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CORPORATE GOVERNANCE AND FINANCIAL SUSTAINABILITY OF HIGHER EDUCATION INSTITUTIONS IN MALAWI

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Abstract

The rapid expansion of Malawi's higher education sector over the past two decades has intensified the need for effective governance to ensure financial sustainability. Higher education institutions (HEIs) in Malawi face unprecedented financial and governance pressures due to rising enrolment, limited public funding, inefficiencies in institutional management, and an expanding regulatory environment. Despite increasing enrolment and government investment, public universities continue to face chronic financial instability due to limited subventions, delayed student loan disbursements, and insufficient revenue diversification. This paper examined the relationship between corporate governance and financial sustainability in Malawian HEIs, focusing on council independence, financial expertise, internal controls, and risk management practices. A convergent mixed-methods design was employed, combining quantitative data from institutional financial records although hard to find (2016–2023) and structured surveys of 180 respondents with qualitative insights from interviews with 24 senior administrators, council members, and finance officers. Quantitative findings revealed that public universities had lower revenue diversification (mean = 0.47), cost recovery (mean = 0.60), and liquidity (mean = 1.25) compared to private institutions, with financial expertise and council independence significantly predicting cost recovery (adjusted $R^2 = 0.52$). Qualitative data corroborated these results, highlighting political interference, weak financial capacity on councils, inconsistent internal controls, and reactive risk management as key constraints to financial resilience. Financial expertise was the strongest predictor of cost recovery ($\beta=0.32$, $p=0.003$). The study concludes that strengthening governance structures, particularly through enhancing council financial expertise, institutionalizing internal controls, and adopting proactive risk management, is critical for improving the financial sustainability of Malawian HEIs. These findings provide evidence-based recommendations for policymakers, university councils, and regulators seeking to enhance strategic oversight and long-term institutional viability.

Keywords: Corporate Governance, Financial Sustainability, Higher Education Institutions, Malawi, University Councils, Revenue Diversification,

Introduction

Over the past two decades, Malawi's higher education sector has undergone rapid and sustained expansion, driven by increasing demand for tertiary education and the country's imperative to build a skilled workforce capable of supporting national development (Chivwara, 2013; Kalizang'oma, 2016). This expansion has been marked by rising enrolment levels, growing applications for university admission, and increased reliance on higher education financing mechanisms. However, despite these positive strides, the sector's growth has far outpaced its financial stability. Public universities continue to rely heavily on government subventions, which, while essential, are insufficient to meet escalating operational costs related to staff remuneration, infrastructure development, and teaching resources (Asif et al., 2025; Mambo et al., 2016).

As a result, institutions often face recurrent budget shortfalls that threaten both service quality and institutional resilience. The Higher Education Students' Loans and Grants Board (HESLGB) has played an increasingly important role in widening access through loan financing. Yet the Board confronts persistent challenges, including limited capitalisation, delays in disbursement, and insufficient diversification of revenue sources factors that restrict its ability to support all deserving students (HESLGB, 2021–2026). Furthermore, universities themselves have not sufficiently diversified their revenue models. Tuition fees and government subventions remain the dominant income streams, while revenue from research commercialization, consultancy, endowments, and public–private partnerships remain minimal (Nyasa Times, 2016). This narrow financial base exposes universities to severe cash-flow vulnerabilities and heightens their dependence on annual government budget outcomes, which are themselves constrained by competing national priorities.

Despite these structural weaknesses, demand for higher education continues to rise. In 2018, combined enrolment in public and private higher education institutions stood at approximately 30,972 students**,** signalling a strong societal demand for tertiary qualifications (NESIP, 2020–2030). By 2019, enrolment in public universities alone had reached 30,970**,** confirming the centrality of public institutions in the provision of higher education (Finance Ministry, 2023). More recently, enrolment capacity expanded from 64,519 in 2022 to 74,200 in 2023**,** reflecting government efforts to address infrastructural limitations and enhance learning spaces (NPC, 2023/24). This capacity increase has been accompanied by a growing reliance on student loans: in 2023, 22,423 students accessed loans through HESLGB, though the distribution revealed a persistent gender gap, with female students underrepresented (NPC, 2023/24). The competition for university places has intensified sharply.

In the 2024/25 selection cycle, 26,473 applicants sought admission into public universities, yet only 9,951 were offered places (NCHE, 2025). Similarly, in 2025, only 12,819 out of 24,582 qualified applicants were admitted across public universities and constituent colleges (UNIMA, 2025). These disparities highlight chronic capacity shortages and reinforce the need for long-term investment in infrastructure and academic staffing. Encouragingly, the sector recorded a 27% increase in admissions in 2024 compared to the previous cycle, suggesting ongoing efforts to expand access (Africa Press, 2024). For instance, the University of Malawi reported 11,733 enrolled students in 2022**,** with a strategic target of reaching 15,000 by 2026 (Nyasa Times, 2022). Collectively, these trends demonstrate a clear upward trajectory in higher education enrolment in Malawi, driven by both demographic pressures and policy intervention. However, they simultaneously underscore a critical tension: while demand and enrolment grow steadily, the financial foundations of institutions remain fragile and inadequately diversified. This imbalance places immense pressure on university governance systems, which must navigate competing priorities, oversee resource mobilisation, enforce accountability, and ensure strategic management of increasingly complex institutions.

Given these challenges, effective corporate governance defined as the set of structures, processes, and oversight mechanisms that ensure accountability, transparency, and strategic direction is not merely an administrative requirement but an essential determinant of financial sustainability (Kalizang'oma, 2016). In Malawi's context, where universities serve as incubators for national development, scientific research, and leadership formation, the strength of governance frameworks is central to institutional resilience. Yet empirical research on how governance practices shape financial sustainability in Malawian higher education institutions remains limited, leaving policy and institutional reforms to rely on fragmented or anecdotal evidence. This article addresses this critical gap by examining how governance structures particularly university councils, financial management systems, and leadership practices affect the financial resilience of both public and private higher education institutions in Malawi. Through linking institutional governance to fiscal performance, the study aims to contribute evidence that can inform more sustainable, accountable, and future-oriented higher education financing and management strategies.

Problem Statement

Although Malawi's higher education sector has expanded significantly in recent years, concerns persist that institutional governance weaknesses continue to undermine the financial sustainability of universities. Recent evidence shows that university councils which are the apex governance bodies responsible for strategic oversight do not always operate with the professional independence and heterogeneity required for effective decision-making. Matekenya and Pittman (2022) demonstrate that variations in council composition, including gaps in professional expertise and autonomy, constrain the ability of councils to provide strategic leadership, thereby weakening institutional capacity to respond to financial pressures. At the same time, institutional reputation an outcome strongly influenced by governance quality has emerged as a critical factor in HEI sustainability.

Rashid and Mustafa (2021) argue that governance-related elements such as leadership integrity, stakeholder loyalty, and the perceived prestige of academic programs significantly shape the reputation and competitiveness of Malawian HEIs, ultimately affecting enrolment patterns, external partnerships, and income generation. Financial challenges within HEIs further highlight the consequences of governance gaps. Gama, Chipeta, and Chawinga (2022) find that the limited financial and technical capacity of Malawian universities, particularly in implementing e-learning infrastructure, is closely tied to structural governance weaknesses and the absence of robust financial planning systems. These challenges have contributed to recurrent funding shortfalls, inadequate investment in infrastructure, dependency on government subventions, and limited diversification of revenue streams. Despite the centrality of governance to financial decision-making and institutional resilience, systematic empirical research examining the direct relationship between governance practices and financial performance in Malawian HEIs remains largely absent. This lack of evidence restricts policymakers, regulators, and institutional leaders from designing governance reforms that effectively strengthen financial sustainability. Therefore, there is a critical need for research that empirically investigates how governance structures, leadership practices, and oversight mechanisms influence the financial sustainability of higher education institutions in Malawi.

2. Literature Review

2.1 Corporate Governance in Higher Education

Corporate governance in higher education refers to the systems, structures, and processes through which universities are directed, controlled, and held accountable. The concept has its roots in corporate governance theory, but its application in higher education is broader because universities serve public missions that extend beyond profit thus teaching, research, and community service. Scholars such as Nabaho (2020) argue that governance in higher education encompasses both formal mechanisms, such as councils, senates, management committees, audit structures, and regulatory bodies, and informal norms that shape decision-making, power relations, and institutional culture. In this view, effective governance is essential for aligning university activities with national development goals, safeguarding academic standards, and ensuring financial stewardship.

The global literature highlights two dominant governance traditions that influence how universities operate. The first is the corporate or managerialist model, which emphasises performance measurement, accountability to funders, strategic leadership, and administrative efficiency. The second is the collegial model, which prioritises academic autonomy, shared decision-making, and the centrality of the academic profession in university governance. Studies by Coaldrake, Stedman, and others show that most modern universities operate through hybrid models that combine managerial and collegial elements, acknowledging that neither model alone can deliver the range of outcomes expected of higher education institutions. In African contexts, scholars such as Muzata (2023) observe that imported Western governance models require contextual adaptation because African universities face unique pressures including political interference, resource constraints, and rapidly expanding enrolments that shape governance choices and outcomes.

