RISK ACCEPTANCE AND FINANCIAL SUSTAINABILITY OF PRIVATE UNIVERSITIES IN KENYA

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ABSTRACT

The general objective of this study was to establish the effect of risk acceptance on the financial sustainability of Private Universities in Kenya. The study was also guided by contingency planning theory. The study adopted the descriptive design. The target population comprised of 33 private universities in Kenya. The unit of analysis was the private universities whereas the unit of observation were the finance managers. Census sampling method was used to select all the finance managers in the private universities as the study sample size translating to 33 respondents. Questionnaires were used in the primary data collection and analyzed quantitatively. Secondary data collection sheet was used to collect secondary data. The study used 10% (N=4) of the target population for pilot testing of the validity and reliability of the research instruments. All the variables resulted in a Cronbach alpha, $\alpha>0.70$, hence the questionnaire instrument was assumed to be reliable and adequate for the study. Descriptive and inferential analysis were done whereby percentages, means and standard deviation were used and presented in form of tables and figures. For the inferential analysis, correlation and pooled panel regression analysis were done in order to establish the relationship between the variables. This was used for drawing conclusions and recommendations for the study. The descriptive findings revealed moderate levels of risk acceptance ($M = 3.06$, $\sigma = 1.113$). From the regression analysis, it was established that risk acceptance ($r=.870$, $b=.316$, $p<0.05$) had a positive and statistically significant effect on the financial sustainability of private universities in Kenya. Moreover, the study concluded that Kenyan private universities have made progress in adopting risk management practices, though implementation remains uneven across institutions. Financial sustainability remains mixed, highlighting the need for more integrated risk management approaches. The study recommends that private universities strengthen stability by adopting proactive risk budgeting, comprehensive insurance, preventive strategies, standardized safety measures, and diversified income streams. Aligning financial planning with risk management will further enhance resilience.

Key words: Risk Acceptance, Financial Sustainability, Private Universities in Kenya.

INTRODUCTION

In any organization, having a risk management strategy that is effective is essential. This is because the strategy helps the company to address the risks that may occur. The risk management lifecycle must include a risk management strategy. One must decide how to deal with risks after identifying them, considering the likelihood of their occurrence, and

understanding the potential repercussions. The course of action will follow the selected risk management strategy (Glossop, 2021). Business today is more complicated, varied, and uncertain than it was in the past. Depending on how a company views risk management, the challenges and opportunities are accompanied with a variety of hazards (Bierc, 2013). The majority of organizations have been significantly impacted by risk and uncertainty. Organizations must monitor, manage, and control a variety of internal and external variables that are related to risk, uncertainty, and possible outcomes. They are also worried about their capacity to foresee and control both favourable and unfavourable effects of various types of risk.

According to Yegon (2015), managing a firm effectively in a complex world requires balancing risk. An organization's exposure to risk can be reduced, and there are many opportunities for it to succeed in a fast-paced commercial climate. Due to the aforementioned problem, numerous organizations have developed practices for controlling risk and uncertainty. In risk management, risk acceptance is a legal option. Accepting the risk may not minimize its impact, hence it is not a mitigation technique. The implications of accepting the risk is compared to its potential consequences and this risk management strategy is weighed against other options. Some businesses believe they may not be in a position to avoid or transfer risk, so they accept it. This is a bad idea with a narrow scope. Risk acceptance is less expensive within the shorter period than it is in the longer period if an incident occurs (Snedaker et al, 2014). Risk acceptance is a management approach for opportunities and threats. There may be no effective active management approach that is feasible when it comes to threats. Risk acceptance is only applicable if there are no options to mitigate or transfer the risk and also when elimination is not warranted.

Acceptance is also an option that is taken for those risks which are not considered to be fundamental enough or imminent enough to warrant more active management. The alternative is to accept and monitor enough to ensure they don’t become more significant (Jordan, 2021). Risk must be managed to reduce the impact of its occurrence (Sorooshian, 2015). When other options are not cost-effective, this technique may be considered. Acceptance implies a decision not to adjust the organization's risk-management strategy or that an adequate response strategy cannot be devised. This method is applicable to both negative and positive risks. Acceptance can be defined as either making a contingency plan to undertake in case of a risk (positive acceptance) or taking no action (passive acceptance) (Huang, 2015). Risk acceptance may be both a blessing and a curse if not properly controlled and evaluated. When it rises over a certain threshold, it may cause a variety of problems for businesses. The retained risks' implications, which must be considered at a reasonable degree of risk exposure, should dictate the allowance. Risk acceptance is a technique that is utilised despite having minimal influence on outcomes, according to Githinji (2015). It is a typical choice when alternative risk management strategies, including limiting or avoiding the risk, would cost more than the risk itself. A business that want to save money by not having to deal with risks that are very improbable may utilise this strategy (Adjeitsey, 2016). Risk retention strategies, including insurance and backup plans, affect the likelihood of a project's successful conclusion among Serbian construction firms (Ali, Stewart, and Qureshi, 2017). The authors also found that risk retention regulations greatly

improve project success rates. According to Naktari (2014), NGOs also reduced hazard, financial, operational, and strategic risks by implementing a backup plan. In addition, these organisations have a well-defined strategy for crisis management and disaster recovery in place, which they use as mitigation techniques. If they put these strategies into action, they will see an improvement in their performance.

Financial sustainability is a crucial aspect for organizations across various sectors, encompassing businesses, non-profits, and governmental entities. At its core, financial sustainability denotes the capacity to generate and manage resources in a manner that ensures continued operations and growth while meeting present needs without compromising the ability to meet future obligations (Akong'a, 2014). This concept goes beyond mere profitability to encompass factors such as cash flow management, debt management, investment in growth initiatives, and the ability to adapt to changing economic conditions. Indicators of financial sustainability serve as critical benchmarks for evaluating an entity's fiscal health and long-term viability. These indicators may include measures like liquidity ratios, which assess the ability of organization to meet their financial obligations in the short-term, and solvency ratios, which gauge the ability to cover long-term debts. Additionally, profitability ratios, surplus/deficits provide insights into the effectiveness of revenue generation and expense management strategies. Other indicators such as operating cash flow to total debt ratio and reserve levels also play a significant role in assessing financial resilience (Wanjohi, Wanjohi, & Ndambiri, 2017).

In Kenya, Strathmore University, United States International University (USIU), Mount Kenya University (MKU), The Catholic University of Eastern Africa (CUEA) and Kenya Methodist University are ranked the first five among the private universities (uniRank, 2023). In accordance with the Universities Act (2012), the Commission for University Education (CUE) oversees the universities in Kenya. Between 2000 and 2015, universities had their most significant increase. Significant expansion was seen during this time in terms of the number of campuses, constituent colleges, universities, students' enrolment and programs offered (Munene, 2016). There are currently 74 universities, including 14 institutions with letters of interim authority (LIA), 18 private chartered institutions, six private constituent colleges, and 31 public chartered universities. As a result, the atmosphere is becoming more competitive than it was ten years ago. Thus, institutions' ability to survive will be totally dependent on how effectively they position themselves strategically in the market.

