as there is no second time before the previous loan has been repaid. Instant is short term and is a solution for now and not the next day and Students have to evaluate this option carefully unless in a desperate dire need.

2.4 Challenges Faced in the Method of Choice of College Education Financing

2.4.1 Financial Unsustainability

According to World Bank (2010), government student loan recovery in Sub-Saharan Africa has been exceedingly poor. This has been due to interest rates attached to the loans, unsuccessful and cost-effective collection of debts which may lead to unacceptably high default rate which results to decrease in available resources by government to lend to students. The mistakes of those who did not repay their loans impacts on the new borrowers who may not be granted or there will be delayed response for the loan they request for to finance their education (David, Canning and Chan, 2006).

The average loan burden for a student who has borrowed money to attend a four-year public institution in the United States is $19,300 (Project on Student Debt 2007). This has significant implications for persistence rates for low-income students, who have low rates of bachelor’s degree completion. The long-term consequences of loan and grant or scholarship options are not often relayed to low-income students. Having such information may impact students’ financial circumstances tremendously over time. For example, students who do not understand the benefits of utilizing grants and scholarships before loans may make poor choices when attempting to finance their college education.
According to Advisory Committee on Students Financial Assistance (2008), a comprehensive understanding of loans and grants and scholarships is required in making these decisions, necessitating more in-depth information than simply the types of aid to which students and parents have access. Concerning loans, both the positive and negative aspects of loan debt can be presented. For example, some loan debt may represent an investment in education allowing for expanded degree and career choice, but incurring large sums of debt may lead to future financial difficulty.

### 2.4.2 Opportunity Cost of Disposable Income

O'Sullivan, (2007) explains that the notion of scarcity is incorporated by opportunity cost. There is always a trade off on whatever we do and one has to trade off one thing for another because of scarce resources. The available resources can be used in different ways to acquire something that is needed most and economists believe that anything that is chosen by an individual has a cost associated with the choice. It is the concept of scarcity that leads to the idea of opportunity cost which is the value of the next best opportunity (Gregory, 2005).

When Students choose to go back to school and further their studies there are needs that have to be foregone. These include; leisure and even other investments to generate income. Although education is an investment, it becomes a challenge for the student to meet their other needs due to diversion of their resources into education. This can be a challenge when source of financing like loans are taken as the best option of financing education.

### 2.4.3 Job Security

Carrera and Luss (2014) indicate that Job security is a tricky employment element today. The term was used long-ago in the golden age, when employees joined an organization fresh out of high school or college and employers guaranteed their jobs for life. In today’s economic and business climate, no responsible employer can make such a guarantee which presents a challenge when employees are selecting a method of financing their education. In the 21st century it has also become difficult for Students to stick into one job. Students are skipping from one job to another when it suits them in the advancement
of their career, for increase in pay or to escape a difficult situation (Engellandt and Riphahn, 2005).

It is important for firms to maximize efficiency by identifying what motivates employees to work hard. Job security presents an area of study where the balance of benefits and costs are still not known. Employees with high job security may invest more in their organizations and even take up loans in banks to be able to finance their higher education. On the other hand, employees with low job security are not able to make decisions about their future or even consider going back to school to further their studies (Leung, 2009).

2.4.4 Inflation and Interest Rates

According to Odland (2012) college is expensive and its costs have risen much faster than average inflation over the years. Over the years, the inflation rate in the US averaged less than 3 percent. In the 70s and 80s the inflation rate was very high which increased the cost of living (Branch Banking and Trust Company, 2015). Universities and colleges are not immune to inflation and interest rates and once the interest and inflation go up, the education sector is affected with increase in tuition fees (Odland, 2012).

This affects students greatly as they have to deal with increased tuition fees and if they had taken loans to finance their education, increase in interest rates, means that they have to pay more for the loans that they had taken. It is important for students to take inflation into account when planning for their education and future expenses like retirements and investments (Branch Banking and Trust Company, 2015).

2.4.5 Financial Illiteracy

Financial illiteracy is the lack of understanding of how money works. Financial literacy is taught in schools where students are taught on how to manage their personal finances into savings and investments. This education taught in school is still not enough to guide people in making wise decisions about money and you will find people spending money in the wrong way and later having to borrow for important things like education. According to Grant (2015), personal finance education taught in school may not fully prepare someone to buy a home, understand his workplace benefits or save for
retirement especially with a rapidly shifting array of financial products and tools in the market.

Grant (2015) points out that the decision by a college graduate to move out of his parents’ house, take a mortgage or go back to school to further studies require adequate knowledge on the financial implications of their decisions. Information about various products changes and as a result, there is need for constant training on financial literacy.

According to Eissa, Habyarimana and Jack (2012), Kenyan youth face financial issues ranging from un- and under-employment, few long term job prospects and vulnerable to diseases. However, this same group of young people have the prospects and opportunities to invest and plan for their future due to market liberalization and a stable macro-economy which has facilitated steady growth in recent years.

There has also been an educational and training option for young people on the investment opportunities available for them and access to financial services has expanded considerably (Eissa, Habyarimana and Jack, 2012). With good financial knowledge, Students are able to choose the right sources of financing their education and are able to find ways to invest to supplement their income. Financial illiteracy leads to Students making the wrong decisions and incur debt due to wrong decisions and peer pressure.

2.4.6 Lack of Security/Collateral

According to (Hannah, 2005), higher education financing has changed dramatically. This began with the shift of Higher Education Act of 1992 which prioritized loans over need based grants. Government spending shifted to other priorities like health and reduced higher education appropriations which has resulted to Students seeking other sources of funding like loans to finance their education. However, having no collateral or security to seek loans from financial institutions has become challenging for them (Kane, Orszag and Gunter, 2006).

Leitner (2006) indicates that a collateral is a contractual device used by lenders and borrowers around the world. This are assets pledged by the borrower to secure a loan.
which the lender can seize if the borrower does not make the agreed payments on the loan. It acts as protection for the lender if the borrower defaults in paying loan given. Due to the increase in non-performing loans banks have for example in India revised their educational loan schemes that were framed in 2001. The schemes allowed students to be awarded educational loans collateral free. However with the increase in non-performing loans the Indian Bankers Association advised banks to be prudent and cautious while granting educational loans and to only give to meritorious rather than the deserving candidates (Naruka, 2014).

