

## **EFFECT OF STRATEGIC PROCUREMENT STRATEGIES ON PERFORMANCE OF MICROFINANCE BANKS IN KENYA**

**Ngahu Daniel Muiruri<sup>1</sup> Bula Hannah Orwa PhD<sup>2</sup>**

**Ngahu Daniel Muiruri<sup>1</sup>**

.MBA Student.

School of Business

Jomo Kenyatta University of Agriculture and Technology.

P.O. Box 62000-00200, Nairobi, Kenya. Email:

**Bula Hannah Orwa PhD<sup>2</sup>**

Lecturer school of Business

Department of Business Administration

School of Business, Kenyatta University

P.O. Box43844-00100 GPO, Nairobi, Kenya

Email: [bula.oh@yahoo.com](mailto:bula.oh@yahoo.com)

Corresponding email: [dan.ngahu@gmail.com](mailto:dan.ngahu@gmail.com) and [bula.oh@yahoo.com](mailto:bula.oh@yahoo.com)

### **Abstract**

There is an existing gap on the relationship between procurement strategy and microfinance performance in Kenya. Using descriptive research design, the study seeks to examine the relationship between procurement strategy and microfinance bank performance in Kenya. Specifically the study seeks to establish the effect of employee training, out sourcing, supplier relationship management and adoption of information technology strategies on microfinance banks performance in Kenya. The target population of this study will be all employees working in the procurement department of microfinance banks. Judgemental sampling technique will be used to select three employee who are directly involved in microfinance banks procurement. The study was based on primary data which was collected from through the use of questionnaires. Both Microsoft excel and SPSS was used to analyse the data. Descriptive statistics such as frequency and percentages was used to summarize the data. Results of the study revealed that there was a positive and significant relationship between employee training, outsourcing, supplier relationship management and use information technology on microfinance banks performance. There is need to develop customised employee training for each microfinance bank, integration of procurement process through use of IT and continued evaluation of supplier relationship to ensure there is symbiotic relationship between supplier relationship and microfinance banks in Kenya.

**Key words: Microfinance banks, Strategy, out sourcing, Employee Training.**

## 1.0 Introduction

Micro financing is the process of providing financial services to low income earners who cannot afford to raise collateral security as demanded by financial institutions. Through micro finance institutions, financial services which are similar to those provided by commercial banks are available to low income earners, small and micro enterprises, the unbanked population who are most considered to expose commercial banks to high risk levels owing to their meagre earnings are considered and banked (Daley Harris 2002). In most microfinance banking the lending is done in groups and group's members' serves as collateral providers.

Prior to the emergence of microfinance banking, low income earners had been borrowing using informal means of financing. These informal financing modes ranged from, "loan sharks, community members and saving groups were once the only source for low income individuals who were unbanked or under-banked". These sources of finance are prominent even now in both urban and rural areas, though with introduction of micro finance may have switched to them due to the flexibility of their financial products. In Kenya micro finance banks have increased the level of financial deepening owing to the fact that 35% of Kenyan population are banked but unhappy with services provided by these financial services while 38% of the Kenyan are still using informal financing modes (CBK, 2008).

Oyugi and Shale (2014) examined the role of procurement management practices on organizational performance in the Kenya national audit office. The study conceptualized that organizational performance can be influenced by cost management, information technology, supplier relationship and record management. Through the use of descriptive research design, primary data was collected through the use of closed ended questionnaire among 84 respondents who were working in KENAO. Both correlation and regression analysis were used to examine the relationship between study variables. Results of the study revealed that there was a positive and significant relationship and records management.

## 1.2 Statement of the Problem

The nerve for both profit and non-profit making organization is the procurement department, there they is need to devise strategic measures which ought to be followed so as to attain the company vision and mission. In Kenya the government developed procurement guidelines as stipulated in the procurement act and they ought to be adhered to as such to attain efficiency in the government service delivery (Nyakundi *et al*, 2012). Although, these guidelines are clearly stipulated there are instance of negligence, poor leadership, recruitment of unqualified procurement staff, lack of poorly developed procurement systems, in ability to develop harmonious relationship with suppliers (Mburu and Njeru, 2014). Ombaka (2013) argued that if procurement process is characterised by inefficiencies then they will be transferred to other sections in a corporation which will ultimately hinder the prospect of good performance. Although, procurement policy was developed it was meant to guide and stipulate on procurement procedure to be followed in public procurement. Private sector in which microfinance banks are licensed to operate has no procurement guidelines thus there is needed to examine the effect of procurement strategy among microfinance banks performance in Kenya.

Although several studies have been undertaken to explain the role of procurement on organization performance they have used mean, minimum, maximum and standard deviation to analyse ordinal and it would have been appropriate to use frequency and percentages. Moreover, none of them have been customised to show the role of procurement strategy on microfinance banks performance. It is against this backdrop the current study seeks to explain the role of procurement strategy on microfinance banks performance in Kenya.

### **1.3 Objectives of the Study**

The main objective of the study sought to examine the effect of strategic procurement on microfinance banks performance in Kenya. Specifically, the study sought to:

- i. To determine the effect of employee training procurement strategies on microfinance bank performance in Kenya
- ii. To establish the effect of outsourcing procurement strategy on microfinance banks performance in Kenya
- iii. To assess the effect of supplier relationship management strategy on microfinance banks performance in Kenya
- iv. To evaluate the effect of information technology procurement strategy on microfinance banks performance in Kenya.

