

Revenue Diversification and Financial Sustainability in Public Universities in Tanzania: A Review with Lessons for Muslim University of Morogoro

Ali K. Anami^{1*}

¹Department of Economics, Muslim University of Morogoro, Tanzania

* Corresponding Author

African Journal of Commercial Studies, 2026, 7(2), 21–27

DOI Link: <https://doi.org/10.59413/ajocs/v7.i2.3>

Abstract

Public universities in Tanzania face growing financial pressures due to limited government funding, increasing operational costs, and rising student enrollment. Similar challenges have been observed globally as higher education institutions struggle to balance expanding demand for education with constrained public resources. This review synthesizes literature on revenue diversification strategies adopted by public universities to achieve financial sustainability, with lessons applicable to the Muslim University of Morogoro (MUM). The review examines sources of revenue including tuition and fees, endowments, research grants, income-generating activities, and partnerships with industry. Evidence indicates that diversified revenue streams improve universities' financial resilience, enable strategic investments in infrastructure and academic programs, and enhance institutional autonomy. However, challenges such as regulatory constraints, limited administrative capacity, and dependence on government funding persist. The study underscores the importance of strategic planning, innovative revenue models, and effective governance to ensure sustainable financing and long-term institutional development.

Keywords: Revenue Diversification, Financial Sustainability, Public Universities, Higher Education Financing, Muslim University of Morogoro (MUM), Tanzania

Article Info

Volume 7, Issue 2

Publication history:

Accepted on 29 January 2026;

Published: 7 March 2026

Article DOI:

[10.59413/ajocs/v7.i2.3](https://doi.org/10.59413/ajocs/v7.i2.3)

1. Background of the study

Public universities in Tanzania play a pivotal role in human capital development, research, and socio-economic transformation. However, they face persistent financial challenges due to increasing operational costs, growing student populations, and limited government funding (URT, 2016). Traditional reliance on government allocations and tuition fees often proves insufficient to cover recurrent expenses and strategic investments in infrastructure, research, and academic programs (World Bank, 2018).

Revenue diversification has therefore emerged as a critical strategy for enhancing financial sustainability in universities. By generating income from multiple sources, institutions can reduce financial vulnerability and strengthen their long-term resilience (Wekullo & Musoba, 2020; Teixeira & Koryakina, 2021). By generating multiple income streams, universities can reduce dependence on any single source of funding, increase autonomy, and improve their capacity to respond to evolving educational and societal needs (Altbach & Salmi, 2011). Revenue diversification strategies in Tanzanian universities commonly include:

Revenue diversification strategies in Tanzanian universities commonly include several approaches aimed at expanding institutional income sources. These strategies involve adjustments in tuition and fee structures, including differentiated programs for domestic and international students. Universities also increasingly rely on research grants and consultancy services funded by government agencies, private industries, and international organizations. In addition, institutions engage in various income-generating activities such as campus housing, commercial services, and technology transfer initiatives. Endowment funds and alumni contributions are also emerging as important mechanisms for supporting scholarships, infrastructure development, and strategic academic programs. Furthermore, public-private partnerships (PPPs) have become an important avenue through which universities finance infrastructure development and capacity-building initiatives.

Despite the potential benefits, Tanzanian universities face challenges in implementing these strategies, including regulatory constraints, limited managerial capacity, insufficient market-oriented planning, and dependence on government policies (Mosha, 2019). These challenges highlight the importance of a strategically coordinated approach to revenue diversification, aligning financial planning with institutional vision, governance frameworks, and sustainable development goals.

This review aims to synthesize existing literature on revenue diversification and financial sustainability in Tanzanian public universities and draw practical lessons for the Muslim University of Morogoro (MUM). Specifically, it examines:

This study aims to synthesize existing literature on revenue diversification and financial sustainability in Tanzanian public universities and draw lessons for the Muslim University of Morogoro (MUM). Specifically, the study examines the major sources of revenue diversification, the impact of diversified funding streams on financial sustainability, the challenges that hinder effective diversification, and the lessons that can inform strategies for improving financial resilience at MUM.

This study aims to synthesize existing literature on revenue diversification and financial sustainability in Tanzanian public universities and draw lessons for the Muslim University of Morogoro (MUM). Specifically, the study examines the main sources of revenue diversification adopted by public universities in Tanzania, evaluates the impact of diversified revenue streams on financial sustainability and institutional development, and identifies the challenges that affect the implementation of these strategies. Based on this analysis, the paper also derives lessons and policy implications that can support MUM in strengthening its financial sustainability through strategic revenue diversification.

