

**PUBLIC PROCUREMENT AND GROWTH OF MICRO
AND SMALL ENTERPRISES IN COUNTIES IN KENYA**

FRANCIS KISSINGER AMAYI

**DOCTOR OF PHILOSOPHY
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**Public Procurement and Growth of Micro and Small
Enterprises in Counties in Kenya**

Francis Kissinger Amayi

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of Philosophy in Supply Chain Management in the Jomo Kenyatta
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DECLARATION

This thesis is my original work and has never been presented in other University.

Signature.....Date
Francis Kissinger Amayi

This thesis has been submitted for examination with my approval as University Supervisor.

Signature.....Date
Dr. Patrick Karanja Ngugi, Phd

JKUAT, Kenya

Signature.....Date
Dr. David Mburu Kiarie, Phd
Dedan Kimathi, Kenya

Signature.....Date
Prof. Romanus Otieno Odhiambo, Phd
MUST, Kenya

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ABBREVIATIONS AND ACRONYMS

AO	Accounting Officer
APRM	African Peer Review Mechanism
BVR	Bio-Voter Registration
CACL	Crown Agency Company Limited
CDF	Constituency Development Fund
CEO	Chief Executive Officer
CG	Central Government
CID	Criminal Investigations Department
COMESA	Common Market for Eastern and Southern Africa
CPST	Centre for Parliamentary Studies Training
CTCs	County Tender Committees
DPP	Director of Public Prosecutions
EAC	East African Community
EACC	Ethics and Anti-Corruption Commission
EPD	Entrepreneurship and Procurement Department
ERSA	Economic Recovery Strategy Assistance
ERS	Economic Recovery Strategy
ESR	Economic Survey Report
GDP	Gross Domestic Product
ICT	Information Communications Technology
IT	Information Technology
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Personnel Payroll Database
IPR	Independent Procurement Review
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KENAO	Kenya National Audit Office
KIPPRA	Kenya Institute of Policy, Planning and Research Analysis

KISM	Kenya Institute of Supplies Management
LG	Local Governments
MAT	Multi Agency Taskforce
MDA	Ministries, Departments and Agencies
MSE	Micro and Small Enterprises
MSEA	Micro and Small Enterprises Authority
NCBD	Nairobi Central Business District
NACOSTI	National Council for Science, Technology and Innovation
NCSE	National Council for Small Enterprise
NSSF	National Social Security Fund
ODPP	Office of the Director of Public Prosecutions
OECD	Organization for Economic Co-operation and Development
PDE	Procurement and Disposal Entities
PFMS	Public Financial Management Systems
POEA	Public Officer Ethics Act
PPADA	Public Procurement and Asset Disposal Act
PPARB	Public Procurement Administrative Review Board
PPAREC	Public Procurement Assessment Reforms and Enhanced Capacity
PPCRAB	Public Procurement Complaints Review and Appeals Board
PPDA	Public Procurement and Disposal Act
PPD	Public Procurement Directorate
PPDR	Public Procurement and Disposal Regulations
PPOA	Public Procurement Oversight Authority
PPOAB	Public Procurement Oversight Advisory Board
RoK	Republic of Kenya
SKAs	Skills, Knowledge and Aptitudes
SOPs	Standard Operating Procedures
SPMA	Supply Practitioners Management Act
SPSS	Statistical Package for Social Sciences

SRC	Salaries and Remuneration Commission
TCIDP	Trans Nzoia County Integrated Development Plan
UK	United Kingdom
UN	United Nations
VER	Voluntary Early Retirement

OPERATIONAL DEFINITION OF TERMS

- E-Procurement Technology** This is the process of procurement using electronic medium such as the internet or other information and communication technologies (RoK, 2015).
- Government** Refers to an established system by which a country or community is governed which comprises a body of people who formulate and implement policies that have been put in place to safeguard the interest of the citizens including the business community for the purpose of fair play and order (Indire, Nyam & Mbuvi, 2008).
- Growth of MSEs** Refers to the increase in assets, revenue, capacity and size of MSE as an indicator of positive business performance (Abosedo & Onakoya, 2013)
- Micro and Small Enterprises (MSE)** Small enterprises means a business undertaking with an initial staff establishment of not less than eleven and not more than fifty employees; and annual turnover or investment not exceeding five million shillings. Micro enterprises means a business undertaking with an initial staff establishment of not more than ten employees and annual turnover or investment not exceeding five hundred thousand shillings (Procurement and Disposal (County Governments) Regulations (PPDCGR), (RoK, 2013).
- Oversight Agencies** Oversight of public administration refers to the ability of an external body to review the conduct

and decisions of government agencies and public officials. Such review may be by way of investigation, inspection or audit and can be based on a complaint, a legal obligation, or the oversight body's 'own motion (Crown Ombudsman, 2012).

Participation

A purposeful effort of an individual or a group of individuals, undertaken to join, take part or seize profit oriented opportunities for the production and distribution of economic goods, works and/or services (Abosede & Onakoya, 2013)

Procurement Procedures

Refers to the rules and restrictions placed by the government on business practice executed using various ways such as licensing, setting standards, enforcing the standards and formulating policies and Standard Operating Procedures (SOPs) (Indire, Nyam & Mbuvi, 2008; RoK, 2015).

Procurement Contract Administration

This is the management of terms of procurement or asset disposal contracts made with contractors or suppliers after tender award by a procuring entity, for the purpose of assuring compliance with the obligations such as timely delivery, quality and quantity inspection, acceptance, payment, claims, dispute resolution and completion, among other terms (RoK, 2015).

Public Procurement

This refers to the acquisition of goods, works, services and other requirements through

contractual means by public entities using public funds (RoK, 2015).

ABSTRACT

This study sought to explore the relationship between public procurement and growth of Micro and Small Enterprises (MSEs) in Kenya with focus on the County Governments. It is universally acknowledged that MSEs stimulate economic growth and development. They account for over 80% of employment opportunities and over 70% of many countries' Gross Domestic Product (GDP). Although governments are biggest spenders globally, estimated at 9%-45% of GDP, public procurement supply market is dominated by large enterprises. MSEs struggle to compete against stringent discriminative procurement requirements besides other technicalities. The specific objectives include; to establish relationship between public procurement procedures and growth of MSEs in Kenya, to ascertain the relationship between procurement contracts administration and growth of MSEs in Kenya, to examine the relationship between e-procurement technology and growth of MSEs in Kenya, to assess the relationship between bidding capacity of the MSE's and their growth in Kenya, to evaluate relationship between procurement oversight agencies and growth of MSEs in Kenya, to determine the relationship between the intervening effect of MSE participation in public procurement and growth of MSEs in Kenya. The study was conducted at the County governments of Trans Nzoia, Bomet and Kajiado. It adopted descriptive design approach. The respondents were sampled from the MSEs registered with the MSE Authority in the Counties. They populated to 771 firms. The study sample was 155 respondents determined statistically using Cochran formula. The study utilized self-administered questionnaires in data collection. It adopted both qualitative and quantitative data analysis. Both descriptive and inferential statistics were utilized in analyzing and presenting the data. The study established that there exists strong relationship between public procurement and the growth of MSE in the Counties at 92% response rate. 93% reported that inequitable distribution of public procurement opportunities is significantly related to the MSEs poor growth. Another 91% indicated that availability or lack of the ICT infrastructure has significant determination on whether MSEs participate in public procurement or not. On the relationship between MSEs bidding capacity and their growth, 79% of the MSEs reported high level of incompetence. The relationship between procurement oversight agencies and the growth of MSEs, 75% of respondents posited unsatisfactory performance. The study established that only 37% of MSEs frequently participate in public procurement processes. The study concluded that there exists strong relationship between public procurement and the growth of MSE in the Counties in Kenya. This phenomenon could be construed to be the case across all the counties in Kenya. It recommended that County Governments should utilize consortia buying to support MSES, MSEs to establish bidding caucuses, MSEs should raise their participation rate, government should align MSE Act 2012 to PPAD Act, 2015 and also County Governments should establish ICT hubs across the Counties.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In this study, this chapter contains background of the study, statement of the problem, the aim and objectives of the study, hypotheses of the study, significance of the study, the scope of the study and also limitations of the study. It serves to discuss the background of the thesis besides stating and defining the problem being addressed, sentiments shared by (Kombo & Tromp, 2006). In essence, the chapter gives an indication of how the study progressed to finality.

According to Kirton (2013), excluding procurement in the defense sector, the estimated value of global public procurement is US\$ 1.5 trillion. That notwithstanding, studies indicate that many supply chains dominated by MSEs do not generally grow as would be desirously expected (Muiruri, 2014). The study sought to explore the influence of public procurement on the growth of Micro and Small Enterprise (MSE) supply chains in the county governments of Trans Nzoia, Bomet and Kajiado. Muniu and Ngugi (2013) argue that despite its importance to the economy, the MSE sector is generally characterized by dilapidated infrastructure, low technology, poor access to the corporate markets and continued harassment from government agencies. This has rendered them less competitive with almost nil chances of gaining their growth from the opportunities offered by public procurement (Ogachi, 2013). The study is anchored on the conviction that government expenditure is key to socio-economic growth and development around the globe.

Bor and Githaiga (2015) argue that with the significance it carries, public procurement is one of the Kenya government's key areas of emphasis in poverty reduction and employment creation. Government organizations (MDAs) across the world spend over 60% of GDP on acquisition of goods and services. In Kenya today, public procurement

budget stands at 65% of the government's annual expenditure according to (Aketch & Karanja, 2013). This is a significant amount of money which if well managed can have far reaching positive impact on the growth and sustainability of MSEs sector especially in the devolved government units in Kenya.

1.1.1 Micro and Small Enterprises

MSEs are not only engines of economic growth and development, but also vehicular tools through which County governments and even national government can utilize to achieve macro-economic growth and development, views supported by (Waithaka, Ngugi, Aiyabei, Itunga & Kirago, 2012). They have both an active role of, and more often than not, the potential for reliable sources of supply base in the domestic as well as local procurement markets. Through their supply chain activities, they contribute immensely to job creation and poverty reduction through exploitation of local natural resources, accounting for 60%-80% of private sector employment opportunities and over 45% of many countries' Gross Domestic Product (GDPs) (Materu, 2013). In the European Union (EU) bloc for instance, MSE firms with less than 50 employees account for 98.9% of all the firms in their economies while in Hong Kong they comprise 98% of the total businesses according to (Muniu & Ngugi, 2013). This dominance should be replicated in the public procurement contracts if governments intend to foster their growth.

However, it saddens to note that although governments are biggest spenders globally consuming an estimated average of 60% of the GDP as concurred by (Matindi, 2013; Aketch (2013), public procurement supply markets are conventionally dominated by large enterprises at the exclusion of MSEs. MSEs in the counties are struggling to compete against stringent discriminative procurement requirements, sentiments supported by (Njiraini & Moyi, 2006). Consequently, countries have been pursuing varied approaches over a long time to mainstream MSEs into their public procurement

processes in order to make them gain growth from these opportunities (Njiraini & Moyi, 2006).

Public procurement plays a significant role in the generation of country's wealth and it can therefore be a vehicle through which MSEs can be shuttled to their ultimate success, as contended by (Aketch, 2013). According to Agaba and Shipman (2008), the Organization for Economic Cooperation and Development (OECD) estimates the value of government procurement in the world to be over US\$ 10,000 billion equivalent to 15% of world GDP and 30% of global merchandise trade. Owegi and Aligula (2006) observe that the United States of America, regarded as the world's biggest public buyer whose procurement budget exceeds \$200 billion annually is struggling with the establishment of procurement policies and procedures that can support the growth of its MSE enterprises, projected to receive on average 21% of federal government's contracts. In South Africa whose public procurement takes over 13% of its GDP in regard to (Tinyu, 2011; Owegi *et al* 2006), the government is reportedly struggling to reform its procurement to facilitate participation of MSEs including classifying building and engineering contracts to promote favorable competition at the level of MSEs.

1.1.2 Growth of Micro and Small Enterprises

Despite Kirton (2013) observation that fast-growing MSE sector having great potential for reducing unemployment, (Muiruri, 2014; Ngugi, 2013 & Waithaka, *et al* 2012) argue that the MSE growth rate on average remains below 25% in the East African region, with approximately 60% of MSEs in Kenya collapsing within their first 3 years resulting to economic downturn. According to Pearce, Robinson and Mital (2012) government support for MSEs participation in economic growth or its willingness to remove barriers for fair trade can have positive influence on their growth. The government of Kenya has seemingly been showing intention to support the growth of domestic Micro and Small Enterprises since independence. In the 1960s, it began to develop policies and enacting legislations aimed at 'Africanizing' and consequently 'Kenyanizing' the economy to

enable small scale entrepreneurs at the grass roots to play part in economic development argues (Theuri, 2013).

However, public procurement in Kenya has historically and perpetually ignored the MSEs since independence, because local MSE firms have been regarded as lacking capacity to service the government with its needs, reports (Ochiri, 2011). This scenario has been a major setback towards the growth of this important informal sector leading to the endless ailing of entrepreneurship culture in Kenya, as contended by (Muniu & Ngugi , 2013). Although the government had good intentions for the young independent Kenya, the ugly face of corruption and other economic malpractices among the state officials led to selfish, narrow personal interest taking over the common good of Africanization spirit (Theuri, 2013).

According to Njiraini and Moyi (2006) Kenya's public sector purchasing procedures and practices have persistently locked out MSEs through high volume standards, need for proof of large financial base and other pre-qualification standards. Ogachi (2013) argues that although the government has a strategy of setting aside at least 30% of total public procurement spend for the Kenyan youth, disabled and women owned MSEs across the country, and the challenge lies in the implementation system that seems cumbersome, uncoordinated and bureaucratic especially in this era of devolved government system. The growth of MSE sector in Kenya continues to suffer from dilapidated infrastructure, poor technology and continued harassment from the government procurement agencies that undermine their desired growth, (Muniu & Ngugi, 2013). Thuo and Katuse (2013) observe that executives in both private and public sector organizations so far have recognized the importance of strategic planning, although few succeed at translating their strategies into business results.

Mwendwa (2010) says that the major challenge that County governments face in implementing devolution in Kenya is narrowing regional disparities in income, resource endowment and economic development. This can be successfully achieved if the

devolved system can tap into and harness the available local resources through the local MSE entrepreneurs by supporting the ‘buy county-built county’ initiatives. Devolution being the heart of the Constitution, County governments should be the champions of the constitutional spirit and desire to purpose to enable locals to take part in setting their own economic, political and social agenda, (Alande & Wekhuyi, 2013). This will assist to combat and ease unnecessary bureaucratic policies previously experienced in the government at the expense of MSE access to government opportunities in the defunct County Council administrations, thus hampering their growth (Mulwa, 2010). Despite all the effort and determination however, micro and small enterprises in the Counties are unable to grow due to lack of support from large corporate markets such as public procurement, observe (Ogwel, Iravo & Lagat, 2016; Ongachi & Bwisa, 2013). According to Omondi (2016) over 400,000 Kenyan MSEs collapse annually, an indicator that government efforts to support MSEs are yet to realize the intended objectives.

1.1.3 Public Procurement

According to Okoth (2013), Kenyan government spends approximately 70% of the national budget on public procurement. Amayi and Ngugi (2013) observe that public procurement system in Kenya has been undergoing transformation consistent with the global trend since the mid-1990s to make it supportive of the socio-economic development objectives. In this regard, Materu (2013) states that modern day socioeconomic dynamics have resulted in the acknowledgement by Government, development community and civil society of the importance of active participation and involvement of MSEs in the growth of the economy and creation of employment opportunities in Kenya. The government and other relevant stakeholders have therefore embarked on designing programs and policies that are market driven and market non-distorting to support the establishment and sustainable growth of MSEs as their sources of supplies.

Soon after gaining independence, the government began developing policies and enacting legislations aimed at ‘Kenyanizing’ the economy to enable small scale entrepreneurs at the grass roots to grow and play their part in economic development, (Theuri, 2013). This was supported through the establishment of functions such as Industrial and Commercial Development Corporation (ICDC) to offer small industrial loans to African entrepreneurs so as to encourage ownership of their businesses. Although this objective could have equally been achieved by involving the MSEs in public procurement, they have perpetually been ignored (Ochiri, 2011).