### **1.4 Hypothesis of the Study**

The study tested the following hypothesis:

- i. Ho<sub>1</sub>: Employee training procurement strategy has no significant effect on performance microfinance banks in Kenya.
- ii. Ho<sub>2</sub>: Outsourcing procurement strategy has no significant effect on microfinance banks performance in Kenya.
- iii. Ho<sub>3</sub>: Supplier relationship management strategy has no significant effect on microfinance banks performance in Kenya.
- iv. Ho<sub>4</sub>: Information technology procurement strategy has no significant influence on microfinance banks performance in Kenya.

## **2.0 Review of Literature**

The entire chapter reviews the literature related to the key study variables as depicted in the conceptual framework. Prior to empirical the section reviews three theories which show the effect of procurement strategy on microfinance bank. The chapter also looks into the linkages in addition to establishing the existing relationships amongst these variables.

### **2.1 Theoretical Framework**

The current study was guided by resources dependency theory and transaction cost theory.

#### **2.1.1 Resources Dependence Theory**

This theory argues that organizational performance can be influenced by external factors. According to Pfeffer and Salancik, (2005), in order for a corporate organization to operate efficiently both internal and external environment ought to be in agreement.

All microfinance banks operating in Kenya should strategize and apply effective procurement strategies which will ensure there is optimal benefit to an organization. The theory posits that external linkages with other parties who are directly or indirectly linked will ensure that there is optimal benefit. To access timely and reliable procurement services, an organization ought to ensure that they seek service provision from organization which will ensure there is an ultimate organizational growth. According to Price (2010), organization managers are actively involved in sources of organization resources by influencing suppliers on investor's behalf. There is a positive significant relationship between individual involvement and organization performance therefore management should foster to be actively in activities which will create positive firm image and consequently influence organization performance positively. The theory is appropriate for the study whereby the management should foster to benefit fully from the resources available in an organization.

### **2.1.2 Transaction Cost Theory**

Transaction cost theory was brought forth by Ronald in 1937 who argued that any organization is always concerned about search and information costs, bargaining and decision costs, as well as policing and enforcement cost all of which should be minimized. Transaction cost theory is based on the basis of company existence and the guidelines towards its expansion program to the external environment. Through this microfinance banks ought to minimize their operation through adaptation of strategic procurement strategies. In this theory both institution and environment in which they operate are perceived to have a symbiotic relationship with optimal benefits from each other. Moreover, if company's operational costs are lower than market costs then there are opportunities for more profits (Ronald, 1937; Williamson, 1981).

According to Williamson (1981) transaction cost can be viewed as environmental uncertainty, opportunism, bounded rationality and core company assets. This classification was based on the fact that all these factors have tendency to accelerate transactions costs by making company service dear to acquire, thus few customers will be attracted towards microfinance financial products. Therefore, it is economical for a microfinance to evaluate the procurement procedures present in an organization from which they can evaluate the benefits against cost of individual, institutional, economic and environmental factors in relation to procurement performance in a given microfinance bank.

The theory is appropriate for the study since microfinance banks must continuously evaluate their cost benefit analysis with the sole purpose of improving efficiency and minimizing operational cost. In an organization there is need to develop measurers and mechanisms geared towards minimization of costs and improved of chances for more benefits.

## **2.2 Empirical Review of Literature**

In the current section the study reviews past studies showing the effect of each independent procurement strategy on microfinance bank.

### **2.2.1 Employee Training and Firm Performance**

Wanyonyi and Muturi (2015) examined factors influencing procurement performance among public institutions in Kisumu. Wanyonyi and Muturi argued that procurement performance is influenced by information technology, ethics, and competency of staff. Primary data was collected using closed ended questionnaires. Census sampling was used to select 30 public training institutions in Kisumu

from which 15 respondents were drawn from purposively since all served in procurement department. Descriptive and inferential statistics were used to analyse the data. Regression analysis revealed a positive and significant relationship between procurement and employee training. It would have been appropriate to use EFA since employee performance was operationalized to be determined by several variables.

Shiundu and Rotich (2014) examined the influencers of procurement performance in Nairobi. The study adopted descriptive research design. Through census sampling a sample of 63 employees working in the procurement department were selected. Through the use correlation and regression analysis, the findings revealed a positive and significant relationship between employee training and procurement efficiency. The choice of regression and correlation analysis was not appropriate since the data was in ordinal scale and there is no clear formula on how the overall indexes for each independent variable was calculated. Future, studies should correct the methodology through the use of factor analysis to calculate the overall indexes for the study variables.

Musau (2014) studied the determinants of procurement function and its role in organization effectiveness. Descriptive design was adopted in the study while simple random technique was used to select 42 employees working in the procurement department in Moi Teaching and Referral Hospital. Regression analysis results revealed that there was a positive and significant relationship between employee competency and procurement performance.

Matindi and Ngugi (2013) studied the determinants of procurement performance in KENHA. The study argued that procurement performance is influenced by management styles, organization culture, stakeholder influence, organization resources and government policy. Stratified sampling technique was used to select 55 employees working in KENHA. It would have been appropriate to consider all 180 employees and if sample was to be used cluster sampling was the most appropriate since the population was homogeneous though categorised into different departments. Data was analysed using frequencies and percentages as well as regression analysis. Regression analysis showed that there was a positive and significant relationship between organization cultures, management style and government policy on procurement performance. The management should train all the employees on the prerequisite procurement skills as such to benefit fully.