Why This Matters

- Clearly defined objectives and research questions ensure the review is structured, focused, and actionable.
- They guide the analysis of revenue models, impacts, challenges, and best practices across Tanzanian public universities.
- The findings provide practical insights for university management, policymakers, and stakeholders seeking to enhance financial sustainability.

2. Literature Review

Revenue diversification in higher education institutions can be understood through a conceptual framework that links diversified income sources to institutional financial sustainability. Universities typically rely on multiple revenue streams, including tuition fees, research grants, consultancy services, income-generating activities, alumni contributions, and public-private partnerships. These revenue sources collectively strengthen financial capacity by reducing dependence on government funding and increasing institutional autonomy.

As illustrated in Figure 1, diversified revenue streams contribute to financial sustainability by enabling universities to invest in infrastructure, research, and academic programs while improving resilience against funding fluctuations. The framework highlights the relationship between revenue diversification strategies and key institutional outcomes such as financial stability, innovation, and long-term organizational development.

Figure 1 presents a conceptual framework showing how diversified revenue sources contribute to institutional financial sustainability.

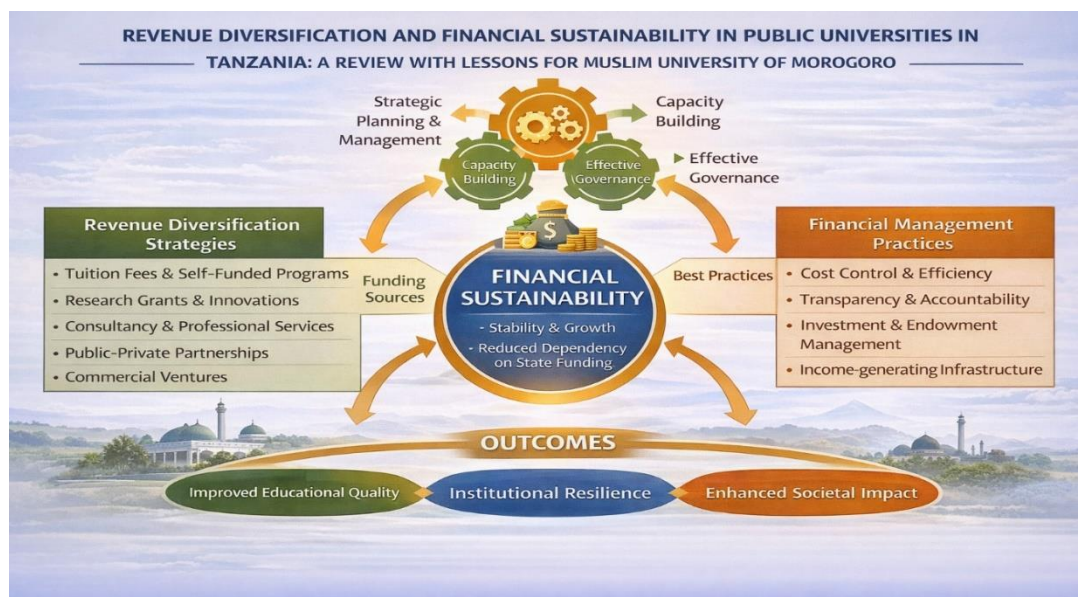


Figure 1: Conceptual Framework of Revenue Diversification and Financial Sustainability

Source: Author's conceptualization based on Altbach & Salmi (2011) and Clark (1998).

2.1 Sources of Revenue Diversification

Public universities in Tanzania have increasingly adopted diversified revenue strategies in response to declining public funding and growing financial pressures. Similar trends have been observed in many higher education systems where

universities seek alternative funding mechanisms to support institutional development (Wangenge-Ouma & Kupe, 2020; Riechi, 2024). Revenue diversification enables universities to generate income from multiple sources, thereby reducing dependence on government allocations and strengthening institutional financial sustainability.

One of the most significant sources of revenue diversification is tuition and student fees. Many universities have introduced differentiated fee structures for undergraduate and postgraduate programs as well as for domestic and international students. For instance, the University of Dar es Salaam (UDSM) has implemented higher tuition fees for specialized postgraduate programs in order to supplement government funding and support academic development (URT, 2016).

Another important source of income is research grants and consultancy services. Universities increasingly secure funding from government agencies, private sector organizations, and international development partners to conduct research and provide professional consultancy services. These activities not only generate financial resources but also enhance institutional reputation and contribute to solving real-world challenges. For example, Ardhi University and Sokoine University of Agriculture have engaged in consultancy projects related to urban planning, agriculture, and environmental management.