Odoro and Ngugi (2013) say that supporting entrepreneurship through public procurement is desirable especially for County governments as a tool for combating poverty as well as stirring economic growth and development. The public procurement in Kenya has ignored MSEs since independence. At the time of independence and long after, procurement was done by the Crown Agency Company Limited (CACL) on behalf of the government because local MSE firms have been considered as lacking capacity to service the government with its needs (Ochiri, 2011). This has denied potential medium and small scale public organizations’ suppliers opportunity to explore their growth through the benefits accruing from public procurement lucrative contracts even for common user items (Amayi & Ngugi, 2013).

According to Ogachi (2013) although the government has reviewed the Public Procurement and Disposal Regulations (PPDR) of 2006 to accommodate the Access to Government Procurement Opportunities (AGPO) program with focus on devolution, lack of effective compliance system is the Achilles heel of the program. This indicates therefore that the intended benefits to the youths in particular and MSEs generally are far from being realized (Ogachi, 2013)

1.1.4 Counties in Kenya

The research was conducted at the County governments of Trans Nzoia, Bomet and Kajiado. These are public entities pursuant to Public Procurement and Asset Disposal Act, (PPADA, 2015), Public Procurement and Disposal Preference Reservations Amendment Regulations (PPDPRAR, 2013) and the (PPDCGR, 2013 which say that a public procuring entity is an organization making a procurement to which they apply including Government Ministries, Departments and Agencies (MDAs) and County governments (RoK, 2015; RoK, 2013). All the target County Governments are located within the Rift Valley part of Kenya.

Shikuku and Omwenga (2015) posit that Trans Nzoia, Bomet and Kajiado Counties rank poorly among the forty seven counties in Kenya, where MSEs face hardships in terms of growth, performance and sustainability. The problems that hindered the growth and development of MSE as supply chains in public procurement included inadequate institutional capacity on the part of the MSEs, limited access to government opportunities, inhibitive legal and regulatory environment, inappropriate technology and hostile attitude from the some of the administrative staffs (RoK, 2013).

Although the state had done a lot to remove the obstacles that prevented special interest groups from supplying it with goods, works and services, there were still niggling issues in the devolved government entities as agreed by (Okoth, 2013 & RoK 2013). Cumbersome procurement procedures, inappropriate technology, inadequate governance structures, incoherent policies and capacity constraints on the part of MSEs were among the issues deterring their effective participation in public procurement, argue (Amayi *et al*, 2013; Muniu & Ngugi , 2013; RoK, 2013 & Waithaka *et al*, 2012). In order to support and grow MSEs in the devolved system of governance, chief executives across the Counties were required establish databases of the enterprises in their areas owned by Micro and Small Entrepreneurs and set aside specific categories of supplies they could ably perform. This approach, if supported by appropriate Information Technology (IT)

systems to digitize respective operations could greatly enhance efficiency and service delivery by both the government and the MSEs (Anyanzwa, 2013).

1.2 Statement of the Problem

Kenya's Micro and Small Enterprises suppliers in the Counties are unable to grow, views shared by (Ongachi & Bwisa, 2013). This is partly due to lack of support by large corporate buyers such as public procuring entities. MSEs contribute over 60% of private sector job creation and poverty reduction globally. They constitute between 60%-80% of supply base in Kenya. They contribute between 16%-45% of many countries Gross Domestic Product (GDPs), strategically posturing them as significant sources of supply for public entities. They are pivotal vehicular engines for the growth of the domestic industries and exploitation of natural resources at the grassroots (Ong'olo & Odhiambo, 2013). However, despite governments being biggest spenders globally consuming over 60% of the (GDP) on public procurement, as argued by (Matindi & Ngugi, 2013; Aketch, 2013), public procurement market skewly supports growth of large enterprise suppliers at the expense of MSEs. Consequently, the public entities not only across the devolution spectrum, but also at the national level continue losing a key local supply base for their requirements. The economy of the country equally lags behind as a result of this inequitable growth of suppliers. On average, the growth of MSEs supply base remains below 25% in the East African region as observed by (Mohamed & Mnguu, 2014; Muiruri, 2014). Approximately 400,000 MSEs in Kenya collapse annually, leading not only to job losses and economic downturn but shrinkage of the public procurement supply base for the local market as well as echoed by (Shikuku & Omwenga, 2015). Trans Nzoia, Bomet and Kajiado Counties lead among the forty-seven other counties with the least MSE growth rate, if not stagnated growth. The problems hindering the growth and development of MSE as alternative sources of supply base in the counties according to (TCIDP 2013-2017) include inadequate institutional capacity on the part of the MSEs, limited access to government opportunities, inhibitive legal and

regulatory environment, inappropriate technology and general marginalization (RoK, 2013).

A number of studies conducted on the problem include (Mohamed & Mnguu, 2014; Muiruri, 2014; Ngugi, 2013 & Ong'olo & Odhiambo, 2013). Poor growth rates of MSEs could therefore be attributed inadequate market for their products. Can public procurement market support the development and growth of MSEs as small scale suppliers in Kenya? Despite spirited efforts by the government to allocate them procurement opportunities including reservation of at least 30% of procurement opportunities to MSE suppliers as provided for in the PPADA, (RoK, 2015), many counties are unlikely to implement it because of the inherent technicalities (Ogachi, 2013). Limited studies seem to have been conducted on this problem especially on the devolved system in Kenya and hence the cause for this study.

1.3 Objectives of the Study

This part represents the intentions and purposes, in their measurable terms of this study. It is meant to provide opportunity for evaluating the end results of the entire research work. It is divided into general objectives or the aim of the study and specific objectives. General objective represents the overall goal that the study seeks to cover. Specific objectives will operationalize the study as they represent the independent variables of the same.

1.3.1 General Objective

The main objective of this study is to establish the relationship between public procurement and growth of Micro and Small Enterprises (MSEs) in Kenya.

1.3.2 Specific Objectives

1. To establish the relationship between public procurement procedures and growth of MSEs in Kenya.

2. To interrogate the relationship between procurement contracts administration and growth of MSEs in Kenya.
3. To examine the relationship between e-procurement technology and growth of MSEs in Kenya.
4. To assess the relationship between bidding capacity of the MSE's and their growth in Kenya.
5. To evaluate the relationship between procurement oversight agencies and the growth of MSEs in Kenya.
6. To determine the intervening effect of participation in public procurement and the growth of MSEs in Kenya.

1.4 Research Hypotheses

1. H₁: Public procurement procedures significantly support the growth of MSEs in Kenya.
2. H₁: Procurement contract administration significantly supports the growth of MSEs in Kenya.
3. H₁: E-Procurement technology significantly supports the growth of MSEs in Kenya.
4. H₁: Bidding Capacity of MSEs does not significantly constraint the growth of MSEs in Kenya.
5. H₁: Procurement oversight agencies significantly support the growth of MSEs in Kenya.
6. H₁: MSE intervening effect of participation significantly supports growth of MSEs in Kenya.

1.5 Justification of the Study

This study was justified on the following grounds. First of all, as Shikuku and Omwenga, (2015) concur that County Governments of Trans Nzoia, Bomet and Kajiado

led the other forty seven counties as the most hard hit counties with the least MSE growth rate coupled with multiple self-sustainability problems. Muirui (2014) shared the sentiments and posited that the MSEs growth continues to suffer due to the poor market environment with the biggest constraint being lack of support from the public procurement market. The problems hindering the growth and development of MSE supply chains in the county according to TCIDP 2013-2017 include inadequate institutional capacity on the part of the MSEs, limited access to government opportunities, inhibitive legal and regulatory environment, inappropriate technology among others (RoK, 2013). Second, it is imperative to note the fact that public procurement is governed by uniform regulatory framework and that all counties apply the same framework in Kenya. Third, the e-procurement platform in the public sector in Kenya, the IFMIS software, applies to all the public entities as envisaged in the PPADA, 2015 which defines a public procuring entity as an organization making a procurement to which it applies including County governments (RoK, 2015). These enable generalizability of the findings of the study across the devolution spectrum in the country.

Forth, the study will help to reveal the drawbacks in the public procurement which hinder effective participation by the MSEs to assist policy makers to strengthen the strategies used to achieve the intended goals. Fifth, it will provide a source of reference for future scholars in this academic domain. Sixth the society stands to gain from the study through economic growth that will spur employment opportunities and promote living standards of the general populace. Finally, the study will enable the researcher to become an authority in this field of knowledge besides enabling the attainment of the degree course to which it applies.

1.6 Scope of the Study

The study targeted all MSEs registered by the Micro and Small Enterprises Authority in the County Governments of Trans Nzoia, Bomet and Kajiado for generalized

applicability of its findings. The counties are public entities pursuant to Public Procurement and Asset Disposal Act, 2015 and the Public Procurement and Disposal Regulations, 2006. The Act defines a public procuring entity as an organization making a procurement to which it applies including county governments and their departments and agencies, the national government ministries, departments and agencies (MDAs), (RoK, (2015). According to the Micro and Small Enterprise Authority's database the Counties have 1,076 registered MSEs (RoK, 2014). A sample of 155 respondents, statistically determined was picked from the MSEs to help furnish the study with the necessary information and material relevant in developing the research.

1.7 Limitations of the Study

The major limitations of the study were that, first, it was confined to a few Counties which were meant for generalizability to the entire country which could be limiting. However, this was tackled by drawing a large sample size to make it more representative, heterogeneous and generalizable. Second, the instrument for data collection could also have been limited in its construction. This was addressed by conducting a pilot study to ascertain its ability to be understood by the respondents and taking necessary remedial actions. The results of the pilot study have been discussed in detail in chapter of this study. Third, although the study assumed that all Counties experience similar problems, it was established there were differences in experiences occasioned by regional imbalances. This was addressed focusing the instruments of data collection as much as possible on areas that cut across the board in public procurement.

CHAPTER TWO

LITREATURE REVIEW

2.1 Introduction

The government has the responsibility to ensure that the country's development is well controlled and coordinated for better quality of citizenry life. A number of studies have been undertaken to explain relationship between public procurement and the growth of Medium and Small Enterprises (MSE), but none has been focused on devolved government system in Kenya. The underpinning principles of public procurement reforms are among other tenets fair competition and support for the growth of the local informal sector. However, Kenyan MSEs continue to be plagued with poor participation in public procurement procedures thus remaining uncompetitive and exhibit lackluster performance. This chapter contains theoretical framework, the conceptual framework, empirical literature, critique, summary and the research gaps.

2.2 Theoretical Review

This section deals with the theoretical basis of the study seeking to determine the existing theories that could explain the linkage between public procurement and the growth of MSEs through the devolved government system in Kenya. Sekaran and Bougie (2013) posit that theoretical framework is the foundation on which the entire deductive research is based, which provides a logically developed, described and elaborated network of associations among the variables considered relevant to the problem situation identifiable through interviews, observations and literature review. A theory is a set of interrelated concepts, definitions or prepositions that have been put forth to explain or predict a scenario says (Aiyabei, 2013). According to Amayi and Ngugi (2013) the main essence of theory is to provide an explanation to both an observed phenomenon and a tentative reality. Theoretical review is a concrete examination of the of theories that have accumulated in respect to an issue, phenomenon or concept which is necessary in assisting to ascertain the

existing theories, their relationships, extent or degree the theories have been investigated and to develop new hypothesis to be tested. Theoretical literature is defined as lenses that provide a view of the world (Blumberg *et al*, 2011).

2.2.1 Theory of Bureaucracy

Amayi *et al* (2013) say that the theory of bureaucracy was developed by Max Weber to help Germany government to gain global competitiveness by becoming efficient and effective through government control of its operations. Consequently, public organizations have largely remained to be characterized with highly regulated governance systems with rigid procedures, contends (Clegg, 1999). In bureaucratic systems of administration, obedience is owed to managerial regulations because they occupy a position that is associated with a certain level of authority and responsibility, (Jones *et al*, 2000). Authority is the power to hold people accountable for their actions and to make decisions concerning the use of organizational resources which gives the manager the right to direct and control their subordinates' behavior to achieve organizational goals. However, if bureaucracies are not managed well, many problems result.

According to Clegg (1999), when managers rely too much on rules and rigid procedures to solve problems and not on their wit, skills and judgmental capability, their behavior becomes rigidly stereo-typed which may harm the organization and stifle creativity and innovation. Otieno (2013) states that unwillingness to change catalyzes ineptitude in government institutions which stifles the effective implementation of government policies such as the AGPO policy. Rigidity in the public sector comes as a result of bureaucratic structures in existence. This has increased red tape and lackluster performance in the public service argue (Jones *et al*, 2000; Amayi *et al* 2013). In this respect, effective public procurement should not only be responsive to existing situations, but also be adaptable to the ever changing social-economic dynamics. This theory helps to demonstrate the effect of red tape in public procurement on the MSE suppliers' participation in the procurement processes.

2.2.2 Normative Ethical Theory

Darwall (Undated) says that philosophers use normative ethical theory to refer broadly to principles, concepts and ideals that can be cited in support of ethical judgments about cases. As such, the investigation of normative ethical theory is unavoidable if we are to think about ethical issues with any case. This is because the part of ethics we call morality is modeled on law, even if other parts are not. What is wrong in a person's undertaking is what one can appropriately be held accountable for doing and that it warrants blame where there is no adequate and justified reason.

Public procurement operatives work in institutional environment of increasingly intense scrutiny and characterized by a complex array of statutes, regulations, policies and directives observe (Eyaa & Oluka, 2011). The managers are often responsible for making a variety of decisions which affect both internal and external stakeholders for their organizations, (Thomason, 2013). It is therefore the management's responsibility when making decisions to act ethically guided by the ethical or moral principles defined by society. Darwall (Undated) says that a manager held accountable for wrongdoing should be capable of accepting the judgment in some sense, of being brought to see that it is a reasonable judgment to have been made. This can help to foster integrity and moral dealings among public procurement personnel.

Eyaa and Oluka (2011) argues that the level of professionalism in public procurement is low or even non-existent. This according to Mosoba (2012) is the reason why procuring entities brought before the PPARB in Kenya continue ignoring the advice of the Board and commit the same mistakes while blaming the law instead of their own deliberate interests. In response, several cases and controversies have characterized tendering for public projects in critical social-economic development areas. However, Land, Riley and Cayer (2005) argue that finding, hiring and retaining dedicated, energetic and ethical employees with requisite skills has remained difficult especially in the public sector. This theory helps

to explain reasons why public procurement contract administration practices continue to be plagued with malpractice, and thus harming MSE participation and growth.

2.2.3 Innovation Diffusion Theory

Eyaa and Oluka (2011) advance that public procurement operational environment is increasingly facing accelerated changes driven by among other things technological dynamisms and public and political expectations. Furthermore, many present day organizations private and public, small and large are stymied by traditional management, which cannot optimize the intangible resources such as the natural talents, innovation and visionary leadership skills, opines (Sussland, 2013). Technological innovation assists a great deal organizational performance, the way people think, behave and act which influence the success or failure of an entity. Vittori (2013) echoes these views by stating that technology, globalization and the emergence of new innovators are the powering force of an innovation based economy. However, other studies indicate that majority of MSE management are not satisfied with the results produced by their technological innovation efforts due to lack of support from their governments.

Clegg (1999) notes that if such organizations are the form of modern condition, one cannot help but note that this is frequently represented less as an opportune or benevolent phenomenon but more as something which is constraining and repressive. Mumo *et al* (2013) observes that ten years after the e-government directorate was set to manage ICT in the government, Kenyans are still struggling with the manual access of government services making it difficult for the private sector to engage profitably with the government. This facet has led to exploitation of the procuring entities resulting in poor service delivery to the public besides perpetuating other malpractices such as corruption. If this is not checked, it might spill over into the devolution system and deny MSEs their opportunity to effectively grow through public procurement system. This theory explains how e-procurement technology continues to influence the MSE activities in public procurement in Kenya.