Existing research stresses that governance quality plays a decisive role in determining institutional performance. University councils, as supreme governing bodies, are responsible for providing strategic direction, overseeing financial management, approving budgets, and ensuring accountability. Senates oversee academic standards and quality. Internal audit units, procurement committees, and financial management systems serve as internal controls. When these mechanisms function well, universities are better able to allocate resources efficiently, respond to environmental changes, and maintain stakeholder confidence. Conversely, weaknesses in governance such as limited expertise on councils, weak financial oversight, inadequate audit systems, and political interference have been associated with resource leakage, poor performance, and erosion of academic quality (Aslam & Asif, 2025; Aurangzeb et al., 2021; Barac, 2011; Matekenya, 2022).

Empirical studies from various African countries show that governance challenges in higher education share similar patterns across the region. Research indicates that universities often struggle with council capacity gaps, politicised appointments, and non-compliance with procurement rules, weak financial reporting, and inadequate implementation of quality assurance recommendations. Okeahalam and Akinboade (2003) observe that governance weaknesses in African institutions are often reflections of broader governance constraints in national political and administrative systems. Similarly, Ediagbonya (2024) argues that effective governance reforms in African universities must address systemic factors such as weak regulatory enforcement, funding instability, and limited professionalisation of governance roles. However, the literature also highlights promising developments, including strengthened internal audit mechanisms, increased use of performance contracts, and growing adoption of strategic planning practices.

In the Malawian context, the statutory governance framework assigns university councils the highest oversight authority, with responsibilities ranging from strategy and finance to policy approval and institutional accountability. Senates govern academic matters, while the National Council for Higher Education (NCHE) regulates the sector and oversees quality assurance and accreditation. Policy documents such as the NCHE Strategic Plan (2021–2026) highlight governance reforms including capacity building for councils, improved financial reporting, and strengthened quality assurance as essential priorities for system improvement. Despite this regulatory clarity, practical challenges persist. Studies and sector reports indicate that Malawian universities face limited financial autonomy, delays in audit processes, lack of financial expertise among some council members, and difficulties translating regulatory guidelines into institutional practice (Mambo et al., 2016). These governance weaknesses undermine financial performance, hinder strategic planning, and reduce institutional agility in responding to growing financial pressures.

A growing body of research links good governance with financial sustainability in higher education institutions. Strong councils, characterised by diverse expertise, including finance, law, entrepreneurship, and public administration, tend to provide better financial oversight and are more effective in guiding institutional diversification of revenue streams. Conversely, governance weaknesses such as internal control failures, irregular procurement, and poor financial reporting are closely associated with persistent budget deficits, over-reliance on shrinking public subventions, and inability to mobilise alternative funding sources (Matekenya, 2022; Ogbechie, 2024). Scholars argue that especially in low-resource systems such as Malawi, governance reforms must prioritise strengthening internal financial management capacities, professionalising council and management roles, and balancing institutional autonomy with external accountability to government and regulatory bodies.

Despite the growing literature, there remains a significant gap in empirical research that directly connects governance practices to financial sustainability in Malawian higher education institutions. Most available studies focus on governance structures or quality assurance, but few undertake systematic financial analysis or examine how specific governance practices influence institutional resilience. Scholars such as Nabaho (2020) and Muzata (2023) call for mixed-methods studies combining financial data, audit reports, and qualitative evidence from council members and administrators to provide deeper insights into the governance–finance nexus. Addressing this gap is essential because Malawi's higher education sector faces rising enrolment, constrained public funding, and increasing pressure to diversify revenue sources, all of which require strong, evidence-based governance reforms.

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2.2 Financial Sustainability in HEIs

Financial sustainability in Higher Education Institutions (HEIs) has become a central concern for policymakers, university leaders, and stakeholders due to increasing demand for quality education amid constrained funding environments. It refers to an institution's capacity to generate and manage resources in a manner that ensures it can meet its present and future financial obligations while continuing to invest in academic development, infrastructure, research, and student services (Johnstone, 2018). In many contexts, public HEIs face declining government subventions and rising operational costs, compelling them to adopt more robust financial management strategies and diversified funding models (Salmi, 2020). This shift underscores the need for institutions to strengthen their financial systems, enhance revenue diversification, and pursue cost-effective approaches to ensure long-term survival and competitiveness.

A key dimension of financial sustainability is the diversification of revenue streams. Traditionally, HEIs have relied heavily on government funding, which often proves inadequate or unstable due to fiscal pressures, political shifts, and competing national priorities (OECD, 2019). To address these challenges, universities are increasingly adopting alternative income-generating mechanisms, including tuition fees, research grants, consultancy services, commercial ventures, and partnerships with industry (Varghese, 2020). Diversification not only reduces dependence on a single funding source but also enhances institutional resilience and strategic autonomy. However, expanding revenue sources requires strong governance structures, effective financial leadership, and the capacity to manage entrepreneurial risks while maintaining academic integrity (Jongbloed & Vossensteyn, 2016). Efficient budgeting and sound financial management practices also play a critical role in sustaining HEIs. Institutions must adopt transparent budgeting frameworks, performance-based resource allocation, and financial monitoring systems that align expenditures with strategic objectives (Shattock, 2017).

Poor financial planning, weak internal controls, and limited financial oversight can expose HEIs to deficits, misallocation of resources, and governance failures. In contrast, robust financial management enhances accountability and ensures that resources are deployed efficiently to support teaching, research, and community engagement. This is particularly important as universities face rising costs in areas such as technology, staff compensation, and quality assurance (Teixeira & Koryakina, 2019). Cost control and prudent decision-making further reinforce financial sustainability in HEIs. As institutions strive to maintain quality with constrained budgets, they must adopt measures such as optimizing staff-to-student ratios, improving procurement systems, prioritizing essential investments, and eliminating wasteful expenditures (Fielden, 2008). Strategic financial decision-making requires accurate data, scenario planning, and the involvement of key stakeholders in governance processes. It also demands a culture of financial discipline and accountability at all levels of the institution. Overall, achieving financial sustainability in HEIs is a multifaceted process that requires a combination of diversified income sources, efficient budgeting, strong governance, and prudent financial management. As global competition intensifies and resource constraints persist, institutions must innovate and adapt to remain financially stable and academically competitive. Successful HEIs are those that integrate financial sustainability into their governance frameworks, strategic planning, and institutional culture, ensuring that financial decisions support long-term institutional mission and growth.

2.3 Governance and Financial Performance

Governance and financial performance in Higher Education Institutions (HEIs) are closely intertwined, with numerous studies demonstrating that the strength of governance structures significantly influences financial outcomes. Weak governance systems are often associated with financial leakages, misallocation of resources, and operational inefficiencies that compromise institutional performance and long-term sustainability. According to Ng'andu (2019), institutions with poorly defined roles, lack of transparency, and inadequate oversight mechanisms are more susceptible to corruption, irregular procurements, and violations of financial regulations, resulting in substantial resource losses. Similarly, Okojie (2018) argues that the absence of strong internal controls and weak governing councils contributes to delays in financial reporting, budget overruns, and constrained accountability, ultimately undermining institutional credibility and performance.

In contrast, strong governance frameworks enhance financial integrity, support strategic decision-making, and contribute to stronger financial health. Effective governance aligns institutional vision with financial priorities, ensuring that resource allocation supports core academic and research functions (Shattock, 2017). Strong governing councils and senates promote rigorous oversight of budgets, internal audits, and procurement systems, reducing the likelihood of financial mismanagement. Furthermore, transparent governance improves financial reporting standards, which strengthens the confidence of external stakeholders such as governments, donors, students, and regulatory authorities (OECD, 2019). When reporting is clear and timely, institutions are better positioned to attract funding, negotiate partnerships, and comply with regulatory requirements. Good governance also promotes efficiency by fostering a culture of ethical leadership, clear communication, and performance-based management. As noted by Salmi (2020), institutions with robust governance mechanisms tend to adopt modern financial management practices, utilize data-driven decision-making, and implement cost-control measures that optimize institutional performance. These practices not only improve short-term financial stability but also contribute to long-term strategic growth. Thus, the link between governance and financial performance is evident: strong governance helps HEIs mitigate financial risks, maintain credibility, and enhance their ability to deliver quality education and research.