Similar to any other industry, the university sector is currently characterized by intense competition brought on by changes in both the internal and external environment. Universities must be open to change in a setting that is changing quickly. Universities must be adaptable, agile, and vigilant about opportunities brought about by environment change (McCowan, 2018). Due to the rising demand for higher education and the associated strain on state universities to provide this need, the number of private universities in Kenya has been increasing. Numerous causes, such as the few chances accessible in public universities and the new policies that support their establishment, have contributed to the growth of private universities. According to market dynamics and complete cost recovery, fees are only charged

at private universities (Kirui, 2019). Prior to 2017, private universities had a ready market of applicants who met the requirements to enrol but fell short of the cut-off point set annually by the government based on the number of beds available at public universities (Imana, 2017). Due to this, there was no competition among the top few private universities for suitable applicants (Kirui, 2019).

Universities had little choice but to fight for the few applicants that were still available as performance trends altered and fewer candidates exceeded the minimum cut-off mark. When public colleges began accepting self-sponsored students, often known as parallel or module two students, the rivalry got even tougher (Mathooko & Ogutu, 2014). Private universities in Kenya face fierce competition. This industry is also threatened by the establishment of satellite campuses by public institutions and other colleges across the nation. As a result, the universities need a long-term plan that will enable them to handle risks as they arise while also allowing them to stay competitive in the educational sector.

Statement of the Problem

In Kenya, universities in the private sector continue to experience significant challenges such as poor planning, rapid expansion, as well as weak financial and management accounting systems which has led to some of the universities falling into serious debts and closing up their branches (Commission for University, 2017). For instance, data from the University World News shows that a majority of the private universities and especially those owned by the church are struggling financially. These universities owe their suppliers and part-time lecturers close to US$17 million. In addition, some of the Universities like KeMU owe banks debts estimated at US$10 million (Waruru, 2017). Additionally, some of the universities, due to low enrolment of students and heavy reliance on students for funding, have ended up owing debts of up to Sh. 7 billion and therefore closing their branches in different areas of the country so as to consolidate their finances for the purposes of clearing debts and maintaining their activities (CUE, 2017).

The universities which closed down their branches in different parts of the country include Catholic University of Eastern Africa, Kenya Methodist University, and University of Baraton (Onyango, 2019). Notably, closure of the satellite campuses in different parts of the country was for the purpose of minimizing operational costs. However, despite all these efforts, financial crisis is still experienced within the private universities in the country. As a result, these universities continue to struggle in the highly competitive educational market raising a lot of questions regarding their sustainability. Financial sustainability can be justified by the deficits experienced in universities. When universities experienced deficits, they are not able to sustain their normal operations hence affecting their missions and visions (Almagtome, Shaker, Al-Fatlawi & Bekheet, 2019). For institutions of higher learning to realize financial sustainability, they should have adequate resources e.g. sufficient revenue to cover all the operational costs (Kotha & George, 2012). Reports have shown that Kenyan Universities have faced challenges of financial sustainability for the past years and this problem has been attributed to the increasing debt of $120 million by the year 2019 (Munene, 2019).

Private universities faces the problem of sustainability if they are not able to maintain financial stability and viability over the long term through effective management of resources and expenditures (Abdullah, 2017). Poorer financial performance by private universities also threatens their sustainability (Kinde, 2012). In addition, real data from Universities Fund (UF) shows that in the period 2020-2021, Kenyan universities were short of funds by 27 billion Kenyan cedis. There were rumours of a fee increase when the study found a capitation of KSh35,616 per student. Unless the root cause of financial unsustainability is addressed, some of these institutions might go out of business. There is a lot of empirical evidence in this area of long-term financial viability and risk management strategies in the literature, in a range of industries. An industry in which risk management strategies have a significant impact on long-term financial viability is the automobile insurance industry, according to Okumu and Wanjira (2017). Similarly, other researchers have established the same link between NGOs and the construction industry; for instance, Wabomba (2015), Singh, Deep, and Banerjee (2017), and Ubani et al. (2015). The effectiveness of risk management strategies has a significant influence on financial institutions' long-term sustainability, as found by Mutuku (2016) and Abu-Rumman, Shraah, Alfalah, and Al-Madi (2021).

Omache et al. (2015) found that there are strategic, financial, legal, reputational and operational risks that affect universities in the education sector. But colleges and colleges have not adopted strict policies to address these risks. So, what might be the cause of private universities' financial problems? This was the question asked in this study. Can methods of risk management be used to resolve the financial problems facing the colleges? Hence, this study is important. As a result, universities would be at risk of closure and stunting of their growth in the absence of effective action to mitigate these threats. Many private universities are currently facing dire financial situations due, in part, to the Kenyan government's new university finance model which excludes private universities from government sponsorship. There is little research on ways to manage risks to educational institutions' bottom lines. This study gave the private universities in Kenya an opportunity to assess the effects of risk management approaches on their bottom lines. Given that there has been no research on the effects of risk management strategies on the sustainability of private universities in Kenya, the present study is crucial to address this gap.

Objective of the Study

To establish the effect of risk acceptance on the financial sustainability of Private Universities in Kenya

Justification of the Study

This research would be useful to Kenya's private universities and other higher education institutions. The management will be made aware of the role of the risk management processes in promoting the long-term financial sustainability of educational institutions. This would enable them to adopt measures that would reduce risks within their institutions and improve their sustainability. The findings of this study can also be beneficial for the ministry of education. The findings and recommendations could be applied to re-structure the policies of the institutions for risk management. By reorganizing the policies, the company may be able

to manage risks better and, ultimately, improve their financial performance. It will offer empirical evidence for academics and scholars about practices related to risk management and financial sustainability of universities. What's more, the study will contribute to existing knowledge about corporate practices on risk management and financial sustainability. It will also benefit customers of public universities, as they will learn how to run their business sustainably.

Theoretical Review

Contingency Planning Theory

Several authors, including G.M. Stalker, Tom Burns, Jay Lorsch, Paul Lawrence, Fred Fiedler, and Joan Woodward have contributed to the development of this theory. Contingency planning (CP) is a component of managing risks, according to Hisnson and Kowalski (2008). Since hazards may never be completely eliminated in practice, it is suggested that some dangers frequently persist. Despite the organization's best efforts, some situations will still happen despite efforts to accept, minimize, prevent, or reduce them. Hisnson and Kowalski (2008) indicated that certain situations, combinations of unfavorable events, unforeseen threats, and vulnerabilities can circumvent or put pressure on even the best information security controls intended to ensure the security, confidentiality, and accessibility of information assets. Contingency planning is a proactive exercise where scenarios and goals are established, management and technical actions are outlined, and projected response systems are integrated to avoid or swiftly address catastrophes or critical circumstances.

