Role of Procurement Management on Banks Financial Performance.
A Case Study Of I & M Bank Ltd Mombasa

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Abstract: Procurement encompasses the whole process of acquiring property and/or services. Sound public procurement policies and practices are among the essential elements of good governance. Performance measurement is crucial in enhancing the performance of organizations because whatever gets measured gets done. Procurement processes are very key in organization such that it determines how and what products will be produced and its qualities. Procurement management on banks financial performance in Kenya is very important as it helps them to know the bank is achieving its set objectives and also its procurement procedures and processes to ensure that there is efficient, effectiveness and profit margin maximization, however commercial banks faces several challenges as they strive to achieve the performance in terms of procurement management.. The main objective of the study was to determine the role of procurement management on banks financial performance in Kenya. It also aimed at revealing performance of banks on procurement planning. The specific objectives were procurement planning, procurement controls and procurement monitoring. The study examined three theories of procurement. They include transactional theory, agency theory and resource based theory. The sample size will be 61. A pilot study was carried out to refine the instrument. The quality and consistency of the survey was further assessed using Cronbach’s alpha. Data analysis was done on a computer using Statistical Package for Social Science (SPSS Version 22) for windows. Analysis was done using frequency counts, percentages, mean and standard deviation, regression, correlation and information generated will be presented in form of graphs, charts, and tables.

1.1 Introduction
This chapter discusses the background of the study on the role of procurement management on banks financial performance which focused on the following substantive topics: background to the study, statement of the problem situation, research objectives and questions, justification of the study and scope of the study.

1.2 Background of study
Increased competition, new technologies, and rapidly changing global markets are forcing businesses to identify strategies for continuously improving their productivity and cost management. In management studies, a function is often defined as a unit or department in which people use specialized knowledge, skills and resources to perform specialized tasks. (Lysons & Farrington, 2012) In order to survive and compete effectively organizations must constantly respond to rapid emerging environmental changes by reducing costs, acquiring modern equipment, restructuring programs while enhancing quality and differentiating their products and services (Chang & Huang, 2005)

top management as an activity of strategic importance (Bailey et al,1998) and that procurement decisions may be taken at the management level.

Management and Organizational Dynamics, 3rd edition, FT-Prentice Hall, 2000; Stacey's own field of interest is complexity theory and its applications in organization’s, and this book is worth reading if you want to investigate this quite intriguing way of looking at organisations. The value of Stacey's work is rather undermined by the polemical nature of much of what he writes, and his decision to ignore most of the advances in mainstream strategic management theory over the past ten years. Richard Whittington, What is Strategy and Does it Matter?, Routledge, 1993; explores different schools of strategic thinking. Changeably with purchasing by many authors, has most recently recognized as the process of procuring the proper requirement, at the time needed ,for the lowest possible costs from a reliable source (Winthrop.edu This means as long as proper management is in place, costs will absolutely be minimized.

Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in house-providers. The process spans the whole lifecycle from identification of needs, through to the end of the useful life of an asset .It involves options appraisal and the critical “make or buy”. This definition was included in the National Procurement Strategy for Local Government, October 2008. Procurement is one of the basic functions common to all organizations, both private and public.Public procurement systems are central to the effectiveness of development expenditure. Budgets get translated into services largely through the governments’ purchases of goods, services and works. It is estimated that 18.42% of the world’s GDP is spent through public procurement (Mahmood, 2010). It is further estimated that public procurement accounts for 9%–13% of the GDP of the economies of developing countries. In order to realize the savings, the system has evolved from a c system with no regulations to an orderly legally regulated procurement system. Consequently, the establishment of the Public Procurement and Disposal Act, 2005 and the gazettlement of the Public Procurement and Disposal Regulations 2006 The Act created PPOA which was mandated to; ensuring that procurement procedures established under the Act were complied with, monitoring the procurement system and reporting on its overall functioning and among other functions.

The objectives of the procurement department in an organization can summarily be stated as being:- to procure goods and services of the right quality, in the right quantity, at the right price ,from the right supplier ,and at the right time (Dobler et al .2010).For the above objectives to be achieved to the benefit of organizations especially the private sector, the procurement function must be seen by

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1.2.1 Background of I&M bank

A bank has been classified as a financial intermediary and has the role of channeling funds from the savers to borrowers (Schmidt et al., 2009). It offers loans to borrowers and accepts deposits from savers; it further provides payment services. The bank traces its history to 1974 when Investments & Mortgages Limited was formed as a private company providing personalized financial services to business people in the Nairobi area. In 1980, I&M, as the company was known at that time, was registered as a Financial Institution under the Banking Act. Following changes in the regulations of CBK, the banking regulator in the country, I&M became a commercial bank in 1996. In 2002, the present headquarters building, a 16-storey glass and steel skyscraper known as the I&M Bank Tower, was opened on Kenyatta Avenue, in Nairobi's central business district. The following year, I&M Bank acquired Biachara Bank of Kenya Limited, expanding I&M's branch network, client base and assets under management.

In 2007 Deg and Proparco, two International development financial institutions, invested approximately US$4.5 million to acquire 11.96 percent shareholding in I&M Bank. That shareholding was later increased to 19.7 percent. In 2008, I&M Bank acquired a 50 percent ownership in First City Bank Limited (FCB) of Mauritius. FCB has since rebranded itself as Bank One Mauritius. In 2010, I&M Bank acquired a controlling shareholding in CF Union Bank of Tanzania. CF Union Bank has since rebranded into I&M Bank (Tanzania). In July 2012, I&M Bank Group took a controlling interest in Commercial Bank of Rwanda (BCR), the second-largest commercial bank in the country at the time, for an undisclosed sum of money. BCR is expected to rebrand to I&M Bank Rwanda, in the near future. From June 2013, I&M Bank shares are publicly traded in the Nairobi Stock Exchange through the acquisition of its entire shareholding by I&M Holdings Ltd, a publicly listed company.

As of December 2012, the bank's total assets were valued at approximately US$1.077 billion, with shareholders’ equity of approximately US$195.4 million. I&M Bank serves the banking needs of large and small business customers as well as individuals, with emphasis on large and medium-sized corporations. The bank is partly owned by PROPARCO of France and DEG, the German Investment & Development Company. Both those institutions jointly own 19.7 percent of I&M Bank Limited. The bank has in place corporate statements i.e. vision and mission statement as follows: Vision Statement: To become a company where the best people want to work, the first choice where customers want to do business and where shareholders are happy with their investment. Mission Statement: Meeting our Customers’ expectations, motivating & developing every employee and enhancing shareholder value. I&M bank where procurement function is centralized has categorized items into two groups; capital expenditure and recurrent expenditure. The procurement of Capex acquisitions is governed by the Banks Approved Capex Policy, as well as the Delegated Authority Limits, as may be revised from time to time.

