PROCUREMENT MANAGEMENT AND FINANCIAL PERFORMANCE OF BANKS IN TANZANIA: A CASE OF CRDB BANK (T) LTD
PROCUREMENT MANAGEMENT AND FINANCIAL PERFORMANCE OF BANKS IN TANZANIA: A CASE OF CRDB BANK (T) LTD

By
Allen Luther

A Research Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Procurement and Chain Supply Management (MSc-PSCM) of Mzumbe University Dar es Salaam Campus College

2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled; Procurement Management and Financial Performance of Banks in Tanzania: A Case of CRDB Bank (T) Ltd, in partial /fulfillment of the requirements for award of the degree of Master of Science in Procurement and Supply Chain Management (MSc-PSCM) of Mzumbe University.

Major Supervisor

Internal Examiner

External Examiner

Accepted for the Board of MUDCC

CHAIRPERSON, FACULTY/DIRECTORATE BOARD
DECLARATION

I, Allen Luther, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University on a similar or any other degree award.

Signature ........................................

Date.............................................
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<th>Meaning</th>
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<tr>
<td>BoT</td>
<td>Bank of Tanzania</td>
</tr>
<tr>
<td>CRDB</td>
<td>Community and Rural Development Bank</td>
</tr>
<tr>
<td>FIA</td>
<td>Financial Institutions Act</td>
</tr>
<tr>
<td>HBO</td>
<td>Head of Business Operations</td>
</tr>
<tr>
<td>HF</td>
<td>Head of Finance</td>
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<tr>
<td>MD</td>
<td>Managing Director</td>
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<tr>
<td>PMV</td>
<td>Procurement Monitoring and Verification</td>
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<tr>
<td>PO</td>
<td>Purchasing Officer</td>
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<tr>
<td>PSM</td>
<td>Procurement and Supply management</td>
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<td>SCM</td>
<td>Supply Chain Management</td>
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ABSTRACT

This study looked at the effect of procurement management on the financial performance of banks in Tanzania with a case study of CRDB Bank (T) Ltd., specifically the study reviewed procurement planning, controls and monitoring and how they affected the performance of banks. It was hypothesized in the study that procurement planning, controls and monitoring positively affect the performance of banks.

Empirical data was collected from the staff of CRDB Bank (T) Limited and the study had 33 respondents from the targeted population of 35; this sample was selected using purposive sampling.

The empirical data was analyzed both quantitatively and qualitatively to examine the relationships between procurement management and bank performance.

The key findings of the study indicated that the three procurement management attributes i.e. procurement planning, controls and monitoring positively affected the performance of the bank. This was because there were significant relationships that were established from the study between these variables and the financial performance of the bank.

From the study, it was recommended that the existing procurement planning processes be revised and strengthened to further improve bank performance; the controls be thoroughly reviewed and adherence enforced; while monitoring be carried out regularly and by independent personnel.

Further research was recommended to cover other procurement management attributes and a wider population of banks in Tanzania.
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CHAPTER ONE

PROBLEM SETTING

1.1 Introduction
This chapter focuses on the following substantive topics: background to the study; statement of the problem situation; purpose of the study; research objectives and questions; significance and justification of the study; scope of the study and the conceptual framework.

1.2 Background to the Study
Every organization needs to purchase goods and services in order to carry out its mission and goals (ZsidisinıEllram, 2003). In an increasingly complex business environment, today’s firms are continuously looking for new ways to remain competitive. Supply chain management (SCM) can help provide a sustainable competitive advantage by improving product performance and service while simultaneously reducing cost (Davis, 1993). Purchasing decisions quite often affect a large part of a company’s total costs, not only in terms of direct acquisition costs but also regarding indirect costs in the areas of inventory management, quality assurance, administration, and payment, among others. (Ellram and Siferd, 1998)

It appears that during the past few years purchasing has begun to play an ever more important role in the strategy of the firm (Ellram, 1994; Carter and Narasimhan, 1996; Weele and Rozemeijer, 2006). In order to survive, managers have begun to rethink their competitive priorities and their value chain. Increasing numbers of organizations have recognized that effective purchasing holds the potential to transform their competitive performance for the better.

The importance attached to effective purchasing has increased not only because organizations realize that one dollar reduction in purchasing spending equals a one dollar increase in profit (whereas one dollar in sales might only lead to a 10 cents increase in profit) but also because of the tangible success of high visibility
organizations as Toyota, Daimler Benz, Siemens, Philips, etc who have each developed effective purchasing and supply chain management as a core competence. It is generally agreed that purchasing has evolved from a clerical buying function into a strategic business function that contributes to the competitive position of companies (Ellram and Carr 1994; Carter and Narasimhan 1996). Empirical evidence indicates that firms can indeed obtain competitive advantage by managing supplier relations (e.g., Dyer 1996; Mol 2002; Chen, Paulraj and Lado 2004).

In the banking sector, procurement management is important in controlling costs. In 2009, a survey by Deloitte identified managing cash flow and controlling costs as two of the key strategies of CFOs in countering the impact of the financial crisis. “In our experience with the financial sector, we see that banks are shifting the focus of controlling costs towards reducing nonpersonnel-related operating expenses. For example, Lloyds Banking Group expects reduction in external spend to contribute 17 percent towards its £2 billion savings target for 2011. Another top-tier European based bank is reducing external spend (also known as procurement costs), by 25 percent in 2010 — over higher-than-expected cost savings in personnel (8 percent) and capital investment (2 percent)”.

1.2.1 Background to the Case Study
CRDB BANK LIMITED is a private commercial bank. The Bank was established on July 1st 1996 to succeed the former Cooperative and Rural Development Bank (CRDB), which was a public institution with majority of shares held by the Government of the United Republic of Tanzania. The succession was a result of the liberalization of the banking industry in Tanzania.

The liberalization which followed the enactment of the Banking and Financial Institutions Act (BFIA) of 1991 and Government’s policy to divest its interest in the sector, prompted a recapitalization of the Bank to levels stipulated by the BFIA (1991).
CRDB has been blessed with an invaluable partnership from the Danish International Development Agency (DANIDA). DANIDA’s commitment and support in technical, managerial and financial areas of the Bank’s operations has been instrumental for the success of CRDB BANK LIMITED.

DANIDA therefore was fundamentally involved in CRDB’s restructuring as demanded by the BFIA (1991). The restructuring, which started in 1992, aimed at a more efficient organizational system, better returns to shareholders and overall improvement in the financial performance of the Bank. The exercise involved:

Organizational restructuring where the organizational structure was comprehensively decentralized and designed to make the Bank more customer oriented, more accountable and with ability to compete in the free market economy.

Operational restructuring where operational policies and procedures were streamlined to make the Bank more efficient and customer oriented in its operations.

Financial restructuring where the Bank was to start operating on sound financial basis and fulfilled conditions and measures of financial soundness mainly as outlined by BFIA (1996).

Human resource management where requirements for human resources were established and manpower downsizing was effected. To have optimum number of employees with respect to customers and bank profitability, 600 employees had to be retrenched. Measures were taken to ensure that jobs restructuring would stimulate employees to work be more productive and aim higher.

Cultural change where new corporate culture attributes stressing on customer service and ability to compete were introduced to Bank staff.

Ownership

Shareholding diversification was one of the aspects of the CRDB financial restructuring. In an unprecedented exercise CRDB became the first successful major Tanzanian privatization that involved the sale of shares to the public.

CRDB BANK LIMITED is owned by over 11,000 shareholders under the following major groups (by value of shares):
Table 1.1: Shareholders Schedule

<table>
<thead>
<tr>
<th>Shareholder Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Individuals</td>
<td>37.0</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>14.0</td>
</tr>
<tr>
<td>Companies</td>
<td>10.2</td>
</tr>
<tr>
<td>DANIDA Investment Fund</td>
<td>30.0</td>
</tr>
<tr>
<td>Parastatal (NIC&amp;PPF)</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
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**Source:** CRBD Year Report, 2013

The authorized share capital of CRDB BANK LIMITED is Tshs 20.0 billion and presently the paid up capital is Tshs 12.3 billion.

CRDB Bank Limited is a bank that cares for its customers and has the capacity to advise its clients. It is a bank committed to responsible development of Tanzania's economy and society by financing only environmentally friendly projects.

1.3 Statement of the Problem

Procurement is now one of the top items that consume public money. Wittig (1999) noted that it was estimated that between US$30 to US$ 43 billion could be available in the procurement market place in Africa and by 2005, it was estimated that in developing countries, procurement accounted for a total expenditure of 70% in Tanzania (PPRA Year Report, 2011)

The importance of purchasing to organizational competitiveness is increasingly being noted, and is now considered more and more a strategic function instead of just an operative one (Carr and Smeltzer 1997; Paulraj et al 2006, Cousins and Spekman, 2003). This new focus on procurement is largely based on the fact that firms are slowly acknowledging the value added capabilities of a function that is typically responsible for procuring assets that equal about 65% of the average company’s sales (Cousins and Spekman, 2003)
Katri Karjalainen (2009) noted that, the purchases can range from individual orders worth a few Euros to multinational contracts with billions of Euros at stake. The list of what organizations purchase nowadays is varied and practically endless. Such purchases include; Production components, raw materials, IT systems, real estate, cleaning services, professional expertise, IT equipment for employees, office supplies, flight tickets, business gifts, mobile phones, electricity, food supplies among others.

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 purpose of the study was to establish the role of procurement management in the performance of commercial banks.

1.4.2 Objectives of the Study
(i) To determine how procurement planning affects the performance of CRDB Bank (T) Ltd.
(ii) To find out how procurement controls affect the performance of CRDB Bank (T) Ltd.
(iii) To determine how procurement monitoring affects the performance of CRDB Bank (T) Ltd.
(iv) To identify procurement management challenges at CRDB Bank (T) Ltd and suggest solutions.
1.5 Research Questions

1.5.1 General Question
What is the role of procurement management in the performance of commercial banks?

1.5.2 Specific Questions
(i) How does procurement planning affect CRDB Bank (T) Ltd performance?
(ii) How do procurement controls affect CRDB Bank (T) Ltd performance?
(iii) How does procurement monitoring affect CRDB Bank (T) Ltd performance?
(iv) What are the procurement management challenges at CRDB Bank (T) Ltd?

1.6 Significance of the Study
The significance of the study will mainly include;

(i) The study fosters creation of new knowledge and awareness in the area of procurement management in all industry sectors both in the private and public sectors.

(ii) The study provides value addition to the bank by way of improving performance, gap identification as well as proposals to mitigate the gaps.

(iii) The researcher anticipates that the findings and policy recommendations generated from the study may be of invaluable input to the stakeholders of CRDB Bank (T) Ltd in general both in Tanzania and elsewhere; and also to other organizations.

(iv) Findings are anticipated by the researcher to add more knowledge on the existing body of knowledge in the subject area. The study stimulates further research in the area.

(v) Findings and recommendation of this study guide the bank in policy formulation.
The study also adds to the researcher’s personal professional development.

1.7 Scope of the Study
This covered the boundaries of the study in terms of the subject, geographical area and the time period.

1.7.1 Subject Scope
The study covered procurement management effects on performance of commercial banks. Procurement management was studied under three main variables and these are procurement planning, controls and monitoring. Performance included profitability of the organization, budget variances, capital adequacy, liquidity plus anything that would be in line with this subject and was relevant to the study.

1.8 Limitation of the Study
This study had several limitations during its conduct. The followings are limitations encountered during the field work.

Finance: funding of this study was self to the student. To conduct a study of this type needed a sound financial stand, but this limited the scope to be big.

Time: time to conduct the study seemed to be short and this necessitated the researcher to look for a single issue.

Confidentiality of Information: some organizations and individuals were reluctant to cooperate on giving appropriate data. This had big limitation to the researcher.

1.9 Delimitation of the Study
Finance: funding of this study was self to the student. The researcher used a constrained budget to make sure that the study is done within its parameters.

Time: The researcher is a full time employee. Had to use weekends, public holidays and extra times to make a completion of the work.
**Confidentiality of Information:** Organizations and individuals were somewhat reluctant to give information freely. The researcher had to look for a permission to get consent on data collection.

Although the study was meant to establish the role of procurement management in bank performance, it was only limited to one bank CRDB Bank (T) Ltd in Tanzania. The findings may therefore not be true for banks that are outside Tanzania and those whose operations are in Tanzania but whose characteristics differ from those of CRDB Bank (T) Ltd.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
In this chapter, the researcher reviewed existing literature on procurement management and bank performance; and also presented the theory that guided the study. It is hoped that a greater insight about procurement management and bank performance will be achieved to help identify the procurement variables affecting bank performance.

