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FINANCIAL RESOURCES, CORPORATE GOVERNANCE AND PERFORMANCE OF REGIONAL DEVELOPMENT AUTHORITIES IN KENYA

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Abstract: **The objective of this study was to determine the influence of corporate governance on the relationship between organizational resources and performance of regional development authorities in Kenya. The specific objectives were to determine the influence of financial resources on the performance of regional development authorities in Kenya and establish the moderating effect of corporate governance on the relationship between financial resources and performance of regional development authorities in Kenya. The study was guided by resource based theory, dynamic capabilities theory and stewardship theory. The study adopted explanatory research design. The study was conducted in six regional development authorities that cover 47 counties. This includes Kerio Valley Development Authority, Ewaso Ngiro South Development Authority, Ewaso Ngiro North Development Authority, Coast Development Authority, Lake Basin Development Authority, Tana and Athi Rivers Development Authority. The targeted population was 169 comprising of chief managers, managers, heads of department and chief accountant. The study used stratified random sampling to select 118. Primary data was collected using structured questionnaires and interview schedules. Pilot study was conducted to test validity and reliability of research instruments. Validity was ascertained using content and construct validity while reliability using Cronbach alpha. Data was analyzed using both descriptive and inferential statistics. The researcher used descriptive statistics that include measure of central tendency; mean and measure of variability; standard deviation, maximum and minimum while inferential statistics included correlation and multiple regressions. The null hypotheses were tested at 5% significance level. The findings revealed that when financial resources changes by a unit, performance changes by 0.236 units ($\beta 2=0.236$, $P=0.011$). Corporate governance has significant moderating influence on the relationship between financial resources and performance as indicated by change in $R2=0.254$, $p=0.000$ implying that the corporate governance explained up to 25.4% change in performance of regional development authority. However, the interaction effect was not significant. Accountability had insignificant positive moderating effect on the relationship between financial resources while board composition had insignificant negative moderating effect on the relationship between financial resources and performance. The study recommended that regional development authorities ought to reduce overdependence on exchequer to resources but generate their own financial resources. The study also recommended that board should be diverse in terms of gender, relevant industry experience and independent board member from the management.**

Keywords: **Financial Resources, Corporate Governance, Performance, Regional Development Authorities.**

I. INTRODUCTION

The conditions of performance of state owned corporation constitute a major research theme in strategic management which has been going through a major shift from 1990s to date (Ho & Teo, 2015). A firm is said to enjoy higher performance than competitors when it puts into practice a value creating strategy and hence, the process of creating superiority in performance is consistent with the Resource Based View theory of the organization (Eriksson, 2013). The Resource Based View perspective puts emphasis on firm specific resources and capabilities as elementary sources of competitive advantage which results to high performance (Barney & Hesterly, 2010).

According to the Resource Based View theory, performance results from competitive advantage which originates from the possession of distinctive resources and capability that must fulfill the conditions of valuability, rareness, inimitability and non-substitutability (VRIN). Valuable resources add to improving the firm's performance. Rareness creates perfect competition since resources are possessed by fewer firms. Inimitable resources are costly to copy and non-substitutable, meaning that there is no alternative to fulfill the same function immediately (Knott, 2015). Barney and Hesterly (2010) concluded that resources satisfying all the above criteria are known to be unique and they are the tools that enable a firm to gain above average profit and retain market leadership.

Sebastian (2018) indicated that firms operate using several resources including financial, human, capital and others. Financial resource is one of the key elements in achieving organizational objectives and goals. Financial resources include debt, equity and earning (Waswa, 2017). Financial resources are about the finance required to fund the budget of implementing strategy. Each and every business enterprise needs adequate financial resources for development, daily operations and growth (Ridley-Duff, 2015). In both the developed and developing economies, finance has been identified as the most important factor determining the survival and growth of organization (Tambunan, 2009). A number of studies support the need of adequate financial resources in strategy implementation. However, organizations face quite some challenges in accessing the needed financial resources (De la Torre, Gozzi & Schumukler, 2017).

Mugambi (2017) identified some of the existent financial resources as cash-in-hand, bank deposits, capital and savings. The study revealed that these financial resources may go a long way to oversee project and plan implementations. They may also have additional advantages like increasing firm performance and increasing competitive advantage. Financial resources ensure that everything may be needed to successfully implement strategic plans is obtained. Henderson (2016) identified the most important element of overseeing a plan take place as funding. The funding can be obtained from a variety of sources like loans, savings, investment and grants. Cardeal and Antonio (2012) argue that financial resources are key in the development of human capital resources and are both key for sustainable competitive advantage of organizations.

