

**SUPPLY CHAIN INTEGRATION AND PERFORMANCE OF  
COMMERCIAL BANKS IN KENYA**

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## DECLARATION

I, the undersigned, declare that this project is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

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This project has been submitted for examination with my approval as the university supervisor

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

**MR. ONSERIO NYAMWANGE**

## **DEDICATION**

This project is dedicated to my lovely husband Kahara Kiarii and my son Kiarii Kahara for their great love. My parents, sisters and brothers for their support and encouragement. They are all marvelous and May GOD bless them wholesomely in all the dimensions of their life.

## **ACKNOWLEDGEMENT**

I wish to acknowledge the University of Nairobi and especially my lecturers in Business Administration, for giving me this opportunity to better myself academically. Special thanks go to my supervisor Mr. Onserio Nyamwange, without his guidance I would never have made it this far. I owe my sincere gratitude to my work colleagues, whose encouragement was of considerable proportions.

## **ABSTRACT**

The research design adopted in this study is the cross sectional research design reason being it focused on the supply chain integration and performance of commercial banks in Kenya. From the responses in the questionnaires it was noted that (44.4%) of the respondents had a masters degree. The study, from this findings could generally infer that most respondents were well educated and knowledgeable to provide the theoretical information relating to the effects of supply chain intergration and the performance of commercial banks in Kenya. A correlation coefficient of 0.906 and determination coefficients of 0.821 was established between the model variables and performance in commercial banks. This depicted a strong correlation between supply chain integration and performance of commercial banks. Thus, Cost, Responsiveness, Security, Sustainability and resilience account for 82.1% of the variations in performance. The study concluded that supply chain management emphasizes all aspects of delivering products and services to customers. The study concluded that cost, responsiveness, security, sustainability and resilience should be taken into consideration in ensuring performance of the commercial banks. The study recommended that strategist should regulate and provide or develop policies that will facilitate easy adoption of supply chain integration in the financial institutions.

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## **LIST OF ACRONYMS**

<b>SCM</b>	Supply chain management
<b>SCI</b>	Supply Chain Integration
<b>TCA</b>	Transaction cost Analysis
<b>RBV</b>	Resource Based View
<b>CBK</b>	Central Bank of Kenya

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Today's volatile global business environment is characterized with supply chains that are increasingly longer and more intricate, with more interconnected links, higher stakeholders' expectation, and more sources of supply chain competition (Gunasekaran, Patel, Tirtiroglu, 2013). Successful supply chain management relies on organizations working together and collaborating effectively (Lazzarini et al., 2012). As organizations become more specialized and global, the organizations find it vital to manage the entire network of supply chain to improve on their overall performance (Lee, 2009). Functions internal to the organization as well as those external to it should integrate to achieve the desired outcomes. Thus there is need for organizations to integrate their supply chain for it to protect its maximum support for competitiveness in their market (Hill 2014).

Verlezza (2012) states that the supply chain should not by itself dictate to the business with its limits and capabilities. A company can improve its value from its internal workings through the weaving of the supply chain in the basics of the business to facilitate on financial performance initiatives. Having the supply chain at the core of the business its leads to the understanding cost control and the optimization of customer service and satisfaction. A business that integrates all its operations into its operating model has the best chance to optimize on its overall cost efficiently (Verlezza, 2012).

As the level of competition in the 21<sup>st</sup> century intensifies and markets become more global, the challenges linked in the delivery of products at the required place, needed time

and cost continues to increase. Consequently, understanding the entire process of supply chain integration (SCI) has become a requirement for becoming competitive and profitable in the global race (Christopher, 2012). Information sharing among the supply chain partners is employed as one of the strategies by firms in their procurement practice. Green and Inman (2005) point out that the most important element for any supply chain system is to develop a seamless supply chain in which up to date and undistorted information is made available at every node within the supply chain. Thus this needs the growth of effective supply chain integration between players in the supply chain (Dwyer, Schurr& Oh, 2007).

### **1.1.1 Supply Chain Integration**

Ellram and Cooper (2013) describes supply chain integration as the practice of amalgamating the essentials from two comparable predecessor practices to form a distinct process that can in turn be used to create a single process to restore the original process. Also, according to Flynn, Huo and Xhao (2010) integrated supply chain concept refers to administering the various supply chain functions into an incorporated program. Thus a successful supply chain integrates and coordinates every part of the supply chain proceedings into a flawless course and connects all the suppliers and customers in the supply chain network.

The importance of supply chain integration among companies, their providers and its customers is increasing. As is expected, the power of the connection depends on the actions of the affiliates in the supply chain with any business relationship. There has to be

must be an apparent consideration of the core competencies, the materials bought, the skill of the supplier the customer being served and the organization in order to succeed with the integration. Integration excellence is always dependent upon the relationship between the supplier and the organization (Crisen, 2012). Developing integration among the firm and its suppliers or customers, aims at improving the firm's performance that leads to savings of cost in quality inspection and better integration designs to meet customer's needs (Das and Narasimhan, 2006).

### **1.1.2 Organizational Performance**

Organizational performance is a scrutiny of the company's performances in contrast to the targets and purpose. It takes numerous forms depending on what measurement is meant for. Different performance indicators are required for different stakeholders to enable them make up to date decisions (Manyuru, 2011). According to Richard et al. (2013) the managerial performance covers the following areas of the company's outcome that include; the fiscal presentation, product market presentation and the shareholders return. Mahapatro, (2012) defines Organizational Performance as the capability of the business to accomplish its functions and assignment through good supervision, better authority and a constant determination to accomplishing better outcomes. Kaplan and Norton (1992) listed various methods to measure the overall organizational performance which are; accounting measures ,operational performance, the stakeholder performance market based measures ,marketplace procedures, continued existence actions and the profitable value actions .

Organizational performance is the concluding success of a given organization and contains few things such as the time in attaining the set targets, the comprehension of the

competence and the existence of certain targets (Blowfield and Dolan, 2010). Thus, organizational performance is the refers to capability of an ability of a firm to achieve objectives such as high profits ,large market share, better financial results, quality product and continued survival at a determined time through the use of appropriate strategy for action (Koontz & Donnell, 2009).

Performance identifies the areas of strength and weaknesses, presents the foundation in support of an institution to evaluate the progression in the achievement of the set objectives and decides the commencement of performance improvement (Vanweele, 2010). Organizational performance involves monitoring the progress towards the targets and the several activities that helps in the establishment of organizational goals (Kyengo, 2012).

### **1.1.3 Commercial Banks in Kenya**

The depository segment is comprised of the Central Bank of Kenya (CBK) which is the overall controlling authority. It regulates the commercial banks, the forex bureaus and the on-bank monetary institutions. While on 31<sup>st</sup> December 2015 the banking sector encompassed of 41 commercial banks which are approved and controlled under the depository act cap 488. Thirty of the banks are Kenyan based while eleven of the banks are not Kenyan based translating to 73.2% and 26.8% respectively.

The banking sector in Kenya over the last years has sustained its growth profitability, product offering, deposits and assets. The developments of the banks have been underpinned by the branch network expansion strategy both in Kenya and East African

regions. Other factors are the computerization of a great numeral of service and importance on the complex consumer requirements relatively to the conventional banking products. Some years back the troupe in the depository sector have practiced improved rivalry that has resulted in increased innovation among companies and new participants in the market (CBK 2015).

The banking sector performance was rated strong as the organizations achieved the appropriate financial performance and improved their financial results regardless of the high market competition as every bank scramble for a considerable market share. As a result of rising competition, the financial innovations have been introduced into the market. The banks remained well capitalized, shareholders funds deposits and asset s increased 35.2% and 31.9% respectively (CBK, 2015). Usually the organizations in the emergent market make a comprehensive planning for financial supervision, workforce and the equipment assets. In the logistic aspect it has always been a significant concern of the military operations but it was accorded the interest in the academic and business world (Obiora, 2008).