Universities also engage in income-generating activities (IGAs) as a strategy for supplementing their financial resources. These activities include operating campus hostels, commercial services such as printing and catering, and technology transfer initiatives. In some institutions, research outputs are commercialized to generate revenue. For instance, Sokoine University of Agriculture generates income through the sale of agricultural products and improved seed varieties developed through its research programs.

In addition, endowments and alumni contributions are emerging as important sources of funding for universities. Endowment funds and alumni donations are often used to support scholarships, research initiatives, and infrastructure development. The University of Dar es Salaam, for example, has established alumni engagement programs aimed at mobilizing financial support for institutional development.

Finally, public–private partnerships (PPPs) have become an important mechanism for financing infrastructure and academic programs in universities. Through partnerships with private companies and other organizations, universities are able to mobilize resources for the development of facilities such as information technology laboratories, student hostels, and training centers. For example, Mzumbe University has collaborated with private sector partners to develop technology and training infrastructure that supports both academic programs and professional development.

Overall, the adoption of multiple revenue streams strengthens the financial resilience of universities and enhances their ability to invest in infrastructure, research, and academic programs.

2.2 Impacts of Revenue Diversification on Financial Sustainability

Revenue diversification plays a crucial role in strengthening the financial sustainability of public universities. By generating income from multiple sources, universities reduce their dependence on government allocations and develop greater financial stability. Institutions that maintain diverse funding streams are better able to manage fluctuations in public funding and maintain continuity in academic and administrative operations. For example, income-generating agricultural activities at Sokoine University of Agriculture provide a relatively stable source of revenue even when government funding is delayed or insufficient.

Another important impact of revenue diversification is the enhancement of institutional autonomy. When universities generate independent income through tuition fees, research grants, and consultancy services, they gain greater flexibility in making strategic financial decisions. This autonomy allows institutions to allocate resources more efficiently, invest in priority areas, and respond more effectively to emerging academic and societal needs. Diversified funding structures also enhance institutional autonomy and allow universities to invest in infrastructure, research, and academic innovation (Salmi, 2020; OECD, 2025). For instance, the University of Dar es Salaam has invested in information and communication technology infrastructure partly through funds generated from consultancy services and internally generated revenue.

Revenue diversification also increases the capacity of universities to invest in infrastructure and academic development. Additional financial resources enable institutions to construct new buildings, upgrade laboratories, expand libraries, and support the development of new academic programs. These investments contribute to improved teaching, research capacity, and the overall quality of higher education. Ardhi University, for example, has utilized consultancy income and research grants to upgrade urban planning laboratories and geographic information systems (GIS) research facilities.

Furthermore, diversified revenue streams contribute to research development and innovation. Funding from research grants, industry collaborations, and public–private partnerships allow universities to expand their research activities and promote knowledge transfer. In some cases, research outputs are commercialized to generate additional income while addressing societal challenges. For example, the commercialization of improved seed varieties at Sokoine University of Agriculture not only generates revenue but also contributes to agricultural productivity and national development.

Overall, revenue diversification strengthens universities' financial resilience, enhances institutional autonomy, and supports investments in academic programs, infrastructure, and research. These outcomes are essential for ensuring the long-term sustainability and competitiveness of higher education institutions.

2.3 Challenges and Constraints to Revenue Diversification

Despite the potential benefits of revenue diversification, universities in Tanzania face several challenges that limit the effective implementation of these strategies. These challenges arise from regulatory frameworks, institutional capacity limitations, and external economic conditions.

One major constraint relates to regulatory and policy limitations. Public universities often operate within strict government regulations regarding tuition fees, financial management, and commercial activities. These regulations may limit the flexibility of universities to introduce new revenue-generating initiatives or adjust fee structures in response to market conditions. In some cases, approval processes for partnerships, donor funding, or commercial ventures can be lengthy, thereby slowing institutional innovation and financial diversification.

Another significant challenge is limited administrative and managerial capacity. Effective revenue diversification requires expertise in financial management, strategic planning, marketing, and project implementation. However, some universities lack adequately trained personnel and institutional systems to manage complex revenue-generating activities. This limitation can reduce the efficiency and profitability of initiatives such as consultancy services, research commercialization, and income-generating enterprises.

A further challenge is the continued dependence on government funding. Historically, public universities in Tanzania have relied heavily on government allocations to support their operations. This reliance may discourage institutional efforts to aggressively pursue alternative revenue sources. In some cases, university management structures and financial planning systems remain oriented toward traditional funding models rather than entrepreneurial approaches to resource mobilization.

