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INFLUENCE OF SUPPLIER FINANCIAL CAPABILITY AND EVALUATION ON PROCUREMENT PERFORMANCE IN THE COUNTY GOVERNMENT OF BUNGOMA, KENYA

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ABSTRACT

This study sought to investigate the determinants of procurement performance in the county government of Bungoma, Kenya. The research was based on efficiency theory and resource based view theory. The study adopted descriptive survey design and used structured questionnaires to collect data. The study targeted 113 respondents where Yamame's formula was applied to get a sample size of 88 respondents. The study instruments were piloted on 10 senior management officers in the county government of Busia, which neighbors Bungoma County, the study area, where content validity was used to ensure validity while cronbachs alpha was used to check instrument reliability. Descriptive statistics summarized data into meaningful forms while for variable relationships, inferential statistics was computed using SPSS 23. All analyzed data was presented in form of tables and graphs. A total of 81 out of 88 respondents returned completely filled questionnaires indicating a response rate of 92.05% which good for generalizability of research findings to a wider population. From values of unstandardized regression coefficients with standard errors in parenthesis, both independent variables supplier financial capability and supplier evaluation significantly influenced procurement performance in the county government of Bungoma (dependent variable). The study concluded that one; supplier financial capability significantly influences procurement performance in the sense that supplier who had adequate financial resource power would effectively deliver procured goods and services with minimal fail; and two, efficient supplier evaluation is an effective way of ensuring that the county government gets valid and capable suppliers who can effectively deliver procured goods and services. The study recommended that one; there should be a thorough assessment of suppliers before being awarded tenders as this will ensures that qualified suppliers deliver quality goods and services; and two, there should be a thorough assessment of suppliers before being awarded tenders as this will ensures that qualified suppliers deliver quality goods and services.

Key Words: *Supplier Financial Capability, Supplier Evaluation, Procurement Performance*

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INTRODUCTION

Procurement performance involves allocation of sufficient resources financial, personnel, time, and establishing a chain of command or organizational structure (Lysons & Farrington, 2006). It involves assigning responsibility of specific tasks or processes to specific individuals or groups. It also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary. Procurement performance is an on-going, never-ending, integrated process requiring continuous reassessment and reformation (Olson et al., 2005).

But despite the importance of the procurement performance in both private and public organizations, Petersen et al. (2005) asserted that supplier evaluation and selection in a competitive bidding process is a major challenge; and noted that a well-managed and structured approach to supplier selection ensures that the suppliers have the skills and knowledge to do the job and that they are developed to their full potential. The institution will benefit from this through cost saving, improved quality, effectiveness and efficiency, financial costs, mitigating delay costs that is when work cannot be done because of lack of equipment necessary for the job and reputational costs. So, effective supplier selection can also ensure that suppliers understand the aims, objectives and strategies which will cascade into their personal aims and objectives (Petersen et al., 2005.

In China, the contracting processes have evolved from a single-price criterion to multi-criteria that include price (cost), time, quality. All tenders are assessed by a tender evaluation committee and the detailed tender evaluation criteria are prepared by this committee one day before the opening of the tenders, to avoid any unfairness in the tendering process (Jiangsu Provincial Construction Commission, 2013).

In Kenya both the national and county governments rely on contractors and or known suppliers to take care of many procurement activities. That is many large public corporations and institutions in Kenya rely on procurement to access most of their products and services, through purchasing and sourcing as well as tendering and contracting. In order to ensure fairness during the bidding process, the Government through the Public Procurement Oversight Authority (PPOA), Public Procurement and Asset Disposal Act (PPDA) of 2015, and the Procurement Regulations of 2015 entrenched the concept of competitive procurement in all government agencies. That is, the aims of PPOA and PPDA is to establish procedures for procurement and the disposal of unserviceable, obsolete or surplus stores and equipment by public entities to maximize economy and efficiency, promote competition and ensure that competitors are treated fairly, promote the integrity and fairness of those procedures, increase transparency and accountability in those procedures and to increase public confidence in those procedures and facilitate the promotion of local industry and economic development. But despite these standards, Kenya loses a lot of taxpayers' money to improper procurement practices (GoK, 2017). Therefore poor procurement practices have also hampered service delivery in both national and county government units.