2.2.4 Competency Models (CM) Theory

Waithaka *et al* (2012) observe that Competency Model (CM) is a framework that identifies a combination of the skills, knowledge and behaviors desirable in an organization, and for these models to be considered useful, the competences must comply with the job activities of individuals. Muniu and Ngugi (2013) argues that such technical competences can be achieved through training of human resources to equip organization with a pool of core competence. According to Mallin (2013) whatever the size of MSE and/or family owned firms, they stand to benefit from having good competences and strong governance structures in competitive business environments. In the financial year 2013/2014, Ksh. 300 billion was up for grabs by special interest groups in Kenya which include MSEs through participation in public procurement (Okoth 2013).

Nasio *et al* (2003) say that for the government to ensure that the control of the economy does not excessively pass on to foreign investors, it should involve itself in promoting local investors. Indire *et al* (2008) argue that to facilitate small business growth and development, the government should undertake training initiatives to instill and improve skills of the business people to enhance better management of the informal sector, with regard to nurturing MSEs in the devolved system of governance. The theory highlights the importance of skills, knowledge and aptitude that MSEs should possess to effectively partake in public procurement as reliable suppliers.

2.2.5 Institutional Theory

According to Mallin (2013) although corporate governance is relatively a new phenomenon, theories underlying it date much earlier and are drawn from a variety of academic disciplines. They include among others the institutional theory. Eyaa and Oluka (2011) say that there is no single universally agreed definition of institution or institutional theory. Accordingly, institutions are composed of cultural-cognitive and regulative elements that, together with associated activities and resources give meaning to life.

The three pillars of institutions include regulatory, normative and cultural cognitive. The regulatory pillar emphasizes use of rules, laws and sanctions as enforcement mechanism, with expedience as a basis for compliance, which is the case in county governments as public institutions. The normative pillar refers to norms and values, social obligation being the basis of compliance. The cultural-cognitive pillar rests on shared understanding among the various stakeholders. In Kenya, public procurement is guided by PPADA, 2015 and PPDR, 2006 according to (RoK, 2015; RoK, 2006), treasury circulars and guidelines which are issued from time to time and PPOA regulations which must be complied with by all MDAs among other statutes.

Scott (1995) and Amayi *et al* (2013) say that one cognitively oriented view is that a given institution is encoded into an actor through a socialization process which when internalized transforms a patterned behavior. When the actor behaves according to the pattern the institution is enacted. In the same manner, institutions are produced or reproduced. After some time, the institution becomes sedimented and taken for granted which might make it hard to realize that the behavior within the institution is controlled and hence causing non-compliance to the set rules and regulations. According to Meyer and Rowan (Undated) institutional environment can strongly influence the development of formal structure in an organization which if they improve technical efficiency in first adopting organizations becomes legitimized within the environment.

However, these formal structures of legitimacy can reduce efficiency in performance and hinder the organization's competitive position in the technical environment. DiMaggio and Powell (Undated) conclude that to reduce the net negative effect, organizations adopt homogenous structures because of pressures. In the public sector for instance, coercive pressures from legal mandates or influence from other entities they are dependent upon such as donors and development partners arise during high uncertainty times causing need for change in organizational functioning. This theory sheds light on institutional and organizational efficiency and effectiveness as a result of governance systems in place says

(Bartle, 2002). Mallin (2013) concludes that organizations with effective governance structures tend to be more focused and open to diverse views from outsiders for sustained economic growth and corporate social responsibility (CSR) demands. This helps to foster objectivity and order especially when making rational managerial decisions. This theory demonstrates the reasons as to why rules and regulation governing oversight roles in public procurement should be observed and implemented fairly and objectively.

2.2.6 Transaction Cost Theory

According to Njiraini and Moyi (2006) transaction cost theory can be useful in unraveling sources of barriers to firms intending to participate in public procurement. Such costs include among other things the cost incurred in obtaining and verifying information about the quantity and quality of goods and services and the quality of property rights to be transferred including legal and contractual framework. According to Eyaa and Oluka (2011), the cost of compliance with the public procurement regulations, especially on the part of MSEs can determine whether they participate in the procurement processes or not as well as affect many other internal and external stakeholders.

According to Bartle (2002) transaction costs originate from different backgrounds which include bounded rationality in decision making, opportunistic tendencies of agents and market uncertainties. Bounded rationality is the result of human limitations on the ability to gather and process information. Opportunism is the result of self-interest while uncertainty is the result of unforeseen difficulties embedded in every transaction. Njiraini and Moyi (2006) says that transaction costs relating to public procurement are those costs that enterprises incur in trying to access contracts.

In most cases, communication costs are higher for MSEs than large organizations which hinder effective, fair and open competition among suppliers. In order to mitigate on such problems, (Anyanzwa, 2013) states that the government needs to acquire necessary software and hardware systems that are secure and cost effective to be used to communicate

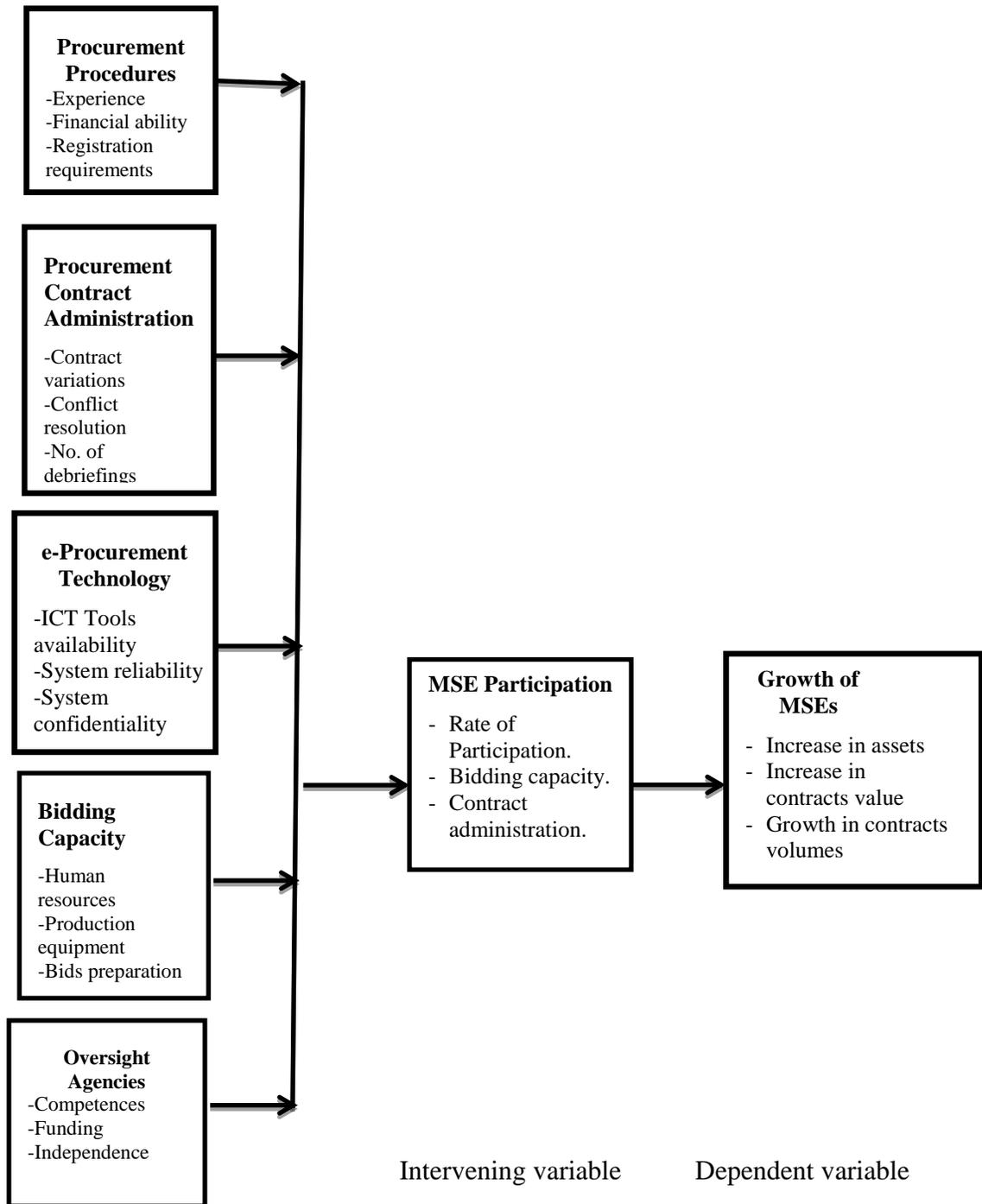
and share information with the stakeholders. Besides, the MSEs should be exempted from multiple registration requirements by the PPDPRAR which increases real costs in terms of effort and time spent in filling myriad compliance forms (Ogachi, 2013). This theory explains the reasons why MSEs find it difficult to exercise their litigation rights when they become aggrieved in the public tendering system.

2.3 Conceptual Framework

This study conceptualizes that Governments are the biggest spenders globally, consuming on average 60% of GDP, an observation echoed by (Matindi, 2013 & Aketch (2013). MSEs find themselves locked out of public procurement by the stringent requirements set by the MDAs. Mwendwa (2010) says that the major challenge that County governments face in implementing devolution in Kenya is narrowing regional disparities in income, resource endowment and economic development. Devolution being the heart of the Constitution, governors should champion the constitutional spirit of socio-economic empowerment and desire to enable locals to take part in setting their own economic, political and social agenda say (Alande & Wekhuyi, 2013). Technology wise, unless County governance is empowered to plan, execute and control their governments' mandates, the inefficiencies of the defunct County Council administrations are likely to crop up and bedevil these devolved units.

Despite revision of PPDR, 2006 to create the PPDPRAR (2013) as argued by (Okoth, 2013) to lay ground for the implementation of the AGPO policy framework, there still exist bottlenecks in its implementation considering that the PPDA of 2005 remains intact. The study conceptualizes that with rigid public procurement procedures in place, stereotyped contract administration practices, low adoption of advanced technology by the MSEs, weak and outdated policy framework in place, bidding capacity constraints coupled with ineffective moderation of procurement operations by the respective oversight agencies and low or even non-participation in procurement glaring majority of MSEs, their access and exploitation of public procurement opportunities has been hampered more often and it is

likely to persist for unforeseeable future. Figure 2.1 illustrates conceptual framework of the study.



Independent variables

Figure 2.1: Conceptual framework

2.3.1 Growth of MSEs

According to Pearce, *et al* (2012) government support for MSEs participation in economic growth or its willingness to remove barriers for fair trade can have positive influence on their growth. The government of Kenya has seemingly shown intention to support the growth of domestic Micro and Small Enterprises since independence, in 1960s when it began developing policies and enacting legislations aimed at ‘Kenyanizing’ and consequently ‘Africanizing’ the economy to enable small scale entrepreneurs at the grass root to grow and play part in economic development argues (Theuri, 2013). However, public procurement in Kenya has perpetually ignored the MSEs since independence, because local MSE firms have been regarded as lacking capacity to service the government with its needs, reports (Ochiri, 2011). This scenario has been a major setback towards the growth of this important informal sector leading to the endless ailing of entrepreneurship culture in Kenya, contends (Muniu & Ngugi , 2013). Although the government had good intentions for the young independent Kenya, the ugly face of corruption among the state officials led to selfish, narrow personal interest taking over the common good of Africanization spirit (Theuri, 2013).

According to Njiraini and Moyi (2006) Kenya’s public sector purchasing procedures and practices have persistently locked out MSEs through high volume standards, need for proof of large financial base and other pre-qualification standards. Ogachi (2013) argues that although the government has a strategy of setting aside 30% of total public procurement spend for the Kenyan youth, disabled and women owned MSEs across the country, the challenge lies in the implementation system that seems cumbersome, uncoordinated and bureaucratic especially in this era of devolved county system. The growth of MSE sector in Kenya continues to suffer from dilapidated infrastructure, poor technology and continued harassment from the government procurement agencies that undermine their desired growth, (Muniu & Ngugi , 2013). Thuo and Katuse (2013) observe that executives in both private and public sector organizations so far have recognized the importance of strategic planning, although few succeed at translating their strategies into business results.

Mwendwa (2010) says that the major challenge that County governments face in implementing devolution in Kenya is narrowing regional disparities in income, resource endowment and economic development. This can be successfully achieved if the devolved system can tap into and harness the available local resources through the local MSE entrepreneurs by supporting the ‘buy county-built county’ initiatives. Devolution being the heart of the Constitution, County governors should be the champions of the constitutional spirit and desire to enable locals to take part in setting their own economic, political and social agenda, (Alande & Wekhuyi, 2013). This will assist in combating bureaucratic policies previously experienced in the government at the expense of MSE access to government opportunities in the defunct County Council administrations, thus hampering their growth (Mulwa, 2010).

In order to enhance sustainable positive and expeditious growth of MSE, the County governments should put in place entrepreneurship promoting policies with positive externalities to enhance economic growth and development not only for the national economy, but also for potential entrepreneurial activities at county level observe (Abosedo, *et al*, 2013). These programs should incorporate participatory monitoring mechanisms in order to ensure that industrial and commercial policies perpetually depict the priorities of the marginalized business groups. Although the government has legislated to give 30% of its tenders to the perceived marginalized groups’ owned MSE through the AGPO program according to RoK (2013), Ogachi (2013) observes that the categories of contracts set aside for these groups award are based on low-value jobs such as supply of calling cards, flowers, printing services and newspapers. This leaves the older established firms to deal in jobs with real money further relegating MSEs to the periphery of public procurement opportunities.

Unless County governance is empowered to plan, execute and control their governments’ mandates, the inefficiencies of the former County Council administrations are likely to crop up and bedevil these devolved units. Okoth (2013) says that the success of this program

will depend on the means through which procuring entities use to disseminate information on procurement opportunities. Although use of information technology (IT) is the most appropriate channel, this approach is constraint in capacity reports (Anyanzwa, 2013). Most MSEs lack comprehensive infrastructure to enable them access government tender websites besides most Counties in particular and other public entities in general not posting their tender notices electronically which deprive MSEs access to these opportunities as desired.

Besides the aforementioned factors, Government regulatory framework plays significant role in limiting, constraining a right or allocating responsibility or duty to both public and private organizations, says (Okumu, 20013). Despite revision of PPDR, 2006 to create the PPDPRAR as echoed by (Okoth, 2013) to lay ground for the implementation of the AGPO policy framework, Ogachi (2013) argues that there still are bottlenecks on its implementation considering that the PPDA of 2005 remains unchanged. This scenario impedes adherence to the government policy as the legal public procurement position lies in the provisions of the procurement law and not the operationalizing regulations or policy directives that seem repugnant to the provisions of the law (RoK, 2005).

Kihanya (2013) states that better government regulation initiatives play an important role to establish simpler, more appropriate and sustainable regulatory environment for businesses to implement their business strategies successfully. The fact that the quality and quantity of regulation influence the way businesses develop, implement and evaluate their business strategies at whatever level, imposes need for a friendly government policy framework established within the statutory purview to nurture the growth of business organizations irrespective of their size.

As regards capacity as a factor in MSE-government procurement correlation, (Muniu & Ngugi , 2013) argue that for MSEs to be able to grow into bigger companies, they must be capacitated to attract and retain skilled employees in their entities. This implies that human resource is the foremost important capacity building measure that the MSEs must be assisted to develop. Thuo *et al* (2013) argue that the belief that a well-defined business

goals and strategies will implement themselves contributes to their failure. Nothing can be further from the truth, not even a brilliant strategy can ensure a quality implementation devoid of competent human resource intervention.

