

**DETERMINANTS OF PROCUREMENT PERFORMANCE IN COMMERCIAL
BANKS WITHIN EAST AFRICA**

BY

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DECLARATION

This Research Project is my original work and has not been presented for a degree in any other University

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DEDICATION

I dedicate this research proposal to all the Banks in East Africa, to family especially my wife Rineldah Asiko, My daughter Adalia Juma and friends for their support and prayers during my studies.

ACKNOWLEDGEMENT

I would like to thank the Almighty Lord for the gifts of Grace and Perseverance accorded to me. I would also like to acknowledge all my course lecturers and colleagues for their sincere support. Most important, I sincerely wish to acknowledge the support from my supervisor without whom I could not have gone this far with my project work. I owe you my gratitude.

ABSTRACT

Procurement efficiency is the association that exists between planned and actual required resources needed to realize formulated goals and objectives as well as their related activities. The improvement of procurement performance would ensure that sourced firm materials are indeed procured during the right time at suitable cost. This would in turn enable improvements in organization procurement process leading to improvements on quality of offered products and services at minimum cost. The study pursued to find the determinants of procurement performance among commercial banks across East Africa. The study embraced a descriptive research design. The units of study were the 125 commercial banks in East African countries. The study collected primary data using questionnaires. Descriptive statistics aided in summarizing the results for each of the key variables. These included mean and standard deviation. Factor analysis helped isolate the underlying factors. The study found out that procurement planning secures the provision of right services to clients and reduces disputes during various purchasing assessment phases, fraud hampers optimal performance of the procurement department, aggregation of procurement influences the accomplishment of procurement functions, existing regulatory framework is instrumental to the attainment of optimal procurement performance, management of contracts have an influence on procurement performance and adherence to codes of conduct practices is imperative to attain desired procurement performance. The study concludes that ICT, right procurement skills and ethical practices positively affects the performance of procurement functions. The study recommends that commercial banks ought to create a procurement unit with skilled, qualified and knowledgeable workforces to head the procurement processes and commercial banks should work on having dependable dealers whose delivery schedules are accurate and within the bank's turnaround time on supplies. Due to the veil of confidentiality surrounding banks most of respondents were reluctant to participate and due to their busy schedule most of the respondents had no time to participate in the study. There is a need for future research to replicate the findings employing multi-disciplinary measures of bank performance and wider coverage of procurement management.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The analysis of procurement practices is imperative as it can enhance firms' ability to offer more effective and efficient service delivery to clients. It supports effective service delivery as the needed inputs of production will be availed on time. The role of procurement is to enhance as well as to promote both efficiency and transparency in the sourcing of firm needed procurement goods and services (Mburu, 2011). Further analysis of procurement practices can enable organizations to operate on optimal level. This translates to noteworthy cost savings that in turn improves on organizational performance. The study of procurement performance at such a time is imperative. This is because many organizations have been accused of massive procurement irregularities that have led to adverse business results, for instance loss of shareholders' money and procurement of inferior goods at high prices. This has led to serious compromise on quality of offered goods and service to end customers. As a result, customers are dissatisfied and market share lost. Modern day organizations therefore strive to attain more efficiency, cost effectiveness and accountability by undertaking to adopt vigorous and well-articulated procurement regimes (Shalle & Njagi, 2016).

The adoption of procurement practices by firms is meant to reduce the number of overall discrepancies realized as a result of contract awards, enhance optimal identification of suppliers' opportunities and improve relationships with current firm suppliers. Procurement department undertakes to coordinate the purchasing and supplies of

products and services with the intention of enhancing both cost savings and quality procurement that are always conflicting (Wanyonyi & Muturi, 2010).

The failure by organizations to establish procurement function will give rise to biased and irregular assessments which are costly to a business. The adoption of strategic procurement practices by banks that entail; the precise definition of actual business needs, thorough analysis and understanding of industry economics and business risks as a result of switching suppliers. This leads to firm capabilities to properly their business requirements thus improve on performance (Cousins & Spekman, 2003). Competition in the operating environment has called on organization to rethink all functions and see how they can exploit them for sustainable competitiveness. Procurement as one of the key process has been identified to have an impact on organizational performance. Therefore, the way it is coordinated and executed plays a key role in the performance recorded by organizations. The attainment of optimal procurement performance is however dependent on various factors for instance; adopted levels of technology, available resources and procurement department level of expertise and experience.

1.1.1 Procurement Performance

According to Schiele (2007), procurement performance entails how well organizational procurement objectives have been attained. The extent to which procurement function is able to obtain best value for spent organizational money to purchase products and services is the best indicator of procurement performance. This entails two major aspects; efficiency and effectiveness. Procurement efficiency is the association that exists between planned and actual required resources needed to realize formulated goals and objectives as well as their related activities. Effectiveness in procurement takes into consideration

various indicators for instance; delivery management, supplier quality, suppliers flexibility and profile, inventory incoming on-time, order cycle time, material quality defects and documentation.

According to Vaidya Nathan and Deva raj (2008), effective performance measurement aids managers to make better procurement decisions needed to improve on performance and accountability. It enhances optimal allocation of resources more as well as evaluation of alternative approaches to procurement to allow for increased operational flexibilities. Shalle et al (2014) deduced that procurement performance can be assessed by focusing on delivery, flexibility, quality, cost and technology. Optimal performance attainment is dependent on how current suppliers` relationships are managed so as to ensure constant availability of needed quality supplies at the organization. This will ensure that sourced materials are indeed procured during the right time and at a reasonable cost. Procurement performance strives to enable improvements in the procurement process at the organization so as to improve on quality delivery of firm products and services at least possible time and cost.

1.1.2 Determinants of Procurement Performance

Procurement functions enable firms to achieve maximum value from various expenditures on crucial services (Procurement Policy Manual, 2009).The presence of poor contract management characterized by payments delays to suppliers obstructs greatly their ability to offer timely service delivery leading to delays that derails organizational procurement timelines and schedules. The presence of a high frequency of procurement plans formulation and evaluation contributes to better organizational procurement performance. Transparency and publicity effectively promotes

accountability in the processes of purchasing and supply which in turn improves on overall procurement performance. Adopted integrated procurement systems enhances procurement accountability since they enable procedures to be more clear thereby safeguarding against non-compliance through prompt monitoring (Chene, 2009).

Procurement over time, has become an important function at major firms. Procurement experts are accountable in helping corporations to enhance the value they receive from sourced materials, minimize costs, identify and manage risks related to suppliers (Kinyanjui, 2010). Achua (2011) deduced that employees on job competence have an effect on organizational procurement processes. Higher employee skills and capabilities leads to more diligent handling of assigned procurement tasks as they are able to exercise due care and skill. In addition, inherent skills have an influence on moral code of conduct that has an effect on the manner in which procurement tasks are to be carried out.

More resources allocation as well as equipment to the procurement department positively improves on procurement capabilities. The involvement of the procurement department in decision making leads to more favorable outcomes in organizational sourcing of needed material, services and equipment. The provision of adequate professional support by management through training and educational has a positive impact on procurement performance (Nzau & Njeru, 2014). Wanyonyi and Muturi (2015) concluded that staff competency, information technology and ethics positively affect procurement function performance. Organizations should therefore strive to adopt modern technologies, promote employees competence and enhance the implementation of good organizational moral code of conduct so as to attain improvements in their procurement departments.

1.1.3 Commercial Banks in East Africa

There are 44 registered banks at The Central Bank of Kenya. In Kenya, the financial sector is mostly considered to be more of bank-based than market-based. This is because capital market is generally underdeveloped and thin. There has been an immense improvement in performance of the banking industry in the Kenya over the last period spanning ten years. During this time, two banks were put under receivership during this period compared to 37 bank-failures between 1986 and 1998 (Ngari, 2009). Commercial banks are licensed and regulated under the Banking Act cap 488; deposits taking micro finance institutions are regulated under Micro Finance Act and the Forex Bureaus under the Central Bank of Kenya Act cap 491. There are 34 Commercial Banks as registered by The Central Bank of Tanzania. Growth and expansion in the Tanzania banking sector has been growth majorly driven by agent banking, branch network as well as increments in linkages through banking with Mobile Money Operators (MNOs) and Savings and Credit Cooperative Societies (SACCOS).The banking sector in Tanzania has remained profitable in the year 2015 even though a decline in return on assets was identified in the same year (Central Bank of Tanzania, 2014).

Uganda has 25 registered commercial banks. The industry experiences stringent requirements, tighter Bank of Uganda regulation and higher capital obligation as evidenced by the enacting of the Financial Institutions Act of 2004 and the Financial Institutions Regulations of 2005.The interest rate spreads in Uganda have been considerably very high regardless of liberalization of financial policies implementation over the years (Beck & Hesse, 2006). The financial sector in the Rwanda has been growing, stability, efficiency and structure is improving due to stringent enforcement

regulations by the Rwanda Central Bank. The banking sector in the country comprises of 12 commercial banks and 5 specialized banks. The 3 largest banks in the country account for approximately 50 percent of the nation's total bank assets (Rwanda Economic Update, 2015).