1.3 Statement of the Problem.

Owners are thought to enter into business for mainly two basic reasons: profit or growth maximization and personal fulfilment (Wang, Walker & Redmond, 2007). Most importantly financial performance, especially in the banking industry. Accordingly those managers with profit maximization and growth objectives are more inclined to engage in strategic cost management decisions. The extent of cost consideration valuations in procurement is determined by the organization’s management. According to Great real systems (2002), Purchasing spend is a major cost to any organisation. The proportion of spending that is influence able by the purchasing department often varies, but if managed properly, this can have a significant effect on financial performance and profitability.

The competition of today’s global marketplace is driving companies to reshape their supply-chain to reduce overall cost and eliminate inefficiencies. Procurement is the primary point of contact with most supply-chain partners. Procurement usually represents one of the largest expense items in a firm’s cost structure (Lennon, 2002) (Attaran and Attaran, 2002). The Aberdeen Group (2001) found that the indirect procurement or the purchase of maintenance, repair, and operations (MRO) of goods not to be directly involved in the production process such as office supplies, personal computers, non-manufacturing items, etcetera (Laudon &Traver, 2004) and this usually constitutes 30-60 percent of a firm’s total expenditures (Orr, 2002).

It targets at building relationships with a company’s suppliers and sometimes with their suppliers’ suppliers, to work together as one virtual organization to best serve the end-customer’s specific needs and flexibly respond to prevailing market conditions. As organizations become increasingly involved in cost reduction projects, the impact of procurement has become evident.
A company’s competitiveness and profit is highly dependable on how procurement is handled within the company. There is a direct influence on the profits because procurement stands for such a large part of the company’s costs. There is also an indirect influence on the profit due to the large part of the internal costs affecting what happens in the interface between the company and its suppliers. (Gadde & Hakansson, 2001). In the banking sector, procurement management is Creating Organizational Advantage, Butterworth-Heinemann, 1995. A short book with an unusual but coherent view of what strategy is about. The value of Stacey’s work is rather undermined by the polemical nature of much of what he writes, and his decision to ignore most of the advances in mainstream strategic management theory over the past ten years.

Due to non-recognition of the procurement contribution in the banking industry by management, gaps do exist on how the function is managed from the point of identification of the need, sourcing for suppliers, delivery of the need and after delivery activities of the need. As a result the function itself, if not well managed has increased organization cost; in terms of inflated pricing by corrupt purchasing officers, stock out cost, poor quality which results to poor customer service levels, ad-hoc buying, inefficiencies in the supply chain among other costs. However, management is faced with a challenge of increasing stakeholders’ satisfaction, and notably, the wealth maximization of shareholders. With the increasing competition in the banking industry, management does not have direct control over the income streams of the bank and thus the need to focus on the management of the institutions’ expenditures. Given the contractual nature of personnel expenditures, management is left with only the procurement related expenditures and thus the need to study the effect of procurement management on the performance of commercial banks.

1.4 Objectives of the Study

1.4.1 General Objective
The general objective of the study was to determine the role of procurement management on banks financial performance.

1.4.2 Specific Objectives
1. To determine how procurement planning affects banks financial performance.
2. To determine how procurement controls affects banks financial performance.
3. To determine how procurement monitoring affects banks financial performance.

1.5 Hypothesis
The objective of the study was fulfilled by testing the three hypotheses stated in terms of null (HO) and alternative hypothesis (HA) hypotheses.

1. Hypothesis One

HO₁: Procurement planning has no significant effect on banks financial performance in Kenya.
HA₁: Procurement planning has a significant effect on banks financial performance in Kenya.

2. Hypothesis Two

HO₂: Procurement controls has no significant effect on banks financial performance in Kenya.
HA₂: Procurement controls has a significant effect on banks financial performance in Kenya.

3. Hypothesis Three

HO₃: Procurement monitoring has no significant effect on banks financial performance in Kenya.
HA₃: Procurement monitoring has a significant effect on banks financial performance in Kenya.

1.6 Justification of the Study
The realization that with managing supplies strategically, firms can save huge amounts of money has led firms to begin to invest in this area of management (Cousins & Speakman, 2011). The rationale of this study is based on the fact that the banking industry in Kenya is faced by a stiff competition. As a result banks are challenged in increasing their income streams, since charges to the customers are mainly dictated by competition and these are further reduced by the bargaining power of these customers otherwise they do not move from the historical financial institutions. Therefore what the bank has under its control is the cost on capital expenditure and recurrent expenditure, maintenance, equipment servicing among others. The study therefore seeks to establish the contribution of procurement management on banks financial performance, this will be achieved by guiding the Bank on how to manage the procurement function in order to reduce costs as discussed earlier in the study so as to be meet stakeholders’ expectations. Findings are anticipated by the researcher to add more knowledge on the existing body of knowledge in the subject area. The study will stimulate further research in the area.

1.7 Scope of the Study
The study covered procurement management effects financial performance on banks.
Procurement management will be studied under three main variables and these are procurement planning, controls and monitoring within the I & M bank. Performance includes profitability of the organisation, budget variances, capital adequacy, liquidity plus anything that would be in line with this study relevant to the research study.

1.8 Limitation of Study
The limitation hindered the researcher in conducting the study efficiently is: Financial constraints that limited the amount of data and the area to be covered in the study. Also confidentiality regarding data that was collected where some information was likely to be regarded as confidential by the officers concerned and therefore deny the researcher access to it. The researcher did his best to persuade the respondents to allow her access.

LITERATURE REVIEW

2.1 Introduction
This chapter reviewed the literature on role of procurement management on banks financial performance. Procurement planning, procurement controls and procurement monitoring. It highlighted knowledge, beliefs and dispositions held by a range of scholars and writers on role of procurement management. The review was meant to exemplify the key concepts of the topic of discussion. It will also provide the basic critical review and a clear understanding of the problem. The main sources of the literature were textbooks, publications, newsletters, and internet.

2.2 Theoretical Review
A theoretical review framework consists of concepts, together with their definitions and existing theory/ theories that are used for the particular study (Sekaran, 2010). Various models were formulated to explain on performance and what banks need to do on procurement to enhance performance. The models played an important role in the study on role of procurement management on banks financial performance. It is important for banks to maintain and clearly know the role of procurement it plays. The theories used in this study are transactional cost theory, agency theory and resource based value theory.

2.2.1 Transactional cost theory
Transaction Cost Economics focuses on the organization of transactions that occur whenever a good or service is transferred from a provider to a user across a technologically separable interface (Williamson, 2010). Transaction costs consist of costs incurred in searching for the best supplier/partner/customer, the cost of establishing a supposedly tamper-proof contract, and the costs of monitoring and enforcing the implementation of the contract. Transaction cost theorists assert that the total cost incurred by a firm can be grouped largely into two components: transaction costs and production costs. Transaction costs, often known as coordination costs, are well defined as the costs of all the information processing necessary to coordinate the work of people and machines that perform the primary processes, whereas production costs include the costs incurred from the physical or other primary processes necessary to create and distribute the goods or services being produced. When transactions occur within an organization, the transaction costs can include managing and monitoring personnel and procuring inputs and capital equipment.