The government should therefore underscore need for technical training of entrepreneurs at the grass root level to equip with competitive capacity to enable them to perform well in discharging their expected roles in regard to taking part in public procurement opportunities according to (Indire, Nyam & Mbuvi, (2008). This is echoed by Alande (2013) who adds that the training should not be an isolated event but strategically aligned to knowledge, skills and ability (SKA) improvement for competitive reasons. Against this background, Jomo Kenyatta University of Agriculture and Technology (JKUAT) underscore need for graduates to take advantage of the devolved system of governance to stamp their authority in the field of entrepreneurial trade skills that may spur the country's economic development (JKUAT, 2013). Other capacity constraints afflicting the growth of MSEs in Kenya include poor infrastructure, poor technology, poor access to credit facilities, poor government communication channels and inadequate access to the market and market information (Muniu & Ngugi, 2013; Njiraini *et al*, 2006).

2.3.2 Public Procurement Procedures

Indire, *et al* (2008) posit that government participates in business in various ways including establishment of regulatory framework and operating procedures. In Kenya, Public procurement procedures are established and enforced by the Public Procurement and Asset Disposal Act (PPADA, 2015) and Public Procurement, Disposal Regulations (PPDR, 2006) and Public Procurement and Disposal Preference Reservations Amendment Regulations (PPDPRAR), 2013 explain (RoK, 2015; RoK, 2006; RoK, 2013). According to the public procurement statutory and regulatory frame, there are several established categories of procurement procedures.

These procedures have tendencies to lock out MSEs by imposing tight regulation such as levying high volume standards, need for proof of large financial base and other stringent pre-qualification standards as observed by (Njiraini & Moyo , 2006). According to Amayi *et al* (2013) the legal framework in Kenya is bureaucratically cumbersome to the extent of rendering public procurement performance ineffective. According to Kenya Institute of Supplies Management (KISM), the Kenyan Constitution calls for use of public procurement to meet social objectives such as supporting small businesses and disadvantaged groups through public procurement procedures (KISM, 2013).

This will assist the government to align Kenya's Vision 2030 which relies on harnessing private sector resources to build public infrastructure for sustainable economic growth and development. In order to improve the management of public procurement, many countries have come up with procurement reforms to streamline operations in Public Finance Management Systems, (Eyaa & Oluca, 2011). Nonetheless, the challenges in public procurement go beyond procurement rules and regulations to include process, methods, organizational structure and work force, argue (Eyaa & Oluca, 2011). Pearce *et al* (2012) argue that through tax incentives, liability protection and other forms of direct and indirect support for the MSE business can help to foster their participation in procurement procedures and contribute to their economic growth.

Amayi *et al* (2013) observed that the public procurement law in Kenya needs to be revised in order to make it relevant and keep it in touch with the requirements of the local supply market, government plans and constitutionalism. These amendments will allow effective participation of the MSEs in public purchasing processes contends (Kiplagat and Leftie, 2013). Although Kenya's ICT sector is headed for sweeping reforms likely to yield an efficient and effective governance system, (Mumo & Wokabi, 2013) observe that the private sector has persistently experienced hardships when engaging the public procuring entities on the IT front owing to cumbersome procurement laws. This has negatively

affected the implementation of the Public Private Partnerships (PPPs) despite the existence of the regulations guiding the initiative.

Matindi and Ngugi (2013) say that according to the National Association of State Procurement Officials, the procurement environment of public sector has become complex more than ever before. This is especially compounded by the advent of devolution as reinforced by revision of procurement regulations in Kenya. Muteru (2013) observes that Governments in the developing nations are grappling with the need to develop an environment conducive to job creation with a view to generate employment for the high number of new labour market entrants and reduce high structural unemployment.

To achieve this goal, entrepreneurship is desirable for counties as a tool for eradicating or reducing poverty and stirring economic development that Kenyan counties must pursue say (Odoro *et al*, 2013). In order to prepare a robust economic expansion plan and provide economic opportunities for the county populace, the option of propagating entrepreneurship through procurement opportunities among the MSE or informal sector has to be critically explored. The Kenya government has placed emphasis on the development and expansion of the microenterprise activities. This is intended to improve the business climate, build the domestic talent, pool and develop a more entrepreneurial-driven economy. Towards this end, evidence shows that the development of the private sector, of which micro, small and medium-sized enterprises (SMEs) and entrepreneurship are essential elements, and a main drivers of economic growth and employment creation as well as a fundamental factor in poverty reduction (Muteru, 2013; Ngugi, 2012).

According to Asiago and Ngao (2013), policy change initiative should be developed in consistency to the overall organizational heritage and identity which makes change initiative an expression of existing strengths rather than a demonstration of areas of weakness. This can go a long way to enhance institutional performance due to lower resistance from the employees and other stakeholders. Economic Recovery Strategy Paper 2003-2007 states that among the reasons for poor procurement performance in Kenya have

been due to poor implementation of policies, mismanagement and weak institutions of governance, (RoK, 2007). The gains made soon after independence seemingly begun on a downward trend during the late 1980s and deteriorated in 1990s reports (Theuri, 2013). The public service reforms that sought to deal with the economic resuscitation and revamp government performance seem to have had limited success or even failed. This has been a contributory factor to ineffectiveness of the MSEs in participation in the public procurement spends.

It has also been claimed that there is no coherent policy framework governing public procurement in Kenya that can complement and broaden the scope of continuing legislative reforms to make public purchasing stable, predictable, less problematic and supportive of the small-scale entrepreneurship in Kenya, (Owegi & Aligula, 2006). This is discernible through IFMIS Re-engineering Strategic Plan 2011-2013 which states that the procurement policy governing public procurement in Kenya needs an overhaul to make it consistent with the changing trends in economic management and allow seamless implementation of the IFMIS program in all MDAs in Kenya, (RoK, 2011). ERS states that clearly stated procurement policy can be helpful in supporting and contributing to the national growth and development strategies as enshrined in Vision 2030 (RoK, 2007).

Jones and George (2000) say that reforms bring changes in the way critical organizational components such as organization structure, culture, strategies and communication systems are re-engineered. In order to ensure effectively change, especially in devolved governance, (Draft, Kendrick & Vershinina, 2010; Asiago & Ngao, 2013) say that human resources must be adequately involved because they are the most important element of an organization. They are in essence, the driving force towards desired change. However smart the strategy may be without competent human capital committed to the achievement of the strategy, it is doomed to fail. Saunders (1997) argues that public sector has not been insulated from forces of change which have as well confronted the private sector. The introduction and management of changes is mandatory and necessary in this part of the

economy as well. Various reform measures in the public procurement signal a swing away from processes of administration to the need for processes on management, which implies a number of changes in approach. The management of cultural change, as organizations undergo fundamental reforms and re-organization, becomes a significant activity in this endeavor. In essence, the preferred result should be to move away from enforcement of defined processes and rules to the exercise of discretion. Although the government structures do not permit a free hand in conduct of operations as implied here, there is need to give sufficient autonomy to enable public procurement practitioners to facilitate the achievement of the reforms objectives.

According to IFMIS Re-engineering strategy, the government failure to address the change management and communication challenges including human resources management was experienced in the pilot phase of IFMIS implementation which greatly contributed to the lackluster performance of the reform initiative, reports (RoK, 2013). There is a clear indication here of lack of adequate involvement of the human resources factor in the roll out plan of the system which (Saunders, 1997) argues that they play an integral part in the process of introducing change and can determine whether the efforts succeed or fail. Globally, all successful changes involve changes in people and culture say (Draft *et al*, 2010). This pertains to people's mind-set, how employees think. People change concerns just a few employees, such as sending a handful of middle managers to a training course to improve their leadership skills. Culture change on the contrary pertains to the organization as a whole. Large-scale culture change, which is a pre-requisite for reforms, is however not easy and thus the reason for poor momentum in public procurement reforms initiatives. Change management strategy that provides buy-in by all employees to reforms can easily facilitate faster realization of the objectives of this effort

According to Daft *et al* (2010) governments around the world invest heavily in change and innovation projects but become disappointed with the results. However, Baily *et al* (2005) says that the most important concern should be to first ask ourselves whether we are doing

the right things and if we are doing them right. Armstrong (2011) observes that it is important to bear in mind that while those wanting change need to be constant about ends, they have to be flexible about means. This is echoed by Asiago and Ngao (2013) who argue that effective organizational policies should be flexible, agile and responsive to environmental conditions with home grown input from the internal employees rather than relying heavily on external consultants.

Employees resist change, many of them for no apparent reason. It is important to get all stakeholders to understand the need for change as the first step in implementation. Managers and employees who are not involved in a given innovation often seem to prefer the status quo. This therefore requires that the change champions should seek to understand the underlying reasons for resistance by other stakeholders, which can then help them to implement change more effectively. Asiago and Ngao, (2013) argue that organization's policies assist to create efficiency and effectiveness. The ability of an organization to change or modify processes in anticipation of environmental shift therefore remains key to improving its policies.

2.3.3 Procurement Contract Administration

In order to enable the government to achieve the public procurement objectives as enshrined in the PPADA, 2005 and other regulatory framework, procurement personnel should exercise high levels of professionalism in the discharge of their mandates argues (Aketch, 2013). According to Eyaa and Oluka (2011), the overall area where public procurement management at both the Central Government (CG) and Local Government (LG) Procurement and Disposal Entities (PDEs) score the lowest is in respect to contract award and contract management and administration. This is so because public procurement is vulnerable to all manner of irregularities such as bribery and bid rigging. Aketch and Karanja (2013) observe that public procurement irregularities are most likely to occur in public utility funding activities such as award and general administration of public contracts.

Arguably, improper and ill-driven contract administration approach among the PDEs has perpetually locked out MSEs in the mainstream procurement activities in Kenya. Although the Constitution of Kenya 2010 seeks to protect and promote social-economic development of local and communities marginalized groups to ensure equitable sharing of national as well as local resources through devolution, RoK (2010), Shiundu and Rotich (2013) posit that proverbially, an organization is as effective as its applied governance styles, management attitudes and approaches of the executives. Management executives in counties should provide the pivot point upon which all aspects of organizational functioning revolve, says (Amayi, 2013). This is because decisions about overall strategic planning and organizational management are the responsibility of the chief executive officers (CEOs) and their immediate subordinates. However, such decisions should be complemented with appropriate management attributes which take on board all stakeholders for sustainable positive results.

In the views of Mallin (2013) effective governance structures tend to have a more focused view of business with willingness to take into account the benefit from external constructive views for the betterment of the general good. Odunga (2013) argues that some county governors in Kenya rarely consult on important matters of public interest. Consequently, the Senate parliament is seeking to enact a law that will give emphasis on participation by the county inhabitants in matters that concern their socio-economic and political wellbeing. The law will help to compel good governance in the counties and lead to the establishment of structures for effective citizen participation in the county affairs which will enhance transparency and accountability in public projects management.

In the effort to counter the move and perpetuate the status quo, Njoroge and Wainaina, (2013) report that the county governance is vehemently opposed to the Senate's move claiming a scheme to usurp their executive powers. According to Msimangira (2003) purchasing department has been traditionally ignored in most organizations with top management perpetually playing it second fiddle to other department starving the function

of necessary support for effective functioning. It is considered as a cost center without due consideration to the immense economic potential that the function contributes to the national economic growth.

These drawbacks are likely to derail the Constitutional spirit as well the premise of Kenya Vision 2030 of devolving economic power to the grass roots to stir growth through MSEs and the rural small scale entrepreneurs. If effective laws are enacted, especially with regard to public procurement management at the County level forcing the government to buy locally, the ailing domestic industries will be revived, (Wafula & Kiplangat, 2013). This is the viable strategy to ensure support and growth of MSEs through procurement in the devolved system of governance.

Theuri (2013) argues that Africanization policies at independence in Kenya were successful in small towns more than in big towns. Small-scale entrepreneurs succeeded especially in agricultural production, leading to injection over Ksh. 42 million into the economy annually. This supports the fact that growth conscious administration in a devolved government system is an asset to economic empowerment of the small and medium business enterprises. For an organization to have a good administrative system, the solution is through collaborative investment and partnership with stakeholders, (Wekesa, 2013). This attribute is conspicuously lacking on the public procurement-MSE participation front and should be cultivated and nurtured by the devolved government at the county level.

2.3.4 E-Procurement Technology

Electronic procurement (e-procurement) which is a component of ICT, arguably, leads to more market transactions, improves market transparency, lowers search and supplier switching costs besides improving the overall management of supply chains as concurred by (Aketch & Karanja, 2013 & Eyaa & Oluka, 2011). However, Aketch and Karanja, (2013) argue that despite the aforementioned influence of ICT on procurement performance, it is disheartening to note that its implementation in most Kenyan entities is

poor. According to Pearce (2012) firms in competitive market environment must strive to understand both the existing technological advances and the probable future advances that can affect their products and service delivery. This is likely to offer competitive advantage especially in identifying and ceasing business opportunities within the environment.

According to JKUAT, slackened socio-economic growth and development in East Africa (EA) is attributable to slow uptake and commercialization of locally generated social and scientific technological innovations, (JKUAT, 2013). This owes to inadequate infrastructure and lack of political goodwill to support the appropriate rate of growth of technology in the region. In the same spirit, Shiundu and Rotich (2013) argue that the objective of IT in procurement should be two-fold; to enable the wide variety of purchasing transactions on which organizations depend to be done accountably and transparently and also arm decision-makers at every level with meaningful and actionable information in a predictable, fair and easily accessible manner.

Apparently, Kenya's commercial spheres seem to be gathering steam technologically according to (Anyanzwa, 2013). This is compounded by the fact that Kenyan traders importing and exporting their cargo in the EAC region are currently taking less time in processing clearance of their goods as a result of growing effort of digitizing files in the public sector. The ease and availability of Internet technologies is assisting to increase the marketplace for online e-tailers, says (Pearce, 2013). Grounded in this, it is deducible that the interaction between the public buying entities and the special interest groups, MSEs included should therefore be managed by adopting Internet based business engagement approach. Kenya's ongoing ICT sector's sweeping reforms as argued by Mumo (2013) are likely to yield an efficient and effective public procurement system.

In the past, manual systems that characterized the public sector processes have been a deterrent to effective participation of the private sector, especially the MSEs in government procurement opportunities. Chopra *et al* (2010) says that information is crucial to the performance of a supply chain because it provides the basis on which supply chain

managers make decisions. Information Technology (IT) consists of the tools used to gain awareness of information, analyze this information and execute on it to increase the performance of the supply chain. ICT facilitates knowledge management by transforming data into information and knowledge, and share all across the enterprise, (Draft *et al*, 2010). It is a key supply chain driver that glues and allows the other supply chain drivers, to work together with the goal of creating an integrated, coordinated supply chain. A supply chain can be effective only if all stakeholders within the supply chain share a common reasoning about the information that they have to make decisions for competitive advantage and economic sustainability.

Different information with different stakeholders results in misaligned action plans that hurt supply chain players. ERS states that achieving the government objectives of public expenditure reforms require the government to implement improvement in the reporting and accountability by establishing regular reporting flows in and out of public accounts, implementing the IFMIS and strengthening oversight bodies and automating the internal audit function, (RoK, 2003). According to Owegi (2006) reforms in Kenya's public procurement are expected to focus on four major areas which earlier legislative and institutional reforms overlooked. Among these areas include application of ICT in procurement reforms. Besides promoting economic cooperation, integration of government procurement markets by regional blocs can realize major scale economies and stimulate growth through trade links. It is worth to note that the initiatives by the PPD to formulate joint public procurement directives within COMESA and establish common thresholds, plus an IT public procurement support system within EAC, remain formless as long as no domestic policy detailing what public procurement is expected to achieve and how. A broad policy framework addressing this concern can be helpful in sustaining the gains from past public procurement reforms and ensure that the envisaged initiatives eventuate.

These observations sound reasonable and logically coherent in this context. However, there exists long term jittery among the government employees that with full operationalization

of ICT in the public sector, the danger of loss of employment impends them. This is traceable from ERS report that the government has been carrying out civil service reforms over the past decade focusing on downsizing the core civil service which has seen over 79,000 civil servants lose jobs in 2002 through Voluntary Early Retirement scheme and compulsory retrenchment, reports (RoK, 2003).