### **2.2.2 Outsourcing Procurement Strategy and Firm Performance**

Yeboah (2013) examined the relationship between outsourcing and organization performance. Specifically, the study sought to examine whether outsourcing increased profitability, productivity, service quality or it increased firm's competitive advantage. Purposive sampling technique was used to select 50 service firms operating in the banking and insurance sector. Results of the study revealed that most firms outsourced in order to "reduce and control operating costs, free internal resources for other purposes; improve company's focus, unavailability of resources internally, accelerates reengineering benefits, gain access to world class capabilities, make capital funds available and cash infusion" (Yeboah, p.g. 10). Correlation analysis was applied to examine the relationship between outsourcing and profitability, productivity, service quality and increased competitive advantage. Correlation revealed that there was an inverse insignificant relationship between outsourcing and productivity as well as with competitive advantage. There was a positive and insignificant relationship between outsourcing and service quality. Since the responses were in Likert scale it would have been appropriate to use frequencies and percentage because the variables

were in ordinal level of measurement and inferential statistics would have been appropriate upon factors reduction using exploratory factor analysis.

Kebasco, Kiarie and Kennedy (2014) examined the effects of outsourcing strategy on procurement performance among universities in Kenya. The study defined outsourcing procurement strategies as contract outsourcing, selective outsourcing, licensing agreement and comprehensive strategy. The study adopted descriptive survey design. Stratified sampling technique was used to select 336 respondents who were working in procurement department in Kenyan universities. Descriptive statistics which included mean and standard deviation, inferential statistics included correlation and regression analysis. Results of the study revealed that there was a positive significant relationship between contact outsourcing, selective outsourcing, licensing agreement, comprehensive agreement and procurement performance. It was not appropriate to use mean and standard deviation since the variables were in ordinal scale. It would have been appropriate to use exploratory factor analysis (EFA), to form regression coefficient.

### **2.2.3 Supplier Relationship Management and Firm Performance**

Al-Abdallah, Abdallah and Hamdan (2014) examined the impact of supplier relationship management on competitive performance of manufacturing firms. Al-Abdallah, *et al* argued that supplier quality improvement, trust based relationship with suppliers, supplier lead time reduction and supplier partnership development influence company's competitive performance. Stratified sampling technique was used to select firms from Japan, USA, Italy and Korea. Descriptive, correlation and regression analysis were used to analyse the data. Results of the study revealed a negative significant relationship between competitive performance and supplier quality improvement. In addition, there was a positive and significant relationship between trusts based relationship with suppliers, supplier lead time reduction, supplier partnership development and competitive performance. Since the variable used Likert scale it was not appropriate to use mean and standard deviation as descriptive analysis since the variables were in ordinal scale it would have been appropriate to use frequencies and percentage.

Ondieki and Oteki (2015) examined the effect of supplier management relationship on effectiveness of supply chain management in Kenyan public sector. The study argued that SRM is enhanced by inventory management, information technology, distribution management and training management. The study adopted descriptive research design; semi structure questionnaire was used to collect primary data from a sample of 60 respondents. Both correlation and descriptive analysis were used to analyse the data. Results of the study revealed that there was a positive and significant relationship between supplier relationship management and supply chain effectiveness. It was appropriate to apply exploratory factor analysis and generated variables which were to be regressed prior to correlation analysis. The research instrument had guiding with dichotomous response which would have not attained the study objectives. Being a social study it would have been appropriate to use Likert scale items rather than dichotomous responses.

Hassan, Habib and Khalid (2014) examined the role of buyer relationship on buying firms performance in Chemical sector in Pakistan. The study argued that buyer relationship can be defined by facets such as communication frequency through use of face to face, telephone communication as well as telephone conversation, amount of information sharing, supplier flexibility, customized relationship adaptation, continuous and active market monitoring, supplier quality products delivered and availability of substitutes. Purposive sampling was used to select six



companies which were listed in chemical sector in Karachi securities exchange. Descriptive, correlation and regression analysis were used to analyse the data. Results of the study revealed that there was an inverse relationship between availability of alternative suppliers, relationship specific adaptations, production quality, frequency of communication and firm performance. In contrast there was a positive relationship between active information sharing and firm performance. Since research questionnaire items were rated using Likert scale it would have been appropriate to use frequencies and percentages as descriptive measures. Exploratory factor analysis would have been appropriate to analyse the responses measuring several items from which composite measures for each variable would have been developed and used for subsequent analysis. The study lacked the theoretical foundations against which it was found.

#### **2.2.4 Information Technology Procurement Strategy and Firm Performance**

Kinuthia and Abdallah (2015) examined the effect of ICT adoption in procurement process in oil industry in Kenya. Stratified sampling technique was used to select 45 respondents working in top level, middle level and low level of management in total Kenya. Since the population was homogeneous it was appropriate to use cluster sampling technique to draw respondents amongst the different management levels. Although, the study drew 15% respondents it would have been appropriate to use 300 respondents since the population was not big. Descriptive analysis such as mean and standard deviation was used to summarize the data, since the data was in ordinal scale it was appropriate to use frequency and percentages. Results of the study showed that through ICT adoption the lead time reduced while the quality improved. Moreover, the study found that the success of ICT adoption is influenced mainly by operational compatibility and good relationship between suppliers and service seekers.

Muhia and Afande (2015) investigated the role of ICT as enhancers of procurement performance in State Corporation. Through the use of stratified sampling technique, 45 respondents were selected. Since the population was homogenous there were differentiated through departmentation it was appropriate to use cluster sampling technique. The study conceptualised that e-communication operationalized as speed of communication, real time response and savings in communication; electronic order processing operationalised fast processing, reduced ordering cost and time taken to order; customer service level operationalized as, effective supplier relation and customer satisfaction; procurement cost reduction operationalized as reduced cost operations, time taken to order and inventory holding cost.