## **1.2 Research Problem**

The Kenyan banking industry has sustained its growth both in confined and foreign entrants, the deposit base, customers, regionally and improved assessment from the supervisory body in particular the Central Bank of Kenya. This latest move in the depository industry of Kenya can be accredited to the tolerance in a given area of operation, improved implementation of advanced technology and enhanced company

surroundings as an effect to the due to changes embarking on various areas of the fiscal and intellectual areas (CBK, 2015).

Implementation of strategic integration in a firm's supply chain has been advocated as one of the means of increasing the level of certainty and competitiveness in a firm. Indeed as Christopher and Towill (2014) opined, the important characteristic of an enterprise is the rivalry among the supply chains and not among the companies. Consequently a firm should look for viable achievement through the incorporation and association of intercompany processes and through the incorporation of internal business practices. Today's competition is among the networks of organizations which are known as the supply chains (Christopher, 2012). The organizations are able to achieve distinct competitive advantages through the installation of cooperative relationships. Through this it helps in reduction of operational cost and maximizes the effectiveness of the organization leading to the overall performance of the firm. (Koontz & Donnel, 2009).

Several studies have been undertaken on the need of supply chain partners' integration. Chizzo (2008) found out that information sharing is important and its impact on performance will depend on how, what and by whom the information is shared. This finding reveals the need for the integration to be specifically tailored to those supply chain members that are engaged in activities that will lead to a synergy. Chong and Ooi (2008) recognized obligation, belief, congregation cohesiveness, and inspiration of association participants being critical to inter-organization strategic alliances. They therefore reinforced the need for managerial relationship as one of the type predictors of successful inter-organizational associations. Tummala, Cheryl and Johnson (2006)

reinforced that any attempt to administer the flow of the information across the supply chain will probably be ineffective without the basis of useful inter organizational relationship. Confidence and commitment are required in the development of long term relationships among the associates in the supply chain.

Locally, a study by Mukhwana (2010) concluded that supply chain integration led to the introduction of more products in the organization, effective product and process designing, increased sales leading to a large market share. Kipkelion (2013) established that organizational performance is largely influenced by the implementation of effective supply chain integration at 75.5%. The study was also able to identify specific various supply chain quality management that were deemed to have an effect on operational performance.

Kamau (2013) conducted a study on buyer supplier relationship and organization performance where he found out that there is a clear relationship between the two variables. Mose, Njihia and Magutu (2013) conducted a study on the adoption of E- procurement in large manufacturing firms. He found out that many manufacturing firms have adopted various e-procurement practices. Thus this shows there is lack of a study carried out locally to bring an how they can enable an organization to gain competitive advantage and improve on its performance.

Commercial banks organizations are currently redesigning how big business is done at each point within the association. The initial step in SCI is to examine every rationale a unit undertakes and break it down if necessary. A company has the capability to ease the systems unnecessary activities whereas advancing flexibility and reliability of a system

through the evaluation and construction of a specific supply chain. This creation directs the firm to a considerable understanding of the system and standards. Regardless of the challenges that are faced by companies, introducing a successful supply chain integration leads towards a distinctive competency as compared to other firms. The study sort to answer the research question, the relationship between supply chain integration and performance of commercial banks in Kenya?

### **1.3 Research Objective**

To assess the relationship between supply chain integration and performance of commercial banks in Kenya

### **1.4 Value of the Study**

Scholars in the discipline of supply chain integration in will get e insights on the importance of practicing supply management in commercial banks to achieve financial performance of firms.

Policy makers in supply chain integration will benefit from this study as the findings will inform the setting up policies that ensure that commercial banks comply with quality practices to provide quality services and improve their financial performances.

In theory, this study will be resourceful in provide more information on the various supply chain integration adopted by firms. The study will also serve as a point of reference to academicians interested in this area and other related topics.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1: Introduction**

This section discusses the theoretical evaluation of supply chain integration and various empirical studies which have been undertaken in the discipline.

### **2.2 The Theoretical Foundations of SCM**

The SCM construct can further be espoused by reviewing its theoretical foundations. To this effect, three key theories, the Knowledge Based Theory, Transaction Cost Analysis (TCA) and the Resource Based View (RBV).

#### **2.2.1 Knowledge Based Theory**

Knowledge based theory looks at several dimensions that assist an organization to achieve its goals i.e. new product development, organizational capabilities, innovation, and organizational learning (Grant, 1996). According to Alavi and Leinder (2001) information technology has a role in this where the information systems can be used to create and enhance the firm's knowledge management. Knowledge based theory considers intangible resources of an organization. Von Krogh and Grand (2002) made significant contribution to the development of this theory, promotes the sharing of knowledge as key to value creation to both internal and external organizational supply chain collaborations. According to Grant (1996), knowledge based theory is a source of competitive advantage and also exchange of knowledge increases an organization's supply chain value creation.

In conclusion, suppliers and retailers have knowledge in different domains and this knowledge can create a unique set of strategic information that can be applied to improve business processes and operations. Better relationship between an organization with its suppliers and retailers will improve prospect of new product development and acceptance by its customers.

### **2.2.2 Transaction Cost Analysis (TCA)**

TCA recommends a profitable advancement that determines the company's limitations that explain the present effectiveness as the purpose for incoming inter-organizational procedures (Tadelis & Williamson, 2007). A company can diminish its transaction cost by collaborating with the outside associates. The important question on reasons for the existence of the firms is addressed as which actions are supposed to be performed within the margin of every organization and the actions to be outsourced. Supply chain integration associations are explained on behalf of the mix mode of supremacy among marketplace and hierarchies.

The asset specificity which is the partial significance in another principle such as the location, an individual and the committed assets is the most prevailing element in the transaction. (Rindfleisch and Heide, 2007). The transaction costs are influenced by the threat as being a subject matter to the prospect actions from an associate and the assumption of restricted prudence. Restricted prudence can result from restrictions in management perception and insufficient information. Credible commitments and

safeguards such as the long-term contracts, equity sharing, joint investments and penalty clauses are the mechanisms for mitigating the risks.

In conclusion, this theory advocates for collaborative integration within the supply chain driven by transaction exchange and this can lead to strategic information exchange between partners in the chain that is mutually beneficial to all parties. Relation integration e.g. information exchange between parties in the chain, strategic resource combination and relation specific investments can further accelerate the integration process in a supply chain either within the organization or with other organizations.

### **2.2.3 Resource Based Theory**

The theory is portrayed by the distinctive and context-dependent capabilities that are very important to the planned purposes in an organization and it refers the firm as a cognitive scheme. The supervision of the firms' core business procedures are accustomed by the chain of command abilities and set of practices that help create process value. As the competences of the firms entail the growth of professional capability, they happen to be protected into a course that is not easy to adjust successfully in the short and medium term (Tushman and Anderson, 2006). In the resource based view, firms should develop distinct characteristics of capabilities that are often unique and idiosyncratic to an individual firm on which their future competitiveness will be based.

Unlike the other approaches, the resource based view the internal variables determines the firms performance as compared the external variables (Barney, 1991). Firms generate different experiences that influence their potential in dissimilar behaviors by following

the historical paths that are heterogeneous (Wernerfelt, 1984). Successful firms in the industry gain competitive advantage through the access of a variety of resources. This refers to all the substantial and insubstantial assets such as the loans, cash, organizational processes, information and knowledge (Wernerfelt, 1984).

In conclusion, this theory leverages upon the fact that in order to drive performance, an organization needs to develop a distinct competency in supply chain integration that will enhance performance in the organization. One of the ways of achieving this is through having an integrated supply chain.

