THE MODERATING ROLE OF ENVIRONMENTAL MUNIFICENCE IN THE RELATIONSHIP BETWEEN FINANCIAL RESOURCES AND THE PERFORMANCE OF DEPOSIT-TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KENYA

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ABSTRACT

The paper reports the findings of research on the role of environmental munificence in the relationship between financial resources and performance of deposit-taking savings and credit co-operative societies in Kenya. Deposit-taking SACCOs need financial resources to run their business. Internally generated funds are not always sufficient to support the deposit-taking SACCOs lending activities. As a result, they have to acquire scarce resources in a dynamic environment. This calls for the deposit-taking SACCOs to form partnerships and alliances with suppliers. The study is premised on the logic of the resource dependence theory that postulates that firms do not always possess the resources that they require to run their activities but rather depend on the environment to supply their deficits. The study is supported by the resource-based view and the institutional theory. The financial construct of the study was operationalized as internally generated funds and externally sourced funds. Further, the study explored the moderating effect of environmental munificence on the relationship between financial resources and the performance of deposit-taking SACCOs in Kenya. Data was obtained from representatives of functional areas involved in strategic decision-making in 38 deposit-taking SACCOs in Nairobi, Kenya. Data was collected using a 5-point Likert scale questionnaire whose computed Cronbach's alpha score showed that the instrument was reliable and internally consistent at above α=0.9. The study recorded a response rate of 71%. The study results indicated that financial resources contributed to the performance of deposit-taking SACCOs by explaining 82.2% variation of the performance. The study concluded that funds generated internally and those that are sourced externally contribute positively and significantly to the performance of the firm. In addition, deposit-taking SACCOs depended on external players such as financiers, government regulators and other suppliers for critical resources. Due to the deposit-taking SACCOs dependence on external players for resources, the study further concluded that environmental munificence moderated the relationship between financial resources and performance of deposit-taking SACCOs. The study recommends that deposit-taking SACCOs should form processes that aid them in acquiring scarce resources in the environment. In addition, the deposit-taking SACCOs should form and maintain meaningful relations with regulatory bodies, financiers and other partners to enable them acquire scarce resources with ease. Deposit-taking SACCOs should put a lot of strategic thought in the selection of strategic partners since the selection of one partner is likely to lock them out from partnering with other partners in future.

Key Words: Financial resources, Firm resources, Internally Generated Funds, Externally Sourced Funds, Environmental Munificence, Firm Performance, Deposit-Taking Savings and Credit Co-Operative Society.

INTRODUCTION

Good performance is the ultimate goal of every firm. Profitable firms contribute to their nation's gross domestic product and promote the economic, social, and political development of the nation and its people (Taouab & Issor, 2019). Firm resources contribute to the firm's good performance (Barney, 2014). Each firm requires its own unique set of resources to improve its performance. Different firms may employ varied resource combinations in the same industry to achieve superior performance. For instance, Ghatak (2013) identified intangible resources as a source of good performance in financial institutions, while Liu, Timothy, and Gao (2011) opined that tangible resources contributed significantly to good performance in a financial firm. A firm in the financial sector requires adequate funds to run its business successfully.

Financial Resources

Financial resources enhance firm operations such as innovativeness, information symmetry, and growth. Firms with a broad financial basis have better chances of survival and growth than those not financially endowed (Fowowe, 2017). Access to finance options with favourable terms, for instance, low-interest rates, flexible repayment periods or flexible security, help firms to grow faster (White, Maru & Boit, 2015). Firms that are not credit-constrained can generate funds externally, and they grow faster than those that are credit-constrained. Firms with access to finances from banks and other lending institutions grow faster. Financial assets enable firms to expand their operations and effectively improve their performance.

Funds required to run a firm must be available in a timely manner and should be easily accessible. Additionally, the funds must be adequate enabling firms to take advantage of opportunities that present themselves in the firm's operating environment (Njeru, 2018). Turyakira *et al*. (2019) relate suitable financing to the ease of access and favourable payment terms. Firms can generate funds both internally and externally. Firms with easy access to funds can expand their operations and report improved performance. Firms that can easily access affordable credit decrease the cost of finance and improve their profitability. Firms with limited access to credit are therefore likely to settle for financing options that are more expensive and, therefore, eat into their profits. Deposit-taking SACCOs have the challenge of accessing adequate external funding in a timely manner since their internally generated funds are not always sufficient (Mugambi *et al*., 2015). As a result, the deposit-taking SACCOs experience scarcity in raising funds to finance lending activities. Consequently, the firms need to make strategic choices on how to raise required financial funds amidst scarcity. Deposit-taking SACCOs form partnerships with other organizations to enable them access funds more timely. The current study explored strategies laid by deposit-taking SACCOs in generating funds internally and externally.