According to Irungu (2015), among the six countries (Philippines, Egypt, Mozambique, Uganda, Malaysia and Kenya) surveyed by the International Monetary Fund (IMF), Kenya has the toughest collateral requirements in their local banks before the issuance of loans. In the local banks in Kenya, collateral that is 20 percent higher than the value of the loan being borrowed is required. For example; if borrowing a loan of Ksh.1million, 1.2million as a collateral is required. Many Students in Kenya do not have the collateral to get loans which poses a challenge when they are seeking a loan from the bank. Most of them are in new jobs that sometimes are not permanent and pensionable but on contractual basis.

2.5 Measures to be taken to Improve Financial Situations of Students

2.5.1 Employment as Strategy

In a young professional’s life, employment creates pressure that interacts with other pressures including academic rigor in a student’s life which if balanced well, the pressures can form a synergy of challenge and support (Conway, 1998). Employment is of two types among Students pursuing their education. These include; full time employment and part-time employment. Part-time employment refers to students working in college to meet part of their tuition fees and fulltime employment includes students working in various organizations permanent or contractual basis. These students are seen to have the commitment to achieve their educational desires and both types of students show their aspirations differently as they try to raise fees for their education (DeBard, 2003)
Although student loans are now the most common form of student aid, a minority of total students are choosing to borrow through student loan programs and DeBard (2003) argues that there is need for employment strategy to be seen an effective way for Students to finance their education. It should be viewed as a necessary component rather than an optional augmentation. Integrating work and school experience is also important which has been advanced by researchers and institutions (Katz, 1998). Kenneth Green of UCLA’s Higher Education Research Institute speculates that, students work as much to get a jump on the job market as to meet expenses, and William Ramsay of the National Association of Student Employment Administrators, witnessed a growing involvement of career services officers in helping the quality of student work through job location and development (McCartan, 1988).

Work study programs in various universities and colleges is also an employment strategy. This is open to those students who have not been able to secure jobs in the industry and are fulltime students at the university/college. Through the work study programme they are able to pay part of their school fees. (Occupational Outlook Quartely, 2013).

2.5.2 Tax Incentive Strategy

Work programs must be balanced with other options for financing higher education. Creating tax incentives represents a major strategy for providing education opportunities for young people (DeBard, 2003). In the US, there are promising programs under section 127 of the tax code which allows employers to support the educational expenses of their employees (DeBard, 2003). Regrettably, in 1994, only 10 percent of eligible employees took advantage of this assistance. This has proven feeble for low income earners among the Students since only few of those who make or have families make under $ 30,000 itemize (Merisotis, 1997).

DeBard (2003) points out that, the Clinton Administration saw the use of tax credits rather than reductions for college education. The Hope Scholarship and Lifetime Learning tax credits were introduced under the tax payer relief act of 1997. This resulted in College First years, Second Years and their parents able to claim 100 percent of the first $ 1,000
spent on tuition fees and 50 percent of the second $1,000. The lifelong Learning Program allows a tax credit worth 20 percent of the first $5,000 of college costs incurred by the part-time students, full-time undergraduates in their third or fourth year, and graduate students (Lederman, 1997). The legislation faced controversy and was criticized as an incentive to colleges to raise fees. Other people argued that the legislation only benefited the middle- and upper-income families and did not benefit disadvantaged families with no income tax liability (Saxton and Knight, 1997).

Governments undertake tax reforms for to simplify the tax system; to address the equity question in the distribution of tax burden; to strengthen tax administration and to ensure revenue adequacy. (Mutua, 2012). This drivers vary from country to country where in Kenya, Karingi, Wanjala, Nyamunga and Okello (2005), show that Kenya tax reforms emphasis has always been towards introduction of new taxes or new rates of existing bases, the need to widen tax bases and reduce exemptions, as well as introducing more stringent administrative changes to seal loopholes and appropriate sanction measures. According to Kenya Revenue Authority (KRA), tax incentive is an endowment that is granted to any person or activity favourable conditions that deviate from the normal provisions of the tax code/legislation in a positive manner for that person or activity. In Kenya, tax incentives apply to holiday; investment allowances and tax credits; accelerated depreciation; investment subsidies, and indirect tax incentives (Mutua, 2012). They are used to achieve certain economic goals such as attracting investment and social goals such as exception and zero rating of goods and services for the benefit of the poor.

2.5.3 Investments as a Strategy

According to economics, investments can be defined as the application of money for earning more money it’s the utilization of resources in order to increase income or production output in the future. Depositing money at the bank or Sacco in anticipation of earning income in the long run are both examples of investments. It is also money utilized for buying financial assets, like stocks, bonds bullion, real properties, and precious items as defined by finance professionals (Finance Maps of the World, 2015).
Investment is a strategy that Students can use to improve their financial position and save up for their education and future. Sacco’s at the place of work are one way that Students can invest their finances. Saccos have been investing in Kenya over the years with the objective of maximizing their wealth through their members contributions (Olando, 2012). The Saccos buy property invest where their members are able to benefit from the produce of the investments. Saving up every month, Students get Sacco loans that can help them offset tuition fees at the university. Some Saccos give educations loans at a low interest rate than the banks with minimal collateral requirements which the Students can take advantage of.

Students put off saving for higher education and retirement and argue that they are still trying to get on their feet in their first job after an undergraduate degree. What Students don’t know is that this is the best time to keep money aside for their education and future retirement (Udo, 2014). However, the economy has been unstable and has led so many Students to rely on their parents long past graduation because of unstable jobs that they can’t sustain themselves. In many countries and especially in Africa-Kenya for example, there has been high levels of unemployment, rising costs of living, falling wages making it difficult for Students to invest (Oursler, 2014).

2.5.4 Financial Literacy as a Strategy

Financial literacy is a strategy that can be used to improve the financial situation of Students. It is more important now than ever and not just to family and consumer economics professionals but to financial institutions, the student loan community, financial professionals and educators who have identified personal financial management education as a priority. There is need for financial literacy to be instilled in college students and also at the workplace among employees making financial literacy a key strategy to help Students improve their financial situations.

Mason and Wilson (2000) defined financial literacy as a “meaning-making process” in which individuals use a combination of skills, resources, and contextual knowledge to process information and make decisions with knowledge of the financial consequences of that decision. Vitt et al. (2000) defined it as the ability to read, analyze, manage, and
communicate about the personal financial conditions that affect material well-being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future, and respond competently to life events that affect everyday financial decisions, including events in the general economy.

Despite the various differences in definitions, the consistencies are notable. Hogarth, (2002) described the consistencies in behavioral terms, stating that individuals who are financially literate are knowledgeable, educated, and informed on the issues of managing money and assets, banking, investments, credit, insurance, and taxes; they understand the basic concepts underlying the management of money and assets and use that knowledge and understanding to plan and implement financial decisions.