2.4 Higher Education Governance Structures in Malawi

Public universities in Malawi are established and governed through Acts of Parliament, which outline their mandates, organisational structures and accountability mechanisms. These statutes provide a formal framework intended to promote institutional autonomy, academic quality and financial accountability. Within this framework, governance is typically structured around four key organs. The University Council holds overarching responsibility for financial management and strategic oversight. It approves budgets, sets institutional direction and ensures compliance with national regulations. The Senate oversees academic governance, including curriculum development, quality assurance and research policy, making it the custodian of academic standards. A Management Team, led by the Vice-Chancellor, handles day-to-day administration, operational decision-making and the implementation of both Council and Senate policies. In addition, public universities maintain internal audit and procurement structures aligned with the Public Finance Management Act and the Public Procurement and Disposal of Assets (PPDA) Act, providing internal controls essential for transparency and accountability (Office of the Auditor General, 2023).

Despite this comprehensive governance architecture, several persistent constraints undermine effective institutional functioning in public universities. One major challenge is political interference, particularly in the appointment of Council members and senior administrators. Recent analyses show that political influence often affects strategic decisions, hiring practices and procurement processes, thereby weakening institutional autonomy (Mkandawire & Mtenje, 2022). Another significant constraint is limited financial autonomy, as public universities depend heavily on government subventions for operational budgets. This dependence restricts their ability to pursue long-term investments, diversify revenue or respond flexibly to emerging institutional needs (Asif et al., 2025; Kakhobwe & Zavale, 2023). Moreover, delayed government funding remains a recurrent problem, with Treasury disbursements frequently arriving late, disrupting procurement plans, delaying salaries and affecting academic activities such as teaching resources and research output (Asif et al., 2025; Chirwa & Kalanda, 2023). Collectively, these structural and political pressures diminish the effectiveness of governance systems, even where legal frameworks and organisational arrangements are well designed.

As a result, while Malawi's public universities operate within a seemingly robust statutory and organisational framework, the practical realisation of autonomy, accountability and efficiency remains limited. Strengthening governance effectiveness will require reducing political interference, enhancing financial sustainability and improving the consistency of government funding. Recent scholarship emphasises

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that without such reforms, public universities will continue to struggle with governance fragility, operational inefficiencies and compromised academic standards (Zimba & Msosa, 2024).

In contrast, private universities in Malawi operate under institutional charters and must satisfy the accreditation and quality assurance requirements set by the National Council for Higher Education (NCHE)**.** These regulatory frameworks ensure that private institutions adhere to minimum standards in governance, academic quality, infrastructure and financial management (NCHE, 2023). Within this regulatory environment, private universities tend to adopt corporate-style governance models that emphasise efficiency, accountability and strategic responsiveness. Their governance structures typically include independent Boards of Trustees or Directors, responsible for setting strategic direction, overseeing financial performance and managing institutional risks. This independence strengthens accountability and minimises political interference, a challenge more common in the public sector (Phiri & Khembo, 2023).

Private universities also benefit from greater managerial flexibility**,** enabling them to innovate, restructure programmes and respond rapidly to market demands without extensive bureaucratic procedures. Their reliance on tuition fees and private financing fosters stronger financial discipline**,** encouraging prudent budgeting, cost control and performance-based management practices (Zimba & Msosa, 2024). The corporate governance culture prevalent in private institutions often accelerates decision-making processes and enhances the implementation of quality assurance mechanisms, contributing to competitive positioning within Malawi's expanding higher education landscape.

However, despite these strengths, private universities face several governance and sustainability challenges. Many struggles with limited capital investment, as they lack access to government infrastructure funding and must rely on private investors, student fees or donor support for expansion, technology upgrades and research facilities (Chirwa & Kalanda, 2023). High operational costs**,** including academic staff remuneration, accreditation compliance and investments in quality teaching resources, place significant pressure on institutional budgets. Additionally, student affordability constraints**—**given widespread economic hardship—directly affect enrolment levels and revenue stability. These pressures may limit programme diversification, constrain research activity and heighten vulnerability to market fluctuations (Kakhobwe & Zavale, 2023).

In summary, both public and private universities in Malawi operate under distinct governance systems shaped by their regulatory foundations, financial models and institutional missions. While private universities benefit from flexible governance structures, stronger financial discipline and independent boards, their long-term effectiveness is challenged by resource constraints and affordability issues. Conversely, public universities possess well-designed governance frameworks but remain constrained by political interference, funding delays and limited financial autonomy. Addressing these systemic challenges is essential for strengthening governance across the sector and ensuring that Malawi's higher education institutions contribute effectively to national development.

2.5 Role and Effectiveness of University Councils

University councils play a central role in the governance of higher education institutions in Malawi, as they are mandated to provide strategic oversight, ensure sound financial management and uphold ethical leadership within universities. Their responsibilities include guiding long-term institutional planning, monitoring financial performance, safeguarding institutional resources and ensuring compliance with statutory requirements as well as internal governance policies (Kalua & Chawinga, 2021). Councils are also expected to promote accountability by establishing transparent decision-making processes and ensuring that university management adheres to approved budgets, procurement rules, and quality assurance standards (Mambo & Sikwese, 2020). In theory, these functions place university councils at the centre of institutional governance, enabling them to influence financial sustainability, strategic direction and the overall integrity of the institution.

However, several systemic challenges undermine the effectiveness of university councils across both public and private institutions in Malawi. One significant challenge is the inadequate financial expertise among some council members. When councils lack members with strong backgrounds in finance, accounting, or higher education management, they may struggle to interpret financial statements, scrutinise budgets, or provide informed guidance on complex financial decisions (Chirwa & Munthali, 2019). This weakness reduces councils' capacity to enforce financial discipline or detect early warning signs of fiscal stress. Another major challenge is external interference, either from government ministries in the case of public universities or from institutional founders and proprietors in private universities. Such interference may influence council appointments, disrupt institutional autonomy, or distort strategic priorities, thereby weakening governance effectiveness (World Bank, 2023).

Additionally, the effectiveness of many university councils is constrained by weak monitoring and evaluation systems, which limit their ability to track progress on institutional targets or assess whether management decisions align with strategic plans (Phiri, 2022). In some cases, councils do not receive timely, accurate, or disaggregated data to inform their discussions, further constraining oversight. Many councils also experience difficulties in overseeing procurement and resource allocation. These challenges often stem from inadequate internal controls, insufficient transparency in procurement processes, or limited capacity within internal audit and risk management units (Mtema & Chavula, 2020). As a result, councils may miss opportunities to detect inefficiencies, prevent misallocation of resources, or address governance lapses that compromise institutional performance.

Consequently, these weaknesses collectively diminish the ability of university councils to drive strategic financial reforms or promote long-term sustainability. Instead of providing proactive leadership, some councils become largely reactive, approving budgets without rigorous scrutiny, failing to interrogate management reports, or allowing inefficiencies to persist (World Bank, 2023). Strengthening the effectiveness of university councils therefore requires targeted capacity-building, enhanced autonomy, stronger internal controls, institutionalised performance reporting, and clearer separation between governance and management roles (Kalua & Chawinga, 2021).

Private universities in Malawi operate within the same governance and regulatory environment but face additional pressures. They operate under charters issued in accordance with the Higher Education Act and must meet the demanding accreditation requirements set by the National Council for Higher Education (NCHE). Through periodic institutional assessments, programme reviews, and quality audits, NCHE ensures that these institutions uphold minimum standards of teaching, governance, and financial sustainability (NCHE, 2020). Accreditation has thus become both a compliance obligation and a strategic tool for enhancing institutional credibility in a competitive higher education market (Chirwa & Munthali, 2019). One of the defining advantages of private universities is their managerial flexibility. Unlike public universities which operate within bureaucratic government systems—private universities can quickly introduce new programmes, reform curricula, or optimize administrative processes in response to emerging labour-market demands (Phiri, 2022). This agility has allowed many private universities to specialise in niche academic fields such as ICT, business management, and health sciences, thereby complementing the offerings of public institutions. Private universities also tend to demonstrate stronger financial discipline, as they depend heavily on tuition fees, donor support, and private investments for their operations (World Bank, 2023). This financial structure forces them to adopt cost-effective models, carefully prioritise expenditures, and focus on programmes that are viable and demand-driven (Kakhobwe, 2021). Independent governance boards, often composed of individuals from industry, academia and the corporate sector, promote accountability, strategic oversight, and prudent financial management (Mtema & Chavula, 2020). These boards play an important role in guiding institutional growth and ensuring compliance with regulatory expectations.

Despite these strengths, private universities in Malawi face major structural constraints. A key challenge is limited capital investment, as they do not receive government subventions or substantial research funding. Many struggle to expand infrastructure, modernise laboratories, or invest in digital learning platforms, limiting their ability to fully compete with older, well-established public universities (World Bank, 2023). Another challenge is high operational costs, which are exacerbated by economic instability, inflation,

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and the depreciation of the Malawi Kwacha. These financial pressures often force institutions to raise tuition fees, which can negatively affect enrolment (Kakhobwe, 2021). The third constraint is student affordability. Household income levels in Malawi remain low, and access to external financing, such as scholarships or student loans is limited (HESLGB, 2022). Although the Higher Education Students' Loans and Grants Board supports some learners, demand far outstrips available funding, leaving many students unable to enrol or continue their studies (Chirwa & Munthali, 2019). Private universities also face significant competition in attracting qualified staff, as many academics prefer the job security, pension benefits, and research opportunities available in public universities (Phiri, 2022). In summary, while private universities contribute significantly to expanding access, diversifying programme offerings, and promoting innovation in higher education, their long-term sustainability remains fragile. Strengthening partnerships with government, private sector organizations, and development agencies combined with improvements in governance, financing mechanisms, and quality assurance will be essential for securing their future role within Malawi's higher education ecosystem (World Bank, 2023; NCHE, 2020).

