

INFLUENCE OF INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM ON PROCUREMENT PERFORMANCE IN THE COUNTY GOVERNMENT OF NAKURU, KENYA

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Abstract

Integrated Financial Management Information System (IFMIS) is the most common financial management reform practices for promotion of efficiency and security of data management and comprehensive financial reporting. The integration of IFMIS ensures that users adhere to common standards, rules and procedures, to reduce risks of mismanagement of public resources. This study sought to establish the influence of IFMIS on procurement performance in the Nakuru County government, Kenya. The study sought to establish the effect of transaction costs under IFMIS on procurement. Descriptive survey research design was used. The target population was 100 procurement employees in County government. A sample of 69 employees was selected. Simple random sampling was employed as the selection procedure. The study employed the use of research questionnaires as the primary data collection instrument. The collected data was subject to descriptive and inferential statistics using Statistical Package for Social Sciences (SPSS) version 24. The study established that transaction cost under IFMIS have a significant effect on procurement performance. The researcher recommended that the management teams in the county government should look for ways to optimally utilize the system and lower the transaction costs in procurement.

Keywords: IFMIS, Procurement Performance, County Government, Transaction Cost, Procurement Efficiency

INTRODUCTION

In most developing countries, the procurement function has transitioned from a clerical non strategic unit to an effective socio-economic unit that is able to influence decisions and add value (Knight, Harland, Telgen, Thai, Callender, & Mcken, 2007; and Facolta di Economia, 2006). Sound public procurement policies and practices are among the essential elements of good governance (KIPPRA, 2006). Otieno, (2004) notes that irregular procurement activities in public institutions provide the biggest loophole through which public resources are misappropriated. According to Thai (2001), the basic principles of good procurement practice include accountability, 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.

In order to meet today's operating challenges, regional and local governments are turning to ICT to enhance the services for residents, businesses and visitors, and improve internal efficiencies by lowering costs and increasing productivity. Public authorities are implementing scalable communication infrastructures to promote economic development, attract new businesses and residents, and above all, provide excellent service to constituents (Abouzeedan and Busler, 2002).

Effective management of the procurement function is a precursor to the performance of the system in achieving its intended objectives in both the public and the private sector. Different procurement functions and responsibilities such as selection, quantification, product specification, pre-selection of suppliers and adjudication of tenders should be properly managed for the function to realize its objectives (Mendoza, 2008). Procurement should be planned properly and procurement performance should be monitored regularly; monitoring should include an annual external audit. A reliable management information system (MIS) is one of the most important elements in planning and managing procurement. Lack of a functioning MIS or the inability to use it appropriately is a key cause of program failure (Bashuna, 2013).

Integrated information systems (IS) have taken center stage in changing organizations. Today, IS are found in several organizational operations including production, marketing, communication, procurement, logistics, besides having greatly influenced present living. It is now not easy to visualize life without computers, the internet, e-mail, e-business, e-learning, mobile phones and much more. Modern enterprises largely depend on ICT for gathering and distribution of data and information. Other firms and individuals as well are using ICT to transfer

money from one party to another. According to Kitur (2006) several organizations including banks, insurance companies, and service companies have adopted ICT and considers it as a key success factor (KSF) for the reason that it has turned out to be the motivating force that is decisive in the production and delivery of goods and services in those industries.

A strong Public Financial Management (PFM) system is a catalyst for economic growth and development (Ajayi & Omirin, 2007). It ensures that the government and its departments raise, manage, and spend public resources in an efficient and transparent way with the aim of improving service delivery (Odoyo, Adero & Chumba, 2014). Governments in developing countries are increasingly exploring methods and systems to modernize and improve public financial management. Over the years, there has been an introduction of the Integrated Financial Management Information System (IFMIS) as one of the most common financial management reform practices, aimed at the promotion of efficiency, effectiveness, accountability, transparency, security of data management and comprehensive financial reporting. The scope and functionality of an IFMIS varies across countries, but normally it represents an enormous, complex, strategic reform process (Chene, 2009).