2.2 Theoretical Review

2.2.1 Definition of Key Terms
Procurement is the process of obtaining goods or services in any way including borrowing, leasing, loan and even force or pillage. Either, it is considered as the full range of activities related to purchasing small assets such as office equipment. The procurement process does not end at the commissioning or contract award stage but spans the entire lifecycle of the product or services from in caption act design through to contract management and disposal of redundant assets (Lysons et al, 2006).

Management is the act of coordinating the efforts of people to accomplish desired goals and objectives using available resources efficiently and effectively. Management comprises planning, organizing, staffing, leading or directing, and controlling an organization (a group of one or more people or entities) or effort for the purpose of accomplishing a goal. Resourcing encompasses the deployment and manipulation of human resources, financial resources, technological resources, and natural resources.

PPA (2004) defined Procurement as a means of buying goods, purchasing, renting, leasing or otherwise acquiring any goods, works or services by a procuring entity spending public funds on behalf of ministry, department or regional administration.
of the government or public body and includes all function that pertain to the obtaining of any goods, works or services, including description of requirement, selection and invitation to tender, preparation and award of the contracts.

**Procurement plan** is the plan containing specifications for the goods or services being procured, evaluation criteria with pre-and/or post qualification requirement. Including the evaluation procedures, award of the contract, contract management and the selection of the procurement methods. (NBMM, 2006)

**Procurement entity** is a unit established and mandated by the government to carry out public functions (PPA 2004)

**Performance** generally comprises an event in which a performer or group of performers behave in a particular way for another group of people, the audience.

**Procurement management** is the process companies use to purchase economic resources and business input from suppliers or vendors. This process helps companies negotiate prices and get the best quality resources for production processes. Smaller businesses do not usually have a department dedicated to procurement since they have much smaller business operations. Usually, small business owners or entrepreneurs are responsible for working with vendors and suppliers to obtain the necessary goods for business operations. Larger companies are able to purchase resources and inputs in large volume quantities; high volume purchases usually require a procurement management process.

**Procurement Management Unit** means a division or department in each procuring entity responsible for the execution of procurement functions, (PPA 2004). PMU are responsible for all procurement activities in the public sector or any organization.

**Finance** is the science that describes the management, creation and study of money, banking, credit, investments, assets and liabilities. Finance consists of financial systems, which include the public, private and government spaces, and the study of
finance and financial instruments, which can relate to countless assets and liabilities. Some prefer to divide finance into three distinct categories: public finance, corporate finance and personal finance. All three of which would contain many sub-categories.

**Finance** is defined by Berezin, (2005) as the science of funds management, or the allocation of assets and liabilities over time under conditions of certainty and uncertainty. A key point in finance is the time value of money, which states that a unit of currency today is worth more than the same unit of currency tomorrow. Finance aims to price assets based on their risk level, and expected rate of return. Finance can be broken into three different sub categories: public finance, corporate finance and personal finance.

**Bank** is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses.

**Supply chain management** (SCM) is the management of an interconnected or interlinked between network, channel and node businesses involved in the provision of product and service packages required by the end customers in a supply chain. Supply chain management spans the movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption. It is also defined as the "design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand and measuring performance globally."(APICS, 2013)

SCM draws heavily from the areas of operations management, logistics, procurement, and information technology, and strives for an integrated approach (Bartsh, 2013)
Financial Performance means a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Purchasing is the activity of acquiring goods or services to accomplish the goals of an organization.

The major objectives of purchasing are to (1) maintain the quality and value of a company's products, (2) minimize cash tied-up in inventory, (3) maintain the flow of inputs to maintain the flow of outputs, and (4) strengthen the organization's competitive position. Purchasing may also involve (a) development and review of the product specifications, (b) receipt and processing of requisitions, (c) advertising for bids, (d) bid evaluation, (e) award of supply contracts, (f) inspection of goods received, and (g) their appropriate storage and release (www.businessdictionary.com 2013)

Schedule of requirements means documents that contain requirements of goods and services from user departments basing on the budgeted amount for particular financial with their respective delivery time in each requirements.

Budget is a plan qualified in a monetary terms, prepared and approved prior to define period of time, usually showing a planned income to be generated and /or expenditure to be incurred during that period and the capital to be employed to contain a given objective (Lyson, 2001).

Time scale means the period of time from when one activity to another will be done.

Goods means raw materials, products, equipment and other physical objects of every kind and description, whether in solid, liquid or gaseous form, electricity, intangible assets and intellectual property as well as services incidental to the supply of the
goods provided that the value of the services does not exceed value of goods themselves [PPA 2004]

**Services** means any objector procurement other than goods or works which involve the furnishing of labor, time or effort including the delivery reports, drawings or designs or the hire or use of vehicles, machineries or equipment for the purpose of providing transport, or for carrying out work of any kind with or without the provision of drivers, operators or technician [PPA 2004]

**Works** means, according to PPA 2004

(i) All works associated with the construction reconstruction, demolition, repair or renovation of a building, structure road or air field.

(ii) Services which are tendered and contracted on the basis of Performance of a measurable physical output such as drilling, mapping Satellite photography or seismic investigations.

(iii) Any other civil works, such as site preparation, excavation erection, building, installation of equipment or material's decoration and Finishing.

**Emergency procurement** refers to all procurement activities carried by any organization without following the procurement plan guide. It is a rush orders procurement.

**2.2.2 Theories and Concepts**

The study was based on the agency theory. 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 under taken 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 organizations. 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.

Procurement management is an inherently risky function that involves management decisions in optimally allocating the limited resources that are provided by the shareholders; thus the need to minimize the involved risks so as us ensure competitiveness.

**Procurement Management and Bank Financial Performance**

**Procurement management overview**

Procurement is the term most commonly employed to refer to the purchasing of goods and services for the day-to-day operations of a business. Procurement is an
Procurement encompasses all activities involved in obtaining goods and services and managing their inflow into an organization (Gebauer and Segev, 1998). Traditionally, the corporate function of procurement is divided into strategic and operational tasks. Whereas the strategic tasks include sourcing activities, supplier management, and design and implementation and buying procedures, operative tasks embrace all transaction-oriented activities such as the excitement of purchase orders (Kaufmann, 1999; Gebauer and Segev, 2001).

In the procurement world, saving money is the name of the game. Purchasing departments do not generate revenue – they improve performance by reducing product cost or staff, sometimes both. Often operational expense budgets are required to target percentage reductions in the cost of goods sold by vendors. Purchasing then goes out to bid, seeking to increase savings for high volume products. (Kevin 2009).

The term Supply Chain Management was originally introduced by consultants in the early 1980s and has subsequently gained much attention (La Londe, 1998). Besides, as demonstrated by Slack, Chambers and Johnston (2004), from the perspective of a single operation in the chain, supply chain management can be seen as managing the operations that form its demand side management (physical distribution management) and supply side management (purchasing management).

Purchasing and Procurement have been used almost interchangeably; however, they differ in their scope. Purchasing refers to the buying of materials and all the activities associated with the buying process. Procurement on the other hand is broadly defined to include a company’s requisition, purchasing, transportation, warehousing, and inbound receiving processes. Recent procurement strategies focus on restructuring the entire order to delivery process rather than on specific tasks within the process. The new procurement models leverage a nearly an ideal combination of volume advantage, flexible contracts, and valuable supplier’s alliance, along with decentralized and user-responsive purchases (Kalakota and Robinson, 2001).
Consequently, purchasing management is accepted as a term for the supply side of operations that deals with the operation’s interface with its supply within the supply chain (Slack, Chambers and Johnston, 2004).

Supply chain management is a procurement tool that was born out of necessity. Demands for newer and more innovative goods and services, limits on resources, and the increasingly complex, interrelated nature of the global marketplace have each created pressure on public managers to optimize new and innovative process methodologies to meet procurement needs (Korosec, 2003).

SCM strategically integrates the whole procurement process, including the "identification, acquisition, access, positioning, and management of resources" in a series of carefully considered steps, in order to attain stated objectives (Duffy, 2002). In the research by Stanley and Wisner (2001), purchasing management is upgraded into the higher level of part of important business strategies that provide added value for its immediately or ended customers.

“The meaning of procurement and purchasing is very similar. But we have moved to a different wording to identify a change in the organization. A few years ago, we were known as purchasing, but, we consciously decided to use the word procurement. It meant we were going to be strategic; we were going to do things differently and be part of the business connected to the other functions. One way of getting people’s attention to this was to change the name. But having done that, purchasing, by definition becomes the transactional piece and procurement becomes the strategic piece”. (Cowell, 2009)

Similarly, according to Smeltzer, et al. (2003), purchasing functions are not just the matter of price and delivery time, but they are aligned with the organization’s long-term goals. Furthermore, Smeltzer, et al. (2003) also argue that in order to complete firm’s strategic goals, selecting the right suppliers to ensure their dependable and flexible supply is one of purchasing management objectives also.
In the research by Stanley and Wisner (2001), they pointed out that purchasing function has changed significantly in the last 15 years from pure transactions-oriented order processors to supply managers with an emphasis on supply chain management strategy for adding value for customers and meeting the company’s long-term goals. Besides, Carr and Pearson (2002) addressed that since the demand of his customers will probably change at will, one of the important firm’s objectives of purchasing management is to make sure that it can obtain the dependable and flexible supplies from its suppliers. At the dawn of the 21st century, the strategic character of purchasing and supply management (PSM) has been widely recognized in the literature (Carter and Narasimhan 1996; Humphreys, McIvor and McAleer 2000). PSM is seen as a powerful competitive weapon for improving profitability and strengthening competitive advantage (Spekman, Kamauff and Salmond 1994; Carr and Pearson 2002). However, this competitive potential critically depends on whether PSM decisions and activities are aligned with the organization’s overall strategic objectives (Farmer 1978; Watts, Kim and Hahn 1992). Specifically, purchasing strategy and purchasing practices must be designed to optimally support the requirements of business strategy in order to positively affect performance (Nollet, Ponce and Campbell 2005; Day and Lichtenstein 2006).

**Commercial Banks**

A bank is a financial intermediary that accepts deposits and channels those deposits into activities, either directly or through capital markets. A bank connects customers with capital deficits to customers with capital surpluses. Banking is generally a highly regulated industry, and government restrictions on financial activities by banks have varied over time and location. The current set of global bank capital standards are called Basel II. In some countries such as Germany, banks have historically owned major stakes in industrial corporations while in other countries such as the United States banks are prohibited from owning non-financial companies. In Japan, banks are usually the nexus of a cross shareholding entity known as the keiretsu. In Iceland banks had very light regulation prior to the 2008 collapse. The oldest bank still in existence is Monte deiPaschi di Siena, headquartered in
Siena, Italy, and has been operating continuously since 1472.

Banking in the modern sense of the word can be traced to medieval and early Renaissance Italy, to the rich cities in the north like Florence, Venice and Genoa. The Bardi and Peruzzi families dominated banking in 14th century; Florence, establishing branches in many other parts of Europe.

Perhaps the most famous Italian bank was the Medici bank, set up by Giovanni Medici in 1397. The earliest known state deposit bank, Banco di San Giorgio (Bank of St. George), was founded in 1407 at Genova, Italy.

Banks can be traced back to ancient times even before money when temples were used to store commodities. During the 3rd century AD, banks in Persia and other territories in the Persian Sassanid Empire issued letters of credit known as ıakks. Muslim traders are known to have used the cheque or ıakk system since the time of Harun al-Rashid (9th century) of the Abbasid Caliphate.

In the 9th century, a Muslim businessman could cash an early form of the cheque in China drawn on sources in Baghdad, a tradition that was significantly strengthened in the 13th and 14th centuries, during the Mongol Empire. Fragments found in the Cairo Geniza indicate that in the 12th century cheques remarkably similar to our own were in use, only smaller to save costs on the paper. They contain a sum to be paid and then the order "May so and so pay the bearer such and such an amount". The date and name of the issuer are also apparent.

### The Importance of Procurement

Procurement has taken on greater strategic importance in multinational companies (and for local companies for purposes of this discussion) in recent years — and it will assume even greater significance in the years to come, according to Hal Sirkin, senior partner and managing director at
The Boston Consulting Group and global leader of BCG’s operations practice. 

Public procurement is an important function of government for several reasons. First, the sheer magnitude of procurement outlays has a great impact on the economy and needs to be well managed. Indeed, in all countries in the world, estimates of the financial activities of government procurement managers are believed to be in the order of 10% – 30% of GNP (Callender & Mathews, 2000). Efficiently handling this size of procurement outlays has been a policy and management concern as well as a challenge for public procurement practitioners.