Financial resources are central to a firm's business strategy and have important implications for firm behaviour (Wang, 2016). The availability of financial resources to acquire such services improves the start-ups ability to compete and remain relevant to the client and the market. The use of financial resources by management to increase efficiency of managerial activities through the acquisition of equipment that supports technological functions and automation of processes is also relevant to tech start-ups. Financial resources are also vital in acquiring managerial advice, advice from experts who understand the market and market forces. Financial resources are useful in perfecting an application already under development i.e. through evaluation to reduce/eliminate errors etc. (Waswa, 2017).

Njagi, Muathe and Muchemi (2018) established that there was a positive and a statistically significant effect of financial and physical resources on the performance of public health institutions in Embu County, Kenya. However, in their study, these resources are usually treated as environmental factors or constraints rather than the main variables of interest. The study also did not focus on the relative influence of different resources on organizational performance. Sulaiman (2016) demonstrated that Chief Financial Officer Experience and the financial resource dimensions do not significantly influence firm performance. This contradicts previous numerous studies that have established that financial resources influences organization performance. Nganga, Wangithi and Njeru (2016) found that resources were critical to a firm's performance. Financial resources were not necessarily influential since the availability of the resources could not guarantee performance unless properly utilized.

The lack of homogeneity in the results of previous studies suggests that the relationships between organizational resource and corporate performance are complex and very probably moderated or mediated by factors Chiara (2011). The use of corporate governance in relation to organization resources and performance has continued to get adequate recommendation although few of the previous studies have included it. In Tanzania, Sebastian (2018) revealed that informal organizational resources lead to weak profits. Aliyu et al (2014) indicated that deterioration in performance is related with resource management and corporate governance in Nigeria. Corporate governance has also been successfully used as moderating variable on the performance. Muturi, Mwau and Oloko (2017) indicated that moderating effect of the ownership structure have a positive effect on the performance of firms in insurance industry in Kenya. Love and Rachinsky, (2015) in their study on Indian firms established that there is a negative relationship between corporate governance and firm performance. These contradictions in findings create aspersions as to whether corporate governance impacts performance of State owned corporations in Kenya.

The GoK established 6 Regional Development Authorities (RDAs) through various Acts of Parliament. The areas of jurisdiction covered by the RDAs were developed based on the river basin boundaries in the country. They include: Kerio Valley Development Authority (KVDA) established under Cap 441 of 1979, Lake Basin Development Authority (LBDA) under Cap 442 of 1979, Ewaso Nyiro South Development Authority (ENSDA) under Cap 447 of 1989, Ewaso Nyiro North Development Authority (ENNDA) under Cap 448 of 1989, Tana and Athi Rivers Development Authority (TARDA) under Cap 443 of 1974, and Coast Development Authority (CDA) under Cap 449 of 1990 (MORDA, 2008).

The mandate of these agencies was to map the resources in the area for proper planning and coordination of their use, integrated basin based development, protection of river basins, water bodies and catchments and finally to empower and support communities in the various areas of jurisdiction. The RDAs were very instrumental in ensuring rapid economic growth after their inception contributing to the country's GDP growth. However, challenges emerged such as limited funding that raised questions on the sustainability of the RDAs. With limited resources in not been left out. There is need for them to optimize the resources allocated to them and this means that they must have sound corporate governance practices in place.

Statement of the Problem

The Kenyan government acknowledges that over the years there has been poor performance in the public sector including RDA, especially in the management of public resources which has hindered the realization of sustainable economic growth (GoK, 2012). This is why performance of these RDA has been of great concern to many stakeholders including management practitioners, government and the public at large. Three regional authorities-Coast, Ewaso Ngiro and Kerio Valley-have Sh57 billion stalled projects (GoK, 2019). The Auditor-General, in a report tabled in Parliament in October last year, questioned the delay in completing four irrigation projects initiated by Kerio Valley Development Authority, Aror irrigation scheme and Tot irrigation project. After more than Sh300 billion set aside by Jubilee government for water projects across the country, there is little to show on the ground as project delays, financing hitches and lethargy of contractors derail the dream. This is partly due to dwindling resource base and growing need for public services (GoK, 2013). Therefore organizational resources moderated by corporate governance could be a recipe for better performance.