The banking system in Burundi's is relatively small, however, it largely dominates the country's financial sector since it represents roughly 75 percent of total assets in the nation's financial system. The country has a total of 10 commercial banks. The regulatory banking framework for banking supervision in the country however lags behind international standards as the country only conforms to six out of twenty-five Basel Core Principles that guide banking supervision. The Central Bank has however in recent years embarked on instituting various reforms aimed at strengthening banking supervision (Burundi: Financial Sector Profile, 2015).

1.2 Research Problem

According to Schiele (2007), the extent to which procurement function is able to obtain best value for spent organizational money to purchase products and services is the best indicator of procurement performance. Effectiveness in procurement is essentially the extent to which previously stated firm purchasing goals and objectives have been met. On the other hand, procurement efficiency is the association that exists between planned and actual required resources needed to realize formulated goals and objectives as well as their related activities. Optimal performance ensures constant availability of needed quality supplies within organizations. The improvement of procurement performance would ensure that sourced firm materials are indeed procured during the right time and at a reasonable cost and at the right time. This would lead to enhanced organization

procurement process leading to improvements on quality of offered products and services at the least expense.

Procurement in commercial banking retail business is an area of core competence, it is an important source of competitive advantage if well executed by procurement departments. This is the reason as to why organizations engage in highly qualified personnel to oversee their procurement requirements. In order to succeed in the banking retail business, procurement departments need to formulate and sustain proper purchasing and supplies strategies so that they can deliver added competitive advantages to organizations. Procurement is however closely related to logistics as the purchasing entities buys and also ensures safe transportation of procured commodities as well as their subsequent storage (Crompton & Jessop, 2001). The East African commercial banking industry has been experiencing remarkable growth in the verge of the new millennium. In all the East African countries, remarkable growth in customer numbers, branches and bank agent outlets. This has however sparked some logistic problems especially in the procurement of needed materials and essential services in the widely distributed bank branches and agents across the EA nations. The presence of delays due to inability of banks to procure vital products and services have led to serious hurdles that have caused customer dissatisfaction and delays in service delivery due to delays in procurement departments.

Various studies have been conducted on procurement performance. For instance, Schiele (2007) sought to establish the management of firm's supply maturity, savings on cost and capacity to absorb the purchase. The study looked at the link between development level at the time purchasing organization reaches maturity and its bearing on the performance of a firm. This is measured in relation to their success in a purchasing cost-reduction

programme. The findings exhibited a highly significant relationship between cost-reduction results and purchasing's maturity level. The results can be exemplified through a concept referred to as 'purchasing absorptive capacity'. Deva raj, Vaidya Nathan (2008) sought to investigate the quality in e-procurement performance. The study mentions that e-Procurement undertakes to cut operational costs across the supply chain. However, buyer's expectations are raised posing a challenge for supply chain performance and buyer gratification. The findings of the study indicate a strong backing for the relationships among e-procurement satisfaction performance, information flow process quality and logistics fulfillment quality processes.

Deva raj, Vaidya Nathan, and Mishra (2012) examined the effect of purchase volume flexibility and purchase mix flexibility on e-procurement performance. The study revealed that an increase in purchasing capacity and mix flexibility results to a better performance in terms of delivery, quality and cost. The study concluded that purchasing capacity and mix flexibilities play a crucial arbitrating role in impacting e-procurement performance.

Kiage (2013) explored the determinants affecting procurement performance with a case of Ministry of Energy. The study posits that public procurement has increasingly become prominent, thus the public entities need to plan on how to handle the entire process. The findings show that procurement planning has a substantial impact on procurement performance. Planning, resource allocation, staff competency and contract management impact on the variations in procurement performance. Wanyonyi and Muturi (2015) explored the determinants impacting performance of procurement function in reference to public technical training institutions in Kisumu County, Kenya. The study concludes that

ICT, staff competency and ethics have a direct impact on performance of the procurement function among technical training institutions. Thus recommends the use of ICT in technical institutions in an effort to improve the performance of procurement functions.

Wahu, Namusonge, Mungai and Chilion (2015) sought to find out determinants affecting performance of procurement function among public secondary schools in Kenya. From thier findings, three variables were singled out. In order of preference, competitive bidding was found to affect procurement performance to the greatest extent then prevailing legal framework and the least impacting factor on procurement performance was aggregation of procurement. Makali (2015) examined ethics and procurement performance of humanitarian organizations in Kenya. The study established that there exists a strong correlation between ethics and procurement performance. There are challenges that face the procurement sector such as lack of training, culture and political pressure but there is need to overcome the challenges of implementing procurement ethics in humanitarian organizations.

In order to attain optimal procurement performance, various factors have to be taken into consideration by firms. The reviewed studies have a gap in providing factors that have an influence on procurement performance with a broader prospect of regional commercial banks. This research sought to fill the gap by responding to the question; what are the determinants of procurement performance in commercial banks within East Africa?

1.3 Research objectives

The research was directed by the following study objectives;

- i. To establish the determinants of procurement performance among commercial banks in East Africa.
- ii. To rank the determinants affecting procurement performance among commercial banks in East Africa.

1.4 Value of the Study

This research would enhance generation of useful knowledge regarding formulation of procurement policies by commercial banks. Study findings would enable bank managers and other policy makers in commercial banks to formulate better and proactive procurement policies that enhance optimal firm performance.

Research findings from this study would enable bank managers to learn the various factors that have an effect on procurement performance. This information would therefore enable them to apprehend the imperative causative factors that bear the greatest influence on procurement performance.

This study would guide future researchers and academicians by suggesting further areas that will help direct their research. This study would also act as a benchmark with which future researchers can compare their research findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter shall review existing literature in relation to the study at hand. The section shall give an overview of theoretical literature that supports the study, procurement performance, determinants affecting procurement performance and the relationship between identified factors and procurement performance will be discussed.

2.2 Theories on Procurement Performance

Diverse theoretical models to explain procurement performance were discussed in this section. Specifically, the agency and the transaction cost theories.

2.2.1 Agency Theory

The agency theory was hypothesized by Meckling and Jensen (1986). The theorists view commercial banks to be the principles whereas correspondent banks are the agents. They further argue that agency problems occur as a result of misunderstanding that exists between the interests of both the principal and the agent. They opine that an agency association exists whereby one party known as the principal appoints another party referred to as the agent to carry out numerous assigned tasks on behalf of the principal. A delegation of decision-making powers therefore ensues to the agent as they execute their mandate within the will of the principals. This delegation of decision making powers enhances both efficiency as well as productivity of agents. These engaged agents ought to possess; capabilities, specific knowledge and even talents in order to effectively augment principal value of assets. In order for such delegation to occur, the principal needs to have a certain level of confidence with the engaged agents.

Agency theory analyses the associations between business firm's owners and its managers. The managers under law, are agents for the owners. The vital concerns in agency theory centre upon whether sufficient market instruments exist making managers compelled to act in ways that maximize the utility of company owners where ownership and control are detached. In this theory, a principal permits the agent to conduct dealings and make decisions on behalf of the principal in an effort to maximize P's utility preferences. Agency problems develop because agreements between principals and their agents are neither costless written nor costless enforced (Eisenhardt, 1989).

The principal passes authority to the agent so that they can be able to carry out transactions hence makes appropriate decisions to maximize utility of the delegating principals. The major reason behind the rise of agency problems is due to the nature of agreements between principals and agents which are neither written nor costless enforced. In practice, managers are shareholders and agents may at times not dedicate their entire efforts toward managing the company unless their efforts are in essence in agreement with maximization of their own wellbeing (Hill & Jones, 1992).

The agency theory views procurement department as a connection that exists among interested organizational individuals who work towards the attainment of common procurement goals. Procurement management ought to work towards developing efficient suppliers' relationships that will improve on business operations to improve on organizational efficiency and effectiveness. By so doing, trust between procurement firm managers who are agents and shareholders who are the principal can be enhanced as the agents will be working towards the attainment of optimal procurement performance that will in turn generate more firm value that consequently increases shareholders wealth.

This study shall therefore strive to examine how management influences procurement performance through their interactions with other staff in the entire banking industry in East Africa. The diverse banks operate in different countries hence conflicts of interests are bound to arise leading to operations that may compromise on attainment of optimal procurement performance.