The transaction costs of buying the same good or service from an external provider can include the costs of source selection, contract management, performance measurement, and dispute resolution. The types of transaction costs that play a role in procurement depend much on how procurement is defined and what aspects are included in the decisions to purchase. (Wynstra, 2006) collected a number of definitions of purchasing and supply management which relate to procurement. A common element of these definitions is that they describe procurement (or purchasing and supply management) as a decision process where, in a very broad and dynamic sense, total costs for the firm (or formal organization including also both nonprofit organizations and governments) are minimized.

Indirectly, coordination costs within the firm may depend upon the decision on which supplier gets the procurement contract. In general, the total costs for the firm or institution in a procurement transaction are labelled as total costs of ownership (TCO).

TCO can be split up in direct costs of purchase, the price paid to the supplier and several types of transaction costs. Minimizing TCO implies that not always the supplier with the lowest direct costs will be selected. A supplier with higher direct costs is to be preferred when this higher price is matched by a larger reduction of transaction costs (Butter,2011) Both the direct costs, e.g. in case of licensing, and the transaction costs include an element of discounted future costs. They comprise not only the costs made up to the moment of purchase and the exchange of property rights (or right to use), but also expected future costs. Moreover, the split up of TCO in direct costs of purchase and transaction costs can be somewhat arbitrary, e.g. in the case of maintenance costs and costs of repair. Yet, the
major contribution of the concept of transaction costs and therefore of transaction management to procurement is that it enhances the awareness of which costs to include in TCO. It provides a clue of which costs to consider in the selection of a supplier.

2.2.2 Agency Theory.
Another conceptual building block of organization economics is the classification of people or parties involved in transactions. Transactions can be characterized by an imbalance of information, so there is likely to be a dependency relationship between the parties involved. In particular, one party to the transaction often has either more information and/or better bargaining power than the other. On this basis the theory identifies two types of parties to a transaction. The principal is a party who wishes to secure provision of some good or service but does not have the necessary specialized knowledge, skills or assets. The principal employs an agent to undertake this task and in the process delegates some control to that party (Grossman & Hart, 1983).

The agency theory paradigm was first formulated in the academic economics literature in the early 1970s (Ross 1973, Jensen & Meckling 1976). Alchian and Demsetz (1972) defined a firm as a “legal fiction” that may be characterized as a “nexus of contracts.” Their analysis focuses on the agency relationship between shareholders of a firm (principals) and managers (agents). The principals contract with the agent to perform some services on the principal’s behalf. These contracts require the agent to exert effort and make decisions.

Today, company shareholders normally contract managers to run their businesses and the operational decisions are undertaken by these managers. Such decisions include among others maximizing revenues and minimizing costs. As noted by a number of scholars, procurement contributes a significant portion (Between 60%-70%) of an organization’s expenditures. Because of the operational nature of procurement expenditures, these decisions are undertaken by the organization’s management (agents) on behalf of the company owners (principals) under the power entrusted to them through their employment contracts.

The theory also attempts to deal with two specific problems: first, that the goals of the principal and agent are not in conflict (agency problem), and second, that the principal and agent reconcile different tolerances for risk. The principals and agents seek to maximize their utility from the same organisations. While the shareholders seek to maximize their wealth in form of profits (dividends) made by the company, management too seek to maximize their utility by way of earnings. Also, because of the different roles of these two parties in the organization, the risk tolerance levels differ. While the shareholders’ risk appetite levels are normally low because of the need to protect the value of their wealth, management normally tolerate higher risk; these are normally reconciled in order for the company to operate well.

2.2.3 Resource – based value theory
This theory of the study resource – based view (RBV) emphasizes the firm’s resources as the fundamental determinants of competitive advantage through procurement planning and performance. It adopts two assumptions in analyzing sources of competitive advantage (Barney, 2010). First this model assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resources heterogeneity may persist over time because the resources used to implement firm’s strategies are not perfectly mobile across firms. Resource heterogeneity is considered a necessary condition for a resource bundle to contribute to a competitive advantage. The argument goes “if all firms in a market have the same stocks of resources, no strategy is available to one firm that would not also be available to all other firms in the market, Cool etal (2009). Like the Chicago school tradition, the RBV is an efficiency – based explanation of performance differences Barney (2012) and Barney (2013) explains procurement performance is attributed to resources having intrinsically different levels of efficiency in the sense that they enable the firms to deliver greater to their customers for a given cost.

2.3 Conceptual Frame work
Mugenda (2008) defines conceptual framework as a concise description of phenomena under study accompanied by a graphical or visual depiction of the major variable of the study. According to Young (2010), conceptual framework is a diagrammatical representation that shows the relationship between independent and dependent variable. A conceptual framework shows the relationship between independent and dependent variable. In this study the dependent variable is performance while the independent variables are procurement planning, procurement controls and procurement monitoring. (See Fig. 2.1 below)
Procurement Planning must take a thoroughly professional view of its role in business as a whole and that must include planning (Bailey, Farmer, Jessop & Jones, 1998). Any such procurement begins with the planning decision to make the purchase and this will involve in the first place, deciding whether there is a need for the particular goods or services, ensuring that the purchaser has the legal powers to undertake the transaction, obtaining any relevant approvals within the government hierarchy and arranging the necessary funding (Arrowsmith, Linarelli & Wallace, 2000). This process is identical to the private sector and additionally, checking for whether such requirements are provided for in the budget is key in the private sector.

The consequences of poor or lack of procurement planning can never therefore be amusing. The World Bank Country Procurement Assessment Report, (2004) summarized these consequences as; procurement failing to timely meet the actual needs of user departments, advantages of scale and bulk purchasing are not achieved, and lastly packaging and timing are not utilized to achieve value for money. The combination of focusing more on collaborative relationships and the increasing strategic role of purchasing has resulted in a rise in prominence of strategies of supply base reduction (Harland et al. 1999) and the quest for global efficiency and effectiveness has led to increased centralization and coordination of the purchasing function (Faes et al. 2000). More and more the question prevails how to get organised at a corporate level to capture potential purchasing synergies (Rozemeijer, 2000).

Rapid developments in technology (which have led to new procurement methods), public procurement cannot be perceived as mere a ‘clerical routine,’ as procurement practitioners are and should be involved in strategic procurement planning (Office of Management and Budget, 1997; Hinson & McCue, 2004). Purchasing, as a function, is inextricably linked to every other part of the business. Purchasing data needs to feed into financial data and purchasing requirements often need to be driven from other business functions, such as sales, manufacturing, maintenance, IT and administration, among others (Get Real Systems 2002). The importance of procurement planning cannot be emphasized more for banks. These institutions normally make their plans for tenures of a year. For the plans to be effective and representative of the bank requirements, these plans need to be drawn from the different users who are represented by the different departments. This then
sets the ground for the other activities including sourcing for the required funds.