Croom (2005) and Aberdeen (2001) affirms that using ICT tools in procurement enables the organizations to save time and money, considerable reduction of travel requirements, and thus increasing the efficiency and effectiveness of companies. While the proponents of ICT adoption have long argued qualitatively in favor of its benefits, there is not enough empirical evidence regarding its actual impact on the performance of the procurement function. Indeed, Narasimhan, Jayaram and Carter (2001) and Gonzalez, (2007) point out that few papers analyze the effect of purchasing on performance. This paper will be seeking to investigate the effect of implementation of integrated financial management system on the performance of the procurement functions in the County government of Nakuru.

Integrated Financial Management Information System (IFMIS)

According to both Dorotinsky (2003) and Rozner (2008) an IFMIS is an information system that tracks financial events and summarizes financial information. It supports adequate management reporting, policy decisions and the preparation of auditable financial statements. In its basic form, an IFMIS is little more than an accounting system configured to operate according to the needs and specifications of the environment in which it is installed (Rodin & Edwin, 2008). IFMIS provides an integrated computerized financial package to enhance the effectiveness and transparency of public resource management by computerizing the budget management and accounting system for a government. It consists of several core sub-systems which plan, process and report on the use of public resources (Rodin & Edwin, 2008).

The scope and functionality of IFMIS can vary across countries, but sub-systems normally include accounting, budgeting, cash management, debt management and related core treasury systems. In addition to these core sub-systems, some countries have chosen to expand their IFMIS with non-core sub-systems such as tax administration, procurement management, asset management, human resource and pay roll systems, pension and social security systems and other possible areas seen as supporting the core modules, Brown (2008).

The scale of IFMIS may also vary and be limited to specific country-level institutions such as the Ministry of Finance. However, IFMIS is generally meant to be used as a common system across government institutions, including in the more ambitious schemes for state and local governments. The integration of IFMIS across the board ensures that all users adhere to common standards, rules and procedures, with the view to reducing risks of mismanagement of public resources, IFMS (2000).

County Governments in Kenya

The Constitution of Kenya was formally promulgated into law on 27th August 2010. The new constitution introduced major changes in the country's governance framework. A key departure from the earlier system of governance is the shift from a highly centralized to a decentralized governance framework, comprising of two levels of government — the national government and 47 County governments. Previously, the Executive, through the President and the Cabinet, exercised significant political, administrative and fiscal power control over both the national and sub-national governments. This has greatly changed with the establishment of the County governments.

Decentralization, as envisaged in the Constitution of Kenya entails sharing of political, administrative and fiscal responsibilities between the national and the County governments. Political decentralization involved the transfer of political authority to the local level through the establishment of County governments as well as electoral and political party reforms. Administrative decentralization has led to full or partial transfer of functional responsibilities to the County governments. Functions that have been transferred to the County governments include health care services, garbage collection, among others.

Statement of the Problem

Globally, governments are investing a great deal of resources to streamline and improve public procurement management and are implementing new management systems that manage tenders through a web site. This is geared towards enhancing accessibility of tenders, increasing efficiency and saving costs (faster and cheaper) in government supply chain

management and improving transparency (to reduce corruption) in procurement services. The goal of a PFM system is to support the achievement of fiscal discipline, strategic and efficient allocation and use of funds, value for money and probity in the use of public funds. It is estimated that the central government procurement comprises 10% of gross domestic product (GDP). Even a 10% saving via improved procurement performance means Kshs. 30 billion annual savings for other needy sectors. Consequences of inefficiencies include drains on scarce resources and erosion of public confidence in Government. Some stages in public procurement, such as the invitation, submission and evaluation stages, require bespoke solutions. E-government has resulted to the adoption and implementation of an integrated financial management information system (IFMIS) within the Public Financial Management (PFM) system. This is aimed at supporting the achievement of fiscal discipline, strategic and efficient allocation and use of funds, value for money and probity in the use of public funds. IFMIS can improve public financial management in a number of ways, but generally seeks to enhance confidence and credibility of the budget through greater comprehensiveness and transparency of information. The purpose of using an IFMIS is to improve budget planning and execution by providing timely and accurate data for budget management and decision-making. To the researchers knowledge, little information exists as to whether adoption of IFMIS has resulted to the intended purpose in Kenya and more so in Nakuru County government. This study sought to establish the link between IFMIS and procurement performance in the County government of Nakuru, Kenya.