There have been a number of studies on organizational resources on organizational performance although with mixed outcome. Some studies indicating no significant influence (Lee, 2009), other negative Mwai et al., (2018) other positive influence Ongeti, (2014). Sulaiman (2016) established that financial resource do not significantly influence firm performance contradicting previous numerous studies living a gap. These contradictions in findings have created aspersions on the relationship between organization resources and performance. Existing studies have provided evidence that introduction of moderating variables, has resulted to establish a definite relationship between organizational resources and performance yet few studies have examined moderating influence of corporate governance. However, some studies have indicated negative moderating effect (Juma, 2012), non-significant (Love and Rachinsky, 2015) and positive moderating effect (Muturi et al., 2017) of corporate governance. This leaves a significant knowledge gaps on the relationship between organizational resources, corporate governance and organizational performance.

Objectives of The study

The specific objective of this study was to

i. Establish the influence of financial resources on performance of regional development authorities in Kenya.

ii. Determine the influence of corporate governance on the relationship between financial resources and performance of regional development authorities in Kenya.

Hypotheses of The study

i) $\mathbf{H_{01:}}$ Financial resources have no significant influence on the performance of regional development authorities in Kenya.

ii) $\mathbf{H_{02:}}$ Corporate governance has no significant moderating effect on the relationship between financial resources and performance of regional development authorities in Kenya.

II. LITERATURE REVIEW

Theoretical Framework

The resource based view of the firm is an influential theoretical framework for understanding how competitive advantage within firms through resources is achieved and how that advantage might be sustained over time (Barney, 1991; Penrose,

1959; Peteraf, 1993; Hitt, Ireland and Hoskisson, 2011; Pearce et al, 2012). The basic argument of this theory is that different types of resources possessed by a firm can have a significant influence on its performance. Variations in resources across firms will on the other hand, lead to differences in performance.

In evaluating the reasons behind the superior performance of organization, two alternative views exist side by side in strategic management discourse. These include the market based view of the firm, and the resource based view of the firm. The market based view of the firm is based on the structure-conduct-performance (SCP) paradigm of industrial organisation economics, and attributes above-normal returns to the structure of the market. In contrast, the resource- based view locates a firm's competitive advantage, and the resulting superior performance, to a set of rare, valuable, non-substitutable, and inimitable assets which the firm possesses (Wills-Johnson, 2008; Bain, 1959). Therefore, possession of unique resources is a source of superior performance.

The basic argument of RBV is that organization performance is determined by the resources it owns. An organization with more valuable scarce resources is more likely to generate sustainable competitive advantages. In a recent study, in strategic management, Crook et al. (2008) argued that RBV "has emerged as a key perspective guiding inquiry into the determinants of organizational performance". The resource based view theory was used in this study to explain the importance of financial resources (Brush, & Brown, 2015). Stacey (2011) advanced for the use of the framework by stating that financial resources enable organizations to acquire other resources. According to RBV, businesses achieve sustainable competitive advantage when they effectively manage the resources owned or obtained (Barney & Hesterly, 2012). As applied to the study, the RBV provides the conceptual lens to understand how obtaining financial resources may contribute to the organization performance. The application of the RBV may be helpful in letting participants identify what strategies needed to obtain financing that could help achieve superior organizational performance (Gillis et al. 2014).

The current study attempts to shade more light on relationship of financial resources and organizational performance. The main propositions of this theory that resources possessed by an organization have an influence to its performance were the anchoring postulation of this study. Resource based theory explains that resources such as human resources, technological resources and financial resources are necessary components for business success and survival of the firm. Financial resources are also equally important in any organizational undertaking. Technological resources have come equally important in organization performance. Thus lack of resources in either of these key areas can hamper an organizational ability to meet it performance objectives. Therefore, this theory will be instrumental in examining organizational resources at RDAs.

Conceptual Review

A conceptual framework is a set of broad ideas and principles from relevant fields of inquiry and used to structure a subsequent presentation. It is a research tool intended to assist or help a researcher to develop awareness and understanding of the situation under study and to communicate it (Ngumi 2013).