A contingency plan aids in connecting and coordinating businesses, organizations, and people to ensure a prompt and effective reaction (Riley, 2012). In order to decrease the time taken for responding to disaster and, ultimately, save lives, contingency planning makes sure that stand-by resources are available and offers a structure for swift decisions. Based on this study, CP refers to the totality of plans, processes, controls and activities that associate to major occurrences. It refers to the act of getting ready for big disasters and incidents, forming flexible plans as well as marshalling appropriate resources that shall come into play. CP includes preparation and planning of the unanticipated. Primarily, CP should minimize the negative consequences or effects of occurrences. Contingency theory has received its share of criticism over the years. The theory has complexity in identifying contingencies. Identifying and understanding the various contingencies that could impact risk management decisions can be a complex task. Determining the relevant contingencies and accurately assessing their impact on risk management decisions can be challenging and subjective. According to critique, risk management involves dealing with a constantly changing and evolving landscape of risks.

Contingent planning theory suggests that risk management approaches should adapt to the specific contingencies at hand. However, this can pose challenges when risks emerge or evolve rapidly, as it may be difficult for contingencies to be identified and timely responded to. Some critics argue that contingent planning theory, if applied solely to risk management, may result in a reactive approach. Rather than focusing on preventing or mitigating risks proactively, it may lead to a tendency to respond to risks only after they occur. This reactive stance may limit the effectiveness of risk management efforts in preventing potential harm to the organization.

Accepting that preparation and planning are crucial for all actions related to CP is key. Many people assume they can handle crisis circumstances to some extent on the spot, but CP tries to create the environment bearable and less disruptive by making the necessary plans and stockpiling the resources in advance. Furthermore, real CP allows for planning for completely unforeseen catastrophes, even while it is prudent to anticipate commonplace events like power outages or disruptions to telecommunications services (Hisnson & Kowalski, 2008).

Empirical Review

Elena and Johnson (2015) conducted research on the factors influencing the UK government's choice to utilize cloud services. The goal of this study was to create a theoretical framework for understanding risk perception and risk acceptance in cloud computing services. Subjects for the study (N=24) were recruited from three UK government agencies to participate in a semi-structured interview. The approach known as interpretive phenomenological analysis was used to analyze transcribed texts. According to the findings, the most important elements impacting cloud service risk acceptance are perceived benefits and possibilities, organizational risk culture, and perceived hazards. Polas, Tabash, Jahanshai, and Schmitt (2022) while focusing on SMEs' employees, investigated the variables relating to environmental issues and ethical business decision-making, with an emphasis on the acceptance of risk and its role towards the level of confidence. Using questionnaire, data was collected from 394 top SMEs managers in the UAE, and SmartPLS 3.0 was used for statistical analysis. The findings imply that prior technology use is significantly positively correlated with risk acceptance and moral decision-making. Perceived competitive pressure, confidence level, and moral judgment had a positive association. In contrast, there are strong positive correlations between the degree of risk acceptance and confidence, and ethical decision-making. The findings also show that the association between moral decision-making and earlier technology use is mediated by the degree of risk acceptance.

Anderson (2021) studied cloud computing service providers with a view of examining how businesses use the services to set up risk acceptance rules. The study paid special attention to the technical, organisational, environmental, internal and external factors with the technology-organization environment (TOE) and technology acceptance model (TAM) frameworks as the key points of reference. In the research, a qualitative method was employed to understand the research topic better and this involved the use of semi-structured, open-ended interviews. The participants were upper-level managers and information technology (IT) specialists of various industries among the Minnesota corporations which were partners. A purposeful sample technique was used to select 15 individuals in each of the participating organisations. Through content and narrative analysis, we analyzed the narratives of participants of different firms. The study revealed that policy, culture and security aspects of a company all contribute to the extent of risk individuals are ready to take in the process of using external cloud computing technologies.

Marafo, Basso, Espartel, de Barcellos, and Rech (2018) confirmed the association between the perceived risk and intention to use online banking and the moderating role of self-confidence and risk acceptance. One hundred and eighty Brazilian clients in banks took part in the study.

The moderation and important regions were validated with the help of the Johnson-Neyman test along the levels of risk acceptance and self-confidence. Self-confidence and risk acceptance moderate the connection between perceived risk and intent to use internet banking. The more confident individuals are, the less they are prone to be influenced by the perceived risk when it comes to the willingness to use online banking. The perceived danger does not affect the desire to use online banking among people of high-risk acceptance as much as it does among people of low-risk acceptance. The main issue of this study was perceived risk acceptance among the customers. It did not however show how viability of the organization can be influenced by the embracement of the risk approach.

Mwangi and Ngugi (2018) carried out a research in Nairobi City County, Kenya, to establish the effects of risk management strategies on project performance. A descriptive approach was employed to investigate how risk management strategies such as control, risk transfer, and retention can impact important measures. Semi-structured questionnaires were filled by one hundred and thirty-five financial officers, supervisors, and project managers, and risk managers in the construction industry, to assist in compiling important data. The data was analysed using SPSS and the results were in tables, graphs and pie charts. Risk management strategies had a significant impact on project financial performance. The report recommends that project managers ought to incorporate risk management techniques in their project implementation. Although they combined numerous strategies, their application was not as optimal to achieve the best outcomes. Because of the lack of trust in risk management and planning by organisations, a risk management strategy should be applied and adhered to in the pursuit of optimum performance. Due to this, the current research is crucial.

Conceptual Framework

The study's underlying hypothesis is that the independent variable (risk acceptance) determines whether private institutions can remain financially viable. Positive acceptance, passive acceptance and contingency allowance are the indications of risk acceptance conceptualised in the research.

