Resource Consumption Accounting And Performance Of Commercial Banks In Kenya

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ABSTRACT

Resource Consumption Accounting consists of three basics which include; resources- regarded as the starting point, cost structure is monitored perpetually, and amount based approach is used in modelling the costs. The main purpose of this paper was to examine the relationship between resource consumption accounting and the financial performance of Commercial Banks in Eldoret town in Kenya. The study was guided by the theory of Constraints. The study adopted across- sectional research design and targeted management level employees working in all the 28 commercial banks in Eldoret town. This included the branch managers, operations and control managers and the bank accountants making a total of 130 respondents. A census of the study population was done. Questionnaires were used as data collection instruments. To determine the validity of the questionnaire items, research experts were used to examine them and their suggestions and comments used as a basis to modify the research items. Cronbach alpha coefficient was used as a reliability test. A value of above 0.7 confirmed the reliability of the research instruments. The data was analyzed using both descriptive statistics (frequencies, percentages, mean and standard deviation) and inferential (multiple regression and correlation) and was presented by use of tables. The study findings indicated resource consumption accounting with $\beta = 0.288$; $p < 0.05$ was significantly related to financial performance. The study recommended that the management of the commercial banks in Kenya should strive to maintain the current resource consumption accounting practices and further increase or improve on it to enhance the banks value leading to satisfying the shareholders and stakeholders

KEY WORDS*: Resource consumption accounting, financial performance, commercial banks*

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I.   INTRODUCTION

RCA emerged as a management accounting approach beginning around 2000, and was subsequently developed at CAM-I (The Consortium of Advanced Management, International) in a Cost Management Section RCA interest group commencing in December 2001. Over the next seven years, RCA was refined and validated through practical case studies, industry journal publications, and other research papers (Liu, &Wang, 2017). RCA is an accounting approach based largely on the German management accounting approach Grenzplankostenrechnung (GPK) and allows for the use of activity-based drivers (Szemla, 2021). Resource Consumption Accounting (RCA), therefore combines the systems of activity based costing and German cost accounting and was developed as a result of the fact that traditional accounting systems remain insufficient especially in the dimension of managerial accounting and the managers cannot provide the necessary information for the period of making decisions.

According to International Good Practice Guidance, "*A sophisticated approach at the upper levels of the continuum of costing techniques provides the ability to derive costs directly from operational resource data, or to isolate and measure unused capacity costs. For example, in the resource consumption accounting approach, resources and their costs are considered as foundational to robust cost modeling and managerial decision support, because an organization's costs and revenues are all a function of the resources and the individual capacities that produce them.*" (Professional Accountants in Business Committee, 2009).

Resource consumption accounting (RCA) is an accounting management approach describing the dynamic, integrated and comprehensive management accounting that provides managers with decision support information for achievement of organizational goals. RCA thus is a system of managerial accounting, which categorizes costs as fixed and variable and supports managerial decision making with real cost data by determining the idle capacity (Ashfaq, Younas, Usman, &Hanif, 2014). Under the Resource consumption accounting, the resource is a broad concept, and resource consumption is the cost value transfer departments.

Resource consumption accounting is based on the cost distribution according to resource consumption, and accounts are made as amount centered (Aksu, 2013).

RCA consists of three basics which include; Resources are regarded as the starting point, Cost structure is monitored perpetually, and amount based approach is used in modelling the costs (Yilmaz, &Ceran, 2017). Resource Consumption Accounting (RCA), which combines the systems of activity based costing and German cost accounting was developed as a result of the fact that traditional accounting systems remain insufficient especially in the dimension of managerial accounting and the managers cannot provide the necessary information for the period of making decisions. RCA was defined as a system of managerial accounting, which categorizes costs as fixed and variable and supports managerial decision making with real cost data by determining the idle capacity. Resource consumption accounting provide the real cost data without distributing the idle capacity and the fixed parts analyzing the variable costs to the goods or products, and back up the period of making decision.

According to RCA Institute – About RCA archived from the original on 2019-04-21 and retrieved 2008-09-05 as cited by Kbelah, Amusawi, and Almagtome, (2019) there are three core elements that enable RCA to lay a very different foundation for its cost model: *The view of resources*. Under this, resources and their costs are considered foundational to proper cost modeling and decision support. Thus, an organization's cost and revenues are all a function of the resources that produce them.*Quantity-based modeling*. This views the entire model as constructed using operational quantities. Where operational data is the foundation of value creation and the leading indicator of economic outcomes. Lastly, *Cost behavior* in which value is added as a veneer to the quantity-based model and costs/dollars behavior is determined by the behavior of resource quantities as they are applied to value creating operations within an organization (Kbelah, Amusawi, and Almagtome, 2019).