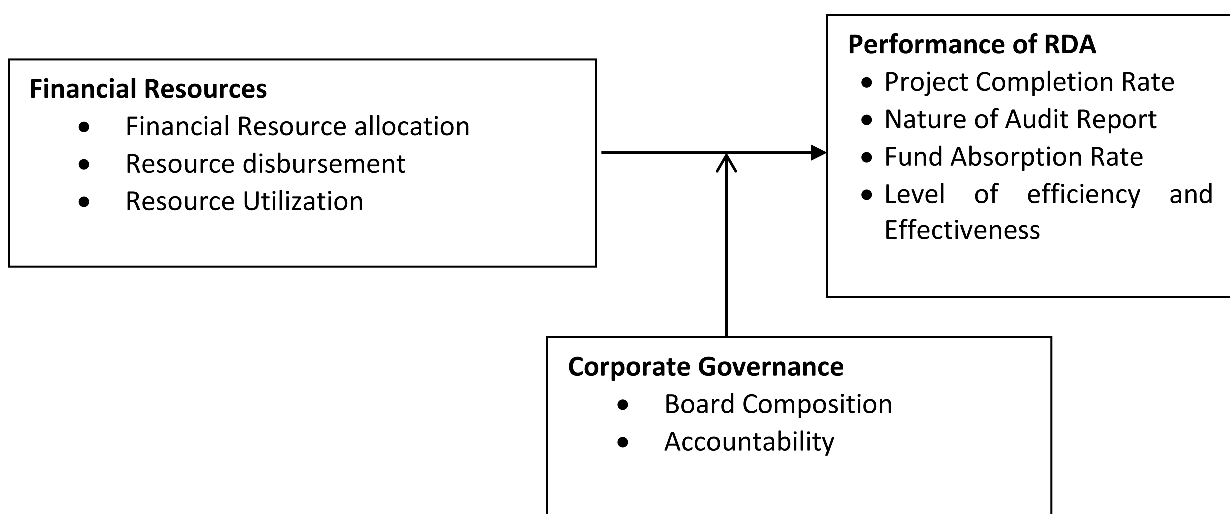

Figure 1.0: Conceptual Framework

To determine financial resources, the study used three indicators which were used to construct questionnaire items. This included allocation of financial resources. For RDA to realize their performance objectives, they need to distribute various sources of financial resources which are predictable. RDAs with varied and predictable sources of finance will able to complete their projects on time. However, since most of the RDA depends on the ex-chequer to find their projects, disbursement of financial resources may have profound effect on their performance. Allocation of financial resources is also vital for RDA performance. The study sought to establish if there is prioritization during budgetary allocations in the RDA. Another aspect of financial resources was utilization of funds allocated specifically to fund out if funds are utilized according to the intended purpose and budget. The moderating variable was corporate governance which was measured using board composition and accountability. Lastly, dependent variable which is performance of regional development authority was conceptualized as project completion rate, nature of audit report, fund absorption rate, level of efficiency and effectiveness.

Empirical Review

Ahamed (2015) sought to determine the determinants of strategy implementation in service firms. The study adopted a descriptive research design. In this study the total population comprised the 200 World Food Programme employees based in Nairobi and Somalia. A stratified random sampling was used to draw 30% of the 200 employees which translates into 60 employees to form the sample size. Primary data was collected using a questionnaire. The study showed that human resources, financial resources, information systems and organizational structure displayed statistically significant positive correlation with strategy implementation. Financial resources had a weak positive correlation with strategy implementation. The weak relationship with strategy implementation provide sufficient evidence that there is need for moderating or mediation variable, however, the use of strategy implementation as dependent variable further indicated that there is need to conduct this study to find out if the same results can be replicated using organization performance.

Odack(2015) sought to investigate how organization resource can create and sustain a competitive advantage. The study targeted a population of USIU students who were registered within the time which the study was being conducted. The design used for this study was mainly descriptive in nature. The data collection was done using questionnaires which were considered as the most appropriate tools for collection of primary data. The study revealed that majority of the respondents agreed that financial resources at USIU are key in the development of human capital resources, financial resources at USIU are key for sustainable competitive advantage of organizations, USIU financial managers employ the resulting knowledge in a proactive way to build competitive advantage, competitive advantage at USIU is gained from an initial endowment of financial resources, USIU financial managers ensures that the firm is adequately capitalised, USIU employs high level of debt because of the reluctance to relinquish control by the firm owner. Besides using competitive advantage as dependent variable, the sampling procedure was not clear as it only focused on finance managers. In this regard, it was difficult to generalize the findings to RDA which this current study seeks to investigate.