Objective of the Study

The broad objective for the study was to establish the influence of IFMIS on procurement performance in the County government of Nakuru, Kenya. The study's specific objective was to establish the influence of transaction costs under IFMIS on procurement performance in the County government of Nakuru, Kenya.

Hypothesis of the Study

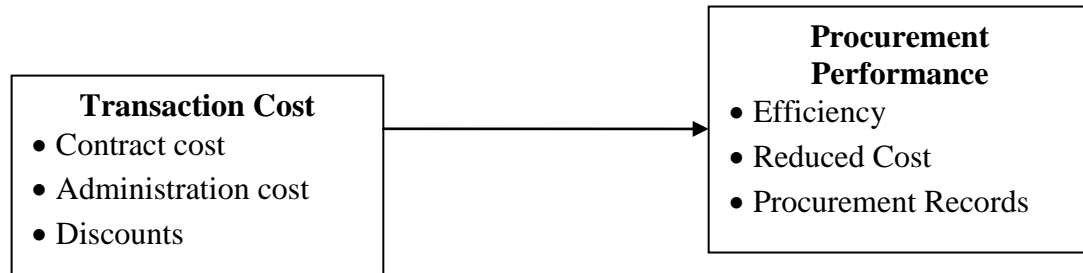
H₀: Transaction cost under IFMIS has no significant influence on procurement performance in the County government of Nakuru, Kenya.

H_A: Transaction cost under IFMIS has a significant influence on procurement performance in the County government of Nakuru, Kenya.

Conceptual Framework

The study's conceptual framework consisted of the independent variable and the dependent variable. The independent variable was Transaction cost and the dependent variable was procurement performance. The study conceptualizes that transaction cost influences procurement performance in the county government of Nakuru, Kenya.

Figure 1: Conceptual Framework



LITERATURE REVIEW

Theoretical Review

The study used technology diffusion theory as the basis for investigation. The theory was advanced by Rogers in 1995.

Technology Diffusion Theory

Technology diffusion theory is the common lens through which theorists study the adoption and development of new ideas. Diffusion is defined basically as the process by which an innovation is adopted and gains acceptance by individuals or members of a community. The Diffusion theory represents a complex number of sub-theories that collectively study the processes of adoption. The most famous account of diffusion research was by Rogers (1995) where the definition of diffusion comprises of four elements.

The first element is Innovation which he described as an idea, practices or object perceived as new by individuals or group of adopters. The second element is Communication channels which comprises the means by which innovation moves from one individual to the next or group to group. The third element is time which signifies the non-spatial interval through which Diffusion event takes place. The fourth and final element is events which include innovation diffusion process, relative span of time for the individual or group to adopt the innovation and social system: a set of interrelated units that are engaged in joint problem solving activities to accomplish the goals.

Rogers (1995) also came up with the perceived attributes theory that assumes that innovation bears the following characteristics: Relative advantage: degree in which an advantage is perceived as better than the idea it supersedes, Compatibility: degree that an innovation is seen to be consistent with existing values and norms, Complexity: the degree in which an innovation is seen to be difficult or easy to understand and use, Trial ability: is the degree in which an innovation may be experienced on a limited basis and Observability as the degree to which the results of innovation are visible to others. The easier it is for individuals to see results of an innovation, the more likely they are to adopt it (Rogers, 1995).