Several firms, particularly those offering defined contribution pensions, have offered financial education programs for Students (Bernheim and Garrett 2003; Lusardi 2004). The findings from this study show that Students are particularly in need of these programs. Other studies also show that the Students are those more susceptible to making financial mistakes (Agarwal et al. 2007). Given the substantial differences that exist among the young, “one-size-fits-all” programs are unlikely to be effective. Students need to be financially literate to make informed decisions and choices about their personal finances. They are able to budget, save and take up the right choices to finance their education. Without this education, Students will end up making the wrong choices of financing college education that will lead to financial mistakes like debt.

2.6 Chapter Summary

This chapter reviewed literature on the sources of financing college education for Students. The second part of the literature review established what drives Students to various forms of college financing. The third section identified the challenges Students face in the method of choice of financing college education and the fourth section evaluated the measures to be taken by Students to improve their financial situation. Chapter three will discuss the research methodology that will be used in this study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The research methodology that was used in this research is discussed in this chapter to assist in answering the specific objectives mentioned in chapter one. The Chapter is organized into various sections of the research methodology including; the research design that were applied in this study, targeted population, the sample design which is inclusive of the sampling frame, sampling technique and sample size. The methodology also included the data collection method to be used in the study, the research procedure that was followed and then at the end of the chapter a summary of the section was given.

3.2 Research Design

A scientific method that involves describing the behaviour of a subject without swaying it in any way is known as a descriptive research design. This is a method that was adopted in this study in trying to analyse how Students pay for their college tuition. This design was chosen because it identifies where, how, what and who while trying to describe a subject which is done through creation of a profile of a group, events or individuals, from data collection and tabulation of data derived from a study (Saunders and Thornhill, 2007).

According to Malhotra and Birks (2007), questionnaires which contain standardized questions were used to collect data. Questionnaires is a data collection method that is used to gather information from individuals about what they do, who they are and how they think. A qualitative research was conducted to indicate why, how and when something occurs in analysing how Students finance their college education.

3.3 Population and Sampling Design

3.3.1 Population

The total collection of elements in which a researcher wants to make inference is called a population (Cooper and Schindler, 2008). The population under study is 5,871 undergraduate and graduate students at USIU-Africa.
Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Undergraduate</th>
<th>Population</th>
<th>% Distribution</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chandaria School of Business</td>
<td>2254</td>
<td>38</td>
<td>144</td>
</tr>
<tr>
<td>School of Humanities</td>
<td>1517</td>
<td>26</td>
<td>97</td>
</tr>
<tr>
<td>School of Science and Technology</td>
<td>961</td>
<td>16</td>
<td>61</td>
</tr>
<tr>
<td>School of Pharmacy</td>
<td>54</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Graduate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chandaria School of Business</td>
<td>830</td>
<td>14</td>
<td>53</td>
</tr>
<tr>
<td>School of Humanities</td>
<td>174</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>School of Science and Technology</td>
<td>81</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5871</strong></td>
<td><strong>100</strong></td>
<td><strong>374</strong></td>
</tr>
</tbody>
</table>

(USIU-Africa, 2015).

3.3.2 Sampling Design and Sample Size

3.3.2.1 Sampling Frame

According to Cooper and Schindler (2008), a sample frame presents a list of features through which a sample is obtained. This study obtained a sampling frame of graduate and undergraduate students from the registrar’s office at USIU-Africa. This was to ensure that the sample frame identified is of the students in session taking their degree programs which was relevant to the achievement of the specific objectives identified in chapter one.

3.3.2.2 Sampling Technique

Probability sampling was adopted in this research and stratified random sampling was used to identify the subgroups represented all the graduate students at USIU-Africa. Probability sampling was used to make sure that all the graduate students in this process are given the same chances of being nominated (Crossman, 2012).

Stratified Random sampling was adopted in this study in order to break the population into mutually exhaustive sample population known as strata in ensuring that the in the all the schools at USIU-Africa students were represented. This was also to reduce bias and ensure that accurate information is collected for this research.
3.3.2.3 Sample Size

This study used a sample size of 374 students at USIU-Africa as representation of the Students that this study is targeting. The students were drawn from different schools in the university to ensure they are a representation of the rest of the students.

This study proposes to use Yamane 1967 formula to arrive at the aggregate sample size Yamane (1967), as shown below:

\[
n = \frac{N}{1 + N(e)^2}
\]

The study assumes a 95% Confidence level, \( P=0.05 \): \( N \) Population 5871 and \( e=0.05 \)

Sample size \( n = \frac{N}{1+N(e)^2} \) therefore \( n = \frac{5871}{1+5871(0.05)^2} = \frac{5871}{1+5871(0.05)^2} = 5871/15.6775 \)

= 374.485 i.e. approximately 374. Sample size therefore is 374 and its distribution is as shown below;

**Table 3. 2: Sample Size Distribution**

<table>
<thead>
<tr>
<th>Undergraduate</th>
<th>Population</th>
<th>% Distribution</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chandaria School of Business</td>
<td>2254</td>
<td>38</td>
<td>144</td>
</tr>
<tr>
<td>School of Humanities</td>
<td>1517</td>
<td>26</td>
<td>97</td>
</tr>
<tr>
<td>School of Science and Technology</td>
<td>961</td>
<td>16</td>
<td>61</td>
</tr>
<tr>
<td>School of Pharmacy</td>
<td>54</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Graduate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chandaria School of Business</td>
<td>830</td>
<td>14</td>
<td>53</td>
</tr>
<tr>
<td>School of Humanities</td>
<td>174</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>School of Science and Technology</td>
<td>81</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5871</strong></td>
<td><strong>100</strong></td>
<td><strong>374</strong></td>
</tr>
</tbody>
</table>
3.4 Data Collection Method

This includes both the primary and the secondary data collection methods. This research used both data collection methods. Primary data was obtained through the administration of questionnaires that were designed according to the specific objectives of this research. The questionnaires included closed ended and open ended questions to certify reliability and their validity. The questionnaires were given to the students selected from the population according to their graduate programs and were collected two days after. This was possible through the use of a research assistant. Secondary data was sourced from books. Electronic journals and the internet to explain what other scholars have written about the research topic under study. This information guides the primary data collection method and gives a clear picture on the kind of questions to ask respondents.