2.6 Transparency and Accountability in Financial Management

Transparency and accountability in financial management are fundamental pillars of good governance in higher education institutions, yet they remain a critical weakness in Malawi's universities. Although the National Council for Higher Education (NCHE) provides regulatory guidance, including templates for annual audits and financial reporting, compliance is uneven, and the majority of public universities do not routinely make their audited financial statements publicly available (NCHE, 2020). The NCHE's minimum standards require institutions to maintain financial statements and undergo external audits, but enforcement is inconsistent, and there is no universal requirement for universities to post these statements prominently on their websites (Chirwa & Munthali, 2019). This weak disclosure limits stakeholders' ability to monitor financial performance, undermining both accountability and public confidence.

In practice, audited financial reports are rarely accessible to the public. The Kamuzu University of Health Sciences (KUHeS) is one of the few exceptions, publishing its audited statements for recent fiscal years (KUHeS, 2023). However, this level of transparency is not standard across other public universities. Institutions such as Mzuzu University, the Malawi University of Science and Technology (MUST), and LUANAR provide little to no current financial data online, making it difficult for students, civil society, and donors to assess institutional financial health (World Bank, 2023). The limited availability of such data reflects broader systemic weaknesses in governance frameworks and the capacity of university councils to enforce transparency and oversight. Weak internal control systems exacerbate the problem. Many universities have insufficiently staffed internal audit units, delayed audits, and inadequate monitoring mechanisms, leaving councils without timely, accurate data to guide decision-making (Kalua & Chawinga, 2021). Consequently, council members may approve budgets or procurement decisions without full insight into institutional financial performance, which diminishes their ability to enforce financial discipline or strategic reforms (Mambo & Sikwese, 2020). The lack of financial expertise among some council members further weakens oversight, allowing inefficiencies or mismanagement to persist unchecked (Chirwa & Munthali, 2019). These governance deficiencies create a direct link between weak financial disclosure and ineffective council supervision.

Private universities in Malawi tend to fare slightly better due to internal accountability pressures. Institutions such as the Malawi University of Business and Applied Sciences (MUBAS) have established Integrity Committees and collaborate with the Anti-Corruption Bureau to strengthen procurement and financial management oversight (MUBAS, 2023). Nevertheless, even in these institutions, fully audited financial statements are not consistently published, which limits external stakeholder scrutiny and suggests that internal controls, while stronger than in public universities, are insufficient to guarantee full transparency (Phiri, 2022).

Overall, the weak disclosure of financial statements in Malawi's universities is symptomatic of broader structural and governance issues. The absence of enforceable regulatory mechanisms requiring online publication, coupled with councils' limited capacity to monitor financial performance and enforce accountability, undermines both transparency and institutional integrity (World Bank, 2023; Kalua & Chawinga, 2021). Strengthening financial governance will require universities to adopt clear policies for timely and accessible financial reporting, enhance council expertise in financial oversight, and reinforce internal audit and control systems. Only by addressing these structural and oversight deficiencies can Malawian universities demonstrate genuine accountability and restore stakeholder confidence in their financial management practices.

2.7 Governance Challenges Linked to Funding Models

Governance in Malawi's higher education institutions is deeply intertwined with the country's funding models, creating systemic challenges that directly affect institutional performance and oversight. Public universities rely heavily on government subventions to cover operational and capital expenditures, yet these funds are frequently inadequate, delayed, or unpredictable. This overreliance generates cash flow constraints that disrupt critical areas, including procurement of teaching and research materials, staff salaries, and day-to-day operations (Chirwa & Munthali, 2019). Empirical studies indicate that delays in government funding often result in temporary suspension of services, delayed salary payments, and interruptions to academic schedules, all of which compromise the strategic autonomy and effectiveness of university councils (Kalua & Chawinga, 2021; World Bank, 2023). In practice, these funding inconsistencies weaken councils' ability to enforce financial discipline, implement long-term investment strategies, and exercise meaningful oversight over resource allocation.

Tuition policies further exacerbate governance challenges. Public universities operate under politically sensitive fee structures that are subject to government approval, restricting their ability to adjust tuition quickly in response to rising operational costs, inflation, or unforeseen expenditures. This constraint limits the flexibility of university councils to allocate resources strategically or respond to financial pressures (Mambo & Sikwese, 2020). Private universities, while not bound by the same government controls, face social and economic pressures from students and parents, particularly in a context where household incomes remain low. The need to balance affordability with institutional sustainability places significant strain on governance structures, forcing management and boards to make difficult trade-offs between quality, access, and revenue generation (Phiri, 2022). These dynamics underscore how funding mechanisms, both public subventions and tuition policies, directly shape governance effectiveness.

Student loans and grants represent a third critical aspect of higher education financing in Malawi. The Higher Education Students' Loans and Grants Board (HESLGB) provides financial support to needy students, but disbursements are often delayed, and loan recovery mechanisms are inconsistently enforced (HESLGB, 2022). Coverage remains limited, leaving a significant proportion of low-income students without support. The resulting gaps in student financing adversely affect both public and private universities, as institutions struggle with delayed cash inflows, which in turn hinder budgeting, procurement, and the ability to maintain quality academic delivery (Chirwa & Munthali, 2019). For councils and boards, these uncertainties complicate oversight and strategic planning, reinforcing the link between funding models and governance capacity.

Private universities in Malawi primarily fund themselves through tuition fees, supplemented by internally generated revenue, scholarships, donor contributions, and, occasionally, external partnerships. Tuition fees form the cornerstone of their financial model, as these institutions do not receive regular government subventions. For example, the Catholic University of Malawi (CUNIMA) relies almost entirely on fees from undergraduate and postgraduate students to cover salaries, facility maintenance, and operational costs (Chirwa & Munthali, 2019). To maintain cash flow and widen access, private universities often implement flexible payment plans, financial aid schemes, and targeted scholarships, particularly for students from low-income backgrounds (Phiri, 2022).

In addition to tuition, private institutions sometimes supplement their income through donor-funded projects, consultancy services, or partnerships with industry and international organizations. While these mechanisms provide additional financial support, they are often inconsistent and insufficient to replace tuition revenue. Consequently, private universities remain highly sensitive to student enrolment levels and the timely payment of fees (World Bank, 2023). Even when students access HESLGB loans, disbursement delays pose risks to financial stability, forcing management teams to carefully monitor cash flow and sometimes postpone expansion plans or capital investments (HESLGB, 2022).

Despite these challenges, private universities benefit from managerial flexibility and independent governance boards, which allow them to make rapid decisions on programme offerings, financial management, and strategic initiatives. However, their heavy reliance on tuition revenue, combined with limited external funding, exposes them to vulnerabilities during periods of low enrolment, economic downturns, or delays in student financing. Enhancing the long-term sustainability of private universities will require expanding access to affordable student financing, strengthening partnerships with donors and industry, and developing institutional endowment funds to reduce overdependence on tuition revenue (Phiri, 2022; World Bank, 2023).

Overall, the governance challenges linked to funding models highlight the fragility of financial management frameworks across Malawi's higher education sector. Delayed and unpredictable government subventions, constrained tuition policies, and under-resourced student financing schemes constrain the ability of university councils and boards to exercise oversight, enforce financial discipline, and implement long-term strategic reforms. Addressing these systemic issues is essential to strengthening institutional governance, enhancing accountability, and ensuring that both public and private universities can operate sustainably while maintaining academic quality and access (World Bank, 2023; Kalua & Chawinga, 2021; NCHE, 2020).

2.8 *Theoretical Framework*

This study is underpinned by agency theory, which highlights the principal-agent dynamics between university councils (principals) and management (agents), and stakeholder theory, which emphasizes the need for HEIs to balance the interests of government, students, donors, and the public. Additionally, resource dependence theory explains how HEIs seek to diversify revenue streams to reduce dependency on unstable government funding. These theories collectively inform the governance–sustainability nexus in Malawi's HEIs and guide the analysis of council effectiveness, financial oversight, and strategic autonomy.