II. Theoretical review

The theory of constraints (TOC) is an overall management philosophy introduced by Goldratt in 1984. Theory of Constraints advocates strongly exclusions of any capacity costs from products (Goldratt, 1984*)*. TOC systematically focus efforts, energy and attention on the system constraint. This constraint, or bottleneck, restricts the output of the entire system and at the same time represents the primary leverage point for improving it. Simply put, TOC means identifying constraints and managing them, resulting in: On-Time In-Full (OTIF) delivery to customers, Elimination of stock-outs across the supply chain, Better control over operations and far less firefighting, Reduced cycle times and therefore inventories, Rapid response culture and fewer chronic conflicts between team members, Exposing additional production capacity without any investment and Higher Net Profit, ROCE & Free Cash Flow. To accomplish this, TOC shifts the focus of management from optimizing separate assets, functions and resources to increasing the flow of throughput generated by the entire system. TOC's key processes are focused on removing barriers that prevent each part from working together as an integrated whole (Goldratt, 2009).

The theory assumes that organizations can be measured and controlled by variations on three measures: throughput, operational expense, and inventory. Inventory is all the money that the system has invested in purchasing things which it intends to sell. Operational expense is all the money the system spends in order to turn inventory into throughput. Throughput is the rate at which the system generates money through sales. Before the goal itself can be reached, necessary conditions must first be met. These typically include safety, quality, legal obligations, etc. For most businesses, the goal itself is to make money (Goh, Suki, & Fam, 2014). However, for many organizations and non-profit businesses, making money is a necessary condition for pursuing the goal. Whether it is the goal or a necessary condition, understanding how to make sound financial decisions based on throughput, inventory, and operating expense is a critical requirement (Pasanen, 2014). Theory of constraints will be relevant to this study because it is an effective management philosophy suggesting practical solutions to various complex problems including product mix problem.

Theory of Constraints has been criticized on lack of openness, an example, tools and techniques not being a part of the public domain, rather a part of his own framework of profiting on his ideas. According to Gupta and Doug (2012), despite being recognized as a genuine management philosophy nowadays, theory of Constraints has yet failed to demonstrate its effectiveness in the academic literature and as such cannot be considered academically worthy enough to be called a widely recognized theory. Theory of Constraints needs more case studies that prove a connection between implementation and improved financial performance. Nave, (2012) argues that theory of Constraints does not take employees into account and fails to empower them in the production process. He also states that TOC fails to address unsuccessful policies as constraints. In contrast, Goh, Suki & Fam, (2014) state that much of the criticism of Goldratt's work has been focused on the lack of rigor in his work, but not of the bottleneck approach, which are two different aspects of the issue.

III. Empirical Review.

Hadi, &Hatif, (2023) studied the Role of Time-Directed Resource Consumption Accounting Technology in Monitoring and Reducing Product Costs: An Applied Study. The research aimed to apply the time-oriented resource consumption accounting (TDRCA) technique in one of the factories of the Iraqi General Cement Company / Kufa Cement Factory, as it is one of the most important strategic cost management techniques in the field of administrative and cost accounting. The application of this technology would lead to efficient utilization of resources and achieve control over it leading to a reduction in costs. To achieve this goal, the study relied on the data of the economic unit through personal interviews and field visits with the employees of the Kufa Cement Factory and field visits for the purpose of applying the technology. The study concluded that the application of time-oriented resource consumption accounting contributes to the optimal utilization of resources and achieving control over them, and this is reflected in the result in reducing costs. The advantages of Time- Driven Activity-Based Costing(TDABC) technology and Grenzplankostenrechnung- German Costing System (GPK) technology in order to rationalize the resources of the economic unit, and to achieve control over them, as well as taking Strategic Decisions. The results of the research concluded that the ability of this technology is to identify and distribute costs in an easier and less complicated way and reduce effort and time, to achieve the best control over costs.

