

Impact of Traditional Supply Chain Management on the Performance of Frugal Financial Institutions

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Abstract

This study focused on analyzing the impact of traditional supply chain management in the performance of frugal financial institutions in Tanzania. Quantitative study was conducted in Iringa Municipal. Data was collected using questionnaire and documentary review on a sample size of 134 respondents drawn using simple random sampling.

The finding using multiple regression analysis revealed that traditional supply chain management has a significant impact on performance of frugal financial institutions in Tanzania. In addition, it was indicated that traditional supply chain management tend to impact frugal financial institution by providing fast response to changes, lowering operation cost, enhance productivity, high customer services and enhancing competitiveness.

This study has concluded that traditional supply chain management has significance influence on performance of frugal financial institution through enhancing fast response to changes, lowering operation cost, enhance productivity, high customer services and enhancing competitiveness. The researcher recommended that managers should take serious attention on tradition supply chain management practices in order to improve frugal performance improvement in the financial industry.

Key word: *Supply Chain Management, Financial Institution, Frugality.*

1. Introduction

Worldwide, supply chain management (SCM) is increasingly being recognized as the integration of key business processes across the network of organizations for creating conducive business environment (Mutuerandu, 2014; Wachuma and Shalle, 2016). As argued by Mutuerandu (2014) that in today's business environment, business environment is not only becoming increasingly competitive and turbulent in nature but also full of uncertainties. This reality of the current business environment has led to the emergence of

supply chain that consists of complex network of suppliers, partners and customers to deal with the dynamism and uncertainties with their associated (Yap and Tan, 2012). On the other hand, Wachuma and Shalle (2016) advocate that the benefits of supply chain can be attained through efficient linkage between various supply chain activities which seeks to enhance competitive performance by closely integrating all functions within an organization and external stakeholders to be successful. Hence, the integration of key business processes from end user through original suppliers that provides product, services, and information that add value for customers and stakeholders is vital for our today business competitive environment.

Despite these investments in SCM, most of frugal financial institutions in the financial sector are still adopting traditional SCM which is being challenged by various forms of risks which disrupt the movement and flow of raw materials across the chain. For example, Sarpong, et al.(2013) found high inflation rate and instability of the local currency were found as the key causal factors of commercial related risks whilst ineffective information sharing among the parties and partners accounted for the environmental related risks, negatively affecting productivity in traditional SCM. In view of the current global financial meltdown, it is imperative for private organisations in Africa to adopt more strategic approaches in order to facilitate commercial gains. Wahdan and Emam (2017) argued that traditional supply chain management is only concern in the delivery of products from buyer to customer and it does not concern with society. This means that traditional supply chain management did not focus on the environment. Due to the new trends in global market, competitive business environmental has become a greater concern among the organizations and enterprises globally (Ogunlela and Lekhanya , 2016). Given this situation, this study aimed at analyzing the impact of traditional supply chain management in the performance of frugal financial institution in the current business environment.

2. Literature Review

2.1 Review of Theory

Stakeholder Theory

The stakeholder theory made popular during the 1980s suggested that corporations should look beyond the shareholder theory of profit maximisation, and take into consideration other stakeholder groups that the corporation is associated with, and who contribute to the company's achievements (Donaldson and Preston, 1995). Damak-Ayadi and Pesqueux (2005) in explaining stakeholder theory, argues that managers should make decisions that take the interests of the company's stakeholders and external stakeholders into consideration which will help to maximise the objective function of their firms, then they must take stakeholder interests into account.

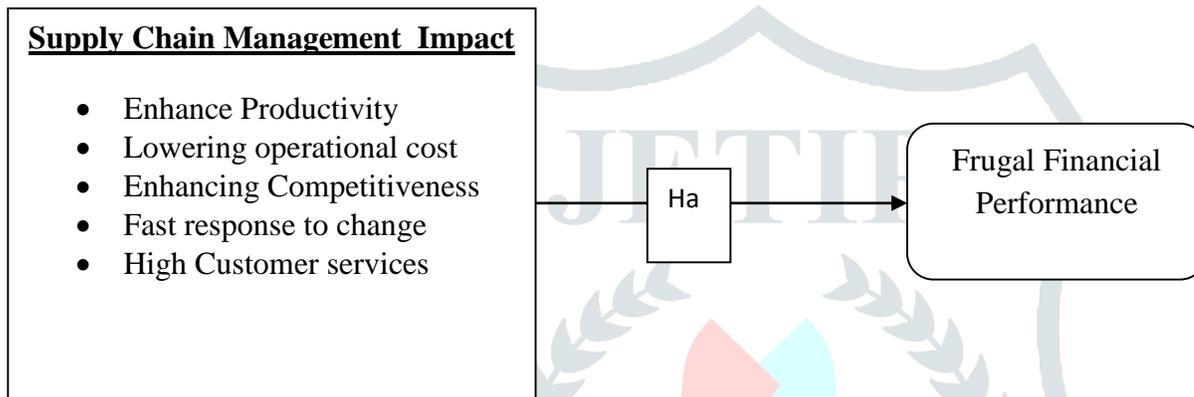
Donaldson and Preston (1995) advocated that it is efficient to focus on both stakeholders because stakeholders that are treated well tend to reciprocate with positive attitudes and behaviors towards the organization, such as sharing valuable information (all stakeholders), buying more products or services (customers), providing tax breaks or other incentives (communities), providing better financial terms (financiers), buying more stock (shareholders), or working hard and remaining loyal to the organization, even during difficult times (employees). Therefore, this stakeholder theory was used to analyze the impact of traditional supply chain management in the performance of frugal financial institution in Tanzania.