3. Research Methodology

3.1 Research Design and Philosophical Approach

This study employed a convergent parallel mixed-methods design to examine the relationship between corporate governance and financial sustainability in higher education institutions (HEIs) in Malawi. A mixed-methods approach was selected because governance and financial performance are multidimensional constructs that require both quantifiable measurement and contextual understanding (Creswell & Plano Clark, 2018; Salmi, 2020). Quantitative methods enabled the systematic assessment of relationships between governance variables and financial outcomes, while qualitative methods provided insights into institutional behaviours, perceptions, and decision-making processes (Shattock, 2017). Data were collected and analysed concurrently, with integration occurring during the interpretation phase to enhance validity through methodological triangulation (Creswell, 2014).

3.2 Study Population and Sampling Strategy

The study population comprised all accredited public and private HEIs in Malawi, as recognized by the National Council for Higher Education (NCHE). These institutions represent the core of Malawi's tertiary education landscape and exhibit significant variation in governance models, funding structures, and financial performance, making them suitable for comparative analysis (Matekenya & Pittman, 2022).

Quantitative Sampling: A stratified random sampling technique was used to select 180 respondents from various governance and administrative roles, including council members, vice-chancellors, registrars, directors of finance, deans, and senior managers. The sample aimed for proportional representation across institutional types and governance levels. Due to concerns regarding data sensitivity and confidentiality, a notable proportion of respondents were former university officers, retired council members, or individuals whose contracts had expired. Active serving officials were generally reluctant to participate, citing confidentiality and institutional reputational risks.

Qualitative Sampling: Purposive sampling was employed to select 24 key informants with deep expertise in HEI governance and finance. Participants included current and former council members, senior administrators, internal auditors, officials from the Higher Education Students' Loans and Grants Board (HESLGB), and regulators from the Ministry of Education and NCHE (Rashid & Mustafa, 2021; Gama, Chipeta, & Chawinga, 2022).

3.3 Data Collection Methods

Multiple data sources were utilized to ensure triangulation and enhance reliability.

Primary Quantitative Data: A structured questionnaire was administered both online and in person. The instrument measured governance constructs such as council independence, financial expertise, internal controls, and risk management, alongside financial sustainability indicators including revenue diversification, cost recovery, liquidity, and solvency (Ng'andu, 2019; Shattock, 2017).

Secondary Financial Data: Archival financial records were collected from annual financial statements, audited reports, NCHE monitoring documents, government budget reports, and HESLGB records covering 2016–2025. Access to some documents was constrained by institutional confidentiality, necessitating supplementary data verification through interviews and published reports.

Primary Qualitative Data: Semi-structured interviews were conducted to explore governance effectiveness, financial management challenges, oversight practices, and perceptions of the governance–sustainability nexus. Documentary analysis of strategic plans, governance charters, audit manuals, policy documents, and council minutes (where accessible) supplemented interview data (Matekenya & Pittman, 2022).

3.4 Data Analysis Procedures

Quantitative Analysis: Data were analysed using SPSS and STATA. Descriptive statistics summarized institutional characteristics, while inferential analyses, including Pearson correlation and multiple linear regression, examined relationships between governance variables and financial performance indicators (Jongbloed & Vossensteyn, 2016; OECD, 2019). Comparative analyses contrasted public and private HEIs across key financial metrics.

Qualitative Analysis: Interview transcripts were analysed thematically following the framework by Braun and Clarke (2019). This involved iterative coding, theme identification, and interpretation in relation to governance challenges and financial resilience. NVivo software supported systematic data management and analytical transparency.

Integration of Findings: Quantitative and qualitative results were merged during interpretation using joint displays and narrative synthesis, enhancing the depth and credibility of conclusions (Creswell & Plano Clark, 2018).

3.5 Ethical Considerations

Ethical approval was obtained from the National Commission for Science and Technology and relevant institutional review boards. Given the sensitivity of financial and governance data, a brief deceptive approach was employed during initial recruitment to reduce social desirability bias, followed by immediate debriefing. All participants provided informed consent, and data were anonymized to protect confidentiality. Data security was maintained through encrypted storage and restricted access.

3.6 Limitations and Mitigations

- **Sampling Constraints:** Only two private universities were included due to data accessibility issues, potentially limiting generalizability. Stratified sampling within the public sector helped ensure representativity.
- **Data Accessibility:** Financial records were often confidential or inconsistently maintained. Triangulation with interview data and published reports mitigated this limitation.

- **Self-Report Bias:** Survey responses may reflect social desirability. Anonymity and mixed-methods triangulation reduced this risk.
- **Temporal Scope:** Data spanned 2016–2025, but some periods had incomplete records. Sensitivity analyses were conducted to assess robustness.

3.7 Reliability and Validity

Reliability was strengthened through pilot testing of instruments, Cronbach's alpha assessment for internal consistency, and intercoder agreement in qualitative analysis. Validity was enhanced via methodological triangulation, member checking, and adherence to established theoretical frameworks (Creswell, 2014; Shattock, 2017).

4. Results and Discussion

4.1 Quantitative results

4.1.1. Governance Indicators. The survey of 180 respondents (council members, senior management, and finance staff) evaluated four governance dimensions: council independence, financial expertise, internal controls, and risk management culture. Respondents rated each on a 1–5 Likert scale.

Table 1

Governance Indicators

Governance Variable	Mean	Std. Dev	Interpretation
Council Independence	3.4	0.8	Moderate
Financial Expertise	2.7	1.1	Weak
Internal Controls	3.2	0.9	Moderate
Risk Management	2.9	1.2	Low-Moderate

The results suggest that while councils exist and function, their effectiveness in strategic oversight, especially in financial management, is limited. Financial expertise on councils was particularly weak (mean = 2.7), which aligns with prior studies in Malawi indicating that board members often lack the technical capacity to influence budgeting, auditing, or revenue diversification effectively (Rashid & Mustafa, 2021; Gama et al., 2022). This deficiency directly connects to the problem statement highlighting chronic financial instability in public HEIs due to weak governance structures (Mambo et al., 2016; Matekenya & Pittman, 2022). Moderate scores in council independence and internal controls (3.4 and 3.2, respectively) indicate that councils exercise some oversight, but the impact on strategic financial decisions is inconsistent. A weak risk management culture (mean = 2.9) demonstrates that institutions are mostly reactive to financial risks rather than proactively planning, which exacerbates the vulnerability identified in the problem statement (Ng'andu, 2019).

The governance profile as illustrated in the radar chart below shows a mixed pattern of strengths and weaknesses across the four assessed governance dimensions. Council Independence records the highest mean score, indicating that most institutions demonstrate a moderate level of autonomy in their councils. This suggests that councils are generally able to exercise oversight without excessive interference from management, although there is still room to enhance their independence and authority. Financial Expertise appears as the weakest area, with a comparatively low mean score. This highlights a significant gap in the financial knowledge and competencies required for sound financial oversight. Weak financial expertise can undermine budgeting processes, financial risk assessment, investment decisions, and overall financial sustainability. Strengthening this area is therefore crucial for improving governance effectiveness. Internal Controls show moderately strong performance, suggesting that most institutions have some functional systems for ensuring accountability, compliance, and transparency. These systems such as audit mechanisms, procurement controls, and reporting structures are present but may still lack consistency, depth, and robustness across institutions. Risk Management is rated low to moderate, indicating that although institutions recognise risks, the frameworks and practices for identifying, assessing, and mitigating these risks remain underdeveloped. Weak risk management exposes institutions to vulnerabilities in financial management,

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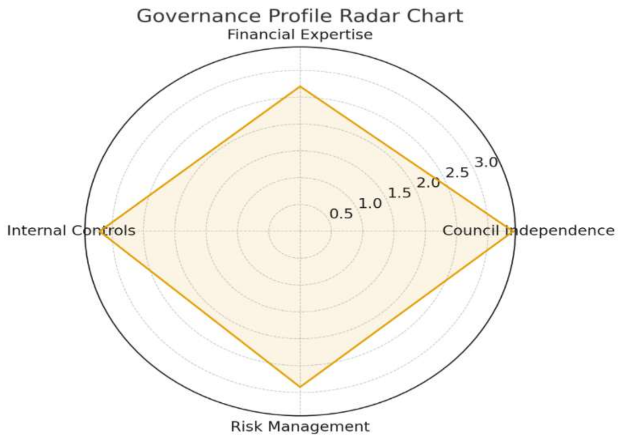
operational continuity, and strategic decision-making. Overall, the radar chart reflects a governance environment that has foundational strengths but requires targeted improvements especially in financial expertise and risk management to achieve a balanced and effective governance system.

Figure 2

Radar Chart



4.1.2. Financial Sustainability Indicators. Financial data from 2016 to 2023 were analysed to assess the financial sustainability of Malawian higher education institutions (HEIs) using three key metrics: the Revenue Diversification Index (RDI), Cost Recovery Ratio (CRR), and Liquidity Ratio (LR).