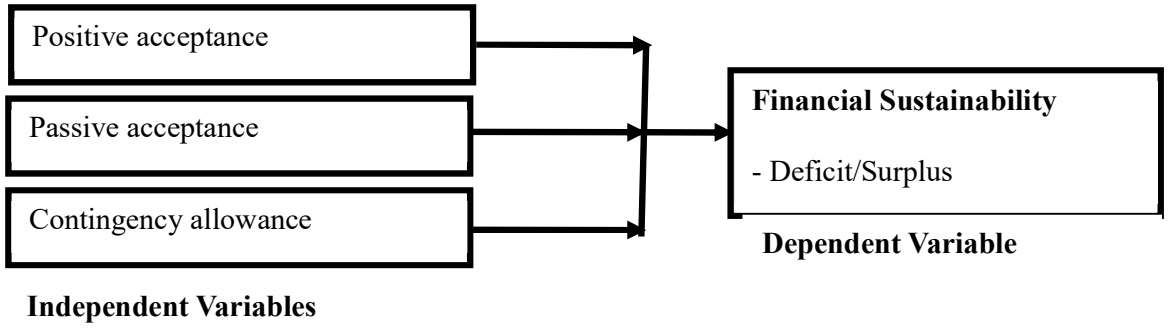

Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

Research Design

This study used a descriptive design, which is a scientific method that involves watching and documenting a subject's behavior without altering it in any manner (Shuttleworth, 2008). As a result, it addressed the questions of who, what, where and how in respect to a specific subject under investigation in this study. As a result, this research design was useful in analyzing risk management techniques and the financial sustainability of Kenyan private universities.

Target Population

The objective in this research was to collect data of 33 registered institutions in Kenya that had been registered by the government. This was followed by the recruitment of financial managers in these schools. In our research on the risk management and financial sustainability, we consulted with the privately funded university managers in Kenya due to their higher competence to provide us with the relevant information since they are the ones taken care of the money running in the academic institution. The unit of observation was the financial managers whereas the unit of analysis was the 33 accredited private institutions in Kenya.

Sampling Frame

The sample frame of this research was all the private colleges in the country and individuals in charge of their finances. To prepare this list of the private institutions in Kenya, the study relied on the information obtained in the National Association of private institutions of Kenya and to obtain the list of financial manager we contacted the financial department of each university. The units of analysis were the private universities and the units of observation were the financial managers.

Census Survey Technique

Considering that the population of this study is relatively small, census sampling method was used in selecting all the respondents to take part in the study. The reason for using this sampling method is because it gives everyone an opportunity to be involved in the study. Moreover, it is an ideal sampling method when the target population is considered to be relatively small. Hence, all the 33 registered private universities were selected and finance managers included as the key respondents.

Research Instruments

The study used both primary and secondary sources to gather our data. The data collection process needed a number of various surveys. Data were collected systematically with the help of a questionnaire, as the study is designed to analyze risk management techniques and financial sustainability of educational organizations. The questionnaires contained closed and open questions. Moreover, Likert scales were employed. The questionnaire was designed as per the research objectives except the first section which was the background information of the respondents. Moreover, a secondary data collection sheet was employed in gathering secondary data in this study. The data concerning the financial stability of the private universities was collected from the published data for the period between Financial Year 2019-2023.

Data Collection Procedure

Before going to the field to collect information, the study ensured that all the paperwork was conducted. Some of these materials were an introduction letter and acceptance of the scheme by the university. The National Commission for Science, Technology and Innovation (NACOSTI) also gave the researcher a research permission letter once the required documentation had been submitted. Once the paperwork had been collected, the researcher then went on to gather data of the chosen participants. To inform the administration of the private institutions of the study, the researcher called them. They were told the aim of the research. As soon as they provided their consent, the researcher who will be distributing the questionnaires can give them to the respondents. The researcher took them through the survey step by step to ensure all were able to comprehend the survey. Questionnaires were distributed and collected in two weeks to be analyzed. The secondary data were filtered through the audited financial accounts of the universities so as to assess the percentage ratio of spending to revenue, which was utilized to measure the financial sustainability. This helped in ascertaining whether the institutions were operating with surpluses or deficits during the various fiscal years of the institutions. Financial sustainability could be measured by two metrics: operational sustainability and financial self-sufficiency. In order to be operationally sustainable, an organization has to have enough operating revenue to cover its operating expenses.

Pilot Test

Piloting was conducted in this study so as to establish the reliability of the instruments. For the piloting purposes, four finance managers were randomly selected from the private universities. According to Mugenda (2011), at least 10% of the actual study sample size is considered fit for piloting. Therefore, considering that the study sample is 33, at least 4 of them were a representable sample for the piloting. Hence, the selected respondents were given the questionnaire to fill and return back. The respondents were given a two-week period to fill in the instruments and they were collected back for reliability testing.

Face validity was ensured by assessing the instrument questions based on relevance, meaning, and appropriateness to the respondents (Ahmed and Ishtiaq, 2021). The questionnaire questions were rated by the supervisors and the research experts who were in the area of finance to determine the content validity, or whether or not the questions were measuring the targeted constructs. In the case of this investigation, the Content Validity Index (CVI) was used to measure the content validity, with a cutoff of 0.75 (Rusticus, 2024). The instruments were found to have enough characteristics to measure the domain under study after careful scrutiny by the supervisor and a financial expert. The questionnaire content was also checked in accordance with the information offered by the supervisor and expert to make sure that the questions were sufficient to cover the objectives of the study.

The pilot aided in determining the dependability of the questionnaires. The constancy of an instrument in measuring the same phenomenon across time is referred to as reliability. It assesses the degree to which the same individuals perform similarly on a measure administered at two different times (Nachmias & Nachmias, 2008; Ahmed & Ishtiaq, 2021). The Statistical

Package for Social Sciences (SPSS) version 26 was used to ease reliability testing. The Cronbach's alpha approach was used to assess reliability. This is a measure of internal consistency, or how closely connected a group of objects is. According to George and Mallery (2010) and Cheung (2021), questionnaires are considered credible if the result obtained falls within the acceptable range of 0.7 to 0.9. The variables forming the research instrument (questionnaire) showed a high level of internal consistency. Risk acceptance recorded a Cronbach alpha, $\alpha = 0.741$. Therefore, since all the variables resulted in a Cronbach alpha, $\alpha > 0.70$, the questionnaire instrument was assumed to be reliable and adequate for the study (Peeters & Harpe, 2020).

Data Analysis and Presentation

Data in the questionnaire was coded and fed into the computer using SPSS version 26. This software was selected due to its flexibility in performing different data processing tasks such as graphics and statistics. Inferential and descriptive statistics were used in the research. The descriptive data was represented in various visual forms such as tables, figures and pie charts. It was then summarized, in standard deviations, means and percentages. Inferential statistics were also used to determine the relationship between the financial performance of the private universities and their risk management measures. In the inferential analysis, multiple linear regression model was applied. This was utilized to create study results and suggestions. The multiple linear regression model is as shown below:

$$Y = \beta_0 + \beta_1 X_1 + e$$

In the study, primary and secondary data were systematically merged to create a unified dataset suitable for pooled panel regression analysis. The primary data collected through structured questionnaires provided current, firsthand information on the key variables of interest. These data were first cleaned, coded, and transformed into quantitative measures to ensure consistency across respondents and time periods. Secondary data obtained from institutional/financial reports were then aligned with the primary dataset. This alignment involved matching both datasets based on common identifiers such as institution name and time period, ensuring that each unit of analysis contained both the directly observed information from the field and the historical or supplementary indicators from existing records. Once the datasets were matched, the merged file underwent harmonization. This included checking for missing values, correcting inconsistencies in variable definitions, and standardizing measurement scales so that both primary and secondary indicators were comparable. The resulting dataset formed a balanced panel whereby each unit appeared in all time periods. The pooled panel regression analysis was then conducted on this merged dataset. In this approach, all observations across units and time were combined into a single pooled structure, assuming homogeneity in regression coefficients across the cross-sections. The model was estimated using ordinary least squares (OLS), where the dependent variable was regressed on the combined set of explanatory variables drawn from both primary and secondary sources. The pooled regression allowed the study to exploit both the variability between different units and the variation within units over time, providing a comprehensive and integrated assessment of the relationships under investigation.

