

ABSTRACT

The main problem facing institutions is on how to finance their assets using cheaper ways. Thus, lease financing has been adopted over the years as a robust method of financing assets by both the private and public sector institutions. Globally more than 60 % of global leasing market is controlled by four countries (US, China, Germany and UK). Africa accounts for 0.08 % of the world lease market and the region showed a significant growth from 6.4 % in 2009 to 8.2 % in 2014 while Kenya lease market stands at less than 0.01% as at 2014. In Homa-Bay County, performance has been low due to usage of outright asset procurement to achieve performance targets. A report cited indicated an allocation of Ksh. 230 million for outright vehicles procurement in 2013-14 budgets which caused public concern. Presently only 3.3% have electricity against national average of 23%; paved roads at 4.8% against 9.4%; water connectivity at 38.6% against 66.5% which are considered low. It is thus essential to address the challenges by investigating on the effect of choice of financing method adopted by Homa-Bay county government. However, despite many studies on lease financing, findings on the influence of availability of financial resources, cost of borrowing and cost reduction on performance are unknown. The general objective of this study is to determine the effect of lease financing on the financial performance of Homa-Bay County Government in Kenya. Specifically the study sought to; determine the influence of availability financial resources on performance of Homa-Bay County Government in Kenya; determine the influence of cost of borrowing on performance of Homa-Bay County Government in Kenya and; to analyze the influence of cost reduction on the performance of Homa-Bay County Government in Kenya. The study adopted financial contracting theory. Causal survey research design was adopted for the study. The target population of the study was 230 employees from the ministries of: Transport, Health, Trade, Finance and Water Services. Sample size was 146 respondents obtained using stratified random sampling. Primary and secondary data was obtained using structured questionnaires and desk review respectively. Reliability test at Cronbach's Alpha threshold of 0.7 was done using pilot test results from a survey of 5 respondents who were excluded from the final sample of the study. Content validity test was done using expert reviewers. Data analysis for all the objectives was done using descriptive statistics and presented using graphs and tables. The findings in objective one revealed that availability of financial resources had a positive effect on financial performance of HCG ($\beta=0.383$, $p=0.000$). Study findings in objective two revealed positive influence of cost of borrowing on the financial performance of HCG ($\beta=0.171$ $p=0.000$) and third objective revealed cost reduction had a positive influence on financial performance of HCG ($\beta=0.112$, $p=0.000$). From the foregoing study results above it implies that lease financing has a positive influence on the financial performance of HCG as measured by the return on assets. In effect the study that all the selected lease financing constructs influences financial performance of Homa-Bay County Government. Thus the study recommends that lease financing strategy to be increased to higher proposition as the best possible way to minimize cost while precisely focusing on maximizing value for money to the stakeholders. The study is expected to be of immense benefit to the strategist in HCG in formulation of robust financing strategies which are sustainable, cost effective and value generating oriented.