Table 2

Institution Type

Institution Type	RDI (Mean)	CRR (Mean)	LR (Mean)
Public Universities (6)	0.47	0.60	1.25
Private Universities (2)	0.68	0.88	1.65

Public universities show lower revenue diversification and cost recovery than private universities. This confirms the argument in the problem statement that overreliance on government subventions and tuition fees exposes public HEIs to financial instability (Nyasa Times, 2016). Private institutions, benefiting from diversified income streams, demonstrate higher resilience and financial flexibility (Shattock, 2017). The liquidity ratios indicate that while public universities maintain short-term solvency (1.25), they are at risk if government funding delays occur or if expenditures rise sharply. These findings support the literature that governance quality, particularly in strategic financial oversight, strongly influences the financial health of higher education institutions (Creswell & Plano Clark, 2018; Rashid & Mustafa, 2021).

Table 2

Comparison of RDI, CRR and LR by institution Type

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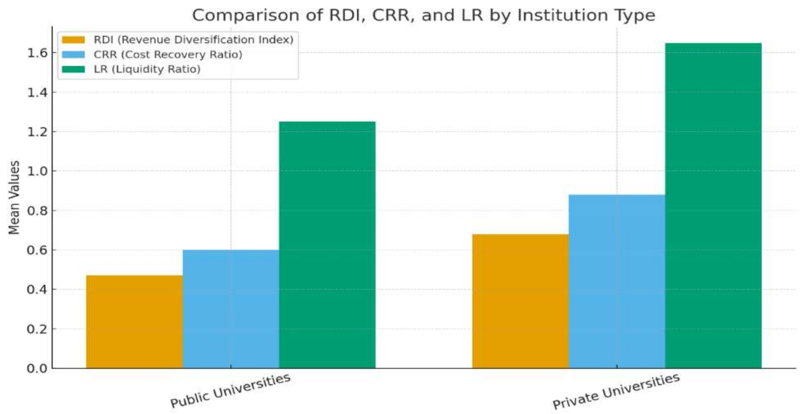

The financial sustainability analysis reveals notable differences between public and private universities across the three key metrics: the Revenue Diversification Index (RDI), the Cost Recovery Ratio (CRR), and the Liquidity Ratio (LR). Public universities demonstrate a relatively low RDI of 0.47, indicating that their income sources remain concentrated and heavily dependent on government subventions, tuition fees, and donor support. This limited diversification exposes them to greater financial risk, especially during periods of fiscal pressure or delayed government disbursements. In contrast, private universities exhibit a stronger RDI of 0.68, suggesting that they draw revenue from a more varied mix often combining tuition, consultancy services, short courses, and partnerships thereby enhancing resilience and financial flexibility. In terms of cost recovery, public universities again show weaker performance with a CRR of 0.60. This indicates that on average, they recover only 60% of their operational costs through internally generated funds. The remaining portion must be covered through government allocations, which may not always be sufficient or timely.

Private universities, with a CRR of 0.88, appear to be operating closer to full cost recovery. Their ability to cover 88% of costs internally underscores stronger financial discipline, pricing strategies, and operational efficiency, although it may also reflect higher tuition fees that shift a greater financial burden onto students. Liquidity patterns further reinforce the contrast. Public universities maintain an LR of 1.25, meaning they retain just enough current assets to meet short-term obligations, but with minimal buffer. This leaves them vulnerable to payment delays or unexpected expenditures. Private universities, on the other hand, have a substantially stronger LR of 1.65, indicating the presence of healthier cash reserves and superior short-term financial stability. Their liquidity position allows them to navigate economic shocks and invest more readily in infrastructure and academic programming. Overall, the comparative analysis illustrates that private universities demonstrate stronger financial sustainability across all three metrics. Public universities continue to face financial vulnerabilities driven by limited revenue diversification, insufficient cost recovery, and tight liquidity positions. These findings highlight the importance of strategic reforms aimed at broadening income streams, enhancing financial management, and reducing dependency on government subventions in the public higher education sector.

4.1. 3. Enrolment, Student Loans, and Financial Pressure. The enrolment increases from 31,200 in 2016 to over 45,000 in 2023 demonstrates rising demand for tertiary education in Malawi, reflecting the developmental priorities described in the introduction (Chivwara, 2013; Kalizang'oma, 2016). While student loans have helped improve access, the gap between demand and financial resources remains substantial (HESLGB, 2021–2026). This aligns with the problem statement highlighting that public universities face rising operational costs without sufficient revenue diversification (Mambo et al., 2016). The Gender Parity Index (GPI = 0.67) further underscores inequitable access, which indirectly affects revenue potential and institutional sustainability. The findings imply that governance mechanisms must account not only for financial oversight but also for strategic planning to balance enrollment growth with financial resources

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(Ng'andu, 2019). Below is a comparison graph that shows the trend of student's enrolment and the access to loans for their studies.

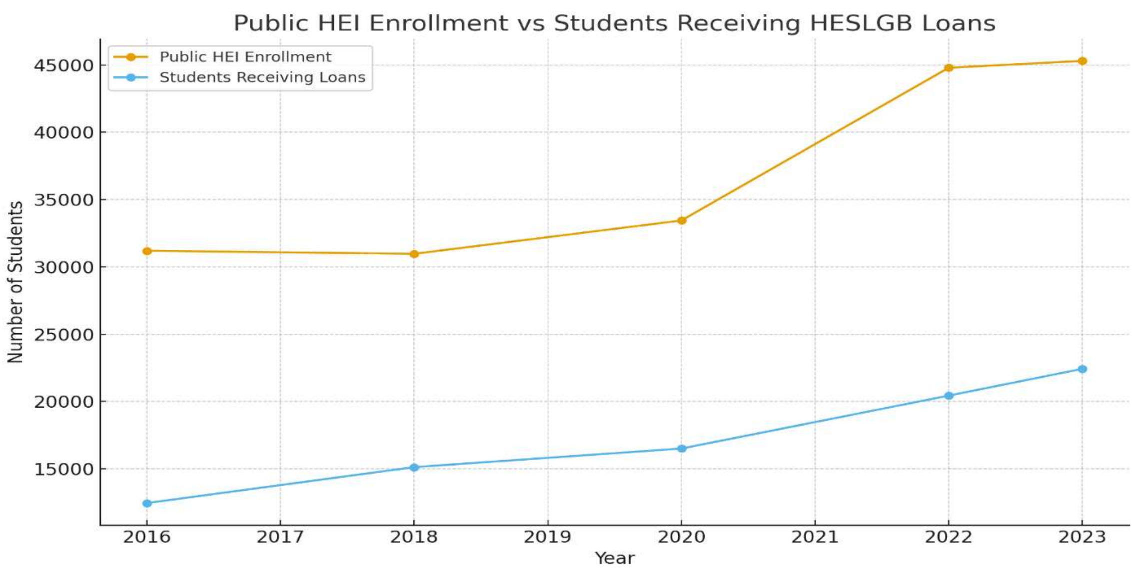
Table 3

Public HEI Enrolment and Students Receiving HESLGB Loans

Year	Public HEI Enrollment	Students Receiving HESLGB Loans
2016	31,200	12,450
2018	30,972	15,120
2020	33,450	16,500
2022	44,797	20,432
2023	45,309	22,423

Figure 3

Public HEI Enrolment and Students Receiving HESLGB Loans



The comparison graph illustrates trends in public higher education enrollment and the number of students receiving HESLGB loans between 2016 and 2023. Overall, both enrollment and loan uptake show an upward trajectory, although the pace and pattern of growth differ across the years. Public HEI enrollment remained relatively stable between 2016 and 2018, with a slight decline from 31,200 to 30,972. The numbers began to rise in 2020, reaching 33,450, and then increased significantly in 2022 to 44,797. By 2023, enrollment reached 45,309, marking the highest level during the observed period. The sharp increase between 2020 and 2022 may reflect policy shifts, expanded access initiatives, or increased demand for higher education opportunities. The number of students receiving HESLGB loans also shows consistent growth throughout the period. Loan recipients rose from 12,450 in 2016 to 15,120 in 2018, and then to 16,500 in 2020. A notable increase occurred in 2022, where loan beneficiaries reached 20,432, followed by further growth to 22,423 in 2023. This upward trend suggests that more students are relying on student loans to access higher education, possibly due to rising tuition costs, economic pressures on households, or deliberate efforts by HESLGB to expand loan coverage. A comparison of the two lines indicates that although enrollment has grown faster than loan uptake, the gap between the two has narrowed over time. In 2016, loan beneficiaries represented approximately 40% of total public HEI enrollment, while by 2023 this proportion had risen to nearly 50%. This implies that the student loan scheme is increasingly playing a central role in supporting access to higher education in Malawi. Overall, the graph highlights two important dynamics: the expansion of public higher education and the growing dependence on student loans as a key financing mechanism. These trends underscore the need for sustainable funding models to accommodate rising demand and ensure equitable access to higher education.

4.1.4. Correlation Analysis between Governance and Financial Performance. Correlation analyses examined relationships between governance variables and financial sustainability indicators.