### **2.3 Determinants of Supply Chain Integration**

Supply chain management highlights all features of distributing the products and services to the ultimate consumers. In view of the fact that the suppliers have an insightful and direct impact on the quality, cost, time, responsiveness, security and the sustainability of the business firm the supervision and the relationship among new associates in supply chain is increasingly being referred to as the supply chain management (Leenders , 2013)

The key objectives in the supply chain for any organization are the reduction of price and cost (Leenders et al., 2013). The price effect is the incorporation of the financial price which is the principal presentation measure and that of delivery and excellence which are the second measures. Cost management continues to increase in importance in the larger SCM as the economy slows and sales decline. Cost management is a great concern in every part of an organization. Purchasing and supply management (PSM) is viewed as the major source to the organizations cost management approach as the charge fee of

acquired goods and services leads to up to 50% of the manufacturers. However, the price management itself is not enough to make an organization competitive in a global economy. Thus the recent studies have shown that the company executives are greatly depending upon the PSM as the basis of advancement and fiscal value added (Landeros and Monczka, 2009). Moreover the procedures have much tactical inferences than the simple cost management.

Responsiveness is the capability of a firm to transform rapidly in the provisions of capacity, position as a purpose of varying environment. Thus it leads to the creation of the link between demand and fulfillment. The fundamental nature of the consumer receptive supply chain policy as the recognition of a suitable plan is to meet the desires of the market that it supplies. It is determined by the behavioral market segments not by the products, markets or channels and is accomplished by corresponding to the various preferred strategies amid the ability of the supply chain to deliver (Kaplan& Norton, 2010).

Security in the supply chain refers to the effort to enhance safety in the transport and logistics systems. It merges the habitual performances of supply chain supervision with safety necessities determined by apprehension such as violence, theft and piracy. This means that the supply chain commodities will not be polluted or being risk. Companies are increasingly integrating supply chain security management into their overall compliance responsibilities. Identifying the factors that are likely to negatively affect ones business will lead to an effective risk management (Freeman &Cavinato, 2010).

Sustainability is a business issue that affects the organizations supply chain in provisions of the waste cost and environmental risks. Thus there is the need for incorporating environmentally sound choices into supply chain management. It varies from security in that it involves green environmentally accountable supply chains that reduce pollution eliminate waste and improves the environment through eco friendly processes (Karjalainen and Moxham, 2012). Sustainable supply chain integration entails the combination of the feasible practices into the entire lifecycle of the supply chain, from manufactured goods designed and developed, to material collection, industrialization, wrapping, shipping and storage (Bhote, 2009).

Resilience signifies the capability of an element to advance into its unique shape after its deformity. Increasing flexibility and preventing the cost and the revenue impact of these disruptions affects the entire spectrum of supply chain risks. It ensures that the supply chain recovers quickly from disruptions such as the natural disasters, the economic setbacks, medical emergencies, technological failures, and social factors. However in the business world it refers to the capability of an organization to recover from its distraction to its average performance in the industry. Companies can develop resilience in three main ways which are flexibility, increasing redundancies and changing the business (Croom, 2011).

## **2.4 Organizational Performance**

Organizational performance consists of the definite production of an organization as considered against its planned productivity and goals. According to Richard and

Devinney and Chaney (2012), it encompasses three specific areas of the firms output namely product market performance, shareholders return, and the financial performance. It captures what the organization does, produces and accomplishes. However, various specialists are always anxious about the performance in the organization which includes its financial status and its growth.

As Van Dyck, Frese, Baer, and Sonnentag (2005) highlight that the shareholders return as a determinant of the operating competence that reflects the extended time of fiscal power in an organization. Although in all places the measures in the shareholder returns is not at all times the best measure. For instance, the returns on the shareholders cannot be used to contrast the institutions in dissimilar industries. This index will be biased by the idiosyncrasy of any industry. The act of performing the financial activity is referred to as financial performance which is the extent to which the financial objectives have been accomplished. Financial performance generally measures its monetary health at a specified time and its function in financial terms. It is used to contrast related firms in a given industry. Financial performance of a company is determined by earnings per share, return on assets and return on equity.

Organizational performance main objective is to enhance the organizational value and competency in order to advance the organizational capacity to deliver goods and services to its customers (Kaplan and Norton, 2011). Business directors and vendors of the organization are always irritated about the performance, this being as a result of the company's inability to achieve the planned results. Final outcomes may be accomplished due to unanticipated events and fortunes. Organizational performance is affected by

several factors which include; commands connecting the individuals, line of communication, capital, character of the assignment undertaken by an individual and the calamity in which it operates (Elbanna and Child, 2007).

## **2.5 Supply Chain Integration on Organizational Performance**

Supply chain performances have an effect on the capability to offer customer value in the availability of the goods. The advantageous outcomes that are linked to the profitable advancement, expansion and resilience are facilitated by the improved performance of the firm. (Barkhamet, Gudgin, Hart and Hanvey, 2006). Supply chain practice aids a firm in the manufacture and delivering products to the clients at lesser price and advanced rate through the growth in supply chain performance (Kim, 2009).

Research proposes there is significance in the great distribution of strategic in the supply chain. Such information includes that of fiscal operations, marketing and production strategies which are way beyond the order related information needed for transaction exchanges. Sharing of information enables the associate firms to support their actions, adjust their strategies and reserve their place. For example, sharing of the transactions done and stock information is supposed to facilitate suppliers to predict orders made and prepare for manufacture (Seidmann and Sundararajan, 1997), particularly when the order information cannot be precisely acquired as a result of historical analyzed data.

## **2.6 Empirical Studies**

Gunasekaran et al. (2004) offers insight interested in the present performance and potential necessities in supply chain presentation dimension as well as concerns that are

appropriate to green supply chain integration. Integrated amid the issues are: achievement of success that requires the firm's management; to examine the presentation of every measure in the supply chain perception, every unit in the supply chain is supposed to be considered and enhanced with general objectives. The preceding studies has come up with the supply chain forecast, but not purposely for prolonged SCM. For instance, a five-year project for supply chain demonstrates that the researcher has some efforts to forecast ahead (Carter &Smeltzer, 2003).

From the literature review covered in this section, it is evident that studies have been done on the need to integrate the players in a firms supply chain. Specifically the studies have looked at the role of information technology in the integration process and the benefits associated with the same. The history of supply chain research has revealed how the distribution of the order related information has reduced the upstream magnification of inaccuracy in estimation of demand indications and propose that there is great significance in the sharing of considered information such as information on manufacture policy, economic procedures, and promotion, which is beyond the order-related information vital for business deals. Some investigators have mentioned that corporations are gradually on the run for competitive success through the integration of internal business processes and the alignment of the intercompany procedures (Crisen, 2012).

A study by Zailani and Rajagopal (2011) concluded that application of SCI enables companies to perform well, however their findings are limited to the public and private sector organizational performance. McAdam and McCormack (2001) also concluded that companies are achieving the competent edge through the maximization effective global

supply chains. The study does not however consider efficiencies within the banking industry. Monczka and Morgan (2005) investigated the supply chain integration practices among the Indonesian banking sector. They found that the sector had not established a mutual relationship with its providers and recommended that useful communication, continuous improvement and aggressiveness be institutionalized in chain management. Similar study is useful in the Kenyan banking industry.

Kangogo (2012) in his study of Supply Chain Integration in the floriculture business in Kenya found out that natural disasters are the highest causes of supply chain disruption in the Kenya floriculture industry. Moenga (2011) carried out a study to establish the supply chain integration practices and challenges and found that though small scale tea sector in Kenya believes in strong and stable relationships with its suppliers, the reality is completely different. Abdifatah (2012) carried out a study on Supply chain integration practices in addition to their impact on their presentation in performance among humanitarian organizations in Kenya and found that effective supply chain integration enhances performance of organizations. Omwenga (2007) carried out a study on Kenya's competitiveness in the floriculture industry and he found out that Kenya's flowers are competitive in the global market and it can be accredited to the factor conditions, the friendly Kenyan culture and climate, government policy, being in support of the local organizations and the intentional involvement of flower firms in supply chain integration.

However, inadequate observed proof exists in reference to the respect in allocation of the various types of information that are considered to have an impact in the firm's presentation. Thus a comprehensive research on the impact of integration of supplier

chain partners operations, more so in the Kenyan banking industry, will be useful in identifying its effect on the bank performance. This present research will seek to bridge this gap.