3.5 Research Procedures

A pilot study was undertaken to pretest the questionnaires to identify their consistency in picking up the right information required for this research. The pilot study was conducted randomly on 10 students. Once the validity of the questionnaires was confirmed, the questionnaires were administered to the targeted graduate students after prior communication of the selected students through their class lecturers and also their emails. Attached to the questionnaire was an introductory letter indicating the purpose of the study and stating clearly on the confidentiality of the information that was provided by the respondents for this research.

3.6 Data Analysis Method

In this study, descriptive analysis which is a data analysis method was used. This method comprises of the transformation of raw data into tables and charts in form of frequencies and percentages trying to expound the analyzed data for easier understanding to the reader. (McDaniel and Gates, 2001). According to Levine (2006), descriptive analysis assist in testing hypothesis, developing explanations, detecting patterns and describing facts used in administration and in policy.
Efficient analysis of data involves summarizing, manipulating and categorizing data in order to answer the questions for this research. Analysis took place after the questionnaires were collected back from the respondents. The questionnaires were coded and similar questions were grouped into categories for easier data entry purposes. Once the data entry was complete, the data was analysed using a software for quantitative data analysis known as Statistical Package for Social Sciences (SPSS). Descriptive statistics included frequencies and percentages that were calculated for easier interpretation of the results of this research and presented in form of charts and tables.

3.7 Chapter Summary

This chapter covers the research methodology that was adopted in this research showing that the research adopted descriptive research design. The target population was 374 students at USIU-Africa drawn from different schools at the university. The research adopted probability sampling and used stratified sampling technique to ensure the population is divided into strata and that there is no bias and there is a likelihood of any subject in the category being selected for the research. Questionnaires were used as the primary data collection method and were administered to the identified population and collected two days after. Data was then entered into SPSS and analysis conducted after which chapter four represented the findings of this research.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results and findings of the study on the research questions with regards to the data collected from the respondents. The first section covers the background information with regards to the respondents. The second section covers the sources of funds for Students in financing their college education. The third section looks at establishing what drives Students to various forms of financing their education and the third section was on the challenges Students face in the method of choice in financing their education and final section was to evaluate the measures that can be taken by Students to improve their financial situation. A total of 300 questionnaires were filled indicating 80 percent response rate.

4.2 Background Information

4.2.1 Gender of the Respondents

Table 4.1 provides a summary of the gender of the respondents as a result of the responses given by the respondents. The results of the study clearly show that the majority of the respondents were male respondents while the female respondents were the minority. The study results show that 64 percent of the respondents were men while 36 percent were female. These results indicate that there is minimal gender consideration in the organization.

Table 4.1: Gender of the Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Male</td>
<td>192</td>
</tr>
<tr>
<td>Female</td>
<td>108</td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
</tr>
</tbody>
</table>
4.2.2 Level of Education
Table 4.2 reveals that majority of the respondents were undergraduates while the remaining 33% were graduate students.

Table 4.2: Level of Education

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate</td>
<td>202</td>
<td>67</td>
</tr>
<tr>
<td>Graduate</td>
<td>98</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2.3 Age Range
As presented in the table 4.3 most of the respondents were between 25-34 years. Specifically 30% were 18-24 years old, while 47% were 25-34 years old respectively. Consequently 26% percent of the respondents were 35-50 years old, while the remaining 2% of the respondents were above 50 years old.

Table 4.3: Age of the Respondents

<table>
<thead>
<tr>
<th>Age of the Respondents</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>18-24</td>
<td>45</td>
</tr>
<tr>
<td>25-34</td>
<td>69</td>
</tr>
<tr>
<td>35-50</td>
<td>39</td>
</tr>
<tr>
<td>Above 50</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
</tr>
</tbody>
</table>

4.2.4 Source of Income
In order to establish the source of income for the respondents, the study first sought to establish if indeed the respondents had a source of income or not. Figure 4.1 reveals that 76% of the respondents stated that they had a source of income while 24% of them stated that they do not have a source of income.
Figure 4.1: Having a Source of Income

Figure 4.2 further presents findings with regards to the source of income for the respondents. As presented in the figure, 59% of the respondents received allowances from parents, while 23% of the respondents were in employment as 11% sourced funds from relatives and finally 7% was from investments.

Figure 4.2: Source of Income
4.2.3 Financial Security

Figure 4.3 reveals that 72% of the respondents were financially secure while 28% of the respondents were not financially secure. This implies that most respondents who had a source of income were financially secure.

![Figure 4.3: Financial Security](image_url)

4.3 Sources of Financing College Education for Students

The first objective of the study was to determine the sources of funds for Students in financing their college education. Table 4.4 reveals that majority of the respondents were in agreement about the following statements concerning sources of financing college education for students.

As seen in the table majority of the respondents agree that their source of financing was rarely and not often from financial aid from the institution (91%), loans (helb loans or personal bank /Sacco loans) (72%), personal savings (90%), benefits from the employer (87%), friends and family contribution (93%), proceeds from investment (97%) constituency development fund (90%), county bursaries (95%) non-governmental organizations (87%) and finally non-governmental organizations (90%).
Table 4.4: Source of Financing College Education for Students

<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at All</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Often</th>
<th>All the Time</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Aid from the Institution</td>
<td>70.1</td>
<td>20.9</td>
<td>5.0</td>
<td>2.0</td>
<td>2.0</td>
<td>3.68</td>
</tr>
<tr>
<td>Loans(HELB Loans or Personal bank/Sacco Loans)</td>
<td>60.1</td>
<td>11.9</td>
<td>20.0</td>
<td>8.0</td>
<td>0</td>
<td>3.60</td>
</tr>
<tr>
<td>Personal Savings</td>
<td>55.0</td>
<td>35.0</td>
<td>5.0</td>
<td>5.0</td>
<td>0</td>
<td>3.61</td>
</tr>
<tr>
<td>Benefits from the employer</td>
<td>72.0</td>
<td>15.0</td>
<td>3.0</td>
<td>5.0</td>
<td>5.0</td>
<td>3.61</td>
</tr>
<tr>
<td>Friends and Family Contribution</td>
<td>69.0</td>
<td>24.0</td>
<td>7.0</td>
<td>0</td>
<td>0</td>
<td>3.51</td>
</tr>
<tr>
<td>Proceeds from Investment</td>
<td>74.0</td>
<td>23.0</td>
<td>3.0</td>
<td>0</td>
<td>0</td>
<td>3.50</td>
</tr>
<tr>
<td>Constituency Development Fund</td>
<td>67.0</td>
<td>23.3</td>
<td>1.7</td>
<td>1.3</td>
<td>7.0</td>
<td>4.08</td>
</tr>
<tr>
<td>County Bursaries</td>
<td>55.0</td>
<td>40.0</td>
<td>5.0</td>
<td>0</td>
<td>0</td>
<td>3.91</td>
</tr>
<tr>
<td>Non-Governmental Organizations</td>
<td>45.0</td>
<td>32.0</td>
<td>10.0</td>
<td>13.0</td>
<td>0</td>
<td>4.67</td>
</tr>
<tr>
<td>Foundations</td>
<td>55.0</td>
<td>35.0</td>
<td>10.0</td>
<td>0</td>
<td>0</td>
<td>3.66</td>
</tr>
</tbody>
</table>