Table 4

Governance Variable

Governance Variable	RDI	CRR	LR
Council Independence	0.45**	0.38**	0.41*
Financial Expertise	0.52**	0.50**	0.44**
Internal Controls	0.40**	0.35*	0.38*
Risk Management	0.37*	0.31*	0.41*

*Significance: *p < 0.05; **p < 0.01

Financial expertise on councils and council independence emerged as the strongest predictors of revenue diversification and cost recovery, supporting literature that strategic governance improves financial outcomes in HEIs (Jongbloed & Vossensteyn, 2016; OECD, 2019). Internal controls and risk management correlated positively but were weaker predictors, indicating that these mechanisms contribute indirectly to financial resilience. The correlations confirm the hypothesis that governance quality is a critical determinant of financial sustainability, particularly in resource-constrained environments like Malawi (Matekenya & Pittman, 2022).

4.1.5. Regression Analysis. Multiple linear regression assessed how governance factors predicted the

Table 5

Cost Recovery Ratio

Predictor	β (Standardized)	t-value	p-value
Council Independence	0.28	2.65	0.010
Financial Expertise	0.32	3.12	0.003
Internal Controls	0.22	2.03	0.045
Risk Management	0.19	1.80	0.070

The regression results indicate that 52% of the variation in cost recovery is explained by governance variables, with financial expertise and council independence as the strongest predictors. This supports the argument that councils' capacity to understand and oversee financial management is critical to institutional sustainability (Rashid & Mustafa, 2021; Shattock, 2017). Risk management showed marginal significance, suggesting that proactive financial risk monitoring may improve outcomes if combined with stronger oversight and expertise.

These findings confirm the link between governance and financial sustainability highlighted in the problem statement. Public universities with weaker governance structures exhibit lower cost recovery, revenue diversification, and liquidity, reinforcing the need for capacity-building interventions, targeted financial training for councils, and stronger internal controls (Ng'andu, 2019; Matekenya & Pittman, 2022).

Collectively, the quantitative findings illustrate a clear relationship between governance quality and financial sustainability in Malawian HEIs. Public universities, constrained by weak financial expertise and limited diversification, face systemic financial vulnerability, while private institutions perform better due to more robust governance and income-generating capacity. These results validate the need, highlighted in the problem statement and literature review, for strengthening governance structures, including councils' financial expertise, internal controls, and risk management culture, to enhance institutional resilience and strategic financial decision-making (Creswell & Plano Clark, 2018; Rashid & Mustafa, 2021; Shattock, 2017).

4.2. Qualitative Results

Interviews with 24 senior administrators, council members, and finance officers across six public and two private universities provided rich qualitative insights into the mechanisms, challenges, and opportunities for governance and financial sustainability in Malawi. Thematic analysis identified several recurring patterns, which are presented here in narrative form. Respondents consistently highlighted that council independence is limited by political interference and overlapping responsibilities with government agencies. Several participants indicated that council appointments were influenced more by political considerations than professional expertise, compromising strategic oversight. One council member stated:

> *"We often have to balance government expectations with institutional needs, which sometimes limits our ability to make financial decisions independently."*

This aligns with the quantitative finding of moderate council independence scores (mean = 3.4), suggesting that perceived autonomy is constrained in practice. These insights support prior studies emphasizing that limited council independence can hinder accountability and resource management in public universities (Rashid & Mustafa, 2021; Matekenya & Pittman, 2022). Financial expertise emerged as a second critical theme. Interviewees noted that many councils lack members with formal training in finance, accounting, or risk management. A senior finance officer remarked:

> *"Decisions about budgeting and investment are often made by those without sufficient financial knowledge, leading to delays and errors in resource allocation."*

This qualitative evidence corroborates the quantitative finding that financial expertise on councils was weak (mean = 2.7) and strongly associated with cost recovery. Participants also emphasized that the absence of financial expertise undermines the council's ability to evaluate alternative revenue streams, negotiate grants, or monitor financial performance effectively. The effectiveness of internal controls and financial monitoring systems was another recurring theme. Participants acknowledged that most universities had formal policies and audit procedures, but implementation was inconsistent. One senior administrator stated:

> *"We have rules and guidelines for internal controls, but enforcement is weak, and compliance is often overlooked due to understaffing or lack of training."*

Respondents from private universities noted that rigorous internal controls were a key factor in maintaining liquidity and managing operational costs, explaining their higher cost recovery and revenue diversification in quantitative results. This observation supports literature emphasizing that strong internal control systems are central to sustainable financial management in HEIs (Shattock, 2017; Creswell & Plano Clark, 2018). A fourth theme related to risk management and strategic planning. While most participants acknowledged the importance of risk management, few institutions had formal risk assessment frameworks. In public universities, risk management was described as largely reactive, triggered by financial shortfalls or audit findings. One senior administrator observed,

> *"We often address risks only after problems arise, rather than anticipating them." Conversely, private universities demonstrated proactive risk planning, including contingency budgeting and diversified revenue strategies.*

This qualitative pattern aligns with the correlation analysis showing a positive, though moderate, relationship between risk management culture and liquidity. Interviewees also discussed challenges related to financial sustainability amid rising enrollment and delayed student loans. Several respondents reported that increasing student numbers, coupled with delayed disbursement from the Higher Education Students' Loans and Grants Board (HESLGB), placed severe pressure on cash flow and short-term budgeting. A finance officer noted:

> *"We often have to cover salaries and operational costs from limited tuition revenue because loan funds arrive late, which affects our ability to plan strategically."*

These observations mirror the quantitative trends showing rapid enrollment growth (from ~31,200 in 2016 to 45,309 in 2023) and financial pressures on public HEIs, highlighting the practical consequences of weak governance mechanisms. Finally, qualitative data revealed that revenue diversification is largely untapped in public universities. Respondents indicated that while policies exist to encourage research commercialization, consultancy, and partnerships, implementation is hindered by bureaucratic procedures and limited expertise. One administrator stated:

"We know alternative income sources exist, but without skilled staff and clear policies, we cannot exploit them effectively."

This explains why private universities consistently reported higher revenue diversification and cost recovery ratios in the quantitative findings. In summary, the qualitative results confirm and contextualize the quantitative patterns. They show that governance weaknesses—particularly in council independence, financial expertise, internal controls, and risk management—directly influence financial sustainability in Malawian HEIs. The narratives illustrate that while formal governance structures exist, their effectiveness is constrained by capacity gaps, political interference, and limited implementation of policies. These findings emphasize the need for targeted interventions, including capacity-building for councils, improved financial oversight, and structured risk management strategies, to enhance the resilience and long-term sustainability of HEIs in Malawi (Ng'andu, 2019; Matekenya & Pittman, 2022; Rashid & Mustafa, 2021).

5. Conclusion of the study

Governance and funding in Malawi's higher education sector are closely intertwined, shaping both institutional performance and strategic decision-making. Public universities are established under Acts of Parliament, which outline their mandates, governance structures, and accountability frameworks. These institutions are typically governed through four main organs: a University Council responsible for strategic and financial oversight, a Senate charged with academic governance, a Management Team led by the Vice-Chancellor, and internal audit and procurement units aligned with the Public Finance Management Act and Public Procurement and Disposal of Assets (PPDA) Act (Office of the Auditor General, 2023). In theory, this framework ensures institutional autonomy, ethical leadership, and accountability. The University Council, in particular, is mandated to guide strategic planning, monitor institutional finances, and uphold compliance with regulations, positioning it as a cornerstone of governance. However, in practice, these structures often face systemic challenges that limit their effectiveness.

One significant challenge is political interference. The appointment of council members, senior administrators, and key managerial staff is frequently influenced by political actors, which undermines institutional autonomy and compromises strategic decision-making (Kalua & Chawinga, 2021; Mambo & Sikwese, 2020). Such interference can distort institutional priorities, weaken oversight functions, and limit councils' ability to enforce financial discipline. In addition, many councils include members who lack financial expertise, which hampers their ability to interpret budgets, scrutinize expenditures, or guide strategic investments effectively (Chirwa & Munthali, 2019). Weak monitoring and evaluation systems further compound the problem, reducing the capacity to track performance or detect early signs of mismanagement. Oversight of procurement and resource allocation is often insufficient, allowing inefficiencies and irregularities to persist despite existing legal frameworks (Phiri, 2022).

Financial management and transparency are also critical areas of concern. Public universities rely heavily on government subventions, which are frequently delayed, unpredictable, and inadequate to meet operational needs (Chirwa & Munthali, 2019; World Bank, 2023). These delays affect procurement, staff salaries, and the day-to-day functioning of institutions, creating cash flow problems that undermine both academic quality and governance oversight. Tuition fee regulation is another constraint. Public universities cannot adjust fees rapidly due to government controls, which limits financial flexibility and constrains councils' ability to make strategic investments. Private universities, while freer to set fees, must balance affordability concerns against operational sustainability, often facing resistance from students and parents when fees increase (Phiri, 2022). Student financing through the Higher Education Students' Loans and Grants Board (HESLGB) partially mitigates these challenges, but delays in disbursement, limited coverage, and weak loan recovery mechanisms continue to affect institutional cash flows and student access (HESLGB, 2022).