Sulaiman (2016) critically investigated the impact of financial resources on firm performance. Data has been collected from Small and Medium Enterprises operating in Australia. The analyses, using factor analysis and multiple regression analysis, gives rise to interesting outcomes. Interestingly, the analysis demonstrates that Chief Financial Officer (CFO) experience and the financial resource dimensions do not significantly influence firm performance. In regard to other studies, the study indicated that financial resources do not influence performance. This is in contrast with previous study as some of them have indicated positive influence on performance. Further the study used several financial resource dimensions but did not indicate which dimension failed to have impact on performance. The current study sought to clarify the findings on no significant influence of financial resources on performance and further, examined the influence of moderating variable (corporate governance).

Ager, Rukangu and Njati (2015) sought to establish how financial resource influences successful implementation of strategic plans in the Ministry of land, Housing and Urban Development. The study adopted descriptive research design. The study was conducted in Ministry of land, Housing and Urban Development, Imenti North Sub-County land offices, located in Meru town. The target population of the study consisted of 53 management staff from all the department land offices in Imenti North Sub-County Meru town. The study revealed that there was sufficient statistical evidence that there was a significant relationship between financial resources and successful implementation of strategic plan. The study focused on public institution in Kenya; however, it was not carried out in the headquarters of Ministry of land, Housing and Urban Development since resource allocation and management are controlled from the headquarters. The study did

not focus on organization performance, rather on strategic plan implementation. Therefore, the current study sought to examine financial resources and how it influences organizational performance.

Nganga, Wangithi and Njeru (2016) sought to determine the effect of resource portfolio on performance of tourism government-owned organizations. The study used a cross sectional approach to determine the effect of resource portfolio on the performance of the tourism government agencies. The population of the study included management and non-management staff. The researcher used stratified sampling to select a sample size of 420. The data was collected using questionnaires from management and non-management staff and also secondary data about performance of selected tourism organizations. The study found that resources were critical to a firm's performance. Financial resources were not necessarily influential since the availability of the resources could not guarantee performance unless properly utilized. However, the conceptualization of financial resources was not clear as the study concentrated on resource portfolio at the expense of characteristics that are inherent in the financial resources which influence performance. Another shortcoming of the study was that it focused on management and non-management staff using same tool of data collection and at the same time used both primary and secondary data to produce single output. Therefore, the conclusions and recommendations were not reliable. The current study used questionnaire as primary data collection tool from the management of the RDAs.

Obonyo (2018) sought to establish factors affecting the globalization of small and medium enterprises in Nairobi, in the information technology (IT) trade industry. This study used a descriptive research design in order to provide a description of the globalization in SMEs in the IT trade industry and how it is influenced by technology, financial resources and legal regulatory framework. The study population comprised of 103 SMEs operating in Nairobi in the IT trade industry. The SMEs managers were involved directly in responding to the study questionnaire. Stratified random sampling technique was used to select samples for the study; strata were constructed in regard to the zoning of market regions in Nairobi; this included Nairobi CBD, Ngara and Muthurwa markets. The findings showed financial resources and legal and regulatory framework had positive significant correlation with globalization of SMEs. Financial resources enable SMEs to establish overseas offices and carry out recruitment for their foreign ventures. The utilization of legal and regulatory framework in conjunction with financial resources was not stated and most study have used legal and regulatory framework as moderating variables. Further, the study used globalization as dependent variable and the study did not include performance metrics. The current study used organizational performance as dependent variable and corporate governance as moderating variable.

III. METHODOLOGY

The study adopted explanatory research design which explores cause effect relationships. The explanatory research design also allows for systematic collection of data in standardized form from an identifiable population or representative (Mugenda and Mugenda, 2008). The study was carried out in six regional development authorities that cover all 47 counties in Kenya. The target population was 169 managerial staff in the RDAs which was categorized into chief managers, manager, head of departments and chief accountants. Stratified proportionate random sampling technique was used to select the sample. The study grouped the respondents into four strata i.e. chief managers, managers, heads of departments and chief accountants. From each stratum the study used simple random sampling to select 118 respondents from a target of 169. The study used Yamane (1973) formula to arrive at a sample of 118. The study utilized primary data collected using questionnaire and interviews. This study assessed validity of the study instrument using construct validity and content validity. To measure the reliability, Cronbach Alpha technique was employed. The researcher used descriptive statistics that include measure of central tendency; mean and measure of variability; standard deviation, maximum and minimum. The study used inferential statistics such as correlation analysis and regression analysis to test null hypothesis. SPSS software version 22 was used for statistical analysis.