4.4 Drivers to various forms of College Education Financing for Students

The second objective of the study was to establish what drives Students to various forms of financing their education. Table 4.5 reveals that majority of the respondents agreed that their income/Salary is inadequate (66.7%), college education is quite expensive (60%), they do not get employee education benefits where they work (60%), they don’t know how to manage their personal finances (58.3%), their family has a poor financial background (65%), they do not want to incur debt as a result of their education (63.3%), looking for instant cash to clear their fees (55%).
### Table 4.5: Drivers to Various Forms of College Education Financing for Students

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>My income/Salary is inadequate</td>
<td>31.7</td>
<td>35.0</td>
<td>13.3</td>
<td>13.3</td>
<td>3.3</td>
<td>3.68</td>
</tr>
<tr>
<td>College education is quite Expensive</td>
<td>36.7</td>
<td>26.7</td>
<td>16.7</td>
<td>13.3</td>
<td>1.7</td>
<td>3.60</td>
</tr>
<tr>
<td>I do not get employee education benefits where I work</td>
<td>25.0</td>
<td>35.0</td>
<td>25.0</td>
<td>10.0</td>
<td>0</td>
<td>3.61</td>
</tr>
<tr>
<td>I don’t know how to manage my personal finances</td>
<td>23.3</td>
<td>35.0</td>
<td>26.7</td>
<td>5.0</td>
<td>1.7</td>
<td>3.61</td>
</tr>
<tr>
<td>My family has a poor financial background</td>
<td>30.0</td>
<td>35.0</td>
<td>23.3</td>
<td>10.0</td>
<td>1.7</td>
<td>3.51</td>
</tr>
<tr>
<td>I do not want to incur debt as a result of my education</td>
<td>30.0</td>
<td>33.3</td>
<td>26.7</td>
<td>6.7</td>
<td>1.7</td>
<td>3.50</td>
</tr>
<tr>
<td>Looking for instant cash to clear my fees</td>
<td>31.7</td>
<td>23.3</td>
<td>18.3</td>
<td>13.3</td>
<td>6.7</td>
<td>4.08</td>
</tr>
</tbody>
</table>

#### 4.5 Challenges faced by Students in Financing College Education

The third objective of the study was to identify the challenges Students face in the method of choice in financing their education. Table 4.6 reveals that the following are the challenges that students face in financing college education: Unstable finances are unstable due to lack of a stable income (85%), they have to take care other responsibilities (95%), lack of permanent job (90%), high inflation and interest rates (75%), little knowledge on how to manage finances (91%), lack of security/Collateral to attach to an application to seek a loan from the bank for my education (90%).
Table 4. 6: Challenges Faced by Students in Financing College Education

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>My Finances are unstable due to lack of a stable income</td>
<td>70.0</td>
<td>15.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>4.03</td>
</tr>
<tr>
<td>I cannot pay for my education because I have to take care other responsibilities.</td>
<td>70.0</td>
<td>25.0</td>
<td>5.0</td>
<td>0</td>
<td>0</td>
<td>3.92</td>
</tr>
<tr>
<td>I do not have a permanent job</td>
<td>70.0</td>
<td>20.0</td>
<td>3.0</td>
<td>2.0</td>
<td>5.0</td>
<td>3.61</td>
</tr>
<tr>
<td>The bank inflation and interest rate forces me not to take a loan to finance my education</td>
<td>45.0</td>
<td>30.0</td>
<td>20.0</td>
<td>15.0</td>
<td>0</td>
<td>3.31</td>
</tr>
<tr>
<td>I have little knowledge on how to manage finances</td>
<td>60.0</td>
<td>31.0</td>
<td>6.0</td>
<td>2.0</td>
<td>1.0</td>
<td>3.00</td>
</tr>
<tr>
<td>I do not have any security/Collateral to attach to an application to seek a loan from the bank for my education</td>
<td>70.0</td>
<td>20.0</td>
<td>10.0</td>
<td>0</td>
<td>0</td>
<td>3.77</td>
</tr>
</tbody>
</table>

4.6 Measures to be taken to Improve Financial Situations of Students

The final objective of the study was to evaluate the measures that can be taken by Students to improve their financial situation. Table 4.7 reveals that majority of the respondents agree that unemployment limits the sources of financing, employment opens an avenue for financing college education for Students (75%), the government needs to offer tax incentives to Students to assist them in paying their tuition fees (79%), investment is a brilliant way of saving for college tuition fees (96%), financial Literacy educates on saving, investing prioritizing needs and wants which can help Students plan how to cater for their college fees (70%).
Table 4.7: Measures to be taken to Improve Financial Situations of Students

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment limits the sources of financing. Employment opens an avenue for financing college education for Students.</td>
<td>35</td>
<td>40</td>
<td>0</td>
<td>17</td>
<td>8</td>
<td>3.87</td>
</tr>
<tr>
<td>The government needs to offer tax incentives to Students to assist them in paying their tuition fees</td>
<td>69</td>
<td>10</td>
<td>0</td>
<td>6</td>
<td>5</td>
<td>3.81</td>
</tr>
<tr>
<td>Investment is a brilliant way of saving for college tuition fees</td>
<td>46</td>
<td>50</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>3.97</td>
</tr>
<tr>
<td>Financial Literacy educates on saving, investing prioritizing needs and wants which can help Students plan how to cater for their college fees.</td>
<td>45</td>
<td>25</td>
<td>13</td>
<td>9</td>
<td>8</td>
<td>3.88</td>
</tr>
</tbody>
</table>

Table 4.8 presents regression results with regards to the relationship between source of funding and student financing. Table 4.8 reveals that there was a positive relationship between source of funding and student financing with a beta value of 0.43.