Statement of the problem

Public procurement though touted as the most effective way of involving public participation in the procurement process and thus improve service delivery has experienced an appalling performance in county governments in Kenya. A number of researches on determinants of procurement performance have revealed varied assertions on what really influences procurement performance in public

institutions. For instance studies by Thai (2001); Pauw, (2002; Babich and Pettijohn, (2004): Anget (2005); Acquaye (2011) have shown divergent views on how general supplier evaluation criteria influence procurement with minimal basis on suppliers' financial capability. Further, other scholars; Adamyan (2002); Kovacs (2008); Lysons (2008); Handfield (2009); Hardy 2011); Kavale and Mwikali (2012) found conflicting views about the most appropriate supplier selection criteria that can guarantee most suitable and reliable supplier with quality goods and services delivered in agreed time.

More so some researchers; Parkera and Hartley (2003); Zack (2003); Lysons and Farrington, (2006); Moses (2009) also suggested use of competitive bidding but had little if any empirical data to support the competitive bidding process. Similarly, another stream of scholars; Hopp and Spearman (2010); Zong (2010); Nordas et al. (2012); Su et al. (2014) identified lead time issues in procurement related researches but most views were based on manufacturing industries and supply chain management areas with little regard to the procurement process in public organizations like county governments where delays in time required for supply and delivery of goods and services has really affected procurement performance function in the county governments. Therefore lack of empirical evidence on feasible contributing factors of procurement performance function in public organization motivated this study to investigate determinants of procurement performance in the county government of Bungoma, Kenya.

Objectives of the study

The general objective of the study was to investigate the determinants of procurement performance in the county government of Bungoma, Kenya. The specific objectives were:-

- To determine influence of supplier financial capability on procurement performance in the county government of Bungoma, Kenya.
- To determine influence of supplier evaluation on procurement performance in the county government of Bungoma, Kenya.

Research hypotheses

- **H_{01}:** Supplier financial capability does not significantly influence procurement performance in the county government of Bungoma, Kenya.
- **H_{02}:** Supplier evaluation does not significantly influence procurement performance in the county government of Bungoma, Kenya.

LITERATURE REVIEW

Theoretical review

Efficiency Theory

Efficiency Theory was first conceptualized by Richard Posner in the 1970s. It assumes that parties value assets more or less correctly and that their transacting choices are motivated solely by wealth maximization goals (Harry; Entwistle & Martin, 2006). This theory further assumes the absence of negative externalities. An externality is an effect that a transaction between one set of parties puts on other parties who were not a part of the deal (Ware & Kynoch, 2013).

A positive externality is a benefit to non-parties, whereas a negative externality imposes costs on non-parties. If a transaction has a negative externality, then the true cost of the transaction is higher than that paid by the parties. Efficiency theory is typically applied "to contracts between firms that do not create negative externalities." In the absence of externalities, and where there is a competitive market, efficiency theory states that efficient transacting occurs (Ware & Kynoch, 2013). Therefore the efficiency theory informs this study since it will help assess how competitive bidding plus supplier technical and financial capability can be used to

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minimize procurement costs while guaranteeing procurement of quality goods and services that can eventually improve procurement performance in the county government of Bungoma, Kenya.

Resource Based View theory

This RBV theory (Barney, 1991), assumes that a firm's resources and capabilities are its most important assets; thus the primary concern of RBV theory is about obtaining access to another firm's core competencies to gain competitive advantage (Steinle & Schiele, 2008). In this regard, Steinle and Schiele (2008) assert that suppliers can be regarded as resources in case they are "sufficiently bound to a firm". With these assumptions they clearly follow the extended resource based view, implying, resources can also be obtained through inter-firm connection from the external environment. They proceed by setting suppliers in context with the four resource attributes, mentioned in Barney (1991).

Following his logic, suppliers can be argued to contribute to a competitive advantage in case they offer valuable products, are rare in the sense of being not comparable to others, their products are not easy to substitute, and the relationship between buyer and supplier is difficult to imitate (Steinle &Schiele, 2008). It is argued, that within an industry only few suppliers exist which offer valuable resources, being a preferred customer of them can have a contribution to a competitive advantage of the firm, which supports the focus of the resource based view Steinle and Schiele (2008). Therefore, the resource based contributes to the decision about the supplier portfolio by considering the relationship between buyer and supplier as the mean to achieve a competitive advantage. Suppliers are seen as valuable resources themselves or as the source to access them, and by becoming their preferred customer; firms do not only gain preferential treatment but also the ability to distance competitors which do not have the same status. Therefore in regard to this study, suppliers with financial and technical capacity can use such resources to win several contracts/ tenders in county governments.