From the Government of Swaziland Procurement Reform programme, an analysis of the Government of the Kingdom of Swaziland Estimates for the years from 1 April 2008 to 31 March 2011 notes that 65.9% of expenditure by Government of Swaziland in the 2008/09 Budget is on the procurement of Goods, Services and Capital Works. Public procurement has been utilized as an important tool for achieving economic, social and other objectives (Arrowsmith, 1998; Thai, 2001). In its report to the Congress, the Commission on Government Procurement states: “The magnitude of the Government’s outlays for procurement and grants creates opportunities for implementing selected national policies” (Federal Acquisition Institute, 1999, p. 1.8). The World Bank’s Procurement under IBRD Loans and IBRD Credits specifies following four major concerns or objectives of public procurement for projects funded by its loans:

(i) Ensuring that the loan is used to buy only those goods and services needed for the project;

(ii) Ensuring fair competition for all qualified bidders from the World Bank’s eligible countries;

(iii) Promoting transparency or integrity; and

(iv) Encouraging development of indigenous contractors and manufacturers by allowing local buyersto build in a margin of preference for local contractors and manufacturers (Tucker, 1998).
Khi V. Thai (2004) explained that; due to many reasons (including greater scrutiny of taxpayers and competing vendors), public procurement has been perceived as an area of waste and corruption. The District of Columbia, USA government wasted hundreds of thousands of dollars in revenue by selling used emergency vehicles for “bargain basement prices” in auctions run by un-trained staffers (Nakamura, 2004). In a 2 1/2-year period studied by the city’s Inspector General’s Office, the city sold 11 fire trucks for a total of $3,125 while similar vehicles in make and model had been sold on the Internet for a total of $360,875. Corruptions and bribes are widespread in government contracts (International Transparency, undated; and see www.transparency.org). In the United States, corruptions in government contracts have been regularly reported in newspapers; and the first week of September 2004 witnessed the reporting of a flurry of criminal prosecutions against state officials for violations of state procurement laws. Separate newspapers reported on bidding scandals from Illinois, Connecticut, Wisconsin, and Maryland (see www.aba.org). Similar newspaper reports can be found in many countries. Overcoming the negative perception -- and the objective reality, to a certain extent – is one of the biggest challenges in public procurement Until recently, procurement was a necessary, but seldom celebrated, component of multinational corporations. But times have changed: These days, procurement organizations within companies are playing pivotal roles in the success of global firms in ways that old-fashioned purchasing managers could never have imagined.(Boston Consulting Group 2011)

The realization that with managing supply strategically firms can save huge amounts of money has led firms to begin to invest in this area of management (Cousins and Spekman, 2003). Thus, more and more attention is placed on purchasing activities in organizations, which has led to the restructuring of purchasing functions and the search for optimal purchasing processes in different product and service categories in different contexts (Parikh and Joshi, 2005; Laios and Mo-schuris, 2001).

According to Batenburg and Versendaal (2008), Kraljic (1983), Speckman (1981), Porter (1985), Malone and Yates and Benjamin (1987), and other scholars already identified the strategic importance of procurement in the 1980’s. Many companies,
however, have unnoted the competitive value of the procurement business function. The primary interests of managers concerned the internal processes, sales and marketing. Since the rise of e-business in the late 1990’s, new opportunities related to procurement arose: e-procurement, spend management, outsourcing, joint product design, and more (Lacione& Smith &Oliva 2000).

Over the past few years, developing countries have been awakened on the importance of effective management of the public procurement process at both central and local government levels, and its subsequent contribution to improved governance of the public sector (and private sector for this discussion). Procurement; a function that was traditionally viewed as a clerical and reactive task has since positioned itself among core organizational functions, and its management is becoming increasingly critical for the well-functioning of any organization.

The procurement objective is to provide quality goods and services through open and fair competition in the exact quantity and proper quality as specified; and has to be delivered at the time and place where needed. Therefore, to secure such goods and services at competitive prices requires accurate planning and involvement of a number of stakeholders.(Byokusheka 2008).

Batenburg&Versendaal, (2008) noted that; with the idea that the procurement function has the ability to influence corporate profitability favorably, the functional development has been a topic of great interest. Departing from the passive, re-active clerical viewpoint of the 70’s, the procurement function has developed in a strategic pro-active function contributing, as much as other business functions, to the creation of (sustainable) competitive advantage. The fact that such a significant advantage can be achieved is described by many authors (e.g. Adamson 1980, Porter 1985, Cavinato 1991, Herberling 1993).

In Tanzania, an estimated 34% of the government expenditure takes place at the local government level (URT, 2007). However, expenditure for non-government organizations is handled differently depending on the organization but such
expenditures account for a significant portion of their total spends. Proper planning for such huge expenditures is therefore an essential element of good procurement.

Through a well-managed procurement business function, organizations can gain numerous benefits as identified in the strategic importance of the procurement business function (Versenadaal et al., 2005).

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 and Hakansson, 2001).

Purchasing represents a significant part of a company’s total costs. In a study by Hakansson, it is stated that purchasing costs often stand for between 40 and 60 percent of a company’s turnover.

This is an increase from the earlier, where purchasing did not have such a significant role (ibid).

According to Gadde and Hakansson (2001), there are a number of reasons why purchasing has become more significant and consists of a large part of the turnover. The first reason is that purchasing has gradually become more involved in large parts of the company’s total activity and due to this; the purchasing department’s capacity and competence have great consequences for the efficiency of the company. Purchasing is significant for the company’s profitability because of the large volume that it stands for.

A second reason is that purchases directly influence the result. One cent less on purchasing is one extra added to the profit. This expression is often confused with the notion that one cent lower than the price leads to a higher profit. Nothing could be
more wrong, due to indirect costs associated with purchases. The acquired goods and services cannot be in isolation, but have to be seen in relation to the function they perform.

The third reason for the increased importance is the insight and benefits that can be made by having deeper and more long-term relationships with a supplier. These potential benefits concern flow of material, flow of information and cooperation in technical development.

A fourth reason for the increased importance of purchasing is the increased complexity that purchasing involves. The more society develops the larger the differentiation becomes and the more specialized units become. The increased specialization has led to products that are more sophisticated and a more specialized purchasing process. International purchases have also increased which has led to a number of difficulties concerning the distance to suppliers, handling currencies and different legislations.

With the idea that procurement function has the ability to influence corporate profitability favorably, the functional development has been a topic of great interest. Departing from the passive, re-active clerical view point of the 70’s the procurement function has the ability to develop its self in a strategic pro-active function contributing as much as other business functions, to creation of (sustainable) competitive advantages (Versenadaal et al., 2005). Many authors state this fact that this fact that such a significant fact can be achieved (Porter, 1985; Herberling, 1993; Cavinato, 1999).

Objectives of purchasing management are traditionally recognized as purchasing at the right quality with the right price at the right delivery time and in full, and purchasing to retain flexibility (Slack, Chambers, Johnston, 2004). Additionally, according to the research by Kannan and Tan (2002), the firm’s purchasing management objective is to consistently obtain the good qualities and delivery performance from its suppliers.
As a general rule of thumb, a business will be viable as long as the profits are positive (Brailsford 1995).

**Procurement Planning and Bank Financial Performance**

Any procurement begins with the planning decision to make the purchase. This will involve deciding whether there is a need for the particular goods or services and will equally involve 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).

Procurement planning is one of the primary functions of procurement with a potential to contribute to the success of local government operations and improved service delivery. It is a function that sets in motion the entire acquisition / procurement. Despite this importance, very limited scientific research has been done to examine the extent to which efforts in procurement planning can contribute to effective local governance (BenonBasheka 2008)

He also noted that, Procurement planning is the primary function that sets the stage for subsequent procurement activities. It ‘fuels and then ignites’ the engine of the procurement process. A mistake in procurement planning therefore has wide implications for local governance, measured from the two indicators of accountability and participation. A mistake in procurement planning for banks will not only have a direct impact on operating costs but also, its profitability, return on investment, balance sheet size, and capital adequacy, among others.

Mullins (2003) argued that procurement planning is a process of determining the procurement needs of an entity and the timing of their acquisition and their funding such that the entities operations are met as required in an efficient way.

Byokusheka (2008) noted that, the procurement objective is to provide quality goods and services through open and fair competition in the exact quantity and proper quality as specified; and has to be delivered at the time and place where needed.
Therefore, to secure such goods and services at competitive prices requires accurate planning and involvement of a number of stakeholders.

As a function, procurement planning endeavors to answer the following questions: (a) what do you want to procure? (b) When do you want to procure it? (c) When are you to procure and when will you use the procured goods, services and works the procurement? (d) Where will you pro-cure them? (e) When will resources be available? (f) Which methods of procurement will you use? (g) How will timely procurement or failure affect the user of the item(s) and the public procuring and assets disposal entity? (h) How can you be more efficient in the procurement process? And (i) who will be involved in the procurement?

It has been argued that planning is not concerned with future decisions but rather with the future impact of decisions made today and thorough planning is critical as agencies are always facing budget constraints that cannot satisfy all capital acquisition needs (Drabkin & Thai, 2003).

Procurement Planning is a process of determining the procurement needs of an entity and the timing of their acquisition and their funding such that the entities operations are met as required in an efficient way. The answers to the above questions touch three major areas. First is the entity involved in procurement. Second are the providers of the various goods, services and works needed by an entity and third are the legal provisions on the conduct of procurement. Banking institutions may not necessarily have legal provisions but have policies and procedures that govern the conduct of procurement for the institution.

Procurement 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. Where the required goods and services are not in the approved budget, then special approval ought to be sought before going through the ordinary procurement process.

However, procurement planning is not taken seriously by most institutions. The reasons for lack of procurement planning by such entities have been the actual lack of understanding of the value of procurement, proper enforcement of rules relating to planning (CPAR Report, 2004). It could also relate to lack of capacity due to limited procurement professionals and lack of commitment and support from management of those organizations. In fact, Thai, (2004), maintained that forms and procedures may be convenient and useful tools, but the planning effort will succeed only with the complete commitment and involvement of top management, along with appropriate personnel that have a stake. This implies that, without thorough procurement planning, the subsequent procurement processes will not yield substantial benefits.

The consequences of poor or lack of procurement planning can never therefore be amusing. The World Bank Country Procurement Assessment Report, (2004 p.42) summarized these consequences as; 1) procurement failing to timely meet the actual needs of user departments, 2) advantages of scale and bulk purchasing are not achieved, 3) packaging and timing are not utilized to achieve value for money. The importance of procurement reform in almost all country’s settings can be demonstrated based on its scale and role in terms of service delivery, the amount of money wasted by existing practices, reduced competition, higher prices due to market perceptions of risk, as well as the demonstrated ability of countries to capture enormous savings through concerted efforts to strengthen their procurement function (Harmonizing Donor Practices for Effective Aid Delivery, 1999).
The contribution of planning in facilitating an efficient and effective performance of public sector organizations is generally undisputed in both developed and developing countries. Its contribution can be at both central and local government levels of public sector management. (BenonBasheka 2008). The contribution of planning to performance cannot be emphasized more in the private sector as well.

Public procurement is increasingly recognized as a profession that plays a significant role in the successful management of public resources and a number of countries have become more aware of the importance of procurement as an area vulnerable to mismanagement and corruption, and have thus instituted efforts to integrate procurement in a more strategic view of government efforts (OECD, 2007). As part of the efforts to adopt a long term and strategic view of their procurement needs and management, most organizations and countries have resorted to turning to their annual procurement plans as a possible ‘problem-solver.’

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.

**Procurement Controls and Bank Financial Performance**

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, 2001b). 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. Organizational purchasing situations more often have a cooperative orientation.

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 are 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 far away 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 non-compliance. (Lisa M Ellram….et al 2007)

An important problem with the lack of supply management’s participation in key areas of services spending is that there are missed opportunities for improved management and control of the services supply chain. Because of the relatively immature state of services purchasing, there is more opportunity to save money and improve processes in services purchases than there is in the purchase of materials. Recent news highlights the potential problems of not controlling and managing the services spending. For example, Price-Waterhouse Coopers, KPMG, Bearing
Point, and Ernst and Young recently settled lawsuits, which cost them tens of millions of dollars, for over-billing their clients for travel. (Webcpa 2005). Companies such as Hewlett-Packard and others have discovered serious problems with controls and over-billing in a variety of service contracts, including professional services. . . (Amaral, Billington, & Tsay 2006)

Supply chain management and other similar terms, such as network sourcing, supply pipeline management, value chain management, and value stream management have become subjects of increasing interest in recent years, to academics, consultants and business management (Christopher, 1992; Hines, 1994; Lamming, 1996; Saunders, 1995, 1998). It is recognised in some parts of the literature that the supply chain should be seen as the central unit of competitive analysis (Macbeth and Ferguson, 1994; Cox, 1997).