Transparency and accountability in financial management remain a pervasive challenge in Malawi's higher education sector. Public universities often delay the publication of audited financial statements, and when statements are available, they provide limited detail on revenue, expenditure, or procurement processes (Chirwa & Munthali, 2019). This weak disclosure is linked to both limited council oversight and inadequacies in internal control frameworks. Without rigorous monitoring, councils cannot ensure compliance with the Public Finance Management Act or detect irregularities in financial operations. Private universities, in contrast, exhibit relatively stronger transparency due to their reliance on tuition fees and independent boards, which require robust internal controls to maintain credibility and attract students (Phiri, 2022; World Bank, 2023). However, even some private institutions face challenges related to capital constraints and high operational costs, which limit their ability to invest in financial systems or fully disclose detailed reports.

The funding models of higher education institutions in Malawi directly influence governance effectiveness. Public universities' dependence on government subventions exposes them to the vagaries of political and economic cycles, while constrained tuition policies further limit flexibility. Private universities largely fund themselves through tuition fees, supplemented by donor support, research grants, consultancy services, and endowments. While these streams encourage financial discipline and managerial flexibility, they remain highly sensitive to enrolment fluctuations, student affordability, and the timeliness of HESLGB support (Chirwa & Munthali, 2019; Phiri, 2022; World Bank, 2023). Consequently, councils and boards must navigate these funding uncertainties while maintaining strategic oversight, making financial planning and risk management essential components of governance.

Addressing these governance and funding challenges requires interventions at multiple levels. At the policy level, university councils must be granted greater autonomy, free from undue political interference, to make merit-based appointments and strategic decisions (Kalua & Chawinga, 2021). Government funding mechanisms should be reformed to introduce performance-based financing that links allocations to measurable outputs such as graduation rates, research outputs, and financial management efficiency (World Bank, 2023). Strengthening the regulatory and oversight capacity of the NCHE is also critical to ensure quality, accountability, and compliance across both public and private institutions (NCHE, 2020).

At the institutional level, council members should be trained in finance, audit, and governance to enhance decision-making capacity and reduce reliance on administrative staff (Chirwa & Munthali, 2019). Internal audit functions and financial reporting systems should be strengthened to improve transparency, enable timely corrective action, and build stakeholder confidence (Phiri, 2022). Institutions should pursue revenue diversification through innovation, consultancy services, research grants, and partnerships with industry or international organizations to reduce dependence on tuition or government funding (World Bank, 2023).

Student-financing reforms are equally important. HESLGB disbursement efficiency should be improved, loan coverage expanded to more categories of needy students, and loan recovery systems strengthened to maintain sustainability (HESLGB, 2022). Together, these measures would not only improve access to higher education but also stabilize institutional cash flows, enabling councils and boards to exercise strategic oversight more effectively.

Several areas warrant future research to support evidence-based policy and institutional reforms. These include studies on the effectiveness of performance-based funding models, the impact of internal audit and financial reporting systems on transparency, strategies for revenue diversification in private universities, and the influence of student loan policies on institutional stability and student access (Chirwa & Munthali, 2019; Phiri, 2022; World Bank, 2023). Comparative research across public and private universities could also shed light on how governance structures, autonomy, and funding models influence institutional performance, innovation, and accountability. Insights from such studies would guide the development of contextually appropriate reforms to strengthen financial management, governance, and the long-term sustainability of higher education in Malawi.

6. Recommendations and future areas of study

Addressing the governance and funding challenges in Malawi's higher education sector requires a multi-level approach encompassing policy, institutional, and student-financing reforms. At the policy level, increasing the autonomy of university councils and limiting political interference is paramount. Evidence from Malawi and other Sub-Saharan contexts shows that councils constrained by political pressures struggle to exercise oversight, enforce financial discipline, and implement strategic reforms (Kalua & Chawinga, 2021; Mambo & Sikwese, 2020). Granting greater autonomy would enable councils to make appointments based on merit, prioritize strategic institutional goals, and enhance accountability. Complementing this, reforms in government funding are critical. Introducing performance-based financing, where allocations are linked to measurable outcomes such as graduation rates, research outputs, and financial management efficiency, can incentivize institutional performance while ensuring more predictable and strategic use of resources (World Bank, 2023). Additionally, strengthening the National Council for Higher Education (NCHE) in its oversight and monitoring role would enhance quality assurance, governance compliance, and accountability, particularly given persistent delays and inefficiencies in both public and private institutions (NCHE, 2020; Phiri, 2022).

At the institutional level, capacity-building initiatives for council members are essential. Training in finance, audit, and governance equips members with the skills needed to interpret complex financial reports, assess strategic plans, and make informed decisions, thereby reducing reliance on administrative staff and mitigating risks of mismanagement (Chirwa & Munthali, 2019). Similarly, enhancing internal audit functions and upgrading financial reporting systems improves transparency, enables timely corrective actions, and strengthens stakeholders' trust in institutional management (Phiri, 2022). Institutions should also pursue revenue diversification strategies through innovation, consultancy services, research grants, and partnerships with industry or international organizations. Such measures reduce dependence on government subventions or tuition fees and increase financial resilience, allowing universities to maintain quality and pursue long-term strategic goals even during periods of economic or funding uncertainty (World Bank, 2023).

Student-funding reforms are equally critical for sustaining higher education access and institutional financial stability. Improving the efficiency of HESLGB loan disbursements addresses cash-flow challenges for both students and universities, ensuring that tuition revenues are received on time (HESLGB, 2022). Expanding loan coverage to include more categories of needy students, such as part-time learners, postgraduate students, and students in specialized programmes, enhances inclusivity and broadens access to higher education (Chirwa & Munthali, 2019). Strengthening loan recovery systems is also important to maintain the sustainability of the scheme, allowing the board to recycle funds to support future cohorts of students while reducing financial risk for universities reliant on these payments (World Bank, 2023).

In combination, policy-level autonomy, institutional capacity-building, and robust student-financing mechanisms provide a coherent strategy to strengthen governance, accountability, and financial sustainability in Malawi's higher education system. When effectively implemented, these measures enhance the ability of university councils to provide oversight, improve institutional resilience, and ensure that both public and private universities can deliver quality education while remaining financially viable.

While this study and the existing literature provide important insights into governance and funding challenges in Malawi's higher education institutions, several areas merit further research. First, there is a need for empirical studies on the effectiveness of performance-based funding models in Malawi's higher education context. Although the concept has been proposed to incentivize institutional efficiency and accountability, there is limited evidence on its impact on public universities' financial management, academic quality, and strategic outcomes (World Bank, 2023). Future research could explore pilot implementation, performance indicators, and potential trade-offs between accountability and institutional autonomy.

Second, the role of internal audit and financial reporting systems in enhancing transparency and accountability in both public and private universities warrants closer examination. Although weak disclosure of financial statements has been documented, there is limited understanding of how variations in internal audit capacity, council oversight, and governance frameworks directly affect financial transparency and institutional performance (Chirwa & Munthali, 2019; Phiri, 2022). Longitudinal studies could provide insights into best practices, identify systemic gaps, and guide policy interventions to strengthen financial governance.

Third, research is needed on alternative revenue streams and financial sustainability strategies for private universities. While tuition fees remain the primary source of funding, reliance on this revenue makes institutions vulnerable to enrolment fluctuations and delayed student financing. Future studies could investigate the effectiveness of partnerships with industry, consultancy services, research grants, and endowment funds, and assess their potential to improve financial resilience and institutional competitiveness (World Bank, 2023; Phiri, 2022).

Fourth, there is limited empirical evidence on the impact of student loan policies on both institutional stability and student access. Although HESLGB supports a portion of needy students, coverage is limited, and disbursement delays create financial uncertainties for universities. Future research could examine the relationship between loan disbursement efficiency, student retention, enrolment patterns, and university cash flow management, providing evidence to inform policy reforms aimed at expanding access while safeguarding institutional sustainability (HESLGB, 2022; Chirwa & Munthali, 2019). Finally, comparative studies across public and private universities could explore how differences in governance structures, autonomy, and funding models influence institutional performance, innovation, and accountability. Such research would offer valuable insights into best practices, facilitate cross-institutional learning, and guide the development of contextually appropriate governance reforms. Expanding empirical research in these areas would strengthen policy formulation, improve financial and academic management, and enhance the long-term sustainability of higher education in Malawi.

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Informed Consent Statement

Every participant in the study gave their informed consent.

Statement of Data Availability

The corresponding author can provide the data used in this study upon request.

Conflicts of Interest

The authors declare no conflict of interest.

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