## **2.7 Summary of the Literature Review**

For successful supply chain integration, management must decide on which mode to adopt. Such choices may and will naturally vary among alternative theaters of operations, because of macroeconomic, socio-cultural and comparative differences (Lindberg *et al.*, 2011). The supply chain literature appears to encompass an accord that supply chain integration practices are necessary within the functions of supply chain as well as its suppliers and its consumers ( Steven, 2010; Morash and Clinton, 2008; Frohlich and Westbrook, 2012).

Following the resource-based view (Barney, 2011), which formulates that companies benefit from concentrating on their core competencies; supply chains are becoming increasingly fragmented. Therefore, partner integration practices play a key role in leveraging the efficiencies of optimal resource usage. Based on the transaction cost theory (Grant, 2008; Williamson, 2008), the supervision of both intra-company procedures (Anderson, 2012) and business system (Rindfleisch and Heide, 2013) will absolutely improve its performance (Chen *et al.*, 2013) if internal and external practices are capable of being linked competently and with optimized interfaces. By combining the perspectives of the resource-based view for fragmented supply chains and the transaction cost theory for the interfaces between internal and external processes, supply chain

integration practice is an effective measure for managers to improve their business (Bowersox et al., 2011).

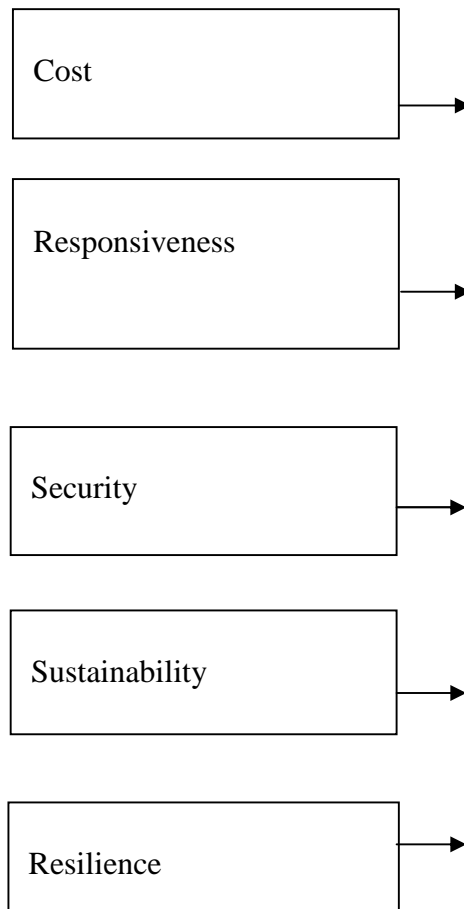
<b>Author</b>	<b>Focus of Study</b>	<b>Major Findings</b>	<b>Knowledge gaps</b>
Kangogo (2012)	Supply Chain Integration in the floriculture industry in Kenya	natural disasters are the highest causes of supply chain disruption in the Kenya floriculture industry	The study did not look at the supply chain integration practices such as responsiveness, resilience and security.
Moenga (2011)	supply chain integration practices and challenges in SMEs	The study found that though small scale tea sector in Kenya believes in strong and stable relationships with its suppliers, the reality is completely different	The study did not look at the influence of supply chain integration in commercial banks
Abdifatah (2012)	Supply chain integration practices and their impact on performance among humanitarian organizations in	The study found that effective supply chain integration enhances performance of organizations.	The study looked at the humanitarian organizations but did not look at the commercial banks
Omwenga (2007)	Kenya's competitiveness in the floriculture industry	Kenya's flowers are very aggressive in global market in their competitiveness.	Study was concerned with the floricultural industry but did not look at the banking industry

## 2.8 Conceptual Framework

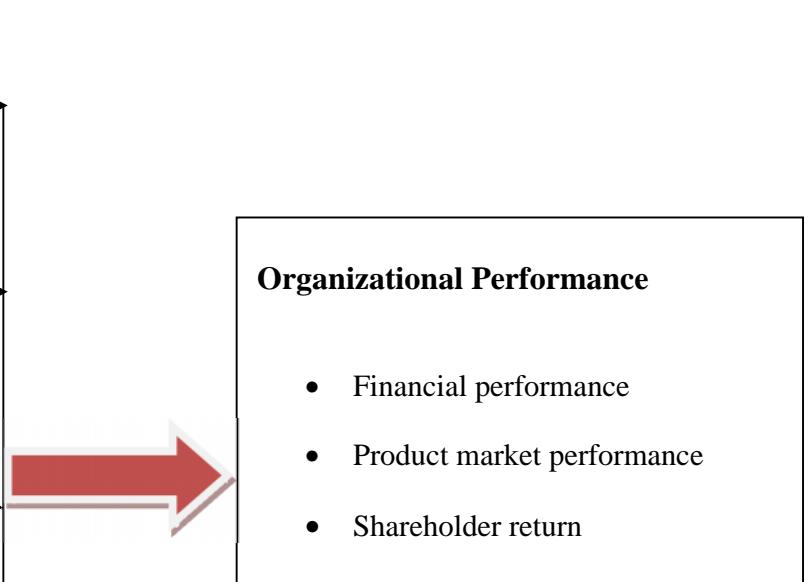
To attain the research objectives, the different features under the study can be conceptualized as being in association as presented in figure 2.1 below.

**Figure 2.1: Conceptual Framework**

### Independent Variables



### Dependent Variables



**Source: Researcher 2016**

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This section discusses the procedures that were used to collect and analyze the collected data from the field and other secondary sources. It explains the design used, the population of the study, sampling procedure, data collection and data analysis techniques.

### **3.2 Research Design**

The study adopted a cross-sectional survey. This is considered appropriate since the information to be gathered is not available from other sources and there will be unbiased representation of the population of interest (Cooper & Schindler, 2006). The study used a cross sectional research design since it focused on supply chain integration and performance of all commercial banks

### **3.3 Population of the Study**

The population of the study included all the 41 commercial banks in Kenya. It is referred to as the group of individuals or elements that have common characteristics which can be measured and (Yin, 2003). Census survey was conducted in all banks for major supply chain integration in Kenya.

### **3.4 Data Collection**

The study used both primary and secondary data sources since the nature of the data was quantitative and qualitative. The respondents picked randomly from their respective departments. Cluster sampling was used in selecting the respondents from their respective of supply chain integration (Mugenda and Mugenda, 2003). The respondents chosen for

this study were the operational managers, quality managers and finance managers and all supply chain managers.

The researcher collected primary data by use of a semi structured questionnaire. The questionnaire was structured into two sections; the first section sought data on the general information of the respondents, the second section sought data on the supply chain integration on financial performance of supply chain integration in Kenya. The third section sought data on challenges facing the banks' supply chain integration process. The questionnaire was administered through a drop and pick later method at an agreed time with the researcher. Secondary data will be sourced from the audited annual financial statements.

### **3.5 Data Analysis**

Descriptive statistics was used to determine the supply chain integration practices by commercial banks in Kenya. A regression model was used for ascertaining the correlation between supply chain integration and organizational performance of commercial banks in Kenya. The model adopted 5 independent variables: cost, responsiveness, security, sustainability and resilience and the dependent variable; organizational performance of supply chain integration in Kenya. The study used regression analysis to test the level of significant of the variables on the dependent variable at 95% level of significance. Tables, figures and charts were used for data presentation. After the analysis and interpretation of data, a final report was written to provide a summary of the findings. The following regression model was used.

The regression equation ( $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \epsilon$ ):

Whereby  $Y$  = Organizational performance  $\epsilon$  = Constant (Co-efficient of intercept)

$X_1$  = Cost

$X_2$  = Responsiveness

$X_3$  = Security

$X_4$  = Sustainability

$X_5$  = Resilience

$\epsilon$ =represents the error term. $\beta_1$  .....

$\beta_5$ = Regression co-efficient of four variables.