2.2.2 Transaction Cost Theory

The transaction cost theory was set by Coase in 1937. Coase (1937) opines that short term contracts unsuitability arises due to the costs associated with collecting information and those incurred additional costs in negotiating contracts. The return is that long term contracts whereby remuneration is specified for contractee after obeying but within limits that come onto effect. Market prices govern relationships between diverse market firms, however operational decisions are made on a rather different basis from profit maximization subject to market prices.

An imperative feature of transaction cost theory is that it places emphasis on two extremes of transaction control in essence, hierarchy verses markets and other hybrid forms as well as long term contracts (Joskow, 1988). Within firms, decisions are in essence made through capitalist coordination (Williamson, 1989). The diverse East African commercial banks undertake diverse actions in regards to organizational supply chain management, the study shall therefore strive to examine how made efforts to maintain relationship with firm suppliers influences optimal procurement department performance.

Grover and Malhotra (2003) deduce that transaction cost theory finds application in organizational supply chain management in four faces that is: observe problem effort and advantage. Determination is to build as well as to maintain relationship with firm suppliers is key. This helps in resolving problems that may arise in current business associations and suppliers engagement in an opportunistic behavior. The transaction cost theory concerns itself with direct organizational economic factors hence fails in addressing some vital parts of organizational operations in the supply chain that is human, personal relations and other supply chain players.

Organizations may buy from markets or even resort to manufacture products in-house. These buying or making decisions have relative costs such as; production and transaction costs. The theory assumes that organizations spend less when they conduct business internally in comparison to externally in the market place. In practice, organizations seek innovative ways that they can use to carry out business internally hence reduce transaction cost which depletes organization resources. The external doing business is expensive due to communication, coordination and transaction costs (Laundon & Laundon, 2006).

2.3 Procurement Performance

Purchasing performance is in essence qualitative or the quantitative assessment at a certain time frame in regards to the attainment of operational goals and objectives regarding efficiency, effectiveness and purchasing economies. Quantitative objectives can be measured for instance by computing total orders placed, lead times reduction, realized price savings and reduction in administrative costs (Knudsen, 1999). Needless to say, procurement performance is primarily focused on complying with internal and

external audits requirements in the context of overall procurement effectiveness. By adopting efficient public procurement system, procuring entity can be improved at the national level.

Organizational performance for various functions like finance and human resource can be easily measured, however, this is not the case for procurement function. The inability to properly assess procurement function performance lead to irregular as well as biased decisions which normally have costly consequences to entities. Delays in assessing procurement function performance can worsen deteriorating organizational performance, by leading to a situation whereby firms continue to incur unnecessary procurement costs (Swindler & Sephardi, 2001). It is therefore imperative that appropriate measures be put in place to assess performances both in terms of financial and non-financial actions. This will enable organizations to improve on their processes, procedures, plans, leading to higher employee turnover and customer dissatisfaction (Baldry & Amaratunga, 2002).

Procurement performance strives to enable improvements in the procurement process in the organization so as to improve on quality delivery of firm products and services at least possible time and cost. The adoption of best practices in procurement will ensure that the firm readily obtains required products services from suppliers to enhance the attainment of firm strategic objectives in an effective, timely, effective and efficient manner. The adoption of ICT in procurement systems will make operational organization processes more effective leading to organizational efficiency in procurement which is directly related to organizational performance. The adoption of procurement best practices will lead to cost reductions which enhances better firm resources allocation (Knudsen, 2003).

Poister (2003) deduced that effective performance measurement aids managers to make better procurement decisions needed to improve on performance and accountability. It enhances optimal allocation of resources more as well as evaluation of alternative approaches to procurement to allow for increased operational flexibilities. Kumar, Ozdamar and Peng (2005) further add that procurement performance can be assessed by focusing on delivery, flexibility, quality, cost and technology. Optimal performance attainment is dependent on how current suppliers' relationships are managed so as to ensure constant availability of needed quality supplies at the organization. This will ensure that sourced materials are indeed procured during the right time and at a reasonable cost.

The apprehension of procurement performance can assist policy makers to understand how various procurement policies impacts on procurement performance, this will in turn enable relevant departments to improve decision-making quality hence enhance long-term actions and constructive strategies that can be used to effectively develop current adopted public procurement. This would in turn create stronger incentives on organizations to improve public procurement systems by properly setting priorities to fast track actions in diverse areas of public procurement. In addition, progress set against set objectives can be readily monitored (Hardy & Williams, 2011).

Musau (2015) procurement performance entails how well organizational procurement objectives have been attained. The extent to which procurement function is able to obtain best value for spent organizational money to purchase products and services is the best indicator of procurement performance. Procurement performance entails two major aspects that is; efficiency and effectiveness. Effectiveness in procurement is essentially

the extent to which previously stated firm purchasing goals and objectives have been met, on the other hand, procurement efficiency is the association that exists between planned and actual required resources needed to realize formulated goals and objectives as well as their related activities. Effectiveness in procurement takes into consideration various indicators for instance; delivery management, supplier quality, suppliers flexibility and profile, inventory incoming on-time, order cycle time, material quality defects and documentation.

2.4 Determinants of Procurement Performance

Nijaki and Worrel (2005) examined sustainable procurement at the local government level. procurement planning is the process that strives to determine both the procurement needs as well as timing of the acquisition and funding in order to ensure that entire operations are met in an efficient way as required. The adoption of effective procurement planning ensures that right procurement services are delivered to firm clients as well as overall maximization of service provision. The adoption of a procurement plan aids in procurement as it provides immense benefits that leads to the achievement of maximum value for delivered services expenditures. This therefore enables firms to identify and address pertinent issues regarding particular procurements before they endeavor to issue procurement notices to potential goods, works and services suppliers (Basheka, 2008).

The provision of equal opportunities to potential suppliers improves on transparency and performance in products and services sourcing by firms. Wassenhove (2006)) further adds that the adoption of ethical public procurement leads to transparency, probity and accountability which in turn secure best value for organizational money by improving on overall procurement performance. Firm management ought to ensure that an appropriate

focus is placed on sound and ethical purchasing practices so as to ensure overall compliance with set procurement guidelines across all involved parties (Telgen, 2007). The presence of a sound and participative organizational culture, behavior and internal processes affects procurement performance as it has an influence on adopted procurement practices and strategies. The adoption of proper purchasing and supply record keeping and implementation of adequate internal control measures will suppress fraud in procurement department leading to improved procurement performance (Saeed et al., 2005).

According to Amos and Weathington (2008), organizations can undertake ethics training targeting specific areas in regards to procedures, regulations, record keeping and management then lastly accountability in the vast procurement process. Thereafter, regular reviews of current procurement procedures can be carried out to guarantee achievement of integrity in the procurement process (Amos & Weathington, 2008). The rationale behind ethical training is that ethical procuring behavior reduces costs associated with risks management due to procurement theft, fraud and corruption that hampers optimal performance of the procurement department at large.

Procurement planning strives to reduce the number of overall contract awards, provide more purchasing options for instance lease or buy, enhanced risk mitigation before procurement tender awards, further identification of suppliers opportunities as well as improvement of relationships with current firm suppliers. These activities positively affect overall procurement performance. The adoption of planning therefore secures the provision of right services to the clients as optimal performance is attained during procurement of all organizational goods and related services. In addition, it enables firms

to achieve maximum value from various expenditures on crucial services (Procurement Policy Manual, 2009).

Sound procurement systems that stress various principles such as; transparency and publicity will effectively promote transparency and accountability in the processes of purchasing and supply thereby improving the overall procurement performance. The adoption of sound integrated procurement systems enhances accountability as it enables procedures to be made more clearly hence safeguarding against non-compliance through prompt monitoring. Adoption of procurement systems integration enhances efficient and timely reforms in organizational material, equipment and services sourcing. The success of adopted systems is however dependent on various factors such as; clear commitment by relevant parties and organizations, readiness to adopt ICT and presence of adequate resources including human capacity (Chene, 2009).

Public procurement professionals have to endeavor to achieve ethical behavior both in their actions and associations so as to ensure that organizational purchasing and supplies processes are efficient and successful. The avoidance of unethical and uncouth procurement practices will ensure that organizational purchasing needs are properly addressed and that efficiency and cost savings are attained through the elimination of ghost procurement transactions. The adoption of ethical behavior during tasks execution will ensure that firms obtain value for their money, economy, efficiency and effectiveness during goods and services replenishment (Walker & Brammer, 2009). In order for organizations to enhance optimal productivity of their procurement function, they need to proactively adopt and vigorously implement codes of conduct. The presence of unethical procurement behavior poses great and constant risks for organizations procurement

performance, it threatens the flow of goods and services needed to provide end products to consumers (Wild & Zhou, 2011).

