FINANCING STRATEGIES AND FINANCIAL SUSTAINABILITY OF PRIVATE SECONDARY SCHOOLS IN UGANDA: A CASE OF JINJA CITY

BY

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A DISSERTATION SUBMITTED TO THE DIRECTORATE OF RESEARCH AND GRADUATE TRAINING IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF KYAMBOGO UNIVERSITY

OCTOBER, 2023

DECLARATION

I, **Oboire Emmanuel**, do hereby declare that this dissertation is my original work and has never been submitted for any award in any university or institution of higher learning.

Signature ……………………………………………Date: ……………………………………………

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APPROVAL

This is to certify that this dissertation by **Oboire Emmanuel** has been done under our supervision and is ready for submission for examination with our approval as University supervisors

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DEDICATION

I dedicate this dissertation to my family and friends for their moral and social support throughout the entire academic journey.

ACKNOWLEDGEMENT

Through this academic process, I want to thank God for his mercy and grace. There would not have been an easy way to produce a scholarly paper without relying on the efforts and support of various people.

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LIST OF ACRONYMS

ADEAD	Association for the Development of Education in Africa
APHRC	African Population and Health Research Center
AU/CIEFFA	African Union's International Centre for Girls and Women's Education in Africa
NGOs	Non-Government Organizations
OAG	Office of Auditor General
OECD	Organization for Economic Co-operation and Development
S.D.	Standard Deviation
SACCO	Savings and Credit Cooperative Organizations
SMEs	Small and Medium Enterprises
SOPs	Standard Operating Procedures
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children’s Emergency Fund
USA	United States of America
USAID	United States Agency for International Development
USGLC	United States Global Leadership Coalition

ABSTRACT

With the business environment becoming largely volatile and uncertain, many firms are struggling to ensure financial sustainability and private secondary schools in Uganda have not been spared either. This study focused on establishing the effect of financing strategies on the financial sustainability of private secondary schools, with a specific focus on Jinja City as a study area. The specific objectives addressed in the study were (i) to examine the effect of external borrowing on financial sustainability of private secondary schools in Jinja City, (ii) to investigate the effect of lobbying for grants on financial sustainability of private secondary schools in Jinja City and (iii) to assess the effect of internal fund reserve on the financial sustainability of private secondary schools in Jinja City. The study was guided by the Trade-off Theory. A cross sectional survey research design was adopted with both qualitative and quantitative approaches used in data collection from a sample of 61 private secondary schools that existed for at least 5 years and were charging a low fee of not more than 500,000 Uganda Shillings. Data was gathered using both structured questionnaires and interviews. The analysis was performed using regression analysis to test the study hypotheses. The findings established that whereas both grants and internal fund reserves had a positive effect on financial sustainability, external borrowing instead has a significant negative contribution on financial sustainability. The study therefore concluded that private secondary schools may opt for grants and internal fund reserves as a long-term financing strategy that may have a direct contribution on financial sustainability while limited focus should be put on external borrowing especially when schools aim for future financial sustainability of the school. The recommendations to private secondary schools, school owners, and policy makers were; private secondary schools should thoroughly assess the associated effects of external borrowing on the school by comparing the cost of borrowing with the benefits of borrowing before choosing to borrow, private secondary schools should step up efforts of lobbying for grants by setting up grants, lobbying committees and negotiate with government and private schools should invest more on internal income generating activities to increase internal fund reserves. This study provides private school owners with empirical insights into which financing strategies are most effective in fostering financial sustainability. Not only that, the study also contributes to the development of theoretical frameworks that explain the influence of financing strategies on financial sustainability in Private secondary schools.

Key terms: External borrowing, grants, internal fund reserves, and financial sustainability.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

With the business environment becoming largely volatile and uncertain, many firms are struggling for financial sustainability. Private secondary schools in developing countries including Uganda are not spared either (Association for the Development of Education in Africa (ADEA Report, 2021). This study sought to establish the effect of financing strategies on the financial sustainability of private secondary schools in Uganda with a specific focus on those located in Jinja City. The sections presented in this chapter include; the background to the study, the statement of the problem, the purpose of the study, the study objectives, the research hypothesis, the scope of the study, the significance of the study, and the conceptual framework.

1.1 Background to the study

1.1.1 Historical background

Since time memorial, the need to ensure financial sustainability in the education sector has been reflected in the financing strategies. There has been a growing consensus that the financial wellbeing of schools has to be based on the funding approaches adopted by the schools. Several countries started placing the financial wellbeing of schools into their national objective (Alam & Tiwari, 2021). According to Berg, Edquist, Mays, Westberg, and Åkerlund (2015), there are no clear traces of the history of the study of financing strategies for schools. However, they highlight that in the nineteenth century, the physiocrats and economists regarded the financing approaches of education systems as an economic phenomenon. They further indicate that it was not until the middle of the 20th century that education financing became a fundamental issue due to the Human Capital Theory that pointed out the impact of education on the economic growth of society.

In European countries, the historical perspective on school financing is linked to school finance reforms in England and Wales in 1833–1870 (Berg et al., 2015). It is further noted that during the interwar years and after World War 1, private players such as professional organizations, university administrations in the USA, and philanthropic foundations in Germany started extending financial assistance to various countries to finance education and facilitate exchange and scholarly mobility worldwide (Kregel, 2020). This financing strategy is said to have gained wide recognition until the aftermath of the 2nd World War. There was an increasing amount of donor aid to schools that could not otherwise afford to fund their school activities, especially in developing countries.

In 2009, the OECD launched National Strategies for Financial Education as an integral part of its financial education project aimed at complementing the measures on financial consumer protection and inclusion (OECD Report, 2018). This was meant to improve on financial sustainability of schools and end the global financial crisis of 2008. It was also launched as a lasting solution for the developing countries that were designing financial education policies. The national strategies on financial education were later confirmed by the G20 leaders who attended the Los Cabos summit of 2012. It is therefore believed that over 59 developing nations have adopted the National Financing strategies (OECD Report, 2018).

In Uganda, school financing dates way back to when Missionaries came to Uganda. They introduced elementary education in Uganda and the missionaries financed all the education activities. With the arrival of British Colonialists, the education control was taken over by the colonialists who therefore received funding from the parent economy to fund the school activities. In 1962 Uganda gained independence and therefore the government funded school activities to accommodate the then rising number of schools going children which was complemented by the introduction of Universal Primary Education in 1997.

Due to the continuous expansion of the education sector, private secondary schools have continuously multiplied. Financial sustainability has since then become an integral part of the going concern of private secondary schools and yet they continue to experience a challenge in achieving it. Attention has been turned to increasing financing strategies. Over the years, funding for private secondary schools has been fully reliant on the private owners but today there are several financing strategies that private secondary schools may opt for such as central and local government funding, donor funding, households, foreign grants, and external borrowing in a bid to boost financial sustainability (UNESCO, 2020)

1.1.2 Theoretical background

The guiding theories for the study were the Trade-off Theory and the Pecking Order theory.

The Trade-off Theory of capital structure can be traced back to the seminal work of Modigliani and Miller (2020) in their famous paper titled "The Cost of Capital, Corporation Finance, and the Theory of Investment." They initially proposed the irrelevance theory, which suggested that under certain conditions, the capital structure of a firm that is to say the mix of debt and equity is irrelevant to its value. In this case, they developed the Trade-off Theory of capital structure. This theory is one of the most popular theories that explain the concept of corporate financing. With schools being categorized under corporate entities, this theory is therefore relevant to the current study.

The theory postulates that for the company to choose the amount to be borrowed, it has to make a comparison between the benefits of borrowing against the costs associated with the borrowed money (Nugroho, 2019). The theory notes that firms that are largely financed by debt should consider sources that are associated with a low cost of financing the debt. The firm capital structure should balance the tax savings and distress cost of debt (Krstevska et al., 2017). Cekrezi (2013) further notes that firms that are largely financed with debt have their marginal benefit increasing when the debt increases. This implies that firms that need to ensure financial sustainability should consider external borrowing as a financing strategy.

However, the Tradeoff theory has been often criticized for not explaining why profitable companies have a low debt ratio yet according to Modigliani and Miller (1958), the higher the debt the higher the marginal benefit.

The Pecking Order Theory

The second theoretical guidance to this study was drawn from the Pecking Order Theory (POT) that was fronted by Myers and Majluf in 1984 as cited by (Singh & Kumar, 2012). The theory is assumed to have been developed to explain why internal financing is relevant in a situation where there is information failure from one party's side causing transaction power imbalance. The theory notes that parties largely affected by asymmetric information are often the external borrowers and shareholders of the organization. These groups of stakeholders possess less information regarding the firm's performance, prospects, and risks compared to company managers. Therefore, to compensate and encounter risk, they often ask for a higher rate of return on what they lend to corporate institutions (Frank & Goyal, 2003).

As a result, the Pecking Order theory urges that organizations should consider adopting a hierarchical approach when considering sources of financing (Abeywardhana, 2017). The approach involves first relying on the internal fund reserve as a high preference financing strategy and any need to go for external borrowing should be considered the last resort. This is because internal fund reserves limit information asymmetry situation since it is directly based on the company rather than external borrowing which is associated with a higher cost of debt to compensate for any risk from information asymmetry.

The Pecking Order Theory was therefore relevant to this study because it urges schools to consider internal funding reserve as one of the financing strategies (Frank & Goyal, 2003). This study sought to test whether internal fund reserves affect financial sustainability of private secondary schools as suggested by the theory. This theory has been supported by previous studies such as Serrasqueiro and Caetano (2015) who investigated the theory in the context of Small and Medium Enterprises (SMEs) and noted that an internal financing strategy is far cheaper for the firm and provides more appropriate approach of ensuring financial sustainability.

1.1.3 Conceptual background

Financing strategies.

According to Burnett (2010), a financing strategy is defined as a description of an organization's strategic options available for financing an organization's processes. Kregel (2004) asserts that there are several financing strategies that firms need to look at when seeking to obtain finances for their sustainability. These may include; external borrowing, lobbying for grants, and internal reserve fund*s* (Niazi & Doorly, 2020).

Private secondary schools may consider several financing strategies to boost their financial sustainability. These may take two shapes either internal or external borrowing. Internal fund reserve is the most regarded internal financing strategy. Schools reserve some funds for specific purposes which may include all bank balances and funds in the investment accounts (OECD

Report, 2018). Internal fund reserves vary per school because each school determines the amount to be kept depending on the ability of the reserved funds to meet the school's short-term commitments and emergency situations. Animasaun and Babayanju (2016) note that when schools retain some internal fund reserves, they are likely to be financially sustainable because those internal reserves support schools in meeting any financial obligations, especially in situations where cash inflows are low.

In addition, external financing takes various forms such as grants from the government, donations, and external borrowing from lending institutions and individuals. Private secondary schools may have to consider obtaining funds from external parties who are not directly linked to the ownership of the business at a given interest rate for a specific period (Kregel, 2020). It is one of the financing strategies that may have a direct influence on financial sustainability. However, this financing strategy is associated with several costs that a business has to meet and, in most cases, requires the borrower to offer security. External financing through lobbying for grants from either the government or donors is also fundamental in ensuring financial sustainability (Burnett, 2010). Donations may be in the form of gifts offered for charitable courses. The gift may take various forms among which include funds, clothes, and other valuable items. However, for financial sustainability purposes, there is a need for schools especially private secondary schools in developing nations to lobby for donor funding from various partners who may be channeling some funds towards supporting education systems. It is also worth noting that despite the key role played by donor funding, it is one of the most volatile and unstable strategies for financing school projects (Bayai & Ikhide, 2016). Therefore, in this study financing strategy is defined as a description of an organization's strategic options available for financing an organization's processes (Animasaun & Babayanju, 2016).