Review of study variables

Supplier financial capability

A number of researchers have claimed that the basic principles of good contract management practice include accountability and supplier's financial resource power where effective mechanisms must be in place in order to enable procuring entities spend the limited resources carefully, knowing clearly that they are accountable to members of the public; competitive supply, which requires the procurement be carried out by competition unless there are convincing reasons for single sourcing; and consistency, which emphasizes the equal treatment of all bidders irrespective of race, nationality or political affiliation (Thai, 2001).

More so, Babich and Pettijohn, (2004) also asserted that the suppliers' financial capability evaluation process consists of the preliminary examination and evaluation of the offers received, and considered to be valid, to assess their responsiveness to specifications and requirements as defined in the solicitation document, analyze their cost and benefit, and determine their price and value. Evaluation is conducted by a designated evaluation team and in accordance with the relevant regulations, rules and procedures, using the evaluation criteria and method pre-determined in the solicitation document in order to conduct a fair and unbiased evaluation. The evaluation process also needs to be transparent, and therefore each step of the process documented in a financial evaluation report which subsequently is the basis for the recommendation of award to a bidder who has the financial capacity to deliver procured goods or services.

Supplier evaluation

First, Narasimhan, (2001) reinforced that supplier evaluation is a field that continues to attract significant focus in supply chain management

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literature with effective evaluation and selection of suppliers considered to be one of the critical roles of procurement officers; thus a number of parameters exist for the evaluation and selection of suppliers which include: quality, price, and on-time delivery.

In this regard, Lysons (2008) suggested that suppliers can be evaluated on eight areas, namely: finance, production capacity, human resource, quality, performance, environmental and ethical considerations, and organizational structure.; which is summarized as the 'seven Cs' which represent: competency, capacity, commitment, control systems, cash resources and financial stability, cost commensurate with quality and service and consistency.

Kovacs, (2008) also insisted that supplier evaluation is the most crucial phase of tendering that all the parties involved directly or indirectly, keep a sharp eye on. A reasonable source selection, made consistently with the predetermined rules, gives good grounds for successful implementation of the contract and develops the tendering entity's prestige; then the department evaluates and select suppliers based upon price, quality, availability and reliability.

Conceptual framework

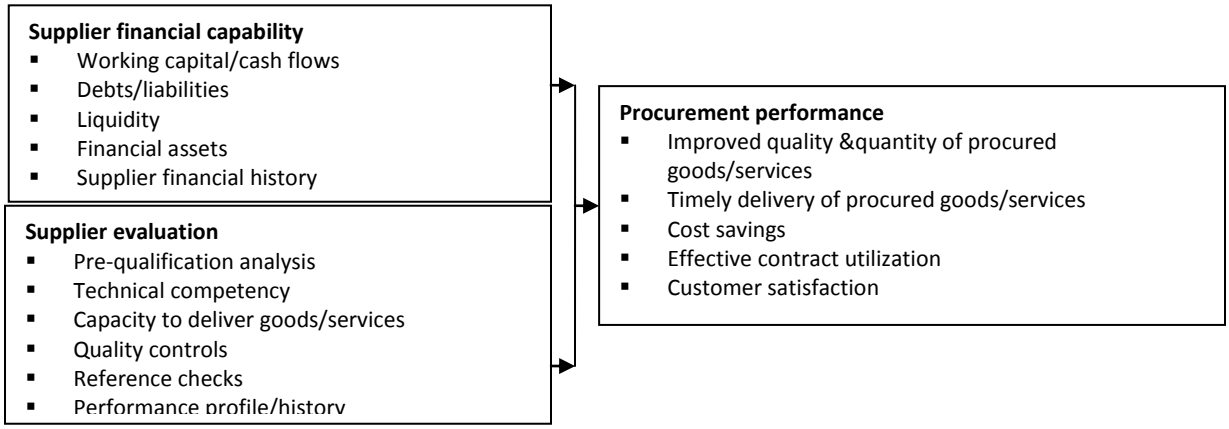

Figure 1: Conceptual Framework
Source: Author (2019)

Empirical review of literature related to the study

Supplier financial capability and procurement performance

Anget (2005), traditional forms of procurement and tendering, supported by prescriptive, solution based specifications and the lowest price only, are suitable for routine projects but will hamper innovation in other types of projects. Selection of the lowest bidding contractor is one of the major causes of the poor performance of a construction project. Time-delays and cost-increases of construction projects are closely related to specifications on the qualifications of contractors financial and technical capability.