Universities also face market and resource uncertainties when implementing income-generating activities. Commercial ventures such as agricultural production, consultancy services, and training programs may be affected by market fluctuations, competition, and changing demand. Without careful planning and risk management, some initiatives may generate limited financial returns or even incur losses.

Addressing these challenges requires a combination of supportive government policies, strengthened institutional capacity, and strategic leadership within universities. By improving financial management systems, building entrepreneurial skills among staff, and fostering partnerships with external stakeholders, universities can enhance their ability to successfully implement revenue diversification strategies.

3 Methodology

This study adopts a narrative thematic literature review approach to examine revenue diversification strategies and their implications for financial sustainability in public universities in Tanzania. A narrative review allows for the synthesis and interpretation of existing research findings, policy documents, and institutional reports in order to identify key themes, patterns, and lessons relevant to higher education financing.

The literature reviewed for this study was obtained from multiple sources, including peer-reviewed journal articles, academic books, institutional reports, and publications from international organizations such as the World Bank and national bodies including the Tanzania Commission for Universities (TCU). The selection of sources focused on studies addressing higher education financing, revenue diversification, university governance, and financial sustainability, particularly within Tanzania and comparable developing country contexts.

Relevant literature was identified through database searches and review of reference lists using key terms such as revenue diversification, financial sustainability, higher education financing, and public universities in Tanzania. The selected materials were analyzed thematically to identify major sources of university revenue, the impacts of diversified funding on institutional sustainability, and the challenges affecting the implementation of diversification strategies.

The thematic analysis enabled the identification of key lessons and policy implications that can inform financial sustainability strategies at the Muslim University of Morogoro (MUM).

4 Results and Discussion

4.1 Lessons for the Muslim University of Morogoro (MUM)

The literature reviewed highlights several important lessons for the Muslim University of Morogoro (MUM) in its efforts to enhance financial sustainability through revenue diversification. One key lesson is the need for strategic diversification of revenue sources. Universities that rely heavily on a single source of funding, particularly government allocations, often face financial instability when public funding declines. MUM can therefore strengthen its financial base by expanding tuition-based programs, pursuing competitive research grants, and developing income-generating activities that respond to the needs of the surrounding community.

Another important lesson is the value of public–private partnerships and industry collaboration. Partnerships with private sector organizations, non-governmental organizations, and international institutions can support infrastructure development, research activities, and professional training programs. Such collaborations not only generate additional revenue but also enhance the university's academic relevance and societal engagement.

The literature also emphasizes the importance of investing in administrative and financial management capacity. Effective

revenue diversification requires well-developed financial management systems, entrepreneurial leadership, and trained personnel who can manage grants, partnerships, and income-generating projects efficiently. Strengthening these internal systems would enable MUM to maximize the benefits of diversified funding sources.

Finally, universities must ensure that revenue-generating initiatives are aligned with their long-term strategic vision and sustainability goals. For MUM, this means integrating revenue diversification strategies with institutional planning, academic priorities, and social responsibility commitments. By doing so, the university can ensure that financial initiatives support both institutional growth and broader community development.

4.2 Lessons and Policy Recommendations

Strengthening Strategic Planning and Governance

The review indicates that effective revenue diversification requires strong institutional governance and coordinated strategic planning. Universities that successfully diversify their funding sources typically integrate financial sustainability goals into their institutional strategies. For MUM, developing a comprehensive revenue diversification strategy aligned with its vision and mission would provide a structured framework for identifying and managing multiple sources of income.

Institutional governance mechanisms are also important for ensuring accountability and efficiency in financial management. Establishing dedicated units or committees responsible for income-generating activities, research grants, and external partnerships would help coordinate these initiatives. In addition, transparent financial management systems are necessary to monitor revenue streams and ensure that resources are allocated effectively in support of institutional priorities.

Expanding and Diversifying Revenue Streams

Another major lesson from the literature is that universities benefit significantly from maintaining multiple sources of income. Diversified funding structures reduce financial vulnerability and enhance institutional autonomy by limiting dependence on a single revenue stream.

For MUM, one potential strategy is to optimize tuition and fee structures by introducing specialized academic programs or attracting international students who may pay differentiated fees. Universities can also develop sustainable income-generating activities through the utilization of campus facilities, such as hostels, commercial services, and professional training centers.