Financial sustainability

Financial sustainability is defined as the ongoing ability of the organization to continuously generate resources for a long period to achieve its vision (WorldBank, 2018). Zabolotnyy and Wasilewski (2017) also observe financial sustainability as the ability of the organization to create lifetime value for the owners through optimal utilization of the available sources of financing while in consideration of the going concern principle of accounting.

On the other hand, the OECD Report (2018) defines financial sustainability as the ongoing ability of the organization to continuously generate resources for a long period to achieve its vision. Zabolotnyy and Wasilewski (2019) also observe financial sustainability as the ability of the organization to create lifetime value for the owners through optimal utilization of the available sources of financing while in consideration of the going concern principle of accounting (Zabolotnyy & Wasilewski, 2017). In this study, the reference is made to the private secondary schools which in their attempt to achieve the objective of long-term survival are expected to maintain liquidity by securing financing from various sources.

Levačić (2008) notes that organizations of all sizes whether small or big today find it challenging to ensure financial sustainability and yet it has a considerable impact on the financial system of the organization like schools. It plays a key role in helping organizations gain financial muscles to handle economic crisis situations (Ocampo & Ortega, 2020). UNICEF Report (2020) stresses that organizations need to set new sights on various financing strategies to ensure financial sustainability.

1.1.4 Contextual background

The number of private schools across the globe has grown rapidly over the years. However, they are affected largely by environmental uncertainties. For instance, most private schools globally felt the pinch of the COVID-19 pandemic which greatly affected schools' financial sustainability (Baena-Diéz et al., 2020). Despite the gradual opening of schools in most parts of the world, many private secondary schools are still closed. Private secondary schools have expressed concern about how they can ensure financial sustainability. They indicate that parents are unable to pay off fees on time and donations have also reduced. This is most likely to have a long-term financial effect on private secondary schools around the globe (Lukman et al., 2020). Financial sustainability challenges have left private secondary schools unable to meet rent, personal costs, and interest expenditures on loans (UNICEF, 2021). Even if studies have indicated that financing strategies may be the solution to these challenges, it is yet not clear whether they would work in this pandemic-hit economy.

In the African continent especially in developing countries, private secondary schools have experienced the wrath of the COVID-19 pandemic, these schools have not been spared. OECD (2020) notes that in Uganda for instance, over 55 private secondary schools closed down in 2019 because of the inability to meet the financial demands. The devastating effects of COVID-19 left private schools crippled, many donors have pulled out and the government seems to paying a deaf ear to the financial demands of private schools. These have left private schools in a deep financial state that cannot help schools ensure financial sustainability (Bigirwa et al., 2020).

There is therefore a lot to be explored in line with achieving financial sustainability in private secondary schools hence motivating this study to investigate the effect of financing strategies on financial sustainability of private secondary schools in Jinja City in Uganda. Jinja City is located in the Eastern region of Uganda which is located approximately 80 Kilometers away from Kampala, Uganda's capital. It is one of the most heavily populated Cities in Uganda with approximately 78,000 people and has one of the largest numbers of school going children. Jinja City has a large number of private secondary schools which is currently estimated at over 263 schools (Jinja School Census Report, 2021). The government has extended some grants to support private schools and several private players have also come in to donate to schools in Jinja City for instance USAID, Edify, and BAYLOR Uganda. The schools have also engaged the financial institutions to support with short and long-term loans to finance school activities (UNESCO, 2020).

However, according to the Jinja City Education Report (2020) private secondary schools are grappling with financial sustainability challenges. It is estimated that over 25% of the private schools were unable to re-open after the lifting of the lockdown in the first phase of the COVID-19 wave (Office of the Auditor General, 2020).

1.2 Problem Statement

Despite the huge progress made by private schools towards the development of Uganda's economy, financial sustainability gaps remain a backlog. UNESCO (2020) indicates that much as private schools contribute to over 5% of the GDP and accommodate about 40% of the school going children, it is unlikely that they can afford to continuously finance schools' activities without considering several financing strategies. The same report further indicated that with the prevailing uncertainties continuing to rock the globe, they are likely to have a devastating impact on the financial sustainability of private schools. In Jinja City for instance in 2020, the Auditor's Report (2020_indicates that 25% of the private schools were unable to re-open due to inability to meet the operational costs. Today, based on the survey conducted by Edify Uganda (2020), private schools experience a dramatic reduction in revenue collection by 35% due to reduced enrollment which poses a big threat to the financial muscles of these schools. The survey conducted by OAG Report (2020) indicates that over 60% of the schools in Jinja City are grappling with challenges of financial sustainability that have made private schools unable to adopt online studies and even maintain continuity among schools, teachers, and students.

As a result, UNICEF (2020) indicates that the financial sustainability of schools is accompanied by financing strategies that address the financial shortfalls. However, whereas some studies such as (Lukman et al., 2020) and Bigirwa et al., 2020) have been conducted, such studies are still limited in the context of Uganda. It is therefore on these grounds that this study focused on establishing the effect of financing strategies on the financial sustainability of private secondary schools in Uganda with a specific focus on Jinja City as area of study.

1.3 Objectives of the Study

The study was guided by three specific objectives that are drawn from the concepts adopted in the study as indicated below.

1.3.1 General objective

The general objective of the study was to examine the effect of financing strategies on the financial sustainability of private secondary schools in Uganda with a focus on Jinja City.

1.3.2 Specific objectives

(i) To examine the effect of external borrowing on financial sustainability of private secondary schools in Jinja City.

(ii) To investigate the effect of lobbying for grants on financial sustainability of private secondary schools in Jinja City.

(iii) To assess the effect of internal fund reserve on financial sustainability of private secondary schools in Jinja City.

1.4 Research Hypotheses

H1o: There is no significant effect of external borrowing on financial sustainability of private secondary schools in Jinja City.

H2o: There is no significant effect of lobbying for grants on financial sustainability of private secondary schools in Jinja City.

H3o: There is no significant effect of internal fund reserve on financial sustainability of private secondary schools in Jinja City.

1.5 Scope of the study

1.5.1 Content scope

The study examined the effect of financing strategies on the financial sustainability of private secondary schools in Uganda. The study content was focused on analyzing the contribution of external borrowing, lobbying for grants, and internal fund reserve on the financial sustainability of private secondary schools in Uganda. This is because prior studies (Al-Najjar & Al-Najjar, 2017) have identified them as the financing strategies that are likely to have a direct effect on the financial sustainability of firms, and yet they have not been largely tested in the context of Uganda. Similarly, financial sustainability was measured in terms of revenue diversification, liquidity, and financial leverage (Nalwoga, 2021) which have been identified as appropriate measurements for the financial strength of an organization in fulfilling the short-term and long-term business activities.

1.5.2 Geographical scope

The study was conducted on private secondary schools located within Jinja City. Jinja City is located in the Eastern part of Uganda 85 km away from Kampala Uganda's capital. The study chose Jinja City because it is one of the newly created cities with quite a good number of private schools grappling with enormous financial sustainability challenges. Jinja City Education Report (2020) indicates that 25% of the schools remained closed during the reopening of schools after the first wave of the Pandemic in Uganda. As a result, Jinja City was considered appropriate for this current study to establish whether financing strategies affect the financial sustainability of Private secondary schools in Uganda.

1.5.3 Time scope

The study was conducted between August 2021 and October 2022. This period length was considered adequate for gathering the necessary evidence to support this study given the pandemic situation that has rocked the nation. Besides, the study focused on reviewing the most recent literature that is relevant and applicable to the current trends in private secondary schools. This literature between 2017 and 2021 was considered relevant for the study.

1.6 Significance of the study

The study is significant to future researchers, policymakers, school management, and school owners in the following ways;

To the Ministry of Education; the study findings would be relevant in informing the ministry of the financing strategies that may be necessary in ensuring continuity of private secondary schools and the growth of education in Uganda. In the due course of ensuring this, the ministry will be able to develop some guidelines and policies aligned to ensuring the financial sustainability of private secondary schools as informed by the relevant findings of this study.

To the owners and management of private secondary schools; the study findings would be supportive, especially in addressing financial challenges by reducing over reliance on one financing strategy. The management and owners of private secondary schools will be informed on the most pivotal financing strategies that may be focused on and have a direct influence on financial sustainability.

To the parents; the study will be relevant because it informs the general public that without consideration of various financing strategies by private secondary schools then the financial sustainability will be crippled. These may therefore affect the continuity of private secondary schools which definitely may have backfiring effects on the parents who have their children unable to study. Parents therefore will be informed to be part of the school's financial planning process and advise on the financing strategies that may be relevant for sustainability.

To the future researchers, the study provides information that enriches their knowledge. They benefit by applying this information to related studies that look at addressing issues related to financing strategies and financial sustainability.

1.7 Conceptual Framework of financing strategies and financial sustainability

The conceptual framework illustrated the hypothesized effect that the independent variable has on the dependent variable of the study as supported by Eden, Nielsen, and Verbeke (2020)

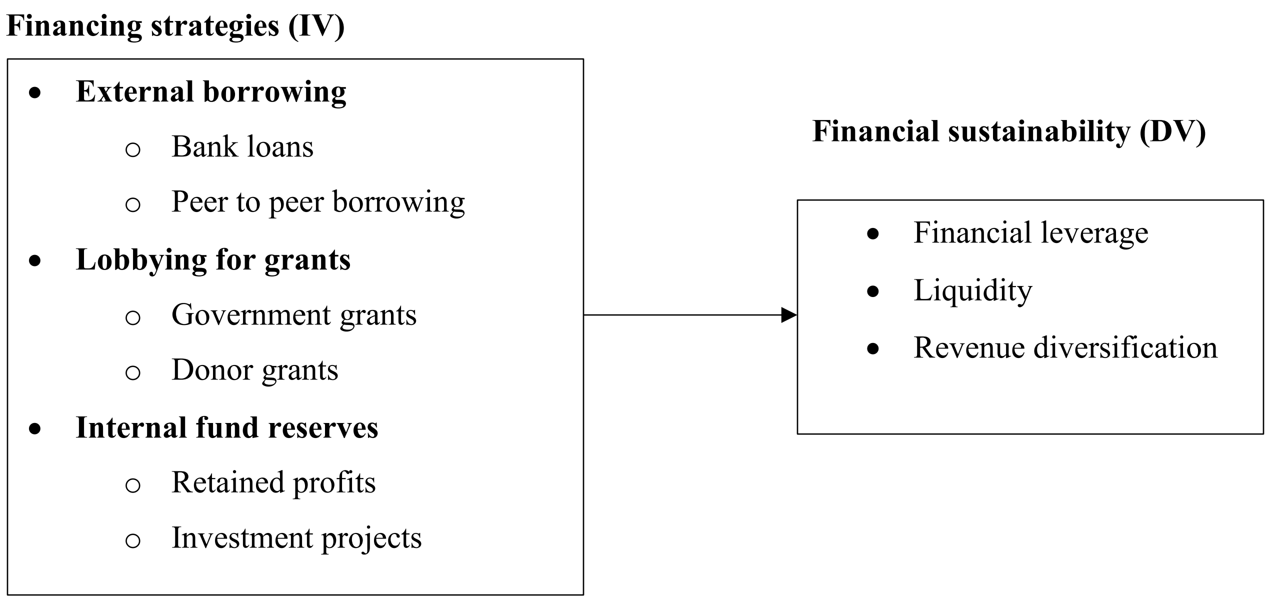

Figure 1. 1: The conceptual framework of financing strategies and financial sustainability

Source: *Adapted from Al-Najjar and Al-Najjar (2017), Zabolotnyy and Wasilewski (2019), and Nalwoga (2021) as modified by the researcher.*

The conceptual framework above illustrated financing strategies as an independent variable and financial sustainability as the dependent variable for this study. Financing strategies were conceptualized as; external borrowing, lobby for grants, and internal fund reserve. On the other hand, financial sustainability was measured in terms of financial leverage, liquidity, and revenue diversification. The framework therefore hypothesized that financing strategies have a direct effect on the financial sustainability of private secondary schools as adapted from Najjar and Najjar (2017), and Zabolotnyy and Wasilewski (2019).