Mustafa, Azimli, and SabirJaf, (2022) examined the roles of resource consumption accounting and competitive prices in attaining sustainable profitability. A PLS-SEM procedure was applied in analyzing 129 of the top 30 performing companies'. Structured questionnaire responses were drawn from five industries in Kurdistan from 2021. The empirical results demonstrated that competitive pricing models involving resource consumption accounting systems provide superior price forecasting, error reduction and profit maximization capabilities than existing energy models. The study's outcomes highlighted that the extent to which resource consumption accounting exerts pressure on sustainability profitability significantly increases the positive relationship between competitive pricing and sustainable profitability. The study concluded that energy and non-energy industrial companies must rely on resource consumption accounting to set competitive prices and enhance and sustain their profitability by considering the overlooked energy pricing stochastic parameters and errors amid rising energy shortages and costs.

Paksoy, (2022) conducted a study which was designed to illustrate the implementation of customer profitability analysis (CPA) using resource consumption accounting (RCA) for a hotel. A case study was performed at a 5-star hotel in Antalya, Turkey whose room capacity was 350. The scholar used Interviews, direct observations, and document collection to obtain data while seeking to understand how the RCA method affects analysis results by applying the case study method for a hotel. Results indicated that some customer segments, which are unprofitable by the traditional costing method, are profitable while using RCA. The cost of idle resources devoted to activities in the hotel was also put forth with the case study. From the findings, the hotel management was able to understand the profitability of different customer segments and implement appropriate strategies.

Okutmus, (2015) conducted a study on resource consumption accounting with cost dimension and an application in a glass factory. In his study, the definition of the costs of the operating business using the resource consumption accounting as fixed and variable is to determine the idle capacity, provide the real cost data without distributing the idle capacity and the fixed parts analyzing the variable costs to the goods or products, and back up the period of making decision. In the study, the idle capacity was calculated by using the costs for the products and with the application of resource consumption accounting. The calculation of the idle capacity and its loading on the responsible unit or person was found to increase the effectiveness and productiveness of the firm by providing real cost data. The study concluded that the resource pools assign the costs of the resources forming the overhead manufacturing expenses in the firm. Resource factors will be used in the distribution of the costs assigned in the pools to the activities, main activities which are made in the management, and the activity factors which are used in charging the costs to the products are determined.

In his study on benefits of Switching from Activity-Based Costing to Resource Consumption Accounting: Evidence from a Power Generator Manufacturing Plant, Jassem (2019) affirmed that adopting resource consumption accounting practices serves an essential purpose of providing vital information about all the pertinent stochastic parameters crucial in reducing forecasting errors and enhancing profitability. Of paramount importance are the established novel findings depicting competitive pricing models involving resource consumption accounting systems that provide superior price forecasting, error reduction and profit maximization capabilities compared to existing energy models (Jassem, 2019). Additionally, Jassem (2019) highlighted that the positive relationship between competitive pricing and sustainable profitability is significantly increased by the extent to which resource consumption accounting exerts pressure on sustainability profitability. Therefore, the study contended that both energy and non-energy industrial companies should rely on resource consumption accounting to set competitive prices and enhance and sustain their profitability levels, especially at a time when structural imbalances in commodity markets and poor economic problems are increasing worldwide (Jassem, 2019).

Goh, Suki, and Fam, (2014) Explored a consumption value model for Islamic mobile banking adoption and identified any differences in perceived consumption values between Muslims and non-Muslims towards the use of Islamic mobile banking services. A sample of 183 was collected and the partial least squares (PLS) method was used to evaluate the model and validate hypothesis, as it is ideal for assessing both the psychometric properties of all scales and, subsequently, to test the structural relationships proposed in the model. Empirical results via the PLS method demonstrated that the result satisfactorily explained the adoption of Islamic mobile banking and further demonstrated the use of the consumption values model as an alternate approach for technology adoption. The consumption values model approach appeared to have a stronger fit for Muslims than non-Muslims with 66.6 per cent of the variance explained and a goodness-of-fit index of 0.724.

David and Stovall, (2011) examined the resource Consumption and its dominant principle of work. The study stated that RCA combines the activity analysis of ABC with detailed knowledge of resource capacities and cause/effect relationships that allow for the monitoring of cost behaviors at the resource level within the banking sector. Costs that originate in a resource cost center are considered primary costs; secondary costs are those that are assigned to the resource cost center from another resource. Total resource costs are then classified as either fixed or proportional, depending on the correlation between the input quantities to and output quantities from the resource. Thus, proportional costs at the resource level should not be confused with variable costs" which generally refers to those costs that vary with total production volume. The classification of resource consumption as fixed or proportional may require a significant amount of judgment by the banking management, but once a cost is classified as fixed, it remains fixed for monitoring purposes. However, resource costs that behave proportionally to the output of a supplying resource may be reclassified if consumed in a fixed manner (Predrag, Miroslav & Milan, 2012).