Environmental Munificence

Resource-scarce environments affect the firm's ability to provide finances and other resources which are necessary for firm performance (Rosenbusch *et al*., 2013). Limited resources result in entry and mobility challenges which may be legal or economical, raising the intensity of competition and resulting in a complex business environment with some firms being forced to close shop. Some industries have barriers to entry which may include government levies like operational licenses, and in some instances, incumbent firms may have set up associations that bar or raise the entry cost for new entrants (Andrew & Johansen, 2012). Firms manage deficits by forming long-term working relationships with players in the industry, including suppliers and the government, or even forming strategic partnerships that create synergies with new partners (Jain *et al*., 2017). These partnerships often create mobility barriers for the firms involved barring such firms from benefiting from other partnerships.

Firms with established working relationships with either suppliers or policymakers take advantage of their position to acquire needed resources more competitively. Onerous government regulations, such as high taxes, lead to entry barriers (Andrews & Johansen, 2012). While entry barriers adversely affect some firms, they ensure abundance for firms who are already players in the field. Entry barriers lock out new entrants, and the early movers can create mobility barriers which put them ahead of the competition.

Firms develop different strategies to deal with resource scarcity which leads to changes in structures and processes, and different firms use different resource combinations to optimally achieve their goals (Mezias, Park & Choi, 2008). Limited resources result in entry and mobility challenges which may be legal or economical, raising the intensity of competition and resulting in a complex business environment with some firms being forced to close shop. The reactionary strategies developed by firms in times of low munificence may change the firm's corporate culture and contribute to resource heterogeneity (Narayanan, Zane & Kemmerer, 2011). Avgeropoulos and McGee (2015) considered entry barriers not only as deterrents from entering an industry but also as deterrents from entering segments of the industry for players already in the industry. Scarce skills bring about mobility barriers, and a firm that's able to offer incentives attracts good skills from the industry, which affects performance positively (Rosenbusch *et al*., 2013). A firm's investment choices in times of scarcity influence decisions in the investment of resources which calls for a balance between expensive capital investment and varied skill investment.

Most industries require that a new firm intending to set up shop incurs some set-up investment (Avgeropoulos & McGee, 2015). Some industries have barriers to entry which may include government levies like operational licenses, and in some instances, incumbent firms may have set up associations that bar or raise the entry cost for new entrants (Andrew & Johansen, 2012). In their strategies, technological-dependent firms often have to choose one type of technology over

another, which presents a mobility barrier in case the firm desires to migrate to a different type of technology in future. In cases where the resource evaluation and selection process is not well thought through, it could result in resource switching costs. Switching costs include costs associated with certain economic activities, costs of evaluating the viability of new projects, costs of setting up, costs of narrowing the learning gap and the possibility of financial costs that could come with new projects (Bhattacharya, 2013; Shafei & Taaba, 2016). Therefore, firms must scan the environment for available resources and match the same to their strategy before committing available resources to acquire new ones.

When firms dealing in scarce resources successfully establish mobility and entry barriers, they can achieve a monopolistic position in the industry and make the resources they offer even more scarce for industry players. The current study was concerned with actions taken by industry-level players and the effect of such actions on the munificence of resources. The study aimed to establish whether environmental munificence moderates the relationship between financial resource acquisition and performance of deposit-taking SACCOs in Kenya.

Deposit-taking SACCOs in Kenya

According to the International Co-operative Alliance (2013), over 1 billion individuals are members of co-operatives in the world, 18 million of whom are in Africa. With more than ten thousand registered co-operatives, five thousand of whom are active, Kenya represents the most progressive co-operative movement in Africa, ranking number seven in the world and rivalling some tier three and four banks in the country (SASRA, 2016). A sub-sector of the SACCO, referred to as deposit-taking SACCOs (DT-SACCOS), operates like financial institutions and is licensed to take deposits from their members (Kioko, 2016). There has been a culture of thrift saving credited to the DT-SACCO sector in the Kenyan economy (Sagwa & Kembu, 2016). By the end of 2016, Kenyan SACCOs held a total of Ksh.272billion in savings which constituted an estimated 20-30% of total domestic savings. Due to their critical role in savings mobilization, the government of Kenya has recognized co-operative societies as essential vehicles for realizing its vision 2030 since they have the potential for wealth creation, employment creation and poverty alleviation (GoK, 2017).