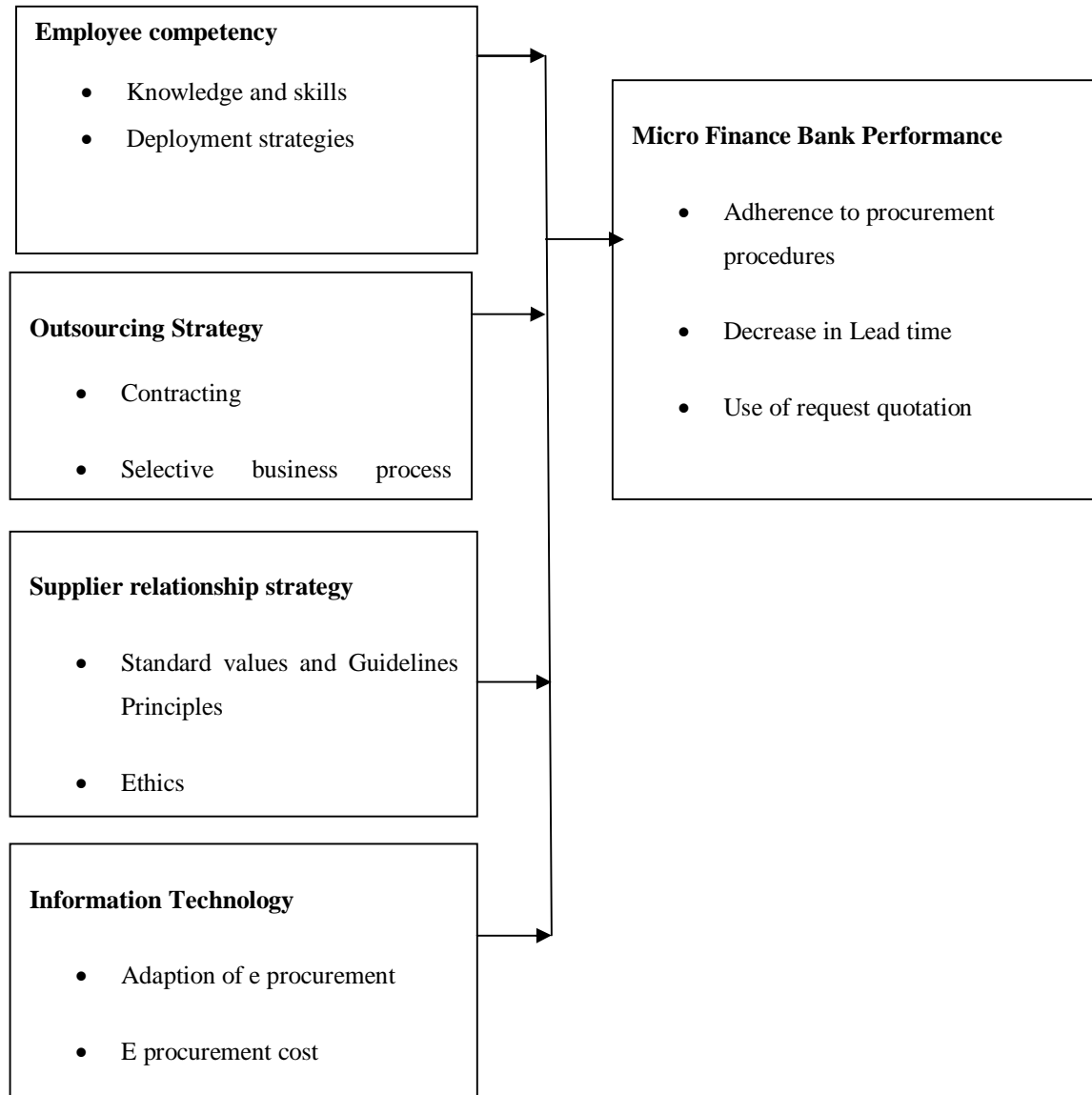
Amayi and Ngugi (2013) studied the determinants of procurement performance in Kenyan Ministry of environment, water and natural resources. The study argued that procurement is influenced by legal framework, ethics, information communication technology, management policy and government policies. The study adopted descriptive design and simple random sampling to select 80 respondents. Correlation analysis was used to examine the nature and strength of the relationship. Results of the study revealed a positive significant relationship between ICT and procurement performance. Since the data was in ordinal scale it was appropriate to use frequency and percentage rather than use of correlation analysis. Prior to use of correlation analysis it was appropriate to use EFA to form regression coefficient.

### 2.3 Conceptual Framework

A schematic presentation showing the interactions between the study variables is known as conceptual framework (Kothari, 2011). In the current study the dependent variable will be measured by increased market share, number of customers and efficiency of service delivery. Microfinance banks performance is assumed to be influenced by cost management strategy, outsourcing strategy, supplier relationship strategy and use of information technology. The schematic representation of the diagram is as shown in Figure 2.1 below.

#### Independent variables

#### Dependent variable



**Figure 2.1 Conceptual Framework**



### **3.0 Research Methodology**

#### **3.1 Research Design**

According to Kombo and Tromp (2006) a research design is a step by step guideline on how the research questions will be answered. The current study adopted descriptive research design. Saunders (2007) argued that survey designs are appropriate for detailed description of sampling frame under consideration since they allow the researcher to select a true representative of the total population. According to Oso and Onen (2009) descriptive research design is appropriate if the researcher has an initial or theoretical idea which he has acquired through observation and seeks to understand more about it.