IV. METHODOLOGY

Research Design
A research design is an outline for collection, measurement and analysis of data. It guides the entire research process (Orodho, 2009). The study used a cross- sectional research design. This is because such studies on resource consumption accounting hasn't been conducted more clearly, thus the researchers intended to establish priorities, develop operational definitions and improve on the clarity of the previous studies. The researchers also adopted this research design because of the scanty past data and just a few studies for reference (Creswell, Klassen, Plano Clark, & Smith, 2011).

Population of the Study
Population refers to the entire group of individuals, objects or things that share common attributes, from which the researchers seeks to find information. The target population is the entire group of individuals, objects or things that share common attributes and to which results will be generalized (Kombo& Tromp, 2006). The target population for the study was all management staff working in commercial banks in Eldoret town, Kenya coming to a total of 130 respondents. Accessible population is a sub-set of the target population which the research can access to be involved in the study. Accessible population for this study was therefore the management cadre employees working in all the 27 commercial banks in Eldoret town. This included the branch managers, operations and control managers and the bank accountants making a total of 130 respondents as indicated in the Appendix below.

Census Survey
The study used census. This is because the researchers would have wished to do a more generalised inference which a sample would not achieve. The census was also used so as to get a total representation of the management view as opposed to just from a sample. Therefore all the 32 branch managers, 32 operations and control managers and 66 accountants totaling to 130 respondents were included in the study.

Data Collection Instruments
The study used questionnaires in order to gather primary data on value based management accounting. Questionnaires give respondent adequate time to give well thought out answers. Bias from the respondents and researchers is also eliminated (Orodho, 2009). This method collected a lot of information over a short period of time. The method is suitable when the information needed can be easily described in writing and there is limited time. In the study the respondents were given time to complete the questionnaires before returning them for analysis. The questionnaires contained both the structured and semi- structures parts. Secondary data was collected using documentary analysis. Documentary analysis generally provide data source, which is available and permanent in a way that can be examined by others (Kombo& Tromp, 2006)

Pre-testing of Research Instruments

Pilot study refers to a small-scale rehearsal of the research design. It enables testing of the feasibility, instruments and methods (Orodho, 2009). A pilot study was conducted to test the validity and reliability of the research questionnaire. It involved 10% of the size of the sample population (Orodho, 2009). This equals to 13 respondents randomly drawn from management team of commercial banks in Kitale town. Participants in the pilot testing were not involved in the final study.

Validity

Validity is the degree to which an instrument measures what it claims or purports to measure. It is the accuracy, truthfulness and meaningfulness of inferences that are based on the data obtained from a tool or a scale for each construct in the study (Kombo& Tromp, 2006). Construct validity of research questionnaire was measured by the test instruments in Kitale's banks. Content validity on the other hand was ensured by consulting the supervisor. This assisted in evaluation of the concept the questionnaire is trying to measure and to determine whether the set of items accurately represents the concepts.

Reliability

Reliability is the consistency with which a research instrument measures the construct or content area it is intended to measure. It is reported as a coefficient ranging from 0.00 (low) to +1.00 (high). A coefficient above or equal to 0.70 is considered sufficient for most cases (Orodho, 2009). Therefore, reliability of the questionnaire was tested using Cronbach's alpha coefficient where a threshold value of ≥ 0.7 was used.

Data Collection Procedures

After testing the validity and reliability of the research questionnaire, the researcher sought the consent of Jomo Kenyatta University of Agriculture and Technology and the management of commercial banks in Eldoret town. The research questionnaires was then administered to the respondents by the researcher in person.

Data Processing and Analysis

The data collected was cleaned, edited, coded and stored before being analyzed. Both descriptive and inferential statistics were used for data analysis. Descriptive statistical tools included frequency, percentages, means, standard deviations and Variance. Inferential statistics include Pearson Product Moment Correlation and multiple regression analysis. Data was presented in tables.

The following regression model was used;

Y= α +β₁X₁ + ε………………………….……………………….……...…………**Equation 1**

Where, Y represents the dependent variable, α represents the constant, β1 represents the coefficient of the independent variable, X1 represents the independent variable, and ε represents the error term.