Research grants and consultancy services also represent important opportunities for generating income while simultaneously strengthening academic research capacity. By actively pursuing national, regional, and international research funding opportunities, universities can secure financial resources while contributing to knowledge production and innovation.

In addition, alumni engagement and the development of endowment funds can provide long-term financial support for scholarships, research, and infrastructure development. Building strong relationships with alumni can foster a culture of giving and long-term institutional support.

Public-private partnerships represent another important mechanism for revenue diversification. Collaborations with local businesses, development organizations, and international partners can support infrastructure development, technology transfer, and innovation initiatives that benefit both the university and the wider community.

Building Capacity for Revenue Management

Successful implementation of revenue diversification strategies depends heavily on institutional capacity. Universities require skilled staff, effective administrative systems, and a culture that encourages innovation and entrepreneurial thinking.

For MUM, this may involve investing in staff training programs focused on financial management, project development, marketing, and entrepreneurship. Strengthening the skills of administrative and academic staff can improve the university's ability to manage grants, partnerships, and commercial initiatives.

The adoption of modern accounting and management information systems is also essential for monitoring financial performance and ensuring accountability. Such systems allow institutions to track revenue streams, manage expenditures, and evaluate the financial viability of various initiatives.

Furthermore, fostering a culture of innovation within the university can encourage faculty members and administrators to develop creative approaches to revenue generation, including consultancy services, professional training programs, and collaborative research projects.

Aligning Revenue Strategies with Institutional and Community Goals

While revenue diversification is essential for financial sustainability, it should not compromise the academic mission or social responsibilities of the university. Successful institutions ensure that income-generating activities support their strategic objectives and contribute to educational quality.

For MUM, this means ensuring that revenue initiatives are closely aligned with the university's academic programs and research priorities. Activities such as consultancy services, professional training programs, and applied research can simultaneously generate income and enhance academic relevance.

Additionally, universities can contribute to local development by implementing projects that benefit surrounding communities. Examples include agricultural initiatives, community training programs, and technical consultancy services that address local economic needs.

Incorporating sustainability principles into revenue-generating initiatives is also increasingly important. Universities can promote environmentally responsible practices and socially inclusive development while pursuing financial sustainability.

Monitoring, Evaluation, and Learning from Best Practices

Continuous monitoring and evaluation are essential for ensuring the effectiveness of revenue diversification strategies. Universities must regularly assess the financial performance and broader impact of their initiatives in order to make informed decisions and improve institutional outcomes.

For MUM, establishing a structured monitoring and evaluation framework would allow the institution to track the performance of different revenue streams and identify areas for improvement. Regular evaluation can help determine which initiatives are financially sustainable and which require adjustment or discontinuation.

Learning from the experiences of other Tanzanian universities can also provide valuable insights. Institutions such as the University of Dar es Salaam, Sokoine University of Agriculture, Ardhi University, and Mzumbe University have implemented various revenue diversification strategies that may offer useful lessons for MUM. Adapting successful practices from these institutions can strengthen the effectiveness of MUM's financial sustainability strategies.

5 Conclusions

Public universities in Tanzania face increasing financial pressure due to limited government funding, rising operational costs, and growing student enrollment. This study demonstrates that revenue diversification represents a critical strategy for strengthening financial sustainability, institutional autonomy, and long-term resilience within higher education institutions.

The findings indicate that universities with diversified funding structures are better able to withstand financial uncertainties and invest in institutional development. Multiple revenue streams, including tuition fees, research grants, income-generating activities, alumni contributions, and public-private partnerships, provide universities with greater flexibility in managing resources and implementing strategic initiatives.

Revenue diversification also contributes to institutional development by enabling universities to invest in infrastructure, academic programs, research capacity, and staff development. These investments ultimately enhance the quality and competitiveness of higher education institutions.

However, the implementation of revenue diversification strategies is not without challenges. Regulatory constraints, limited administrative capacity, market uncertainties, and continued dependence on government funding can hinder effective diversification efforts. Addressing these challenges requires strong governance, strategic planning, and institutional capacity building.

For the Muslim University of Morogoro, the lessons identified in this review suggest several practical strategies for strengthening financial sustainability. These include aligning revenue diversification initiatives with institutional goals, expanding income-generating activities and research funding opportunities, strengthening administrative and financial management capacity, and establishing effective monitoring and evaluation mechanisms.

In conclusion, Tanzanian universities can enhance their financial sustainability and long-term institutional growth by adopting well-planned, innovative, and context-specific revenue diversification strategies. For MUM, implementing these approaches will support financial autonomy, strengthen academic excellence, and enable the university to remain resilient in an evolving higher education landscape.