Organizations need to adopt procurement planning by developing a strategic plan that enables their procurement departments to align programs, goals, activities and resources with overall organization mission. In addition, they need to determine how they are going to accomplish set targets as laid in procurement strategic plans. The adoption of strategic procurement planning activities is to enhance the operational processes, organizational culture and systems so as to attain positive change. In essence, the adoption of procurement planning brings in immense benefits to the firm including; faster negotiations plus contract execution as contractual requirements will be readily defined in time, reduced disputes and miscommunication during various purchasing evaluation phases and improved cost efficiencies. This in turn leads to savings as it encourages requirements consolidation in order to achieve greater economies of scale through quantity discounts and price reductions (Kakwezi & Nyeko, 2010).

According to Achua (2011), employees need to have needed on job competence so that they can meet complex organizational procurement processes demands successfully. This will also enable them to carry out assigned purchasing tasks diligently by exercising due care and skill. In addition, they will be more likely to adopt purchasing moral code of conduct in carrying out assigned tasks thus leading to better purchasing and supply performance. Employees carry out procurement tasks by adhering to various procurement codes of conduct practices necessary to attain desired performance (Tukamuhabwa, 2012). The adoption of ethical practices will enhance the attainment of specific procurement goals as well as employee behavior will be oriented towards the attainment

of business environment. Deva raj, Vaidya Nathan and Mishra (2012) concluded that the presence of poor contract management that is characterized by payments delays to suppliers obstructs greatly their ability to offer timely service delivery leading to delays that derails organizational procurement timelines and schedules. The presence of a high frequency of procurement plans formulation and evaluation contributes to organizational procurement performance.

According to Kiage (2013), resource allocation, procurement planning, contract management and staff competency positively affect procurement performance. Planning ensures that available resources are utilized in order to achieve overall procurement objectives. The presence of procurement planning ensures that sound purchasing plans are adopted so as to enhance both efficiency and effectiveness in achieving projected purchasing outcomes. Mamiro (2010) concurs that a major setback in procurement is poor planning whereby if organizational supply needs are not well identified and estimated, procurement failures are likely to be attained which may hamper organizational ability to continue in operation. Wanyonyi and Muturi (2015) examined the determinants affecting performance of procurement function among public technical training institutions in Kisumu County, Kenya. The researchers concluded that staff competency, information technology and ethics positively affect procurement function performance. Organizations should therefore strive to adopt modern technologies, promote employees competence and enhance the implementation of good organizational moral code of conduct so as to attain improvements in their procurement departments.

2.5 Empirical Literature Review

Armstrong (2001) study noted that the most imperative function of procurement management is to actively motivate procurement employees so that they can optimally perform in the organization. The study showed that in order to inspire extraordinary performance; management needs to foster a positive work environment that motivates procurement employees' to produce quality procurement work that in turn positively influences procurement performance. The study further noted that managers lead to employee job satisfaction by working towards reducing their complaints and grievances; this will improve on turnover, absenteeism and termination. This will then lead to enhanced punctuality and employee morale which has a positive association with procurement performance.

Vaidya Nathan and Deva raj (2008) sought to investigate the role quality plays in e-procurement performance. The study established that the absence of accountability in carrying out procurement goals creates opportunities for corruption that negatively affects procurement performance. The introduction of components of accountability that encompass; goals and results measurement, justification of results of both internal and external monitors and lastly punishment for corrupt behavior or non-performance leads to a reduction of occurrence of procurement malpractices (Brinkerhoff, 2004). The study is a bit different from the study at hand as it was centered more on e-procurement. The intended study shall endeavor to determine the various factors that have an effect on procurement performance as well as the relationship between the identified factors and procurement performance.

Chene and Hodess (2009) examined the implementation of integrated financial information management systems. The study established that integration of procurement process that provides tools such as electronic procurements creates a framework whereby buyers can be able to procure goods and services easily via browsing one-stop catalogues as advertised by suppliers. This system connects, accumulates, processes as well as provides imperative information to all parties thus enhancing continuity in the procurement process hence positively impacting overall procurement outcomes. However, if valid positive output is to be expected, features and requirements of the procurement process ought to be compatible to the current system technologies (Giner et al., 2011).

Nzau and Njeru (2014) examined determinants affecting procurement performance of public universities in Nairobi County. They found that the allocation of more resources and equipment to the procurement department positively improves on its capabilities and output to organizations. The involvement of the procurement department in decision making leads to more favorable outcomes in organizational sourcing of needed material, services and equipment. The study showed that the provision of adequate professional support by management through training and educational has a direct influence on procurement performance. The study was however limited in scope in that the research findings cannot be generalized to the entire East African region as the study population was entirely based in Nairobi.

Wahu, Namusonge, Mungai and Chilion (2015) studied the determinants affecting performance of the procurement function among public secondary schools in Kenya with a case study of Gatundu District. The study established that; competitive bidding, existing

regulatory framework and lastly aggregation of procurement affects procurement performance. The study also found that competitive bidding improves on procurement performance. A positive relationship therefore exists between the two variables. The study observed a direct association between aggregation of procurement and performance of procurement functions. The intended study will be carried out in the East African Banking industry hence the discussed study are a bit different from the intended one.

Musau (2015) examined environmental determinants affecting procurement performance in county governments with a case of Uasin Gishu County. It was established that environmental factors affects procurement performance. In particular, political, legal environment and socio-economic environment impacts procurement performance. In regards to market environment, competition maximization and the fulfillment of government needs as market components influences procurement performance. The study was carried out with a case of county governments in Kenya, the research findings from the study can therefore not be expected to fully apply in all the East African Commercial Banks as they operate differently in terms of procurement in comparison to government procurement.

2.6 Summary of the Literature Review and Research Gap

This chapter has given a review on the literature on determinants of procurement performance within commercial banks in East Africa, the theoretical framework and the empirical review. The research gap identified is as summarized in the table below.

Table 2.1: Research Gap

Scholars	Study	Major Findings	Knowledge Gaps
Nijaki and Worrel (2005),	Sustainable Procurement at the Local Government Level	The study found that procurement is a viable tool to enhance fostering of environmental and economic goals	The study did not establish how the adoption of viable procurement practices affects procurement performance
Vaidya Nathan and Deva raj (2008)	The role quality plays in e-procurement performance	The study established that the absence of accountability in carrying out procurement goals creates opportunities for corruption that negatively affects procurement performance.	The study was carried outside Kenya hence research findings cannot apply to the local setting
Chene and Hodess (2009)	The Implementation of Integrated Financial Information Management Systems (IFMIS),	The integration of procurement process that provides tools such as electronic procurements creates a framework whereby buyers can be able to procure goods and services easily via browsing one-stop catalogues as advertised by suppliers	The study did not reveal how the adoption of electronic procurement process affects procurement performance
Kiage (2013)	Determinants affecting procurement performance with a case of Ministry of Energy	The adoption of a Procurement plan aids in procurement as it provides immense benefits that leads to the achievement of maximum value for delivered services expenditures.	The study was carried out with a case of a government ministry whose procurement operations are quite different from the banking industry.
Nzau and Njeru	Determinants affecting	It was concluded that the allocation of more	The study was carried out in the education

(2014)	procurement performance of public universities in Nairobi County	resources and equipment to the procurement department positively improves on its capabilities and output to organizations.	sector whose nature of operations is quite different from the banking industry
Wahu, Namusonge, Mungai and Chilion (2015)	Determinants affecting performance of the procurement function among public secondary schools in Kenya with a case study of Gatundu District	The study established that; competitive bidding, existing regulatory framework and lastly aggregation of procurement affects procurement performance	The study did not examine the current situation as it is in the banking sector.
Musau (2015)	Environmental factors affecting procurement performance in county governments with a case of Uasin Gishu County.	It was established that political, legal environment and socio-economic environment impacts procurement performance.	The study was carried out with a case of county governments whose nature of procurement operations are quite different from the banking industry.
Wanyonyi and Muturi (2015)	Determinants affecting performance of procurement function in Kisumu County among public technical training institutions.	The study concluded that staff competency, information technology and ethics positively affect procurement function performance.	The study did not examine the relationship between identified factors and procurement performance
Nzambu (2015)	The factors affecting procurement performance in county governments: the case of ministry of health and emergency services, Machakos, Kenya	The study established that adoption of information communication technology, procurement professionalism, stakeholder's involvement and project financing influences procurement performance in Ministry of Health and Emergency Services.	The study only identified determinants of procurement performance but did not establish nature of identified factors and performance

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter discusses the research methodology that was used to response to the research objectives. The segments to be covered include; research design, population, data collection methods and data analysis.

3.1 Research Design

This study used a descriptive research design. The aim of a descriptive research is to determine and report the way things are and it guides in determining the current status of the population under research. This creates a profile of a cluster of problems, people, or events, through the gathering of data and tabulation of the frequencies on examined variables or their interaction (Cooper and Schindler, 2003). Therefore descriptive survey appears to be the best approach that will fulfill the objective of this research.