1.8 Conclusion

This study intended to explore the financing strategies of private secondary schools in Uganda focusing on how those financing strategies affect financial sustainability. The study provided theoretical and practical insights that would support school owners and policymakers in making school financing decisions.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section presents the theoretical review, conceptual review, and the underlying gaps in the literature that the study intends to fill about the study's research objectives. The literature review in this study considered the works of early studies and information on reports regarding financing strategies and financial sustainability as presented below.

2.1 Theoretical review

Various theories explain the relevance of a mix of internal and external financing strategies on the financial sustainability of firms across various fields of study. Some of the theories include; Stakeholder's Theory, Pecking Order Theory, Agency Theory, and Trade-Off Theory. However, this study reviews only two theories which include the Trade-Off theory and Pecking Order theory. These two theories were found to be more applicable to this study due to their focus on what firms need to consider when opting for either external or internal financing.

The Trade-Off Theory

This theory is one of the most popular theories that explain the concept of corporate financing. The theory postulates that for the company to choose the amount to be borrowed, it has to make a comparison between the benefits of borrowing against the costs associated with the borrowed money (Serrasqueiro & Caetano, 2015). The theory notes that firms that are largely financed by debt should consider sources that are associated with a low cost of financing the debt. The firm capital structure should balance the tax savings and distress cost of debt. It further adds that firms that largely finance with debt have their marginal benefit increasing when the debt increases (Abeywardhana, 2017).

With schools being categorized under corporate entities, this theory is therefore relevant in explaining how private secondary schools can ensure financial sustainability. The theory notes that corporate entities may consider external borrowing as a financing strategy that increases marginal benefits. This is also supported by Al-Najjar and Al-Najjar (2017) who in their study that sought to investigate the impact of external financing on a firm's value, noted that external borrowing has a fundamental contribution to the financial performance of firms.

However, the Trade-Off theory has been often criticized for not explaining why profitable companies have a low debt ratio, and yet the theory notes that the higher the debt, the higher the marginal benefit (Modigliani & Miller, 1958). Because of this, the theory may not satisfactorily explain the urge for firms to go for external borrowing alone but rather consider other forms of financing strategies as suggested in the Pecking Order Theory.

The Pecking Order Theory

The second theoretical guidance to this study was drawn from the Pecking Order Theory (POT) that was fronted by Myers and Majluf in 1984 as cited by (Singh & Kumar, 2012)**.** The theory is assumed to have been developed to explain why internal financing is relevant in a situation where there is information failure from one party's side causing transaction power imbalance. The theory notes that parties largely affected by asymmetric information are often the external borrowers and shareholders of the organization. These groups of stakeholders possess less information regarding the firm's performance, prospects, and risks compared to company managers. Therefore, to compensate and encounter risk, they often ask for a higher rate of return on what they lend to corporate institutions (Frank & Goyal, 2003).

As a result, the Pecking Order theory urges that organizations should consider adopting a hierarchical approach when considering sources of financing (Abeywardhana, 2017). The approach involves first relying on the internal fund reserve as a high preference financing strategy and any need to go for external borrowing should be considered the last resort. This is because internal fund reserves limit information asymmetry situation since it is directly based on the company rather than external borrowing which is associated with a higher cost of debt to compensate for any risk from information asymmetry.

The Pecking Order Theory was therefore relevant to this study because it urges schools to consider internal funding reserve as one of the financing strategies (Frank & Goyal, 2003). This study sought to test whether internal fund reserves affect financial sustainability of private secondary schools as suggested by the theory. This theory has been supported by previous studies such as Serrasqueiro and Caetano (2015) who investigated the theory in the context of Small and Medium Enterprises (SMEs) and noted that internal financing strategy is far cheaper for the firm and provides the more appropriate approach of ensuring financial sustainability.

In conclusion, whereas the two theories consider different approaches to financing the firm, both the Trade-off and Pecking order theory should however be considered when drawing an interest in how financing strategies affect financial sustainability. For instance, both external borrowing and internal funding may have a significant contribution to financial sustainability in private secondary schools.

2.2 Review of financing strategies of private secondary schools in Uganda

Private secondary schools have become commercially viable to the economy of Uganda. However, there is growing tension on how these schools can be kept financially sustainable to take advantage of the opportunities (UNESCO Report, 2020). With COVID-19 rocking the globe, there is even more growing tension. The schools have not been spared by the devastating impact of the Pandemic which has left many industries wondering how they can resume business and when they can stabilize business operations (USGLC, 2021). Financing private schools amidst the pandemic is becoming an increasingly devastating challenge. Schools have been forced to think beyond one line of financing school activities. Several studies have tried to explore several financing strategies that private secondary schools may have at their disposal. Private schools have been encouraged to employ at least several financing strategies which may include;

External borrowing;

This involves obtaining funds from external parties who are not directly linked to the ownership of the business at a given interest rate for a specific period (Kregel, 2020). It is considered the imminent strategy of financing a business due to the availability of various lenders that range from individuals to organizations. However, this financing strategy is associated with several costs that a business has to meet and, in most cases, requires the borrower to offer security.

According to Mugumisi (2021) external borrowing involves seeking for fund supply from external investors such as commercial banks and multilateral organizations. However, schools that consider this financing strategy may have to think twice because of the associated cost of debt that arises from a given rate of return attached to the funds. This makes external borrowing a costly financing strategy and therefore a lot has to be considered for instance how, much to borrow, when and how to repay the borrowed funds.

Lobbying for grants;

Grants may be from two major sources that include donors and the government. Grants from donors especially NGOs support schools in financing business activities (Kamatham et al., 2021). Schools seek for donor support in the form of repayable but no interest funds or completely nonrepayable funds (humanitarian donation) which is mainly a commitment to support low cost schools in developing countries. This form of financing strategy is very relevant to private secondary schools however it is considered one of the none viable and reliable because it may come once in a lifetime (Martin, 2015). Private schools are also advised by several studies to consider seeking government grants aimed at supporting schools. Governments in developing countries often allocate some funds to pull over private schools that are in a financially difficult situation.

Amidst this pandemic situation, government grants may be considered as one of the reliable financing strategies. The government of Uganda for instance allocated a sum of Uganda shillings 40 billion to be extended to private schools as a support of healing from the devastating effects of the pandemic. The government grant to private schools may also be informed of the direct investment of the government in private schools where the government takes 30% ownership of private schools (Isern & Porteous, 2005).

Internal fund reserves;

This has been identified as the first resort to solving financial challenges. Internal fund reserve is broadly defined as all funds held by a school for a specific purpose which may include all bank balances and funds in the investment accounts (OECD Report, 2018). It specifically involves depleting the internally generated funds that may have been previously spared to cater to some commitments. This kind of funding majorly involves the use of retained earnings and is considered the cheapest financing strategy for private schools because no cost of debt is involved. However, due to the long effects of COVID-19, very few schools may rely on this financing strategy because many of them have already depleted their reserves.

Internal fund reserves vary per school because each school determines the amount to be kept depending on the ability of the reserved funds to meet the school's short-term commitment and emergency situations. When schools retain some internal fund reserves, they are likely to be financially sustainable because those internal reserves support schools to meet any financial obligation, especially in situations where cash inflows are low (Lee & Kim, 2019). It is therefore relevant for schools to ensure that all their internal reserve funds are linked to education opportunities that will benefit the sustainability of these schools.

The increasingly devastating effects of the COVID-19 pandemic on the education industry have drawn particular attention to the concept of financial sustainability. The study by Bayai and Ikhide (2016) in the context of micro finance in Nigeria indicates that the financial sustainability of a firm ensures uninterrupted business operations and the exploitation of business opportunities. As a result, private secondary schools ought to consider directing their efforts toward increasing revenue streams as a means of ensuring financial sustainability. Financial sustainability has been defined in various ways by different scholars. For instance, Bayai and Ikhide (2016) define financial sustainability as the ability of the firm to ensure the continuity of business operations over a long time. In other words, a firm can meet its operational, financial, and administrative costs over time.

Zabolotnyy and Wasilewski (2019) also define financial sustainability as the ability of the firm to maximize value for the shareholders while ensuring continuity of operations for a long period.

Therefore, the concept of financial sustainability has been applied by studies and has been measured in terms of continuity of business, ability to pay debts, and level of operating revenue. The concept of financial sustainability has over the years sparked a debate basically as to how firms can achieve it. It has therefore remained a major requirement for most organizations, especially schools. However, there is still no clarity on whether financing strategies may have a contribution to financial sustainability in the context of private secondary schools in Uganda.

2.3 Empirical review

An Empirical review was conducted on early studies that focused on the effect of financing strategies on financial sustainability in various study contexts as guided by the study objectives.

2.3.1 External borrowing and financial sustainability

Several prior studies have been conducted to establish the contribution of financing strategies or sources of finance on the financial sustainability of firms in different contexts (Bayai & Ikhide, 2016; Singh & Kumar, 2012; Ondieki, Okioga, Okwena, & Onsase, 2016; Muriithi, 2014; Al-Najjar & Al-Najjar, 2017; Kung'u, 2016; Mallick & Yang, 2011).

The studies focused on establishing the effect of external borrowing/debt on financial sustainability. Whereas most of them seem to agree that external borrowing has a significant effect on financial sustainability, very few are in contention with their findings. This study therefore reviews the literature to get a limelight on whether external borrowing can be a significant financing strategy that boosts the financial sustainability of private secondary schools.

First and foremost, Bayai and Ikhide (2016) on the study that sought to establish the effect of financing and financial sustainability of Microfinance in Nigeria note that commercial funding that primarily involves borrowing in the form of debt is a very fundamental financing strategy.

However, the study noted that for debt financing to be a more convincing strategy of financing, borrowing should be kept within the limits to avoid issues of liquidation. Singh and Kumar (2012) also support external borrowing as the most appropriate financing strategy for firms. This is because it is presumed that any firm that goes for debt financing will limit agency costs associated with equity financing. The study further notes that external borrowing propels the business to be efficient in raising more funds to clear off the debt to avoid liquidation problems and thus ensure financial sustainability.

The study by Ondieki, Okioga, Okwena, and Onsase (2016) on the effect of external financing on the financial performance of SACCOs in Kenya also established that external borrowing has a significant contribution on financial performance. The study emphasizes that external borrowing enables the organization to meet the financial demands of the firm thereby making it one of the most reliable financing strategies. The survey by the Uganda Private Schools Association (UPSA, 2017) also suggests that considering external borrowing as a financing strategy for schools in Uganda would make private secondary schools stronger and able to meet operational costs amidst the COVID-19 pandemic.

Furthermore, Muriithi (2014) conducted a study on the impact of external financing in the form of venture capital on the growth of SMEs in Kenya. The study also indicated that external borrowing from investors has a significant impact on SME growth. The study notes that external borrowing enables the firm to meet its obligations, expand business operations, and acquire capital equipment that will help to increase cash inflows thereby improving financial sustainability in the long run. External borrowing has also been found to have a significant effect on a firm's value.

However, the study by Kung'u (2016) on "Financing of SMEs in Kenya" was contrary to the above findings. It established that external borrowing worsens the financial situation of the firm because it increases the cost of debt. External borrowing should be considered as a last resort because it instead becomes a source of financial outflow in the organization. This therefore has a negative implication on the financial sustainability of the firm. This is also supported by the study of Bose and Pal (2018) that was conducted to investigate external commercial borrowing on a firm's performance. The study notes that external borrowing has a negative effect on a firm's long-term sustainability because it is associated with a high cost of interest and management needs to service the debt.