Acquaye (2011) in determining the lowest evaluated price, the supplier's capability and resources available to carry out the work should be cross-checked. It is the review process carried out by the evaluation panel to ascertain whether the supplier offered the lowest evaluated tender price has the financial capacity or resources to carry out the contract effectively.

Supplier evaluation and procurement performance

To begin, supplier evaluation is the most crucial phase of tendering that all the parties involved directly or indirectly, keep a sharp eye on. A reasonable source selection, made consistently with the predetermined rules, gives good grounds for successful implementation of the contract and develops the tendering entity's prestige; then the department evaluates and select suppliers based upon price, quality, availability and reliability (Kovacs, 2008).

Narasimhan, (2001) revealed that supplier evaluation is a field that continues to attract significant focus in supply chain management literature with effective evaluation and selection of suppliers considered to be one of the critical roles of procurement officers; thus a number of parameters exist for the evaluation and selection of suppliers which include: quality, price, and on-time delivery. In this regard, Lysons (2008) suggested that suppliers can be evaluated on eight areas, namely: finance, production capacity, human resource, quality, performance, environmental and ethical considerations, and organizational structure.; which is summarized as the 'seven Cs' which represent: competency, capacity, commitment, control systems, cash resources and financial stability, cost commensurate with quality and service and consistency.

METHODOLOGY

This study adopted descriptive research design. That is, descriptive research involves collecting data that answers questions from sampled participants of the study. It is appropriate when the researcher wishes to provide an accurate representation of persons, events or situations, according to Saunders et al. (2012), and make inferences about the target population. The target population for this study was those cases that contained the desired information consists of procurement officers, ICT officers, internal auditors, accountants, and finance officers that are perceived to influence the procurement performance function in the county government of Bungoma. The researcher formulated structured questionnaires (close ended questions) as per the conceptualized study variables then use to collect primary data from respondents (procurement officers, ICT officers, internal auditors, accountants and finance officers serving in the county government of Bungoma). Both descriptive and inferential statistics were computed using SPSS version 23. The multiple regression analytical model equation was;

$Y = \beta_0+\beta_1X_1+\beta_2X_2 + e$

Y = Procurement performance

β0 = Constant

X_1 = Supplier financial capability

X_2 = Supplier evaluation

{β0- β2} = Beta coefficients

e = the error term

FINDINGS

Descriptive statistics

These are summated responses according to the statements about supplier financial capability and supplier evaluation using Likert scale with values ranging from 5 to 1; that is; 5=Strongly Agree, 4=Agree, 3= Uncertain, 2=Disagree and 1= Strongly Disagree. The results are presented in the table form showing frequencies of responses as per each statement and its corresponding percentage score in brackets.

Descriptive statistics; supplier financial capability

This assessed descriptive responses on whether supplier financial capability influences procurement performance in the county government of Bungoma as summarized in table 1.

Table 1: Descriptive statistics; Supplier financial capability

	Frequency and percentages (%)						
Statement	**5**	**4**	**3**	**2**	**1**	**mean**	**Std.dev**
1.Suppliers' working capital/cash	7(8.6)	47(58.1)	8(9.9)	10(12.3)	9(11.1)	3.41	0.817

flows influence procurement of goods and services							
2. Supplier debts or liabilities affects procurement performance	10(12.3)	46(56.9)	7(8.6)	11(13.6)	7(8.6)	3.51	0.842
3. The awarded lowest priced bid does not mean supplier with lowest finance ability	8(9.9)	43(53.1)	5(6.2)	15(18.5)	10(12.3)	3.30	0.839
4.Suppliers liquidity and financial assets influence procurement of goods and services	9(11.1)	44(54.3)	6(7.4)	16(19.8)	6(7.4)	3.42	0.850
5.Supliers' financial history influences procurement performance	11(13.6)	50(61.7)	3(3.7)	12(14.8)	5(6.2)	3.62	0.891
6. Financial capability is key in selection of suppliers of procured goods/services	12(14.8)	51(63.0)	4(4.9)	9(11.1)	5(6.2)	3.69	0.856
Valid listwise	**81**						
Grand mean	**= 3.49**						

