

**CAPITAL STRUCTURE, FINANCIAL ACCOUNTABILITY, RESOURCE  
ALLOCATION AND FINANCIAL SUSTAINABILITY OF UNIVERSITIES IN  
UGANDA**

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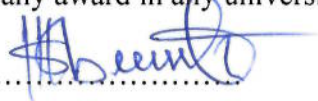
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**DECLARATION**

I the undersigned, declare that this research dissertation is my original work, except where due acknowledgement has been made and has never been presented to any university or Institution for a degree or any award in any university

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## APPROVAL

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## **DEDICATION**

I dedicate this research work to my loving family for their encouragement and moral support during the entire period of my studies.

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## LIST OF ACRONYMS

ASSR	Asset Sustainability Ratio
CS	Capital structure
FA	Financial Accountability
FS	Financial sustainability
MUST	Mbarara University of Science and Technology
NCHE	National Council for Higher Education
NFALR	Net Financial Liability Ratio
NGO	Non Governmental Organisations
NOPSR	Net Operating Surplus Ratio
RA	Resource Allocation
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
ROS	Return on Sales
WC	Working Capital
WCM	Working Capital Management
WCR	Working Capital Ratio

## **DEFINITIONS OF KEY TERMS**

**Capital structure:** This is defined as how firms fund or finance their operations, developments and growth using various sources such as equity and debt (Massy & Mayers, 2007)

**Financial Accountability:** This is concerned with tracking and reporting on allocations, disbursement and utilization of financial resources, using the tools of auditing, budgeting and accounting (Estermann & Pruvot, 2011).

**Financial sustainability:** This is the organization's ability to cover annual budgets without constraints and ensure longevity of an organization. It is an institution's ability to manage its finances so that it can meet its spending commitments, both now and in the future (Thompson, 2001).

**Resource Allocation:** This refers to disbursement of funds or financial resources to various vote heads within a firm.

## ABSTRACT

The aim of this study was to investigate the relationship between capital structure, resource allocation, financial accountability and financial sustainability of Universities in Uganda. Using a cross sectional research design, the study enlisted data through questionnaires and the target population included the senior university managers at the center of ensuring financial sustainability of universities (Supervisors, Middle level management and the senior management). Data analysis was conducted using descriptive statistics which included mean, mode, percentages and frequencies. Correlation and regression analyses were used to test the research objectives and hypotheses respectively. The study found a strong positive significant correlation between capital structure, financial accountability, resource allocation and financial sustainability of both public and private universities. Based on the findings and subsequent discussions, it is therefore concluded that capital structure, financial accountability and resource allocation are essential for financial sustainability of both private and public Universities in Uganda. The study recommends that universities should prioritize resource allocation to the most crucial projects, put in place optimal capital structure and uphold financial accountability as these have been found necessary for improved financial sustainability within universities.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter presents the background, statement of the problem, objectives of the study and provides the significance of the study.

#### **1.1 Background**

Financial sustainability plays a critical role for organizations to achieve to achieve effective service delivery mandate. It is therefore associated with a number of benefits (Estermann & Pruvot, 2011). Institutions with robust and sound financial systems besides established incomes have the potential to fulfill their missions and respond to challenges occasioned by a dynamic or rapidly changing environment. Accordingly, financial sustainability aspires to ensure that institutions of higher learning are able to generate sufficient income in order to offset operational costs in a manner that is efficient and effective benefits (Estermann & Pruvot, 2011). Financial sustainability is the organization's capability to cover all its planned expenditure using available resources (Sejjaaka, 2016). A sustainable institution must therefore be able to survive on its own financial resources in the long run by its means of generating its own revenue and without depending on contributions from donors, financiers, or third parties. In the case of universities, financial sustainability implies that these institutions generate more income from their existing resources when providing educational services (Sejjaaka, 2016).

Despite the associated benefits, evidence suggests that globally institutions of higher learning are financially un sustainable (Sejjaaka, 2016; Kasozi , 2002; Lapovsky, 2015). For example, the skyrocketing cost of meeting higher education needs together with constrained funding sources create a challenge to the institutions of higher learning in the United States and other developed countries world over (Lapovsky, 2015). This scenario has led many Universities and



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