2.4.2 Procurement Controls
It is important to achieve better control and process tracking of the whole procurement process (European Commission, 2000). Organizations spend billions of additional costs annually to improve e-procurement effectiveness (Kalakota and Robinson, 1999; Ody, 2001). Purchasing is typically an area where everyone has an opinion, and employees believe they can do it efficiently themselves as most people do purchasing almost daily in their lives. But organizational purchasing differs from customer purchasing, for several reasons (Van Weele, 2002) While a consumer buys simply to satisfy his own needs, organizational purchasing ultimately has the objective of ensuring operations and competitiveness.

According to — Hal Sirkin, senior partner and managing director, BCG (2011), there are really three things that you have to get right: the product, the process, and the location. First, you have to think about what the product is. Are you sourcing the right part or the right product? That really means that the company you’re buying from needs to have the technical capability to produce it well and the practical capability to execute it well. The second thing is having the right process with regard to the supply chain and quality. From a supply chain perspective, you have to make sure that the costs don’t eat up the savings. So, items that is difficult to transfer — such as large, bulky or perishable products — become an issue. Or, if you have a fashion product or something with a lot of variable demand, sourcing it faraway means that you’ll have to hold a lot more inventory. That means higher costs and a greater risk of obsolescence. In addition to the right supply chain, you have to have a quality process in place. Whenever you outsource, you have to invest your time and people to make sure that the quality process is in place, because your brand is on that product, whether you make it in Chicago or China. And because your brand is on that product, you have to make sure that you defend it and whatever you produce.

The third thing is to outsource to the right location. The absolute lowest direct cost is not always the best thing to do. Measure effectiveness and ensure proper business controls. This is a matter of getting the right tools developed and in place. It includes conducting periodic supplier audits to correct compliance errors. Such audits should not simply be punitive, but should address the underlying issues that create the errors. As indicated earlier, services purchases are much less likely to be supported by internal information technology than materials purchases. Organizations should install systems to inspect services transactions to control compliance errors, as they have done for materials.

In addition, many organizations would benefit greatly from developing better services contracts that include elements such as specific payment milestones, clear service-level agreements and measurements, and clear delineation of the meaning, causes, and penalties of noncompliance. (Ellram et al 2007)

Due to improved supplier relationships and better visibility, services supply management may develop a better understanding of services costs and work more effectively with services suppliers to improve the cost of services purchases. (Lisa M, Ellram, Wendy L. Tate, Corey Billington 2007) They also noted that, Lack of supply management involvement in services supplier identification, screening, and selection exposes the organization to new risks. Is the supplier financially viable? What does the organization know about the supplier’s parent company and other customers? Is there a potential for conflict of interest? Does the contract adequately protect the buying firm from liability? Sarbanes-Oxley requires that companies have such knowledge of their key business partners. Clearly, this by itself is a call to increased attention to services buying.

Top management support is also needed here to disallow services purchasing without the involvement of service professionals to help develop contracts, service-level agreements, and supplier performance metrics. This top management policy has supported the success of supply management involvement in services purchasing at Bank of America and other firms. The organization must segment services purchases by risk and value, and focus on where supply management can add value, versus involvement for involvement’s sake. (Lisa M et al 2007)

Despite the organization having policies and procedures for their operations, they also need to put in place controls to mitigate any risks. Procurement is inherently risky given the fact that it involves movement of company resources; the temptation to apply the resources for personal interest may be high. Controls should therefore be emphasized in banks so as to improve the financial performance.

2.4.3 Procurement Monitoring
Monitoring of public procurement is a continuous process of ensuring that: a procurement system in use in the country is properly implemented to meet
the intended objectives; obstacles towards achieving intended objectives are identified and mitigated; and feedback is provided to all those involved in the system for further improvement (Mlinga, 2011). It is recognized that without effective monitoring arrangements contracts for goods, services and works are unlikely to deliver best value for money. All strategic contracts will be monitored to ensure that all of the requirements of the organization are met, including individual users needs set out within the specifications.

Key performance indicators was an important element of the monitoring arrangements (Constabulary 2010). With the increasing competition in the banking industry, procurement monitoring should be emphasized so as to stream line the entire procurement system and improve the bank the bank efficiency. Tracking key aspects of procurement and supply management (PSM) and taking corrective action when required is a means to continuously improve the effectiveness of a program or a system. This monitoring should cover different components of the PSM system. It must be noted that just monitoring does not improve the PSM system. M&E shows the strengths and the weaknesses of the system. If the measurements are below the target this should trigger the responsible person to investigate and correct the problem. This is how monitoring can assist in ongoing quality assurance of the PSM system. Trained human resources in sufficient number, financial and other resources for the effective implementation of the M&E system should be available. 5-10% of the programme costs are recommended to be allocated to M&E activities. (Working Document For Field Testing May 2009).

Evaluation is the episodic assessment of the changes in targeted results related to the programme. It is more difficult and more time and money consuming than monitoring due it’s methodological rigor required to avoid wrong conclusions. Monitoring and evaluation take place at regular intervals: the interval is shorter for monitoring and longer for evaluation. Until recently, monitoring has been receiving serious attention as it is aduce to reflect the programmers’ outcomes and impacts. (Cloete 2009) defined policy monitoring as the regular, systematic collection of data on the basis of specified indicators to determine levels of progress and achievement of goals and objectives.

Procurement Monitoring and Verification (PMV): Adds transparency provides fraud and corruption prevention to the procurement cycle; Increases efficiency and productivity; Generates savings over original cost estimates; while improving the overall quality of goods and services. PMV, is a formidable tool for fighting inefficiency, graft and corruption at all levels. Furthermore, it enables governments and the private sector to save money and obtain maximum benefits from their procurement by promoting transparent and competitive processes.

Once the legal and institutional framework is in place and practitioners have been made familiar with the requirements through guidance and training, the process of monitoring compliance and taking action against malpractices can begin. (Edgar Agaba & Nigel Shipman). A key requirement is to establish an effective system of monitoring and evaluation that is based on reliable and comprehensive statistical data covering the value and type of procurements transacted and the procurement process itself. Such data, together with the findings of procurement audits and special investigations in response to complaints and other information, provide an important means of detecting anomalies and malpractices which demonstrate that transparency and integrity have been compromised. The monitoring and evaluation system should also determine the risks and vulnerable points at each stage of the procurement process.