IV. FINDINGS AND DISCUSSIONS

Descriptive Statistics

The study analyzed the data using quantitative approach to produce descriptive statistics. These descriptive statistics were used to derive conclusions and generalizations regarding the relationship between the financial resources and the performance. The respondents were asked to indicate the level of agreement from strongly disagree (1) to strongly agree (5) in regard to financial resources. The results are as shown in Table 1.0.

Table 1: Descriptive Results for Financial Resources

Financial Resources	Mean	Std. Error	Standard Deviation
My organization has adequate financial resources for funding its operations	2.480	.0942	.7516
My organization has adequate information on the available sources of finance to fund its operation	3.549	.0991	1.0013
The organization uses financial resources to undertake all planned activities as indicated in the budget	3.275	.0894	.9028
My organization has adequate budgetary allocation for implementation of its core projects	2.422	.0730	.7371
Any special projects have received sufficient funding from treasury	2.755	.0716	.7235
There is limited bureaucracy in the management of financial resources between Parent Ministry and my organization	2.637	.1164	1.1756
All strategic activities are sufficiently funded at all levels of the organization	2.961	.0923	.9326
Financial managers ensure that project is adequately capitalized.	3.275	.1072	1.0823
The management allocates adequate financial resources towards projects implementation	2.471	.0982	.9921
I am satisfied with the financial resources in my organization	2.902	.0930	.9388

Source: Field Data (2019)

From Table 1.0, the RDAs do not have has adequate financial resources for funding its operations (M=2.480, SD=0.7516). The insignificant deviation implies that all respondents were in agreement in regard to inadequacy of financial resources to funds their operations. The RDAs have adequate information on the available sources of finance to fund its operation (M=3.549, SD=1.000). The significant standard deviation implies that not all respondents confirm that they have adequate information on the available sources of finance to fund its operation. The results also revealed that RDAs have fairly used financial resources to undertake all planned activities as indicated in the budget (M=3.257, SD=0.9028). The significant standard deviation implies that not all respondents fairly agreed that their RDAs uses financial resources to undertake all planned activities as indicated in the budget.

The results also revealed that RDAs do not have adequately budgetary allocation for implementation of its core projects (M=2.422, SD=0.7371). The insignificant standard deviation implies that is small variation in regard to respondents' confirmation that there is inadequate budgetary allocation for implementation of its core projects. The RDAs have fairly received sufficient funding from treasury for special projects (M=2.755, SD=0.7235). The insignificant standard deviation postulates there is confluence on fairly sufficient funding from treasury. Similarly, there is fairly limited bureaucracy in the management of financial resources between Parent Ministry and RDAs (M=2.637, SD=1.1756). However, the significant standard deviation suggested that there is variation in terms of bureaucracy in the management of financial resources between Parent Ministry, other ministries and RDAs.

All strategic activities are fairly sufficiently funded at all levels of the RDA (M=2.961, SD=0.9326). There is significant variation in regard sufficiently funded at all levels of the RDA. Similarly, financial managers ensure that project is fairly adequately capitalized (M=3.275, SD=1.0823). There is variation in regard to adequately capitalized of projects by the RDAs meaning some of the RDAs projects are not fully capitalized. On the other hand, the management fairly allocates adequate financial resources towards projects implementation (M=2.471, SD=0.9921). There is some variation among the RDAs in regard to adequate allocation of financial resources towards projects implementation implying that some RDAs do not fairly allocate financial resources. Lastly, respondents were fairly satisfied with the financial resources in their RDAs (M=2.902, SD=0.9388). A significant standard deviation implies that not all respondents in RDAs were satisfied with the human resources in their organization.