Although the process is not limited to these perceived attributes, the elements are helpful in formulating questions for potential adopters in better understanding what factors make adoption possible or desirable. Endogenous growth theory however indicates that the rate of technological progress, and hence the long-run rate of economic growth, can be influenced by economic factors which will curtail technology adoption in procurement as technology is seen as being costly. It starts from the observation that technological progress takes place through innovations, in the form of new products, processes and markets, many of which are the result of economic activities (Lieberth, 2007).

Technology revolution has impacted on purchasing; the drivers for change in purchasing function must include the objectives of eradicating paper transactions to a secure system that facilitates procure to pay as an objective of a world class procurement which is seen to enhance the performance of the procurement function (Lysons & Farrington, 2012). The Technology Diffusion theory is important in guiding the firm to initiate change and adopt technologies in procurement in the shift towards world class procurement. The theory provides a good grounding for this study since depending on how well IFMIS is adopted and implemented in the procurement functions of the County government determines the performance of the procurement process.

Empirical Review

According to Van Weele (2006) procurement performance is considered to be the result of two elements: purchasing effectiveness and purchasing efficiency. Performance provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, identifies areas of strengths and weaknesses and decides on future initiatives with the goal of how to initiate performance improvements. This means that procurement performance is not an end in itself but a means to effective and efficient control and monitoring of the purchasing function (Lardenoije, Van Raaij, & Van Weele, 2005). This section will provide an empirical review of studies done focusing on transaction cost and procurement performance.

Transaction Cost under IFMIS and Procurement Performance

The economic justification for e-Procurement is based primarily on the following three factors: Reducing off-contract spending by using technology to increase user awareness of existing contract facilities and by making it easier to order against them, Leveraging the buying power through the use of technology to support the identification of opportunities for aggregation and by facilitating the aggregation of user requirements within and across organizations and reducing transaction costs by using technology to automate processes which are currently paper based, and to streamline and standardize processes and documentation. The financial benefits which can be achieved through the implementation of the strategy recommendations are significant (Plant & Valle, 2008).

To build their core competencies, organizations are adopting e-procurement as a key strategy due to its capacity to reduce quality cost in which case, e-procurement ensures that selected suppliers deliver a product of service that does not exceed extensive quality control. E-Procurement can also reduce quality costs by making sure that the components bought do not lead to complaints on the user department or final product to the customer. E-procurement contributes to product design and innovation where innovation in industry comes from suppliers or is results from intensive interactions between suppliers and user department in any organization (Darin, 2007).

A well designed IFMIS can provide a number of features that may help detect excessive payments, fraud and theft (Priem & Butler, 2001). These include automated identification of exceptions to normal operations, patterns of suspicious activities, and automated cross-referencing of personal identification numbers for fraud, cross-reference of asset inventories with equipment purchase to detect theft, automated cash disbursement rules and identification of ghost workers. In addition, high speed comparisons of data can help identify promptly weaknesses and exceptions and alert managers to suspicious patterns of activities. However, some authors are relatively cautious about the impact IFMIS can have on reducing corruption, as many corrupt transactions and cases of abuse of office never enter the system. Use of e-procurement module of IFMIS not only lowers the cost of procurement but also provides better coordination between suppliers, quicker transaction time and increases process efficiency (Price Water House Coopers, 2010).

Khan and Burnes (2007) points out that e-procurement can also empower an organization into achieving cost reduction in several ways. First, by introducing a system that people can use easily and are happy to use, it is possible to ensure that everyone in the organization adheres to preferred supplier rules and therefore increases the buying power of the organization with its chosen suppliers. Secondly, when transacting with a supplier electronically,

suppliers are more likely to give discounts, because their own administration costs are less. This is equally important for both parties as costs are reduced to both. Finally through reducing 'maverick buying' suppliers become more committed to their agreements as there is more assurance of obtaining a greater share of what an organization spends (Edie et al., 2007).

Procurement Performance

Performance provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, identifies areas of strengths and weaknesses and decides on future initiatives with the goal of how to initiate performance improvements (Deasy, Gareth, Scott, & Ringwald, 2014). The primary goal of performance evaluation is to increase organizational effectiveness and efficiency to improve the ability of the organization to deliver goods and /or services (Sababu, 2001).