This drives the employees to silently frustrate any effort by the government to deploy the technology in cutting its operational costs and improve service delivery efficiency and effectiveness. Unless this aspect of reform is mutually implemented, the overall public reforms initiative will remain a mirage for as long as the issues remain unaddressed. However, public employees should note that resisting the introduction of new efficient approaches and to perpetuate the less effective and less efficient processes by any force could spell danger to all economic players in the long run. The UN (2006) reports that for an organization to be able to successfully implement e-procurement, those involved in the procurement function need to understand the e-procurement concepts and tools so as to provide input into their development, use, evaluation and refinement as a means of improving procurement efficiency, effectiveness objectives. The study thus establishes that procurement officers can make useful contribution to decisions about investment in, and configuration and use of e-procurement tools in many ways including having general understanding of the various e-procurement applications, understanding the sources of e-procurement benefits and identifying the procurement processes that are effectively supported by e-procurement. This requires a professional supply chain complete with technically qualified personnel. Such staffs will have a better understanding of need to reform the system and offer positive contribution toward the same course.

The most successful e-procurement implementations have been driven by those who best understand the procurement processes and the outcomes to be achieved from deploying ICT in decision making. Unfortunately, Burt *et al* (2004) argue that it is common to ascertain that transaction-based procurement system has been purchased, implemented, operated and

maintained with almost no input or participation from supply chain management. These systems may be acquired on the strength of purging costs of full time employees (FTE) which does not discriminate between individuals performing tactical and strategic value-added activities. Such purging increases future problems since few professionals are left to contribute during the critical requirements development process.

However, information only becomes knowledge when a person absorbs it and puts it to use, (Draft *et al*, 2010). The government should therefore embrace knowledge management as an effective tool for change if it intends to enhance its reform agenda. Despite the deployment of IT being a major boost for procurement reforms, Choppra *et al*, (2010) opine that when organizations switch over to new systems without proper integration, the new system is unable to perform all that was, for the purpose of this study support for MSE to take part in public procurement. It may even perform worse than the system being replaced. It therefore remains a delicate balance to actually make the transition over to the newer ways of doing business. Nevertheless, Aketch and Karanja (2013) sum it up that e-procurement is still at its nascent stages in Kenya, with for instance, only 33% of the textile and apparel firms having implemented e-procurement strategies.

2.3.5 Bidding Capacity

Nasio *et al* (2003) say that for the government to ensure that the control of the economy does not excessively pass on to foreign investors, it involves itself in regulating and promoting the growth of local investors. Indire *et al* (2008) argue that to facilitate small business growth and development, the government should commit to undertake training initiatives to impart and improve skills of the business people to enhance better management of the informal business sector, with regard to nurturing MSEs at the grass root economies. According to Mumuni and Insah (2013) entrepreneurs play an important role in local economies in developing countries through employment creation and livelihood sustainability for the rural folk. Through entrepreneurship, people's purchasing power grows thus supporting industrialization and macro-economic growth. JKUAT (2013)

reports that in order to support innovative programs that can promote entrepreneurship and create a pool of indigenous, skilled, adaptive and competent human capital capable of stimulating the region's socio-economic development, universities should work closely with MSEs and young entrepreneurs to enhance their capacity. Alande (2013) blames inadequacy in staff training both technically and experientially, technology and financially for poor performance of County governments as they reduce effective capacity for service delivery. However, training-based capacity makes more sense when coupled with competence-based capacity. According to Shiundu and Rotich (2013), competent procurement related decisions are those based on rules and analysis with sufficient organizational experience which enhances responsiveness to citizens' expectations and aspirations.

Although the Integrated Financial Management Information System (IFMIS) was intended to enhance operational and control capacity in the public financial management reform effort, many key activities are still undertaken outside the system albeit the IFMIS capabilities to achieve full automation of these manual processes, (RoK, 2013). The IFMIS strategic plan seeks to identify the political, administrative and capacity constraints that require rigorous interventions in order to secure the buy-in and ownership attributes necessary within MDAs to facilitate effective implementation of IFMIS and improve the confidence of all relevant stakeholders. This owes to a surprising trend that in most entities, procurement systems have been basically built for financial reporting and budgeting purposes, and are hence not set up primarily to furnish sufficient information about procurement performance, (Shiundu *et al*, 2013). It has therefore remained as a drawback to effective assessment by the policy makers on determination of the ratio of MSE to large enterprise participation in public procurement opportunities. As such, large enterprises have persistently had a field day in government procurement at the expense of MSEs.

Besides, the re-engineering of IFMIS may not achieve much unless the government professionalizes the public procurement function with necessary and relevant human

capital. This area has been marred by corruption and ineptitude, due to deployment of non-professionals to manage public procurement against the requirement of the Supply Practitioners Management Act (SPMA), 2007), argue (Amayi *et al*, 2013). Technology impacts on the development of business conditions and creates new opportunities for suppliers, producers and customers. The personnel in public procurement can determine the extent to which the government takes advantage of ICT. Failure to recognize and exploit such innovations may jeopardize the future of public organizations.

Kihanya, (2013) argues that financial capability is instrumental in the determination of whether an organization succeeds or fails. The government should therefore establish favorable financing structures and modalities to facilitate MSEs in developing their financial base in to enable them to effectively take part in public procurement opportunities. Okoth (2013) observes that government suppliers suffer financial constraints due to delayed payments forcing them to halt operations because they tend to spend a lot of money upfront but get paid much later. For the MSEs, especially at the county level, this is a big financial blow because most of them operate on a shoe string budget due to inadequate or unfavorable financing sources.

2.3.6 Procurement Oversight Agencies

PPDA, 2005, PPDR, 2006 as amended by PPDCGR, 2013 vest supreme authority of public procurement decisions in PDEs' tender committees, sentiments echoed by (RoK, (2015; RoK, 2006 & RoK, 2013). Some of the authority is further delegated to other oversight agencies such as PPRA's complaints review and administrative board, EACC, KENAO and even the internal audit divisions.

The basic purpose for establishment of the oversight agencies by public procurement regulatory framework is to assist in striking a moderated balance not only in the way procurement and its accompanying processes and technologies is structured, but in how the various roles, responsibilities and decision rights are allocated between procuring entities

and other stakeholders, say (Shiundu *et al*, 2013). This puts public tender awarding authorities in a pivotal position in the adjudication of government procurement processes. Consequently, the onus of effective participation of all categories of suppliers including MSEs in public procurement lies with these authorities.

Manual for Centre for Parliamentary Studies Training (CPST) states that it is important that tender awarding and oversight authorities have the appropriate competences to properly assess, rationalize, and afford equal public procurement opportunities to all potential bidders, (RoK, 2015). However, unless proper ethical standards are observed in the discharge of their mandate, bias will arise and the weaker firms may not benefit from public procurement processes. It therefore requires tender committees to be constituted from a team of officers with sufficient and relevant managerial experience, knowledge, confidence and competences. According to Asiago and (Ngao, 2013), despite the recognition of the value of managerial experience in converting organizations' resources into societally beneficial plans in the public sector, little effort and attention have been devoted to developing an experience-based cross functional team of public executives to serve in procurement oversight committees.

Kenya National Audit Office (KENAO) report in 2008-2009 financial year states that this has rendered the quality of procurement and procurement related decisions in public entities ineffective and costly at the expense of the general Kenyan society, (RoK, 2009). This should be a reason enough to compel the government in general and County Governments in particular to acclimatize with the global trends in this respect through effective benchmarking or risk being irrelevant in today's dynamic socio-economic and political environment. As observed by Eyaa and Oluka, (2011) many corporate members in Africa, especially in state owned PDEs have limited understanding of their oversight roles and are usually open to manipulation by principal shareholders, due to among other factors, their incompetence. In order to ensure that they deliver on their mandate, the oversight agencies should pool together their team-specific experiences to make and implement decisions with

positive impact of the public procurement processes on the economy for the benefit of the local business community that comprises over 70% MSEs, argue (Asiago & Ngao, 2013; Ngugi, 2012 & Muniu & Ngugi, 2013). This can be achieved through the engagement of fair and constructive discussions and debates on strategic decisions during their committee sittings in adjudicating on suppliers' determination, selection and contract awards.

2.3.7 MSE Participation

Expanding the participation of MSEs in the tendering processes has numerous benefits for poverty reduction and sustainable growth and development (Kirton, 2013). There exists interventional relationship between the independent variables of this study and the dependent variable. Bougie and Sekaran (2013) observe that whereas independent variables help in explaining the co-variance in the dependent variables, the intervening variable exerts contingent effect on the relationship between the two variables owing to their interactional relationships. Bougie and Sekaran (2013) further advance that unless there is the presence of a intervening variable, the theorized relationship between the independent and dependent variables cannot be sustained which is the case for participation as an intervening variable in this study.

According to the Ministry of Industrialization and Enterprise Development, lack of vibrant market for the MSE products inhibits their growth and competitiveness, (RoK, 2013). Njiraini and Moyi (2006) contend that one of the innovative ways in which countries should be dealing with the MSE market access constraint is by enhancing participation of MSEs in public procurement since it provides an important market for MSEs and offers them an opportunity to overcome the market constraint.

In Kenya however, public sector purchasing practices tend to lock out MSEs through high volume standards of pre-requisite requirements for participation. Yusuf and Mnguu (2014) argue that high cost of compliance to regulations usually discourage the potential MSEs from doing business with the government and in most cases drives the existing enterprises

out of business. In an effort to remedy this phenomenon, the government is seeking to upgrade the dilapidated MSE infrastructure in order to incorporate the sector into the mainstream economic development activities for their growth and self-sustainability (RoK, 2013).

This trend has been a long time ridicule for the government as reflected in Muteru (2013) argument that for quite some time, governments in the developing nations have been grappling with the need to develop an environment conducive to job creation with a view to generate employment for the high number of new labour market entrants and reduce high structural unemployment without much breakthrough. Increasing the level of aggregate demand through the expansion of public procurement budgets and the introduction of active labour market policies is therefore the way to go. In order to achieve this goal, it is imperative to prepare for economic expansion, providing economic opportunities for the populace through entrepreneurship in the MSE sector. To stimulate economic activity and growth and to ultimately reduce unemployment, the Kenya government has placed emphasis in the development and expansion of the microenterprise activities.

This is also intended to improve the business climate, build the domestic talent pool and develop a more entrepreneurial-driven economy. This is a stimulant for demand for the goods, works and services which leads to demand for more investment. Arguably, and as (Shahnazi & Gharagoz, 2014) contend, the importance of investment as a driving force for economic growth and development world over cannot be overstated. In the Keynesian expenditure model of accounting for the national income as put forth by Jhingan (1989) the government expenditure 'G' component is crucial in influencing economic growth in a given economy. The model comprises of the following variables $Y = C + I + G + (X - M)$. Where 'Y' represents the national income, 'C' denotes consumption expenditure, 'I' equals to the investment expenditure, 'G' relates to government expenditure while (X-M) are the exports less imports.

According to the model, the government expenditure in the ‘G’ component, especially on acquisition of goods, works and services influences the income of suppliers which affects their investment decisions in the economy. This owes to the fact that government is the largest sole buyer of all goods and services produced in a given economy. Owegi and Aligula (2006) note that governments across the globe are major buyers or in some cases the only buyers of goods and services and that governments in developing countries have significant influence on the size, structure, conduct and performance of industries. Since they utilize public funds from taxes and other public sources aimed at re-distribution purposes, according to (Lysons & Farrington, 2010). The re-distribution should therefore be as equitable as relevance and socio-economic objectives of the government permit. All stakeholders in the economy including the most crucial ones such as the MSEs should be adequately supported to participate in government buying process to enhance their competitiveness and sustainable growth.

2.4 Empirical Literature Review

This section is concerned with review of literature material from various sources. It covers both published and unpublished written materials by various groups of authors. According to Sekaran and Bougie (2013), this is a careful review of textbooks, journals, conference proceedings and other published and unpublished materials. This section is structured along the variables as the sub-headings in order to allow for strategic alignment of the entire study to the variable.

2.4.1 Growth of MSEs

Njiraini and Moyi (2006) conducted a study titled Supporting MSEs to Access Public Procurement Market in Kenya. The study was published by the Kenya Institute of Public Policy and Research Analysis (KIPPRA) in Nairobi. The main objective of the study was to analyze how MSEs in Kenya can be integrated into the public procurement processes. The paper analyzed public procurement policies, laws, institutions, procedures and practices

with view to identifying inherent barriers to participation by Micro and Small Enterprises sector in Kenya.

In order to achieve its objectives, the study adopted descriptive design approach. The study found out that there are several barriers facing MSEs in public procurement in Kenya. These include among others inhibitive technical documentation, slow payment cycles, bundling of public procurement contracts, costly and tedious government procedures, inaccessibility to procurement information, limited capacity, and costly tender security guarantees requirement. The study concluded that public procurement market in Kenya is huge estimated at 9.07% of GDP. It was also noted that despite good intentions of the policy to reserve 25% of government tenders for the MSEs vide Sessional Paper No 2 of 2005, which has since been raised to 30% through the AGPO policy framework, according to Chai (2013), there lacks implementable strategies and guidelines specifying how MSEs would take advantage of the policy proposal.

Picking from this cue, the study recommended two major interventions. It states that the government should establish the National Council for Small Enterprise (NCSE) which would cope with the inefficiencies of poorly functioning public procurement system by absorbing significant amounts of the transaction costs for both the MSEs and the government. Second intervention is to harmonize procurement policies and regulations. Kenya lacks an explicit public procurement policy and hence need to develop a comprehensive procurement policy and harmonize it with the procurement law (RoK, 2005). This would in effect reduce the high fixed and transaction cost associated with conducting business with the government in uncertain and complex environment. Furthermore, the affirmative policy of reserving 30% of all government procurement tenders for the MSEs sector should be translated into an additional market for the MSEs coming through public procurement.

2.4.2 Public Procurement Procedures

Mnguu and Mohamed (2014) in their thesis titled *Fiscal and Monetary Policies: Challenges for Small and Medium Enterprises (SMEs) Development in Tanzania* published by the *International Journal of Social Sciences and Entrepreneurship* sought to evaluate challenges afflicting the growth and development of SMEs in the Tanzanian economy. Among the specific objectives was an objective to evaluate the effect of SMEs capacity to tap and utilize the opportunities offered by the fiscal and monetary policies by the government. The study used secondary data by reviewing previous research reports relevant to its problem.

Among the factors found out to be limiting the participation and growth of SMEs include complex, bureaucratic and costly legal, regulatory and administrative environment. These disadvantage the SMEs against their large sized enterprise counterparts. The high cost of compliance to regulations discourage the potentiality of SMEs to their businesses, while driving some of the existing enterprises out of business and rendering joblessness to their employees and the economy at large. Other inhibitive factors for the survival of SMEs were found to be tight registration procedures, vague regulative policies, inadequate infrastructure and bureaucratic processing time (Mohamed & Mnguu, 2014).

As a way forward, the study recommended that there should be practical advocacy plan tailored for the SME Development at the national level. This would encourage and help SME-government links to play their part effectively in national dialogues that help to set the strategic frameworks for growth and development as well as employment creation and poverty reduction. Mohamed and Mnguu (2014) contended that there is also need to promote policy coherence at national, regional and international level so that trade and investment policies are aligned with the national SME development objectives in respect to opportunities offered by public procurement.

2.4.3 Procurement Contract Administration

Owegi and Aligula (2006) conducted a research titled *Public Procurement in Kenya: The Need for a Coherent Policy Framework*. The study was published by the Kenya Institute of Public Policy and Research Analysis (KIPPRA) in Nairobi. In the objectives, they sought to analyze trends in Kenya's public procurement system since independence on the growth of the economy. From this study, it was noted that besides its business objectives, public procurement is an instrument for the attainment of broader national socio-economic objectives such as supporting employment of citizens and income creation as well as promoting the growth of indigenous MSEs. The study notes that since governments across the globe are major buyers or in some cases the only buyers of goods and services, governments in developing countries have significant influence on the size, structure, conduct and performance of national industries.

Through objective contract administration in the public procurement, governments can determine entry, growth and/or exit of firms within an industry. However, whereas public procurement has great significance for the growth of a country's economy, it has its limitations and failures. It is normally blunted and even perverted by misuse. For instance, preferential and discriminatory public purchasing is used as a guise to favour constituencies associated established business organizations and prominent individuals rather than as a strategy to improve legitimately marginalized sectors (Owegi & Aligula, 2006).