Diagnostic Tests

Diagnostic tests are procedures or processes used for the purpose of establishing the accuracy, strength and weaknesses of collected data (Sitch et al., 2020). This study therefore conducted the following diagnostic tests; normality test, multicollinearity test, heteroscedasticity test, Autocorrelation and Linearity Test.

RESEARCH FINDINGS AND DISCUSSIONS

Descriptive AnaIysis on Risk Acceptance

Finding out how private universities in Kenya are financially in the face of risk acceptance was the primary goal of this research. The respondents were given a series of questions on this topic in order to elicit answers for this study purpose. The study used a 5-point Likert scale with the following key for the quantitative descriptive statistics: 1-Strongly Disagree (SD), 2-Disagree (D), 3-Undecided (UD), 4-Agree (A), 5-Strongly Agree, μ-Mean score, σ-Standard Deviation.

Table 1: Descriptive Results for Risk Acceptance

		SA	A	UD	D	SD	M	Std.
	Statement	**%**	**%**	**%**	**%**	**%**	**μ**	**σ**
a.	A department for handling institutional risks is fully in existence	25.0	50.0	25.0	0	0	2.00	.720
b.	There is a strong budget plan for every risk that may emerge in the university.	25.0	0	0	50.0	25.0	3.50	1.527
c.	The university has a classified list of possible risks that may be experienced.	50.0	0	25.0	25.0	0	2.25	1.322
d.	There are certain risks that the university has never taken action for but rather document them.	0	0	25.0	0	75.0	4.50	.882
	Average Score						**3.06**	**1.113**

Source: Field Data (2026)

Findings indicate that 25% of respondents strongly agreed, 50% agreed, while 25% were undecided that a department for handling institutional risks exists, with no respondents disagreeing. The mean score (μ = 2.00, σ = 0.720) reflects a general consensus that risk management structures are in place, although some uncertainty remains. This aligns with recent studies that emphasize the growing trend in higher education institutions to establish formal risk management offices as a response to regulatory and operational uncertainties (Muriithi & Kariuki, 2022). The relatively low standard deviation suggests uniformity in responses, indicating that most universities have at least foundational structures for institutional risk handling.

On whether universities maintain strong budget plans for emerging risks, 25% strongly agreed, 50% disagreed, and 25% strongly disagreed. The mean score (μ = 3.50, σ = 1.527) reveals mixed responses, with a leaning towards disagreement. The higher standard deviation suggests considerable variation in university practices. This finding underscores the concern raised by Kiptoo and Otieno (2023), who found that many Kenyan universities struggle with financial risk preparedness due to constrained revenue streams and over-reliance on tuition fees. Budgetary inflexibility thus limits effective risk response, leaving universities exposed to financial shocks.

Half of the respondents (50%) strongly agreed, 25% were undecided, while 25% disagreed that universities have a classified list of potential risks. The mean (μ = 2.25, σ = 1.322) indicates partial agreement, with some institutions adopting proactive risk classification while others lag behind. According to Wanjohi and Nderitu (2021), risk mapping and classification are critical for higher education institutions in Kenya, especially in light of cybersecurity threats, reputational risks, and regulatory pressures. The moderate variation suggests differences in institutional maturity in implementing systematic risk labeling.

A significant 75% strongly disagreed, while 25% were undecided, that some risks are merely documented without corrective measures. With a mean (μ = 4.50, σ = 0.882), responses strongly indicate that universities generally take action rather than passively documenting risks. This suggests an improvement in risk response mechanisms, consistent with emerging global best practices in higher education risk governance (OECD, 2022).

The overall average mean of 3.06 (σ = 1.113) indicates a moderate level of risk acceptance in private universities. While structural mechanisms such as risk departments and risk classification exist, challenges remain in financial preparedness. The variation in responses highlights uneven adoption of comprehensive risk management practices across institutions. Strengthening budgetary provisions and enhancing systematic risk documentation and classification are necessary for building resilience.

Descriptive AnaIysis on Financial Sustainability

Financial sustainability of the private universities in Kenya was assessed in this study as a dependent variable.

Table 2: Descriptive Results for Financial Sustainability

	Statement	SA %	A %	UD %	D %	SD %	M μ	Std. σ
a.	The university has made a lot of surpluses over the last 5 years.	0	25.0	25.0	50.0	0	3.25	.844
b.	The university obtained a lot of deficits over the last 5 years.	25.0	50.0	25.0	0	0	2.50	1.14
c.	The university's current financial practices are sustainable for maintaining long-term financial stability.	50.0	25.0	25.0	0	0	1.75	.844
d.	The current financial status of the university is on a deficit.	25.0	50.0	25.0	0	0	2.00	.720
e.	The current financial status of the university is on a surplus.	50.0	25.0	25.0	0	0	1.75	.844
	Average Score						**2.25**	**.878**

Source: Field Data (2026)

A quarter of respondents agreed, 25% were undecided, and half disagreed that their universities had generated surplus over the past five years. The mean score (μ = 3.25, σ = .844) indicates a leaning toward disagreement, suggesting that many private universities have struggled to generate consistent financial surpluses. This aligns with findings by Gudo and Olel (2022), who note that rising operational costs and declining student enrollments have eroded the financial performance of many private universities in Kenya, limiting their ability to generate long-term surpluses.

On whether universities experienced deficits in the last five years, 25% strongly agreed, 50% agreed, and 25% were undecided. The mean ($\mu = 2.50$, $\sigma = 1.14$) shows a tendency toward agreement, with notable variation among institutions. This reflects the reality that some universities are operating under sustained financial strain. According to Mwangi and Wekesa (2021), persistent deficits in Kenyan private universities have been linked to overreliance on tuition fees, declining enrollment due to competition from public universities, and limited diversification of revenue streams.