The study by Mallick and Yang (2011) also examines the effect of financing strategies on corporate performance. The study considered a sample of 11,000 firms across 47 African countries, and it established that external borrowing has no significant effect on corporate performance. This is because firms that consider debt financing have low efficiency and profitability as compared to firms that utilize internal fund reserves or consider equity financing. This leaves an empirical gap on whether there is a significant effect of external financing on financial sustainability of private secondary schools in Uganda.

2.3.2 Grants and Financial Sustainability

Several surveys have highlighted the greatest importance of lobbying for grants as a financing strategy on financial performance of private schools in developing countries (UNESCO, 2010; Ikhide, 2016; Karim, 2011; Burnett, 2010; Al-Najjar and Al-Najjar, 2017; Muriithi, 2014)

Grants may take two forms which include donations and government financial support. Donations play a fundamental role in ensuring the long-term liquidity of private schools and, hence financial sustainability (UNESCO, 2010). With COVID-19 economically crippling schools, especially privately owned, external players have been called upon to give a helping hand to schools inform of financial grants. There are several grants from donors and the government that are prioritized to financially boost private schools. Schools have to consider lobbying for donations or any government financial support to increase their financial inflows.

The study by Ikhide (2016) on the relationship between financing option and the financial sustainability of Microfinance firms in South Africa established that external grants from donors and government has a significant contribution on financial sustainability. The study notes that although donations are losing grip as a financing strategy, firms should tirelessly lobby for donations because they provide financing options that may improve financial sustainability.

Karim (2011) indicates that donor funding provides a lucrative option for achieving financial sustainability in institutions. He urges that donations provide cover for financial shortfall, especially for financially stressed institutions. The survey by ADEA, AU/CIEFFA, and APHRC (2021) also recommended that the education systems continuously seek for external grants from donors to help mitigate the adverse effects of COVID-19. Donor funding has been found to be one of the financing strategies that may provide a quick solution to financially grappling schools and will provide financially sustainable measures.

Schools have been called upon to express their public outcry to the government to extend financial grants to private schools, especially in financial crisis situations (Burnett, 2010). The study by Burnett (2010) on strategies of financing education that was intended to address overlapping issues in financing strategies of schools established that external grants from donors and the government play an important role in boosting the financial strength of schools. Grants from the government and donors directly contribute to the financial recovery and sustainability of private schools in developing countries (UNICEF, 2018).

Furthermore, Al-Najjar and Al-Najjar (2017) conducted a survey to establish the relationship between external financing and a firm's value of corporate governance index amongst SMEs. The study established that a firm's profitability and sustainability are determined by the external financing strategy. External grants in the form of donations and government support were found to have a significant contribution on the firm's value.

However, Muriithi (2014) conducted a survey on financing sources and financial performance among 30 randomly selected SME firms in Kenya. The study findings were contrary to the findings of the majority of the studies discussed above. It established that financing sources had no significant effect on financial performance. It was further established that external grants and external borrowing had no significant effect on financial performance. The contradictions in these empirical findings provide a research gap that draws interest in further studies. This study therefore focused on establishing empirical evidence on whether lobbying for grants has no significant effect on financial sustainability of private secondary schools in Uganda.

2.3.3 Internal fund reserve and financial sustainability

According to UNESCO (2020) several private schools are not dependent on government financing. As a result, they have to solely depend on their internal reserve fund if they are to remain financially sustainable, especially in this situation where COVID-19 has strongly hit school activities. With a lot of schools adversely affected by the Pandemic, private schools have been left with financial stress. According to a survey by UNESCO (2020) over 88% of private schools in African countries were collecting less than 20% of the actual fee. These have left many unanswered questions on how these private schools can remain financially sustainable. In an attempt to address this, attention has been turned to several studies that were done to establish whether internal reserve funds may have a significant effect on the financial sustainability of private secondary schools.

The survey by UNICEF (2018) indicates that internal fund reserves are the quickest financing option that private secondary schools may have to consider if they are to remain sustainable. The survey highlights that whatever external financing private secondary schools may secure, it may still not be enough to ensure continuous sustainability. There is therefore no option other than private secondary schools turning their attention to the use of internal reserve funds to finance school activities. Schools have to engage in savings and should innovate more income generating activities in which their funds can be diverted at any time to run school operations. UNESCO (2020) also adds that if private schools are to close financial gaps, they should consider refocusing on internal reserve funds as a funding strategy if they are to expand and remain financially sustainable.

The study by ADEA, AU/CIEFFA, and APHRC (2021) on financing education in Africa during COVID-19 indicates that internal financing through retained earnings is fundamental for firms that aim to remain financially sustainable. Firms that reserve some funds for future use are far better than those that deplete all their savings within a single period. Internal fund reserves have been found to have a significant effect on financial sustainability because it does not involve any explicit costs such as interest**.** Al-Najjar and Al-Najjar (2017)**)** indicate that when profits are ploughed back into the expansion of the business, there is a likelihood of raising more funds that ensure sustainability.

An empirical study by Shi, Gong, and Chen (2019) that investigated the effect of financing on firms' innovation in the context of Chinese firms noted that internal financing has a significant contribution on firms' growth. The study further indicates that organizations should build a financial system aimed at retaining funds to meet future obligations. Firms should plough back profits into expanding their businesses to build strong financial muscles that can sustain for a long period.

Animasaun and Babayanju (2016) also surveyed sources of financing and financial performance of downstream petroleum firms in Nigeria. The study employed secondary data from 20 firms and it established that there was a direct relationship between internal reserve financing strategy and profitability of firms. The study notes that firms should utilize their savings and profits, which should be reinvested to ensure continuity and expansion. It has been established that internal fund reserve as a financing strategy plays a pivotal role in ensuring that firms and schools meet their long-term investment demands, which are key to financial sustainability (Ali Abdillahi et al., 2016).

Animasaun and Babayanju (2016) conducted a study of the effect of financing strategy on financial performance. The study established that in sole proprietorship businesses such as private schools, internal financing plays a pivotal role. School owners should consider reinvesting their profits and diverting their internal fund reserves into exploiting business opportunities that can open doors to further cash inflows. Mallick and Yang (2011) also conducted a survey on 11,000 firms across 47 African countries and they established that the use of retained earnings as an internal financing strategy has a significant contribution to the financial sustainability of the firm. Despite agreeing that internal fund reserves have a significant effect on financial sustainability, this may or may not be the case for private secondary schools in Uganda. This study focused on testing the hypothesis that states that there is no significant effect of internal fund reserve on financial sustainability of private secondary schools in Uganda, the case of Jinja City.

2.4 Literature Gap

While most studies reviewed seem to agree that financing strategies have a significant contribution to financial sustainability, it should be noted that these studies were conducted in various contexts such as firms in Europe, Asia, and some parts of the African continent. Little was done to investigate the effect of financing strategies on financial sustainability in private secondary schools and none in the context of Uganda. Furthermore, whereas studies such as Al-Najjar and Al-Najjar (2017); Burnett (2010), and Ikhide (2016) agreed that financing strategies have a significant contribution to financial sustainability, the findings by Muruthi (2014) were contrary, as it was established that financing strategies have no effect on financial performance and sustainability. As such, the relationship between financing strategies and sustainability is still unclear. Accordingly, this study was conducted to assess the effect of financing strategies on financial sustainability of private secondary schools in Uganda, the case of Jinja City.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the research methodology. The key aspects under this section include; the research design, study population, sample size and selection, sampling techniques and procedures, data collection instruments and procedures, measurements of research variables, discussion on validity and reliability, as well as ethical considerations in the study.

3.1 Research design

According to Tierney (2002) research design refers to a blueprint of how different components of the study can be brought together logically to achieve the purpose of the study. It therefore considers the process of collecting and analyzing data to address the research problem. In this study, a cross-sectional survey research design was adopted. This design was appropriate for this study because it allowed the collection of data from various respondents at a single point in time (Pawar, 2020). Furthermore, the research design chosen was cost effective, timely, and the easiest approach to gathering evidence from a multiple number of secondary schools at a single point in time. More importantly, this study sought to establish relationships between variables (in particular, the relationship between financing strategies as an independent variable and financial sustainability as a dependent variable), which was better achieved by utilizing a survey research design.

3.2 Research Approach

Research approaches are procedures, plans, and directions for research that spell out the steps for data collection, analysis, and interpretation (Apuke, 2017). This study applied both quantitative and qualitative approaches for data collection to allow an in-depth investigation into how financing strategies affect financial sustainability in private secondary schools.

3.3 Study population

This study was conducted in private secondary schools located in Jinja City. Jinja City has a study population of 163 private secondary schools (Jinja City Education Report, 2020). However, for this study, only private secondary schools that have existed for at least 5 years while charging a low fee of not more than Uganda Shillings 500,000 were considered for the study, which constituted a targeted population of 74. This targeted population was considered because private secondary schools in that category are expected to find difficulty raising funds for sustainability in financially difficult times. There was a need to examine whether their choice of financing strategies may have an effect on financial sustainability. Respondents from each school comprised either school owners, headteachers, or school bursars.

3.4 Sample size

The planned sample size for this study was 61 private schools selected from a targeted population of 74 private secondary schools, which constitutes the unity of analysis for the study. This was an appropriate number selected with the help of Krejcie and Morgan (1970) statistical table of sample size determination. The respondent to the questionnaire from the school was composed of at least two of the four categories, that is to say, school owner, school head teacher, deputy head teacher, or bursar, and therefore, a target sample of 122 respondents as a unit of inquiry for the study.

3.5 Sampling techniques and procedure

The study applied simple random sampling to draw a sample of schools to respond to the questionnaires. This implied that all secondary schools had an equal chance of being included in a sample. For instance, all schools were assigned unique identifiers which were tossed for random selection. This sampling technique was chosen to reduce bias when drawing a sample by allowing all schools in the study population to have an equal chance to participate in the study, as supported by Taherdoost (2018). The study also used purposive sampling to select respondents for interviews to allow only key informants who had much understanding of the operations of schools to participate.

3.6 Data sources

The study collected both primary and secondary data. This was to provide evidence to support the study in addressing the objectives. Primary data was gathered to provide first-hand information required to answer research questions, as supported by Pászto, Redecker, Macků, Jürgens, and Moos (2019). Secondary data was necessary to supplement the primary data.

3.7 Data Collection Methods

According to Aitrs (2012) data collection method refers to the technique to be used in data/evidence gathering that will be used to support the arguments. This study adopted two main methods of data collection which include; the survey method and interviews.

3.7.1 Survey method

This method was used to collect quantitative data as supported by Bowling (2005) who notes that the survey method is useful when gathering quantitative data from a large population in a short period. The method involved the use of structured questionnaires where respondents were supplied with a list of questions with probable choice answers. The method was necessary for this study to gather a large quantity of data from private secondary schools to support the analysis.

3.7.2 Interviews

This method involved the collection of qualitative data from the respondents who were required to provide detailed explanations of their opinions and views in support of the study. The interviews were conducted face to face between the researcher and the respondents from some private secondary schools and education officials in Jinja City.

3.7.3 Documentary review

To collect secondary data, the study took stock of all the necessary documents, which included government education reports, donor reports, and DEO reports. The study also considered reviewing some of the financial reports of the private secondary schools for the last 5 years to understand the financial sustainability stand of these schools. The documents were reviewed in terms of their relevance to the current study and the recommendations that may add knowledge to the current study.

3.8 Data collection instruments

The study used structured survey questionnaires and an interview guide as the primary instruments for collecting primary data. Documentary reviews were done to collect secondary data.