#### **3.2 Sampling Size and Procedure**

Oso and Onen (2009) defined a subset of the target population which can be used as a true representative is known as a sample. In the current study judgemental sampling technique was used to select 3 employees working in the procurement department, which resulted to a total of 36 respondents. According to Oso and Onen (2009) judgemental sampling is used when the researcher set the selection criteria of the study respondents in this case only employees working in procurement department were considered.

#### **3.3 Data Collection Procedure**

The main research tool to be used in this study was a questionnaire to collect primary data. The questionnaire was designed to answer the research questions and attain the study objectives were administered among the microfinance banks who employees actively involved in procurement department. Past studies have employed questionnaires with both open and closed ended questions. According to Kothari (2011) questionnaires are more popular among social scientists since the respondents may quickly answer and understand the questions especially if they are closed ended and the respondent is required to write few items.

#### **3.4 Data Analysis and Presentation**

Analysis and interpretation of data was done bearing in mind the objectives and the research hypothesis of the study. Data collected was analysed by use of quantitative technique; quantitative data was analysed using descriptive statistical method, the statistical tools such as frequency distribution, tables. Measures of central tendency such as mean and standard deviation were used. Regression analysis was used to analyse the data collected. Correlation analysis was used to measure the degree of relationship between the two variables. Creswell (2003) asserts that the coefficient assumes that there is linear relationship between the two variables and that the two variables are casually related which means that one of the variables is independent and the other is dependent.

Regression analysis was used for testing hypothesis about the relationship between a dependent variable (Y) and two or more independent variables (Xs). The regression model used in this study was given as;

$$y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \epsilon$$

$y$  = Measure of Microfinance banks performance.

$\alpha$  = Constant of the equation,  $x_1$  = Employee training,  $x_2$  = Out sourcing strategy.

$x_3$  = Supplier relationship.  $x_4$  = Information Technology.

$\epsilon$  = error term

## 4.0 Findings and Discussion

### 4.1 Introduction

The current chapter present the results of the primary data which was collected through the use of closed ended questionnaires. Both descriptive and inferential statistics were used to analyse the data. The results were analysed from response rate, back ground information, effect of employee training, outsourcing procurement strategy, supplier relationship management, use of information communication on micro finance bank performance in Kenya. Both correlation and regression analysis was used to test the study hypothesis.

### 4.2 Response Rate

Out of 36 questionnaires which were issued 33 were correctly filled and returned which formed a response rate of 91.6%. This response was appropriate; Kothari (2011) argued that a response rate of 70% and above is appropriate and reliable for the study.

**Table 4.1 Response Rate**

Sample size	Number	Percent
Correctly filled and returned	33	91.6
Not returned	3	8.4
<b>Total</b>	<b>36</b>	<b>100</b>

### 4.3 Back ground Information

The study sought to examine the demographic characteristics, specifically gender, age in years, education level, working experience and professional membership. Results of the study revealed that 51.5% of the respondents working in microfinance banks procurement department were female and 48.5% were male. Most of the micro finance banks employees aged between 31-40 years as accounted for by 57.6%, this implies that majority of the employees are young. Regarding the working experience majority 36.4% had worked for a period of between 11-15 years, this implies though microfinance banks were recently licensed in Kenya they have recruited experienced employee who can assist in the attainment of their vision and mission. Regarding procurement professional registration, majority 45.5% were registered with Kenya institute of supplies and management, followed by 30.3% registered with CIPS.

**Table 4.2 Back ground Information**

Back ground Characteristic		Frequency	Percent
<b>Gender</b>	Male	16	48.5
	Female	17	51.5
	<b>Total</b>	<b>33</b>	<b>100</b>
<b>Age in years</b>	21-30	6	18.2
	31-40	19	57.6
	41-50	8	24.2
	<b>Total</b>	<b>33</b>	<b>100</b>
<b>Education level</b>	College level	8	24.2
	University level	11	33.3
	Post graduate	14	42.4
	<b>Total</b>	<b>33</b>	<b>100</b>
<b>Working experience</b>	Less than five	12	36.4
	6-10	5	15.2
	11-15	12	36.4
	16-20	4	12.1
	<b>Total</b>	<b>33</b>	<b>100</b>
<b>Professional membership</b>	KISM	15	45.5
	PPOA	8	24.2
	CIPS	10	30.3
	<b>Total</b>	<b>33</b>	<b>100</b>

#### 4.4 Employee Training and Microfinance Bank Performance

The first objective of the study sought to determine the effect of employee training procurement strategies on microfinance bank performance in Kenya. To achieve this the respondents were requested to indicate their levels of agreement on several employee training on a five point Likert scale. Both frequency and percentage were used to summarize the study findings as shown in Table 4.3.

54.5% of the respondents agreed that procurement training influences microfinance banks performance. An average of 4.4 and standard deviation of 0.6 revealed majority agreed and there was minimal deviation from all respondents. This implies that there is need to train procurement staff on requisite procurement skills. Secondly, majority 54.5% strongly agreed that their microfinance bank understands procurement procedures. Thirdly, 45.5% agreed that microfinance bank value their creativity and innovation. Finally, 66.7% strongly agreed that their procurement deploys employees based on their skills and qualifications. This can enhance the employees level of motivation and consequently trigger positive performance.