Half of the respondents strongly agreed, 25% agreed, and 25% were undecided that current financial practices are sustainable for long-term stability. The mean ($\mu = 1.75$, $\sigma = .844$) demonstrates strong agreement, suggesting optimism about the soundness of ongoing practices. This may reflect improvements in cost management, fee restructuring, and adoption of new income-generating strategies such as short courses and research collaborations. As Ndegwa and Kariuki (2023) argue, sustainability in private universities depends on aligning financial practices with strategic planning and ensuring adaptability to changing higher education markets.

When asked if their current financial status is in deficit, 25% strongly agreed, 50% agreed, and 25% were undecided. The mean ($\mu = 2.00$, $\sigma = .720$) indicates broad agreement with little variation, confirming that deficits are currently a common experience across private universities. This mirrors research by Oanda and Aluko (2022), which highlights that many private universities in East Africa face cash flow problems, often struggling to pay staff salaries and maintain infrastructure.

Half of the respondents strongly agreed, 25% agreed, and 25% were undecided that their universities are currently operating at a surplus. The mean ($\mu = 1.75$, $\sigma = .844$) indicates strong agreement, though the undecided responses suggest that not all institutions are enjoying financial strength. This may point to uneven financial performance, where a few institutions are achieving surplus due to better governance and innovative strategies, while others remain financially unstable. Mutula (2022) observes that well-managed private universities that diversify revenue through research, consultancy, and international collaborations tend to achieve surplus more consistently than those relying solely on tuition fees.

The overall average mean of 2.25 ($\sigma = .878$) suggests that Kenyan private universities face mixed financial sustainability, with deficits being common but some institutions managing to achieve surplus. While current financial practices are viewed as relatively sustainable, challenges remain in generating consistent surpluses to ensure long-term stability. These findings emphasize the need for diversification of revenue sources, improved financial management, and strategic partnerships to reduce dependence on tuition fees and enhance resilience.

Besides the responses from the finance managers on financial sustainability, secondary data on Total Expenditure to Total Revenue was examined for the 28 private universities in Kenya. The results are presented on Table 3.

Table 3: Secondary Data Results for Financial Sustainability of Private Universities

	N	Minimum %	Maximum %	Mean %	Std. Deviation %
TE to TR 2019	28	63.76	123.39	93.53	15.86
TE to TR 2020	28	69.24	116.99	91.69	11.66
TE to TR 2021	28	55.22	120.36	96.35	15.85
TE to TR 2022	28	55.43	140.00	95.04	17.33
TE to TR 2023	28	72.73	117.26	90.35	11.96
Aggregate Scores	**28**	**63.28**	**123.6**	**93.39**	**14.53**

Source: Field Data (2026)

The results from the analysis of the total expenditure to total revenue ratios (TE/TR) for private universities in Kenya between 2019 and 2023 paint a clear picture of their financial sustainability trends. Across the five years, the average ratios range between 90.35% and 96.35%, indicating that most universities operate close to breakeven, with expenditures nearly matching revenues. This suggests a generally fragile financial balance, where institutions face limited surpluses and, in some cases, potential deficits (Ng'ang'a, 2019). The minimum ratios, which remain above 55%, show that no university operated with unsustainably low expenditure levels, while the maximum values, ranging between 117% and 140%, reveal that a number of universities exceeded their revenues substantially, especially in 2022. These results indicate that private universities' total revenue is largely consumed by the total expenditures, as all the maximum are above the 100% rate (Kimno, Kwasira, & Njuguna, 2019). The standard deviations, which vary from about 11.66% to 17.33%, highlight moderate variability in financial performance across the institutions, implying that while some universities manage their costs efficiently, others struggle to align expenditure with revenue. Overall, the findings underscore a sector that is financially stretched, with persistent risks of overspending, especially during turbulent years, yet still demonstrating resilience by maintaining averages close to sustainability thresholds.

Diagnostic Tests Results

Data Normality

Normality test was performed, and significant insights were computed. The Shapiro-Wilk test was utilized in the Normality Tests. This is a common normality test for small to medium-sized datasets. It examined the null hypothesis that the data is from a normal distribution. The data is presumed to be regularly distributed if the p-value produced from the test is greater than the set significance threshold (typically 0.05). The result for the normality test is shown in Table 4.

Table 4: Data Normality Test

Sharpiro-Wilk Test			
	Statistic	Df	Sig.
Financial Sustainability	0.387	20	0.403
Risk Acceptance	0.295	4	0.192
a. Lilliefors Significance Correction			

Source: Field Data (2026)

From Table 4, financial sustainability and risk acceptance resulted in Shapiro-Wilk test significance of 0.403 and 0.192 respectively. Since all the significance levels (p-values) were greater then 0.05, the data is assumed to be normally distributed and adequate for the study as held by (Rayner, Rippon, Suesse, & Thas, 2022).

Multicollinearity Test

According to Daoud (2017), multicollinearity is a factual phenomenon where two or more indicator factors are connected in separate regression models. Estimations in individual indicators are affected by Multicollinearity. The variance inflation factor (VIF) and Tolerance were used to test for the multicollinearity in the predictor variables and results presented on Table 5.

Table 5: Multicollinearity Test

Variable	Tolerance	VIF
Risk Acceptance	0.842	1.01

Source: Field Data (2026)

From Table 5, risk acceptance recorded Variance Inflation Factor (VIF) of 1.01. According to Liao et al. (2021), since all the VIF were slightly above the threshold of 1, the predictor variables lacked multicollinearity and thus adequate for the study.

Heteroscedasticity Test

In carrying out the heteroscedasticity test, the Breusch-Pagan test was adopted to assess the presence of unequal variance of errors (heteroscedasticity) among the study variables. The results obtained are as presented in table 6.

Table 6: Heteroscedasticity Test

H0: sigma(i)^2 = sigma^2 for all i
chi2 (19) = 196.31
Prob>chi2 = 0.3104

Source: Field Data (2026)

According Table 6, assuming $\sigma^2 i = \sigma^2$ for i =1, the heteroscedasticity p-value was given as 0.3104 (p>0.05) which according to Rayner et al. (2022), indicates lack of heteroscedasticity.

Autocorrelation Test

In examining autocorrelation in the study variables, this study used Durbin-Watson test. The results are as presented in Table 4.7.

Table 7: Autocorrelation Test

df1	df2	Durbin -Watson
4	19	1.869

a. Predictors: (Constant), Risk Acceptance, Risk Transfer, Risk Avoidance, Risk Reduction

b. Dependent Variable: Financial Sustainability

Source: Field Data (2026)

From Table 8, the Durbin-Watson statistic was 1.869 which is closer to 2. According to Liao et al. (2021), Durbin-Watson value close to 2 indicates lack of autocorrelation in the study variables.