Efforts at remediying malpractices have tended to focus on the bidding process but at the OECD Expert Meeting on Integrity in Public Procurement in June 2005, it was considered that the phases of definition of needs and contract management were at higher risk (Burton, 2005). Good public procurement systems are central to the effectiveness of development expenditure from both national and donor sources. Procurement is a core function of public financial management and service delivery. The potential efficiency gains from better procurement can make a significant additional contribution to financing achievement of the Millennium Development Goals (MDGs).

Banks must keep detailed audit trails of cash flow. Tellers must sign out their money drawers by accounts at day’s end. Purchasing must be held to the same standards, but the process is different. Starting with an item request, a bank must establish an audit trail that carries through to the reconciliation of a vendor’s invoice and release of funds by accounts payable. This audit trail can be easily recalled and recertified over time. (Kevin 2009) Comptroller (2001) noted that monitoring is an organisation’s...
own oversight of the control systems performance and therefore monitoring should be on going and part of the normal course of daily operations and activities. Internal and external audits, as part of monitoring systems, may provide independent assessment of the quality and effectiveness of a control system’s design and performance. All should share responsibilities of monitoring and self-assessment, everyone should understand their roles and responsibilities to report any breaches of the control systems. Institutions typically is at risk when their assets become impaired, so it is important to monitor indicators of the quality of their assets in terms of overexposure to specific risks trends in non-performing loans, and the health and profitability of bank borrowers especially the corporate sector. Credit risk is inherent in lending, which is the major banking business. It arises when a borrower defaults on the loan repayment agreement.

2.5 Critique of the existing Literature
The measurement of bank performance on commercial banks is well researched and has received increased attention over past years Zhu, 2001). However, with the deteriorating health of the banking institutions and the recent surge of bank failures as a result of the current global financial crisis, it is justified that the bank performance receives increased investigation from both scholars and industry specialists. In a developed or developing country, public procurement practitioners (and private procurement practitioners for this discussion) have and will face always many challenges. Each country has its own economic, social, cultural and political environment, and each country’s public procurement practitioners face different types of challenges, or the same types of challenges but at different levels from their counterparts in other countries (Berger & Humphrey, 2005).

According to (Thai 2001) Public and (private for this discussion) procurement practitioners have always walked on a tight rope. Their ability to accomplish procurement objectives and policies is influenced very much by internal forces including: Interactions between various elements of the procurement systems, various officials and organizations in the three branches of government, and various actors and sub-agencies within a department or executive agency and actors and organizations external to sub-agencies; Types of goods, services and capital assets required for an agency’s missions; Professionalism or quality of procurement workforce; Staffing levels (e.g., ratio of procurement practitioners to contract actions) and budget resources; Procurement organizational structure such as the issue of centralization vs. decentralization; Procurement regulations, rules and guidance; and Internal controls and legislative oversight. Therefore there is no clear guideline on how procurement should be carried out, especially in the private sector, where the procurement policies are made by top management of the organization.

2.6 Summary
The study reviewed literature from various sources including theories that support commercial banks performance. The review also looked at the conceptual framework and all the independent variables were discussed in length.

From the literature it is important for banks to understand the role of procurement in the bank’s financial performance. For a long time there has been a laid back approach to procurement in relation to its contribution to the overall financial position. Therefore, for the bank and any other organization to fully realize the benefit of procurement, there is a need to manage the function.

2.7 Research Gap
Many aspects have been carried out on various aspects of procurement management influencing the financial performance of banks (Murungi, 2013). The study used literature available in journals and books from developed countries. Most of the studies however have concentrated in the developed economies with emerging economies attracting only a minority share of the studies conducted. Previous studies by Nicholas et al. (2008) examined whether European procurement rules prevent or generate crime whereas Maina (2011) determined procurement procedures in the banking industry. Therefore is a literature gap on procurement performance measurement.

RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the research methodology of the study. It describes the methods and procedures that was used in order to collect data that answers the research questions. The chapter was presented in the following sections namely, research design, population, sample size, sampling procedures, data collection instruments and data analysis.

3.2 Research Design
The study adopted a descriptive research design. (Schindler, 2008) defines a research design as a blue print for fulfilling objectives and answers to research questions. The research design expresses
both the structure of the research problem and the plan for investigation used to obtain empirical evidence on the relation of the research problem. The study was conducted at the I & M banks Mombasa. The design is considered appropriate as it enabled the researcher to reach many subjects within limited time (Kothari, 2005). It is aimed to give intense and detailed description of existing phenomenon with intent of employing data to justify and make plans that are more effective.

3.3 Target Population

The study targeted 200 employees of I & M bank in the senior management, heads of department, clerks and subordinate staff working in Mombasa in various departments. Mombasa branch was selected as a case study because of proximity to the researcher, time availability for research and budgetary constraints.

<table>
<thead>
<tr>
<th>Management Level</th>
<th>Population</th>
<th>Percentage</th>
<th>Target Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Managers</td>
<td>400</td>
<td>10%</td>
<td>12</td>
</tr>
<tr>
<td>Heads of Department</td>
<td>300</td>
<td>10%</td>
<td>60</td>
</tr>
<tr>
<td>Clerks</td>
<td>200</td>
<td>10%</td>
<td>115</td>
</tr>
<tr>
<td>Support Staff</td>
<td>100</td>
<td>10%</td>
<td>10</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1000</strong></td>
<td><strong>10%</strong></td>
<td><strong>200</strong></td>
</tr>
</tbody>
</table>

3.4 Sample Size

Mugenda and Mugenda (2008) asserts that sampling is part of the statistical practice concerned with the selection of individual or observations intended to yield some knowledge about a population of concern, especially for the purpose of statistical inferences. They advise that a researcher will use 30% of the total target population as a sample for it to be accepted as a good representative sample (Mugenda & Mugenda, 2008).

3.5 Sampling Technique

Sampling is the process of selecting a number of individuals or objects from a population such that the selected group contains elements representatives of the characteristics found in the entire population. Sample is a small group or individuals selected or drawn from a population in such a manner that its characteristics represent population characteristics (Orodho, 2009).

Stratified random sampling method is used to select relevant respondents from various departments of I & M bank. Mugenda and Mugenda (2009) argue that stratified random sampling is where a given number of cases are randomly selected from each population sub-group. It thus ensures inclusions in the sample of subgroup which otherwise could be omitted entirely by other sampling methods. In this case stratification was based on department’s namely corporate banking, loans department and agency banking department. Stratified sampling enables the population to be divided into five segments (managers, heads of departments, supervisors, clerks and support staff) called strata. Simple random sample is then drawn from each stratum, and then those sub-samples joined to form complete stratified samples. In addition proportional allocation is done, where each stratum contributed to the sample a number that is proportional to its size in the population.