**Table 4.3 Employee Training and Microfinance Bank Performance**

		Strongly disagree	Disagree	Undecided	Agree	Strongly agree	Mean	Std. Deviation
Procurement staff training	frequency			1	18	14	4.4	0.6
	Percent			3	54.5	42.4		
Our microfinance bank procurement staff understands procurement procedures	frequency			2	13	18	4.5	0.6
	Percent			6.1	39.4	54.5		
Our microfinance bank value procurement skills and competency	frequency			4	15	14	4.3	0.7
	Percent			12.1	45.5	42.4		
Our microfinance bank value procurement creativity and innovation	frequency			1	10	22	4.6	0.5
	Percent			3	30.3	66.7		
Our microfinance bank deploys staffs based on their skills	frequency	1	1	9	22	4.6	0.7	
	Percent	3	3	27.3	66.7			

#### 4.4.1 Outsourcing Procurement Strategy and Microfinance Bank Performance

The second objective of the study sought to establish the effect of outsourcing procurement strategy on microfinance bank performance in Kenya. To achieve this, the respondents were required to indicate their levels of agreement in regard to outsourcing strategy in relation to microfinance bank performance. Results of the study were summarised using frequency, percentage, mean and standard deviation.

Results in Table 4.4 showed that 45.5% of the respondents agreed that through outsourcing procurement strategy their microfinance bank is able to concentrate on the core activities. This implies that microfinance banks ought to take advantage of procurement outsourcing opportunities. Majority agreed (mean = 3.6, standard deviation = 1.2), that their microfinance bank complies with contract guidelines on procurement as such to increase their viability. 57.6% of the respondents agreed that the resistance to change influences the use of selective procurement strategy. 39.4% agreed that there is continued training on comprehensive procurement strategy in their respective microfinance banks. Finally, 37.5% of the respondents agreed that their microfinance banks systems are compatible with the right level of comprehensive outsourcing.

**Table 4.4 Outsourcing Procurement Strategy and Microfinance Bank Performance**

		Strongly disagree	Disagree	Undecided	Agree	Strongly agree	Mean	Std. Deviation
Out sourcing strategy has enabled our microfinance bank to attend to core activities.	frequency	3	3	12	15		3.2	1.0
	Percent	9.1	9.1	36.4	45.5			
Our microfinance bank complies with contract guidelines on procurement to increase its viability	frequency	2	6	3	15	7	3.6	1.2
	Percent	6.1	18.2	9.1	45.5	21.2		
Resistance to change influences use of selective procurement strategy	frequency	1		8	19	5	3.8	0.8
	Percent	3		24.2	57.6	15.2		
There is continued training on comprehensive procurement strategy	frequency	2		7	13	11	3.9	1.1
	Percent	6.1		21.2	39.4	33.3		
Our microfinance bank systems are compatible with the right level of comprehensive outsourcing	frequency	3		9	12	8	3.8	0.9
	Percent	9.4		28.1	37.5	25		

#### 4.4.2 Supplier Relationship Management Procurement Strategy and Microfinance Bank Performance

The third objective of the study sought to assess the effect of supplier relationship management strategy on microfinance banks performance in Kenya. This was achieved through respondents rating on a five point Likert scale ranging from strongly disagrees to strongly agree.

Results in Table 4.5 revealed that 54.5% agreed that their microfinance banks have identified their suppliers based on relative importance. Secondly, 39.4% either strongly agreed or disagreed that their microfinance banks have developed supplier capability to continuously improve organization value. Thirdly, 51.5% were undecided on whether their microfinance banks treat their suppliers without discrimination. 39.4% of the respondents agreed that their microfinance banks maintains consistency in all processes and actions and

**Table 4.5 Supplier Relationship Management Procurement Strategy and Microfinance Bank Performance**

		Strongly disagree	Disagree	Undecided	Agree	Strongly agree	Mean	Std. Deviation
Our microfinance bank has identified suppliers based on relative importance.	frequency		6	2	18	7	3.8	1
	Percent		18.2	6.1	54.5	21.2		
Our microfinance has developed supplier capability to continuously improve organization value	frequency	1	3	3	13	13	4.0	1.1
	Percent	3	9.1	9.1	39.4	39.4		
Our microfinance treats suppliers equally without discrimination	frequency	2	5	17	6	3	3.1	1
	Percent	6.1	15.2	51.5	18.2	9.1		
Our microfinance maintains consistency in all processes and actions.	frequency	2	1	7	13	10	3.9	1.1
	Percent	6.1	3	21.2	39.4	30.3		
Our microfinance conducts business with honesty and integrity.	frequency	4	10	11	3	5	2.9	1.2
	Percent	12.1	30.3	33.3	9.1	15.2		

#### 4.4.3 Information Technology Procurement Strategy and Microfinance Bank Performance

The fourth objective of the study sought to establish the effect of information technology procurement strategy on microfinance bank performance. Results in Table 4.6 showed that 57.6% of the respondents agreed that their microfinance banks embrace the use of IT. Secondly, 56.3% strongly agreed that their microfinance banks have adapted E-procurement. Thirdly, 45.5% agreed that through the use of e-procurement the lead time has decreased. 45.5% agreed that through the use of IT microfinance procurement has become efficient. 36.4% agreed that through the use of IT procurement information can be share optimally in their microfinance banks.



