

Abstract:

Public procurement is essential in the delivery of government services yet it is affected by many constraints which impact performance. In spite of the many efforts by the government to improve the procurement system, a number of problems still face the system such as shoddy work, and lack of quality goods and services. Supplier rating has been proposed as cure of public procurement method. Despite its use in public procurement system in Kenya, a lot of complaints have been made by buyers regarding the capacity of suppliers. Therefore the main purpose of the study is to analyze the effect of supplier financial stability on public procurement performance. A descriptive research design was adopted, and the study is anchored on lean supplier competence model, the fuzzy set theory and the grey system theory. The study targeted a population of 102 employees of KEPHIS. Primary data was obtained using questionnaires, analysed using both descriptive and inferential statistics and presented in form of tables and graphs. The relationship between variables was determined using correlation coefficient and multilinear regression equation. Hypothesis was tested using ANOVA. A pilot study was done to establish the validity and reliability of the questionnaire. From the findings there was a statistically significant positive relationship between Supplier Financial Stability and the Public Procurement Performance ($r=.684$, $p=0.000$). The study concludes that the following factors which are considered by some organizations when selecting suppliers determine performance of procurement function; financial stability of suppliers. It can therefore be concluded that financial stability of suppliers affects supplier rating. KEPHIS should undertake financial stability appraisal of suppliers in depth and detail before awarding them contracts for supply of various goods or services. The researcher suggests that a study be carried out by other scholars to establish other determinants of procurement function performance in other sectors.

Keywords: *Supplier Financial Stability, Public Procurement Performance*