There is also the potential for substantial cost reduction simply by catching errors that result in over-billing. Further cost reduction may be forthcoming by reducing the supply base and leveraging purchases from the best available sources, across businesses. As a company gains leverage and visibility as a customer, there is increased opportunity for improved customer service. Better buyer-supplier relationships may be pursued as the buying and supplying firms become more important to each other. 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, Ellram, Wendy Tate, 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.
Increase the professionalism of the services purchasing area. In some ways, this means making the handling of services purchases more like the handling of materials purchases. This includes creating service “should-cost” models, similar to lean manufacturing. This takes time. Organizations should begin in areas where they have some information and they believe that there is opportunity to improve. These models should be used for benchmarking services supplier quotations and opening a dialogue with services suppliers about services cost and value improvement.

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)

Procurement controls like other controls is a key area for risk minimization for all institutions. 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.

**Procurement Staffing**

Put the best people in services supply management. Without this commitment to getting the best people in services supply management, failure is inevitable. Any organization needs some trail-blazers to set the standard, people who know what is possible and can develop a vision for formalizing services. Leveraging existing, experienced materials buyers to apply their skills to services purchasing is one alternative. Hiring from other companies and industries that have effectively taken control of services purchasing is another common alternative. The key is to begin to take steps to better manage services spending.
Dedicating skilled resources to establishing new systems for better managing the purchase of services should result in a tremendous return on investment and improvement in value of services for the dollars spent. Purchasing of services could truly be the next frontier for improved supply chain and organizational performance. Lisa M. Ellram et al 2007

The potential benefits of increasing the professionalism and support for services supply management are numerous. Supply managers are professionally trained in processes to best understand the requirements for a purchase; develop these requirements into clear statements of work; identify, screen, and select suppliers who can meet those needs; and then manage and measure these suppliers. Bringing a sufficient number of supply management professionals into services purchasing can help the organization to increase the value it receives from its services purchasing spending. Professionally trained salespeople are skilled at selling more services than people really need. An objective third party, like supply managers can help prevent this overbuying and associated overspending while working to ensure that real needs are met. In addition, professional services purchasing should reduce the organization’s risk exposure, putting the company in compliance with that aspect of Sarbanes-Oxley.

As services continue to increase in importance to the organization, there is a tremendous opportunity for organizations to improve their services supply management by dedicating more resources—and the right resources—to services purchasing. Supply managers can improve cost controls, minimize value leakage, and assure that firms are receiving more value as well as competitively priced offerings. Skilled personnel should be shifted to services purchasing from areas of direct materials and component purchasing that are currently under control and well managed.

This shift is needed in order to leverage the expertise of experienced buyers in managing cost and value, as well as their ability to establish new systems to better manage the purchase of services.
The reallocation of these skilled resources will likely favorably impact the firm’s return on investment as well as improve the value of services for the dollars spent.

Increasing professional supply management involvement in services purchases will also improve the level of accountability for services spending. When business units realize that there are corporate policies for executing and managing services spending, they are likely to control their own services spending more carefully. In order to develop clear statements of work, business units will need to clearly define their own requirements, which forces a more thorough review and understanding of actual needs. Employing skilled, qualified and knowledgeable personnel is key in procurement management.

**Procurement Monitoring and Bank Financial Performance**

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 will be an important element of the monitoring arrangements. (Derbyshire Constabulary 2010).

With the increasing competition in the banking industry, procurement monitoring should be emphasized so as to streamline 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 programme 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).

Firstly, M&E is used to regularly check and evaluate the processes and the results (outputs, outcomes and impact) of a programme and to find out whether progress is being made towards the targets and defined objectives. When M&E detects that the performance of any programme component is below the expectations, actions to prevent and/or to correct the problems should be initiated. Used this way, M&E is a tool for continuous improvement of a programme’s performance while at the same time facilitating reporting, accountability and transparency.

Secondly, M&E is used to inform donors on the programmer’s effectiveness and efficiency. Donors require information that justifies how the funds were spent and what were the achievements. M&E is also used to compare programmes in an objective manner.

Monitoring is the routine tracking of the key elements of program/project performance through routine record keeping, routine regular reporting or continuous established surveillance systems. Monitoring and evaluation are related: monitoring contributes to evaluation and can inform the evaluator where to focus in the in-depth evaluation. It is important to select a limited number of monitoring indicators that will be actually used by implementers and managers for decision making.
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 its 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 adduce to reflect the programmers’ outcomes and impacts. Cloete (2009; 295) 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. It is illuminated I the above definition that before monitoring takes place there should be specified benchmarks and clearly set out goals and objectives the programme of action seeks to attain. The monitoring is deemed very important in ensuring successful implementation of projects.

Procurement Monitoring and Verification, is a comprehensive service of loss prevention and anti-corruption measures that has been successfully implemented in several countries. It has deterred wrong doing and generated significant savings. Procurement Monitoring and Verification (PMV): Ads 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. Further -more, it enables governments and the private sector to save money and obtain maximum benefits from their procurement by promoting transparent and competitive processes.

Historically and in practice, most procurement problems (mistakes or built-in corrupt measures) occur in the early stages of the process. To help guard against corruption and inefficiency, it is critical to begin monitoring the process at the planning stage of each procurement activity.
PMV focus responsibility on the user / requester, as the beginning and end of the cycle, through the implementation of the concept of Total Cost of Ownership which ensures the establishment of proper accountability, the maximization of savings, supplemented by internal controls and speed of execution.

Social accountability tools and actions include participatory planning, budget monitoring, expenditure tracking, procurement monitoring, and citizen report cards, among others. These tools can be used to improve procurement monitoring, which looks at bringing about greater transparency in the procurement cycle to uncover and prevent fraud and corruption, and to improve efficiency, productivity and quality in the delivery of goods and services (Public Procurement Monitoring Forum 2010).

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 and 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 remedying 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, p. 24).
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). These good practices papers focus on three connected themes - mainstreaming, capacity development and benchmarking/monitoring/evaluation. Their common objective is to build skills and strengthen processes that can better satisfy a country’s public procurement needs, supported by robust benchmarking, monitoring and evaluation tools to guide action and assess progress. (OECD) Procurement planning contributes to local governance measured at two levels of accountability and community participation. The key to accountability is the capacity to monitor and enforce rules-within the public sector, between public and private parties. Accountability as one of the broad elements of good governance involves holding elected or appointed individuals and organizations charged with public mandate to account for specific actions, activities, or decisions to the public from whom they derive their authority (Agere, 2001).

Banks must keep detailed audit trails of cash flow. Tellers must sign out their money drawers each morning and balance all transaction activity 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 reconcilement 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 organization’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.
Challenges of Procurement Management

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. (Khi V. Thai) 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.

According to Thai (2004), public procurement practitioners have always faced challenges imposed upon by a variety of environment factors including market, legal environment, political environment, organizational environment, and socio-economic and other environmental factors. Public procurement, at the local government level, is believed to be one of the principle areas where corruption in Tanzania takes place (“National Public Procurement Integrity Baseline Survey,” 2006). Corruption is disastrous to the sound functioning of any government department.

Corruption has been an intractable problem in many developing countries; especially where it has become systematic to the point where many in government have a stake. It diverts decision-making and the provision of services from those who need them to those who can afford them (Langseth, Kato, Kisubi& Pope, 1997).
At every stage of public procurement, there are risks of integrity. During the pre-bidding period; starting from needs assessment, common risks include lack of adequate needs assessment, planning and budgeting of public procurement, requirements that are not adequately or objectively defined, an inadequate or irregular choice of the procedure and a timeframe for the preparation of the bid that is insufficient or not consistently applied across bidders (OECD, 2007).

Thai (2004) explained that, as many countries have moved to a regional and or global economy, public procurement practitioners face another challenge that is, how to comply with their government’s procurement regulations and social and economic procurement goals without violating regional and/or international trade agreements. For example, how to comply with national economic policies (in nurturing domestic firms), without dealing unfairly with foreign firms as provided in regional trade agreements and/or the World Trade Organization (WTO) agreements is not easy, which requires a careful study of trade agreements in order to take advantages of special provisions.

The WTO Agreement on Government Procurement (GPA) Article XVI provides: “Entities shall not, in the qualification and selection of suppliers, products or services, or in the evaluation of tenders and award of contracts, impose, seek or consider offsets.” Without careful examination of GPA provisions, procurement practitioners in developing countries may not use an exception: However, GPA Article XVI.2 “expressly allows for the use of offsets by developing countries” (Arrowsmith, 2003, p.165). Properly using ‘offsets’ is a major challenge for public procurement practitioners. Similarly, the World Trade Organization's general rule requiring that contracts be advertised for a period of no less than 40 days from the date of publication of the notice to the tender submission deadline. The 40-day requirement would hinder a speedy procurement. The 40-day standard period, however, may be reduced in certain cases to 24 days or 10 days, as set out in GPA Article XI.3
In developed as well as developing countries, disregarding their economic, social, and political environment, a sound procurement system has to accomplish two sets of requirements: management requirements and policy requirements. The procurement management requirements normally include quality, timeliness, cost (more than just the price), minimizing business, financial and technical risks, maximizing competition, and maintaining integrity. The procurement policy requirements normally include economic goals (preferring domestic or local firms), environment protection or green procurement (promoting the use of recycled goods), social goals (assisting minority and woman-owned business concerns), and international trade agreements. It is very difficult for policy makers and public procurement practitioners to make an optimal decision, as there are always tradeoffs among these goals (Federal Acquisition Institute, 1999; Thai, 2001).

Financial Performance of Banks in Tanzania
Financial soundness is a situation where depositors’ funds are safe in a stable banking system. The financial soundness of a financial institution may be strong or unsatisfactory varying from one bank to another (BOT, 2002). Some useful measures of financial performance which is the alternative term as financial soundness are coined into what is referred to as CAMEL. The acronym "CAMEL" refers to the five components of a bank's condition that are assessed: Capital adequacy, Asset quality, Management, Earnings, and Liquidity. A sixth component, a bank's Sensitivity to market risk, was added in 1997; hence the acronym was changed to CAMELS. Ratings are assigned for each component in addition to the overall rating of a bank’s financial condition (Jose, 1999). The ratings are assigned on a scale from 1 to 5.

Capital Adequacy:
This ultimately determines how well financial institutions can cope with shocks to their balance sheets. The bank monitors the adequacy of its capital using ratios established by The Bank for International Settlements. Capital adequacy in commercial banks is measured in relation to the relative risk weights assigned to the different category of assets held both on and off the balance sheet items as per the Financial Institution’s Act of 2004. (Bank of Uganda, 2002).
Asset Quality:
The solvency of financial 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. A financial institution whose borrowers default on their repayments may face cash flow problems, which eventually affect its liquidity position. Ultimately, this negatively impacts on the profitability and capital through extra specific provisions for bad debts (Bank of Tanzania, 2002).

Earnings:
The continued viability of a bank depends on its ability to earn an adequate return on its assets and capital. Good earnings performance enables a bank to fund its expansion, remain competitive in the market and replenish and/or increase its capital (Bank of Uganda, 2002). A number of authors have argued that, banks that must survive need: Higher Return on Assets (ROA), better return on net worth/Equity (ROE), sound capital base i.e. the Capital Adequacy Ratio (CAR), adoption of corporate governance ensuring transparency to stakeholders that is equity holders, regulators and the public.

Liquidity:
Initially solvent financial institutions may be driven toward closure by poor management of short-term liquidity. Indicators should cover funding sources and capture large maturity mismatches. An unmatched position potentially enhances profitability but also increases the risk of losses (The Tanzania Banker, June 2001). The “M” represents Management, given that this paper is hinged on financial performance, the management component in not considered in the measure. Capital Adequacy, Earnings and Liquidity are the key dimensions of measuring financial performance in Commercial Banks (Rogers Matama, 2008).
From the above literature, the financial soundness of commercial banks is described by the CAMELS but the underlying factors that influence these key issues are not discussed. This study therefore identified procurement management as one of these factors that affect the financial performance of the study and thereby the need to carry out this research.

2.3 Conceptual Framework

Sekaran (4 th Edition) defined the conceptual or theoretical framework as a conceptual model of how one theorizes or makes logical sense of the relationships among the several factors that have been identified as important to the problem. The dependent variable is bank performance which is the variable of primary interest, in which variance is attempted to be explained by the independent variable of procurement management.