3.2 Population

The units of study were the commercial banks in East African countries. There are 125 banks in total which are made up of 44 banks in Kenya, 34 banks in Tanzania, 25 banks in Uganda, 12 banks in Rwanda and 10 banks in Burundi. For purposes of the present study, a census was carried out since the population was relatively small and also to improve on response rate.

3.3 Data Collection

The study collected primary data as the ideal source of research data. The study used a research questionnaire to collect study data, the research instrument comprised of a five point Likert scale which was divided into section; A focused on general information and

B covered the determinants affecting procurement performance. The questionnaire was administered to the respondents; the procurement manager or their equivalent at their place of work. Since the research was being conducted in various banks across East Africa, the researcher used a team of research assistants to hand out the questionnaires to the various respondents. Follow-up was done through telephone calls and emails to confirm that the respondents had completed the questions after the agreed time.

3.4 Data Analysis

Upon acknowledging receipt of the questionnaires, they were coded and examined for completeness. Those with too many missing entries were discarded. They were then fed into the Statistical Package for Social Sciences (SPSS). Factor analysis was used to identify the underlying factors. This was done using principal component analysis with VARIMAX rotation. Similar analysis technique was used by Awino and Kariuki (2012) in their study entitled “Firm strategy, Business Environment and the Relationship Between Firm Level Factors and Performance”. Letting (2011) also used factor analysis with VARIMAX rotation in his study on the association between corporate governance and firm performance among listed companies at the Nairobi Securities exchange.

Descriptive statistics was used to summarize the outcomes for each of the main variables. These included mean and standard deviation. While measures of central tendency showed points of consensus, standard deviation shows the degree of variability of responses. Aggregate means of the items under each factor was then computed for each respondent to establish a composite index. The resulting factors will be used as independent variables and procurement performance as the dependent variable.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the results and discoveries of the study based on the research objectives. The study sought to establish the determinants of procurement performance in commercial banks in East Africa.

4.1.1 Response Rate

The study targeted a sample of 125 commercial banks in East African countries. The researcher dispersed 125 questionnaires and 91 were completed and collected. This was interpreted as a 73% response degree. According to Mugenda and Mugenda (2003), this rate was a good representative of the population as it was stipulated that a response rate of 70% or above is excellent. The outcomes are presented in Table 4.1.

Table 4.1: Response Rate

	Frequency	Percent
Response	91	73
Non Response	34	27
Total	125	100.0

Source: Research data (2016)

4.2 General Information

The study sought to establish the overall respondent's information including, how long their bank had been in operation, positions in the procurement department, work experience in procurement department and the period working in the banking industry in order to have an understanding of their suitability to undertake the study. The findings are in the subsequent sections.

4.2.1 Period the bank had been in Operation

The study sought to determine the duration the banks had been in operation. The finding is presented in Table 4.2.

Table 4.2: Period the bank had been in Operation

	Frequency	Percent
More than 5 years	78	86
Less than 5 years	12	14
Total	91	100.0

Source: Research data (2016)

From the finding, 86% of the respondents showed that their banks had been in operation for a period more than 5 years while 14% indicated that less than 5 years. This shows that a large number of the commercial banks had been in operation for a longer period thus provide relevant and reliable information on procurement performance as applied.

4.2.2 Work Experience in Procurement Department

The respondents were requested to indicate their total work experience in procurement department of their respective commercial banks. The finding is shown in Table 4.3.

Table 4.3: Work Experience in Procurement Department

	Frequency	Percent
Less than 5 years	49	53.8
5 – 10 years	19	20.9
11 – 20 years	8	8.8
21 – 30 years	15	16.5
Total	91	100.0

Source: Research data (2016)

As indicated in Table 4.3, 53.8% of the respondents indicated that their total work experience in procurement department was less than 5 years, 20.9% indicated a period of between 5-10 years, 8.8% indicated a period of between 11-20 years and 16.5% indicated

a period of between 21-30 years. This indicated that information provided was relevant due to the respondent's work experience in procurement department.

4.2.3 Position in the Procurement Department

The respondents were asked to indicate their positions in procurement department of their respective commercial banks. The finding are as indicated in Table 4.4.

Table 4.4: Position in the Procurement Department

	Frequency	Percent
Procurement Manager	25	27.5
Operations Manager	36	39.6
Procurement Officer	30	33.0
Total	91	100.0

Source: Research data (2016)

From the finding, 27.5% of the respondents indicated that they were procurement managers, 39.6% indicated operations managers and 33% indicated procurement officers. This shows that the study covered across the key positions in the procurement department thus the information provided by the respondents were significant for the research.

4.2.4 Period Working in the Banking Industry

The research focused in determining the duration in which the target respondents had worked in the banking industry. The finding are shown below in Table 4.5.

Table 4.5: Period Working in the Banking Industry

	Frequency	Percent
Less than 5 years	17	18.7
5 – 10 years	18	19.8
11 – 20 years	13	14.3
21 – 30 years	18	19.8
31 years and above	25	27.5
Total	91	100.0

Source: Research data (2016)

As indicated in Table 4.5, 18.7% of the target respondents had been working in the banking industry for a duration of less than 5 years, 19.8% for between 5 – 10 years, 14.3% for between 11 – 20 years, 19.8% for between 21 – 30 years and 27.5% for 31 years and above. This shows that the respondents had been working in the banking industry long enough thus had clear understanding on the determinants of procurement performance in commercial banks thus provided relevant and reliable information for the study.

4.3 Factors Affecting Procurement Performance

Various statements on factors affecting procurement performance were identified, the target respondents were required to show the extent to which they concur with each as applied in their organization. A scale of 1 to 5 where 1= No Extent, 2= Little Extent, 3= Moderate Extent, 4= Great Extent, 5 = Very Great Extent was used. From the findings, standard deviation and mean was calculated to allow ease of interpretation and generalization of the results. Table 4.6 below shows the summary of the findings.

Table 4.6: Factors Affecting Procurement Performance

	Mean	Std. Dev
Procurement planning secures the provision of right services to clients	3.79	.948
Maximum value is attained through the adoption of a procurement plan	3.70	1.178
Strategic plan development enables alignment of programs with firm mission	3.83	1.147
Procurement planning reduces disputes during various purchasing evaluation phases	3.98	1.059
Procurement planning reduces miscommunication in purchasing evaluation phases	3.80	1.137
Resource allocation affects procurement performance	4.12	1.093
Management of contracts have an influence on procurement performance	3.87	1.123
Staff competency levels have an effect on procurement performance	3.85	1.140
Organizational supply needs are well identified and estimated during procurement	4.00	1.064
Employees skill affects how they handle complex organizational procurement processes	3.99	1.005

Adherence to codes of conduct practices is imperative to attain desired procurement performance	4.06	.986
Unethical procurement practices ensures that organizational purchasing needs are properly addressed	3.94	1.015
The adoption of ethical behaviors ensures that firms obtain value for their procurement money	3.75	1.118
Unethical procurement behavior threatens goods flow and services needed to provide end products to consumers	4.04	.987
Transparency secures best value for organizational procurement money	3.87	1.093
Accountability secures best value for organizational money as it improves on overall procurement performance.	3.92	1.066
The adoption of sound integrated procurement systems enhances accountability in procurement	3.89	1.149
Clear commitment by relevant parties influences procurement performance	3.85	1.197
Organizational readiness to adopt ICT has an influence the success of adopted integrated procurement systems	4.02	.965
Presence of adequate human capacity in the procurement department influences overall possible attainable outcomes	3.86	1.035
Fraud that hampers optimal performance of the procurement department	3.88	1.100
Corruption in the procurement department hampers optimal performance of the entire procurement function	3.93	1.041
Procurement theft negatively affects optimal performance of the procurement department	4.05	.935
Existing regulatory framework is instrumental to the attainment of optimal procurement performance	4.04	.987
Aggregation of procurement influences the performance of procurement functions	3.89	.993
The provision of adequate professional support by management through training has an impact on procurement performance	4.12	1.009
The socio-economic environment impacts on procurement performance.	4.14	1.017
Finance and manufacturing regulations impede full optimal procurement function performance.	4.04	1.191
Personnel regulations have an influence on procurement department performance in the banking industry.	3.84	.758
Procurement statutes alteration affect the adopted procurement systems by banks	3.91	.877
Budgets authorization affects the adopted procurement systems by banks	3.73	.986
Political pressures exert undue influence on banking industry procurement functions	3.56	1.166
Procurement process integration creates a sound framework for all procurement department participants	3.63	1.130
The presence of continuity in the procurement process positively impacts overall procurement outcomes	3.85	1.038
There are attempts to ensure that features and requirements of the procurement process yield valid positive output	3.80	1.087