Statement of the Problem

Despite the integral role played by deposit-taking SACCOS in the growth of the national economy they face both financial and technology advancement challenges. The deposit-taking SACCOs experience performance challenges due to their inferior information technology as compared to commercial banks who are their main competitors (Okwach, 2017). Another challenge experienced by the deposit-taking SACCOs is their inability to raise sufficient funds to meet their member's loan demands. The main business of deposit-taking SACCOs is lending, and the

SACCOs loan book is its biggest asset (SASRA, 2017). Even though the deposit-taking SACCOs face high demand for loans, they are not always able to meet this market demand because they have no access to the Central Bank of Kenya's (CBK) pool (Mugambi *et al*., 2015), a fact that has limited their ability to mobilize financial resources to satisfy their customers' needs. The inability to meet loan demands translates to lower income for the deposit-taking SACCOs resulting in poor performance and low dividends payout rates. Gweyi and Karanja (2014) identified lack of sufficient financial capital as a major challenge that affects the performance of deposit-taking SACCOs.

In their bid to alleviate financial shortages and improve their technology, deposit-taking SACCOs have established partnerships with other organizations such as banks and telecommunication companies (Ogola, 2014). However, the partnerships often create mobility barriers, barring the deposit-taking SACCOs from benefiting from emerging more affordable options. The currents study explored the relationship between financial resources and firm performance in deposit-taking SACCOs in Kenya. In addition, the study investigated the moderating effect of environmental munificence on the relationship between financial resources and the performance of deposit-taking SACCOs in Nairobi, Kenya.

General Objective

The objective of the study was to establish the effect of financial resources on the performance of deposit-taking SACCOs in Kenya.

Research Hypothesis

H_{01a} Internally generated funds have no effect on the performance of deposit-taking SACCOs in Kenya.
H_{01b} Externally sourced funds have no effect on the performance of deposit-taking SACCOs in Kenya.
H_{02} Environmental Munificence has no moderating effect on the relationship between financial resources and the performance of deposit-taking SACCOs in Kenya.

LITERATURE REVIEW

Theoretical Review

The study is grounded on the resource-based view, the resource dependence theory and the institutional theory.

The Resource-based View

The proponents of the resource-based view are Penrose (1959), Wenerfelt (1984) and Barney (1991). The resource-based view explains that firms rely on resources that are valuable, rare, inimitable and non-substitutable to improve their performance. Leiblein (2011) asserts that historical developments in the firm influence various ways in which varying firms gain access to resources and how the resources are interacted, explaining the variation in performances between competing firms. Firms with superior insights on changing environmental conditions in the industry can source resources when prices are low and before competitors catch up, which enables them to gain maximum value from the resources and earn above-normal returns (Barney, 2014). Resource advantages enable firms to develop efficient processes and exploit the advantages to achieve higher performance levels (Robinson, 2008). The resource-based view is critical in guiding firms on the formation of unique capabilities that enable them generate much needed funds internally and to also form critical relations with industry players to help them source for funds externally.

The Resource Dependence Theory

The resource dependence theory on the other hand explains how firms form strategies to acquire resources externally. The proponents of the resource dependence theory are Pfeffer and Salancik (1978) who wrote a paper explaining how the external environment controlled organizations. The researchers' focus was resource dependence. Galbraith and Stiles (1984) observed that firms engaged in mergers and acquisitions to reduce interdependency between buyers and sellers. Resource dependence theory suggests that the need for external resources and information determines the degree of environmental dependence (Gaur & Kumar, 2008).

Firms often need resources that other firms control; therefore, they must continuously develop strategies that will ensure continued access to these resources. Strategies formed by firms in need of resources controlled by other firms include interlocks, joint ventures, mergers, alliances, acquisitions, and other types of partnerships (Drees & Heugens, 2013). These strategies provide opportunities for firms to build on their capabilities using linkages gained from these partnerships and alliances with partner organizations (Ahuja, 2000). However, the partnerships and alliances also result in power imbalances that reduce the firms autonomy in decision making and engagement in other partnerships. Access to scarce resources gives power to the organization in possession of these resources over other organizations, and this brings about new alignments in terms of power control (Davis & Cobb, 2010). The postulates of the resource dependence theory are critical in guiding firms on how to form essential partnerships with industry players to attain scarce resources from the environment.