The relationship between procurement management and bank performance is diagrammatically shown in Figure 2.1 below and the basic framework of this study is built around this conceptual model below (See Figure 2.1).
Figure 2.1: Conceptual Framework on Procurement Management and Bank Performance

Figure: 2.1 above describe the relationship between the variables of the study. Accordingly, procurement management is the dependent variable while bank performance is the dependent variable. For purposes of this study, procurement management variables include procurement planning that considers the pre-purchase activities like defining the business needs, identification of potential suppliers through market analysis and sourcing for the required funds among others; procurement controls that involves instituting measures to avert risks such as financial losses.
The independent variables were studied in relation to the dependent variable of bank performance. Bank performance focused on financial performance and this included profitability, capital adequacy (as guided by FIA 2004), and liquidity among others. Financial soundness is a situation where depositors’ funds are safe in a stable banking system. The financial soundness of a financial institution may be strong or unsatisfactory varying from one bank to another (BOT, 2002). Some useful measures of financial performance which is the alternative term as financial soundness are coined into what is referred to as CAMEL. The acronym "CAMEL" refers to the five components of a bank's condition that are assessed: Capital adequacy, Asset quality, Management, Earnings, and Liquidity. A sixth component, a bank's Sensitivity to market risk, was added in 1997; hence the acronym was changed to CAMELS. Ratings are assigned for each component in addition to the overall rating of a bank's financial condition (Jose, 1999). The ratings are assigned on a scale from 1 to 5.

However, there were moderating variables that could affect the relationship between procurement management and bank performance; these factors included, regulatory requirements, the country's economic conditions among others.

Procurement management is the procedure firms use to buy economic resources and business input from suppliers or vendors. This procedure helps firms negotiate prices and obtain the best high quality practical information on production processes.

Procurement management includes the broad management functions of planning, organization, and leadership, staffing, controlling, and communicating procurement processes and activities across the spectrum of the ‘upstream’ supply chain activities of both public and private organizations. A supply chain; is a network of activities involving the suppliers on one hand and the customers on the other but being linked by an organization. Procurement; and its management, is one of the activities of the supply chain. Two broad sectors of the economy do exist-public and private sectors; and procurement take place in both sectors. (Byokusheka 2008).
Owners are thought to enter business for mainly two basic reasons; profit or growth maximization and personal fulfilment (Wang, Walker and Redmond 2007). 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 organization. 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.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
This chapter discusses the methodology that was used to study the role of procurement management on bank performance in Uganda with a case study of CRDB Bank. It highlights how data was collected and analyzed. This chapter also describes in detail the overall research design adopted by the study, population of the study, sample size and sample selection strategy, data collection methods, and data collection instruments.

3.2 Research Design
Research design provides the glue that holds the research project together. A design is used to structure the research, to show how all of the major parts of the research project - the samples or groups, measures, treatments or programs, and methods of assignment - work together to try to address the central research questions (Trochim 2006).

According to Sarantakos (1993), this is the most significant element of the research process where the whole research is designed, options considered, decisions made and details of the research laid down for execution.

The study was carried out mainly using quantitative approach of research. This approach was set to establish a clear and objective orientation, a vigorous, disciplined and systematic procedure, and a reality bound methodology, which allows arriving at a theory that will be free from vague and sloppy approaches, speculative thoughts about reality, and a theory that should be distinguished from a social philosophy, abstract speculation and everyday assumptions (Stergios1991; Vlahos, 1984).
The research employed the self-administered questionnaire as a tool of data collection and to counter the shortcomings that would accrue from use of that tool, interviews were also conducted with some of the respondents. Correlation designs of the quantitative approach were utilized to establish the relationship between the independent and dependent variables.

3.3 Population of the Study
The population under study comprised of the staff of CRDB that were involved in the procurement process of the bank. This covered the different locations of the Bank including Head office, Azikiwe road (this houses the head office and a branch). The study included the entire branch network and head office because the purchase process normally begins from the branches and is concluded at head office. The target population under study was thirty five employees of CRDB Bank.

3.4 Sample Size and Selection Strategy
According to Sekaran (2003), sampling is the process of choosing the research units of the target population, which are to be included in the study. The samples to be used in the study were selected using purposive sampling which is a function of non-probability sampling. Under purposive sampling technique, the researchers purposely choose who, in their opinion are thought to be relevant to the research topic. In this case, the judgment of the researcher was more important than obtaining a probability sample. The process of sampling in this case involved purposive identification of the respondents.

The sample size was therefore selected from all the different branches and the subjects of the study included at least three people from each branch and the head office team that take part in the purchase process; this includes the procurement team, finance team, heads of functions, executive director, and the chief executive officer. The three employees from each branch included the branch manager, assistant branch manager and the customer service manager; these three people take up the decision making role at the branches. The sample under study was therefore made up of thirty five CRDB staff.
3.5 **Data Collection Methods**

The study made use of both primary and secondary data and this was done through utilization of quantitative methods of data collection. In quantitative research, the design is developed at the beginning of the project and deviation of any kind of deviation is not permitted as such deviation is thought to cause problems; communication and interaction objectively define the fashion, data analysis takes place only when the process of data collection has been completed, the data collection methods are standardized and fixed leaving no options for correction and adjustment.

Purposive sampling was used and questionnaires were administered. Also key informant interviews with the different stakeholders were held to mainly discuss in depth the open ended questions in the questionnaire.

3.6 **Data Collection Instrument**

According to Sarantakos (1993), the successful completion of a sampling procedure connects the research with the respondent and specifies the kind and number of respondents who will be involved. The investigator knows at this stage not only what will be studied, but also who to approach for the required information. The information will be available, provided that the right ‘connection’ between the researcher and the respondents is made. This connection is made through the methods of data collection.

According to Sarantakos (2005), a questionnaire is a method of survey data collection in which information is gathered through oral or written questionnaires. Oral questioning is known as interviewing; written questioning is accomplished through questionnaires which are administered to the respondents by mail or handed to them personally by the researcher.

Structured questionnaires were used in the collection of primary data and this was either self-administered or face to face interview with the respondent. For self-administered questionnaires, the researcher further interviewed the respondents on a few responses that required further clarifications.
3.7 Validity and Reliability

Pak (2008) and Joppe (2000) defined reliability as: “The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable”. Kirk and Miller (1986) identify three types of reliability referred to in quantitative research, which relates to: the degree of consistency of results; stability over time and similarity within a given time period.

To test the reliability of the instruments, the researcher used the alternate-form reliability test by administering two similar instruments. The degree of correlation between the scores of the two instruments was then assessed. The test was carried out on five key players of the procurement process.

Reliability was also established using SPSS Reliability Analysis Scale (Alpha co-efficient). This was because of its easy and automatic applicability and fitted a two or more point rating scale. The instruments of the research were based on the Likert type five-point scale. The formula of Cronbach’s Alpha Coefficient (α) was:

\[
\alpha = \frac{N}{N-1} \left(1 - \frac{\sum_{i=1}^{k} \sigma_i^2}{\sigma_X^2}\right)
\]

The instrument was found to be valid in this study at 0.959 (Appendix F). The researcher used Alpha co-efficient because of it being easy and automatic to apply.

McMillan & Schumacher (2006) stated that validity refers to the degree of congruence between the explanations of the phenomena and the realities of the world. Validity is the extent to which the instrument gives the correct answer. The questionnaire was tested for validity of all the possible dimensions of the research topic.

3.8 Data Analysis

Data analysis is the science of examining raw data with the purpose of drawing conclusions about that information. The collected data was analyzed using quantitative analysis which majorly involved six major activities namely, data preparation, counting, grouping, and relating, predicting and statistical testing.
Data preparation involved all forms of manipulations that were necessary for preparing data for further processing e.g. coding, categorizing answers to open-ended questions, editing and checking as well as preparation of tables; counting included the mechanical task of registering the occurrence and frequency of the occurrence of certain answers or research items; grouping and presentation involved ordering of similar items into groups and this resulted in distribution of data presented in the form of tables and graphs; relating involved cross-tabulation and statistical tests to explain the occurrence and strength of relationships; predicting is a process of extrapolating trends identified in the study into the future and this statistical method helped the researcher complete this task and finally statistical testing; this refers to the stage where test of significance, inference, hypotheses and correlation are employed during the process of analysis.

Data was entered into SPSS statistical tool which is a package that was developed for analyzing survey data and here the hypotheses were tested mainly considering relational statistics.
CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction
This chapter presents data collected using the questionnaire, documentary analysis/literature review and observation of the case study described in Chapter 3 above and the limitations of the study. The corresponding interpretations also follow each presentation. The results of the study are presented according to the objectives and research questions. The findings in this chapter were also arrived at by analyzing and interpreting the available data using SPSS and Microsoft Excel software. All the responses are presented in terms of frequencies and percentages which are displayed in tables, graphs and charts. The hypothesis and each question were treated separately. The statistical data from the quantitative part of the questionnaire was then supported by the qualitative data of the study from the questionnaire. The qualitative data was analyzed based on 1- Strongly disagree to 5-Strongly agree scale rate.

A total of thirty five (35) questionnaires were distributed to CRDB staff of which thirty three (33) were returned. The response rate for the distributed questionnaires was therefore ninety four per-cents (94%).

4.2 Characteristics of the Respondents
The background information of the respondents was considered necessary because the ability of the respondents to give satisfactory information on the study variables may be affected by their background. This information was about the respondents’ duration in current employment; duty station; level of management; participation in the procurement process and the nature of items procured.
Table 4.1: Duration in Current Employment

<table>
<thead>
<tr>
<th>Duration</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1 Years</td>
<td>6</td>
<td>18.18%</td>
</tr>
<tr>
<td>1-2 Years</td>
<td>9</td>
<td>27.27%</td>
</tr>
<tr>
<td>Over 2 Years</td>
<td>18</td>
<td>54.55%</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Research Field Data, 2013

Duration in current employment was chosen as one of the respondents’ characteristics so as to ascertain the respondents’ experience with the bank operations. From the study, most of the respondents had worked with the bank for over two years (54.5%); 27.3% for over a year but less than two years; while 18.2% had worked with the bank for less than a year. On the whole, most of the respondents (81.8%) had worked with the bank for more than a year and this provided responses based on a wider knowledge base of the bank operations.

Table 4.2: Duty Station

<table>
<thead>
<tr>
<th>Duty Stations</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters Only</td>
<td>14</td>
<td>42.42%</td>
</tr>
<tr>
<td>Headquarters and Branch(s)</td>
<td>19</td>
<td>57.58%</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Research Field Data, 2013

Duty station was used in describing the respondents so as to get balanced views of the bank’s personnel from the different bank locations. Of the total (33) respondents, 14 (42.42%) were based only at head office while the rest of the respondents 19 (57.58%) had been working in different branches and headquarters in different times, distributed between the bank branches.
Table 4.3: Management Levels of Respondents

<table>
<thead>
<tr>
<th>Management Levels</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>7</td>
<td>21.21%</td>
</tr>
<tr>
<td>Middle</td>
<td>16</td>
<td>48.48%</td>
</tr>
<tr>
<td>Senior</td>
<td>10</td>
<td>30.30%</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Research Field Data, 2013

Management levels in the bank were used to describe the characteristics of the respondents so as to establish the opinions of the different managers; this helped receive varied respondents dependent on their roles in the procurement system. The distribution of the respondents among the management levels was well distributed between the low, middle and senior management with each level having 21.2%, 48.5% and 30.3% respectively. The respondents were mainly middle managers (48.5%). This distribution provided a diversified base of information given the contribution of the different management levels in the procurement process.

Table 4.4: Participation in the Procurement Process

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>33</td>
<td>100.00%</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Primary Data, 2013

The respondents were also asked whether they participated in the procurement system of the bank; this was mainly to ensure that responses were obtained from the desired respondents. 100% of the respondents in the study participated in the procurement process. This was mainly because of the purposive sampling method that was used and this therefore enriched the wealth of the information provided.
Table 4.5: Duration in the Organization and Management Level

<table>
<thead>
<tr>
<th>Duration</th>
<th>Lower</th>
<th>Middle</th>
<th>Senior</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1 Years</td>
<td>42.90%</td>
<td>12.50%</td>
<td>10.00%</td>
<td>18.20%</td>
</tr>
<tr>
<td>1-2 Years</td>
<td>28.60%</td>
<td>31.30%</td>
<td>20.00%</td>
<td>27.30%</td>
</tr>
<tr>
<td>Over 2 Years</td>
<td>28.60%</td>
<td>56.30%</td>
<td>70.00%</td>
<td>54.50%</td>
</tr>
<tr>
<td>Total</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Field Primary Data, 2013

Of the lower manager respondents, 42.9% had worked with the bank for less than a year, 28.6% for more than a year but less than two years while 28.6% worked with the bank for over two years. Of the middle managers, 12.5% had worked with the bank for less than a year, 31.3% for more than a year but less than two years while 56.3% had over two years with the bank. 70% of the senior managers had worked with the bank for over two years, 20% had over two but less than a year and 10% had less than a year with the bank. For both middle and senior management, majority of the respondents had over two years’ experience with the bank. This provided wealth of information based on both their experience with the bank and position in the organization.

4.3 Interpretation of Findings

This section of the study deals with the verification, presentation, analysis and discussion of the research hypothesis and questions of the study. The hypothesis and each question and were considered separately. The statistical data from the questionnaire was then supported by the qualitative data of the study from the interviews.