Declaration of Competing Interests

The authors declare that they are not aware of any competing financial interests or personal relationships that may have influenced the work described in this document.

Funding

This research did not receive specific grants from any public, commercial, or non-profit sector funding bodies.

Acknowledgements

I would like to offer my heartfelt gratitude to everyone who made a contribution to this research

Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

References

Altbach, P. G., Salmi, J., Postiglione, G. A., Shik Rhee, B., Mukherjee, H., Kam Wong, P., ... & Froumin, I. (2011). The road to academic excellence: The making of world-class research universities. World Bank.

<https://repositorio.minedu.gob.pe/bitstream/handle/20.500.12799/4510/The%20Road%20to%20Academic%20Excellence%20The%20Making%20of%20World-Class%20Research%20Universities.pdf;sequence=1&isAllowed=y>

- Clark, B. R. (1998). *Creating entrepreneurial universities: Organizational pathways of transformation*. Pergamon Press.
- Johnstone, D. B., & Marcucci, P. N. (2019). *Financing higher education worldwide: Who pays and who should pay?* Johns Hopkins University Press.
- Kapasa, B. Z., & Chilolo, B. (2026). An Assessment of the effect of revenue collection on local authority's service delivery in Zambia – a case study of Kalulushi municipal council. *African Journal of Commercial Studies*, 7(1), 99-113. <https://doi.org/10.59413/ajocs/v7.i1.11>
- Kimathi, B. K., & Irungu, A. M. (2024). Revenue diversification and financial sustainability of public universities in Kenya. *Journal of Finance and Accounting*, 4(3), 31–41. <https://doi.org/10.70619/vol4iss3pp3141>
- Koryakina, T. (2020). Revenue diversification, higher education. In *The international encyclopedia of higher education systems and institutions* (pp. 2483-2489). Dordrecht: Springer Netherlands. https://doi.org/10.1007/978-94-017-8905-9_67
- Marginson, S. (2021). Public funding, private contributions and the changing landscape of higher education finance. *Higher Education*, 82(2), 215–230.
- Mosha, H. J. (2019). Revenue diversification in Tanzanian public universities: Strategies and challenges. *Journal of Higher Education in Africa*, 17(2), 45–62. <https://doi.org/10.4314/jhea.v17i2.4>
- Nyongesa, N. L., Munir, M. M., & Kamau, C. G. (2024). Revenue Controls and financial performance of Small and Medium Enterprises in Eldoret Town, Kenya. *African Journal of Commercial Studies*, 5(3), 164–173. <https://doi.org/10.59413/ajocs/v5.i.3.3>
- OECD. (2025). *The financial sustainability of higher education: Insights from policy in OECD countries*. OECD Publishing.
- Ombui, J., Monari, D., Kamau, C., Kibiti, C., & Muhoro, G. (2024). Working capital management and its effect on financial performance of public universities in coastal region Kenya. *International Journal of Religion*, 5(9), 977-994. <https://doi.org/10.61707/8dpc1806>
- Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resource dependence perspective*. Harper & Row.
- Riechi, A. R. O. (2024). Enhancing the effectiveness and sustainability of higher education sub-sector in Kenya: Potential revenue diversification initiatives in public universities. *Journal of Education and Practice*, 15(12), 1–12.
- Salmi, J. (2020). *All around the world: Higher education equity policies across the globe*. Brill.
- Shattock, M. (2020). *Managing successful universities* (3rd ed.). McGraw-Hill Education.
- Tanzania Commission for Universities. (2020). *Public university financial performance report*. Tanzania Commission for Universities.
- Teixeira, P., & Koryakina, T. (2013). Funding reforms and revenue diversification—patterns, challenges and rhetoric. *Studies in Higher Education*, 38(2), 174-191. <https://doi.org/10.1080/03075079.2011.573844>
- United Republic of Tanzania. (2016). *Higher education financing and sustainability in Tanzania*. Ministry of Education, Science and Technology.
- Wangenge-Ouma, G., & Kupe, T. (2020). The challenges of revenue diversification in African universities. *Higher Education Policy*, 33(4), 623–641.
- Wekullo, C., & Musoba, G. (2020). The relationship between alternative funding strategies and institutional financial health for public research universities. *Higher Education Politics & Economics*, 6(1), 81–103. <https://doi.org/10.32674/hepe.v6i1.2439>
- World Bank. (2018). *Financing higher education in Sub-Saharan Africa: Challenges and opportunities*. World Bank.