The Institutional Theory

The proponents of the institutional theory are March and Simon (1958); Cohen, March and Olsen (1972); Tolbert and Zucker (1996); DiMaggio and Powell (1983). Institutions are governed by routine activities and norms people practise knowingly or unknowingly set out structures and regulations that are a basis for authoritative but often undocumented rules that govern social behaviour (Scott, 2008). Campbell (2007) observes that institutional theory shapes workers' beliefs in an organisation, which moulds them to behave socially responsibly. Every industry and culture is governed by rules and belief systems that organisations must conform to. Firms that do not conform to set norms are setting themselves up for failure (Dobbin *et al*., 2007).

Activities such as firm processes and management approaches are endorsed by the firm's prevailing culture (Baumol *et al.*, 2008). Successful processes and structures are created when people interact, creating idiosyncratic, complex, and valuable resources. These processes and structures are slow in decay as they are passed on to successive generations of team members, thus forming a competitive advantage for the firm (Fahy, 2000). Institutions encourage good performance through innovative products and processes by rewarding an innovative culture (Miller, 2007). The postulates of institutional theory are important in formation of processes and adherence to industry norms that aid the organization to generate funds internally and source for more funds from the environment.

Empirical Review

The following section presents an empirical review of studies on the topics of financial resources and performance of firms and the moderating effect of environmental performance.

Financial Resources and Performance of Firms

Financial resources enable firms to acquire most of the other types of resources, including skilled human resources, most recent technology, and strategic physical locations and are a significant determinant in the performance of firms (Turyakira, Kasimu, Turyatunga & Kimuli 2019). Financial resources are funds used to start and grow the business and they include cash, stocks, shares, the firm's internal ability to generate funds and its borrowing capacity (Ismail, Rose, Uli & Abdullah, 2012). Firms with abundant financial resources compare well to other firms because they can leverage emerging opportunities and wedge off threatening business conditions (Ngek, 2016). Financial resources enable firms to acquire most of the other types of resources, including skilled human resources, most recent technology, and strategic physical locations and are a significant determinant in the performance of firms.

Hossain (2020) found that financial resources positively affected firms' financial and non-financial growth. Nwachukwu and Chaladkova (2018) found that financial resources positively and significantly affected the strategic performance of firms. Kijkasiwat *et al*. (2022) established that access to finance positively predicted improved performance in corporate firms. White, Maru and Boit (2015) concluded that financial resources affected performance regardless of the gender of the head of the firm. Fowowe (2017) found that firm growth was highly impacted by financial access. Ngek (2016) concluded that the performance of small and medium enterprises was predicted by financial literacy and financial capital was a moderator. The attributes of financial resources integrated in the study included liquidity enhancing products for short and long term loans, deposit mobilization products attracting deposits to the deposit-taking SACCO, strong financial statements, good credit history with external lenders and partnerships with credit institutions that offer lower interest rates and other favourable credit terms. The research proposes that based on these operational indicators of finance, the construct of finance will have an effect on performance of the deposit-taking SACCOs which leads to hypotheses 1a and 1b which is stated as;

> *Hypothesis 1a: Internally generated funds will have a significant positive effect on the performance of deposit-taking SACCOs.*
> *Hypothesis 1b: Externally sourced funds will have a significant positive effect on performance of deposit-taking SACCOs.*

The Moderating Effect of Environmental Munificence

Industry environments provide resources that firms in the industry compete for. Environmental munificence is a product of either scarcity or abundance of resources in the industry that firms have access to (Primc & Cater, 2015). The environment dictates the ease or difficulty with which firms access required resources. The availability of opportunities in the firm's environment influences munificence. Munificence is also influenced by the intensity of competition for available resources by competing firms or firms with competing needs for resources. Firms take strategic positions by aligning their resources in a way that enables them to explore available opportunities and cushion themselves from the adverse effects of threats presented in their operating environment from time to time (Hitt, Ireland, Sirmon & Trahms, 2011).

In their study, Onamusi, Asihkia and Makinde (2019) established that environmental munificence had a positive effect on firm performance. Shephered, Mooi, Elbanna and Rudd (2021) found that fast decisions resulted in high-decision quality in times of high environmental munificence and low-decision quality in times of low environmental munificence. Husseini (2021) found that market munificence moderated the relationship between marketing resources and performance of firms. Chirico, Criaco, Bau, Naldi and Gomez-Mejia (2020) found that environmental munificence moderated the relationship between family ownership and patent protection. Mezias, Park and Choi (2008) established that that international expansion was influenced by home country

environmental munificence. Goll and Rasheed (2004) found that in times of abundance, social responsibility impacted performance positively. However, in times of scarcity, social responsibility affected performance negatively.