Response Rate

The researcher administered questionnaires to 130 respondents and 106 duly filled questionnaires were returned. This represents a response rate of 81.54 %. According to Zikmund*et al.,* (2010) observed that in descriptive research, a response rate of above fifty percent (50%) is adequate for analysis, sixty percent (60%) good and seventy percent (70%) and above to be very good. Thus, the response rate achieved in this study can be considered sufficient to give the findings adequate reliability.

Reliability Test Results

Reliability is a measure of consistency of the research instrument (Hair et al., 2007). Reliability was tested using the Cronbach alpha coefficient. The reliability threshold was alpha equal to or greater than 0.7. The results of the internal consistency of the research instrument is as shown in

Table 1:Cronbach's Alpha Reliability

Variables	Cronbach AlphaCoefficient	Test Items
Resource Consumption Accounting	0.893	5
Financial Performance	0.795	4

From Table 1, it is indicated that the reliability coefficients of the study variables were above 0.70. Resource consumption accounting had the highest Cronbach alpha coefficient of 0.893 while financial performance of commercial banks had a Cronbach alpha coefficient of 0.795. This implied that the research instrument was reliable. This concurs with the suggestion made by Nunnally, (1978) that the internal consistency is considered to be sufficient and adequate if it's reliability value above 0.7.

Demographic Information

Background information is aimed at providing relevant information on the composition of the respondents. The study grouped demographic information of the respondents in terms of gender, age bracket, education leveland service durationwith the bank.

Gender of the Respondents

The study sought to establish the respondents' gender. The results are presented in Table 2

Table 2: Gender of the Respondents

Gender	Frequency	Percentage
Male	71	67
Female	35	33
Totals	**106**	**100**

From the results in Table 2, 71(67%) were male and 35(33%) were female. This is a clear indication that males form the majority of the managers and accountants in the banks. Thus, the gender of the respondents could influence the findings as it was not fairly balanced. This implies that the researcher was able to minimize the influence of gender biasness by collecting data across all genders. This was interpreted to mean that the data collected represented the views of both genders and hence was not biased despite the disparities in the distribution which indicated that there were slightly more male than female respondents.

Distribution of Respondents by Age Bracket

The study sought to establish the age bracket of the respondents. The results are presented in Table 3

Table 3: Age Bracket

Age Brackets	Age	Percent
26-30 Years	8	7.5
31-35 Years	24	22.6
36-40 Years	30	28.3
41-45 Years	31	29.2
Over 45 Years	13	12.3
Totals	**106**	**100**

From Table 3, majority of the respondents 31(29.2%) lie between the ages of 41-45, followed by the age bracket36-40 years, 30(28.3%). The age bracket 31-35 years represented 24(22.6%) personswho responded. The age over 45 years came in fourth at 13 (12.3%) and lastly was the 26-30 years which was 8 (7.5%). This is a clear indication that the people managing the bank branches in terms of operations and finances are majorly the middle aged. However, it is important to note that a younger population is also coming up by evidence of the less than 30 years in the brackets of 26-30 years. Bass (2005) argues that age brings in experience, responsibility and skills. These findings imply that majority of the people managing banks are energetic, very active, experienced, responsible and skilled.

Distribution of Respondents by Academic Qualifications

The study also sought to determine respondent's education level. Table 4 shows the results of the analysis.

Table 4: Level of Education

Level of Education	Frequency	Percent
Diploma	10	9.4
Degree	76	71.7
Masters	20	18.9
PhD	0	0
Totals	**106**	**100**

The findings of the study in Table 4 indicated 10(9.4%) of the respondents had diploma education, 76 or 71.7% (76) of the respondents were degree holders, and 20 or 18.9% were Master's degree holders. This implies that majority of the respondents had degree qualification. That is satisfactory level of education that can comfortably facilitate proper understanding of the research questionnaire.

Distribution of Respondents by Period Worked in the Firm

The study sought to find out the duration the respondents have been working since they were employed. Table 5 shows the results of the analysis.