According to Kim, Chan and Yoon (2003), the traditional performance system inhibits the improvement of critical dimensions such as quality, flexibility and delivery. For a performance measurement system to be regarded as a useful management process it should act as a mechanism that enables assessment to be made, provides useful information and detects problems, allows judgment against certain pre-determined criteria to be performed and more importantly, the systems should be reviewed and updated as an ongoing process.

E-solutions in procurement are designed to result in efficiency and productivity improvement this should result in quantifiable cost savings. Among the projected efficiency areas are: better time management in the entire process, transparent and dependable process among others. However efficiency achievement also comes with challenges; lack of system integration and standardization issues, immaturity of e-procurement services, lack of supplier preparation and resistance of solutions end users; difficulty of changing purchasing-related behavior among companies' employees (Brammer & Walker, 2011).

There is need to have coherent methods of performance in the procurement function in Public Enterprises. Lardenoije, van Raaij and van Weele (2005) asserted that basing on financial performance and neglecting non-financial performance cannot improve the procurement operations because only partial performance is considered. Realization of procurement goals is influenced by internal and external forces. Interactions between various elements; professionalism, staffing levels and budget resources, procurement organizational structure, regulations, rules, and guidance, and internal control policies, all need attention and influence procurement performance.

Van Weele (2006) maintained that there is a link between procurement process, efficiency, effectiveness and performance. Procurement performance starts from purchasing

efficiency and effectiveness in the procurement function in order to change from being reactive to being proactive to attain set performance levels in an entity. Performance provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, identifies areas of strengths and weaknesses and decides on future initiatives with the goal of how to initiate performance improvements. Procurement performance is not an end in itself but a means to control and monitor the procurement function.

Rotich (2011) admits that the evaluation or measurement of procurement performance has always been a vexing problem for procurement professionals. He asserts that traditionally, firms concentrate on analyzing their own internal trends which does not portray the true picture on how they compare well with competitors. Such an approach ignores what the competitors are doing. Lenders (1997) reveals that a firm does not wish to make known to its competitors how or what it is doing for obvious competitive reasons. This has been the case in the public sector where procuring entities have not been making available their procurement data due to the sensitive nature of the data.

Mamiro (2010) in his findings concludes that one of the major setbacks in public procurement is poor procurement planning and management of the procurement process which include needs that are not well identified and estimated, unrealistic budgets and inadequacy of skills of procurement staff responsible for procurement. Similarly, Kakwezi and Nyeko (2010) argue that procurement performance is not usually measured in most PEs as compared with the human resource and finance functions. They conclude that failure to establish performance of the procurement function can lead to irregular and biased decisions.

RESEARCH METHODOLOGY

Research Design

The study employed descriptive survey design which enabled the researcher to describe the characteristics of the variables under study in relation to the practices in the County government procurement operations. Ghauri and Gronhaug (2005) asserts that in descriptive design the problem is structured and well understood a fact that Mugenda and Mugenda (2003) agrees that descriptive design is most preferred because it gives a report on things as they actually are.

Target Population

The study was conducted in the County government of Nakuru County. The target population for the study was the procurement employees working in the procurement department in the County government. There are 100 employees working in the procurement department in the County government of Nakuru.

Sample Size and Sampling Procedure

The purpose of sampling is to secure a representative group (Mugenda, 2008). Burns and Grove (2003), refer to sampling as a process of selecting a group of people, events or behavior with which to conduct a study. The sample for this study was designed to produce a representation of employees in the procurement department in the County government of Nakuru. The study employed the Nassiuma (2000) formula for calculating sample size n from a population N as follows.

$$n = \frac{NC^2}{C^2 + (N-1)e^2}$$

Where

n – Sample size,

N – Study total population

C = Coefficient of variation and

e = Error margin

Substituting these values in the equation, estimated sample size (n) was

$$n = 100 * 0.3^2 / \{0.3^2 + (100-1)0.02^2\}$$

$$n = 69$$

To arrive at this sample the researcher employed simple random sampling to select the respondents in the study. This ensured that every employee was given equal chances to participate in the study.