2.2 Empirical Literature Review

This part reviews the empirical literature on the impact of traditional supply chain management on performance of financial institution. According to Wahdan and Emam (2017) who found that there is a significant impact of supply chain management on financial performance through enhancing the productivity, decreasing the cost and improving profitability. Moreover, applying the efficient supply chain management can improve the use of responsibility accounting through the efficient usage for the budget of the crop. On the other hand, Diab, et al. (2015) found and concluded positive impact for the practices of green supply chain management on the organizational performance. The researchers include all the green supply chain management elements, on organizational performance which are; environmental performance, financial

performance, and Operational. Further, Mutuerandu (2014) indicated that Supply Chain Management had a positive effect on organization's performance that is they improved the organization's performance in terms of lowering its operational costs, reduction of lead time, high customer service levels, product quality, fast response to changes in the market and expanding its market share and sales. These findings have posited hypothesis which state that: **Ha:** *Supply Chain Management has significant impact on the Performance of frugal Financial Institution*

2.3 Conceptual framework



Source: Researchers Own Construction based on Literature Review (2019)

3. Methodology

3.1 Research Design

This study used explanatory research design. Explanatory research was used in order to identify the extent and nature of cause-and-effect relationships as recommended by (Gray , 2009). The researchers in the current study used explanatory design to test hypotheses on the impact of supply chain management on performance of frugal financial institution.

3.2 Study Area

The study was conducted in Iringa Municipality. These areas have been selected because of their high involvement of frugal financial institution which has resulted into availability of traditional supply chain among key stakeholders. Therefore, collecting data from these areas helped to provide adequate information to understand the impact of supply chain management on performance of financial institution.

3.3 Study Population and Sampling Technique

The study has targeted 630 employees of financial institution. Employee of selected frugal financial institution are selected in this study because are the one who are suffering from lack of stable market, the scarcity of resources, short delivery time requirement, frequent emergence of new technologies, demand for wide variety of competencies, and limited availability of up-to-date experts. Simple random sampling was used to select respondents for explanatory research and this enabled each respondent in study area to have an equal chance of been selected. Hence this approach served the purpose of this study in sampling.

3.4 Data Collection Techniques

During data collection, a structured questionnaire was used in this study to collect quantitative data for hypothesis testing. As argued by Gray (2009), that structured questionnaire is mostly used to capture measurable data for statistical testing of the hypothesis of the study. Within this context, a questionnaire was suitable in explanatory research situations of this study as it offer a standardized system of question to collect measurable and factual data for this study. On the other hand, Goretti (2008) documentary review was used in providing data interpretation, support and give evidence of field data. As it is evidenced that, social scientists use documentary research methods to supplement and confirm on the information collected through social surveys and in-depth interviews (Goretti, 2008; Gray 2009). In this study, the documentary review saved the same purpose.

3.5 Data Analysis Technique

Multiple linear regression analysis was used in this study. Multiple regression analysis is a powerful technique used for predicting the unknown value of a variable from the known value of two or more variables- also called the predictors (Gray, 2009). In this study, multiple regression analysis was used to determine a significant impact of supply chain management on performance of financial institution.

4. Presentation of the Major Findings

This study area elaborated the reliability test and analysis of the findings as described below

4.1 Finding Base on Reliability Test

In this part, Cronbach's Alpha was used to provide test for reliability and the results are described in table 4.1 below.

Table 4.1 Reliability Statistics Test

Cronbach's Alpha	N of Items
.743	5

In table 4.1 above, shows that Cronbach's Alpha p-value of the findings was greater than 6 ($p\text{-value} > 6$) which suggest good internal consistency of the measures, with items measuring different things for a given factor.

4.2 The impact of traditional Supply Chain Management on Performance of frugal financial institution

Multiple regression analysis was used to provide a significant influence of supply chain management on performance of frugal financial institution using five measurable variables namely Fast response to changes, lowering operation cost, Enhance Productivity, High customer services, Enhancing competitiveness as described in the following three tables below.