Table 5: Duration Worked

Service Duration	Frequency	Percent
Less than 1	2	1.9
2-3 Years	3	2.8
4-5 Years	13	12.3
6-7 Years	27	25.5
8-9 Years	42	39.6
Over 9 Years	19	17.9
Totals	**106**	**100**

It is evident from the findings in Table 5 that majority of the respondents 42 (39.6%) have been working in the firm for a duration of 8-9 years. Those who have worked for between 6-7 years were 27 (25.5%). Still again, findings show that a further 19 (17.9%) have worked in the banks for over 9 years while those who have worked in the firm for between 4-5 years were 13(12.3%). The study also indicated that 3(2.8%) had worked in the firm for a duration 2-3 years and that only 2 (1.9%) of the respondents had less than one year experience working in the management of the bank. This implies that the banks had attracted and retained skilled and capable management as evidenced by their experience and the duration of the managers in the job. This is evidenced by the duration worked in the firm which is usually in line with experience, responsibility and skills of the various personnel person (Karanja, 2011).

Descriptive Findings and Discussions

This section illustrates descriptive findings and discussions based on the objectives of the study. The findings are presented in form of mean, standard deviations, and variances. The responses are in line with a 5 Point Likert-Scale ranging from: - Strongly Disagree= 1, Disagree=2 Undecided= 3, Agree= 4 and Strongly Agree= 5.

Resource Consumption Accounting

The study further inquired on the relationship between resource consumption accounting and financial performance of banks in Eldoret town. The results are presented in Table 6

Table 6:Descriptive Statistics for Resource Consumption Accounting

Resource Consumption Accounting Statement	N	Min	Max	Mean	SD	Variance
Our banks management accounting model is quantity based aligned with information from its environment	106	1	5	4.23	0.69	0.48
Our banks management accounting implements resource use in creating a sustainable competitive advantage	106	1	5	4.18	0.73	0.53
Our banks management accountants apply their skills to assist financial managers in evaluating cost behaviors and anticipated risks	106	1	5	4.07	0.73	0.53
Our bank uses ABC analysis to provide management with appropriate information	106	1	5	4.02	0.81	0.66
Our bank must consider the use of ABC analysis in costing policies for products and services	106	1	5	3.87	0.87	0.76
Weighted Mean					**4.07**	

The findings in Table 6 indicated that the banks management accounting model with a (Mean =4.23; StdDev =0.069) is quantity based aligned with information from its environment. The respondents agreed (Mean =4.18; StdDev =0.73) that their banks management accounting implements resource use in creating a sustainable competitive advantage. The findings further indicated with (Mean =4.07; StdDev =0.73) that their banks management accountants apply their skills to assist financial managers in evaluating cost behaviors and

anticipated risks. Further, findings indicated that (Mean =4.02; StdDev =0.81) the banks Resource Consumption Accounting function provides important techniques that may enhance credit risk management and a competitive advantage. The respondents also concurred (Mean =3.87; StdDev =0.86) that their Bank's knowledge of resource capacities and cause/effect relationships allow for the monitoring of cost behaviors at the resource level.

These findings to a large extent are in corroboration with the findings of David and Stovall, (2011) who examined the resource Consumption and its dominant principle of work. The study stated that RCA combines the activity analysis of ABC with detailed knowledge of resource capacities and cause/effect relationships that allow for the monitoring of cost behaviors at the resource level within the banking sector.

Financial Performance
The study also sought to determine the respondent's level of agreement with effect of financial performance of commercial banks. Table 7 shows the findings.

Table 7: Descriptive Statistics for Financial Performance

Financial Performance Statement	N	Min	Max	Mean	SD	Variance
Our bank has adopted value based management accounting system in improving its Return on Assets	106	1	5	4.32	0.57	0.32
Our banks adopts Lean practices to enhance profitability	106	1	5	4.18	0.61	0.37
Our bank uses modern management accounting tools to align its business operations with stabilization of earnings per share	106	1	5	4.07	0.67	0.45
Our bank adopts efficient management accounting strategies in improving its return on equity	106	1	5	4.03	0.74	0.55
Weighted Mean					4.15	

The results in Table 7 indicates that respondents agreed (Mean = 4.32; StdDev = 0.57) that the banks have adopted value based management accounting system in improving its Return on Assets. The respondentswere in also agreement (Mean = 4.18; StdDev =0.61) that the banks adopts Lean practices to enhance profitability. Further, the respondents concurred (Mean = 4.07; StdDev = 0.67) that their banks use modern management accounting tools to align its business operations with stabilization of earnings per share. In addition, it is also evident from the results that the banks with (Mean = 4.21; StdDev = 0.689) adopt efficient management accounting strategies in improving its return on equity.