### 3.6 Summary of the Data Analysis

Objective	Section of the questionnaire	Data analysis techniques
To get the general information of the respondents	Part A:Demographic and Respondent's Profile	Frequency and percentages with representations in figures and tables
To assess the relationship between supply chain integration and performance	Part B: Supply Chain Integration Practices	Means, standard deviation(Descriptive analysis) Correlation and regression analysis to establish the relationships (Inferential statistics)
To establish the challenges faced by the banks through the process of integrating supply chains.	PART C:Challenges Facing the Banks Supply Chain Integration Process	Descriptive Statistics

Source: Researcher 2016

## **CHAPTER FOUR: FINDINGS, DATA ANALYSIS AND DISCUSSION**

### **4.1 Introduction**

This section presents the results and the findings acquired from the field reactions and responses. It involves two sections, first section deals with the background information while the other section highlights the findings of analysis that are based on the objectives of the study as explained by the questionnaire where both the descriptive and inferential statistics have been used.

### **4.2 General Information**

It was concluded from the data collected that from the data collected, out of the 41 questionnaires governed to the top level, middle level and operational level managers at the commercial banks in Kenya, 36 questionnaires were filled and returned. This represented 87.80% response rate that is considered satisfactory in making the conclusion of the study. According to Mugenda and Mugenda (2003) a 50% response rate is adequate, 60% good and above 70% it is rated very good. This entails that from this affirmation; the response rate which was calculated in this case was according to Mugenda and Mugenda was very good.

This high response rate can be accredited to the data collection measures, where the researcher pre-informed the prospective participants and applied the drop and pick method where the questionnaires were to be picked at a later date to allow for sufficient time in filling the questionnaires.

The research sought to establish the gender distribution of the respondents in order to establish if there is gender disparity. Majority (56%) were male respondents with (44%) being females respondents. The study deduced that there are more male respondents than female respondents but the disparity was not large enough to have any biasness on the study on supply chain integration and performance of commercial banks in Kenya.

From the findings, it was noted that most respondents were aged between the ages between the ages of 30 and 34 years old. This was noted so since the highest frequency of the respondents (14). Also noted from the analysis of findings was that 25% of the respondents indicated that they were aged between 35 and 39 years old. 11.11% of all the respondents were noted to be aged between the aged 40 years and above. This was calculated from a frequency of 4 respondents. From the findings, it can be inferred that the respondents were old enough to give reliable insights significant to the study.

The study sought to determine the level of education of the respondents taken from the commercial banks. From the responses in the questionnaires it was noted that majority of the respondents (44.4%) had a masters degree. This was closely followed by respondents who stated that their highest level of education was a University degree. This covered a frequency of 9 respondents and was about 25% of the total respondents. Respondents who stated that their highest level of education was a PHD followed closely after with a frequency of 7 respondent which was calculated to 19.4% of the total respondents. The study, from this findings could generally infer that most respondents were well educated and knowledgeable to provide the theoretical information relating to effects of supply chain integration and performance of commercial banks in Kenya.

The study sought to determine the years of experience of the respondents. From the study it was noted that majority of the respondents (58.3%) had a work experience of 6 to 10 years. This was closely followed by respondents who stated that they had a work experience of 1 -5 years, and covered 25% of the total respondents. It was therefore noted that majority of the respondents were had worked long enough in the banking industry to provide relevant information on the effects of supply chain integration and performance of commercial banks in Kenya.

#### **4.4 Supply Chain Integration and Performance**

The main aim for the study it sought to discover the effect of supply chain integration on organizational performance of commercial banks in Kenya. From the study of the data collected, the following was established. The respondents were asked to rate how they feel about different variables related to performance of supply chain integration on a five point Likert scale. The range was from 'a very great (5)' to 'very low' (1). A standard deviation of  $>1.5$  implies a significant difference on the impact of the variable among respondents.

##### **4.5.1: Effects of Cost on Performance**

The study sought to determine whether cost has any effect on the performance of the commercial banks in Kenya. The table 4.1 below shows the findings of from the respondents.

**Table 4.1: Effects of Cost on Performance**

	Mean	Standard Deviation
Cost management on itself not sufficient for an organization which wants to be of competitive advantage in a given market.	4.862	0.225
Reducing value and price are the main aims in supply chain integration	4.622	0.045
Cost measures have a great deal in the various suggestions as compared to the usual measures.	4.493	0.421
Cost outcome is as a result arrangement of fiscal cost, discharge and value.	4.482	0.706
Cost management continues to increase in importance in the larger SCM as the economy slows and sales decline	4.335	0.358
Companies executives rely upon the PSM as a source for innovation and economic value added.	4.054	0.584

From the findings in the SPSS analysis, the statement, cost management on itself not sufficient for an organization which wants to be of competitive advantage in a given market, had the highest level of mean (4.862) meaning that majority of the respondents concurred that cost is not in itself enough to move organization a head in the competitive global economy. The standard deviation calculated from the analysis of 0.225 indicated uniformity in the responses from the respondents. Also noted was that a great number of the respondents agreed that reducing value and price are the main aims in supply chain integration. This was supported by the mean value calculated of 4.622. A significant number of the respondents also agreed to the statement. The study noted that generally, cost had a significant effect on performance as a supply chain integration practices.

The study findings were noted to be in line with Landeros and Monczka, (2009) who noted that Cost management continues to increase in importance in the larger SCM as the economy slows and sales decline. Cost management is a wide subject that cuts across all areas of the organization.

#### **4.5.2: Effects of Responsiveness on Performance of Commercial Banks**

The study sought to establish the effects of responsiveness on the performance of commercial banks in Kenya. The findings are illustrated in the table 4.4 as shown

**Table 4.1: Responsiveness on Performance**

	Mean	Standard deviation
Responsiveness is attained through harmonizing the required strategies with the capacity to deliver in the supply chain.	4.596	1.096
The fundamental nature of customer receptive supply chain is a policy	4.221	0.4814
Responsiveness enables change within provisions of locality ,the quantity mix or location as a purpose of varying situations	4.146	0.2132
Responsiveness is driven not by products and markets, but by various market segments	3.587	0.3859

Based on the responses from the respondents, it was clear that most respondents saw that Responsiveness is attained through harmonizing the required strategies with the capacity to deliver in the supply chain. This was noted true from the high mean calculated from the analysis of findings of 4.596. The standard deviation calculated in this case of 1.096 indicated uniformity in the responses from the respondents. It was also established that the fundamental nature of customer receptive supply chain is a policy. This was seen true

by the high mean value calculated in the analysis of 4.221. The standard deviation calculated in the analysis of 0.4814 indicated little variance from the mean mark in the responses.

The findings were also noted to be in line with Kalpna & Norton, (2010) who noted that responsiveness is the essence of the consumer receptive supply chain strategy as the recognition and delivery of a suitable strategy to meet the needs of the market that it serves.

#### **4.5.3: Effects of Security on Performance of Commercial Banks in Kenya**

The study sought to establish the effects of security on performance of commercial banks in Kenya. The findings are illustrated in the table 4.3 below.

**Table 4.3: Effects of Security on Performance of Commercial Banks in Kenya**

	Mean	Standard Deviation
Successful risk management starts with categorizing factors that affect the business negatively.	4.506	0.287
Companies are increasingly integrating supply chain security management into their overall compliance responsibilities	4.255	0.508
Security is as a result that has recently acquired practices in safety.	4.135	0.594

From the analysis of the descriptive statistics, it was clear that most respondents believed that security as supply chain integration practice had a significant effect on the performance of commercial banks. It was noted from the analysis of findings that

successful risk management starts with categorizing factors that affect the business negatively. This was seen by the high mean value calculated of 4.506. The standard deviation calculated of 0.287 indicated that majority of the respondents were of a similar opinion .The small standard deviation indicated that there was little variance in the responses from the respondents. The standard deviation calculated in the study of 0.594 indicated uniformity in the responses from the respondents. Generally, it was also noted that security has a significant influence on the performance of commercial banks in Kenya. These findings collaborated with Freeman & Cavinato, (2010) who noted that companies are increasingly integrating supply chain security management into their overall compliance responsibilities.