Data Collection Instruments

The researcher employed the use of a structured questionnaire to collect data from the respondents. Structured questionnaires are data collection forms that comprises of a list of close-ended questions (Mugenda & Mugenda, 2003). The instrument was preferred since it facilitated the statistical analysis of data, which is in line with the objective of the study. By limiting the participants' responses to predetermined answers, structured questionnaires enable the researchers to make statistical comparisons of responses and make inferences (Cooper & Schindler, 2013). The questionnaire consisted of statements constructed in form of a 5 point Likert scale (1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree and 5-Strongly Agree). The questionnaires facilitated the collection of data within a short period of time. The questionnaire was pilot tested and reliability analysis was performed on the questionnaire. Cronbach alpha coefficient was used to test for the reliability. The questionnaire had a cronbach alpha coefficient of 0.710 which exceeded the threshold of 0.7. Therefore the researcher considered the questionnaire reliability for data collection.

Data Collection Procedure

The researcher sought authorization for data collection from the department of procurement who issued him a letter for data collection. The researcher then conducted a reconnaissance where he familiarized himself with the area of study. During the reconnaissance the researcher sought permission from the County officials to be allowed to collect data from the County employees. After this the researcher informed the officials of the actual day for data collection. Thereafter the researcher proceeded for data collection. The researcher used the drop and pick method for collection of data using the questionnaire.

Data Analysis and Presentation

According to Polit and Hungler (1997), data analysis means to organize, provide structure and elicit meaning. The primary data collected in this study was coded and tested for completeness and then analyzed using descriptive statistics and inferential statistics and presented using tables. Descriptive statistical techniques (frequencies, percentages, means and standard deviation) were employed to analyze field data from questionnaires to assist the interpretation and analysis of data using Statistical Package for Social Sciences (IBM SPSS Version 24). Inferential statistics, in form of Pearson correlation coefficient was used to check the relationship between the variables.

ANALYSIS AND FINDINGS

Response rate

A total of 69 questionnaires were distributed to the respondents for the purposes of data collection. Eight questionnaires were not returned despite follow up efforts by the researcher through phone calls, short messages and personal visits. Of the 61 questionnaires that were returned, four of them were found to be faulty either due to the fact that they were incompletely filled or had multiple marks. As such 57 questionnaires were correctly filled and were deemed appropriate for data analysis after the sorting process. This represented a response rate of 82.6% which was characterized as very good.

Transaction Costs under IFMIS

To establish respondents views regarding transaction costs with the usage IFMIS, the means and standard deviation values were established. The findings for the analysis were as presented in table 1.

Table 1: Transaction Cost

	N	Min	Max	Mean	Std. Dev
1. IFMIS adoption has reduced contract spending	57	3	5	4.58	.533
2. IFMIS has led to a reduction in transaction cost through automation of process and removing excessive payments	57	3	5	4.35	.517
3. Through IFMIS the county government is able to detect excessive payments	57	2	5	4.19	.766
4. IFMIS has enabled the county government to reduce cases of fraud and theft in its operation	57	3	5	4.26	.642
5. Through IFMIS the county government is able to obtain discounts from suppliers due to reduced administration costs on the side of the supplier	57	1	5	3.88	1.070
6. IFMIS has helped in creation of trust between government and suppliers due to elimination of unconventional persons in transaction agreements	57	2	5	4.25	.714
7. IFMIS has streamlined and standardized process and documentation	57	1	5	4.16	.841
Valid N (listwise)	57				