During interview, from financial resources were identified and their sources. The main source of financial resources to RDAs is the national government through ministry of finance. The interview results revealed that RDAs falls under ministry of Regional Development and East Africa and therefore, both recurrent and development budget are from the ministry. However, due to low budgetary allocation, the respondents indicated that RDAs are looking for alternative sources of fund to supplement government allocation. The study revealed that most of the RDAs have started commercial wings to boost their financial resources for example Coast Development Authority has constructed Wananchi Cottages and Conference Facility located in Bofa, Kilifi Town and Kitui Honey Refinery by TARDA while Kerio Valley

Development Authority is currently a producer of pasture seed and is registered by KEPHIS. The interview results also revealed that they have been receiving grants from development partners to supplement their internal revenue generation sources

These results are consistent with other some theoretical and empirical studies while inconsistent with others. The results are in congruence with Morgan et al (2004) in Ismail et al (2012) argued that financial resources such as cash in hand, bank deposits and financial stocks were a firm's source of competitive advantage and superior performance. They differ to some extent with Talaja (2012) who established that both physical and financial resources were important to organizational success

Although the results reveal that the organization reallocated resources to activities other than those planned for in the course of the financial year, to a less extent, the findings also show that in some cases special projects were not properly funded. As one respondent pointed out:

"Sometimes government has brought forth special projects….these projects are not accompanied by budgetary allocation. We therefore find ourselves redirecting funds for some planned activities to fund these projects."

1) Inferential Statistics

Inferential statistics for this objective which entail simple linear regression and hierarchical linear regression was conducted to determine the influence of financial resources on performance of regional development authorities in Kenya. The results are as shown in Table 2.0.

Table 2.0: Inferential Statistics for Financial Resources

Model	R	R^2	Adj R^2	Std. Error of the Estimate	Change Statistics			
					R^2 Change	F Change	df	Sig. F Change
1	.418[a]	.175	.166	.35616	.175	21.147	1,100	.000
2	.655[b]	.429	.412	.29923	.254	21.835	2,98	.000
3	.675[c]	.455	.427	.29538	.026	2.285	2,96	.107

a. Predictors: (Constant), FR

b. Predictors: (Constant), FR, BC, AC

c. Predictors: (Constant), FR, BC, AC, FRAC_, FRBC_

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.265	.309		7.325	.000
	FR	.459	.100	.418	4.599	.000
2	(Constant)	.067	.427		.156	.876
	FR	.277	.090	.252	3.087	.003
	AC	.197	.120	.157	1.646	.103
	BC	.560	.122	.426	4.600	.000
3	(Constant)	-.241	.517		-.467	.642
	FR	.278	.090	.253	3.089	.003
	AC	.241	.123	.192	1.961	.053
	BC	.566	.125	.431	4.514	.000
	FRAC_	.148	.075	.153	1.969	.052
	FRBC_	-.098	.124	-.063	-.787	.433

a. Dependent Variable: PF

Source: Field Data (2019)

Direct Influence of Financial Resources on Performance

From Table 2.0, the R value is 0.418, P=0.000 implying that the relationship between financial resources and performance of RDA is moderate and positive. Therefore, increase in financial resources would results to increase in performance of RDAs. The R square which is coefficient of determination shows that up to 17.5% of variation in performance of RDAs is significantly accounted for by financial resources (R^2=0.175, P=0.000). This indicates that financial resources have significant influence of the performance of RDA. The F test gave a value of (1, 100) = 21.147, P<0.01, which supports the

goodness of fit of the model in explaining the variation in the dependent variable. It also means that financial resources are a significant predictor of RDA performance. The unstandardized regression coefficient (β) value of financial resources was 0.459 and significance level of $p < .001$. This indicated that a unit change in financial resources would result to change in performance of RDAs by 0.459.

The regression equation to estimate the performance of RDAs in Kenya as a result of financial resources was hence stated as:

Performance = 2.265+0.459 Financial Resources

Moderating Influence of corporate governance on Financial Resources and Performance

The study also sought to establish the moderating influence of corporate governance on financial resources and performance. In this regard, board composition (BC) and accountability (AC) were added in the model and thereafter, the interaction between financial resources and board composition as well as interaction between financial resources and accountability was added in the model.

The results revealed that addition of board composition and accountability in the model resulted additional 25.4% variation in the effect of financial resources on performance of RDA bring the overall R square to 42.9%. This change in R square was significant as indicated by $F(2,98)= 21.835$, $P=0.000$. In the third model, the interaction between financial resources and corporate governance measures were added in the model resulted additional 2.6% variation in the effect of financial resources (FR) on performance of RDA bring the overall R square to 42.7%. This change in R square was insignificant as indicated by $F(2,96)= 2.285$, $P=0.107$. It is clear that in model 3 with the interaction between corporate governance (CG) constructs and financial resources accounted for insignificantly more variance than just financial resources and corporate governance level by themselves, (R^2 change = .026, p = .107), indicating that there is potentially moderation of GC on the relationship between FR and performance.