#### **4.5.4: Effects of Sustainability on Performance**

The study sought to determine the effects of sustainability on performance of commercial banks in Kenya. The findings are illustrated in the table 4.4 below.

**Table 4.2: Effects of Sustainability on Performance**

	Mean	Standard Deviation
Sustainable supply chain integration entails incorporating environmentally and economically valuable practices.	4.878	0.689
Sustainability contributes to improving the quality of an environment through the refined goods.	4.115	0.805
Carbon footprint reduction enhances the supply chain Integration.	4.122	0.369
Sustainability is different from security as it engaged with the elimination of waste and the decrease in pollution.	3.912	0.566

It was noted from the analysis that sustainability also had an important effect in the performance of commercial banks in Kenya. This was noted true by the high mean values calculated on statements relating sustainability in relation to the performance; of commercial banks in Kenya. For instance, it was noted that sustainable supply chain integration entails incorporating environmentally and economically valuable practices. This was noted true since the statement, calculated from the SPSS analysis a mean of 4.878 and a standard deviation calculated was small indicating little variance in the responses from the respondents and that most respondents strongly agreed with the statement. Also noted was that most respondents believe that Carbon footprint reduction enhances the supply chain Integration. The high mean value calculated in the analysis of 4.122 and the standard deviation calculated in the analysis of 0.369 indicated there was a general agreement of the statement and there was uniformity in the responses from the respondents.

The standard deviation calculated in the analysis indicated there was uniformity in the responses from the respondents. In general the independent variable sustainability was seen as an influencing factor to the performance of commercial banks in Kenya.

#### **4.5.5: Effects of Resilience on Performance of Commercial Banks**

The study sought to establish the effects of resilience on the performance of commercial banks in Kenya. The findings are illustrated in the table 4.5 as shown

**Table 4.3: Resilience on Performance**

	Mean	Standard deviation
Resilience ensures a corporation rebounds to its original form from a huge disturbance.	4.387	0.185
Resilience makes certain that the supply chain is able to recover swiftly from distractions.	4.044	0.112
Resilience signifies the capability of an element to advance into its unique shape after its deformity.	4.001	0.181

Based on the responses from the respondents, it was clear that most respondents saw that Resilience ensures a corporation rebounds to its original form from a huge disturbance. This was noted true from the high mean calculated from the analysis of findings of 4.387. The standard deviation calculated in this case of .185 indicated uniformity in the responses from the respondents. It was established from the analysis that most respondents strongly agreed that resilience makes certain that the supply chain is able to recover swiftly from distractions. This was established by the high mean value calculated of 4.044. The standard deviation calculated of 0.112 indicates uniformity in the responses from the respondents. It was also established that resilience signifies the capability of an element to advance into its unique shape after its deformity. This was seen true by the high mean value calculated in the analysis of 4.001. The standard deviation calculated in the analysis of 0.181 indicated little variance from the mean mark in the responses. The study generally established from the analysis of findings that resilience as a supply chain integration practice had a significant influence on the performance of commercial banks in Kenya.

#### 4.5.6: Challenges Facing the Banks Supply Chain Integration Process

The study sought to establish the effects of security on performance of commercial banks in Kenya. The findings are illustrated in the table 4.6 below.

**Table 4.4: Challenges Facing Bank's Supply Chain Integration**

	Mean	Standard deviation
The management doesn't recognize the benefits associated with supply chain integration process	4.506	0.989
Operating systems such as EDI are expensive to purchase and maintain	4.435	0.694
Integration systems are not locally available	4.259	0.598
Suppliers are not willing to share information on pricing of their products	4.111	1.082
There is opportunistic behavior due to lack of trust the supply chain	3.928	1.089
There is lack of shared vision between the Bank and its suppliers which affects integration	3.818	0.989

It was noted from the analysis of findings that the management doesn't recognize the benefits associated with supply chain integration process. This was seen by the high mean value calculated of 4.506. The standard deviation calculated of 0.989 indicated that majority of the respondents were of a similar opinion. The standard deviation calculated in the study of 0.598 indicated uniformity in the responses from the respondents. Also noted from the analysis of the findings was that a large number of the respondents

signified that suppliers are not willing to share information on pricing of their products. This was noted true from the mean calculated of 4.111. The standard deviation calculated of 1.082 indicated uniformity in the responses from the respondents. Also noted from the analysis was that a significant number of the respondent indicated that there is opportunistic behavior due to lack of trust the supply chain. This was noted true from the mean calculated of 3.928 and the small standard deviation (1.089) which indicated uniformity in the responses from the respondents.

#### **4.6 Relationship between Supply Chain Integration and Performance**

The study sought to establish the relationship between supply chain integration and performance of commercial banks. Pearson Correlation analysis was used to achieve this end at 99% and 95% confidence levels. The correlation analysis enabled the testing of study's hypothesis that supply chain integration has a significant effect on performance. Table 4.2 shows significant, positive but good linear relationships between performance and responsiveness: responsiveness ( $R = .772, p = .049$ ), Security ( $R = .984, p < .001$ ), Sustainability ( $R = .603, p < .001$ ), and resilience ( $R = .984, p < .001$ ). However a negative correlation coefficient was established between performance and Cost in supply chain ( $R = -.311, p = .033$ ).

**Table 4.5: Correlation Analysis**

		Performance	Cost	Responsiveness	Security	Sustainability	Resilience
Performance	Pearson Correlation	1					
	Sig. (2-tailed)						
Cost	Pearson Correlation	-.311*	1				
	Sig. (2-tailed)	.033					
Responsiveness	Pearson Correlation	.772*	-.975	1			
	Sig. (2-tailed)	.049	.091				
Security	Pearson Correlation	.984**	.008	-.049	1		
	Sig. (2-tailed)	.000	.033	.021			
Sustainability	Pearson Correlation	.603**	.818	.649	.332	1	
	Sig. (2-tailed)	.000	.003	.001	.000		
Resilience	Pearson Correlation	.851*	.618	.949	.832	.984**	1
	Sig. (2-tailed)	.000	.003	.001	.000	.000	
	N	41	41	41	41	41	41

Correlation is significant at the 0.05 level (2-tailed); \*\*. Correlation is significant at the 0.01 level (2-tailed).

Multiple regression analysis was used to measure the correlation between supply chain integration (Cost, Responsiveness, Security, Sustainability and resilience) and performance of commercial banks in Kenya. The regression model's goodness of fit was determined using overall correlation and the coefficient of determination between the independent variables and performance; that is, the strength of the relationship.

Table 4.7 presents a correlation coefficient of 0.906 and determination coefficients of 0.821. This depicts a strong relationship between supply chain integration and performance of commercial banks. Thus, Cost, Responsiveness, Security, Sustainability and resilience account for 82.1% of the variations in performance.

Durbin Watson (DW) that checks if the residuals of the models were auto correlated in order to determine the independence of the residuals produced a value of 2.003. It can, thus, be concluded that there was no autocorrelation.

**Table 4.6: Model Summary**

<b>R</b>	<b>R square</b>	<b>Adjusted Square</b>	<b>Standard error of the Estimate</b>	<b>Durbin Watson</b>
.906 <sup>a</sup>	.821	.801	.0034094	2.003

a. Predictors: (Constant), Cost, Responsiveness, Security, Sustainability and resilience b. Dependent Variable: Performance

Analysis of Variance (ANOVA) was used to test the significance of relation exists between variables; thus, model's significance. The ANOVA results presented in Table 4.9 shows that the regression model has a margin of error of  $p < .001$ . This indicates that the model has a probability of less than 0.1 of giving false prediction; this point to the significance of the model.