Regression Analysis

Table 4.8: Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.611</td>
<td>.262</td>
<td>9.959</td>
</tr>
<tr>
<td></td>
<td>Strategic Change</td>
<td>.430</td>
<td>.056</td>
<td>.413</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.7 Chapter Summary

In this chapter, results and findings based on the specific objectives have been presented in form of tables and bar graphs. The next chapter provides a detailed discussion of the results and findings. Conclusion, as well as recommendations for improvement in further studies.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of four sections: summary, discussion, conclusions, and recommendations respectively. The first section provides a summary of the important elements of the study which includes the study objectives, methodology and the findings. The second section discusses the major findings of the study with regards to the specific objectives. The third section discusses the conclusions based on the specific objectives while using the findings and results which are obtained in the fourth chapter.

5.2 Summary

The general objective of the study was to determine how Students finance their college education with a focus on graduate students at USIU-Africa. The study was guided by the following specific objectives: to determine the sources of funds for Students in financing their college education, to establish what drives Students to various forms of financing their education to identify the challenges Students face in the method of choice in financing their education and to evaluate the measures that can be taken by Students to improve their financial situation.

Descriptive research design was used in this study and the research targeted a population of 5,871 students at USIU-Africa to take part in the research. Primary and secondary sources of data were used in this study where primary sources of data were collected by use of questionnaires that were administered to the students at USIU-Africa. Secondary data was collected from books, electronic journals and the internet. The data collected using questionnaires was analyzed using Statistical Package for Social Sciences (SPSS) and descriptive statistics such as mean, frequencies and percentages and inferential statistics such as regression and correlation analysis was generated. These findings were described and presented in tables and figures.

The study revealed that majority of the respondents agree that their source of financing was not only from financial aid from the institution but from others sources such as; loans
The study also revealed that majority of the respondents agreed that their income/Salary is inadequate, college education is quite expensive, they do not get employee education benefits where they work, they don’t know how to manage their personal finances, their family has a poor financial background, they do not want to incur debt as a result of their education, looking for instant cash to clear their fees.

The study further revealed that that the following are the challenges that students face in financing college education: Unstable finances are due to lack of a stable income, they have to take care other responsibilities, lack of permanent job, high inflation and interest rates, little knowledge on how to manage finances, lack of security/Collateral to attach to an application to seek a loan from the bank for my education.

Finally the study revealed that majority of the respondents agree that unemployment limits the sources of financing, employment opens an avenue for financing college education for Students, the government needs to offer tax incentives to Students to assist them in paying their tuition fees, investment is a brilliant way of saving for college tuition fees, financial Literacy educates on saving, investing prioritizing needs and wants which can help Students plan how to cater for their college fees.

5.3 Discussion

5.3.1 Sources of Funds for Students in financing their College Education

The study revealed that majority of the respondents agree that their source of financing was rarely and not often from financial aid from the institution (91%), loans (helb loans or personal bank /Sacco loans) (72%), personal savings (90%), benefits from the employer (87%), friends and family contribution (93%), proceeds from investment (97%) constituency development fund (90%), county bursaries (95%) non-governmental organizations (87%) and finally non-governmental organizations (90%). The findings
affirm that institutions play an important role in ensuring that they keep students who are not able to raise their full tuition fees in school through various investment in financial aid programs this is in line with seeking to maximize quality and minimize tuition increases (Hennessy, 2006). Financial aid Programs include grants, scholarships and work study programs that are given to students in colleges and universities to assist them in payment of their tuition fees (Ebony, 2007). Grants are a form of financial aid that is almost free for students. The difference between a grant and a scholarship is that a grant is earned while a scholarship is awarded based on merit e.g. Academic, athletic or community service oriented. These grants together with scholarships are award allocations that are not paid back. The funds for the grant and the scholarships are obtained from the university/college or from private organizations (Ebony, 2007).

The study findings also agree with Espenshade and Radford (2009) who consistently indicate that educational loans have positive effects on college enrollment in colleges and universities, particularly for those families that are not able to pay their fees (Baum and McPherson, 2008; Heller, 2008) providing students the necessary financial resources they require to attend college. Other studies indicate that educational loans are not related to chance of college graduation, especially among disadvantaged college students (Ishitani, 2006; Kim, 2007; Knight & Arnold, 2000).

The findings further alling with Fromma (2015), who argues that control is the key to saving money and remaining solvent while in college as indicated by Meka West an accountant and money coach in the Penny Smart Girl website. Meka West indicated that one thing a young professional can do while in college is to know their money situation for example how much money one has and determining how much one can set aside for savings. This avoids the reliance on family and friends through borrowing and use of credit cards to keep days moving. West argues that it doesn’t matter how much one saves but what matters is what the money is used for.

Finally the findings agree with Kokenmuller (2007), who argues that although borrowing from family and friends can be a risky proposition. Doing so makes one indebted to that person. Especially family, the Students are expected to perform in their best behaviour and perform well in college. However a number of benefits no interest unlike the bank
where there are normal charges that come with borrowing; less financial pressure to repay, no repayment timeline asked for compared to borrowing from a bank; there is potential debt forgiveness in case one is not able to repay. Family especially may give that as gift on graduation and asked not to repay which is unlike a bank when a loan is borrowed has to be repaid. Trust also comes with borrowing from family and friends than in a bank where likelihood of being deceived in settling rates and terms is a possibility.

5.3.2 Drivers to Various Forms of Financing their Education

The study revealed that majority of the respondents agreed that their income/Salary is inadequate (66.7%), college education is quite expensive (60%), they do not get employee education benefits where they work (60%), they don’t know how to manage their personal finances (58.3%), their family has a poor financial background (65%), they do not want to incur debt as a result of their education (63.3%), looking for instant cash to clear their fees (55%). Allowing an employee to tend to family issues like an unwell child can go a lot in creating a loyal and productive employee than a pay increase. (Mercer, 2012). Providing training and opportunities for advancement like education covers motivates workers to increase productivity while increasing their sense of value to the company. (Carrera and Luss, 2014). Open communication, fairness, security, and rewards aimed at successful teamwork also complement a balanced managerial style that encourages both loyalty and higher productivity (Wigfield, 1994).