Findings indicated that the respondents strongly agreed ($M=4.58$, $SD=.533$) that IFMIS adoption has reduced contract spending. Respondents agreed that IFMIS has led to a reduction in transaction cost through automation of process and removing excess payments ($M=4.35$, $SD=.517$), that through IFMIS the county government is able to detect excessive payments ($M=4.19$, $SD=.766$) and that IFMIS has enabled the county government to reduce cases of fraud and theft in its operations ($M=4.26$, $SD=.642$). Respondents further agreed that through IFMIS the county government is able to obtain discounts from suppliers due to reduced administration costs on the side of the supplier ($M=3.88$, $SD=1.07$). Additionally, respondents agreed ($M=4.25$, $SD=.714$) that IFMIS has helped in creation of trust between government and suppliers due to elimination of unconventional persons in transaction agreements. Respondents also agreed ($M=4.16$, $SD=.841$) that IFMIS has streamlined and standardized process and documentation. Greater congruence was observed in respondents' views with all the statements having standard deviation less than 1.

Procurement Performance

Mean and standard deviation values were computed to establish the respondents' perceptions regarding procurement performance. The findings from the analysis were as presented in table 2.

Table 2: Procurement Performance

	N	Min	Max	Mean	Std. Dev
1. The County government have observed increased efficiency in its procurement functions under IFMIS	57	3	5	4.61	.559
2. The county government has been able to cut on the cost of procurement through improved efficiency	57	3	5	4.32	.686
3. The procurement cycle time in the procurement process has greatly been reduced	57	3	5	4.26	.669
4. There is increased accountability and transparency in procurement performance in the county government	57	2	5	4.19	.789
5. The county government is able ti have good procurement planning and management of its procurement process	57	3	5	4.32	.572
6. There is increased efficiency in forecasting of the governments needs due to improved procurement records	57	3	5	4.25	.635
7. The use of E-solutions has led to cost cutting in procurement functions	57	2	5	4.14	.766
Valid N (listwise)	57				

From table 2, it was observed that respondents strongly agreed that the County government have observed increased efficiency in its procurement functions under IFMIS (M=4.61, SD=.599). Respondents agreed that the county government has been able to cut on the cost of procurement through improved efficiency (M=4.32, SD=.686) and that the procurement cycle time in the procurement process has greatly been reduced (M=4.26, SD=.669). Further respondents agreed that there is increased accountability and transparency in procurement performance in the county government (M=4.19, SD=.789) and that the county government is able to have good procurement planning and management of its procurement process (M=4.32, SD=.572). Additionally, respondents agreed that there is increased efficiency in forecasting of the governments needs due to improved procurement records (M=4.25, SD=.635), and that the use of E-solutions has led to cost cutting in procurement functions (M=4.14, SD=.766).

Transaction cost under IFMIS and Procurement Performance

The study sought to establish the relationship between transaction cost under IFMIS and procurement performance in the county government of Nakuru. The researcher computed the composite score of the means of responses regarding transaction cost and correlated them with the composite score of means of procurement performance (Table 3).

Table 3: Relationships between Transaction Costs and Procurement Performance

	Transaction Cost
Procurement Performance	.414**
	Sig. (2-tailed)
	.001

** . Correlation is significant at the 0.01 level (2-tailed).

The findings indicated a weak positive significant relationship ($r=.414$, $p<.01$) between transactions costs under IFMIS and procurement performance. As such the researcher observed that transaction costs influences procurement performance. The positive relationship implies that with improved transactions costs leads to improvement in procurement performance. Thus reduced transaction costs due to adoption of IFMIS enhance procurement performance in the county government of Nakuru.

Influence of Transaction Cost under IFMIS on Procurement Performance

The first objective of the study sought to establish the influence of transaction costs under IFMIS on procurement performance in the County government of Nakuru, Kenya. Therefore the following null and alternative hypotheses were developed for the study

H₀: Transaction cost under IFMIS has no significant influence on procurement performance in the County government of Nakuru, Kenya.

H_A: Transaction cost under IFMIS has a significant influence on procurement performance in the County government of Nakuru, Kenya.