**Table 4.6 Information Technology Procurement Strategy and Microfinance Bank Performance**

		Strongly disagree	Disagree	Undecided	Agree	Strongly agree	Mean	Std. Deviation
Our microfinance bank embraces use of IT	frequency	1	3	6	19	4	3.7	0.9
	Percent	3	9.1	18.2	57.6	12.1		
Our microfinance bank has adapted e-procurement	frequency		2	2	10	18	4.4	0.9
	Percent		6.3	6.3	31.3	56.3		
Through e-procurement adaption the lead time has decreased	frequency	3		3	15	12	4.0	1.1
	Percent	9.1		9.1	45.5	36.4		
IT makes microfinance procurement efficient	frequency	4	1	10	15	3	3.8	1.1
	Percent	12.1	3	30.3	45.5	9.1		
Through use IT procurement information can be shared optimally in our microfinance bank	frequency	3	3	11	12	4	3.3	1.1
	Percent	9.1	9.1	33.3	36.4	12.1		

#### 4.4.4 Microfinance Bank Performance

Microfinance bank performance was measured through effective procurement strategy which would ultimately lead to customer satisfaction and increase firm's profitability. Results, in Table 4.7 revealed that 25% of the respondents agreed that measures have been put in place to ensure that impulse purchasing can be eliminated. 57.6% agreed that procurement lead time is continuously evaluated to minimize the chances of services deterioration. 51.5% agreed that they embraced the use of quotation in their microfinance banks.

**Table 4.7 Microfinance Bank Performance**

		Strongly disagree	Disagree	Undecided	Agree	Strongly agree	Mean	Std. Deviation
The procurement process used is according to properly designed plan.	frequency	4	8	11	8	2	2.9	1.1
	Percent	12.1	24.2	33	24.2	6.1		
Measures have been put to eliminate chances of impulse purchasing in our micro finance bank.	frequency	2	12	8	2	8	3.1	1.3
	Percent	6.3	37.5	25	6.3	25		
Procurement lead time is continuously evaluated to minimize the chances of deteriorating our services	frequency	2	3	6	19	3	3.6	1.0
	Percent	6.1	9.1	18	57.6	9.1		
There is continued monitoring and evaluation of procurement system within our organization to ensure our system is up to date.	frequency	1	4	2	19	7	3.2	1.2
	Percent	3.1	12.5	6.1	57.6	22		
We have embraced the use of request for procurement quotation in our microfinance banks.	frequency	2	6	5	17	3	3.4	1.1
	Percent	6.1	18.2	15	51.5	9.1		

#### 4.5 Inferential Statistics

Further the study carried out inferential statistics to examine the model as conceptualised in chapter two. Correlation analysis showed the strength of the relationship between dependent and independent variables while regression analysis showed the nature of the relationship between dependent and independent variable. In addition, correlation analysis was used as a multicollinearity test whereby if two independent variables had correlation coefficient of + or - 0.7, then multicollinearity was a problem.

##### 4.5.1 Correlation Analysis

Results in Table 4.8 revealed that there was a positive and significant relationship between employee training and microfinance bank performance ( $\rho=0.194$ ,  $p$  value $<0.05$ ). This implies that a unit increase in employee training increased microfinance bank performance by 19.4%.

Secondly, there was a positive significant relationship between outsourcing procurement strategy and microfinance bank procurement performance ( $\rho =0.405$ ,  $p$  value  $<0.05$ ). This implies a unit increase in outsourcing procurement strategy increases microfinance bank procurement performance by 40.5%.

Thirdly, there was a positive significant relationship between supplier relationship management procurement strategy and microfinance bank procurement performance ( $\rho =0.442$ ,  $p$  value  $<0.05$ ).

This implies a unit increase in supplier relationship procurement strategy increases microfinance bank procurement performance by 44.2%.

Finally, there was a positive significant relationship between use of information technology procurement strategy and microfinance bank performance ( $\rho=0.291$ ,  $p$  value  $<0.05$ ). This implies that a unit increase in information technology increased microfinance bank performance by 29.1%. Since, none of the independent variables had a correlation coefficient greater or equal to + or - 0.7 then there were not collinearly related with each other.

**Table 4.8 Correlation Analysis**

	Microfinance Bank Performance	Employee Training	Outsourcing	Supplier relationship management	Information Technology
Microfinance Bank Performance	1				
Employee Training	0.194***	1			
	0.000				
Outsourcing	.405**	-0.014	1		
	0.026	0.938			
Supplier relationship management	.442**	-0.067	-0.12	1	
	0.013	0.712	0.514		
Information Technology	0.291***	-0.262	0.336	0.301	1
	0.000	0.147	0.064	0.094	

#### 4.5.2 Regression Analysis

The model summary Table 4.9 shows the coefficient of determination which shows the model explanatory power. An R squared of 43.9% shows that 43.9% of the changes in microfinance bank performance can be jointly explained by employee training, outsourcing, supplier relationship management and use of information technology. The remaining percentage of microfinance bank performance can be explained by other factors excluded from the model.

**Table 4.9 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.663a	0.439	0.345	0.822336

a Predictors: (Constant), Information Technology, Employee Training, Supplier relationship management, Outsourcing

Results in Table 4.10 shows that economic factors, institutional factors, environmental factors and individual factors ( $F=4.694$ ,  $p$  value =0.006) shows that there is a significant relationship between microfinance bank performance and employee training, outsourcing, supplier relationship management and use of information technology strategies and at least one of the slope is not zero.

**Table 4.10 ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.698	4	3.174	4.694	.006b
	Residual	16.23	29	0.676		
	<b>Total</b>	<b>28.927</b>	<b>33</b>			

a Dependent Variable: Microfinance Bank Performance

b Predictors: (Constant), Information Technology, Employee Training, Supplier relationship management, Outsourcing

Results in Table 4.11 shows the regression coefficients results, in the Table B column shows the slope coefficients which indicate the nature of the relationship, the sig column indicate the significance level. The relationship will be significant if the  $p$  value is less than 0.05.