**Table 4.7: Analysis of Variance (ANOVA)**

	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	.170	5	.034	11.33	.000 <sub>b</sub>
Residual	.090	30	.003		
Total	.260	35			

a. Dependent Variable: performance

b. Predictors: (Constant), Cost, Responsiveness, Security, Sustainability and resilience

Table 4.10 shows that the regression coefficients of independent variables. The following regression model was established:

$$\text{Performance} = 1.239 - 1.311 \cdot \text{Cost} - 0.412 \cdot \text{responsiveness} + 1.039 \cdot \text{Security} + 0.332 \cdot \text{sustainability} + 0.839 \cdot \text{resilience}$$

From the equation, the study found that holding Cost, Responsiveness, Security, Sustainability and resilience at zero performance becomes 1.239.

**Table 4.10 Regression Coefficients**

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.239	.061		.635	.528
Cost	-1.311	.000	-.020	-2.797	.044
Responsiveness	.412	.005	.044	3.425	.013
Security	1.039	.003	.044	2.891	.039
Sustainability	.332	.008	.034	32.365	.000
Resilience	.839	.004	.024	2.865	.040

Additionally, when Responsiveness, Security, Sustainability and resilience are constant, a unit increase in Cost will lead to a 1.311 decrease in performance. When Cost, Security, Sustainability and resilience are constant, a unit increase in Responsiveness will lead to a 0.412 increase in performance. Holding Cost, Responsiveness, Sustainability and resilience constant, a unit increase in Security would lead to a 1.039 increase in performance of commercial banks. Also noted is that when Cost, Responsiveness, Security and resilience are constant, a unit increase in Sustainability will lead to a 0.332 increase in performance and lastly it was noted that when Cost, Responsiveness, Security and Sustainability are held constant, a unit increase in resilience will lead to a .839 unit increase in the organizational performance of the commercial banks.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This section presents the summary of the findings, conclusions, recommendation and suggestions for further studies.

### **5.2: Summary of Findings**

The purpose of the research was to establish the effects supply chain integration on the performance of commercial banks in Kenya. It was noted that, out of the 41 questionnaires governed to the top level, middle level and operational level managers at the commercial banks in Kenya, thirty six questionnaires were filled and returned. This represented eighty seven point eight percent response rate and was considered adequate to make conclusions for the study.

From the analysis of the findings, majority of the respondents fifty six percent were male respondents with forty four percent being females' respondents. The study deduced that there are more male respondents than female respondents but the disparity was not large enough to have any biasness on the study on supply chain integration and performance of commercial banks in Kenya. From the findings, it was noted that most respondents were aged between the ages of thirty and thirty four years old. This was noted so since the highest frequency of the respondents (fourteen). Also noted from the analysis of findings was that twenty five percent of the respondents indicated that they were aged between thirty five and thirty nine years old. This age bracket was closely followed by

respondents who stated that they were aged between twenty four and twenty nine years which covered twenty two point two percent of all the respondents.

From the responses in the questionnaires it was noted that majority of the respondents (forty four percent) had a masters degree. This was closely followed by respondents who stated that their highest level of education was a University degree. The study, from this findings could generally infer that most respondents were well educated and knowledgeable to provide the theoretical information relating to effects of supply chain integration and performance of commercial banks in Kenya.

From the study it was noted that majority of the respondents (fifty eight point three percent) had a work experience of six to ten years. This was closely followed by respondents who stated that they had a work experience of one to five years, and covered 25% of the total respondents. From the findings in the SPSS analysis, the statement, Cost management on itself not sufficient for an organization which wants to be of competitive advantage in a given market had the highest level of mean (four point eight six two) meaning that majority of the respondents concurred that cost is not in itself enough to move organization a head in the competitive global economy. The standard deviation calculated from the analysis of point two three indicated uniformity in the responses from the respondents. The study noted that generally, cost had a significant effect on performance as a supply chain integration practices.

Based on the responses from the respondents, it was clear that most respondents saw that Responsiveness is achieved by matching the desired strategy with the capabilities of the

supply chain to deliver. This was noted true from the high mean calculated from the analysis of findings of four point six. The standard deviation calculated in this case of one point one indicated uniformity in the responses from the respondents. The study generally noted from the analysis responsiveness had a significant influence on the performance of commercial banks in Kenya.

From the analysis of the descriptive statistics, it was clear that security had an important influence on performance of commercial banks. For instance, it was noted that most respondents believed that security as supply chain integration practice had a significant effect on the performance of commercial banks. It was noted from the analysis of findings that successful risk management starts with categorizing factors that affect the business negatively. This was seen by the high mean value calculated of four point five. The standard deviation calculated of point two nine indicated that majority of the respondents were of a similar opinion.

A correlation coefficient of point nine one and determination coefficients of point eight two was established between the predictor variables and the dependent. This depicts a strong relationship between supply chain integration and performance of commercial banks. Thus, Cost, Responsiveness, Security, Sustainability and resilience account for eighty two point one percent of the variations in performance. The study thus established that supply chain integration practices had a significant influence on the performance of commercial banks in Kenya.

### **5.3 Conclusion**

The purpose of the study was to assess the relationship between supply chain integration and performance of commercial banks in Kenya. From the analysis it was concluded that Commercial banks organizations are currently redesigning how business is done at every level in and outside the organization.

The study concluded that supply chain management highlights all features of ensuring the goods and services are deliver to the customers on time and when needed. Given that the providers have an insightful and an effect on cost, quality, time and responsiveness of the buying firms, it ensures that the firm improves on its supply chain performance. The research also suggests that information sharing among the supply chain partners is employed as one of the strategies by firms in their procurement practice. Sharing of information enables the associate firms to support their actions, adjust their plans and resource positions.

### **5.4: Recommendations**

The study further recommends that the top management in commercial banks should provide for information sharing between their organization and their suppliers so as to have the right information in regard to what their customers need and thereafter respond adequately to the customer requirement, coordinate internal processes better and offer better customer service which will lead to improved revenues and properly guided capacity planning. The study found out that the commercial banks that have adopted supply chain integration have on overall improved performance. It

is therefore recommended that the study adds greater comprehensiveness of the supply chain integration practices and enhances our understanding of the supply chain integration practices and their impact on organizational performance. From the findings, good relationships in a supply chain are needed for enhanced organizational performance.

### **5.5: Limitations of the Study**

Due to inadequate resources, the researcher conducted this research under constraints of finances. Some respondents were biased while giving information due to reasons such as victimization in the event the research findings turn sour. Secondly the limitation of time was much pronounced since the sources of the data operate on working days and the researcher is equivalently an employee. Respondents were naturally suspicious and uneasy when directed to cooperate in a study that they were not aware of its consequence. To further calm and set at ease the respondents, the researcher explained the nature of the study and its intended purpose and that it was purely an academic undertaking and that information divulged would be held in confidentiality by the researcher.

### **5.5: Suggestions for Further Research**

The main objective of the study was to ascertain the effects of supply chain integration on performance of commercial banks in Kenya. Further studies should be carried out to establish the influence supply chain integration in other financial institutions so as to give a comprehensive analysis of the effects of supply chain integration on organizational performance.

The study noted that eighty two point one percent of the changes in organizational performance of commercial banks were explained by the study variables. Further studies should be carried out to establish other factors that may supply chain integration that carried the remaining nineteen point nine percent of the total respondents.

Policy makers should regulate and provide or develop policies that will facilitate easy adoption of supply chain integration in the financial institutions. The study confined itself to local retail industries. This research therefore should be replicated in non financial institutions like parastatals and the results be compared so as to establish whether there is consistency in the influence of supply chain integration and performance.