The results revealed that the regression coefficients and their respective significance level for financial resources decreases when CG constructs was added to the regression model suggesting that CG constructs may be exerting a partial moderating effect on the relationship between the two variables. The results confirmed that CG (BC) and CG (AC) had an insignificant moderating influence on the relationship between financial resources.

V. DISCUSSION

The findings indicated that financial resources have significant influence on the financial performance of regional development authorities in Kenya. This postulates that RDAs with adequate financial resources such as grants, own source revenue and government allocation are likely to realize improved performance. However, it has been noted that, government is the major source of financial resources to the RDAs as such; delay in disbursement of funds has impact on the completion of projects and other tasks undertaken by the RDAs. Therefore, increase in the disbursement of funds would result to improvement of RDAs project performance. However, the utmost goals of financial resources on performance is utilization, the study indicated that how financial resources are utilized would impact on performance of RDAs. Mismanagement of financial resources has results to white elephants of project as some projects have remained incomplete due to lack of financial resources. Therefore, financial resources as conceptualized in term of sources, allocation, utilization and disbursement have positive influence on performance of regional development authorities in Kenya.

The findings have theoretical implication to resource base theory as well as dynamic capabilities theory. Even financial resources has been rarely used in respect to resource based theory, resource based view theory entails the identification of unique resources in a firm and making a decision where these resources can be invested to earn the company the highest returns (Hitt, Carnes & Xu, 2016). Brush, & Brown, 2015). Stacey (2011) advanced for the use of the framework by stating that financial resources enable organizations to acquire other resources. As applied to the study, the RBV provides the conceptual lens to understand how obtaining financial resources may contribute to the organization performance. In relation to dynamic capability theory, the ability and capacity of organizations to combine, integrate, renew and reconfigure resources as needs arise make financial resources critical to organization performance. Regional development authorities would require financial resources to configure and reconfigure other organizational resources.

These results mirrors Ahamed (2015) who found out that financial resources and organizational structure displayed statistically significant positive correlation with strategy implementation. However, financial resources had a weak

positive correlation with performance of 200 World Food Programme employees based in Nairobi and Somalia. The findings also agree with Ager, Rukangu and Njati (2015) who found out that sufficient statistical evidence that there was a significant relationship between financial resources and successful implementation of strategic plan. However, Sulaiman (2016) revealed the financial resource dimensions do not significantly influence firm performance of Small and Medium Enterprises operating in Australia. This also confirm findings of Nganga, Wangithi and Njeru (2016) who indicated that financial resources were not necessarily influential since the availability of the resources could not guarantee performance unless properly utilized of tourism government-owned organizations.

VI. CONCLUSION AND RECOMMENDATION

The study established that financial resources are fairly available to the regional development as the RDAs depend on the parent ministry for financial support. With competing government needs and devolution, regional developments have been receiving limited financial resources to carry out their mandate. As a result, the RDAs have in adequate budgetary allocation for implementation of its core projects which forces the management to allocate inadequate financial resources towards projects implementation. This comes at backdrop of RDAs having adequate information on the available sources of finance to fund its operation but they need to get confirmation from the parent ministry before sourcing funds from other sources. On the other hand, financial managers fairly ensure that project is adequately capitalized so as to achieve performance goals of RDA projects. Financial resources have significant relationship with RDA performance in Kenya. This postulates that increase in financial resources would resource to significant increases in RDA performance in Kenya especially in the completion of projects on time as some projects have taken long time to complete due to lack of financial resources. Therefore study concluded that financial resources have significant influence on the performance of Regional Development Authorities in Kenya.

The study established that financial resources have significant influence on performance of regional development Authorities in Kenya. However, the authorities had limited financial resources which affected their operation leading projects taking time to be completed. The study therefore recommends that management of regional authorities should not rely on the exchequer to fund their project but should broaden their sources of funds through private public partnership and commercial engagements. The study also recommended that the management should ensure the projects are fully capitalized before embarking on their implementations. The government should also reduce bureaucracy that is associated with the disbursement of funds to RDAs so as to ensure projects are funded promptly.

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