3.8.1 Structured Survey Questionnaire

This study used a survey questionnaire for the collection of data. This method has been widely used in various studies and was found to be appropriate for the study. The method was appropriate because it was very effective and affordable for collecting data from multiple respondents in a short time. It also eliminated biases and gave respondents time to fill them out at their convenience. The survey questionnaire consisted of a multitude of questions that captured all the objectives of the study.

3.8.2 Interview guide

An interview guide was developed to support the research and probe for further responses during an interview with the respondents. Interviews were considered appropriate for collecting detailed primary data used to address the study objectives (Moeckli, 2011). The Interviews were conducted between the researcher and the respondent. In this case, a total of 6 respondents were interviewed. It was at this point that a saturation level was reached since there was repetition from the further respondents.

3.9 Validity and Reliability of the Instruments

3.9.1 Reliability of instruments

To ensure the reliability of the research instrument, the questionnaire was pre-tested on a few respondents within Kyambogo University before the actual collection of data commenced. This helped to identify irregularities in the variables (Kurian, 2014). In addition, Cronbach's alpha coefficient was computed to test for the internal consistency of the study variables, whereby all variables with Cronbach's alpha coefficient of above 0.6 were considered reliable for data collection (Nunnally, 1967) as shown in Table 3.1 below

Table 3.1: Reliability statistics

Reliability Statistics

Variable	Cronbach's Alpha	N of Items
External borrowing	0.84	6
Grants	0.85	6
Internal fund reserve	0.70	5
Financial Sustainability	0.61	4

Source: Primary data

The Cronbach's Alpha coefficients were all above 0.6 which implied that the research instrument was reliable for data collection.

3.9.2 Validity of instruments

Validity refers to the measure of the degree of accuracy and truth of the research results (Kurian, 2014). To test for face validity, a questionnaire was pre-tested and advice was sought from supervisors to eliminate biased items. Construct validity was done with the help of supervisors to determine whether the right constructs had been captured in the study. Content validity was also calculated using the content validity index to ensure that all variables captured the required content using the formula provided below.

$$CV1 = \frac{\text{No. of Items that were rated valid}}{\text{Total No. of items in the questionnaire}}$$

$$CVI = \frac{21}{29}$$

$$\mathbf{CVI = 0.72}$$

The CVI of 0.72 shows that the instrument was valid for data collection since it met the threshold of 0.70 as suggested by (Nunnally, 1967)

3.10 Procedures of data collection

An approval from the Graduate School of Kyambogo University was got before going for data collection as required by ethical guidelines. This helped build confidence the respondent's confidence throughout the data collection process. Each questionnaire had a brief introduction of the researcher. Furthermore, the respondents were assured of the confidentiality of their information. Before the questionnaires were supplied, the researcher sought advice from experts to check the content validity of the questions and their comprehensibility. Interviews were conducted with the key people in schools, who included headteachers or directors. This was conducted face to face at the organization's premises.

3.11 Data Analysis

Data collected with questionnaires was analyzed using the quantitative analysis technique. Descriptive statistics were used to analyze the biodata of the respondents. A regression analysis was performed to address the objectives of the study. The quantitative analysis in the study was done with the help of the 23.0 SPSS software version.

Qualitative analysis was done using content analysis and presented in the form of themes to determine the adequacy of the information, credibility, usefulness, and consistency (Williamson et al., 2018).

3.12 Measurement of variables

The study variables were measured using constructs adapted from pre-existing studies that used similar constructs and modified to match the context of Uganda using the Likert scale of 5 points from 1-5 where 1 representing strongly disagree to 5 strongly agree.

3.12.1 Independent variables

Financing strategies were an independent variable for this study. It was conceptualized as external borrowing and Lobbying grants and internal fund reserves (Al-Najjar and Al-Najjar, 2017). The study measured external borrowing using items such as; acquisition of loans from financial institutions, borrowing from friends, policy on borrowing, and whether borrowing satisfies schools financial demands. Financing through grants was measured using items such as; grants from the government, the importance of grants, ability of grands to satisfy the financial demands of the school. Lastly, the school measured internal reserves using items such as; retention of profits, the existence of a policy on profit retention, ability of internal reserves to meet the school’s financial demands.

3.12.2 Dependent variable

Financial sustainability in this study was measured in terms of financial leverage, liquidity, and revenue diversification (Nalwoga, 2021). Financial leverage was measured based on the school's ability to utilize a loan to finance assets, liquidity was measured based on the school's ability to meet all its current obligations, and revenue diversification was measured based on the school’s reliance on more than one revenue stream.

3.12.3 Control variables

The control variables in this study were gender measured in terms of sex, age measured in terms of years, education measured in terms of qualification, and tenure measured in terms of years served at the school.

3.13 Ethical Considerations

In consideration of research ethical principles, a letter of permission to collect data was got from the graduate school of Kyambogo University seeking acceptance to carry out research at private secondary schools in Jinja City. The researcher ensured confidentiality by ensuring that all responses were completely anonymous. The respondent’s consent was requested before responding to the questionnaire or participating in an interview. Similarly, none of the respondents was required to indicate the name as a means of protecting respondents’ rights. The researcher also obtained a letter of confirmation from Jinja City permitting to collect data from the employees. The respondents were informed about the reason and purpose of the research.

3.14 Limitations

First, the study used sampling to choose the sample of the study which in most cases is subjected to some sampling errors. This may have had a minor effect on the final findings however, the study tried as much as possible to avoid the sampling error by using appropriate and recommended procedures of sample selection, such as Krejcie and Morgan (1970) statistical table.

Secondly, the study faced some challenges during data collection, where some were not willing to cooperate and provide data on time. However, the study ensured the timely collection of data and also explained clearly to the respondents the reasons why the research was conducted and how beneficial the study was towards improving their performance.

The study also did not consider including the objective composite score for financial sustainability that amalgamated the three indicators. However, the data collected was considered sufficient and credible to support the drawing of conclusions for this study. It has also been recommended for further research.

3.15 Conclusion

In conclusion, the study applied a coherent and logical approach that suited the study. For instance, a cross sectional survey design was used to support the collection and analysis of data from a sample of 61 private secondary schools selected from a targeted population of 74 schools charging a low fee of not more than Uganda shillings 500,000. The main methods that were used for data collection were survey methods and interviews. Data analysis was done using inferential statistics such as descriptive, frequencies, and regressions.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

The findings are presented in this chapter. The presentation of findings follows the study objectives that the study sought to address.

4.1 Response rate

The study supplied a total of 122 questionnaires as per the target number of 122 expected respondents from 61 private secondary schools in Jinja City. However, the study managed to gather only 96 fully answered questionnaires, which were considered for analysis. This accounted for of 78.7% response rate that was achieved with the help of research assistants who were chosen within the communities in which these schools existed, trained, and closely supervised during data collection. The respondents also demonstrated a willingness to respond after a proper introduction of the purpose of the study to these schools.

4.2 Sample and respondent characteristics

The study gathered information concerning the respondent's gender, age bracket, position, and education level. Sample characteristics were also gathered in terms of the years of existence of a school, percentage collections of revenue, and main sources of revenue. The study findings are presented in Table 4.1 and Table 4.2 below.

4.2.1 Respondents characteristics

Table 4.1: Demographic characteristics of respondents

Gender of respondent	**Frequency**	**Percent**
Male	62	64.6
Female	34	35.4
Total	96	100.0
Age bracket of respondent	**Frequency**	**Percent**
18-24years	14	14.6
25-34years	37	38.5
35-44 years	25	26.0
45-54 years	16	16.7
55 years and above	4	4.2
Total	96	100.0
Position in the school	**Frequency**	**Percent**
School proprietor	9	9.4
Headteacher	23	24.0
Deputy Headteacher	24	25.0
Schools Bursar	40	41.7
Total	96	100.0
Highest level of education	**Frequency**	**Percent**
A' Level	3	3.1
Tertiary Certificate	2	2.1
Diploma	46	47.9
Bachelor's Degree	43	44.8
Master's Degree	2	2.1
Total	96	100.0
Length of service	**Frequency**	**Percent**
Less than 1year	11	11.5
1-3 years	32	33.3
4- 6 years	34	35.4
7-9 years	14	14.6
10 years and above	5	5.2
Total	96	100.0

Source: Primary data,2022

From the results in the Table above, the findings indicate that the majority of the respondents that participated in the study were male (64.6%) while female respondents were only 35.4%. This shows that the majority of the school owners, head teachers, and bursars who were the main target group were male.

In regards to their age bracket, 14.6% of the respondents were between 18-24 years, 38.5% of the respondents were between 25-34 years, 26.0% were between 35-44 years while 16.7% were between 45-54 years and only 4.2% were above 55 years. This implies that the target respondents were still in their active age of management.

In regards to the position in which respondents served in the school, it was established that 9.4% of the respondents were school proprietors, 24% were headteachers, 25.0% were deputy headteachers and 41.7% were school bursars. This implies that the respondents were truthful category targeted by the study since they were key persons in ensuring the successful continuity of the school and thus ensuring financial sustainability.

In regards to the Highest level of education, it was observed that 3.1% of the respondents had attained Advanced Certificate of Education, 2.1% of the respondents had tertiary certificates, 47.9% had diplomas, 44.8% had bachelor's degrees and only 2.1% had master's degrees. This implies that the majority of respondents were literate and would interpret the content in the research instrument.

Lastly, in regards to the length of service in the school, it was revealed that 11.5% of the respondents had served for less than a year, 33.3% of the respondents had worked for between 1-3 years, 35.4% had worked for between 4-6 years, while 14.6% had worked for between 7-9 years and only 5.2% of the respondents had worked for more than 10 years. This implies that the respondents had experience with what is required to maintain the financial sustainability of the school.

4.2.2 Characteristics of Sampled Schools

Table 4. 2: Sample characteristics

Length of school existence	**Frequency**	**Percent**
Less than 5 years	5	5.2
6-10 years	53	55.2
11 – 15 years	29	30.2
15 years and above	9	9.4
Total	96	100.0
Percentage of school fees collected every financial year	**Frequency**	**Percent**
25%-50%	17	17.7
51-75%	37	38.5
76%-100%	42	43.8
Total	96	100.0
Percentage of revenue collected from other sources	**Frequency**	**Percent**
Less than 25%	4	4.2
25%-50%	40	41.7
51-75%	26	27.1
76%-100%	26	27.1
Total	96	100.0
The main stream of revenue	**Frequency**	**Percent**
Internal sources	61	63.5
Loans	16	16.7
Donations	16	16.7
Grants	3	3.1
Total	96	100.0

Source: Primary data,2022

From the results in the Table above, it was established that the majority of the schools have been in existence for between 6-10 years (55.2%). Schools that existed for between 11-15 years were 30.2% while schools that had been in existence for more than 15 years were 9.4% and only 5.2% of the schools had existed for less than 5 years. This implies that schools that participated in the study had required experience in what is required for financial sustainability.

In regards to school fees collection per financial year, the study established that 43.7% of the schools were often able to collect between 76-100% of annual expected school fees. 38.5% of the schools were often able to collect between 51-75% of the annual expected school fees while only 17.7% of the schools would collect between 25-50% and no school was collecting below 25% of schools annual expected fees. This implies that the majority of the schools heavily relied on internal activity to raise funds that is to say school fee collection

In regards to the percentage of revenue collections from other sources besides school fees, it was established that the majority of schools (41.7%) were often able to collect between 25-51% of revenue from other sources and 27.1% of the schools were often able to collect 51-75%. Equally, 27.1% of the schools were often able to collect between 76-100% of their revenue from other sources while only 4.2% of the schools were collecting less than 25% of their revenue from other sources other than school fees. This implies that private secondary schools in Jinja were not only relying on internal sources but also considered other sources such as grants and external borrowing.