These findings are supported by previous studies. VBM is a control system that measures, encourages and supports the creation of net worth (Ameels, Bruggeman, &Scheipers, 2012). When VBM is implemented in a company it changes the focus of the organization to increasing shareholder value by producing returns in excess of the cost of capital (Simmons, Stasiuk, Segarra, Simmons, Stasiuk, &Segarra, 2010). VBM uses analytical tools and processes to focus an organization on the single objective of creating shareholder value (Condon & Goldstein, 1998). It is therefore implemented as a management tool, a control system, and an apparatus that is used to integrate resources and tasks towards the achievement of stated organizational goals. Ryan and Trahan (1999) assert that increased competition, managerial labour and capital markets have led to heightened pressure on corporations to focus on maximizing shareholder value. VBM tools however fail to deliver the targeted results if measures are not used in the right way (Neely, Filippini, Forza, Vinelli, &Hii, 2001). Amaratunga and Baldry (2002) recommend that organizations have to be managed through VBM tools in order to reap the benefits of performance measurement and enhance organizational performance.

Inferential Analysis
This section outlines the relationship between the independent variable and the dependent variable. It discusses the Pearson product moment correlation and multiple regression analysis

Relationship Between Resource Consumption and Financial Performance
The correlation analysis results of the relationship between resource consumption and financial performance of the commercial banks in Eldoret town, Kenya was presented in Table 8.

Table 8: Resource Consumption

		Financial Performance

Resource Consumption	Pearson Correlation	.789**
	Sig. (2-tailed)	.001

**. Correlation is significant at the 0.05 level (2-tailed).

The study showed that there was a positively statistically significant relationship between resource consumption and financial performance (r =0.789; p <0.05). This meant that resource consumption has a direct influence on financial performance of commercial banks in Eldoret town, Kenya. The findings of this study re-iterated the earlier findings by Goh, Suki, &Fam, (2014) whose empirical results via the PLS method demonstrated the use of the consumption values model as an alternate approach for technology adoption.

Multiple Regression Analysis

The study established the relationship between resource consumption and financial performance. The results of multiple regression analysis shown in Table 9

Table 9: Multiple Regression Model Summary

R	R Square	Adjusted R Square	Std Error of the Estimate
.898ª	.806	.779	.337

a. Predictors: (Constant), resource consumption accounting
b. Dependent Variable: Financial performance

From Table 9, R-Squared is used to evaluate the goodness of fit of a model. In regression, the R square coefficient of determination is a statistical measure of how well the regression line approximates the real data. It measures the proportion of the variation in dependent variable explained by independent variables. From the results on model summary R= 0.898, R- square = 0.806, adjusted R- square= 0.779, and the SE= 0.337. The coefficient of determination also called the R square is 0.806. This implies that the effect of the predictor variable- resource consumption accounting explains 80.6% of the variations in financial performance of commercial banks in Eldoret town. This implies that a change in the resource consumption accounting has a strong and a positive effect on financial performance of commercial banks. This study assumes that the difference of 19.4% of the variations is as a result of other factors.

Assessing the fit of the Multiple Regression Model

Multiple regression analysis was conducted to test the relationship between predictor variable and financial performance of commercial banks. The null hypothesis was tested using F statics. The test results are shown in table 10.

Table 10: Overall Results of ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.292	3	2.012	21,119	.001ª
	Residual	14.765	102	.129		
	Total	22.057	105			
a. Dependent Variable: Financial performance						
b. Predictors: (Constant), Resource consumption accounting						

The findings of the study in Table 10 showed that there was a statistically significant relationship between the independent variable and the dependent variable (F= 21,119; p=0.01). This therefore indicates that the multiple regression model was a good fit for the data. It also indicates that there is a relationship between resource consumption accountingand financial performance commercial banks.

T-test of Individual Regression Coefficients

The t-test was conducted to determine whether the individual regression coefficients were statistically significant. These results were presented in Table 11

Table 11:Individual Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		β	Std. Error	βeta		
1	(Constant)	.841	.359		2.830	.013

Resource consumption accounting	.288	.083	.301	2.262	.001

a. Dependent Variable: Financial performance

Test of hypothesis
H_{01}: ***There is no statistically significant relationship between Resource consumption accounting and the financial performance of commercial banks in Eldoret town in Kenya.***