Stakeholders involvement during procurement has an effect on overall attainable outcomes	3.97	1.053
Suppliers harmonization through electronic sourcing enables firms to readily identify new potential suppliers	3.71	1.108
Goals and results measurement leads to a reduction of occurrence of procurement malpractices	3.75	1.025
Justification of results of both internal and external monitors reduces procurement misconduct	3.93	.940
Punishment of corrupt behavior discourages procurement department staff from uncouth practices leading to higher performance	3.85	1.017
The adoption of E-tendering leads to the attainment of positive procurement efficiencies	3.87	1.031

Source: Research data (2016)

From the findings, procurement planning secures the provision of right services to clients showed a mean = 3.79 and a standard deviation = 0.948, maximum value is attained through the adoption of a procurement plan showed a mean = 3.70 and a standard deviation = 1.178, strategic plan development enables alignment of programs with firm mission showed a mean = 3.83 and a standard deviation = 1.147, procurement planning reduces disputes during various purchasing evaluation phases showed a mean = 3.98 and a standard deviation = 1.059, procurement planning reduces miscommunication in purchasing evaluation phases showed a mean = 3.80 and a standard deviation = 1.137, resource allocation affects procurement performance showed a mean = 4.12 and a standard deviation = 1.093, management of contracts have an influence on procurement performance showed a mean = 3.87 and a standard deviation = 1.123, staff competency levels have an effect on procurement performance showed a mean = 3.85 and a standard deviation = 1.140, organizational supply needs are well identified and estimated during procurement showed a mean = 4.00 and a standard deviation = 1.064, employees skill affects how they handle complex organizational procurement processes showed a mean = 3.99 and a standard deviation = 1.005, adherence to codes of conduct practices is imperative to attain desired procurement performance showed a mean = 4.06

and a standard deviation = 0.986, unethical procurement practices ensures that organizational purchasing needs are properly addressed showed a mean = 3.94 and a standard deviation = 1.015, the adoption of ethical behaviors ensures that firms obtain value for their procurement money showed a mean = 3.75 and a standard deviation = 1.118, unethical procurement behavior threatens goods flow and services needed to provide end products to consumers showed a mean = 4.04 and a standard deviation = 0.987, transparency secures best value for organizational procurement money showed a mean = 3.87 and a standard deviation = 1.093, accountability secures best value for organizational money as it improves on overall procurement performance showed a mean = 3.92 and a standard deviation = 1.066, the adoption of sound integrated procurement systems enhances accountability in procurement showed a mean = 3.89 and a standard deviation = 1.149, clear commitment by relevant parties influences procurement performance showed a mean = 3.85 and a standard deviation = 1.197, organizational readiness to adopt ICT has an influence the success of adopted integrated procurement systems showed a mean = 4.02 and a standard deviation = 0.965, presence of adequate human capacity in the procurement department influences overall possible attainable outcomes showed a mean = 3.86 and a standard deviation = 1.035, fraud that hampers optimal performance of the procurement department showed a mean = 3.88 and a standard deviation = 1.100, corruption in the procurement department hampers optimal performance of the entire procurement function showed a mean = 3.93 and a standard deviation = 1.041, procurement theft negatively affects optimal performance of the procurement department showed a mean = 4.05 and a standard deviation = 0.935, existing regulatory framework is instrumental to the attainment of optimal procurement

performance showed a mean = 4.04 and a standard deviation = 0.987, aggregation of procurement influences the performance of procurement functions showed a mean = 3.89 and a standard deviation = 0.993 and the provision of adequate professional support by management through training has an impact on procurement performance showed a mean = 4.12 and a standard deviation = 1.009.

The mean values for the responses ranges from 3.70-4.12 which shows that respondents were in agreement with the statements and thus concurs with the finding of Swindler & Sephardi (2001) that delays in assessing procurement function performance can worsen deteriorating organizational performance, by leading to a situation whereby firms continue to incur unnecessary procurement costs.

The socio-economic environment impacts on procurement performance showed a mean = 4.14 and a standard deviation = 1.017, finance and manufacturing regulations impede full optimal procurement function performance showed a mean = 4.04 and a standard deviation = 1.191, personnel regulations have an influence on procurement department performance in the banking industry showed a mean = 3.84 and a standard deviation = 0.758, procurement statutes alteration affect the adopted procurement systems by banks showed a mean = 3.91 and a standard deviation = 0.877, budgets authorization affects the adopted procurement systems by banks showed a mean = 3.73 and a standard deviation = 0.986, political pressures exert undue influence on banking industry procurement functions showed a mean = 3.56 and a standard deviation = 1.166, procurement process integration creates a sound framework for all procurement department participants showed a mean = 3.63 and a standard deviation = 1.130, the presence of continuity in the procurement process positively impacts overall procurement outcomes showed a mean =

3.85 and a standard deviation = 1.038, there are attempts to ensure that features and requirements of the procurement process yield valid positive output showed a mean = 3.80 and a standard deviation = 1.087, stakeholders involvement during procurement has an effect on overall attainable outcomes showed a mean = 3.97 and a standard deviation = 1.053, suppliers harmonization through electronic sourcing enables firms to readily identify new potential suppliers showed a mean = 3.71 and a standard deviation = 1.108, goals and results measurement leads to a reduction of occurrence of procurement malpractices showed a mean = 3.75 and a standard deviation = 1.025, justification of results of both internal and external monitors reduces procurement misconduct showed a mean = 3.93 and a standard deviation = 0.940, punishment of corrupt behavior discourages procurement department staff from uncouth practices leading to higher performance showed a mean = 3.85 and a standard deviation = 1.017 and the adoption of E-tendering leads to the attainment of positive procurement efficiencies showed a mean = 3.87 and a standard deviation = 1.031.

The mean values for the finding ranges from 3.71-4.14 which imply that the respondents agreed with the statements which is in line with the finding of Wassenhove (2006)) that the adoption of ethical public procurement leads to transparency, probity and accountability which in turn secure best value for organizational money by improving on overall procurement performance.

4.4 Factor Analysis

The study carried out factor analysis to establish the strength of the determinants of procurement performance in commercial banks in East Africa. Table 4.7 below shown the results.

Table 4.7: Communalities

	Initial	Extraction
Procurement planning secures the provision of right services to clients	1.000	.885
Maximum value is attained through the adoption of a procurement plan	1.000	.707
Strategic plan development enables alignment of programs with firm mission	1.000	.790
Procurement planning reduces disputes during various purchasing evaluation phases	1.000	.866
Procurement planning reduces miscommunication in purchasing evaluation phases	1.000	.771
Resource allocation affects procurement performance	1.000	.757
Management of contracts have an influence on procurement performance	1.000	.803
Staff competency levels have an effect on procurement performance	1.000	.725
Organizational supply needs are well identified and estimated during procurement	1.000	.730
Employees skill affects how they handle complex organizational procurement processes	1.000	.727
Adherence to codes of conduct practices is imperative to attain desired procurement performance	1.000	.796
Unethical procurement practices ensures that organizational purchasing needs are properly addressed	1.000	.731
The adoption of ethical behaviors ensures that firms obtain value for their procurement money	1.000	.766
Unethical procurement behavior threatens goods flow and services needed to provide end products to consumers	1.000	.662
Transparency secures best value for organizational procurement money	1.000	.653
Accountability secures best value for organizational money as it improves on overall procurement performance.	1.000	.725
The adoption of sound integrated procurement systems enhances accountability in procurement	1.000	.776
Clear commitment by relevant parties influences procurement performance	1.000	.769
Organizational readiness to adopt ICT has an influence the success of adopted integrated procurement systems	1.000	.820
Presence of adequate human capacity in the procurement department influences overall possible attainable outcomes	1.000	.753
Fraud that hampers optimal performance of the procurement department	1.000	.832
Corruption in the procurement department hampers optimal performance of the entire procurement function	1.000	.836
Procurement theft negatively affects optimal performance of the procurement department	1.000	.655
Existing regulatory framework is instrumental to the attainment of optimal procurement performance	1.000	.816
Aggregation of procurement influences the performance of procurement functions	1.000	.818
The provision of adequate professional support by management through training has an impact on procurement performance	1.000	.755

The socio-economic environment impacts on procurement performance	1.000	.883
Finance and manufacturing regulations impede full optimal procurement function performance.	1.000	.724
Personnel regulations have an influence on procurement department performance in the banking industry.	1.000	.762
Procurement statutes alteration affect the adopted procurement systems by banks	1.000	.790
Budgets authorization affects the adopted procurement systems by banks	1.000	.644
Political pressures exert undue influence on banking industry procurement functions	1.000	.709
Procurement process integration creates a sound framework for all procurement department participants	1.000	.714
The presence of continuity in the procurement process positively impacts overall procurement outcomes	1.000	.681
There are attempts to ensure that features and requirements of the procurement process yield valid positive output	1.000	.784
Stakeholders involvement during procurement has an effect on overall attainable outcomes	1.000	.676
Suppliers harmonization through electronic sourcing enables firms to readily identify new potential suppliers	1.000	.831
Goals and results measurement leads to a reduction of occurrence of procurement malpractices	1.000	.753
Justification of results of both internal and external monitors reduces procurement misconduct	1.000	.753
Punishment of corrupt behavior discourages procurement department staff from uncouth practices leading to higher performance	1.000	.781
The adoption of E-tendering leads to the attainment of positive procurement efficiencies	1.000	.641

Source: Research data (2016)

Communality is the proportion of variance that each item converges with other factors.