The determinants of the munificence of resources are switching costs, government interventions such as licensing, contractual binding costs and the number of competing suppliers (Adegbite, Simintras, Dwivedi & Ifie, 2018; Shafei & Taaba, 2016). The attributes of environmental munificence included in the study were financial switching costs, contractual binding costs, contractual restrictions and licensing costs. The study therefore proposes that these attributes of environmental munificence will moderate the relationship between resources and performance of deposit-taking SACCOs. This leads to hypothesis 2 which is stated as:

> *Hypothesis 2: Environmental munificence will have a moderating effect on the relationship between financial resources and the performance of deposit-taking SACCOs.*

RESEARCH METHODOLOGY

Research Design

The researchers employed the positivist research design. The researchers starting point was literature review after which predictions were made from existing theory. The positivist philosophy allowed the researchers to combine logical deduction with precise empirical observations (Sekaran & Bougie, 2016). Hypothesis was developed and tested in line with the positivist philosophy. Hypotheses testing was done using statistical techniques to identify linkages between variables. This study adopted an explanatory and descriptive research design. Saunders *et al*. (2007) posit that an explanatory research design seeks to establish if what is being observed can be explained by an existing theory, and the current study investigated the relationship between financial resources and firm performance as explained in the resource-based view. The study used multiple linear regression models to analyse the relationship between the independent and dependent variables. The independent variables for the study were financial resources, technological resources, environment munificence while the dependent variable was firm performance.

Population and Sampling Procedure

The target population for this study was the list of all 38 DT-SACCOs in Nairobi City County licensed to do business by SASRA in the year 2020. The front office service activity managers, information and communication technology managers, human resources managers and finance managers were selected as respondents in this study since they are experts on the subject matter and were believed to possess sufficient knowledge to provide the required information.

Research Data

Primary data was collected using structured questionnaires. The questionnaire was a 5 point likert scale. The drop-and-pick method was used to distribute and pick the questionnaires from the respondents. The questionnaire explored the respondent's views on the variables of the study. Financial resources were operationalized in terms liquidity enhancing products for short and long term loans, deposit mobilization products attracting deposits to the deposit-taking SACCO, strong financial statements, good credit history with external lenders and partnerships with credit institutions with lower interest rates and other favourable borrowing terms. Environmental munificence was operationalised as financial switching costs, contractual binding costs, contractual restrictions and licensing costs.

Data was analysed using the Statistical Package for the Social Sciences (SPSS Version 26). Data were represented in the form of tables and charts. Descriptive statistics such as frequencies, percentages, mean and standard deviation were used to describe the characteristics of study variables. Inferential statistics were carried out using multiple linear regression to establish the relationship between financial resources, environmental munificence and performance, and test the hypotheses. The tests for the significance of the hypotheses were done by comparing the p-value of F statistics with a significance value of 0.05, and if the p-value was less or equal to 0.05, it was concluded that the model was statistically significant. Adjusted R^2 was computed to measure the amount of variation in the dependent variable (firm performance) that the independent variables could explain.

The study ensured internal, external, content, construct and face validity of the research instrument through literature review and consultation with subject experts. A Cronbach's alpha of α=0.9) was attained and the research instrument was found to be reliable enough to collect data. The study conducted diagnostic tests on the data collected before conducting regression analysis. The diagnostic tests conducted were normality, linearity, multicollinearity, homoscedasticity, and factor analysis. The results of the diagnostic test results are indicated on Table 1.

Before conducting regression analysis, the basic assumptions of linear regression must be adhered to (Teddlie & Yu, 2007). The results on table 1 indicate that all the results for the diagnostic tests fell within the threshold required for data to be analysed using regression analysis. The normality test demonstrated that data was normally distributed. The correlation test indicated that the dependent variables and the independent variable were strongly associated. The linearity test indicated that there was a linear relationship between the independent variables and the dependent variable. The multicollinearity and heteroscedasticity tests were negative. Since all the test results fell within the required thresholds, multiple linear regression was conducted for the study.

Table 1: Diagnostic Test Results

Assumption	Test	Result	Comments
Factor Analysis	Factor loading	All scores were above 0.40	Retained
Normality	P-P Plot Shapiro-Wilki Test	The scatter dots fell within the line of best fit p-values greater than 0.05 for all variables	Data was normally distributed Data was normally distributed
Linearity	Pearson Correlation	For all the independent variables $r \neq 0$ and were significant at p-values < 0.05	Independent variables were related to the dependent variable
Multicollinearity	VIF and Tolerance	All the independent variables had a VIF < 10 and a tolerance ≥ 0.01	No multiocollinearity
Heteroscedasticity	Levene Test	All the independent variables had a p-value > 0.05	No heteroscedasticity

RESULTS

The response rate for the study was 71%. Descriptive and inferential analysis were carried out. The results for descriptive and inferential analysis are shown in the following sections.