The study findings showed (t = 2.547; $\rho < 0.05$), a significant relationship between resource consumption accounting and financial performance of commercial banks in Eldoret town in Kenya. These findings meant that the null hypothesis that there is no statistically significant relationship between resource consumption accounting and financial performance of commercial banks in Eldoret town in Kenya was rejected at 95% significance level. The findings concurto David and Stovall, (2011) who examined the resource Consumption and its dominant principle of work. The study stated that RCA combines the activity analysis of ABC with detailed knowledge of resource capacities and cause/effect relationships that allow for the monitoring of cost behaviors at the resource level within the banking sector. In addition the findings agreed with Goh, Suki, and Fam, (2014) who explored a resource consumption value model for Islamic mobile banking adoption and identified differences in perceived resource consumption values between Muslims and non-Muslims towards the use of Islamic mobile banking services. Empirical results via the Partial Least Squares (PLS) method demonstrated that the use of the resource consumption values model as an alternate approach for technology adoption.

Overall Regression Model
Therefore Table 11 shows the regression coefficients of the independent variable (resource consumption accounting).
Thus the regression Equation becomes;
Y= 0.841+ 0.288X..**Equation 2**

The coefficients refer to the slope of the regression line and amount of variance the predictor contributes to the general regression Equation. Therefore a 1 unit change in resource consumption accounting would lead to a .288 units change in financial performance of commercial banks. Hence the variable is statistically significant predictor of the dependent variable. The results implied that resource consumption accounting (β = 28.8%) influenced financial performance of commercial banks. Finally, the results in the Equation 2indicated that if commercial banks do not implement resource consumption accounting as a management practice, the results would be constant at .841 units. The study concurred with theory of constraints (TOC) which systematically focuses on efforts, energy and attention on the system constraint. This constraint, or bottleneck, restricts the output of the entire system and at the same time represents the primary leverage point for improving it, (Goh, Suki, & Fam, 2014).

Summary of Findings
This area contains the summary of the study findings.

Resource Consumption Accounting and Financial Performance of Commercial Banks.
The objective sought to examine the relationship between resource consumption accounting and financial performance of commercial banks in Eldoret town in Kenya. The study indicated that resource consumption was positively and significantly related to financial performance. It also indicated that resource consumption is a factor that promotes financial performance of Commercial Banks in Eldoret town. These findings meant that the null hypothesis that there is no statistically significant relationship between resource consumption accounting and the financial performance of commercial banks in Eldoret town was rejected.

Financial Performance of Commercial Banks
With regard to financial performance, the study indicated that there have been fluctuations on the return on total assets and return on equity while the earnings per share are not consistent either. On the same study were two banks that seemed to have done exceptionally well in terms of their EPS. These findings indicated that the financial statements of commercial banks commonly contain a variety of financial ratios designed to give an indication of the corporation's financial performance.

V.   Conclusions
From the findings of the study, it was concluded that, there is a significant relationship between resource consumption accounting and financial performance of commercial banks in Eldoret town. RCA in the context of this study consists of three basics which include; resources which are regarded as the starting point, cost structure- monitored perpetually, and amount based approach that is used in modeling the costs. It was thus

concluded that management accounting implements resource use in creating a sustainable competitive advantage. Management accountants apply their skills to assist the commercial banks in evaluating cost behaviors and anticipated risks. Also RCA function provides important techniques that may enhance credit risk management and a competitive advantage and knowledge of resource capacities and cause/effect relationships that allow for the monitoring of cost behaviors at the resource level. The proper adoption of the three basics therefore is vital for the financial performance if closely monitored after the implementation.

VI.   Recommendations on policy formulation and practice

Based on the results findings and conclusions, the study recommended that the management of the commercial banks in Kenya should strive to maintain the current resource consumption accounting practices and further increase or improve on it to enhance the banks value leading to satisfying the shareholders and stakeholders.

Managers of commercial banks should train staff on the use of RCA techniques in order to be able to measure their financial performance. Further Commercial banks should conduct creation and enhancement of awareness among firms on the importance of RCA for decision making practices as this is the most highly used management accounting practice which is best for continuous improvement programs.

Recommendations on Theories

The study also found out that there exists a positive relationship between resource consumption accounting and financial performance of commercial banks in Eldoret town in Kenya. This is in line with theory of constraints (TOC) which assumes that organizations can be measured and controlled by variations on three measures: throughput, operational expense, and inventory.

Suggestions Forfurther Study

This study was also limited to the banking sector, therefore future studies should explore the relationship between resource consumption accounting and financial performance of other sectors of the economy other than banking sector.

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