From Table 4.18, Procurement planning secures the provision of right services to clients had the greatest communality or shared relationship with other factors (88.5%) followed by the socio-economic environment impacts on procurement performance (88.3%), Procurement planning reduces disputes during various purchasing evaluation phases (86.6%), Corruption in the procurement department hampers optimal performance of the entire procurement function (83.6%), fraud that hampers optimal performance of the procurement department (83.2%), suppliers harmonization through electronic sourcing enables firms to readily identify new potential suppliers (83.1%), organizational

readiness to adopt ICT has an influence the success of adopted integrated procurement systems (82%), aggregation of procurement influences the performance of procurement functions (81.8%), existing regulatory framework is instrumental to the attainment of optimal procurement performance (81.6%), Management of contracts have an influence on procurement performance (80.3%) and adherence to codes of conduct practices is imperative to attain desired procurement performance (79.6%).

Table 4.8: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Var	Cumulative %	Total	% of Var	Cumulative %
1	13.619	33.218	33.218	13.619	33.218	33.218
2	3.951	9.636	42.854	3.951	9.636	42.854
3	2.342	5.712	48.566	2.342	5.712	48.566
4	1.855	4.523	53.089	1.855	4.523	53.089
5	1.800	4.391	57.480	1.800	4.391	57.480
6	1.615	3.938	61.418	1.615	3.938	61.418
7	1.369	3.340	64.758	1.369	3.340	64.758
8	1.214	2.961	67.718	1.214	2.961	67.718
9	1.166	2.845	70.563	1.166	2.845	70.563
10	1.080	2.634	73.197	1.080	2.634	73.197
11	1.041	2.539	75.737	1.041	2.539	75.737
12	.935	2.279	78.016			
13	.859	2.095	80.111			
14	.758	1.848	81.959			
15	.701	1.710	83.669			
16	.625	1.523	85.193			
17	.544	1.326	86.519			
18	.510	1.245	87.763			
19	.443	1.081	88.844			
20	.415	1.013	89.858			
21	.404	.985	90.842			
22	.389	.948	91.790			
23	.375	.914	92.704			
24	.351	.856	93.559			
25	.326	.796	94.355			

26	.297	.725	95.080			
27	.246	.599	95.679			
28	.226	.551	96.231			
29	.218	.531	96.762			
30	.203	.495	97.257			
31	.172	.420	97.677			
32	.160	.389	98.066			
33	.151	.368	98.434			
34	.122	.296	98.730			
35	.113	.276	99.006			
36	.094	.230	99.237			
37	.085	.207	99.444			
38	.075	.183	99.627			
39	.061	.149	99.775			
40	.057	.140	99.916			
41	.035	.084	100.000			

Source: Research data (2016)

From Table 4.6, the VARIMAX rotation was used, which allows for the extraction of components that have an Eigen value >1. The principal component analysis was used and 11 factors were extracted. The finding shows that, these 11 factors explain 75.737% of the total variation. Procurement planning secures the provision of right services to clients contributed the highest variation of 33.218%, socio-economic environment impacts on procurement performance contributes 9.636% of the variations, Procurement planning reduces disputes during various purchasing evaluation phases contributes 5.712% of the variations, Corruption in the procurement department hampers optimal performance of the entire procurement function 4.523% of the variations, fraud that hampers optimal performance of the procurement department contributes 4.391% of the variations, suppliers harmonization through electronic sourcing enables firms to readily identify new potential suppliers contributes 3.340% of the variations, organizational readiness to adopt ICT has an influence the success of adopted integrated procurement

systems contributes 3.340% of the variations, aggregation of procurement influences the performance of procurement functions contributes 2.961% of the variations, existing regulatory framework is instrumental to the attainment of optimal procurement performance contributes 2.845% of the variations, management of contracts have an influence on procurement performance contributes 2.634% of the variations and adherence to codes of conduct practices is imperative to attain desired procurement performance contributes 2.539% of the variations.

Knudsen (2003) agrees that ICT adoption in procurement system makes procurement processes more effective and efficient leading to success in procurement processes. Kumar, Ozdamar and Peng (2005) added that procurement performance can be assessed by focusing on delivery, flexibility, quality, cost and ICT adoption. On the other hand, Nijaki and Worrel (2005) emphasized on the need for the adoption of effective procurement planning, this ensures right service is delivered to the client as well as maximization of service provision. Basheka (2008) opined that procurement planning enables firms to identify and address pertinent issues regarding procurement before procurement notices are issued to potential suppliers.

Wassenhove (2006) further came to an agreement that adoption of ethical public procurement leads to transparency, probity and accountability leading to best procurement practices. Saeed et al. (2005) concurred that firm that adopt procurement ethical practices leads to suppressed fraud. Walker and Brammer (2009) concludes that adoption of ethical practices ensures firms get value for their money. Kiage (2003) noted that contract management and staff competence positively affect procurement performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the results and it also gives the conclusions and recommendations of the research based on the objectives of the study. The conclusions and recommendations drawn were dedicated on addressing the objective of this study.

5.2 Summary of the Findings

The study found out that procurement planning secures the provision of right services to clients and reduces disputes during various purchasing evaluation phases, fraud hampers optimal performance of the procurement department, aggregation of procurement influences the performance of procurement functions, existing regulatory framework is instrumental to the attainment of optimal procurement performance, management of contracts have an influence on procurement performance and adherence to codes of conduct practices is imperative to attain desired procurement performance.

The study also found out that corruption in the procurement department hampers optimal performance of the entire procurement function, supplier's harmonization through electronic sourcing enables firms to readily identify new potential suppliers and organizational readiness to adopt ICT has an influence the success of adopted integrated procurement systems.

5.3 Conclusion

The outcomes of the study investigated the determinants of procurement performance in commercial banks. The study concludes that ICT directly affects the performance of

procurement functions. It was established that a positive correlation exists between competency of procurement and performance of procurement functions. From these findings, vital contributors to staff competence comprised improving team work of procurement staff, training of existing and new workforce within the procurement departments, hiring of competent and qualified workforce in the procurement departments and acquainting the with the procurement act.

The study also concludes that ethical practices being a norm within the workforce affected the performance of procurement functions positively. Work ethics was impartiality in procurement procedures, professionalism and accountability, awarding of tenders to most suitable and qualified buyers. This ensuring that members of the procurement teams are not party to the sourcing and supplying of goods and services.

5.4 Recommendations from the Study

The study recommends, commercial banks ought to set up a procurement department equipped with experienced, skilled and knowledgeable workforces to head the procurement operations in order to stream line most of the existing flaws in the procurement management and should carry out market fitness analysis as part of its procurement management. This will allow the banks to measure the capability of the market to meet its required goods and services at the right timing, in the correct quantities and quality at reasonable cost.

The study also recommends that commercial banks should also work on having dependable suppliers whose delivery timelines are realistic and within the bank's desires. This will reduce on emergency purchases that are normally expensive and therefore

damagingly impact on the performance of the banks and 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.

5.5 Limitations of the Study and Suggestion for Further Research

Since this study put emphasis on commercial banks across East Africa, future studies might consider a broader scope by including other companies operating within across Africa i.e. Supermarkets, Petrol Station among others. There is a need for future research to replicate the findings employing multi-disciplinary measures of bank performance and wider coverage of procurement management.

Due to the veil of confidentiality surrounding banks a number of respondents were unwilling to partake but the researcher guaranteed them that the outcomes were only meant for academic purposes and that their information was held confidential. Furthermore, due to their busy schedule most of the respondents had no time to participate in the study. But the researcher requested the respondents to secure some time and offer information for the study. The study was limited to determinants of procurement performance in commercial banks in East Africa.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

1. Name of the bank (Optional).....

2. How long has your bank been in operation?

Less than 5 years []

More than 5 years []

3. What is your position in the procurement department?

.....