3.6 Data collection Instruments

The researcher used structured questionnaires to collect data from I & M bank respondents. A questionnaire with high reliability received similar answers which were done again and again or by other researchers (Bryman & Bell, 2009). In addition the questionnaires are convenient for the task in that they can be easily and conveniently administered with the study sample. The use of questionnaire is cost effective, less time consuming as compared to the use of interview. Data collected through the use of well-structured questionnaires is easy to analyse. The questionnaire will use Likert scale because it requires respondents to respond to a series of statements by indicating whether he or she agrees to a great extent or no extent. Likert scale is used because it is easy to understand and responses are easily quantifiable and subjective to computation of mathematical analysis (Allen et. al, 2013).

3.7 Data Collection Procedures

The researcher used primary and secondary data. Structured questionnaires were used to collect primary data from respondents. The questionnaire were self-administered to the respondents and collected after which collected after three days. Secondary data was obtained from related material in the internet, procurement journals, white papers, periodicals and books relevant to the study.
3.8 Piloting
The questionnaires were pilot tested before the actual data collection. This involved respondents from I & M bank to ascertain its effectiveness and efficiency. The researcher was interested in testing the reliability of the research instruments, the questionnaire hence validity of data collected. Validity is the accuracy and meaningfulness of inference which are based on the research results (Mugenda & Mugenda, 2003) asserts that reliability is done using Cronbach’s Alpha Model on SPSS. Mugenda and Mugenda (2003) asserts that reliability is the measure of the degree to which research instrument yields consistent results or data after repeated trials. The researcher did a pilot with 10% of respondents before distributing the questionnaire. The researcher used 7 respondents for the pilot process. The purpose was to ensure that those items in the questionnaire are clearly stated and have same meaning to all respondents. At the same time it helped to determine how much time was required to administer the questionnaire. Respondents for pre-testing was not to form part of the sample.

3.9 Data Processing, Analysis and Presentation
Kothari (2007) argues that data collected has to be processed, analysed and presented in accordance with the outlines laid down for the purpose at the time of developing the research plan. Data analysis involves the transformation of data into meaningful information for decision making. It involved editing, error correction, rectification of omission and finally putting together or consolidating information gathered. The collected data was analysed quantitatively and qualitatively. Descriptive and inferential statistics was done using SPSS version 22 and specifically multiple regression model was applied. Set of data was described using percentage, mean standard deviation and coefficient of variation and presented using tables, charts and graphs. Wallen & Fraenkel (2005) argue that regression is the working out of a statistical relationship between one or more variables. The researcher used a multiple regression analysis to show the effect and influence of the independent variables on the dependent variables. The relationship was as follows:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 + \epsilon \]

\( Y \) = Represents the dependent variable, Financial performance  
\( \alpha \) = Constant  
\( \beta_1, \beta_2, \beta_3 \) = Partial regression coefficient  
\( X_1 \) = Procurement planning  
\( X_2 \) = Procurement controls  
\( X_3 \) = Procurement monitoring

4.1 Introduction
This chapter presents analysis of the data on the role of procurement management on banks financial performance- a case study of I & M bank limited Mombasa, Kenya. The chapter also provides the major findings and results of the study and discusses those findings and results against the literature reviewed and study objectives. The data is mainly presented in frequency tables, means and standard deviation.

4.2 Response Rate
The study targeted 61 employees of I & M bank Mombasa County, Kenya. From the study, 44 out of the 61 sample respondents filled-in and returned the questionnaires making a response rate of 72.1% as per Table 4.1 below.

<table>
<thead>
<tr>
<th>Table 4.1 Questionnaire Return Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frequency</strong></td>
</tr>
<tr>
<td>Respondent</td>
</tr>
<tr>
<td>Non-respondent</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

According to (Mugenda & Mugenda, 2008) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent; therefore, this response rate was adequate for analysis and reporting.
4.2.1 Data Validity
The researcher asked experts, three academicians, to assess the scales’ content validity. Accordingly, the researcher made changes on the first draft in terms of eliminating, adding or rewording some of the items included in that draft.

4.2.2 Reliability Analysis
Prior to the actual study, the researcher carried out a pilot study to pre-test the validity and reliability of data collected using the questionnaire. The pilot study allowed for pre-testing of the research instrument. The results on reliability of the research instruments are presented in Table 4.2 below.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Cronbach’s Alpha</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Planning</td>
<td>0.764</td>
<td>5</td>
</tr>
<tr>
<td>Procurement Control</td>
<td>0.716</td>
<td>5</td>
</tr>
<tr>
<td>Procurement Monitoring</td>
<td>0.723</td>
<td>5</td>
</tr>
</tbody>
</table>

The overall Cronbach's alpha for the three categories which is 0.752. The findings of the pilot study shows that all the three scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda & Mugenda, 2008).

4.3 Demographics
The background information was gathered based on the position held, level of education, working experience and position held.

4.3.1 Position held in the Organization
The study sought to establish the position held by the respondents in the study. The study results revealed that respondents in the top management were 29.5%, middle management were 52.3% and those in the support staff were 18.2% with a mean score of 1.89 and a standard deviation of 0.689 as shown in figure 4.1 below. This shows that the majority of respondents were in middle management.

4.3.2 Level of Education
The study sought to establish the level of education of respondents. Respondents with PhD were 9.1%, master’s degree were 18.2%, bachelor’s degree 52.3% and those wither forms of education certificate were 20.5% with a mean score of 2.84 and a standard deviation of 0.861 as shown in figure 4.2 below. This shows that majority of respondents were those holding a bachelors degree.

4.3.3 Working Experience
The study sought to establish the working experience. The results revealed that respondents who have worked for between 0-5 years were 43.2%, between 6-10 years were 34.1%, between 11-15 years were 20.5% and over 15 years were 2.3% with a mean score of 1.82 and a standard deviation of 0.843 as shown in figure 4.3 below. This shows that majority of respondents have worked for between 0-5 years.
4.4 Analysis of Objectives

In the research analysis the researcher used a tool rating scale of 5 to 1; where 5 was the highest and 1 the lowest. Opinions given by the respondents were rated as follows, 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1= Strongly Disagree. The analysis for mean, standard deviation and coefficient of variation were based on this rating scale.

4.4.1 Procurement Planning

Table 4.3 Procurement Planning

<table>
<thead>
<tr>
<th>Procurement Planning</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1. The performance appraisal are supported by rewards</td>
<td>44</td>
<td>3.68</td>
<td>1.253</td>
</tr>
<tr>
<td>B2. My bank has appropriate and sufficient internal controls in place</td>
<td>44</td>
<td>4.02</td>
<td>.505</td>
</tr>
<tr>
<td>B3. My bank does conduct performance appraisals at least twice a year</td>
<td>44</td>
<td>4.32</td>
<td>.883</td>
</tr>
<tr>
<td>B4. My bank conducts monthly and yearly budget variance analysis</td>
<td>44</td>
<td>4.32</td>
<td>.674</td>
</tr>
<tr>
<td>B5. My bank procurement systems are efficient and effective at detecting fraud</td>
<td>44</td>
<td>3.41</td>
<td>1.168</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td></td>
<td>44</td>
<td></td>
</tr>
</tbody>
</table>

The first objective of the study was to determine how procurement planning affects banks financial performance. Table 4.3 summarizes respondents level of agreement on how procurement planning affect banks financial performance. Most of the respondents agreed that bank conducts performance appraisal twice a year as shown by a mean of 4.32 with a standard deviation of .883. Most of the respondents also agreed to the fact that bank conducts monthly and yearly budget variance analysis is a significant importance to banks financial performance with a mean of 4.32. Bank procurement systems efficiency and effectiveness reported a mean of 3.41.