Table 4.2 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.610 ^a	.372	.364	.748

a. Predictors: (Constant), Fast response to changes, Lowering operation cost, Enhance Productivity, High customer services, Enhancing competitiveness

Table 4.2 above showed that dependent variable “frugal financial institution” is explained by five predictors namely “Fast response to changes, lowering operation cost, Enhance Productivity, High customer services, Enhancing competitiveness” as demonstrated by R² of 37%. This means that the independent variables “economic impact” is used to explain 37% of the variation in the dependent variable “frugal financial institution” in this study, which is moderate low.

Further analysis was done to determine the significant influence of traditional Supply Chain Management on frugal financial institution as the results are demonstrated in table 4.3 below

Table 4.3 ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	125.037	5	25.007	44.753	.000 ^b
Residual	210.660	377	.559		
Total	335.697	382			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Fast response to changes, Lowering operation cost, Enhance Productivity, High customer services, Enhancing competitiveness

Table 4.3 ANOVA^a above showed that overall, the model applied in this study can statistically significantly predict the outcome variable of relationship between dependent variable” frugal financial institution” and predictors “Fast response to changes, lowering operation cost, Enhance Productivity, High customer services, Enhancing competitiveness” to a large extent as demonstrated by significant p-value less than 0.05 in a ANOVA table above. This indicates that the overall hypothesis which state that the impact of traditional

Supply Chain Management on the performance of frugal financial institution. To assess the significant influence of the attributes of SCM in table 4.4 below depict the results of each attributes

Table 4. 4 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.451	.263		5.525	.000
1 Lowering operation cost	-.085	.037	-.105	-2.321	.021
Enhance Productivity	.275	.039	.307	6.975	.000
Enhancing competitiveness	-.109	.045	-.111	-2.418	.016
High customer services	.180	.037	.213	4.862	.000
Fast response to changes	.469	.050	.412	9.373	.000

a. Dependent Variable: Organizational Performance

The results provided in table 4.4 Coefficients a above showed that all indicator variables “Fast response to changes, Lowering operation cost, Enhance Productivity, High customer services, Enhancing competitiveness” have significant impact on the performance of frugal financial institution.

5. Discussion of The Findings

In the competitive global marketplace and change in customers' needs have caused the organizations address evaluation and investigation of effect of supply chain on performance. The current study intended to test and see whether Supply Chain Management have a significant impact on organization performance in Micro Finance Institution. Finding using multiple regression analysis have indicated that supply chain management have a significant impact on performance of financial institution. This finding has concurred with the argument made by Rezaee (2018) who argued that supply chain management enables companies to conserve scare resources, optimize production processes, identify product innovations, achieve cost efficiency and effectiveness, increase productivity and promote corporate reputation. In the current study, it is explained that supply chain management has significantly impacted financial institution on providing fast response to changes, lowering operation cost, enhance productivity, high customer services and enhancing competitiveness. These findings have collaborated with that of Rostami, et al. (2013) who found and concluded that supply chain finance provides win-win outcomes for all the participants in the supply-side value chain which tend to improve organization performance. These findings imply that implantation of supply chain management in organizations tend to strengthen their performance channel through new concepts and processes for enhancing overall performance. Shafique, et al. (2017) supply chain management is positively effecting on organizational performance” have been proved and accepted. This has in line with Gabriel, et al. (2016) who argued that supply chain management must be integrated in such a way that

information, supplier and funds flow from the supplier's provider to the consumer point of sale to plays a pivotal role in achieving competitiveness and sustainability of any business globally.

6. Conclusion

From the study we can conclude that the performance of financial institution has been improved with the implementation of the supply chain management. For an organization to achieve a competitive advantage in the global environment, then it has to embrace supply chain practices as its culture. To improve organization performance, the supply chain management focuses on fast response to changes, lowering operation cost, enhance productivity, high customer services and enhancing competitiveness.

Recommendations

The primary aim of this study was to come up with a basis on how supply chain management improve financial institution performance and suggest basis for knowledge and professionalism within the industry. Therefore, as a result of the findings from this research, has come up with the following recommendations.

- The researcher recommended that managers should take a serious attention on the relationship among Supply chain management practices, and performance improvement in the financial Industry, and should have the correct stakeholder of practices that would lead to improved performance as the combined effect is greater than for one practice.
- SCM must be integrated in such a way that information, supplier and funds flow from the supplier's provider to the consumer point of sale, seamlessly.

Recommendation for further study

This study focused on quantitative approach which is limiting the in depth insight of interpretation, it is therefore recommended that research be carried out to focus on qualitative aspect in order to increase the impact on the performance of financial institution on the financial institution sectors in Iringa.

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