Lastly, when asked about their main revenue streams, the majority of the schools (63.5%) agreed that internal fund reserves were the main source. 16.7% of the schools collected mainly from loans and equally 16.7% of the schools considered donations as their main revenue stream while only 3.1% of the schools relied on grants as their main revenue stream. This implies that various financing strategies were applied by private secondary schools in Jinja, however, school fees collection and schools' internal investments were major financing strategies.

4.3 Descriptive findings on study variables

The study required respondents to rate their degree of perception on various items that measured variable constructs which included external borrowing, lobbying for grants, and internal fund reserves. The respondents rated their degree of agreed or disagreed with the items based on the Likert Scale of 1-5.

4.3.1 Descriptive findings on financing strategies

4.3.1.1 External borrowing

The study required respondents to rate the degree to which they either agreed or disagreed with items that measured how private secondary schools perceived external borrowing as a financing strategy. Table 4.3 below presents the study findings.

Table 4.3: Descriptive characteristics of the level of external borrowing

Items	Mean	Std. Deviation
The school has been acquiring loans from financing institutions sometimes to raise funds for school activities	3.85	1.407
The school sometimes borrows from individuals to raise funds to support the schools' operations	3.08	1.470
The school has a clear policy on external borrowing of finances that has to be followed	3.09	1.515
The school often relies on borrowed funds from banks to finance school activities.	2.93	1.474
This school's activities are largely financed by borrowed funds from banks and peers	2.86	1.477
The school is often able to rely on the borrowed money to finance the school's income generating activities	2.94	1.450
Grand mean	**3.125**	

Source: Primary data

In regards to how schools considered external borrowing as a financing strategy, from the results above, it is observed that; first, the respondents agreed that schools have been acquiring loans from financial institutions as a means of raising funds (mean =3.85 and S.D =1.407). The respondents indicated that the schools often borrowed from individuals (mean=3.08 and S.D =1.470). Similarly, the respondents agreed that schools have policies on external borrowing (mean =3.09 and S.D =1.515). However, there was disagreement as to whether the schools often relied on borrowed funds (mean =2.93 and S.D =1.474), they also disagreed with whether the school activities were largely financed by borrowed funds and lastly, respondents also disagreed with whether the schools were often relying on borrowed funds to finance income generating activities (mean =2.94 and S.D =1.450). The findings therefore demonstrate that external borrowing was perceived less important strategy for achieving financial sustainability but rather considered a strategy for the short term. This is supported by the interview response from the School Owner who had this to say;

> *"…Surely, I fear borrowing from banks. Banks put schools under pressure and yet sometimes our schools delay collecting school fees from students which is the only means of paying back. Our school has often borrowed some money from individuals, not banks because money from banks can not be relied on to improve the future financial muscles of the school. The school often borrows short term maturity loans of only one year just to finance school activities but not for future sustainability."*

4.3.1.2 Lobbying for Grants

Respondents were required to rate the degree to which they either agreed or disagreed with items that measured how private secondary schools viewed grants as a financing strategy for the school. Table 4.4 below presents the study findings.

Table 4.4: Descriptive statistics on grants

Items	Mean	Std. Deviation
The school often seeks grants as a financing strategy to raise funds	3.80	1.287
The school often receives donations to finance school activities	3.49	1.369
Grants received are often utilized by the school to finance income generating activities	3.58	1.270
Funds raised through grants from the government and donors often support the school in managing difficulties like COVID-19	3.94	1.150
The school has a policy on lobbying grants from different supporting partners	3.55	1.413
The school largely depends on donations and government grants to finance school activities	2.79	1.493
Grand mean	**3.525**	

Source: Primary data

From the results presented in Table 4.4, it was established that respondents perceived grants as one of the financing strategies that would enable the school to achieve financial sustainability as represented by a grand mean of 3.525 which is above the average of 3.00. However, there was a notable variation in how each item was perceived. For instance, a mean score of 3.80 and S.D of 1.287 showed that respondents agreed that schools often seek for grants as a financing strategy. Results revealed that respondents agreed that schools often receive donations (Mean =3.49, S.D =1.369). Similarly, respondents also agreed that grants received were often utilized to finance income generating activities to boost financial position (mean=3.58 and S.D =1.270). There was also an agreement from respondents that funds raised from grants often supported schools navigating through financial difficulties (mean =3.94 and S.D =1.150). Furthermore, respondents agreed that schools have policies that guide sourcing for grants from various partners. However, there was disagreement from respondents on whether the schools largely depended on donations and government grants (mean =2.79 and S.D =1.493). From the findings, it is therefore observed that whereas schools considered grants as an important financing strategy, the secondary schools were however not largely depending on grants because of the limited financing of such nature in Uganda today most especially for private schools. This is supported by the interview response from School Owner 2 who said;

> *"…the schools have gone through tough times where we have cried to various partners including the government for financial support. However, our tears have been in vain. Yes, grants would indeed support us because I have seen schools that are church aided and government aided perform well financially but the challenge, we have is that there are very limited avenues for grants. We no longer consider grants a priority to finance our school activities."*

4.3.1.3 Internal fund reserves

Under this section, the respondents were required to indicate their perception by either agreeing or disagreeing on whether their schools pursued internal fund reserve as a financing strategy. Table 4.5 below presents the study findings.

Table 4.5: Descriptive statistics on internal fund reserve

Items	Mean	Std. Deviation
The school considers internal fund reserves as a major source of raising funds for financing school activities	4.31	1.079
The school often retains some of the profits to meet any future financial challenges	4.40	.900
Internal fund reserves have helped the school to ensure there is continuity of activities amidst challenges like COVID-19 pandemic	4.16	1.040
Retained earnings support the school in investing in income generating activities	4.18	.951
The school largely depends on internal fund reserves to finance school activities whenever the need arises	3.54	1.264
Grand means	**4.118**	

Source: Primary data, 2022

From the results above, it is observed that respondents demonstrated a high level of agreement across all the items that measured the extent to which schools pursued internal fund reserve as a school financing strategy. For instance, the respondents agreed that the school often retained some profits to meet future financial challenges (Mean =4.40, S.D =.900). In regards to whether the school considers internal fund reserve as a major source of financing, the respondents agreed with a mean of 4.31 and S.D of 1.079. Similarly, the respondents agreed that internal fund reserves have helped schools to ensure continuity amidst financial challenges with a mean of 4.16 and S.D of 1.040. Furthermore, respondents agreed that retained profits support the school to invest on income generating activities with a mean of 4.18 and S.D of .951, while there was also agreement that the schools largely depended on internal fund reserves to finance school activities (Mean =3.54 and S.D =1.264). The findings generally demonstrated that schools often considered internal fund reserves as an important financing strategy and they have tried to institute mechanisms for raising their financial reserves in a bid to enhance financial sustainability. The findings are supported by the interview response from School Headteacher 1 who had this to say;

> *"…Sometimes the school faces unexpected liquidity challenges and our only last resort is the depleting of our internal fund reserves. Internal fund reserves are very important for the school to meet short term obligations. Our school has invested in several small projects in agriculture which fetch us a minimum of 8 million shillings annually. These funds are saved to help the school in meeting daily expenditures when we are short of finances."*

4.3.2 Descriptive findings on financial sustainability

The study required respondents to rate how they perceived their school's level of financial sustainability. They were required to record the extent to which they either agreed or disagreed with some of the items that were used to measure the level of sustainability which included; whether the school had enough revenue to meet the school's expenditures, whether the school was able to borrow a loan, whether the school revenue was often increasing and whether the liquidity levels of the school were increasing over time. Table 4.6 below presents the study findings.

Table 4. 6: Descriptive statistics on financial sustainability

Items	Mean	Std. Deviation
Our school revenue is often enough for the school to meet both revenue and capital expenditures	3.55	1.413
The school is often able to borrow enough loan for acquire assets	4.31	1.079
The school revenue has been increasing because of the many sources of financing the school has	4.40	.900
The liquidity level of the school has been increasing over the years	4.16	1.040
Grand mean	**4.105**	

Source: Primary data, 2022

From the results presented in Table 4.6, it is observed that there was an agreement amongst respondents on how they perceived the level of financial sustainability. Respondents demonstrated a high level of agreement that their schools' financial sustainability was increasing as represented by a grand mean of 4.105. However, there was a variation in how each item was perceived. For instance, when asked whether the school revenue was often enough for their schools to meet both revenue and capital expenditures, a mean score of 3.55 and S.D of 1.413 were registered. Similarly, a mean of 4.31 and S.D of 1.079 showed that respondents agree that the schools were often able to borrow enough loan amounts to acquire assets. Furthermore, a mean of 4.40 and S.D of .900 was established in response to whether the school revenue of studied schools had been increasing because of various sources of financing. Lastly, in regards to whether the liquidity levels of the school were increasing over the years, respondents demonstrated a high level of agreement as represented by a mean of 4.16 and S.D of 1.040.

Based on the findings, it is therefore observed that respondents generally agreed that financial sustainability levels in their schools were high. The school revenues were increasing for those schools that had more than one strategy of financing. The findings were supported by the interview response from School Owner 3 who had this to say;

> *"…Our school has largely benefited from having various sources of revenue. We often generate enough revenue to finance both school development projects and meet our daily expenditures. I can confidently say that our financial sustainability has been good and has enabled the school to operate well for the 10 years we have existed."*

4.4 Test of Hypotheses

Before testing the study's hypotheses, the researcher first performed correlation analysis to ascertain preliminary support for the hypothesized relationships. Specifically, the study was interested in determining whether there was a significant association between external borrowing and financial sustainability, grants and financial sustainability, and between internal fund reserve and financial sustainability in private secondary schools. Table 4.7 presents the correlation coefficients from the analysis.

Table 4.7: Correlation results on relationship between variables (n = 96)

Variables	Mean	SD	1	2	3	4
External borrowing (1)	3.125	1.4655	1			
Grants (2)	3.525	1.3303	-.180	1		
Internal fund reserve (3)	4.118	1.0468	-.245*	.304**	1	
Financial sustainability (4)	4.105	1.108	-.251*	.647**	.796**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data,2022

The correlation results are presented in Table 4.7. It was revealed that external borrowing has a significant negative relationship with financial sustainability (r = -0.251*, $P < 0.05$). However, grant was positively related to financial sustainability (r =0.647**, $P < 0.05$) and so were internal fund reserve and financial sustainability (r= 0.796**, $P < 0.05$). This means that if a school opts for an increment in internal fund reserve, it is likely to have an increase in financial sustainability.

4.5 Regression results on financing strategies and financial sustainability

After conducting correlation analysis, the study performed linear regression analysis to establish the likely effect that each of the financing strategies may have on the financial sustainability of private secondary schools.

4.5.1 The effect of external borrowing on financial sustainability

To address the study objective that sought to establish the effect of external borrowing on financial sustainability, a linear regression was performed as presented in Table below.

Table 4.8: The regression results on the effect of external borrowing on financial sustainability.

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	4.651	.230		20.227	.000
	External borrowing	-.175	.069	-.251	-2.517	.014

Model Summary

R-Square= 0.063

Adjusted R-Square = 0.053

F-value =6.336

Dependent Variable: Financial sustainability

Source: Primary data, 2022

From the table, it is observed that the regression model made a negative significant contribution of 5.3% to the total variance in financial sustainability (Adjusted R square =0.053, F= 6.3336, $p < 0.05$). The model further indicated b= -0.175 which shows that external borrowing has a statistically negative contribution to financial sustainability and an increase in external borrowing is associated with 0.175 reduction in financial sustainability. Therefore, the study rejects the null hypothesis that states that external borrowing has no significant effect on financial sustainability.

4.5.2 The effect of grants on financial sustainability

To address the objective that sought to establish whether grants have a significant effect on financial sustainability, a linear regression was performed, and the results are presented in the Table below.