The findings agree with Munyaradzi (2014) who indicate that over the last decade the decline in government funding of higher education along with the increasing costs of various services and products universities provide have led to increase in tuition fees in universities and colleges. This indications do not show the cost decreasing or univeristy education being free as indicated by some student association groups. According to Johnstone (2003), in the recent past most countries in Africa, tertiary education was largely dependent on government or taxpayers for the revenue to meet the high and rising costs. The source of taxation was heavily depended on exports and imports, state owned monopolies, and multinational enterprises, and the worsening terms of trade and the privatization of state owned enterprises. The governments have also turned to collecting taxes from individual incomes, retail sales, and property that are more expensive to collect and easier to evade (Sawyer, 2004).
Finally the findings agree with Gordon (2013) who argues that in this competitive world, organizations need to put effort to ensure that they retain cream of the crop employees through offering benefits such as the education cover. Employers must offer benefits that are valued most by the employees and education is one of them. Failure to offer such benefits employees move from one company to the next until their needs are met. Companies are however unable to offer employee tuition benefit due to the performance of the economy. According to (Landes, 2012), times of recession, education benefits are the first to be cut of by companies as they try to scale down their expenses and last to be reinstated when the situation has improved.

The findings also agree with Taylor (2014), who indicates that, employee education support in most organizations tie down employees to the company. This because some companies expect the employees to return the favor by working in the company for a number of years after finishing their education. For example at USIU-Africa employees of the university are given employee tuition waiver where upon completion of studies, employees are expected to work for the organization for an extra year. If an employee decides to leave before the one year is over, they are expected to pay 50% of the total fees that was paid toward their education by the organization. Students would not want to be tied down in one place as a result they would rather take a loan from a bank which is a quick fix than waiting for employee support.

5.3.3 Challenges Students face in the Method of Choice in financing their Education

The study also revealed that the following are the challenges that students face in financing college education: Unstable finances are unstable due to lack of a stable income (85%), they have to take care other responsibilities (95%), lack of permanent job (90%), high inflation and interest rates (75%), little knowledge on how to manage finances (91%), lack of security/Collateral to attach to an application to seek a loan from the bank for my education (90%). According to World Bank (2010), government student loan recovery in Sub-Saharan Africa has been exceedingly poor. This has been due to interest rates attached to the loans, unsuccessful and cost-effective collection of debts which may lead to unacceptably high default rate which results to decrease in available resources by government to lend to students. The mistakes of those who did not repay their loans
impacts on the new borrowers who may not be granted or there will be delayed response for the loan they request for to finance their education (David, Canning and Chan, 2006).

The findings align with O’Sullivan, (2007) who explains that the notion of scarcity is incorporated by opportunity cost. There is always a trade off on whatever we do and one has to trade off one thing for another because of scarce resources. The available resources can be used in different ways to acquire something that is needed most and economists believe that anything that is chosen by an individual has a cost associated with the choice. It is the concept of scarcity that leads to the idea of opportunity cost which is the value of the next best opportunity (Gregory, 2005). When Students choose to go back to school and further their studies there are needs that have to be foregone. These include; leisure and even other investments to generate income. Although education is an investment, it becomes a challenge for the student to meet their other needs due to diversion of their resources into education. This can be a challenge when source of financing like loans are taken as the best option of financing education.

The findings further agrees with Carrera and Luss (2014) who indicate that Job security is a tricky employment element today. The term was used long-ago in the golden age, when employees joined an organization fresh out of high school or college and employers guaranteed their jobs for life. In today’s economic and business climate, no responsible employer can make such a guarantee which presents a challenge when employees are selecting a method of financing their education. In the 21st century it has also become difficult for Students to stick into one job. Students are skipping from one job to another when it suits them in the advancement of their career, for increase in pay or to escape a difficult situation (Engellandt and Riphahn, 2005).

Finally the findings also agree with Eissa, Habyarimana and Jack (2012), who argues that Kenyan youth face financial issues ranging from un- and under-employment, few long term job prospects and vulnerable to diseases. However, this same group of young people have the prospects and opportunities to invest and plan for their future due to market liberalization and a stable macro-economy which has facilitated steady growth in recent years.
5.3.4 Measures taken by Students to improve their Financial Situation

The study further revealed that majority of the respondents agree that unemployment limits the sources of financing, employment opens an avenue for financing college education for Students (75%), the government needs to offer tax incentives to Students to assist them in paying their tuition fees (79%), investment is a brilliant way of saving for college tuition fees (96%), financial Literacy educates on saving, investing prioritizing needs and wants which can help Students plan how to cater for their college fees (70%). Although student loans are now the most common form of student aid, a minority of total students are choosing to borrow through student loan programs and DeBard (2003) argues that there is need for employment strategy to be seen an effective way for Students to finance their education. It should be viewed as a necessary component rather than an optional augmentation. Integrating work and school experience is also important which has been advanced by researchers and institutions (Katz, 1998). Kenneth Green of UCLA’s Higher Education Research Institute speculates that, students work as much to get a jump on the job market as to meet expenses, and William Ramsay of the National Association of Student Employment Administrators, witnessed a growing involvement of career services officers in helping the quality of student work through job location and development (McCartan, 1988).

The findings also affirm that governments undertake tax reforms for to simplify the tax system; to address the equity question in the distribution of tax burden; to strengthen tax administration and to ensure revenue adequacy. (Mutua, 2012). This drivers vary from country to country where in Kenya, Karingi, Wanjala, Nyamunga and Okello (2005), show that Kenya tax reforms emphasis has always been towards introduction of new taxes or new rates of existing bases, the need to widen tax bases and reduce exemptions, as well as introducing more stringent administrative changes to seal loopholes and appropriate sanction measures. According to Kenya Revenue Authority (KRA), tax incentive is an endowment that is granted to any person or activity favourable conditions that deviate from the normal provisions of the tax code/legislation in a positive manner for that person or activity. In Kenya, tax incentives apply to holiday; investment allowances and tax credits; accelerated depreciation; investment subsidies, and indirect tax incentives (Mutua, 2012).
Finally the findings agree that several firms, particularly those offering defined contribution pensions, have offered financial education programs for Students (Bernheim and Garrett 2003; Lusardi 2004). The findings from this study show that Students are particularly in need of these programs. Other studies also show that the Students are those more susceptible to making financial mistakes (Agarwal et al. 2007). Given the substantial differences that exist among the young, “one-size-fits-all” programs are unlikely to be effective. Students need to be financially literate to make informed decisions and choices about their personal finances. They are able to budget, save and take up the right choices to finance their education. Without this education, Students will end up making the wrong choices of financing college education that will lead to financial mistakes like debt.

5.4 Conclusions

5.4.1 Sources of Funds for Students in financing their College Education

The study concludes that majority of the students agree that their source of financing was rarely and not often from financial aid from the institution, loans (helb loans or personal bank /Sacco loans), personal savings, benefits from the employer, friends and family contribution, proceeds from investment, constituency development fund, county bursaries and non-governmental organizations.