The first hypothesis of the study stated, employee training had no significant effect on microfinance bank performance. Results of the study showed positive significant relationship between employee training and microfinance bank performance in Kenya ( $\beta=0.128$ ,  $p$  value <0.05). Since, the  $p$  value was less than 0.05, there was enough evidence to reject the null hypothesis and conclude that there employee training strategy has a significant effect on microfinance bank performance. This implies that a unit increase in employee training increases microfinance bank performance by 12.8%.

The second hypothesis of the study stated that outsourcing procurement strategy has no significant effect on microfinance banks performance in Kenya. There was a positive and significant relationship between outsourcing procurement strategy and microfinance bank performance in Kenya ( $\beta=0.489$ ,  $P$  value <0.05). Since  $P$  value <0.05, there was enough evidence to warrant rejection of the null hypothesis and conclude that out sourcing procurement strategy affect microfinance banks performance positively. This implies that a unit increase in outsourcing procurement strategy increased microfinance bank performance by 48.9%.

The third hypothesis of the study stated that supplier relationship management strategy has no significant effect on microfinance bank performance in Kenya. Results revealed a positive significant relationship between supplier relationship management and microfinance bank performance ( $\beta=0.234$ ,  $P$  value <0.05). Since the  $p$  value <0.05, there was enough evidence to reject the stated hypothesis and accept that supplier relationship management has a significant influence

on microfinance bank performance in Kenya. This implies that a unit change in supplier relationship management procurement strategy increased microfinance bank performance by 23.4%.

Finally, the fourth hypothesis stated that information technology procurement strategy had no significant effect on microfinance bank performance in Kenya. There was a positive though non-significant relationship between use of information technology strategy and microfinance bank performance in Kenya ( $\beta=0.362$ , P value  $<0.05$ ). Since the p value  $< 0.05$ , then there was enough evidence to reject the null hypothesis and accept that information technology has a significant effect on microfinance bank performance. This implies that a unit change in use of information technology increases microfinance performance by 0.234.

**Table 4.11 Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-0.003	0.153		-0.022	0.983
Employee Training	0.128	0.0456	0.125	2.79	0.009
Outsourcing	0.489	0.1637	0.503	2.988	0.006
Supplier relationship management	0.234	0.096	0.237	2.436	0.008
Information Technology	0.362	0.176	0.368	2.06	0.05

a Dependent Variable: Microfinance Bank Performance

## 5.0 SUMMARY CONCLUSION AND RECOMMENDATIONS

The back ground information revealed that most of the respondents were females aged below 40 years and had attained undergraduate university qualifications. Although, majority had acquired university education almost 45.5% were registered members of KISM. From this it can be deduced that most of the young female microfinance banks employee had acquired formal procurement training. In addition, the study revealed that 43.9% of the changes in microfinance bank performance can be jointly explained by employee training, outsourcing, supplier relationship management and use of information technology.

Both correlation and regression analysis showed that employee training had a positive effect on microfinance banks performance in Kenya. These results were in agreement with Wanyonyi and Muturi (2015) who found that continuous procurement staff training improved their skills which improved efficiency on their operations.

Secondly there was a positive and significant relationship between outsourcing procurement strategy and microfinance bank performance. These results were in tandem with Kebasco et al, (2014) who argued that there was a positive and significant relationship between outsourcing and procurement efficiency which improves organization performance in the long run.

Thirdly, there was a positive and significant relationship between outsourcing strategy and microfinance bank performance. These results supported Ondieki and Oteki (2015) who found that supplier relationship management strategy had a positive influence on procurement performance which affects firm performance positively.

Finally, there was a positive and significant relationship between use of information technology and microfinance bank performance in Kenya. These results were in agreement with Kinuthia and

Abdallah (2015) who argued that adaption of ICT in procurement influences organization performance positively.

### 5.3 Conclusion

Since the four factors combined jointly influenced almost 43.9% of microfinance bank performance, there is need to explore which other procurement strategies which could influence 52.1% of microfinance banks performance in Kenya. From the foregoing results there is need for microfinance banks to continuously train their employee on the acceptable procurement practices as such to be positioned for future profit prospects. Secondly the microfinance banks should evaluate their procurement outsourcing services and improve them so as to tap all the benefits which are associated with the outsourcing strategy influencing organization performance. Although the positive relationship of supplier relationship management and microfinance bank performance was significant they should forge and foster relationship which is more beneficial to their organizations. Finally, all procurement procedures ought to be integrated through use of information technology. Since IT has positive effects microfinance should employ it and minimize inefficiencies associated with manual procurement systems.

### 5.4 Recommendations

From the findings the following recommendations can be drawn; continuous training should be carried out and customised courses ought to be developed for each microfinance. There is need to outsource several services since this will set enough time for microfinance banks to attain their vision and mission. Supplier relationship should be developed and continuously evaluated to ensure that both organizations attain symbiotic relationship. To minimize procurement related cost IT use should be enhanced in all microfinance banks.

### 5.5 Suggestion for Further Study

The current study was carried out among microfinance banks in Kenya, since there are different there are microfinance institutions which are either deposit taking or non-deposit taking a similar study ought to be carried out on them. There is need for comparative analysis before and after conversion of microfinance into microfinance banks which should shed more light on the effect of changes in regulation in regard to microfinance banks.

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