Table 4.9: The regression results on the effect of grants on financial sustainability

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.373	.219		10.859	.000
	Grants	.491	.060	.647	8.236	.000

Model Summary
R-Square= 0.419
Adjusted R-Square = 0.413
F-value =67.824, p<0.05
Dependent Variable: Financial sustainability

Source: Primary data,2022

From the linear regression model, it is observed that the model was a good fit and made a significant positive contribution on total variances in financial sustainability (F statistic =67.824 and Sig. =0.000). For instance, the model reveals that grants significantly explain a contribution of 41.3% variances in financial sustainability (adjusted R Square of 0.413). Furthermore, (b = 0.491, P < 0.05) shows that grants have a statistically significant contribution on financial sustainability with an increase in grants by one being associated with an increase in financial sustainability by 0.491. Therefore, the study rejects the null hypothesis that states that grants have no significant effect on financial sustainability.

4.5.3 The effect of internal fund reserve on financial sustainability

The study also performed a linear regression to establish the effect of internal fund reserve on financial sustainability. Presented in the Table below are the regression results.

Table 4.10: The regression results on the effect of internal fund reserve on financial sustainability

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.585	.280		2.090	.039
	Internal fund reserve	.855	.067	.796	12.748	.000

Model Summary
R-Square= 0.634
Adjusted R-Square = 0.630
F-value =162.507, p<0.05
Dependent Variable: Financial sustainability

Source: Primary data,2022

The regression model shows a good fit and a significant positive contribution of internal fund reserve to the variance in financial sustainability (F statistic of 162.507 and $P < 0.05$). From the adjusted R Square of 0.630, it is revealed that internal fund reserves explain a contribution of 63.0% variations in financial sustainability while 37% may be explained by other factors. It is further revealed that internal fund reserves have a statistically significant contribution on financial sustainability ($b = 0.855$, $p = <0.05$). This means that an increase in internal fund reserve by one is associated with an increase in financial sustainability by 0.855. Therefore, the study rejects the hypothesis that stated that internal fund reserves have no significant effect on financial sustainability.

4.5.4 The effect of financing strategies on financial sustainability

To determine the combined contribution of the selected strategies of external borrowing, grants, and internal fund reserve, the study performed a multiple regression. The results are presented in the Table below.

Table 4.11: The regression results on the effect of financing strategies on financial sustainability.

	Model 1			Model 2			Model 3		
Variable	**B**	**Std. Error**	**Beta**	**B**	**Std. Error**	**Beta**	**B**	**Std. Error**	**Beta**
Gender	0.079	0.162	0.05	-0.092	0.073	-0.058	-.090	.072	-.057
Age	-0.018	0.09	-0.025	-0.029	0.039	-0.04	-.025	.039	-.034
Position	0.224*	0.096	0.301*	0.095*	0.043	0.127*	.109*	.040	.146*
Level of education	0.271*	0.122	0.256*	0.085	0.054	0.081	.093	.054	.088
Tenure at work	-0.069	0.098	-0.093	0.033	0.044	0.045	.054	.038	.073
School's tenure	-0.011	0.123	-0.01	0.054	0.056	0.052	.052	.056	.050
External borrowing				-0.025	0.032	-0.036	-.085	.095	-.057
Grants				0.34**	0.037	0.448**	.331**	.037	.436**
Internal fund reserve				0.684**	0.051	0.637**	.717**	.054	.668**
Financing strategies							.359**	.046	.474**
R^2 Adjusted R^2 F-Statistic	0.123 0.064 F=2.078, P>0.05			0.839 0.824 F=50.561, P<0.05			0.841 0.825 F=56.7, P<0.05		
Note a) ** p<0.01, * p<0.05 b) Std Error: Standard Error c) Dependent variable: Financial sustainability d) Model 1=Individual factors (Gender, Age, Education, Tenure) Model 2=External borrowing, grants, and internal fund reserve									

Source: Primary data,2022

From the results, Model 1 involved regressing demographic variables which included gender, age, education level, tenure at work, and school tenure against financial sustainability. The results revealed that demographic variables have no significant effect on financial sustainability ($P > 0.05$).

Model 2 involved adding the sub components of financing strategies which included external borrowing, grants, and internal fund reserves to the overall model. The model made a positive significant contribution of 82.4% to the total variance in financial sustainability (Adjusted R^2=0.824, F=50.561, P<0.05). It was further revealed that grants ($b = 0.34$, $p < 0.05$) and internal fund reserve (b = 0.684, p < 0.05) had a statistically significant contribution on financial sustainability. This means that an increase in grants and internal fund reserve by one unit is each associated with an increase in financial sustainability by 0.34 and 0.684. Therefore, the study rejected the hypotheses that stated that grants have no significant effect on financial sustainability. Similarly, the hypothesis stated that internal fund reserve has no significant effect on financial sustainability. However, it was revealed that external borrowing had no significant contribution on financial sustainability (b = -0.025, p > 0.05). This is when all other factors are held constant. Therefore, the hypothesis was fully supported.

Model 3 involved the addition of financing strategies to the overall model to assess its effect on financial sustainability. The model made a positive significant contribution of 82.5% to the total variance in financial sustainability (Adjusted R^2 =0.825, F =56.7, P < 0.05). Therefore, financing strategies have a statistically significant effect on financial sustainability (b =.359, p < 0.05). This means that an increase in financing strategies by one unit is associated with an increase in financial sustainability by 0.359 units when all other factors are held constant. Thus, the hypothesis that financing strategies influence financial sustainability is supported.

Therefore, from the findings, the regression model below was developed;

Y = -502 + -.085X1 + .331X2 +717X3 + 359X4 + e where;

Y = Financial sustainability, β = Beta (or coefficient), β0 = Constant, X1 = External borrowing, X2 = Grants, X3 = Internal reserve fund, X4 = Financing strategies (Overall), ε = The standard error

CHAPTER FIVE

DISCUSSION OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The chapter gives a detailed discussion of results based on the study objectives and hypotheses. Lastly, this chapter presents conclusions and recommendations for action and further study.

5.1 Summary of Findings

The study focused on establishing the effect of financing strategies on the financial sustainability of private secondary schools. The data was gathered from private secondary schools in Jinja from a segment of school owners, headteachers, bursars, and other key staff who play a contributory role in ensuring the financial sustainability of the school. The specific study objectives were (i) to examine the effect of external borrowing on the financial sustainability of private secondary schools in Jinja City, (ii) to investigate the effect of lobbying for grants on the financial sustainability of private secondary schools in Jinja City and (iii) to assess the effect of internal fund reserve on the financial sustainability of private secondary schools in Jinja City. To address the study objectives, the study used a linear regression analysis to the establish direct linear effect of external borrowing, grants, and internal fund reserves on financial sustainability of private secondary schools. From the findings, the study established that whereas the private schools considered external borrowing, grants, and internal fund reserves as major financing strategies for schools, internal fund reserves ranked as the main strategy used by most schools. Findings also indicated that school fee collection in the majority of schools was between 76%-100% and collections from other sources for the majority of schools was between 25%-50%. In addition, it was established that, whereas internal fund reserves and grants had a direct positive effect on financial sustainability, external borrowing was found to have a direct negative linear effect on financial sustainability

5.2 Discussion of findings

Effect of external borrowing on financial sustainability

In regards to the objective of the study which sought to establish the effect of external borrowing on the financial sustainability of secondary schools, the study established that there is a significant effect of external borrowing on financial sustainability. However, it's good to note that, the contribution of external borrowing on financial sustainability is negative based on the findings in this study. This implies that an increase in external borrowing from external parties such as banks, individuals, and other lending institutions would eventually lead to a decline in the financial sustainability of the school. This finding may explain the public fear were borrowing today is considered more expensive for the borrower rather than a means of raising finances that improves on the financial muscles of the school.

For instance, the Insurance Regulatory Authority (2021) indicated that in the aftermath of COVID-19, over 20% of private schools that had borrowed money from financial institutions had closed down and were unable to pay their liabilities. School owners complain of the high interest rates attached to borrowing which according to schools have instead drained the little finances that the schools opted to save just in the bid to pay off borrowed funds. Whereas, the Trade-Off Theory asserts that the borrower should often assess the benefit of borrowing versus the cost associated with borrowing as a way of determining the amount to borrow, this however not the case with the schools. Schools often opt for borrowing when there is a dire need for money and therefore fall short of time to carry out the assessment.

This finding explains a contradictory element to the Trade-Off theory that notes that firms that opt for debt financing may have their marginal benefit increasing when the debt increases which is not the case with the private secondary schools. The findings are in support of Bayai and Ikhide (2016) who noted that for borrowing to be beneficial for firms, it is only until when is kept within the limits or else it may instead lead to liquidation rather than strengthening the financial stand of the firm. Similarly, the finding supports the study by Kung'u (2016) which also noted that external borrowing worsens the financial situation of a firm because it instead increases the cost of debt. However, the findings disagree with Singh and Kumar (2012) who established that external borrowing was the most appropriate financing strategy for firms. Similarly, the study finding is contrary to the empirical findings of Muriithi (2014) and Al-Najjar and Al-Najjar (2017) which established that external borrowing has a significant positive contribution on financial sustainability.

Effect of lobbying for grants on financial sustainability

Grants have been identified as one of the financing strategies for the financial sustainability of schools. Jinja secondary schools noted that their major grants were inform of government financial support to private secondary schools and sometimes donations which were still very limited. This study sought to establish whether lobbying for grants affects financial sustainability. From the findings, it was established that grants have a significant positive effect on financial sustainability of secondary schools. This implies that when schools raise more grants, given that there is less or no cost associated with it, it is likely to increase financial sustainability of the school. However, the notable issue is that grants directed to private schools are minimal in Uganda. Very few schools have benefited before which may explain the difference the beneficiaries have over other schools that did not benefit.

For instance, Private Schools Association of Uganda (2020) noted that the only schools that received government aid were able to operate with less financial challenges, It is further noted that church aided schools were much better than fully private funded schools. The observable experience was seen during the aftermath of COVID-19 where schools that did not benefit from any grant either collapsed or were liquidated. The finding is in support of empirical findings by Ikhide (2016) and Karim (2011) who established that grants from the government and other donors provide a lucrative option for achieving financial sustainability amongst schools. Similarly, Al-Najjar and Al-Najjar (2017) also indicated that grants have a significant contribution to financial sustainability. However, what is not clear is what private secondary schools should do to raise and increase their revenue flow from grants since there are very minimal grants directed to private schools.

Effect of internal fund reserve on financial sustainability

The study findings indicate a significant effect of internal fund reserves on financial sustainability. Schools that opt for internal fund reserve inform of establishing internal revenue generating activities as well as retaining more profits rather than sharing amongst owners are likely to have an increase in financial sustainability. Schools have been often called upon by the Ministry of Education and Sports as one of the minimum requirements for private schools to have an internal source of revenue rather than operating purely on school fees. Similarly, Animasaun and Babayanju (2016) established that internal fund reserve plays a pivotal role in ensuring financial sustainability of a firm.

In the same, Mallick and Yang (2011) also supported the fact that putting aside some of the retained earnings is one of the financing strategies that helps the firm handle financial challenges. The findings can therefore support the assertions of the Pecking Order Theory that explains the relevance of internal financing in firms. The theory urges firms to consider a hierarchical approach when determining the financing strategy and therefore places internal fund reserves as the top strategy for raising finances. It is therefore good to note that whereas all financing strategies may have an effect on financial sustainability, internal fund reserve plays a very pivotal role because its contribution is more evident since this strategy is directly associated with schools' daily revenue generating activities and has low cash flows associated with it.