Owegi and Aligula (2006) study concludes that the subject of public procurement in Kenya has never been far from controversy. There have been many allegations of unscrupulous behavior regarding the public procurement contract administration in both the central and devolved government entities leveled against the public officers. The most outstanding cases involve corruption, rent-seeking and underhandedness between public officials and the business community. This phenomenon has perpetually inhibited most MSEs from taking part in public procurement and hence their consequent poor growth rate.

The study recommends that there is need to escalate the pace of government procurement reforms even after the enactment of the public procurement law. The outstanding reforms should be recast and implemented as interconnected rather than disjointed activities of a wholesome reform discipline. Owegi and Aligula (2006) recommended that the Central Bureau of Statistics should begin collecting, processing and disseminating quantitative data on Kenya's public procurement across ministries, departments and other sectors. Such data will provide a useful basis for further analysis of the problems facing government purchasing and, therefore, more detailed recommendations of how these bottlenecks can be surmounted.

2.4.4 E-Procurement Technology

Mboya and Ngugi (2013) conducted a study with the title Influence of Adoption of Information Communication Technology on Organizational Performance and published it with International Journal of Social Sciences and Entrepreneurship. The study sought to establish the influence of adoption of ICT on organizational performance. The MSE sector in Kenya is characterized by dilapidated infrastructure that fuels low adoption rates of advanced technology and continued harassment from the public procurement entities that otherwise need to be protecting and nurturing their growth say (Muniu & Ngugi, 2013).

According to Mboya and Ngugi (2013) technology plays a key role in the growth and development of an enterprise in any given economy especially in the developing countries. It is known to increase operational efficiency, provide access to new markets or services and create new opportunities for income generation. Although there has been considerable improvements achieved in Africa with respect to certain aspects of ICT, there are still areas where improvement is needed in order for MSEs to be able to take advantage of the benefits this technology offers.

Mboya and Ngugi (2013) study took a descriptive study design with a case study approach. The target population was the staff at the Kenya Wildlife Service head office. A sample of

80 respondents was taken from the total population of 800 staffs which represents approximately 10% of the population. Muniu and Ngugi (2013) study concluded that the adoption of ICT has influence on the organizational performance. The adoption has led to better process efficiency within the organization, resulting to cohesion between departments, better decision making and the relation that the organization has with other firms. Automation of processes and systems within the organization has resulted in the organizations increasing their revenue as they are now able to monitor and track the monies that are collected due to the integration with the headquarter and the implementation systems. The organization is also able to make decisions based on reports generated from systems and they are able to forecast their budgets and allocate resources into areas that generate income for the organization.

Muniu and Ngugi (2013) and Mboya *et al*, (2013) recommended that an organization should adopt and utilize a business model which can be used to add value to the organization and assist in the process efficiency. This result in improved processes and creates new processes that make it easier for the organization to carry out their business and be able to provide better service and become competitive.

2.4.5 Bidding Capacity

Muniu and Ngugi (2013) in their study Effects of Human Resource Management Practices on Performance of Small and Medium Enterprises in Kenya, published by the International Journal of Social Sciences and Entrepreneurship sought to establish the effect of employee training and development on the business performance of SMEs in Kenya. The study adopted descriptive design approach with sample of 200 SMEs with questionnaire as its instrument of data collection. It established that time taken to induct employees and the resources deployed to training the employee have significant effect on the business performance. New knowledge and skills are imparted which empower and capacitate the employee in the discharge of their duties.

However, the cost of training remains prohibitive for the MSEs due to financial constraints. Mnguu *et al*, (2014) observe that MSEs have lower demand for business development services such as training, counseling, professional advice and consultancy due to cost considerations. This limits their competitiveness especially when they compete for public tenders with their large enterprise competitors. It thus hurts their bidding capabilities which denies them opportunity to effectively participate and eventually attain growth through public procurement system (Muniu & Ngugi 2013; Mnguu *et al* 2014).

This study by Muniu and Ngugi (2013) recommended that MSEs should embrace extensive recruitment and training procedures in order to remain competitive in their bidding for tenders in the public entities. Mnguu *et al*, (2014) study on the other hand recommends that the government needs to ensure that necessary fiscal and monetary conditions for the SMEs participation and development in useful economic activities are in place. It should seek to assist in training the MSEs with a view to raising their competitive capacity especially in bidding for the public tenders and contracts.

2.4.6 Procurement Oversight Agencies

Getuno, Awino, Ngugi, and Ondieki, (2015) conducted a study to analyze Public Procurement and Disposal Regulations Implementation and Performance of State Corporations in Kenyan. The main objective of the study was to assess the effect Public Procurement and Disposal Regulations, 2006 implementation on organizational performance of Kenyan state corporations. The study applied a survey research design with a target population of 187 state corporations. The study sample comprised 250 procurement staff and 60 Accounting officers. According to the study, in recent years, public sector performance and its capacity to deliver services has received a renewed focus given the declining morals and increasing levels of dubious decisions, especially within the procurement oversight agencies fraternity as echoed by (Eyaa & Oluka 2011).

There is hardly any oversight agency that has escaped the seemingly contagious predicament of corruption accusations including the EACC itself. The findings of the study show that majority of the respondents 70% are not familiar with procurement rules and regulations within their organizations (Eyaa & Oluka, 2011). On average majority of individuals involved in the oversight of procurement process are not conversant with legal and general regulatory framework governing it. This is the main cause of lackluster performance and poor enforcement of policies such as the YAGPO policy plan that sets aside 30% of the total procurement spend for the marginalized MSE enterprises in Kenya.

Getuno, *et al.* (2015) concluded that while implementation of the PPDR, (2006) improves performance of public organizations in line with objectives of the public procurement, the implementation of the same is inadequate and skewed. The level of familiarity with the procurement rules and regulations by the oversight agencies is low as most of those involved in the procurement process do not possess relevant training. Documentation and records management was found to be a challenge for state agencies and this equally undermines legal reforms thus creating room for malpractices and negatively affecting enforcement of procurement rules and regulations.

Getuno, *et al.* (2015) recommended that state organs procurement plans for all requirements should be prepared and linked with the approved budget of the organization. Fair and transparent procurement procedures should be used for all procurements with the provisions for reservations and preference clauses for the local MSE firms getting the fairness they deserve. Tender committee should be appointed based on the proven competences and capabilities for procurement know-how and they should be seen to be working diligently. Lastly, state organs should train all those involved in the procurement process on the rules and regulations. This will lead to increase in the implementation levels.

2.4.7 MSE Participation

Mohd, Chea and Juhary, (2010) conducted a study titled Moderating Effect of Government Policy on Entrepreneurship and Growth of Small and Medium Enterprise in Cambodia. It was published in the International Journal of Business and Management Science. The study sought to analyze causes of poor growth of SME firms resulting from the government's economy moderating effect in Cambodia. The study was carried out using descriptive design approach with focus on all SME registered by the Small and Medium Enterprise Corporation in the Country. From the study, Mohd, *et al* (2010) established that SMEs faced many problems in their growth performance. These problems were caused by lack of entrepreneurial values, finances, markets and management. Government policies and regulations as well as the physical infrastructure have an effect on the growth performance of the SMEs.

Siti and Atikah (2010) in their research titled The Impact of Supply Chain Operational Capabilities on Business Performance of Small and Medium Enterprises in Malaysia concur with (Mohd *et al*, 2010) that SMES poor showing in public procurement is, besides regulatory constraints from the government side, as a result of lack of SMEs management to realize their potential capabilities or failure to exploit such capabilities to take advantage of the opportunities arising from public procurement. This case is shared even in the Kenyan scenario where despite the existence of the preference and reservations clauses in the PPDR, 2006, many MSEs in Kenya still do not take effectively part in procurement process in the public sector organization. The studies recommend that the government should reduce the barriers inhibiting SMEs from accessing procurement opportunities making it a pipe dream for the majority of the firms. There should also be established formal training institutions with specific focus on the existing SMEs in their respective countries. This, they argue will foster faster growth of the SMEs which would lead to increases in the growth of their national economies.

2.5 Critique of Literature

The study has reviewed substantial volumes of literature in order to enable it to build a strong case on the stated problem. This review has helped to shade sufficient light and also explain the relationship between the specific objectives of the study and the dependent variable as conceptualized by the study. Literature review was conducted from several sources including published sources, unpublished literature, statutory and other policy documents. However, despite the positive contribution from the review, there were limitations as well.

For instance, much of the literature material concerned itself with addressing the problems faced by the SMEs in accessing market for their products. Save for Njiraini and Moyi (2006) who recommended that public procurement could offer a suitable alternative market for the MSE in Kenya, the rest of the studies were silent on this front. Furthermore, to a large extent, the literature materials accessed by the study were analyzing the SMEs performance from internal organization perspective. Omondi (2016) argues that over 400,000 Kenyan MSEs collapse annually due to capacity constraints arising from poor internal organization of the enterprises. This does not provide an opportunity to understand external factors that equally affect their performance and growth especially in the public procurement system and more so, in devolved system of government in Kenya.

Another conspicuous limitation in the literature reviewed arises from the fact that most the papers were modeled along entrepreneurship discipline. Articles presented by Waithaka, Ngugi, Aiyabei, Itunga and Kirago, (2012), Odoro and Ngugi (2013), Shikuku and Omwenga (2015) represent among the typical cases. This is a contrast to this particular study that seeks to address the performance of MSE's growth dimension from a supply chain viewpoint. Besides, majority of the studies and documents reviewed dealt with the performance of Small and Medium Enterprises in the national economy as demonstrated in studies by (Muiruri, 2014; Ngugi, 2013 & Waithaka, *et al* 2012). Conversely, this study seeks to addresses the growth of Micro and Small Enterprises in the devolved procurement

structure in Kenya. This is a paradigm shift in the focus. The study seeks to demonstrate that given opportunity to develop, MSEs can grow to robust supply base for the government unlike the remain the conventional entrepreneurs struggling to make a living the normal way.

2.6 Summary of Literature

Arising from the literature review, is evident that government support for MSEs as a source of its suppliers or its willingness to remove barriers for equitable competition has far reaching influence on their growth. However, this endeavor is conspicuously lacking from the strategic point of view. The variables public procurement procedures, procurement contracts administration, e-procurement technology, bidding capacity, procurement oversight agencies, MSE participation in public procurement have been identified to have relationship between public procurement and the growth of MSE in Kenya. This study seeks to determine the nature of relationship that exists and the extent to which they influence the MSEs growth in the County government of Trans Nzoia.

2.7 Research Gaps

Arising from the criticisms above, there are outstanding gaps that the study sought to address. The first one is that most of the reviewed literature is domiciled in the entrepreneurship discipline. Secondly, the links between MSEs performance and the variables public procurement procedures, procurement contracts administration, e-procurement technology, bidding capacity, procurement oversight agencies, MSE participation in public procurement have not been comprehensively documented by any of the reviewed studies. Thirdly, there is no particular research conducted on the relationship between public procurement and the growth of MSEs as a source supply market for their products, in Counties in Kenya. This study identifies itself with these gaps.

Although Pearce, *et al* (2012) argues that government support for MSEs participation in economic growth or its willingness to remove barriers for fair trade can have positive influence on their growth, public procurement in Kenya has perpetually ignored the MSEs. Local MSE firms have been perceived as lacking capacity to service the government with its needs, according to Ochiri (2011), which has relegated these micro entities to the periphery of public sector procurement operations. This scenario has been a major setback towards the growth of this important sector which has led to the endless ailing of entrepreneurship culture in Kenya at large, (Muniu & Ngugi, 2013), and devolved government units in particular. This, thus, has denied the exchequer sufficient competitive bidding and hence lack of value for money in public procurement. There is no particular research study that has been conducted on the relationship between public procurement and the growth of MSEs in Counties in Kenya, which informs the gap and need for this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains the study design, target population, sample and sample design, data collection methods, data analysis design and data presentation. It gives the roadmap to solving the stated research problem. It is a stepwise approach adopted by the study to analyze the specified problem along with the logic behind them. Methodology is essentially a way to systematically solve the research problem as contended by (Kothari, 2002).

3.2 Research Design

The study adopted a descriptive research design with focus on the County Governments of Trans Nzoia, Bomet and Kajiado. Research design is a blueprint that will enable the collection, measurement and analysis of data based on research questions of the study, sentiments shared by (Sekaran & Bougie, 2013). As distinct to other study designs done in controlled environment, this study is largely descriptive with both quantitative and qualitative data. Descriptive studies are correlational in nature especially when the researcher is interested in associations among the variables contend (Sekaran *et al*, 2013). Kombo and Tromp (2006) say that descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. They are not only restricted to fact findings, but may often result in the formulation of important principles of knowledge and solution to significant problems, a facet shared by (Mugenda & Mugenda, 2003), which was the basic purpose of this study.

3.2.1 Research Philosophy

The study was guided by the realists philosophical position. Born from a frustration that positivist philosophical paradigm is over-deterministic and that constructionist on the other hand is totally relativist, realism takes aspects from both positivist and interpretivist positions. It holds that real structures exist independent of human consciousness, but that knowledge is socially created. Our knowledge of reality is a result of social conditioning argues (Flowers, 2009). Accordingly, while realism is concerned with what kinds of things there are, and how these things behave, it accepts that reality may exist in spite of science or observation, and so there is validity in recognizing realities that are simply claimed to exist or act, whether proven or not. In common with intepretivists' positions, realism recognizes that natural and social sciences are different, and that social reality is pre-interpreted, however realists, in line with the positivist position also hold that science must be empirically-based, rational and objective and so it argues that social objects may be studied scientifically as social objects, not simply through language and discourse.

Whereas positivists hold that direct causal relationships exist, that these relationships apply universally, thus leading to prediction, and that the underlying mechanisms can be understood through observation, realists take the view that the underlying mechanisms are simply the powers or tendencies that things have to act in a certain way, and that other factors may moderate these tendencies depending upon circumstances, and hence the focus is more on understanding and explanation than prediction. Although realism is described as ultimately a search for generative mechanisms, realists recognize that the underlying mechanisms can act apparently independently or out of phase with the observable events, and that events can occur independently of them being experienced, a view described as a stratified form of reality whereby surface events are shaped by underlying structures and mechanisms but that what we see is only part of the picture. From an organizational perspective, Chia (2002) describes the realist researcher as enquiring into the mechanisms and structures that underlie institutional forms and

practices, how these emerge over time, how they might empower and constrain social actors, and how such forms may be critiqued and changed. Realists take the view that researching from different angles and at multiple levels will all contribute to understanding since reality can exist on multiple levels as contended by (Chia, 2002) and hence realism may be seen as inductive or theory building.

3.3 Target Population

The study targeted all MSEs registered by the Micro and Small Enterprises Authority (MSEA) in the County Governments of Trans Nzoia, Bomet and Kajiado. Micro and small enterprises in Kenya are not growing in commensurate with the public procurement budgets as concurred by (Ongachi & Bwisa, 2013). This is partly due to lack of support by the essential markets such as public procurement, views shared by (Ogwel, Iravo & Lagat, 2016). Shikuku and Omwenga (2015) concur with the fact that Trans Nzoia, Bomet and Kajiado Counties are the most affected counties, with the least ranking of MSEs growth rate if not stagnated growth out of the 47 counties in Kenya. Muirui (2014) shares the sentiments and posits that the MSEs growth in Kenya continues to suffer due to the poor market environment with the biggest constraint being lack of support by the public procurement market as part of the supply chain. The problems hindering the growth and development of MSE supply chains in the county according to (TCIDP 2013-2017) include inadequate institutional capacity on the part of the MSEs, limited access to government opportunities, inhibitive legal and regulatory environment, inappropriate technology among others (RoK, 2013). It is imperative to note the fact that public procurement is governed by uniform regulatory framework and that all counties apply the same framework in Kenya. Importantly still, the e-procurement platform in the public sector in Kenya, the IFMIS system, applies to all the public entities as envisaged in the PPADA, 2015 which defines a public procuring entity as including County governments (RoK, 2015). The above foregoing cause the findings of the study to be reliably representative and hence good for generalizability.