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## APPENDIX I: RESEARCH QUESTIONNAIRE

### Part A: Demographic and Respondent's Profile

1. Name of the Respondent (optional) .....

2. Name of your bank.....

3. Gender

Male [ ]

Female [ ]

4. Age

18 – 23 [ ]

24 – 29 [ ]

30 - 34 [ ]

35 – 39 [ ]

40 years and above [ ]

3 Number of years worked

Less than 1 year [ ]

1 year – 5 years [ ]

6-10 years [ ]

11 and Over [ ]

4. Highest level of Education

Diploma [ ]

Degree [ ]

Masters [ ]

PHD [ ]

**PART B: Supply Chain Integration Practices**

To what extent has your firm implemented the following Supply Chain integration practices in its work place, using a five point scale below, Please tick appropriately against each Statement? The scale stand for the following: 1 = No Extent at All; 2= Small Extent; 3= Moderate Extent; 4= Great Extent; 5= Very Great Extent

Supply Chain Integration	Extent				
	No extent at all	Small Extent	Moderate Extent	Great Extent	Very Great Extent
	(1)	(2)	(3)	(4)	(5)
Cost					
Responsiveness					
Security					
Sustainability					
Resilience					

**PART C I: Effects of Cost on Performance**

To what extent to you agree with the following statement? Rate your answer on a five point Likert scale: Use a scale of 1-5 where; strongly Agree =5, Agree =4, moderately agree=3, Disagree =2 and strongly disagree =1

	1	2	3	4	5
Reducing price and cost are the key objectives in supply chain integration					
Cost outcome is as a result arrangement of fiscal cost, discharge and value.					
Cost management continues to increase in importance in the larger SCM as the economy slows and sales decline					
Cost management on itself not sufficient for an organization which wants to be of competitive advantage in a given market.					
CEOs are increasingly relying upon PSM as a source of innovation and economic value-added					
These measures have much broader strategic implications than simple cost management or the traditional price management focus					

**PART C II: Effects of Responsiveness on Performance**

To what extent to you agree with the following statement? Rate your answer on a five point Likert scale: Use a scale of 1-5 where; Strongly Agree =5, Agree =4, Moderately agree=3, Disagree =2 and Strongly disagree =1

	1	2	3	4	5
Responsiveness enables change within provisions of locality, the quantity mix or location as a purpose of varying situations.					
The fundamental of customer receptive supply chain as a policy.					
Responsiveness is driven not by products and markets but by various market segments.					
Responsiveness is attained through harmonizing the required strategies with the capacity to deliver in the supply chain.					

**PART C III: Effects of Security on performance**

To what extent to you agree with the following statement? Rate your answer on a five point Likert scale: Use a scale of 1-5 where; strongly Agree =5, Agree =4, moderately agree=3, Disagree =2 and strongly disagree =1

	1	2	3	4	5
Security is as a result that has recently acquired practices in safety.					
Companies are increasingly integrating supply chain security management into their overall compliance responsibilities					
Successful risk management starts with categorizing factors that affect the business negatively.					

**SECTION C IV: Effects of Sustainability on performance**

To what extent to you agree with the following statement? Rate your answer on a five point Likert scale: Use a scale of 1-5 where; strongly Agree =5, Agree =4, Moderately agree=3, Disagree =2 and strongly disagree =1

	1	2	3	4	5
Sustainability is different from security as it is engaged with the elimination of waste and the decrease in pollution.					
Sustainability contributes to improving the quality of an environment through the refined goods.					
Carbon footprint reduction along the supply chain Integration					
Sustainable supply chain integration entails incorporating environmentally and economically valuable practices.					

**PART C V: Effects of Resilience on performance**

To what extent to you agree with the following statement? Rate your answer on a five point Likert scale: Use a scale of 1-5 where; strongly Agree =5, Agree =4, moderately agree=3, Disagree =2 and strongly disagree =1

	1	2	3	4	5
Resilience ensures a corporation rebounds to its original form from a huge disturbance.					
Resilience signifies the capability of an element to advance into its unique shape after deformity.					
Resilience makes certain that the supply chain is able to recover swiftly from distractions.					

**PART C: Challenges Facing the Banks Supply Chain Integration Process**

7. Kindly indicate the extent to which you agree with the following statements concerning the challenges faced in the implementation of supply chain integration process

(1–Noextent 2–Littleextent 3–Moderate 4–Greatextent 5–Verygreat extent)

Indicators	1	2	3	4	5
Operating systems such as EDI are expensive to purchase and maintain					
Integration systems are not locally available					
The management doesn't recognize the benefits associated With supply chain integration process					
Suppliers are not willing to share information on pricing of Their products					
There is lack of shared vision between the Bank and its suppliers which affects integration					
The need to change processes/systems discourages integration with other supply chain partners					
There is opportunistic behavior due to lack of trust the supply chain					

**THANK YOU FOR YOUR TIME**

## **APPENDIX II: LIST OF COMMERCIAL BANKS IN KENYA**

- 1. African Banking Corporation Limited**  
Date Licensed: 08-12-1994
- 2. Bank of Africa Kenya Limited**  
Date Licensed: July 2004
- 3. Bank of Baroda (K) Limited**  
Date Licensed: 01-07-1953
- 4. Bank of India**  
Date Licensed: 05-06-1953
- 5. Barclays Bank of Kenya Limited**  
Date Licensed: 1916
- 6. CFC Stanbic Bank Limited**  
Date Licensed: 01-06-2008
- 7. Charterhouse Bank Limited**  
Under - Statutory Management  
Date Licensed: 01-08-1998
- 8. Chase Bank (K) Limited**  
Date Licensed: 01-04-1991
- 9. Citibank N.A Kenya**  
Date Licensed: 01-07-1974
- 10. Commercial Bank of Africa Limited**  
Date Licensed: 01-01-1967
- 11. Consolidated Bank of Kenya Limited**  
Date Licensed: 18-12-1989
- 12. Co-operative Bank of Kenya Limited**  
Date Licensed: 01-07-1968
- 13. Credit Bank Limited**  
Date Licensed: 30-11-1994
- 14. Development Bank of Kenya Limited**  
Date Licensed: 20-09-1996
- 15. Diamond Trust Bank Kenya Limited**  
Date Licensed: 15-11-1994
- 16. Ecobank Kenya Limited**  
Date Licensed: 16-06-2008
- 17. Equatorial Commercial Bank Limited**  
Date Licensed: 23-06-1995
- 18. Equity Bank Limited**  
Date Licensed: 28-12-2004
- 19. Family Bank Limited**  
Date Licensed: 01-05-2007
- 20. Fidelity Commercial Bank Limited**  
Date Licensed: 07-03-1996
- 21. Guaranty Trust Bank (K) Limited (Formely-Fina Bank Limited)**  
Date Licensed: 13-01-1995

- 22. First Community Bank Limited**  
Date Licensed: 29-04-2008
- 23. Giro Commercial Bank Limited**  
Date Licensed: 17-12-1992
- 24. Guardian Bank Limited**  
Date Licensed: 20-12-1995
- 25. Gulf African Bank Limited**  
Date Licensed: 01-11-2007
- 26. Habib Bank A.G Zurich**  
Physical Address: Habib House, Koinange Street.  
Date Licensed: 01-07-1978
- 27. Habib Bank Limited**  
Date Licensed: 02-03-1956
- 28. I & M Bank Limited**  
Date Licensed: 27-03-1996
- 29. . Jamii Bora Bank Limited**  
Date Licensed: 02-03-2010
- 30. Kenya Commercial Bank Limited**  
Date Licensed: 01-01-1896
- 31. K-Rep Bank Limited**  
Date Licensed: 23-03-1999
- 32. Middle East Bank (K) Limited**  
Date Licensed: 15-12-1980
- 33. National Bank of Kenya Limited**  
Date Licensed: 01-01-1968
- 34. NIC Bank Limited**  
Date Licensed: 28-09-1995
- 35. Oriental Commercial Bank Limited**  
Date Licensed: 8/2/1991
- 36. Paramount Universal Bank Limited**  
Date Licensed: 05-07-1995
- 37. Prime Bank Limited**  
Date Licensed: 03-09-1992
- 38. Standard Chartered Bank Kenya Limited**  
Date Licensed: 10-01-1910
- 39. Trans-National Bank Limited**  
Date Licensed: 08-01-1985
- 40. UBA Kenya Bank Limited**  
Date Licensed: 25-09-2009
- 41. Victoria Commercial Bank Limited**  
Date Licensed: 11-01-1996

(Source: CBK, Bank Supervision Department, August 2016)