Variable Descriptive Characteristics

The study focused on the deposit-taking SACCOs ability to acquire funds internally and externally. The descriptive analysis of the data is displayed in Table 2.

Table 2: Descriptive Analysis of Financial Resources

Variable	**Mean**	**Std. Dev.**
Internally generated funds	3.68	1.151
Externally sourced funds	3.70	1.165
Environmental munificence	4.03	0.80
Performance	3.41	0.941
Aggregate	3.696	1.159

Test of Direct Effects Hypothesis

Multiple linear regression was carried out to establish the effect of financial resources on the performance of deposit-taking SACCOs. The results are shown on Table 3.

The results on Table 3 indicate that all the beta coefficients were statistically significant, with a p-value of less than 0.05. The results were; internally generated funds $\beta = 0.274$, $p = 0.000$; externally sourced funds $\beta = 0.643$, $p = 0.000$. The results indicate that the two hypotheses are supported. Thus the study concluded that financial resources have a significant positive statistical effect on performance of deposit-taking SACCOs in Kenya.

Table 3 Financial Resources and Firm Performance

Parameter	Value	Observation	Conclusion
Adjusted R^2	.822	Financial resources explain 82.2% of variation in performance	A strong relationship is noted
F	222.462		The model is a good fit
p	.000	Model is statistically significant	
B Constant	.640**	Significant positive effect of social capital resources on performance	
β Internally generated funds	.274**	Significant positive effect of internal sources of funds on performance	H_1 supported
β Externally sourced funds	.643**	Significant positive effect of external sources of funds on performance	H_2 supported

***** p<0.05**

Test of Moderated Effect Hypothesis

To test the moderating effect of environmental munificence on the relationship between financial resources and the performance of deposit-taking SACCOs, the study adopted the three step multiple linear regression model recommended by Mackinnon et al. (2007). The results of the three steps are displayed on Table 4.

Table 4 Summary of Tests for Moderation.

Parameter	**Step 1**	**p-value**	**Step 2**	**p-value**	**Step 3**	**p-value**	**Change**	Decision
R^2	0.893		0.909		0.916		0.023	Reject H_{02} there is evidence of moderation
Adjusted R^2	0.892		0.907		0.913		0.021	
βfinancial resources	0.945	0.000	0.736	0.000	0.252	0.184	-0.693	
β environmental munificence			0.244	0.000	-0.048	0.698	-0.292	
βinteraction of financial resources and environmental munificence					0.754	0.008	0.754	
F	794.013	0.000	468.699	0.000	335.88	0.000	132.819	

The results indicate a change in the co-efficient for financial resources from 0.945 in model 1 to 0.252 in model 3 (a total change of -0.693). This negative change is an indication that by introducing environmental munificence, the effect of financial resources on performance is reduced significantly. Further, when environmental munificence was introduced as a moderating variable, there was an increase in adjusted R^2 from 0.892 in model 1 to 0.913 in model 3, a total increase of 0.023 units. This is an indication that environmental munificence has a moderating effect on the relationship between firm resources and performance of deposit-taking SACCOs in Kenya.

DISCUSSION OF FINDINGS

The first objective of the study had two parts. First was to establish the effect of internally generated funds on performance of deposit-taking SACCOs. Second, was to establish the effect of externally sourced funds on the performance of deposit-taking SACCOs. On whether internally generated funds have a positive effect on the performance of deposit-taking SACCOs, the study findings indicate that ($\beta = 0.274$, $p = 0.000$). This means that a unit change in internal sources of funds would lead to a 0.274 change in performance. The descriptive mean for internal sources of finance was (mean 3.68, SD=1.151) an indication that deposit-taking SACCOs invested in activities that enabled them raise funds internally to a high extent. The findings on H_{1a} are explained using a number of bases. First is the manner that the deposit-taking SACCOs have integrated processes that aid in raising internal funds in their operations. The deposit taking SACCOs had invested in liquidity enhancing products for short and long term loans. In addition, the deposit-taking SACCOs had deposit mobilization products that aided in attracting deposits to

the deposit-taking SACCOs. Through these activities, the deposit-taking SACCOs were able to raise fairly priced funds internally.