Linearity Test

The coefficient of determination (R-square) was used to assess linear relationship underlying the Multiple Linear Regression model used and results presented on Table 9.

Table 9: Linearity Test

Model		Sum Squares	of df	Mean Square	F	Sig.
1	Regression	4.750	3	1.583	2.343	0.322[b]
	Residual	.000	0	.		
	Total	4.750	3			

a. Dependent Variable: Financial Sustainability
b. Predictors: (Constant), Risk Acceptance

Source: Field Data (2026)

As shown in Table 9, p value for the deviation from linearity was 0.322 which is greater than 0.05. This confirms that the linearity assumption was met as proposed by Field (2018). This implies that linear regression was appropriate for the study.

Inferential Analysis

Correlation Analysis

The correlation analysis was conducted to determine the strength and direction of the relationship between risk management practices and the financial sustainability of private universities in Kenya. The findings form the basis for understanding whether the identified relationships are weak, moderate, or strong, and whether they are positive or negative.

Table 10: Correlation Results

		Risk Acceptance	Financial Sustainability
Risk Acceptance	Pearson Correlation	1	
	Sig. (2-tailed)		
Financial Sustainability	Pearson Correlation	.870**	1
	Sig. (2-tailed)	.000	
	N	24	24

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

Risk acceptance demonstrated a high correlation with financial sustainability ($r = .870$, $p < .01$), suggesting that embracing certain manageable risks supports long-term stability. This finding is consistent with the principles of Enterprise Risk Management (ERM), which emphasize an integrated, organization-wide approach to risk that enhances strategic decision-making and resilience (ISO, 2018; Bamber & Elezi, 2024). In higher education, recent studies highlight that effective risk governance is not siloed; instead, institutions that coordinate risk activities across departments and embed risk awareness throughout the organization achieve greater sustainability (Bamber & Elezi, 2024).

Similarly, Rehman, Ahmad, Hassan, and Usman (2024) argue that combining proactive, preventive, and adaptive risk strategies enhances performance and creates stronger buffers against financial shocks. This resonates with Setyadi et al. (2024), who demonstrated that risk management, when aligned with digital literacy and adaptive systems, fosters innovation and institutional resilience in higher education. In the Kenyan context, Yusuf (2023) provides

empirical evidence that internal control components such as risk assessment and governance structures significantly predict financial sustainability in universities, underscoring the role of integrated and multi-dimensional risk frameworks. Taken together, these findings reinforce that financial sustainability in private universities is not driven by a single strategy but by a coordinated integration of multiple approaches. When risk acceptance, transfer, avoidance, and reduction operate complementarily, universities build the resilience needed to withstand financial pressures and sustain long-term stability (Rehman et al., 2024; Yusuf, 2023).

Pooled Panel Regression Analysis

Besides correlation analysis, a further regression analysis was done in the study. The results of this regression provide deeper insights beyond correlation, offering evidence on the extent to which effective risk management strategies can explain variations in financial sustainability among the institutions studied. For the regression analysis, a pooled panel regression was adopted to examine the effect of risk management practices; risk acceptance, risk transfer, risk avoidance, and risk reduction—on the financial sustainability of private universities in Kenya. Pooled panel regression analysis is a statistical technique that combines cross-sectional and time-series data to estimate the relationship between dependent and independent variables across multiple entities over time. Unlike fixed or random effects models, pooled regression assumes that all entities share common characteristics, implying that individual-specific effects are not controlled for in the estimation (Gujarati & Porter, 2009). This method is conducted when the researcher assumes that variations across entities and time do not significantly affect the relationship being examined (Baltagi, 2021). Pooled regression is particularly useful because it increases the sample size, improves estimation efficiency, and provides a more generalized understanding of how explanatory variables collectively influence the dependent variable across all observations (Wooldridge, 2016).

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.789	0.623	0.609	1.1793

a. Predictors: (Constant), Risk Acceptance
b. Dependent Variable: Financial Sustainability

As presented in Table 11, the statistical model demonstrates that risk acceptance strategies—namely, positive acceptance, passive acceptance and contingency allowance —are strongly and positively associated with the financial sustainability of private universities ($R = 0.789$). Specifically, these predictors explain a significant 62.3% of the variance in financial sustainability ($R^2 = 0.623$), indicating their considerable influence. The model's explanatory power remains robust, as confirmed by an adjusted R^2 of 0.609, which validates its stability after considering the number of predictors. The residual variance (37.7%) is likely due to factors beyond the scope of this model.

Table 12: ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	375.032	3	93.758	38.063	.000[b]
	Residual	46.801	20	2.463		
	Total	421.833	23			

a. Dependent Variable: Financial Sustainability

b. Predictors: (Constant), Positive acceptance, passive acceptance, contingency allowance

The ANOVA results indicate that the regression model is statistically significant. This is because the model had a corresponding p-value of .000, which is well below the 0.05 threshold. This means that the combined predictors— Positive acceptance, passive acceptance and contingency allowance—collectively explain a significant proportion of the variance in financial sustainability of private universities. The regression sum of squares (375.032) is substantially larger than the residual sum of squares (46.801), further showing that the model accounts for most of the variation in the dependent variable. In practical terms, this confirms that risk management practices are not only theoretically relevant but also empirically powerful in predicting financial sustainability. This study therefore rejected the null hypothesis and concluded that risk management practices examined in this study had a positive and statistically significant effect on financial sustainability of private universities in Kenya. This study's finding contributes to a converging body of evidence from both academia and professional practice, which posits that systematic risk management is a cornerstone of institutional financial resilience.

Recent empirical investigations, such as those by Kesanta (2025) and YuanRu (2024) conducted across various sectors including higher education, consistently identify a positive relationship between formal risk protocols—encompassing identification, transfer, reduction, and acceptance—and stronger fiscal performance. This connection is further substantiated by industry analyses and sector-specific reviews (Anton, 2025; URMIA, 2021), which chronicle how enterprise-wide risk frameworks and proactive mitigation strategies enable universities and other organizations to buffer against volatility, secure revenue, and facilitate strategic foresight. Adding crucial context, research from Kenya and comparable environments (e.g., Minyoso, 2020) suggests that institutions implementing structured financial-risk controls and governance are better equipped to maintain operational continuity during periods of economic stress. In essence, the cumulative weight of this contemporary scholarship affirms the central finding of this research: that robust, comprehensive risk management is a significant and positive determinant of financial sustainability for private universities.