4.4.2 Procurement Control

Table 4.4 Procurement Control

<table>
<thead>
<tr>
<th>Procurement Control</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1. The procurement system has helped in controlling the inventory stocks</td>
<td>44</td>
<td>4.00</td>
<td>1.100</td>
</tr>
<tr>
<td>C2. My bank does produce daily, weekly, monthly, quarterly and yearly financial reports</td>
<td>44</td>
<td>4.05</td>
<td>1.120</td>
</tr>
<tr>
<td>C3. The system has reduced operation costs for the banks to enhance efficiency of procurement</td>
<td>44</td>
<td>3.93</td>
<td>.728</td>
</tr>
<tr>
<td>C4. The system has helped in reducing ordering time and follow up</td>
<td>44</td>
<td>3.50</td>
<td>.506</td>
</tr>
<tr>
<td>C5. The staff awareness on procurement rules and regulations</td>
<td>44</td>
<td>4.30</td>
<td>.795</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td>44</td>
<td></td>
</tr>
</tbody>
</table>

The second objective of the study was to determine how procurement controls affects banks financial performance. From the findings indicated in table 4.4 most of the respondents agreed that the staff
awareness on procurement rules and regulations had increased with a mean of 4.30 which signify a bank financial performance. These results are consistent with the findings obtained on the question on staff awareness on procurement rules and regulations that enhance efficiency and effectiveness and thus banks financial performance. This question obtained a mean of 4.30 which shows that training programs and awareness on the public procurement especially on ways in which procurement can enhance their performance. The results also conquer with the finding on the question that was asked whether procurement system has helped in controlling the inventory stocks with a mean of 4.00. The findings on the system reduced operational costs and reduced ordering time in place helps to increase banks financial performance obtain mean of 3.93 and 3.50 respectively.

4.4.3 Procurement Monitoring

Table 4.5 Procurement Monitoring

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Monitoring</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D1. Regular reviews and audits of procurement processes is done to ensure probity is being considered and achieved</td>
<td>44</td>
<td>4.16</td>
<td>.526</td>
</tr>
<tr>
<td>D2. The procurement department uses e-tendering system for advertising tenders</td>
<td>44</td>
<td>3.39</td>
<td>1.243</td>
</tr>
<tr>
<td>D3. The bank has heavily invested in use of e-procurement system for its procurement activities</td>
<td>44</td>
<td>4.07</td>
<td>1.065</td>
</tr>
<tr>
<td>D4. The e-procurement system of the bank has helped to reduce costs</td>
<td>44</td>
<td>3.70</td>
<td>1.304</td>
</tr>
<tr>
<td>D5. The monitoring system put in place is easy to use by relevant authorities</td>
<td>44</td>
<td>4.48</td>
<td>.664</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>44</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The third objective of the study was to determine how procurement monitoring affects banks financial performance. Respondents agreed that monitoring systems played a crucial role in banks financial performance as depicted by a mean of 4.48, most of the respondents agreed that regular review and audits of procurement processes played a crucial role in banks financial performance as depicted by a mean of 4.16 and a mean of 4.07 was obtained on the procurement department use of e-tendering system advertising tenders and a mean of 3.70 on e-procurement system that help reduce costs thus enhance banks financial performance. Most of the respondents agree that monitoring systems plays a crucial role in procurement in curbing fraud and corruption cases.

4.4.4 Procurement Financial Performance Measurement

Table 4.6 Procurement Financial Performance Measurement

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Financial Performance Measurement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E1. The performance appraisals are supported by rewards</td>
<td>44</td>
<td>3.77</td>
<td>1.273</td>
</tr>
<tr>
<td>E2. My bank has appropriate and sufficient internal controls in place</td>
<td>44</td>
<td>4.16</td>
<td>.834</td>
</tr>
<tr>
<td>E3. My bank does conduct performance appraisals at least twice a year</td>
<td>44</td>
<td>4.25</td>
<td>.839</td>
</tr>
<tr>
<td>E4. My bank conducts monthly and years budget variance analysis</td>
<td>44</td>
<td>4.30</td>
<td>.765</td>
</tr>
<tr>
<td>E5. My bank procurement systems are efficient and effective at detecting fraud</td>
<td>44</td>
<td>3.50</td>
<td>.762</td>
</tr>
<tr>
<td>Valid N (list wise)</td>
<td>44</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The study further investigated whether variance analysis to the procurement systems enhance procurement financial performance. This question was repeated so as to check for consistency in the response a mean of 4.30 and this indicates agreement by the respondents. The study further requested the respondents to indicate if appraisals done on the procurement affects banks financial performance with a mean of 4.25. Majority of the respondents agreed that sufficient internal controls put in place enhance banks financial performance with a mean of 4.16.
4.5 Multiple Regression Analysis

The correlation analysis Table 4.7 shows the relationship between the independent variables, procurement planning, procurement control and procurement monitoring and the dependent variable procurement financial performance measurement. The analysis indicates the coefficient of correlation, $r$ equal to 0.303, .558 and 0.281 for procurement planning, procurement control and procurement monitoring. This indicates positive relationship between the independent variable namely procurement planning, procurement control and procurement monitoring and the dependent variable procurement financial performance measurement.

Table 4.7 Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized Coefficients</td>
<td>Standardized Coefficients</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td>Procurement Planning</td>
<td>.250</td>
</tr>
<tr>
<td></td>
<td>Procurement Controls</td>
<td>.481</td>
</tr>
<tr>
<td></td>
<td>Procurement Monitoring</td>
<td>.016</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Procurement Financial Performance Measurement

The regression equation was:

$Y = 15.1 + 0.250X_1 + 0.481X_2 + 0.016X_3$

Where:

$Y$: the dependent variable (Procurement Financial performance).
$X_1$: Procurement Planning
$X_2$: Procurement Control
$X_3$: Procurement Monitoring

The regression equation above has established that taking all factors into account (Procurement financial performance as a result of procurement planning, procurement control and procurement monitoring) constant at zero procurement financial performance will be 15.1. The findings presented also shows that taking all other independent variables at zero, a unit increase in procurement planning will lead to a 0.250 increase in the scores of procurement financial performance among bank; a unit increase in procurement control will lead to a 0.481 increase in procurement financial performance among banks, a unit increase in procurement monitoring will lead to a 0.016 increase in the scores of procurement financial performance among banks. This therefore implies that all the three variables have a positive relationship with procurement financial performance with procurement control contributing most to the dependent variable.