5.4.2 Drivers to Various Forms of Financing their Education

The study also concludes that majority of the respondents agreed that their income/Salary is inadequate, college education is quite expensive, they do not get employee education benefits where they work, they don’t know how to manage their personal finances, their family has a poor financial background, they do not want to incur debt as a result of their education, looking for instant cash to clear their fees.

5.4.3 Challenges Students face in the Method of Choice in Financing Their Education

The study further concludes that that the following are the challenges that students face in financing college education: Unstable finances are unstable due to lack of a stable income, they have to take care other responsibilities, lack of permanent job, high inflation
and interest rates, little knowledge on how to manage finances, lack of security/Collateral to attach to an application to seek a loan from the bank for their education.

5.4.4 Measures taken by Students to improve their Financial Situation
Finally the study concludes that majority of the respondents agree that unemployment limits the sources of financing, employment opens an avenue for financing college education for Students, the government needs to offer tax incentives to Students to assist them in paying their tuition fees, investment is a brilliant way of saving for college tuition fees, financial Literacy educates on saving, investing prioritizing needs and wants which can help Students plan how to cater for their college fees.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Sources of Funds for Students in financing their College Education
The study recommends that institutions should continue providing funding for students because Institutions play an important role in ensuring that they keep students who are not able to raise their full tuition fees in school through various investment in financial aid programs this is in line with seeking to maximize quality and minimize tuition increases.

5.5.1.2 Drivers to Various Forms of Financing their Education
The study further recommends the need for university to consider reducing the cost of education so as enable students to finance their education. Due to high tuition costs many students at the universities and colleges have sought other forms of financing their education. Other forms of financing education have led to student in debt which is now so high compared to average salaries that many graduates in respectable public sector professions are getting. This makes it difficult for them to pay up their debts some even by end of the 30-year repayment period.

5.5.1.3 Challenges Students face in the Method of Choice in Financing Their Education
The study recommends the need for the government to come up with strategies that will aid students deal with the challenges facing them when it comes to financing their
education. This is because the long-term consequences of loan and grant or scholarship options are not often relayed to low-income students. Having such information may impact students’ financial circumstances tremendously over time.

5.5.1.4 Measures taken by Students to improve their Financial Situation

The study recommends the need for students to make use of the available opportunities that are available to them when it comes to financing their education. Additionally there is need for financial literacy to be instilled in college students and also at the workplace among employees making financial literacy a key strategy to help Students improve their financial situations.

5.5.2 Recommendations for Further Studies

The study recommends the need for USIU to develop a policy framework that will help the organization to deal with student financing among its students. It is also important for the organization to always ensure they carry out surveys to analyse the impact of the various financing programs. This will help the organization to get feedback regarding its financing programmes and thus effectively manage such programmes.
REFERENCES


APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

To Whom It May Concern

Dear Sir/Madam,

I am a student at United States International University-Africa taking a Master’s degree in Business Administration with a concentration in Finance. As partial fulfillment of my MBA degree, I am conducting a research on analysing how Students finance their college education.

I request your involvement in answering the questionnaire to the best of your knowledge. Kindly note that any information given through this questionnaire is confidential and only used for the purpose of this study. Your assistance and response is much appreciated.

Yours Faithfully,

Leonida Otindo
APPENDIX 11: QUESTIONNAIRE

SECTION A: General Information

1. Gender:-
   Male □   Female □

2. Are you a graduate or an undergraduate student?
   Graduate □   Undergraduate □

3. What is your age range?
   18-24 Years □
   25-34 Years □
   35-50 Years □
   Above 50 Years □

4. Do you have a source of income?
   Yes □   No □

5. What is the source of your income?
   Allowance from Parent/s □
   Employment □
   Funds from Relatives □
   Investment □
   Other please specify____________________

6. Are you financially secure?
   Yes □   No □

7. If No, kindly specify the reasons
   __________________________________________
   __________________________________________
   __________________________________________
SECTION B: Sources of Financing College Education for Students

8. Kindly tick which best describes the sources of financing you use to finance your college education. On a scale of 1-5 (1-not at all, 2-rarely, 3-sometimes, 4-often, 5-all the time).

<table>
<thead>
<tr>
<th>Sources of Funds</th>
<th>Not at All</th>
<th>Rarely</th>
<th>Sometimes</th>
<th>Often</th>
<th>All the Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Financial Aid from the Institution</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Loans(HELB Loans or Personal bank /Sacco Loans)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Personal Savings</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Benefits from the employer</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Friends and Family Contribution</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. Proceeds from Investment</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7. Constituency Development Fund</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8. County Bursaries</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9. Non-Governmental Organizations</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10. Foundations</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
### SECTION C: Drivers to various forms of College Education Financing for Students

9. Kindly tick which best describes your opinion of the statement in reference to the drivers of various forms of college education financing for Students on a scale of 1-5 (1-strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree).

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. My income/Salary is inadequate</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. College education is quite expensive</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. I do not get employee education benefits where I work</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. I don’t know how to manage my personal finances</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. My family has a poor financial background</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. I do not want to incur debt as a result of my education</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7. Looking for instant cash to clear my fees</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
SECTION D: Challenges faced by Students in Financing College Education.

10 Kindly tick which best describes your opinion of the statement in reference to the challenges faced by Students in Financing College Education on a scale of 1-5 (1- strongly disagree, 2-Disagree, 3-Neutral, 4- Agree, 5-Strongly Agree)

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. My Finances are unstable due to lack of a stable income</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. I cannot pay for my education because I have to take care other responsibilities.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. I do not have a permanent job</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. The bank inflation and interest rate forces me not to take a loan to finance my education</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. I have little knowledge on how to manage finances</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. I do not have any security/Collateral to attach to an application to seek a loan from the bank for my education</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
SECTION E: Measures to be taken to Improve Financial Situations of Students

11. Kindly tick which best describes your opinion of the statement in reference to the measures Students can take to improve their financial situation. On a scale of 1-5 (1- strongly disagree, 2-Disagree, 3-Neutral, 4- Agree, 5-Strongly Agree)

<table>
<thead>
<tr>
<th>Measures</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Unemployment limits the sources of financing. Employment opens an avenue for financing college education for Students.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. The government needs to offer tax incentives to Students to assist them in paying their tuition fees</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Investment is a brilliant way of saving for college tuition fees</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Financial Literacy educates on saving, investing prioritizing needs and wants which can help Students plan how to cater for their college fees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

THANK YOU FOR YOUR TIME!!!