4. What is your total work experience in procurement department?

Less than 5 years []

5 – 10 years []

11 – 20 years []

21 – 30 years []

31 years and above []

5. How long have you worked in the banking industry?

Less than 5 years []

5 – 10 years

[]

11 – 20 years []

21 – 30 years []

31 years and above []

SECTION B: FACTORS AFFECTING PROCUREMENT PERFORMANCE

6. Below are various statements on factors affecting procurement performance. Kindly indicate to what extent you agree with each of the identified statements using a scale of 1 to 5 where; 1= No Extent, 2= Little Extent, 3= Moderate Extent, 4= Great Extent, 5 = Very Great Extent.

Statement	1	2	3	4	5
Procurement planning secures the provision of right services to clients					
Maximum value is attained through the adoption of a procurement plan					
Strategic plan development enables alignment of programs with firm mission					
Procurement planning reduces disputes during various purchasing evaluation phases					
Procurement planning reduces miscommunication in purchasing evaluation phases					

Resource allocation affects procurement performance					
Management of contracts have an influence on procurement performance					
Staff competency levels have an effect on procurement performance					
Organizational supply needs are well identified and estimated during procurement					
Employees skill affects how they handle complex organizational procurement processes					
Adherence to codes of conduct practices is imperative to attain desired procurement performance					
Unethical procurement practices ensures that organizational purchasing needs are properly addressed					
The adoption of ethical behaviors ensures that firms obtain value for their procurement money					
Unethical procurement behavior threatens goods flow and services needed to provide end products to consumers					
Transparency secures best value for organizational procurement money					
Accountability secures best value for organizational money as it improves on overall procurement performance.					
The adoption of sound integrated procurement systems enhances accountability in procurement					
Clear commitment by relevant parties influences procurement performance					
Organizational readiness to adopt ICT has an influence the success of adopted integrated procurement systems					
Presence of adequate human capacity in the procurement department influences overall possible attainable outcomes					
Fraud that hampers optimal performance of the procurement department					
Corruption in the procurement department hampers optimal performance of the entire procurement function					
Procurement theft negatively affects optimal performance of the procurement department					
Existing regulatory framework is instrumental to the attainment of optimal procurement performance					
Aggregation of procurement influences the performance of procurement functions					
The provision of adequate professional support by management through training has an impact on procurement performance					
The socio-economic environment impacts on procurement performance.					
Finance and manufacturing regulations impede full optimal procurement function performance.					
Personnel regulations have an influence on procurement department performance in the banking industry.					

Procurement statutes alteration affect the adopted procurement systems by banks					
Budgets authorization affects the adopted procurement systems by banks					
Political pressures exert undue influence on banking industry procurement functions					
Procurement process integration creates a sound framework for all procurement department participants					
The presence of continuity in the procurement process positively impacts overall procurement outcomes					
There are attempts to ensure that features and requirements of the procurement process yield valid positive output					
Stakeholders involvement during procurement has an effect on overall attainable outcomes					
Suppliers harmonization through electronic sourcing enables firms to readily identify new potential suppliers					
Goals and results measurement leads to a reduction of occurrence of procurement malpractices					
Justification of results of both internal and external monitors reduces procurement misconduct					
Punishment of corrupt behavior discourages procurement department staff from uncouth practices leading to higher performance					
The adoption of E-tendering leads to the attainment of positive procurement efficiencies					

7. Please highlight key factors that you believe influence the level of procurement performance in banking sector in general?

.....
.....
.....

8. What are the greatest challenges faced by your organization in its quest to attain an effective procurement performance process?

.....
.....
.....

THANK YOU FOR YOUR COOPERATION

APPENDIX II: LIST OF COMMERCIAL BANKS IN KENYA

1. African Banking Corporation Ltd.
2. Bank of Africa (K) Ltd.
3. Bank of Baroda (K) Ltd.
4. Bank of India
5. Barclays Bank of Kenya Ltd.
6. CFC Stanbic Bank Ltd.
7. Charterhouse Bank Ltd.
8. Chase Bank (K) Ltd.
9. Citibank N.A. Kenya
10. Commercial Bank of Africa Ltd.
11. Consolidated Bank of Kenya Ltd.
12. Co-operative Bank of Kenya Ltd.
13. Credit Bank Ltd.
14. Development Bank of Kenya Ltd.
15. Diamond Trust Bank Kenya Ltd.
16. Dubai Bank Kenya Ltd
17. Ecobank Ltd
18. Equatorial Commercial Bank Ltd.
19. Equity Bank Ltd.
20. Family Bank Ltd.
21. Fidelity Commercial Bank Ltd.
22. Fina Bank Ltd.
23. First Community Bank
24. Giro Commercial Bank Ltd.
25. Guardian Bank Ltd.
26. Gulf Africa Bank (K) Ltd
27. Habib Bank A.G. Zurich
28. Habib Bank Ltd.
29. Housing Finance Ltd.
30. Imperial Bank Ltd.
31. I&M Bank Ltd.
32. Jamii Bora Bank Limited
33. Kenya Commercial Bank Ltd.
34. K-Rep Bank Ltd.
35. Middle East Bank (K) Ltd.
36. National Bank of Kenya Ltd.
37. NIIC Bank Ltd.
38. Oriental Commercial Bank Ltd.
39. Paramount Universal Bank Ltd.
40. Prime Bank Ltd.
41. Standard Chartered Bank (K) Ltd
42. Trans-National Bank Ltd.
43. UBA Kenya Bank Limited
44. Victoria Commercial Bank Ltd

Source: (Central Bank of Kenya).

APPENDIX III: LIST OF COMMERCIAL BANKS IN TANZANIA

- | | |
|--|---|
| 1. Access Bank Tanzania | 19.Exim Bank (Tanzania) |
| 2. Advans Bank Tanzania | 20.First National Bank of Tanzania |
| 3. Akiba Commercial Bank | 21.FBME Bank |
| 4. Amana Bank | 22.Habib African Bank |
| 5. Azania Bank | 23.I&M Bank (Tanzania) ^[3] |
| 6. BancABC | 24.International Commercial Bank |
| 7. Bank M | 25.Kenya Commercial Bank |
| 8. Bank of Africa Tanzania | 26.Mkombozi Commercial Bank ^[4] |
| 9. Bank of Baroda (Tanzania) | 27.National Bank of Commerce
(Tanzania) |
| 10.Bank of India (Tanzania) | 28.National Microfinance Bank |
| 11.Barclays Bank of Tanzania | 29.NIC Bank Tanzania |
| 12.Citibank | 30.People's Bank of Zanzibar |
| 13.Commercial Bank of Africa
(Tanzania) | 31.Stanbic Bank Tanzania Limited |
| 14.CRDB Bank | 32.Standard Chartered Bank |
| 15.DCB Commercial Bank ^[2] | 33.United Bank for Africa ^{[5][6]} |
| 16.Diamond Trust Bank Tanzania | 34.UBL Bank Tanzania Limited |
| 17.Ecobank | |
| 18.Equity Bank (Tanzania) | |

Source: Bank of Tanzania (2015).

APPENDIX IV: LIST OF COMMERCIAL BANKS IN UGANDA

1. ABC Capital Bank
2. Bank of Africa Uganda Limited
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Uganda
6. Cairo International Bank
7. Centenary Bank
8. Citibank Uganda Limited
9. Commercial Bank of Africa
10. Crane Bank
11. DFCU Bank
12. Diamond Trust Bank
13. Ecobank Uganda
14. Equity Bank
15. Exim Bank (Uganda)
16. Finance Trust Bank
17. Guaranty Trust Bank
18. Housing Finance Bank
19. KCB Bank Uganda Limited
20. NC Bank Uganda
21. Orient Bank
22. Stanbic Bank Uganda
23. Standard Chartered Uganda
24. Tropical Bank
25. United Bank for Africa

Source: (Central Bank, Uganda).

APPENDIX V: LIST OF COMMERCIAL BANKS IN RWANDA

1. Access Bank Rwanda
2. Bank of Kigali
3. Banque Populaire du Rwanda SA (BPR)
4. Commercial Bank of Africa (Rwanda) – In development
5. Compagnie Generale de Banque (Cogebanque)
6. Crane Bank Rwanda
7. Ecobank
8. Equity Bank (Rwanda)
9. Guaranty Trust Bank (Rwanda)
10. I&M Bank (Rwanda)
11. Development Bank of Rwanda (BRD)
12. Urwego Opportunity Bank (UOB)

Source: Rwanda Central Bank.

APPENDIX VI: LIST OF COMMERCIAL BANKS IN BURUNDI

1. FinBank Burundi
2. Burundi Commercial Bank (BANCOBU)
3. Banque de Gestion et de Financement (BGF)
4. Burundi Bank of Commerce and Investment (BBCI)
5. Banque de Credit de Bujumbura (Bujumbura Credit Bank)
6. Diamond Trust Bank Burundi
7. CRDB Bank Burundi
8. Ecobank Burundi
9. Interbank Burundi (IBB)
10. KCB Burundi