Comment- Replace the table below with a new table containing new and different figures (as appropriate) and use the new generated figures to do the explanation in the following paragraphs (in green font)

Table 4.15: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.917	0.391		2.35	0.024
	Positive acceptance	0.418	0.118	0.391	3.54	0.001
	Passive acceptance	0.273	0.096	0.247	2.84	0.008
	Contingency allowance	0.301	0.113	0.319	2.66	0.013

a. Dependent Variable: Financial Sustainability

Positive acceptance has an unstandardized coefficient of 0.418, a standardized beta of 0.391, and is significant at p = 0.001. It also recorded the highest t-value of 3.54, indicating that it is the most statistically significant predictor in the model. This suggests that positive acceptance makes the strongest and most consistent contribution to explaining variations in financial sustainability among the variables considered. A one-unit increase in positive acceptance is associated with a 0.418-unit improvement in financial sustainability, holding all other predictors constant. The study therefore accepted the hypothesis that positive acceptance had a positive and statistically significant effect on the financial sustainability of private universities in Kenya. These results confirm that when universities deliberately and proactively embrace manageable risks—by allocating contingency reserves, deploying early warning systems, and establishing emergency financial buffers—their fiscal resilience improves markedly. Yusuf (2023) corroborates this finding, demonstrating that robust internal risk controls and proactive acceptance mechanisms are significant predictors of financial sustainability in Kenyan university settings. Thus, positive acceptance emerges as the foremost mechanism through which risk governance translates into long-term institutional financial stability.

The unstandardized coefficient for passive acceptance is 0.273, with a standardized beta of 0.247 and a statistically significant p-value of 0.008. This suggests that a one-unit increase in passive acceptance leads to a meaningful positive improvement in financial sustainability of private universities, holding other factors constant. Moreover, the t-value of 2.84 is well above the critical value of ±1.96, confirming that passive acceptance is a statistically significant predictor of financial sustainability. While its standardized beta is comparatively lower than that of positive acceptance, passive acceptance still makes a substantive and reliable contribution to explaining variations in financial sustainability among private universities. Therefore, the study accepted the alternative hypothesis stating that passive acceptance had a positive and statistically significant effect on financial sustainability of private universities in Kenya. The finding implies that institutions that systematically acknowledge, document, and monitor risks—rather than ignoring or deflecting them—tend to strengthen their financial health over time. By maintaining updated risk registers and ensuring that documented risks are communicated across governance structures, universities create institutional memory that facilitates timely responses to financial shocks. This aligns with contemporary scholarship demonstrating that embracing certain manageable risks fosters proactive planning and enhances resilience in higher education institutions (Bamber & Elezi, 2024).

Contingency allowance has an unstandardized coefficient of 0.301, a standardized beta of 0.319, and is statistically significant at p = 0.013. The t-value of 2.66 exceeds the critical

threshold of ±1.96, confirming that contingency allowance is a meaningful and reliable predictor of financial sustainability. Notably, with a standardized beta of 0.319, contingency allowance ranks second among the three predictors, underscoring its considerable importance in the model. This means that when universities allocate dedicated contingency budgets and maintain reserve funds to absorb unforeseen financial pressures, their overall financial sustainability improves significantly. In practical terms, a one-unit increase in contingency allowance is associated with a 0.301-unit increase in financial sustainability, holding other variables constant. This finding signals that preparatory financial mechanisms—such as insurance arrangements, outsourcing of non-core services, and pre-approved emergency fund protocols—substantially improve universities' capacity to withstand financial volatility. Therefore, the study accepted the alternative hypothesis that contingency allowance had a positive and statistically significant effect on financial sustainability of private universities in Kenya. Literature strongly supports this finding: Rehman et al. (2024) highlight that pre-emptive financial arrangements and risk transfer mechanisms reduce institutional exposure to financial shocks, while Kesanta (2025) finds that universities with formal contingency frameworks demonstrate greater fiscal resilience during periods of economic disruption.

Overall, the results suggest that effective risk acceptance significantly enhances financial sustainability. The findings imply that private universities that systematically adopt positive acceptance, passive acceptance and contingency allowance are more likely to achieve financial resilience and sustainability. Therefore, the final pooled panel regression model was presented as follows;

SUMMARY OF THE FINDINGS OF THE STUDY

The findings reveal that most private universities in Kenya have established some form of departmental structure to handle institutional risks, suggesting a recognition of the importance of formal risk governance. However, while structural mechanisms exist, financial preparedness emerged as a major challenge, with many institutions lacking strong budgetary plans to respond to emerging risks. This highlights a gap in proactive financial risk management, leaving universities vulnerable to shocks such as revenue fluctuations, regulatory demands, or unexpected operational disruptions. In addition, the results show that some universities have taken steps to classify and map potential risks, though the extent of adoption varies across institutions. Encouragingly, most universities do not merely document risks without taking corrective measures, indicating progress towards a more action-oriented approach to risk management. Overall, the findings suggest that while Kenyan private universities are gradually embracing risk governance practices, there is still a need to strengthen financial planning and ensure consistent adoption of comprehensive risk management strategies across all institutions. Correlation and regression results showed that risk acceptance had a strong positive association with financial sustainability of private universities in Kenya.

The findings reveal that many private universities in Kenya continue to face persistent financial challenges, with several institutions experiencing recurrent deficits over the years. While some universities have managed to generate surplus and improve their financial standing, the overall picture points to uneven financial performance across the sector. This highlights the

vulnerability of institutions that remain heavily dependent on tuition fees, a trend that has been exacerbated by fluctuating student enrollment and rising operational costs. At the same time, there is cautious optimism regarding the sustainability of current financial practices, with evidence that some institutions are adopting sound strategies to enhance stability. These include better financial management, restructuring of tuition fees, and diversification into income-generating activities such as consultancy, research, and international collaborations. However, the gap between institutions that have achieved stability and those still struggling underscores the need for more innovative financial models and stronger governance practices to ensure the long-term sustainability of private universities in Kenya.

Conclusion of the Study

From the analysis and summary of findings, this study rejected the null hypothesis that risk acceptance had no significant effect on financial sustainability of private universities in Kenya. Instead, it accepted the alternative hypothesis hence concluding that risk acceptance had a positive and statistically significant effect on financial sustainability of private universities in Kenya. Moreover, it was also concluded that while many private universities in Kenya have established departments for handling institutional risks and maintaining a classified list of potential risks, gaps remain in proactive planning. Budgeting for emerging risks is not consistently practiced, and in some cases, risks are only documented without corrective action. This suggests that although risk acceptance is recognized, it is often reactive rather than preventive.

Recommendations of the Study

Regarding risk acceptance, universities should strengthen proactive financial planning by institutionalizing risk-based budgeting frameworks. While most institutions have established risk management structures, there is a clear need to align these structures with adequate financial preparedness. Universities should allocate dedicated contingency funds, regularly update risk registers, and integrate risk mapping into strategic and financial planning processes. This will ensure that accepted risks are not only identified but also adequately resourced, thereby enhancing the institutions' capacity to withstand financial shocks and uncertainties.

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