The null hypothesis averred that transaction cost under IFMIS has no significant influence on procurement performance in the county government. To ascertain the truth, ANOVA was performed between transaction cost and procurement performance. The level of significance was set at $p<.05$. The findings from the analysis were as presented in table 4

Table 4: Model Summary on Transaction Cost and Procurement Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.414 ^a	.172	.156	.38276

a. Predictors: (Constant), Transaction Cost

An R-squared value of .172 was established between transaction cost and procurement performance. This implied that transaction cost under IFMIS could account for up to 17.2% of the total variance in procurement performance. The remaining 82.8% of variation in procurement performance could be accounted for by factors not included in this model. The ANOVA table yielded results shown in table 5

Table 5: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.668	1	1.668	11.385	.001 ^b
	Residual	8.058	55	.147		
	Total	9.726	56			

a. Dependent Variable: Procurement Performance b. Predictors: (Constant), Transaction Cost

The analysis of variance yielded an F-ratio ($F_{(1, 55)} = 11.385, p = .001$) which was significant at $p < .01$ level of significance. This implied that transaction cost under IFMIS significantly influence the procurement performance in the county government of Nakuru. Therefore, the null hypothesis H_0 that Transaction cost under IFMIS has no significant influence on procurement performance in the County government of Nakuru was rejected. It was concluded that transaction cost under IFMIS has a significant influence on procurement performance in the County government of Nakuru, Kenya.

SUMMARY OF FINDINGS

Transaction Cost under IFMIS and Procurement Performance

Descriptive statistics analysis indicated that respondents strongly agreed that IFMIS adoption has reduced contract spending. Respondents agreed that IFMIS has led to a reduction in transaction cost through automation of process and removing excess payments. They also agreed that through IFMIS the county government is able to detect excessive payments and that IFMIS has enabled the county government to reduce cases of fraud and theft in its operations. Respondents further agreed that through IFMIS the county government is able to obtain discounts from suppliers due to reduced administration costs on the side of the supplier. Additionally, respondents agreed that IFMIS has helped in creation of trust between government and suppliers due to elimination of unconventional persons in transaction agreements. Respondents also agreed that IFMIS has streamlined and standardized process and documentation.

Regarding procurement performance, descriptive analysis showed that the respondents strongly agreed that the County government have observed increased efficiency in its procurement functions under IFMIS. Respondents agreed that the county government has been able to cut on the cost of procurement through improved efficiency and that the procurement cycle time in the procurement process has greatly been reduced. Further respondents agreed that there is increased accountability and transparency in procurement performance in the county government and that the county government is able to have good procurement planning and management of its procurement process. Additionally, respondents agreed that there is increased efficiency in forecasting of the governments needs due to improved procurement records, and that the use of E-solutions has led to cost cutting in procurement functions.

Inferential statistics indicated that there is a weak positive significant relationship between transactions costs under IFMIS and procurement performance. Linear regression analysis indicated that transaction cost is able to account for 17.2% of the total variance in

procurement performance. Analysis of variance indicated that transaction cost has a significant influence on procurement performance in the county government of Nakuru.

CONCLUSIONS

The researcher concluded that transaction costs under IFMIS have a significant influence on procurement performance. The findings indicated a positive significant relationship between transaction cost and procurement performance. Thus the role of IFMIS in enhancing transaction and its influence on procurement performance cannot be understated. The researcher recommended that the management teams in the county government should look for ways to optimally utilize the system and lower the transaction costs in procurement. This in the long run will enhance the procurement performance to the benefit of the county government. In addition, the staff in the county government should be encouraged to fully adopt IFMIS in all their transaction process to improve effectiveness and reduce the transactions costs. This will go a long way in enhancing procurement performance.

WAY FORWARD

The study was just limited within the county government of Nakuru. Given that Kenya has 47 county governments, the findings may not be representative of the whole country. Therefore the researcher recommends that future researchers replicate the same study in other counties in Kenya to enable generalization of findings and authentication of the study findings. In addition, the study recommends that further studies be conducted to establish other factors that may influence procurement performance in the County governments in Kenya.

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