From table 1, most respondents agreed (58.1%) and strongly agreed (8.6%) that suppliers' working capital/cash flows influence procurement of goods and services. This means that suppliers' working capital/cash flows gave them the financial resource power to effectively deliver procured goods and services. Secondly, most respondents agreed (56.9%) and strongly agreed (12.3%) that supplier debts or liabilities affected procurement performance. This implied that suppliers without adequate financial resources cannot effectively deliver procured good and services which could have a negative bearing on the performance of the procurement function.

Thirdly, most respondents agreed (53.1%) and strongly agreed (9.9%) that the awarded lowest priced bid did not mean supplier with lowest finance ability; implying that the procurement system in the county government of Bungoma did not compromise on quality of procured goods and services.

More so, 54.3% and 11.1% agreed and strongly agreed respectively that suppliers' liquidity and financial assets influenced procurement of goods and services; thus supports the assertion that suppliers without adequate financial resources cannot effectively deliver procured good and services which can have a negative bearing on the performance of the procurement function. Similarly, 61.7% and 13.6% of respondents agreed and strongly agreed that suppliers' financial history influences procurement performance; that is, rogue suppliers captured by their financial indebtedness history should not be selected to supply procured goods and services.

Lastly, most respondents agreed (63.0%) and strongly agreed (14.8%) that supplier's financial capability is key in selection of suppliers of procured goods/services. This is supported by Acquaye (2011) who insisted that, in determining the lowest evaluated price, the supplier's financial capability and resources available to carry out the work should be cross-checked; thus, it is the review process carried out by the evaluation panel to ascertain whether the supplier offered the lowest evaluated tender price has the financial capacity or resources to carry out the contract effectively.

Descriptive statistics; Supplier evaluation

This assessed descriptive responses on whether supplier evaluation influences procurement performance in the county government of Bungoma. The responses were summarized in table 2 showing

frequencies with percentages in brackets, means and standard deviations.

Table 2: Descriptive statistics; Supplier Evaluation

	Frequency and percentages (%)						
Statement	**5**	**4**	**3**	**2**	**1**	**mean**	**Std.dev**
1.The procurement department engages in independent, transparent and effective pre-qualification analysis	7(8.6)	39(48.2)	6(7.4)	20(24.7)	9(11.1)	3.19	0826
2. Suppliers are always required to provide proof of their technical competence and quality controls in order to be considered for supply.	6(7.4)	37(45.6)	5(6.2)	22(27.2)	11(13.6)	3.06	0.858
3. Suppliers are evaluated on the basis of quality of their products and services	8(9.9)	41(50.6)	4(4.9)	20(24.7)	8(9.9)	3.26	0.822
4.Suppliers are selected based on their capacity to deliver goods and services	9(11.1)	45(55.6)	7(8.6)	12(14.8)	8(9.9)	3.43	0.872
5.There are reference checks to get experienced and reputable suppliers	10(12.3)	49(60.6)	4(4.9)	11(13.6)	7(8.6)	3.54	0.841
6.Suppliers' performance profile/history is strongly considered in supplier evaluation process	11(13.6)	50(61.7)	3(3.7)	9(11.1)	8(9.9)	3.58	0.860
Valid listwise 81							
Grand mean = 3.34							

From table 2, most respondents agreed (48.2%) and strongly agreed (8.6%) that the procurement department engages in independent, transparent and effective pre-qualification analysis, while 24.7% and 11.1% disagreed and strongly disagreed to the statement. This implied there were cases where the procurement department did not engage in independent, transparent and effective pre-qualification analysis, thus compromising the quality of procured goods and services.

Secondly, there were mixed reactions on the statement that 'suppliers were always required to provide proof of their technical competence and quality controls in order to be considered for supply'; because while 45.6% agreed, 27.2% disagreed and 13.6% strongly disagreed to the statement. This implied that sometimes, some suppliers did not provide proof of their technical competence and quality controls in order to be considered for supply, which shows incompetence on the part of the procurement committee that engage in suppliers' evaluation, thus giving a loophole for poor supply of procured goods and services in the county government.