5.3 Conclusion

The study sought to establish the effect of financing strategies on financial sustainability of private secondary schools. Generally, the study findings established that financing strategies have a pivotal role in determining a school's financial sustainability.

5.3.1 Effect of external borrowing on financial sustainability

Regarding the first objective which examined whether external borrowing influences financial sustainability, this study concludes that external borrowing negatively influences financial sustainability in Private Secondary Schools. Schools that may opt for external borrowing are likely to have a reduction in their financial sustainability.

5.3.2 Effect of lobbying for grants on financial sustainability

Regarding whether lobbying for grants influences financial sustainability, this study concludes that grants significantly and positively influence financial sustainability in Private Secondary Schools. Grants are fundamental for raising funds which the school can rely on to boost financial sustainability since they are not associated with financing costs.

5.3.2 Effect of internal fund reserve on financial sustainability

In this regard, the study established that internal fund reserves have a significant influence on financial sustainability. This study therefore concludes that internal fund reserves have a higher contribution on the financial sustainability of private schools and therefore should be opted for as a necessary financing strategy.

5.4 Recommendations

Given that the study established a significant effect of financing strategies on financial sustainability. For instance, there was a significant negative effect of external borrowing on financial sustainability, I recommend private schools when opting for external borrowing should thoroughly assess the associated effects of external borrowing on the school. For instance, they should compare the cost of borrowing with the benefits of borrowing. Not only that, but schools should also consider borrowing from cheaper lenders whose maturity period can match the schools cash inflows to avoid delayed payments that may call for penalties.

Secondly, given that grants have a significant positive effect on financial sustainability, I recommend private secondary schools step up efforts of lobbying for grants. Private schools should set up grants lobbying committees that can reach out to various donors, and well-wishers and sometimes negotiate with the government as a way of raising revenue inflow from grants.

Lastly, I recommend private schools invest more in internal income generating activities to increase internal fund reserves. They may also consider retaining a reasonable percentage of profits for the school's continuity and liquidity. This is because internal financing has a significant contribution to financial sustainability as compared to other financing strategies.

5.5 Areas of further research

Given that this study focussed on establishing the effect of financing strategies on the financial sustainability of private secondary schools in Jinja, I recommend a comparative study be done to establish the effect of financing strategies on private primary schools as compared to secondary schools. Furthermore, further study may be conducted to establish the mediating role of school proprietor's financial literacy on the effect of financing strategies on financial sustainability. This is because as secondary private schools may focus on enhancing those strategies that positively contribute to financial sustainability, school owner's financial literacy may have a big mediating role that is yet to be established.

In addition, the study only focused on establishing the direct contribution of individual elements of financing strategies on financial sustainability. For instance, the focus was on establishing the effect of external financing on financial sustainability, the effect of grants on financial sustainability, and the effect of internal fund reserve on financial sustainability. The study therefore recommends further research focused on establishing the effect of financing strategies on liquidity.

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APPENDICES

Appendix I: Questionnaire

Dear Respondent,

I am Oboire Emmanuel, a student of Kyambogo University, pursuing a Master of Business Administration (MBA). The questionnaire is intended to help the study get information on **Financing strategies and financial sustainability amongst private secondary schools in Jinja City**. The study has only academic goals, and all information provided will be kept in the strictest confidence. You have been chosen for this study as a significant respondent. Please fill out the questionnaire to help the researcher finish the research. Please check the response that best reflects your viewpoint on the matter.

I appreciate your participation in this effort. I want to assure you that your responses to this questionnaire are completely anonymous. You are not required to indicate your name and your responses will be combined with those of others to protect your anonymity.

Please write/type the number corresponding to your preferred response in the space provided.

SECTION A: PERSONAL INFORMATION

Question
P1. What is your gender? **1**) Male ☐ **2**) Female ☐
P2. What is your age bracket? **1**) 18-24years ☐ **2**) 25-34years ☐ **3**) 35-44 years ☐ **4)** 45-54 years ☐ **5**) 55 years and above ☐

P3. What is your position in this school?			
1) School proprietor ☐	2) Headteacher ☐	3) Deputy Headteacher ☐	
4) Schools Bursar ☐	3) Director of studies ☐	4) Teacher ☐	
P4. What is your highest level of education?			
1) O' Level ☐	2) A' Level ☐	3) Tertiary Certificate ☐	
4) Diploma ☐	5) Bachelor's Degree ☐	6) Master's Degree ☐	
7) Any other, please specify ---------------------------------------			
P5. How long have you been serving in this school?			
1) Less than 1year ☐	**2**) 1-3 years ☐	**3**) 4- 6 years ☐	
4) 7-9 years	**5**) 10 years and above ☐		
P6. How long has <u>this</u> school been in existence?			
1) Less than 5 years ☐	**2**) 6-10 years ☐	**3**) 11 – 15 years ☐	**4)** 15 years and above ☐
P.7 What percentage of school fees are you able to collect at the end of the financial year?			
1) Less than 25% ☐	**2**)25%-50% ☐	**3**) 51-75% ☐	**4**) 76%-100% ☐
P.8 What percentage of revenue are you able to collect from other sources other than school fees?			
1) Less than 25% ☐	**2**)25%-50% ☐	**3**) 51-75% ☐	**4**) 76%-100% ☐
P.8 Which among the following is your main stream of revenue?			
1) Internal sources ☐	**2**) Loans ☐	**3**) Donations ☐	**4**) Grants ☐

SECTION B: FINANCING STRATEGIES

On a Likert scale of 1 – 5 as described below, indicate to what extent you agree or disagree with the statements provided in the table describing financing strategies at your school:

Strongly Disagree	Disagree	Not sure	Agree	Strongly Agree
1	**2**	**3**	**4**	**5**

Please tick or write the number corresponding to your preferred response in the space provided.

	Financing through external borrowing	**SD 1**	**D 2**	**NS 3**	**A 4**	**SA 5**
E1	The school has been acquiring loans from financing institutions sometimes to raise funds for school activities					
E2	The school sometimes borrows from individuals to raise funds to support the schools' operations					
E3	Borrowing from lending partners and institutions is approved means by the School Board for raising funds in this school					
E4	The school has a clear policy on external borrowing of finances that has to be followed					
E5	The school often relies on borrowed funds from banks to finance school activities.					
E6	This school's activities are largely financed by borrowed funds from banks and peers					
E7	The school is often able to rely on the borrowed money to finance the school's income generating activities					
E8	External borrowing of funds often supports this school to finance the ongoing school activities					
E9	External borrowing of funds has supported the school to overcome the effects of COVID-19 in the last two years					
E10	Borrowing finances enables the school to meet all the financial demands of the school over a long time.					
	Financing through grants	**SD 1**	**D 2**	**NS 3**	**A 4**	**SA 5**
G1	The school often seeks grants as a financing strategy to raise funds					

G2	The school often receives donations to finance school activities					
G3	The school often relies on government grants to finance school activities					
G4	Donations and government grants are the major sources of revenue for the school					
G5	Grants received are often utilized by the school to finance income generating activities					
G6	Funds raised through grants from government and donors often support the school in managing difficulties like COVID-19					
G7	The school has a policy on lobbying grants from different supporting partners					
G8	The school largely depends on donations and government grants to finance school activities					
	Financing through internal fund reserve	**SD 1**	**D 2**	**NS 3**	**A 4**	**SA 5**
I1	The school considers internal fund reserves as a major source of raising funds for financing school activities					
I2	The school often retains some of the profits to meet any future financial challenges					
I3	Internal fund reserves have helped the school to ensure there is continuity of activities amidst challenges like COVID-19 pandemic					
I4	Retained earnings support the school in investing in income generating activities					
I5	The school has a clear policy on how much revenue should be retained every academic year					
I6	The school largely depends on internal fund reserves to finance school activities whenever the need arises					
I7	Internal fund reserve helps the school to ensure financial sustainability					

SECTION C: FINANCIAL SUSTAINABILITY

Please indicate the level to which you agree or disagree with the following statements about financial sustainability in this school based on the following scale.

Strongly Disagree	Disagree	Not sure	Agree	Strongly Agree
1	2	3	4	5

Please tick or type the number corresponding to your preferred response in the space provided.

	Statement	SD 1	D 2	NS 3	A 4	SA 5
F1	Our school has more than one source of revenue to reduce reliance on one source					
F2	The school is often able to pay off all current debts on time					
F3	Our school revenue is often enough to enable the school to ensure continuity					
F4	Our school revenue is often enough for the school to meet both revenue and capital expenditures					
F5	Our school revenue is often enough to facilitate school expansion					
F6	The school is often able to borrow enough loan for acquiring assets					
F7	The school revenue has been increasing because of the many sources of financing the school has					
F8	The liquidity level of the school has been increasing over the years					

SECTION D:

Please comment on how the financing strategies used by this school have supported you to ensure financial sustainability.

………

………

………

………

………

………

Thank you very much for providing your feedback

********END********

Appendix II: Interview Guide

1. Would you please comment on the following financing strategies as used by the school to raise funds?
    i. External borrowing
    ii. Lobbying for grants
    iii. Internal fund reserves
2. If the school uses external borrowing in the form of loans to raise finances, do you think it has helped the school to achieve financial sustainability?
3. Do you think seeking for grants from the government and donors enables this school to meet all its financial demands?
4. Does the school retain some funds at the end of the academic year to finance future school activities? If yes, do you think it has enabled the school to ensure sustainability?
5. Would you please comment on the level of financial sustainability of this school in terms of the liquidity and level of institution income?
6. Do you think the financing strategies used by the school have a direct effect on financial sustainability?

Appendix III: Table for Determining Sample Size from a given Population

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

Note: "N" is the population size

"S" is the sample size

Krejcie, Robert V., Morgan, Daryle W. (1970). "Determining Sample Size for Research Activities", Educational and Psychological Measurement.

Appendix IV: Factor Analysis Results

Component Matrix[a]	
	Component
Grants	1
The school often seeks grants as a financing strategy to raise funds	.759
The school often receives donations to finance school activities	.730
Grants received are often utilized by the school to finance income generating activities	.835
Funds raised through grants from government and donors often support the school in managing difficulties like COVID-19	.862
The school has a policy on lobbying grants from different supporting partners	.763
The school largely depends on donations and government grants to finance school activities	.597
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Component Matrix[a]	
	Component
External borrowing	1
The school has been acquiring loans from financing institutions sometimes to raise funds for school activities	.584
The school sometimes borrows from individuals to raise funds to support schools' operations	.737
The school has a clear policy on external borrowing of finances that has to be followed	.614
The school often relies on borrowed funds from banks to finance school activities.	.866
This school's activities are largely financed by borrowed funds from banks and peers	.845
The school is often able to rely on the borrowed money to finance school's income generating activities	.819
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Component Matrix[a]	
	Component
Internal fund reserves	**1**
The school considers internal fund reserves as a major source of raising funds for financing school activities	.724
The school often retains some of the profits to meet any future financial challenges	.682
Internal fund reserves have helped the school to ensure there is continuity of activities amidst challenges like COVID-19 pandemic	.682
Retained earnings support the school in investing in income generating activities	.713
The school largely depends on internal fund reserves to finance school activities whenever the need arises	.585
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Component Matrix[a]	
	Component
Financial sustainability	**1**
Our school revenue is often enough for the school to meet both revenue and capital expenditures	.566
The school is often able to borrow enough loan for acquiring assets	.802
The school revenue has been increasing because of the many sources of financing the school has	.681
The liquidity level of the school has been increasing over the years	.692
Extraction Method: Principal Component Analysis.	
a. 1 components extracted.	

Appendix: Plagiarism Report

Plagiarism Report-Oboire

by Emmanuel Oboire

Submission date: 30-Sep-2023 01:36PM (UTC+0100)
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Plagiarism Report-Oboire

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