4.3.1 Analysis of Objective 1: Procurement Planning and Bank Performance

In this section, we present the findings on the effect of procurement planning and the performance of banks with a case study of CRDB bank (T) Ltd. (Based on the 1-strongly disagree to 5-strong agree scale rate). This hypothesis tested variables 1-16 of section B of the questionnaire (APPENDIX A). This hypothesis was derived from objective one of the study that sought to establish how procurement planning affects
the performance of the bank. The results were backed by information from the open ended questions of the questionnaire.

Table 4.6: Management Levels and Procurement Plan

<table>
<thead>
<tr>
<th>Management Level</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle Management Level</td>
<td>4.126</td>
<td>20</td>
<td>.206</td>
<td>.601</td>
<td>.848</td>
</tr>
<tr>
<td></td>
<td>4.117</td>
<td>12</td>
<td>.343</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8.242</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower Management Level</td>
<td>3.148</td>
<td>20</td>
<td>.157</td>
<td>.798</td>
<td>.683</td>
</tr>
<tr>
<td></td>
<td>2.367</td>
<td>12</td>
<td>.197</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.515</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Management Level</td>
<td>40.977</td>
<td>20</td>
<td>2.049</td>
<td>1.130</td>
<td>.425</td>
</tr>
<tr>
<td></td>
<td>21.750</td>
<td>12</td>
<td>1.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>62.727</strong></td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Research Field Data, 2013

The results from the above table indicate that the research hypothesis that procurement affects bank performance should be accepted. This is because, the test statistics of 0.601, 0.798 and 1.130 are all lower than the critical value of 2.544 from the F-distribution table (APPENDIX E).

We accept the null hypothesis (above) of equal population means and conclude that there is a statistically significant relationship among the means. Based on the probability values, with the results from the table above also show that there is a significant relationship between procurement planning and bank performance. This is because responses from all the different levels of managers indicated so at significance levels of 0.848, 0.683 and 0.427 for middle, lower and senior managers respectively against a bench mark of 0.05.
The respondents were asked whether the procurement process begins with planning. The results from the study revealed that, of the total respondents, 63% (24% strongly agreed) agreed that the bank’s procurement system begins with planning; 27% disagreed and 9% were Neutral. The Chi-square tests revealed that the computed Pearson Chi-square statistic of 3.639 with 8 degrees of freedom is lower than the critical value of 15.51 from the tables (Appendix G) at the pre-determined level of significance of 0.05. This confirms that planning is strongly undertaken at the start of the procurement process so as to guide the subsequent activities in the procurement process and thus enhance the performance of the bank. Benon. C. Byokusheka also noted that procurement planning is the primary function that sets the stage for subsequent procurement activities. The study results are therefore consistent with the above author.

In determining whether clear needs definition was undertaken by the responsible business units as part of the planning process in the bank, the study revealed that; 82% of the respondents were agreeable (12% strongly agreed) while only 9% disagreed and 9% were not sure. The results also showed a mean of 3.848 and standard deviation of 0.755. Chi square tests also revealed that at Pearson chi square value of 5.251, and 6 degrees of freedom, the p-value was 0.512 which was higher than the benchmark of 0.05. The different statistics implied that as part of the procurement planning, the unit needs are clearly defined by the responsible personnel in the unit and this guides the procurement team in the subsequent activities.

In a related question of whether the needs assessment was undertaken by the respective managers, results from the study revealed that, the question had a mean of 3.576 and standard deviation of 0.969. This was as a result of the 67% of the respondents answering in the affirmative (12% strongly agreed), 12% were not sure and 21% disagreed. The chi square tests also revealed a significant relationship at 6 degrees of freedom and p-value of 0.370. Thorough needs assessment is therefore undertaken by the respective managers and this positively affects bank performance.
These findings are in line with Arrowsmith, Linarelli& Wallace, (2000)’s views where they noted that planning involves deciding whether there is a need for the particular goods or services.

In order to find out whether, budget approvals are sought before embarking on the purchase, respondents were asked to state the degree to which they concurred with the above. Of the total respondents, 48% agreed (21% strongly agreed) while 42% disagreed (9% strongly disagreed).

Further analysis based on the management levels indicated that 60% of the senior managers, 25% of the middle managers, and 58% of the lower level managers disagreed. The results revealed a mean of 3.182 and standard deviation of 1.357; the mean value is slightly above the scale mean of 3 (1-strongly disagree to 5-strongly agree) which implies that on average the respondents were agreeable that the bank considers this item in its procurement process. However, the standard deviation is greater than 1 which implies a wide variation from the mean as depicted in the respondents’ level of agreement (48%) and disagreement (42%). The bank therefore ought to improve on this item so as to ensure that the disagreement levels are reduced and therefore improvement in the procurement process. The above results are not so much in line with Kevin Bless (2009) views who noted that often operational expense budgets are required to target percentage reductions in the cost of goods sold by vendors. Purchasing then goes out to bid, seeking to increase savings for high volume products.

A related item on whether all relevant approvals are sought before purchase indicated that the bank strongly undertakes this as part of its procurement management and therefore a strongly positive relationship between this item and bank performance. Of the total respondents, 91% agreed (30% strongly agreed), 3% were not sure while only 6% disagreed. This position was further confirmed by the 4.152 question mean and standard deviation of 0.755 that showed the non-variation in the responses. This is a key procurement management item that helps in ensuring that the bank resources
are rightly put to use with right authorization; the bank therefore ought to maintain this.

The study further revealed that the as part of the planning process, the bank has designated personnel to participate in the procurement process. The results revealed that 58% of the respondents agreed (9% strongly agreed), 24% were not sure while only 18% disagreed. The chi-square tests further revealed that at 8 degrees of freedom, the p-value of 0.546 was significant at a benchmark of 0.05. The item mean was 3.455 (above the scale mean) and the standard deviation of 0.971 (less than 1) showed the small degree of variations in the responses.

The study also revealed that the decision on when to procure the goods and services are independently undertaken by the procurement team, the results were positive with 58% agreement, 21% were not sure while 21% disagreed. The affirmation was confirmed by the 3.455 mean (above scale mean) and 0.938 standard deviation which showed the limited variations in the responses. This mainly helps the bank in maintain desirable stock levels and minimizing wastages in terms of obsolete items.

As part of planning, respondents were also asked whether market capability analysis is carried out in determining where to procure from. The results showed that 37% of the respondents dis-agreed (9% strongly disagreed), 33% agreed (6% strongly agreed) and 30% were not sure. At management level, 50% of the senior managers disagreed while lower and middle managers dis-agreed with proportions of 43% and 25% respectively. (Appendix A). The item further had a mean of 2.939, which value was below the scale mean of 3 and standard deviation of 1.088 which implied high variations in the responses. For the bank to remain competitive, it ought to continuously undertake market capability analysis. The above results were contrary to Benon C Byokusheka’s views where he noted that to secure goods and services at competitive prices re-quires accurate planning and involvement of a number of stakeholders.
The respondents were also asked whether as part of the planning process the business units clearly indicated the timelines for using the required goods and services, the results indicated that, 58% agreed (6% strongly agreed), 9% were not sure while 33% disagreed. The mean value for the same was 3.303 which is slightly above the scale mean, but the standard deviation was 1.015 which indicated a wide variation in the responses. Consumers of goods and services ought to indicate their desired timeline so as to allow the bank plan for the required resources well.

The study sought to find out whether delivery schedules that fit in the bank requirements were drawn with the suppliers. 49% of the respondents disagreed (3% strongly disagreed), 30% agreed (9% strongly agreed) while 21% were not sure. Analysis based on management level further emphasized the disagreement position when for both senior and lower managers a significant majority disagreed to the bank having delivery schedules that fit in the bank requirements. (Appendix B). From the Chi-square tests, Pearson chi-square value of 10.747 with 8 degrees of freedom is significant at p-value of 0.216 against a benchmark of 0.05 though not so strong a relationship.

The standard deviation of 1.083 further revealed the degree of variation in the responses and thus the need for management to have this ironed out. Failure to have delivery schedules in line with the bank requirements forces the bank to have emergency purchases to cover for the shortfalls; these are normally in small quantities and from non-regular suppliers thereby compromising the bargaining power of the bank and thus negatively affecting the performance of the bank. Basheka (2008) noted that as a function, procurement planning endeavors to answer questions like,

When are you to procure and when will you use the procured goods, services and works? Answering these questions would help align the bank requirements with the suppliers’ schedules.
In a bid to establish the independence of the procurement committee in deciding where to procure from, the respondents were asked to respond accordingly. 45% of respondents agreed, 30% disagreed while 24% were not sure. Based on the management levels, both lower and senior managers recorded over 40% disagreement while middle managers recorded 29% disagreement 30%, 50% and 57% of the senior, middle and lower level managers respectively agreed. The chi square tests revealed that at 8 degrees of freedom, the p-value was 0.491 and thereby a significant relationship based on bench mark of 0.05. However, the mean was relatively low at 3.182 and the standard deviation was high at 1.014 which shows that there is some level of interference in deciding where to procure from. The bank therefore ought to have an independent committee so as to further smoothen these operations. The results from the study are not very far from Basheka (2008)’s views where he noted that; the procurement objective is to provide quality goods and services through open and fair competition in the exact quantity and proper quality as specified.

In related questions, on establishing whether the procurement committee is independently decides on the method of procurement, extent of supplies, and ensuring availability of funds before purchasing; the study results revealed that, the means for these items were averagely high (above scale average of 3) at 3.515, 3.333 and 3.152 respectively. The chi square p-values were 0.719, 0.613 And 0.036 respectively. This result implied that the procurement committee does not check or ensure funds availability before purchase which is not a good indicator. The procurement committee ought to work with the related departments to ascertain funds availability before committing the bank otherwise the bank risks a financial embarrassment.

To establish whether top management was involved in the procurement planning process of the bank, respondents were requested for their opinion and the results were such that, 76% of the respondents agreed (9% strongly agreed) 15% disagreed and 9% were not sure. There was none that strongly disagreed. At management level, 100% and 90% agreed for lower and senior managers respectively (Appendix A).
From the chi square tests, at p-value of 0.174 with 6 degrees of freedom, the relationship is significant at 0.05 benchmark. The respondents also confirmed management commitment to the procurement planning process and the mean to this item was 3.606 (above scale mean of 3) and minimum variations in the responses at 0.899 standard deviation. Top management is mainly meant to guide the planning process of the bank to ensure that lower management strategies are consistent with the corporate strategies.

The results are consistent with Thai, (2004)’s views where he maintained that forms and procedures may be convenient and useful tools, but the planning effort will succeed only with the complete commitment and involvement of top management.

Table 4.7: Procurement Planning Means and Standard Deviations

| Source: Research Field Data, 2013 |

<table>
<thead>
<tr>
<th>Procurement Planning Variables</th>
<th>Frequency</th>
<th>Denatured</th>
<th>Not sure</th>
<th>Agree</th>
<th>Disagree</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank procurement process begins with “planning”</td>
<td>1%</td>
<td>24%</td>
<td>9%</td>
<td>15%</td>
<td>24%</td>
<td>3.55</td>
<td>1.215</td>
</tr>
<tr>
<td>The business need is clearly defined by the responsible personnel in the unit/department</td>
<td>9%</td>
<td>5%</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
<td>5.50</td>
<td>.725</td>
</tr>
<tr>
<td>The needed resources are identified by the procurement managers for the required goods and services</td>
<td>21%</td>
<td>12%</td>
<td>22%</td>
<td>12%</td>
<td>21%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>Budget approval is obtained for the required items before purchase in the bank</td>
<td>9%</td>
<td>33%</td>
<td>9%</td>
<td>27%</td>
<td>21%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>Relevant approvals are obtained from the bank authorities for all procurement items</td>
<td>9%</td>
<td>33%</td>
<td>9%</td>
<td>27%</td>
<td>21%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>Only personnel with legal powers to purchase undertake such transactions in the bank</td>
<td>9%</td>
<td>33%</td>
<td>9%</td>
<td>27%</td>
<td>21%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>Decisions on where to procure the goods and services are taken by the procurement committees</td>
<td>21%</td>
<td>12%</td>
<td>22%</td>
<td>12%</td>
<td>21%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>Market capacity analysis is carried out to determine where to procure from</td>
<td>9%</td>
<td>27%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>The business unit clearly states when they will use the required goods and services</td>
<td>9%</td>
<td>33%</td>
<td>9%</td>
<td>27%</td>
<td>21%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>Delivery schedules that fit in the bank requirements are drawn with the suppliers</td>
<td>9%</td>
<td>27%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>The procurement committee independently decides on where to procure from</td>
<td>9%</td>
<td>27%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>The procurement committee decides on the method of purchase to be adopted</td>
<td>9%</td>
<td>27%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>Extent of supplies (quantities) to be procured at a time are determined by the committees</td>
<td>9%</td>
<td>27%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>The procurement committee ensures funds availability before new purchases</td>
<td>9%</td>
<td>27%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>Top management is involved in the procurement planning of the bank</td>
<td>9%</td>
<td>27%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
<tr>
<td>There is full commitment of top management to the procurement planning process of the bank</td>
<td>9%</td>
<td>27%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>2.10</td>
<td>1.257</td>
</tr>
</tbody>
</table>

| Weighted Means | 3.65 |

Source: Research Field Data, 2013
From the table and graph above, the study revealed that based on a scale of 1- strongly disagree to 5 strongly agree, the bank weighted mean from all the planning variables was 3.43 which was above the basic scale mean of 3.0. Based on the above scale, the respondents were agreeable to the fact that procurement planning positively affects bank performance through being compliant to the above planning variables.