Further, while 50.6% agreed that suppliers were evaluated on the basis of quality of their products and services, 24.7% disagreed to the statement, implying that there were cases of mistrust when it comes to supplier evaluation. More, so, 55.6% and 11.1% agreed and strongly agreed respectively that suppliers were selected based on their capacity to deliver goods and services, implying that at least suppliers with the capacity to supply procured goods and services are selected.

More so, 60.6% and 12.3% agreed and strongly agreed respectively that there are reference checks to get experienced and reputable suppliers; which was supported by 61.7% and 13.6% of respondents

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who agreed and strongly agreed respectively that suppliers' performance profile/history was strongly considered in supplier evaluation process. This was supported by Kovacs (2008), who assert that supplier evaluation is the most crucial phase of tendering that all the parties involved directly or indirectly, keep a sharp eye on. This was because a reasonable source selection, made consistently with the predetermined rules, gives good grounds for successful implementation of the contract and develops the tendering entity's prestige; then the department evaluates and select suppliers based upon price, quality, availability and reliability

Inferential statistics

Table 3: Correlation Analysis

		Supplier Finance Capability	Supplier Evaluation	Procurement Performance
Supplier Finance Capability	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	81		
Supplier Evaluation	Pearson Correlation	.672**	1	
	Sig. (2-tailed)	.000		
	N	81	81	
Procurement Performance	Pearson Correlation	.793**	.819**	1
	Sig. (2-tailed)	.000	.000	
	N	81	81	81

Fifth, multicollinearity was checked using correlations between all pairs of independent variables (e-sourcing, e-data transmission, e-ordering). Most scholars asserts that if correlation coefficient, (r) is close to 1 or -1, then there was multicollinearity but if correlation coefficient (r) is not above 0.9, then there is no multicollinearity In this study (table 3 on correlation analysis), the highest correlation coefficient between all pairs of the study's independent variables (supplier financial capability and supplier evaluation) was 0.819, which was below the threshold of 0.9, thus multicollinearity assumption was checked and met.

Table 4: Direct influence of supplier financial capability on procurement performance

Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.793a	.630	.625	.66265	.630	134.275	1	79	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.961	1	58.961	134.275	.000[a]
	Residual	34.689	79	.439		
	Total	93.650	80			

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Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.898	.233		3.855	.000
	Supplier Financial Capability	.769	.066	.793	11.588	.000

a. Dependent Variable: Procurement Performance

The model summary in table 4 indicated R^2 = 0.630 implying that 63.0% variation in the procurement performance in the county government of Bungoma was explained by supplier financial capability while other factors not in the conceptualized study model accounted for 37.0% variation in the procurement performance in the county government of Bungoma. Further, coefficient analysis indicated that there exist a positive and significant effect of supplier financial capability on the procurement performance in the county government of Bungoma (β= 0.769 (0.066); at p<.01). This implied that a single increase in strict adherence to supplier financial capability will yield 0.769 unit improvement in the procurement performance in the county government of Bungoma. Therefore, the linear regression equation is;

(i) y = **$0.898+ 0.769X_1$**

Where;

y = procurement performance

X_1 = supplier financial capability

Table 5: Direct influence of supplier evaluation on procurement performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.819[a]	.670	.666	.62501	.670	160.732	1	79	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	62.789	1	62.789	160.732	.000[a]
	Residual	30.861	79	.391		
	Total	93.650	80			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.947	.210		4.517	.000
	Supplier Evaluation	.785	.062	.819	12.678	.000

a. Dependent Variable: Procurement Performance

The model summary in table 5 indicated R^2 = 0.670 implying that 67.0% variation in the procurement performance in the county government of Bungoma was explained by supplier evaluation while other factors not in the conceptualized study model accounts for 33.0% variation in the procurement performance in the county government of Bungoma. Further, coefficient analysis indicated that there exist a positive and significant effect of supplier evaluation on the procurement performance in the county

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government of Bungoma (β= 0.785 (0.062); at p<.01). This implies that a single increase in efficient supplier evaluation would yield 0.785 unit improvement in the procurement performance in the county government of Bungoma. Therefore, the linear regression equation was;