Table 4.8 Regression Analysis Summary

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>Change Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>R</td>
</tr>
<tr>
<td>1</td>
<td>.648a</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Procurement Monitoring, Procurement Planning, Procurement Controls

Table 4.8 above indicates an overall $P$-value of 0.001 which is less than 0.05 (5%). This shows that the overall regression model is significant at the calculated 95% level of significance. It further implies that the studied independent variable namely procurement planning, procurement control and procurement monitoring have significant effect on procurement financial performance among banks in Mombasa.
Table 4.8 shows the regression model summary indicating the coefficient of determination R Square as 0.420. This means that 42% of the relationship is explained by the identified three factors namely procurement planning, procurement control and procurement monitoring. The rest 58% is explained by other factors in the banking industry not studied in this research. In summary the three factors studied namely, procurement planning, procurement controls and procurement monitoring explains or determines 42% of the relationship while the rest 58% is explained or determined by other factors.

4.6 Analysis of Variance (ANOVA)
The study used ANOVA to establish the significance of the regression model. In testing the significance of the regression model is as per Table 4.10 below with P-value of 0.00 which is less than 0.05. This indicates that the regression model is statistically significant in predicting factors procurement financial performance in banks in Mombasa.

Basing the confidence level at 95% the analysis indicates high reliability of the results obtained. The overall Anova results indicates that the model was significant at F = 9.663, p = 0.000.

4.7 Correlation Analysis
To establish the relationship between the independent variables and the dependent variable. The study conducted correlations analysis which involved coefficient of correlation and coefficient of determination.

4.7.1 Coefficient of Correlation
In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson’s Coefficient of Correlation (r). This is as shown in table 4.9 below. According to the findings it was clear that there was a positive correlation between procurement monitoring and procurement financial performance measurement shown by a correlation figure of 0.558, procurement planning shown by a correlation figure of 0.303. This showed that there was a strong positive correlation highest being noted in procurement monitoring and lowest in procurement monitoring used with a positive correlation.

Table 4.9 ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>66.803</td>
<td>3</td>
<td>22.268</td>
<td>9.663</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>92.175</td>
<td>40</td>
<td>2.304</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>158.977</td>
<td>43</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Procurement Financial Performance Measurement
b. Predictors: (Constant), Procurement Monitoring, Procurement Planning, Procurement Controls

Table 4.10 Pearson’s Correlations

<table>
<thead>
<tr>
<th></th>
<th>Procurement Financial Performance Measurement</th>
<th>Procurement Planning</th>
<th>Procurement Controls</th>
<th>Procurement Monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Financial Performance Measurement</td>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>N</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement Planning</td>
<td>Pearson Correlation</td>
<td>.303</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procurement Controls</td>
<td>Pearson Correlation</td>
<td>.558</td>
<td>.047</td>
<td>1</td>
</tr>
</tbody>
</table>
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter accordingly summarizes the findings in line with the objectives, draws conclusions and makes the necessary recommendations. Areas of further study that may enrich the study are also suggested.

5.2 Summary of Findings
The general objective of this study was to determine the role of procurement management on banks financial performance with specific focus on I & M Bank Limited Mombasa. This study determined how procurement planning, procurement controls and procurement monitoring affects banks financial performance. From the 61 questionnaires administered, 44 of them representing 72.1% were returned and analyzed for mean, standard deviation and coefficient of Correlation. The study reveals that majority of the respondents were in middle management with the positions held. Most of the respondents were those who have worked for 0 – 5 years whereas those with bachelor degree were the majority on education level indicating that there is sufficient skills that are required in I & M Bank Limited for better profitability returns.

The research sought to determine how procurement planning affects banks financial performance. The results above shows that employees of I & M Bank Mombasa conducts performance appraisal and budget variance analysis to improve and increase procurement banks financial performance.

The study also sought to determine how procurement controls affects banks financial performance. The result show that staff awareness and frequent trainings on procurement rules and regulations have a great significant value on the banks financial procurement performance.

The study also sought to determine how procurement monitoring affects banks financial performance. The results show that installing monitoring systems, regular review and procurement audits plays a crucial role in curbing frauds and corruption issues thereby improving banks financial performance.

The correlation analysis indicates the coefficient of correlation, r equal to 0.558, 0.303 and 0.281 for procurement control, procurement planning and procurement monitoring respectively. This indicates a very strong positive relationship between the independent variables, procurement planning, procurement controls and procurement monitoring and dependent variable banks financial performance.

5.3 Conclusion
From the study findings, the study concluded that all the independent variables studied have significant effect on procurement financial performance at I & M Bank Mombasa as indicated by the strong coefficient of correlation and a P-value which is less than 0.05. As per procurement planning objective we conclude that most of the respondents agreed to the fact that banks conducts monthly and yearly budget variance analysis which is significant importance to banks financial performance. The second objective procurement control concludes that most of the respondents agreed that the staff awareness on procurement rules and regulations has a significant effect on banks financial performance. The last objective procurement monitoring concludes that most respondents agreed that monitoring systems played a significant role in banks financial performance. The overall effect of analysed factors was very high as indicated by the coefficient of determination.

The overall P-value of 0.00 which is less than 0.05 (5%) is an indication relevance of the studied variables, significant at the calculated 95% level of significance. This implies that the studied independent variables procurement planning, procurement controls and procurement monitoring have a significant effect on procurement financial performance at I & M Bank Limited Mombasa.
5.4 Recommendations
Based on the findings of this study and the conclusions drawn the following recommendations were made.

1. The existing procurement planning, procurement controls and procurement monitoring practices should be modified towards modern mechanisms in order to improve procurement financial performance.

2. The management should focus more on installing monitoring systems, reviews and procurement audits to curb corruption and fraud issues thus enhance procurement financial performance.

3. Policy makers should focus more on procurement trainings and seminars on public procurement regulations and rules to enhance procurement financial performance.

4. The managers should invest more in appropriate e-procurement technologies that increase efficiency and effectiveness of procurement processes thus enhance procurement financial performance.

5.5 Areas for further Studies.
The general objective for this study was to determine the role of procurement management on banks financial performance. Specifically, this study determined how procurement planning, procurement controls and procurement monitoring affects banks financial performance at I & M Bank Mombasa.

These determinants are not exhaustive hence further research can be carried out to unearth other roles of procurement management on banks financial performance. Secondly, further studies need to be carried out to identify procurement challenges that these I & M Bank Limited face and how best these challenges can be addressed to enhance high profitability returns and performance of the banks.

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