Second, the study is premised on the resource-view and institutional theory preposition which states that firms develop behaviours, processes and ways of doing things that become part of the organizational culture. The results indicate that the deposit-taking SACCOs built institutional processes that ensured the generation of funds. The development of these processes is aligned with the resource-based view, whose VRIN proposition indicates that for resources to contribute to the performance of the firm they must be valuable, rare and inimitable. Since the processes are internally developed using firm-specific resources, they are unique to their firms, making them inimitable. Also, since the processes have the ability to generate much-required funds (financial resources), they are valuable to deposit-taking SACCOs. Consequently, since not all firms are able to employ such processes to generate funds to run their firms successfully, this makes them rare.
The second part of the first objective was to establish the effect of external sources of financing on the performance of deposit-taking SACCOs. The study findings indicate that ($\beta = 0.643$, $p = 0.000$). This means that a unit change in external sources of funds would lead to a 0.643 change in performance. The descriptive mean for external sources of finance was (mean = 3.70, SD=1.165) an indication that deposit-taking SACCOs invested in activities that enabled them raise funds externally to a high extent. The findings on H_{1b} are explained using a number of bases. First, the context of the deposit-taking SACCOs is such that they need funds to advance loans to their members in multiples of the member's savings. As a result, internally generated funds are rarely sufficient for members' loan demands. The deposit-taking SACCOs maintained strong books of accounts a practice that enabled them attain a good borrowing capacity. In addition, the deposit-taking SACCOs met their obligations with external lenders consistently enabling them maintain a good credit history and avoid a negative listing with credit reference bureaus. This practice gave them high credit ratings. The deposit-taking SACCOs also invested in partnerships with credit institutions. This practice enabled them access timely credit at favourable credit terms such as lower interest rates and longer repayment periods. Further, the deposit-taking SACCOs met regulator obligations enabling them to acquire certificates of borrowing powers from the department of Co-operative Development in the ministry of industrialization which was a requirement by external funders.

Second, findings on H_{1b} are premised on both the institutional theory and the resource dependence theory. The institutional theory preposition supporting the study states that firms adhere to norms that place them in good standing with other members of the industry. By adopting internal practices that were required of them by industry players such as financiers and government regulatory bodies, the deposit-taking SACCOs were able to acquire much needed loans. The proposition of the resource dependence theory, which the independent variable, financial resources is based on, observes that while firms depend on resources for their performance, some of the resources the firm requires are controlled by external players. To obtain resources that players outside the

organization control, the resource dependence theory suggests that firms should establish and maintain links with these external firms. Results of the study indicate that the deposit-taking SACCOs established links with external institutions such as banks and regulators. The study results are similar to those of a study done by Hossain (2020). The study found that financial resources positively affected firm's financial and non-financial growth.

The second objective was to establish the moderating effect of environmental munificence on the performance of deposit-taking SACCOs in Kenya. The research focused on the extent to which scarcity or abundance of resources in the environment affected the acquisition of resources by the deposit-taking SACCOs and, therefore, their performance. The aggregate mean for the descriptive studies was at the level of high extent (mean=4.03, SD=0.80). The inferential statistics indicate statistical significance on the moderating effect of environmental munificence on the relationship between financial resources and the performance of firms. The results indicated a change in the co-efficient for financial resources from 0.945 to 0.252 when environmental munificence was introduced to the model. The negative change is an indication that by introducing environmental munificence, the effect of firm resources on performance is reduced significantly. The results can be explained on different bases. First are actions taken by different players in the industry to take care of their interests. For instance, different players in the industry have employed mobility and entry barriers to lock in customers and reduce competition. In addition, suppliers introduce mobility barriers in their dealings with deposit-taking SACCOs. For example, banks require that deposit-taking SACCOs establish collateral savings to enable the SACCO to borrow from the banks. These collateral savings act as security for future loan facilities, effectively locking the deposit-taking SACCOs from moving across lenders.

The second objective of the study was anchored on the resource-based view, the resource dependence theory, and the institutional theory. Critical aspects of the resource-based view were applied in the study. The resource-based view theory's general tenet applied in the study is that firms depend on resources for their performance. As such, the deposit-taking SACCOs needed to acquire resources either internally or externally to enable their operations. The institutional theory holds that firms must adhere to set rules and standards to ensure their survival in the industry. The resource dependence theory provides a guidance for organization on establishing essential partnerships that will aid them in acquiring scarce resources. The study results agree with a study done by Onamusi et al., (2019). The study found that environmental munificence had a positive effect on firm performance.