However, critical analysis of variable by variable showed that out of the sixteen variables that were tested, two of the variables scored a mean of less than 3 at 2.94 and 2.88 for Market capability analysis being carried out to determine where to procure from and; Delivery schedules that fit in the bank requirements are drawn with the suppliers respectively.

Source: Research Field Data, 2013
4.3.2 Analysis of Objective 2: Procurement Controls and Bank Financial Performance

In this section, we present the findings on the effect of procurement controls and the performance of banks with a case study of CRDB Bank (T) Ltd. (Based on the 1-strongly disagree to 5-strong agree scale rate). This item studied variables under 1-15 under section C of the questionnaire (Appendix A). This hypothesis was derived from objective one of the study that sought to establish how procurement controls affect the performance of the bank. The results were backed by information from the open ended questions of the questionnaire.

Table 4.8: Management Level and Procurement Controls ANOVA

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Middle Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>5.326</td>
<td>20</td>
<td>0.266</td>
<td>1.096</td>
<td>.448</td>
</tr>
<tr>
<td>Within Groups</td>
<td>2.917</td>
<td>12</td>
<td>0.243</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8.243</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Lower Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>3.848</td>
<td>20</td>
<td>0.192</td>
<td>1.385</td>
<td>.285</td>
</tr>
<tr>
<td>Within Groups</td>
<td>1.687</td>
<td>12</td>
<td>0.140</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5.535</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Senior Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>42.477</td>
<td>20</td>
<td>2.124</td>
<td>1.259</td>
<td>.248</td>
</tr>
<tr>
<td>Within Groups</td>
<td>20.250</td>
<td>12</td>
<td>1.688</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>62.727</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Field Data, 2013

The results from the above table indicate that the research hypothesis that procurement controls affect bank performance should be accepted. This is because, the test statistic of 1.096, 1.385, and 1.259 for middle, lower and senior management levels respectively are all lower than the critical values of 2.544 from the F-distribution table (APPENDIX E). We accept the null hypothesis (above) of equal population means and conclude that there is a statistically significant relationship among the means.
Also, based on the P-values the results from the table above show that there is a significant relationship between procurement controls and bank performance. This is because responses from all the different levels of managers indicated so at significance levels of 0.448, 0.285 and 0.538 for middle, lower and senior managers respectively against a benchmark of 0.05.

However, the results show that there is a divergence between the strength of the relation in procurement planning and controls. Planning has stronger relationships than controls; therefore the bank ought to strengthen the weak nodes so as to better improve this relationship.

**Figure 4.2:**  Procurement Control Mean and Standard Deviation

![Histogram of Procurement Controls](image)

**Source:** Research Field Data, 2013
The figure above shows the respondents’ views on how procurement controls affect bank performance. The figure shows that the mean of the responses was 3.06 and the standard deviation was 0.634. Based on the scale of 1-strongly disagree and 5-strongly agree, (arithmetic mean 3), the data mean is above the scale mean. This implies that the distribution curve is skewed to the right. The hypothesis that procurement controls affect bank performance should therefore be accepted.

In relation to the above results, detailed analysis of procurement control variables (Section C of the questionnaire) revealed the following about the individual variables;

**Table 4.9: Procurement Controls and Bank Financial Performance**

| Source: Research Field data, 2013 |
From the table above, the results from the study revealed that the hypothesis that procurement controls positively affect the financial performance of the bank should be accepted. This was based on the fact that, except for two items, the data chi square values were less than the critical values of 9.49, 12.59 and 15.51 at 4, 6 and 8 degrees of freedom given the predetermined significance of 0.05. Detailed analysis of the variables follows below.

In order to ascertain whether the bank has established controls for its procurement process, results revealed that, 88% of the respondents were agreeable (15% strongly agreed) recording 100% from both lower and senior managers and 75% from middle managers. There was no disagreement recorded for this item (Appendix C). The study further revealed that this item had a high mean of 4.030 as compared to the scale mean of 3 and standard deviation of 0.529 which showed very limited variations in the responses. This implies that the bank has policies in place that guide the procurement process and this positively affects the performance of the bank. This is consistent with Hal Sirkin, senior partner and managing director, BCG (2011)’s views when he noted that one of the three things that you have to get right is the process and this includes the right process with regard to the supply chain and quality.

In order to find out whether the existing policies were documented, the respondents were asked for their views on this and the results in the figure above showed that despite the 88% level of agreement to the existence of the controls, only 70% were agreeable to their being written down.

Senior managers maintained their acceptance levels at 100% while lower level managers had their acceptance reduced to 71% from 100% and the middle managers’ acceptance reduced to 51% from 75% (Appendix C). The results from the study also showed that this item reported a mean of 3.636 which is higher than the scale mean of 3 and the standard deviation of 0.962.
These results imply that as part of the controls, the bank has its policies documented and thus proper procurement guidance; and thereby positive effect on bank performance.

Ready access to the above mentioned written down procedures was assessed and 67% of the total respondents disagreed (9% strongly disagreed), 27% agreed (6% strongly agreed) and 6% remained neutral to the fact that these policies and procedures are readily accessed by the relevant personnel. Further analysis by management level revealed that the disagreements were 60%, 76% and 57% for senior, middle and lower managers respectively. These are generally high percentages from all management levels and therefore a negative impact on the bank performance.

(Appendix C). From the chi square tests, at probability degrees of 0.741, chi square value of 5.515 and 8 degrees of freedom, the relationship between ready access of the policies by the staff and bank performance is significant. The results indicate that there is a strong relationship between access to the procurement policies and performance of the bank. This implies that the bank should make all effort to have its procedures readily accessed by its staff so as to further improve its performance. It’s one thing to have the policies and another to have them accessed by the relevant staff. The bank should therefore make provision for this so that staff members are well equipped and procurement is done in line with the policies.

The study also sought to establish whether the bank periodically reviews the existing procurement controls. The results from the study indicated that 42% of the total respondents disagreed (3% strongly disagreed), 27% agreed (9% strongly agreed) while 30% were not sure. Based on the management levels, 50%, 37% and 43% of the senior, middle and lower managers respectively disagreed. (Appendix C). With 8 degrees of freedom, the chi square value is 7.247 which gave a P value of 0.51. At threshold level of 0.05, the null hypothesis that periodic review of procurement policies positively affects the performance of the bank is acceptable. However, the item reported a mean of 2.909 which was less than the scale mean of mean and
standard deviation of 1.042. The low scale mean implied that the bank does not periodically review its procurement policies and the variations in the respondents were high at 1.042. The bank therefore ought to periodically continue reviewing its procurement policies so as to minimize losses and thus improve bank performance. The above results from the study are not consistent with Kalakota and Robinson, (1999); Ody, (2001)’s views where the trio noted that organizations spend billions of additional costs annually to improve procurement effectiveness. This is mainly done through the review of the existing policies.

The respondents were further asked to give their opinion on the performance of the procurement committee and assess their independence in their operations like receipt of bids, their opening and evaluation. The results are as follows: As one of the procurement controls, the study sought to establish whether bids are received by independent personnel from those who open and evaluate them. The results from the study, showed that 52% of the respondents disagreed that the bids were not received by independent personnel, 36% were not sure while 12% agreed. Further analysis based on management levels indicated that 80%, 37% and 43% of senior, middle and lower managers respectively disagreed. (Appendix C). From the chi square tests, the study revealed that with 8 degrees of freedom, the chi square value is 18.608 which gave a P- value of 0.017 against a bench mark of 0.05. Therefore the hypothesis that the receipt of bids by independent personnel positively affects the performance of the bank was rejected. This implies that bids are received by the same team from the procurement committee in the bank. However, this may impair their independence where the person receiving the bids is not as truthful as the committee expects. The bank should therefore think of separating this duty from this committee.

Further to receiving bids, the study also sought to find out whether bid opening was independently done. Results in the figure above indicated that 45% of the respondents were not agreeable, 36% were not sure while only 18% of the respondents agreed. Analysis based on management levels indicated that 80%, 31% and 28% of senior, middle and lower managers disagreed. (Appendix C). The chi square tests indicate that, at 8 degrees of freedom, the chi square value was 19.054
which gave a P value of 0.015. Therefore the hypothesis that independent bid opening positively affects bank performance was not accepted based on the 0.05 benchmark. Additionally, the results revealed a mean of 2.758 which was less than the scale mean of 3 and this showed that the bids are opened by the procurement committee. However, as earlier explained, opening of bids by the same committee personnel that evaluates them may impair their objectivity in case they are interested in a specific supplier. The bank therefore ought to review this area to further improve its performance.

From the chi square tests, the chi square statistic was calculated to be 14.802 at 8 degrees of freedom. The significance value (P value) associated with the data was 0.063 which was greater than the shred hold value of 0.05. Hence the hypothesis that independent evaluation of bids by the procurement committee positively affects bank performance was accepted against a benchmark of 0.05. However, the margin above the shred hold is minimal meaning that there are non-committee interferences into bids evaluation and this negatively affects the performance of the bank. The item mean was reported at a bare minimum of 3.03 and the 1.104 standard deviation further reflected the divergence in views of the respondents.

In order to establish whether the technical abilities of the suppliers were evaluated before awarding contracts, results from the study showed that 48% of the total respondents were disagreeable (12% disagreed), 24% were not sure while 27% agreed (9% strongly agreed). Of those who disagreed, 70% were senior managers, 32% were middle managers while 58% were lower level managers. (Appendix C). From the chi square tests, the chi square statistic was calculated to be at 11.054 at 8 degrees of freedom; the significance value (P value) associated with the data was 0.199 which was greater than the shred hold value of 0.05. Hence the hypothesis of assessment of the suppliers’ technical capabilities positively affecting the performance of the bank was accepted. It should however be noted that the margin between the shred hold and the significance value from the data minimal; the bank therefore ought to strongly do supplier technical ability assessment so as not to be frustrated. Ellram, Tate, and Billington (2007) noted that, Lack of supply
management involvement in services supplier identification, screening, and selection exposes the organization to new risks.

The study further sought to know whether as one of the controls, the bank has service level agreements that include specific job requirements for the various jobs. Results from the study indicated that, 52% of the total respondents were agreeable to this while 36% disagreed and 12% remained neutral. (Appendix C). The chi square statistic was calculated to be at 6.450 at 6 degrees of freedom as shown in the table above. The significance value (P value) associated with the data was 0.597 which was greater than the shred hold value of 0.05. Hence the null hypothesis that existence of service level agreements that clearly state the job requirements positively affect bank was accepted. Existence of such agreements minimizes conflict between the suppliers and the bank since they clearly spell out the contract limits. The above results are in line with Ellram et al (2007)’s views where she noted that, 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 non-compliance.

The study also sought to find out whether the bank had pre-qualified suppliers as part of their controls. The results from the study showed that 51% disagreed, 15% were not sure and 33% agreed. Based on management levels, the study revealed that 70%, 38%, and 58% of senior, middle and lower managers respectively disagreed. (Appendix C). With 8 degrees of freedom, the chi square value was 9.822 which gave a P value of 0.278. Therefore the hypothesis that the existence of prequalified suppliers positively affects the performance of the bank was accepted based on the shred hold level of 0.05. Prequalifying suppliers saves the bank the burden of having to go through the rigorous process each time supplies are required and it also helps the bank establish a working relationship with these suppliers and thereby improving the services’ quality and bargaining power of the bank. However, the item mean was low at 2.727 against a scale mean of 3 and the standard deviation was high at 1.126. The bank therefore ought to emphasize this as part of its procurement management.
The results were in line with Smeltzer, et al.(2003)’s study where he argued that in order to complete firm’s strategic goals, selecting the right suppliers to ensure their dependable and flexible supply is one of purchasing management objectives also.

Also, as part of the controls, the study sought to find out whether the received goods and services were checked against the local purchase orders. 82% of the respondents agreed (18% strongly agreed), 15% were not sure while only 3% disagreed. Of those that agreed, 70% were senior managers, 88% middle managers and 86% were lower level managers. (Appendix C). The chi square statistic was calculated to be 4.277 at 6 degrees of freedom. The significance value (P value) associated with the data was 0.639 which was greater than the threshold value of 0.05.