According to the MSEA’s database, the Counties had 771 registered MSEs (RoK, 2014). The target population of the study was therefore the 771 firms. The study presumed all MSEs to be actively involved or potentially involved in one way or another with government purchasing processes which according to Baily *et al*, (2005) impacts their growth and performance. The target population is summarized in table 3.1.

Table 3.1: Target population for the study

Association Name	No. of MSE
Trans Nzoia	207
Bomet	234
Kajiado	330
Total	771

Source: Republic of Kenya (2014). Micro and Small Enterprises Authority: Harmonization of Micro and Small Enterprises (MSE) Sector in Kenya.

3.4 Sampling Frame

The sampling frame for this study included the 771 MSEs registered by the Micro and Small Enterprises Authority. The study sample was 155 firms to represent the universe. This sample size was considered representative, as supported by (Kothari, 2004 & Ogachi, 2011). The detailed register of the firms was obtained from the Micro and Small Enterprises Authority offices in the County.

3.5 Sample and Sampling technique

The study employed a combination of clustered and stratified probability sampling technique since the subjects in the target population were heterogeneous. This choice as supported by Kothari *et al*. (2014) was appropriate since the population from which the sample was selected did not constitute a homogeneous group. Stratified sampling

technique was applied to obtain a representative sample. Based on the nature of distribution as provided in table 3.1, the Counties provided a basis for clustering. However, within the clusters, there existed strata modelled along the nature of business, which was grouped according to the industry within which the MSEs belong. Each type of industry informed the strata while the sectors within the industry constituted sub-strata. The actual sampling was based on the sub-strata.

Kothari *et al.* (2014) and Bougie *et al* (2013) echo that under stratified sampling the population is divided into several sub-populations that are individually more homogeneous than the total population. The study then selected items from each stratum to constitute a sample. This sampling technique helped to provide more reliable and detailed information for better estimation of the whole population. Being a finite population, the study used Cochran finite population correction factor formula proposed by (Mugenda & Mugenda, 2003) for social science research to determine its sample size. The sample size statistic was determined as shown in the following calculation:

$$n = \frac{n_0 * N}{n_0 + (N-1)}$$

$$n = \frac{(193) (771)}{193 + (771-1)}$$

$$n = 155$$

3.6 Instruments of Data Collection

The study collected data from primary sources using questionnaires as the instrument for data collection. Use of questionnaire has capacity to collect enormous amount of information over a large sample within reasonably little time. Besides questionnaires, unstructured observation technique was used to gather data in order to give an intuitive

understanding of what is happening in the culture under the study. The study will carry out data collection through a systematic sequence of events. The sequence began by seeking permission from the National Council for Science Technology and Innovation (NACOSTI) to conduct the study in Kenya so as to avoid any potential hitches that might have arisen from lack of permission to conduct the research. The administrative heads of the counties besides county directors of education were informed of the intention to conduct the study in the county through a request letter attached to a copy of the authority letter from the NACOSTI.

This was followed by stratifying the clusters for sample selection based on the industry and then sectors within which the MSEs were classified as explained in the sampling technique above. For effective approach of the respondents, the researcher made self-introduction and request for consent of the respondents for taking part in the exercise. After the introduction, the questionnaires were then distributed to the selected and willing respondents from the sample. The study employed research assistants because the sample size was large. Respondents were given five days in order allow ample time for them to respond to the issues raised to enhance objective and reasonable responses.

3.7 Pilot Test

In order to test the validity, reliability and practicability of the instruments of data collection, the study conducted a pilot study on sampled colleagues at the place of work. A 10% equivalent of the study sample, randomly selected from the members of staff took part in the pre-test exercise to enable the study to ascertain the instruments' content and construct validity, before the actual data collection. However, the pilot sample did not participate as the actual sample for the main study as the study targeted MSEs registered with the MSEA within Trans Nzoia, Bomet and Kajiado Counties. The pilot sample size was sufficient and it produced realistic projections for reliability and validity of the research tools, an aspect concurred by (Aiyabei, 2013 & Tappin, 2014).

3.7.1 Reliability Test

The study used Cronbach's test to test for the reliability of the instruments of data collection. Reliability of an instrument is its ability to produce consistent and stable measurement, a statement supported by (Ngugi, 2013). The coefficient of internal consistency provides an estimate of the reliability of measurement and is based on the assumption that items measuring the same construct should correlate. The most widely used method for estimating internal consistency reliability is Cronbach's alpha, an argument that is backed by (Kimberlin & Winterstein, 2008). It is expressed as a coefficient between 0.00 and 1.0 with the highest level of coefficient indicating higher reliability. This tool was used in testing the reliability of the instruments of data collection in this study. A Cronbach alpha of 0.6 and above was accepted as an appropriate scale of reliability as concurred by (Ngugi, 2013).

3.7.2 Validity Test

Comparatively, validity is the most critical criterion because it indicates the degree to which an instrument measures what it is supposed to measure. This fact is shared by Kothari (2002) and Ngugi (2013) with Kimberlin and Winterstein (2008) observing that there is no statistical test to determine whether a measure adequately covers a content area or adequately represents a construct. Content validity thus usually depends on the judgment of experts in the field. This will be the scenario to be taken in this study.

3.8 Data Analysis and Presentation

The study adopted both qualitative and quantitative data analysis techniques because of the mixture of data collected. As contended by Sekaran *et al*, (2013), Kombo *et al*, (2006) and Mugenda *et al* (2003), quantitative data analysis consists of measuring numerical values from which descriptions such as mean and standard deviations are made while qualitative data consists of opinions and inferences based on personal judgments of the respondents. The data analysis began by editing the data to clean up the

collected material facts in order to ensure that only relevant responses remained. The irrelevant ones were discarded so as to avoid invalid findings, conclusions and recommendations. This process helped to enhance time efficiency during the final analysis of data as the study was able to concentrate on what was validly relevant.

After editing the data, the remaining portion was coded for easier classification and avoidance of mixing up facts during the writing of the final report. Alpha-numeric codes were preferred because of their convenience and memorability besides being elastic. Classification was based on the question and nature of responses. After coding and classifying data, the study tabulated the results of the findings using a laptop, model hp intel CORE i7. To realize accuracy and effectiveness in the analysis of data, Statistical Package for Social Sciences (SPSS) software, version 23 was utilized.

Both descriptive and inferential statistics were utilized to analyze the data. As echoed by Kothari (2002) inferential statistics or otherwise known as sampling statistics is concerned with the process of generalization of the sample results to the population. This sought to address the problem of the estimation of population parameters and the testing of statistical hypothesis. Descriptive statistics on the other hand dealt with development of indices from the raw data for the purpose of developing the inferential statistics analysis. In order to sufficiently and critically analyze the significance of each independent variable in the study and based on large data expected, stepwise regression model was utilized.

This was applied by building a model in which adding and/or removing the variables based on f-statistics of their estimated coefficients was done. Being a social science study, Pearson's coefficient correlation was used to determine the degree of significance between the independent and dependent variables at 95% confidence level and 5% degree of significance as concurred by Sekaran and Bougie (2013), as the acceptable standard. The following multiple regression models, derived from the variables under the study were applied in the determination of coefficient correlations between the

independent variables and the dependent variable. Multiple regression analysis provides a means of objectively assessing the degree and the character of the relationship between the independent variables and the dependent variable, a point shared by (Sekaran & Bougie, 2013; Kothari, 2014). The model indicates the relative importance of each of the variables in the prediction of the dependent variable. The models for this study were as follows:

$$Y = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_4 + \beta_5.X_5 + \mathcal{E}$$

$$Y = \beta_1.X + \beta_2.Z + \beta_3.X.Z + \mathcal{E}$$

In these illustrations, Y represents growth of MSE which is the dependent variable that is the variable being explained by the changes in the independent variables while α , β_1 , β_2 , β_3 , β_4 , β_5 , and β_6 are constant coefficients while \mathcal{E} represents sum errors. In the model, X_1 represents procurement procedures, X_2 represents procurement contract administration, X_3 represents e-procurement technology, X_4 represents bidding capacity of the MSE's while X_5 represents the procurement oversight agencies. The latter are the explanatory variables whose change affects the performance of the dependent variable. The first model sought to illustrate the growth of MSEs in the absence of the intervening variable. The second model was utilized to explain the effect of the intervening variable on the other independent variables. The Z in the second model represents the intervening variable which is the MSEs participation in public procurement.

Data was presented using a combination of narrations, statistical and graphical approaches. Statistical tools such frequency distributions, measures of central tendency and measures of dispersion will be used alongside graphical and tabular presentations. Narrations were used to explain and interpret the qualitative findings. Table 3.3 shows the measurement techniques to be utilized during data analysis.

3.8.1 Coefficient of Multiple Correlation (R_o)

Kothari, (2010) says that the most commonly used measure of correlation between two or more independent variables and a dependent variable is the coefficient of correlation. This is symbolically represented as $R_{o1234\dots n}$. Multiple coefficient correlation explains the degree of influence that the joint or the sum of explanatory variables exerts on the behavior of the dependent variable in a given multiple linear regression model. The reliability of R_o was determined from appropriate tables of significance that provided a satisfactory method of estimating the reliability and the multiple linear regression equation built about it. These tables helped to describe the coefficients that appeared by pure chance among the sample from uncorrelated ones in 20 times (5% table). The table value was compared with the computed value of R_o and accordingly the significance of R_o judged and its reliability examined.

3.8.2 R^2 and Adjusted R^2 (R^2_{adj})

As observed by Kothari (2014), we can use coefficient of determination (R^2) to judge the goodness of the fitted model by the formula $R^2 = SSR/SST = 1-(SSE/SST)$. However, (Kothari, 2014) proceeds to explain that R^2 is higher where there are more explanatory variables in a model, which is not by coincidence but a normal property of R^2 . Whenever an explanatory variable is added to the model, the value of R^2 increases regardless of the contribution of the newly added explanatory variable. Thus, the value of R^2 may be misleading in multiple regression models. The study therefore utilized an adjusted R^2 which is defined statistically as R^2_{adj} and computed as:

$$R^2_{adj} = 1 - \frac{SSE/(n-k-1)}{SST/(n-1)}$$

This is because R^2_{adj} increases only if the added explanatory variable contributes in explaining the variation in the response variable Y. This helps to indicate the significance of an explanatory variable within the model. The estimates drawn from the model therefore, become useful and reliable.

3.8.3 Multicollinearity Test

Multicollinearity, according to Sekaran and Bougie (2013) is a statistical phenomenon in which two or more independent variables in a multiple regression model are highly correlated. When we regress Y on X_1, X_2, \dots, X_k , we assume that all explanatory variables in the model are statistically independent of one another and that the explanatory variables affect the values of Y . However, one explanatory variable should not affect the values of other explanatory variable says (Kothari, 2014). Sometimes, in practice this is not met, subjecting a study to the problem of multicollinearity. The correlated variables contribute redundant information to the model and contradictory results or estimates are drawn. Some indications of strong multicollinearity include cases where F-test says at least one variable is significant but none of the t-test indicates a useful variable, large standard error and corresponding variable is still significant, MSE is very high/or R^2 is very small. In this study, any multicollinearity generated by X variables will be measured by variance inflationary factor given by (Kothari, 2014) as $VIF_j = 1/(1-R_j^2)$. (Kothari, 2014) says that if $VIF_j \geq 5$, X_j is highly correlated with the other explanatory variables. Sekaran and Bougie (2013) argue that this makes the estimation of regression coefficients impossible, which makes the estimates of the coefficients unreliable. However, multicollinearity is not a serious problem if the purpose of the study is to predict or forecast future values of the dependent variable because even though the estimations of the regression coefficient may be unstable, multicollinearity does not affect the reliability of the forecast according to Sekaran and Bougie (2013) which was the basis for this study.

3.8.4 F-Test

According to Kothari (2014), in multiple linear regression analysis F-test is used to test the overall validity of the model or to test if any explanatory variables is having linear relationship with the response variable. Sekaran and Bougie (2013) opine that ANOVA can be used to examine the effect of two nonmetric independent variables on a single metric dependent variable. In this context, an independent variable is referred to as a

factor. A design that aims to examine the effect of two nonmetric independent variables on a single metric dependent variable is called a factorial design. This is, as echoed by Sekaran and Bougie (2013), very popular in social sciences, and thus, the approach taken by this study.

3.9 Ethical Issues

As normal with research processes, the ethical aspects of the study were concerned more especially with the data collection process as shared by (Kothari, 2014). In order to observe ethical moments, the study was conducted in a clearly structured and coordinated manner. For instance, the study sought authority to collect data in the Counties from the National Council for Science, Technology and Innovation (NACOSTI). This was followed by informing both the County director of education and the County Commissioner of the intended data collection project. The respondents were also assured of the confidentiality of the data they supplied through an introduction letter attached to all the questionnaires.

Table 3.2: Measurement of Variables

		Indicator	Scale
Procurement Procedures		➤ Participation	Nominal/Ordinal
		➤ Complaints	
		➤ Audit reports	
Procurement administration	Contract	➤ Rationalization of orders to suppliers.	Nominal/Ordinal
		➤ Budgetary provisions	
		➤ Reported complaints	
Bidding Capacity		➤ Competences	Nominal/Ordinal
		➤ Human resources	
		➤ Financial	
		➤ Production Equipment & tools	
MSE Participation		➤ Skills	Nominal/Ordinal
		➤ Rate of Participation.	
		➤ Value of Contract awarded.	
		➤ Rate of access to Procurement information.	
Procurement Oversight Agencies		➤ Audit reports	Nominal/Ordinal
		➤ Contract awarded	
		➤ Procurement moderation	
		➤ Reported cases	
		➤ Adjudicated cases	

Source: Sekaran, U & Bougie, R. (2013). *Research Methods for Business. Sixth Edition, Printer Trento Srl. Rome*

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter contains details and explanations arising from the actual findings of the study. The information was presented both quantitatively and qualitatively using both descriptive and inferential statistics. It is the chapter from which conclusions and recommendations in chapter five were derived. The details in this chapter represent information arising from the examination and tests carried out on the raw data collected from respondents.

4.2. Response Rate

The target sample size for the study was 155 respondents. Out of the 155 self-administered questionnaires sent out to the respondents, 125 were positively responsive. This represents 81% response rate. According to Kothari and Garg, (2014) a response of 50% is sufficient for reliable generalizability of the findings to the universe. The response rate for this study surpasses the minimum proposed by (Kothari & Garg, 2014). The study therefore concludes that its findings are reliably generalizable to the universe. Table 4.1 provides summary of the details on the rate of response for the study:

Table 4.1: Response rate

Target sample	Positive responses	%	Rounded off %
155	125	80.65	81

4.3 Pilot Study Results

In order to test the validity, reliability and practicability of the instruments of data collection, the study conducted a pilot test on sampled colleagues at the place of work. A 10% equivalent of the study sample, randomly selected from the members of staff took part in the pre-test exercise. However, the pilot sample was not part of the actual sample for the study. This size was considered sufficient and capable of producing realistic projections for the reliability and validity of the research tools, an assumption concurred by (Aiyabei, 2013 & Tappin, 2014).

4.3.1: Test for Reliability

The Cronbach alphas for the study for the various variables were above was 0.70 indicating convincing instruments reliability. The statistics were computed from a 10% equivalent of the study sample, randomly selected from the members of staff at the place of work who took part in the pre-test exercise. These fall within the range argued by Ngugi (2013) that a Cronbach alpha of 0.6 and above is accepted as an appropriate scale of reliability. The coefficient of internal consistency provides an estimate of the reliability of measurement and is based on the assumption that items measuring the same construct should correlate, concurs (Kimberlin & Winterstein, 2008). It is normally expressed as a coefficient between 0.00 and 1.0 with the highest level of coefficient indicating higher reliability. Tables 4.2 below provide details of the results for the reliability tests for the study variables.