(ii) y = **$0.947+ 0.785X_2$**

Where;

y = procurement performance

X_2 = supplier evaluation

Table 6: Multiple Regression analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.918[a]	.843	.835	.44012	.843	101.864	4	76	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78.928	4	19.732	101.864	.000[a]
	Residual	14.722	76	.194		
	Total	93.650	80			

a. Predictors: (Constant), Supplier Evaluation, Supplier Financial Capability

b. Dependent Variable: Procurement Performance

Table 6 showed the multiple regression results of the combined effects of the study's independent variables (supplier financial capability and supplier evaluation). The multiple regression results showed the F statistics was significant (F = 101.864; significant at p<.001), thus confirming the fitness of the model. An R^2 of 0.843 shows that the study explains 84.3%% of variation in the procurement performance in the county government of Bungoma, while other factors not in this study model accounted for 15.7%, hence, it was a good study model.

Further, from the values of unstandardized regression coefficients with standard errors in parenthesis, all the independent variables (supplier financial capability; β = 0.331 (0.097) at p<0.05 and ; supplier evaluation; β = 0.349 (0.105) at p<0.05 significantly predicted procurement performance in Bungoma county government (dependent variable).Thus the final multiple regression equation was;

(v) $y= 0.448 +0.331X_1+0.349X_2$

Where;

y= procurement performance

X_1= supplier financial capability

X_2= supplier evaluation

Table 7: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.448	.056		7.991	.000

Supplier Financial Capability	.331	.097		.345	3.404	.001
Supplier Evaluation	.349	.105		.364	3.320	.001

a. Dependent Variable: Procurement Performance

Hypothesis testing

Study **hypothesis one** stated that supplier financial capability does not significantly influence procurement performance in the county government of Bungoma, Kenya. The study results indicated that there is a positive and significant influence of supplier financial capability on procurement performance in the county government of Bungoma (β = 0.331 (0.097) at p<0.05). **Hypothesis one was thus rejected.** The results implied that a single increase in strict adherence to supplier financial capability will yield 0.331 unit improvement in the procurement performance in the county government of Bungoma. The results were supported by Pauw (2002) who also found that before awarding the tender, a financial audit should confirm that the suppliers' financial evaluation exercise has not in any way been flawed and open procedures and non-discriminatory criteria were used.

Study **hypothesis two** stated that supplier evaluation does not significantly influence procurement performance in the county government of Bungoma, Kenya. The study results indicated that there is a positive and significant influence of supplier evaluation on procurement performance in the county government of Bungoma (β = 0.349 (0.105) at p<0.05). **Hypothesis two was thus rejected.** The results implied that a single increase in effective supplier evaluation would yield 0.349 unit improvement in the procurement performance in the county government of Bungoma. The results were supported by Adamyan (2002) who asserted that supplier evaluation is perceived as a tool which provides the buying firm with a better understanding of ''which suppliers are performing well and which suppliers are not performing well'' but different studies reveal that even after having carried out an in-depth supplier evaluation plus appraisal coupled with the enactment of Rwanda Public Procurement and other policies on supplier evaluation, inefficiencies still exist ranging from supplies being made halfway or even termination of contracts before conclusion. Any organizational success often hinges on the most appropriate election of its partners and suppliers. Procurement is an increasingly important activity within the government ministries, and severe financial and operational consequences can result from the failure to optimize the procurement function (Adamyan, 2002).

CONCLUSIONS

First, the study concluded that supplier financial capability significantly influences procurement performance in the sense that supplier who have adequate financial resource power will effectively deliver procured goods and services with minimal fail.

Secondly, efficient supplier evaluation is an effective way of ensuring that the county government gets valid and capable suppliers who can effectively deliver procured goods and services.

RECOMMENDATIONS

First, county procurement committees should thoroughly assess the supplier's financial capability before awarding tenders so as to ensure sustainable supply of procured goods and services.

Secondly, there should be a thorough assessment of suppliers before being awarded tenders as this will ensures that qualified suppliers deliver quality goods and services.

Areas for further studies

First, a similar study can specifically explore the use of lead time in county's procured construction projects which have been known to take longer times than projected.

Secondly, another study can be done on how price structures and variations influence procurement performance in county governments.

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