Hence, the hypothesis that the checking of goods and services against the local purchase order positively affects bank performance was accepted. The question mean was also calculated at 3.970 and standard deviation was 0.684. These results indicated the strong position of the bank practice on this item. Checking goods and services against local purchase orders ensures that the bank receives value for money by way of ensuring that the goods and services are delivered as requisitioned both in terms in quality and quantity.

In order to establish whether periodic suppliers audits are undertaken to correct compliance errors, results from the study showed that 42% agreed, (3% strongly), 39% disagreed, while 18% were not sure. This showed a more or less balance between the two extremes that is agree and disagree. Of those who disagreed, 60% were senior managers, 25% were middle managers while 43% were lower level managers. (Appendix C). From the study, the results showed that, with 8 degrees of freedom, the chi square value is 12.66 which gave a P value of 0.124. Therefore the hypothesis that periodic suppliers audits positively affects bank performance was accepted given the threshold value of 0.05. However, the question mean was lower than the scale mean at 2.970 and the standard deviation was high at 1.104 which showed a very divergent view in the responses. Periodic supplier audits help the bank have an update of the supplier position in terms of existence, capabilities,
dependability among others so that the bank does not take it for granted that the status quo of the suppliers is static. This would help the bank prepare for any eventualities in case of any from the supplier side. Ellram et al (2007) noted that, measuring effectiveness and ensuring proper business controls 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.

The study also sought to establish whether the bank has a skilled and qualified team that handle the purchases. Of the total respondents, 57% disagreed, 30% agreed and 12% were not sure. 70% of those who disagreed were senior managers, 57% were middle managers and 43% were lower level managers. (Appendix C). The chi square tests showed that, with 8 degrees of freedom, the chi square value was 9.541 which gave a probability value of 0.299. Therefore, the hypothesis that existence of skilled procurement personnel positively affects bank performance was accepted. However, the item mean was low at 2.606 (less than scale mean of 3) which implies that the bank ought to recruit skilled and experienced personnel to help in running its procurement processes. The results from the study were emphasized by Ellram et al 2007’s views where they noted that “Put the best people in services supply management. Without this commitment to getting the best people in services supply management, failure is inevitable. Any organization needs some trailblazers to set the standard, people who know what is possible and can develop a vision for formalizing services”.

In a bid to find out whether stores management was handled by different personnel from those who receive the goods, the results showed that 76% of the respondents disagreed, 6% were not sure while 18% agreed. Of those who disagreed, 100% senior managers disagreed (20% strongly disagreed), 57% middle managers and 86% lower level managers. (Appendix C). The chi square statistic was calculated to be at 9.886 at 6 degrees of freedom. The significance value associated with the data was 0.13 which was greater than the shred hold value of 0.05. Hence, the hypothesis that stores and receipt of goods segregation positively affects bank performance was accepted.
However, the magnitude between the obtained figure from the study and the threshold is minimal which implies that the bank has not really emphasized this. In absence of segregation of duties between receipt of goods from the suppliers and stores management, the stores function may be compromised since the records are maintained by the same personnel and thus, negative impact on the performance of the bank.

Also, as part of the controls, the study sought to establish whether invoices are checked against the local purchase orders and delivery notes before payment. Results showed that 88% of the respondents agreed, (21% strongly agreed), 6% were not sure while 6% disagreed. The positive response (agreed) was well spread between the different management levels and therefore unbiased information for the study. Of those that agreed, 70%, 94% and 100% were senior middle and lower managers respectively. (Appendix C). The chi square statistical was calculated to be at 11.105 at 8 degrees of freedom. The significance value (P value) associated with the data was 0.196 which was greater than the shred hold value of 0.05. The hypothesis that proper verification of payment documents positively affects performance was therefore accepted. The question mean was calculated at 4.000 and the standard deviation was at 0.829 which showed less variation in the responses. Verification of the invoices, to the delivery notes and back to the local purchase orders is vital in ensuring that the supplier is not only paid according to their contracts but also, what was actually performed/delivered and confirmed by the bank personnel.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summaries of the findings, conclusions derived from the findings, and the recommendations that will help in improving the performance of the bank based on the findings of the study. Areas of further study are also suggested.

5.2 Summary of the Findings
The study established a number of findings, the summary of the findings are outlined here under; the study was based on three procurement management attributes which included procurement planning, controls and monitoring and the results indicated that, the bank undertakes all these attributes as part of its procurement management. The study established that the relationship between procurement management and bank performance was positive and significant.

The hypothesis that procurement planning positively affects bank performance was tested and accepted. This was because of the favorable results from the Anova statistics and F-distribution tables which indicated that, based on the three management levels, their test statistic were 0.601, 0.798 and 1.130 in respect to the hypothesis and were all lower than the critical value of 2.544 from the F-distribution table. This implied that, there is a statistically significant relationship among the means.

Secondly, the hypothesis that procurement controls positively affect bank performance was tested and accepted. This was based on the results from the Anova statistics that were 1.096, 1.385, and 1.259 for middle, lower and senior management levels respectively which were all lower than the critical value of 2.544 from the F-distribution table. This implied that, there is a statistically significant relationship among the means.
Lastly, the hypothesis that procurement monitoring positively affects bank performance was tested and the null hypothesis was accepted. This too was based on the Anova statistics that showed test statistics of 1.024, 1.474, and 0.727 for middle, lower and senior management levels respectively; these were all lower than the critical value of 2.7556 from the F-distribution table.

This implied that, there is a statistically significant relationship among the means. The main challenges identified as being faced in the management of procurement included; Delays in decision making; lack of skilled and technical procurement personnel; Lack of buffer stocks and restocking levels; Improper records management; Delivery failures by suppliers, non-independence of the procurement committee; absence of prequalified suppliers, limited commitment from top managers, ever increasing prices; and hardships in identifying reliable suppliers among others.

The possible solutions to the above challenges included; timely procurement planning to ensure incorporating a wide scope of the required items; recruitment of qualified procurement personnel to run the department; regular review of the procurement cycle; top management involvement in the procurement process; quicker decision making from the managers; un biased selection of suppliers; instituting stock management guidelines to avoid stock outs and expense emergency purchases, Independent personnel reviews of the procurement cycle among others.

5.3 Conclusions
From the summary findings above, it can be concluded that, procurement management and the financial performance of CRDB are positively related i.e. with proper procurement management the bank’s financial performance is positively affected and where the procurement management is not proper, then the performance is negatively affected.
The hypothesis that procurement planning positively affects the performance of CRDB was accepted based on the results shown in the summary findings above. The bank should therefore emphasize its strong points (variables with mean of greater than 3) while working on improving its weak areas (variables with mean of less than 3). Emphasized strong areas than need upholding include; the business unit clearly stating when they will use the required goods and services; extent of supplies (quantities) to be procured at a time being independently determined by the committee; Only personnel with legal powers to purchase undertaking such transactions in the bank; Decisions on when to procure the goods and services being independently undertaken by the procurement committee; the bank procurement process beginning with planning; full commitment of top management to the procurement planning process of the bank and relevant approvals being obtained from the bank authorities for all procured items among others. On the other hand, the bank should also work on improving its weak areas and these include; Carrying out market capability analysis so as to ensure good supplier identification that meet the bank’s requirements in terms of timely delivery; quality of goods and services; ensuring funds availability before embarking on any purchases among others.

From the hypothesis that procurement controls positively affect the bank’s financial performance; the summary findings indicate that the hypothesis was accepted. The variable summary was above the scale mean of 3 at 3.06. It can therefore be concluded that the bank has procurement controls in place but that they are not strong enough. From the individual control variables, the bank ought to review the following; the operational procedures being readily accessed by the staff; the bank periodically reviewing the existing procurement policies; Bids being received by an independent person; Bids being opened by an independent committee; the technical abilities of the suppliers being evaluated before contract awarding; the bank having pre-qualified suppliers; Periodic supplier audits being undertaken to correct compliance errors; Stores management being handled by different personnel from those who receive the goods; and the bank having a professional team that handles the procurement among others.
Also, the hypothesis that procurement monitoring positively affects CRDB’s performance was tested and accepted. The variable mean was above the scale mean at 3.35 and it can be concluded that the bank generally monitors its procurement system. However, there are areas that need improvement and these include; regular reviews of the procurement system; the reviews of the procurement system being undertaken by independent personnel; A pre-identified check list of indicators to be put in place against which the procurement systems are checked; and obstacles in the procurement process being mitigated in a timely manner.

5.3 Recommendations

The findings of the study showed that there is great need for banks to improve their performance through proper procurement management as described by the respondents on the contribution of procurement management to bank performance. Although procurement management may not be the only contributing factor to bank performance, it is imperative that banks review their existing procurement systems in order to identify the weak points and fasten them accordingly as this directly affects their profitability.

In light of the conclusions above, below are the recommendations suggested;

(i) The bank should establish a procurement unit with qualified, skilled and knowledgeable personnel to spearhead the procurement operations in order to streamline most of the existing weaknesses in the procurement controls including

(ii) The bank should undertake to do market capability analysis as part of its procurement management. This will allow the bank to assess the ability of the market to meet its required goods and services in the right quantities and quality in the right timings.

(iii) The bank should also work on having reliable suppliers whose delivery schedules are realistic and within the bank’s requirements. This will minimize emergency purchases that are normally expensive and therefore negatively impact on the performance of the bank.
(iv) To strengthen the procurement controls and monitoring aspects, management should ensure that the procurement policies are easily accessed by the staff so that they are appropriately guided through the process.

(v) The procurement policies should be reviewed periodically by independent personnel from those who directly participate in the procurement process.

(vi) The bank should also undertake to have prequalified suppliers so that the procurement process is shortened for routine purchases and this too, will help establish long term relationships with the suppliers and thereby, better bargaining power.

5.4 Suggestions for Further Research
The study was limited to three attributes of procurement management and few variables of performance measures. There is a need for future research to replicate the findings employing multidisciplinary measures of bank performance and wider coverage of procurement management and also applying it to different populations.
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APPENDICES

QUESTIONNAIRE

Introduction

Background Questionnaire

1. Duration in current employment
   (i) 0-1 Years ( )
   (ii) 1-2 Years ( )
   (iii) Over 2 Years ( )

2. Duty Station
   (i) CRDB Headquarters Only ( )
   (ii) CRDB Headquarters and Branch(es) ( )

3. What level of management are you in the organization?
   (i) Lower level management ( )
   (ii) Middle level management ( )
   (iii) Senior level management ( )

4. Do you participate in the procurement process of the bank?
   (i) Yes ( )
   (ii) No ( )
5. What items do you procure?
   (i) Office supplies (e.g. stationery) (  )
   (ii) Capital expenditures (e.g. property, plant & equipment) (  )
   (iii) Services (e.g. cleaning services, repairs etc) (  )
   (iv) Others (Please specify)………………………………………………

Your perception about Procurement Management
Tick the box that best describes how you perceive the following statements in relation to how the bank applies them in procurement management.

B: Procurement Planning and Bank performance

<table>
<thead>
<tr>
<th>Procurement Planning Variables</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
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<tbody>
<tr>
<td>The bank procurement process begins with &quot;planning&quot;</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>The business need is clearly defined by the responsible personnel in the unit /department</td>
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<td>2</td>
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<tr>
<td>Thorough needs assessment is undertaken by the respective managers for the required goods and services</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<tr>
<td>Budget approval is obtained for the required items before purchase in the bank</td>
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<td>3</td>
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<tr>
<td>Relevant approvals are obtained from the bank authorities for all procured items</td>
<td>1</td>
<td>2</td>
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<tr>
<td>Only personnel with legal powers to purchase undertake such transactions in the bank</td>
<td>1</td>
<td>2</td>
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<td>5</td>
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<tr>
<td>Decisions on when to procure the goods and services are taken by the procurement committee</td>
<td>1</td>
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<td>5</td>
</tr>
<tr>
<td>Description</td>
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<tr>
<td>Market capability analysis is carried out to determine where to procure from</td>
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<td>The business unit clearly states when they will use the required goods and services</td>
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<tr>
<td>Delivery schedules that fit in the bank requirements are drawn with the suppliers</td>
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<tr>
<td>The procurement committee independently decides on where to procure from</td>
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<tr>
<td>The procurement committee decides on the method of purchase to be adopted (leasing or outright purchasing) dependent on the item</td>
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<td>Extent of supplies (quantities) to be procured at a time are determined by the committee</td>
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<td>The procurement committee ensures funds availability before any purchase</td>
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<td>Top management is involved in the procurement planning of the bank</td>
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<td>There is full commitment of top management to the procurement planning process of the bank</td>
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