IMPLICATIONS FOR THEORY AND PRACTICE

Deposit-taking SACCOs are financial institutions whose primary product is loans to their customers. Financial resources are used in acquiring and developing other resources. This, therefore, explains the high significance of financial resources in the performance of deposit-taking

SACCOs. Financial resources enable deposit-taking SACCOs to avail timely credit to members. Aligning with external lenders ensures that the deposit-taking SACCOs can consistently satisfy their financial needs even when their internally generated funds are insufficient.

The findings of this study establish complementarities between the resource-based view and the resource dependence theory. The results demonstrate that the deposit-taking SACCOs put measures in place to develop their internal financial resources by establishing products that encouraged fund mobilization. Additionally, with the projections that the firm might require more financial resources than it could raise internally, the management went further to establish links with external lenders. Activities such as a good credit history were established using internal resources to acquire external resources. This is in agreement with Machuki and Aosa, (2011), who observed that firms' relationships influence the management's ability to keep the firm afloat in times of scarcity.

The study has contributed to the growth of the body of knowledge in strategic management. Specifically, the study interrogates strategic choices made by firms in acquiring external resources and the long term effects of those choices on the performance of firms. Further, the study is examines the practices employed internally by firms to allow them access external resources. The study, links institutional practices as prepositioned in the institutional theory that aid firms in developing firm specific processes that strategically position them to benefit from the scarce resources available in the environment and effectively place the firms ahead of their competitors. The deposit-taking SACCOs employed the concept of strategic thinking, which calls for firms to employ strategic decision-making practices. Such practices place the firms at an advantage in comparison to their competitors. The initial choices made by the deposit-taking SACCOs in infrastructure acquisition limited their choices on the acquisition of similar infrastructure in future. Similarly, the initial choices made by the deposit-taking SACCOs in the acquisition of a financial partner affected the firm's partner choices in future. It, therefore, is recommended that firms draw clear strategic plans before they can make a choice on whom to partner with in the provision of resources.

CONCLUSIONS AND RECOMMENDATIONS OF THE STUDY

The first objective of the study was to establish the effect of financial resources on the performance of deposit-taking SACCOs in Kenya. The study investigated the effect of internally generated financial resources and externally sourced financial resources. The study established that internally generated funds had a positive and significant effect on the performance of deposit-taking SACCOs. The positive effect was linked to the deposit-taking SACCOs ability to develop products that increased the deposit-taking SACCOs deposit accumulation which could then be used for on-lending to members. The study therefore, recommends that financial firms should develop processes that are critical in helping them raise needed funds. Such processes include investing in

liquidity enhancing products for short and long term loans. In addition, the deposit-taking SACCOs develop deposit mobilization products that will aid them in attracting deposits. Through these activities, the deposit-taking SACCOs will be able to raise fairly priced funds internally.

The study established that externally sourced funds had a positive and significant effect on the performance of deposit-taking SACCOs. The deposit-taking SACCOs depended on financiers, government regulators and other suppliers for critical resources. Deposit-taking SACCOs developed the internal processes that aided them in attaining required industry standards that would allow them to gain services from external players. Such processes included maintaining a good credit history and maintaining books of accounts to meet external players' requirements. Institutionalization and culturalization of healthy practices lay down a resource foundation for the firm that opens up essential links in times of environmental dynamism. In consideration of this, it is recommended that firms adopt acceptable practices that will enable them acquire resources from the environment. Such practices include maintaining good credit history by meeting their obligations within the specified time, meet regulatory obligations within the specified period of time and maintaining healthy financial statements. In addition, the deposit-taking SACCOs should form and maintain meaningful relations with regulatory bodies, financiers and other partners to enable them acquire scarce resources with ease.

Lastly, the study concluded that environmental munificence moderated the relationship between financial resources and the performance of deposit-taking SACCOs. External players limited the deposit-taking SACCOs' choices on resource acquisition. Resource acquisition was subject to mobility and entry barriers set up by the suppliers. Entry and mobility barriers created resource scarcity by limiting the choice of actions open to the deposit-taking SACCOs in relation to resource acquisition. Government barriers to entry, such as provision and renewal of licenses, were critical factors in limiting resource acquisition options for the deposit-taking SACCOs. The study recommends that, deposit-taking SACCOs should devise strategies that would aid them in acquiring the required resources such as establishing and maintaining links with critical external players. It is also recommended that the deposit-taking SACCOs put measures in place to enable them meet requirements for licensing. Additionally deposit-taking SACCOs should put a lot of strategic thought in the selection of strategic partners since the selection of one partner is likely to lock them out from partnering with other partners in future.

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