Table 4.2: Statistics for reliability test

Variable	Cronbach's Alpha	N of Items
Y	.751	4
X ₁	.835	4
X ₂	.818	5
X ₃	.763	5
X ₄	.798	4
X ₅	.882	6
X ₆	.931	6

4.3.2 Validity Test

With strong regard to the findings in the test for reliability, the study concluded that the validity of the instruments of data collection was guaranteed. This was anchored on the understanding that since there is no statistical test for validity in research, a strong reliability test is a significant pointer to instrument validity. There was therefore no statistical test to compute for validity other than expertise judgment.

This argument is supported by Kimberlin and Winterstein (2008) who observe that there is no statistical test to determine whether a measure adequately covers a content area or adequately represents a construct. However, comparatively, validity is the most critical criterion because it indicates the degree to which an instrument measures what it is supposed to measure. This fact is shared by Kothari (2002) and (Ngugi (2013). Content validity thus usually depends on the judgment of experts in the field, which the guided the direction that this study took.

4.3.3: Test for Multicollinearity

In this study, multicollinearity was measured by variance inflationary factor given by Kothari, (2014) as VIF_j . If $VIF_j \geq 5$, X_j is significantly correlated with the other explanatory variable says (Kothari, 2014). The purpose for multicollinearity test was to

inform dropping or merging the variables that are highly correlated. This was to be done in order to remove non-significant variables that could not have been adding value in the model. The following were the results of the test for multicollinearity.

The multicollinearity test for the variable X_1 indicates $VIF \leq 5$. This shows that X_1 is not significant multicollineated with the other model variables. There is therefore no alarm in this test. In respect to multicollinearity for the variable X_2 , the results were more or less similar as in the previous case. Test for the X_3 did not demonstrate significant multicollinearity as well. With regard to multicollinearity test for the variable X_4 the results comparatively higher with VIF value slightly ≥ 2 . However this degree of multicollinearity is not worrisome. The variable X_5 also demonstrated commendable level of independence from the other variables in the model. The VIF value posted is a demonstration of variables independence. Finally, the VIF statistic for the variable X_6 show that it is not significantly multicollineated with the others in the model to an alarming level. All the variables demonstrated negligible low levels of multicollinearity. Statistically therefore, there is high degree of independence among the explanatory variables. At this point, the study can almost confidently conclude that the variables in this test were independently selected. Table 4.3 gives details on the results for test for multicollinearity.

Table 4.3: Test for multicollinearity

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics			
	B	Std. Error	Beta			Tolerance	VIF		
	(Constant)	2.705	.672						
1	X ₁	.178	.134	.136	1.328	.018	.884	1.275	
	X ₂	.052	.074	.077	.708	.048	.792	1.444	
	X ₃	.099	.022	.038	.406	.028	.948	1.055	
	X ₄	.034	.115	.039	.292	.007	.659	1.177	
	X ₅	.070	.090	.086	.772	.014	.655	1.026	
	X ₆	.133	.109	.126	1.222	.022	.775	1.290	

a. Dependent Variable: Growth_Rate

4.4 Background Information

The background information section contains information obtained on the general details about the study sample. It is from this information that the study was capable to determine how informed the respondents were with the problem under the study. It contained information on demographic distribution in terms of gender, education and training, type of business they run among other relevant areas to the study. The findings on this section are presented as follows.

4.4.1 Type of Business

In seeking to determine the type of business enterprises that the respondents operate, 71% (89) of the respondents reported that they operate micro enterprise businesses. This figure is more than 50% of the total respondents. This information is presented in table 4.4. It illustrates that the prevalent type of the small scale businesses in Trans County are Micro enterprises.

This resonates well with Njiraini and Moyi (2006) who argue that public procurement market in Kenya largely supports growth of large enterprise. However it differs with Sikuku and Omwenga (2014) who reported that most scale enterprises in the Counties fall within the purview of small and medium Enterprises (SMEs). This is an indication that it despite the spirited effort by the government to develop and grow small scale business enterprises as the alternative cheaper sources of supply for its needs, especially by attempting to afford them business opportunities through the public procurement platform, little has been achieved. It also hints to the fact that the transition rates for the MSEs is negligible.

Table 4.4: Type of business

		Frequency	Percent
Valid	Micro Enterprise	89	71.2
	Small Enterprise	36	28.8
	Total	125	100.0

4.4.2 Number of Employees

When asked about the number of employees, the study established 85% of respondents have less than five employees. This identifies well with the findings in the type of business enterprises MSE owners operated. This is because in the definition of a micro enterprise, the number of employees are between 1 and 10. It is therefore candid to conclude that most small scale entities in Kenya are within the framework of micro enterprises. This information is presented in details in table 4.5 as shown below.

This finding resonates with Momanyi (2016) who says that micro enterprises dominate the Kenya’s business enterprise. They are apparently the biggest contributor to country’s economy, despite the inherent problems, overtaking the traditional economic drivers such as agriculture and real estate. This is further supported by a survey by Kenya

National Bureau of Statistics (KNBS) (RoK, 2016). Momanyi (2016) concurs that the MSE sector has suffered growth problems in the past due to lack of credible data that could be used to develop strategies that are supportive of their growth.

Table 4.5: Number of Employees

		Frequency	Percent
Valid	1-5	106	84.8
	6-10	15	12.0
	11-15	4	3.2
	Total	125	100.0

4.4.3: Business Running Period

When they were asked how long they have been running their enterprises, approximately 70%, of the MSEs have been in operation for a period of five years and below. It seems that the life span for these business entities is shorter with their survival rendered uncertain and unpredictable. This could be a pointer to the popular opinion that most MSEs in Kenya collapse within their first three year of operation. This finding is presented in details in figure 4.1.

The finding supports Muiruri, (2014), Ngugi, (2013) and Waithaka, *et al* (2012) who argue that the MSE growth rate on average remains below 25% in the East African region. According to Omondi, (2016), over 400,000 Kenyan MSEs collapse annually. This could be due to the fact that public procurement in Kenya has perpetually ignored the MSEs since independence, because local MSE firms have been disregarded and portrayed as lacking capacity to service the government with its needs, as concurred by (Ochiri, 2011). Despite all the effort and seemingly determination to support the MSE sector in Kenya, micro and small enterprises in counties are unable to grow. This could

be attributable to lack of support by large corporate markets such as public procurement, observe (Ogwel, Iravo & Lagat, 2016; Ongachi & Bwisa, 2013).

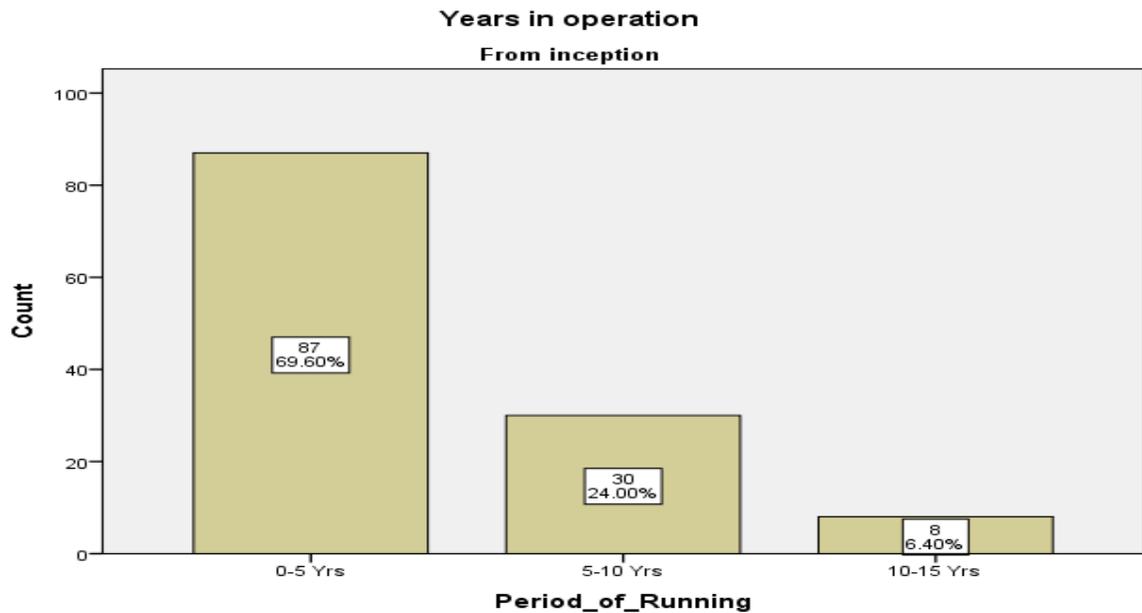


Figure 4.1: Business running period

4.4.4 Three Year Total Sales

In response to the total annual sales for the period between 2013 to 2015, the total sales revenue for the majority MSEs was established to be Ksh. 500,000 and below. This is according to approximately 81% or (101) respondents who indicated that their annual sales income falls within this range. This ascertainment is important because it shades more light on the type of the majority of business entities under the study. Figure 4.2 gives summary of the average annual sales of MSEs in Trans County.

According to Ngugi (2012) and RoK (2013) micro enterprises can be defined not only in terms of number of employees, but also average annual revenue. RoK (2013) portrays a micro enterprise as a business entity with sales turnover not exceeding five hundred thousand shillings per annum. This is echoes by Ongachi and Bwisa, (2016), Ogwel,

Iravo and Lagat (2016) who concur that lack of alternative markets for the MSE products causes their lackluster performance in terms of low sales revenues.

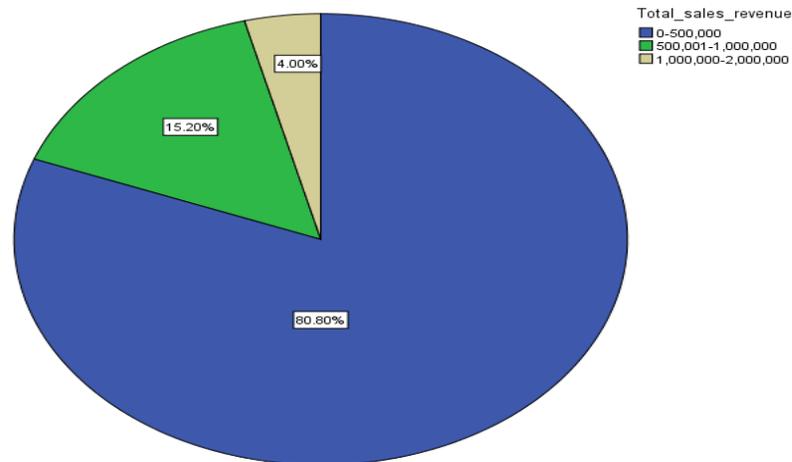


Figure 4.2: MSEs total sales

4.4.5 Level of Education

As far as the level of education is concerned, the study shows that 57% (71) respondents are diploma holders. However, the study population comprise of respondents of diverse academic qualifications. This shows that the target sample was literate and hence sufficiently competent to understand and respond to issues addressed in the questionnaires. More details are captured and presented in table 4.6.

This contravenes Ngugi, (2012) who posited that the main reason that leads to collapse of most SMEs in Kenya is low levels of academic qualifications among the heirs of family owned SMEs. However, this finding aligns itself well with Momanyi (2016) who reports that among the reasons for starting MSEs include desire for better income and self-employment arising from ostensibly literate population. Economic recovery strategy paper of 2003 contends that an academically enlightened society stands a better chance to drive economic growth and development (RoK, 2003).

Based on this foregoing, the study established that most MSE in the Counties in Kenya comprise educated people. Given necessary support and opportunities by the government, they are capable of taking the economy to the next level within shortest time possible. As provided for within the Kenya Vision 2030 framework, informal sector has been given significant priority to steer the economy from agriculture driven to industrial driven. This is a clear recognition and appreciation that having a trained society of entrepreneurs can help the country to expeditiously realize this vision.

Table 4.6: Level of education

		Frequency	Percent
Valid	Ph.D	2	1.6
	Masters	13	10.4
	Bachelor	35	28.0
	Diploma	71	56.8
	Other	4	3.2
	Total	125	100.0

4.4.6 Gender

In response to the gender issue, 55% of respondents were males. Although the males were the majority, the proportion of females was equally reasonable. This implies that the MSE operatives are almost evenly distributed between the two genders. This gave the study a reasonably heterogeneous sample in respect to the gender issue. This information is tabulated in table 4.7 in details.

From this finding, the study ascertains that the MSE are composed of both males and females. These two groups of gender are equipped with adequate academic qualifications that can help them run successful enterprises were they to be given

chance. The Public Procurement and Asset Disposal Act, 2015 accords a minimum of 30% of public procurement spend by the MDAs to the enterprises owned by the youth, women and persons with disabilities (RoK, 2015). With such a demonstration of gender balance and academic capability, they should be able to take advantage of these statutory provisions. This is aimed at enabling MSE participation in public procurement so as to realize their growth and sustainability in business. The study proceeded to establish why despite the legal provision, the MSEs still perform poorly in public procurement in the Counties in Kenya.

Table 4.7: Gender

		Frequency	Percent
Valid	Male	69	55.2
	Female	56	44.8
Total		125	100.0

4.4.7 Professional Specialization

On the aspect of the respondents' professional orientation, 63% were trained in various business management courses. This implies that majority of MSE are run by professionally trained persons, capable of growing into bigger enterprises. However, they are still yet to realize desired transitory rates of growth across the echelons to become large enterprise organizations. The reasons for this could be explained in the other sections of this study. The details of professional qualifications are detailed in figure 4.3.

Arising from this, it is prudent to note that public procurement encompasses all sectors of the economy. Among the objects of public procurement according to the PPADA, 2015 (RoK, 2015) is to improve the business climate, build the domestic talent pool of suppliers and develop a more entrepreneurial-driven economy. This is a stimulant for

demand for the goods, works and services which leads to demand for investment. The importance of investment as a driving force for economic growth and development world over cannot be overstated (Shahnazi & Gharagoz, 2014). Owegi and Aligula (2006) agree that governments across the globe are major buyers or in some cases the only buyers of goods and services. With such professional supply base in the economy, MSEs should be supported to participate in government buying process to enhance their competitiveness and sustainable growth.

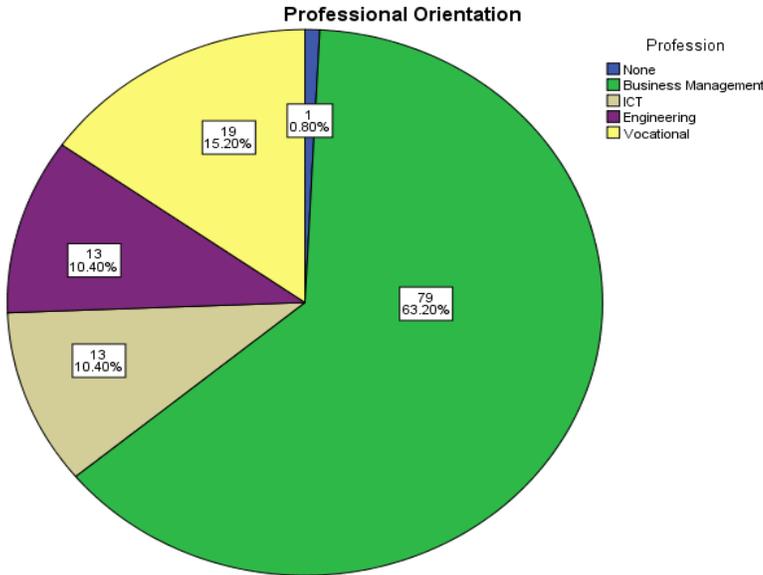


Figure 4.3: Profession

4.5 Growth of MSEs

The dependent variable of this study was growth of MSEs. It is against this phenomenon that the study sought to explore why the reviewed literature reported that MSEs exhibit unsatisfactory rate of growth. The study developed a number of independent variables to help in analyzing their possible effects on MSEs growth. The following discussion reflects the findings on the stated study problem.

4.5.1 Growth Rate

The study sought to find out the rate of growth of MSEs in Counties in Kenya. The findings on this particular variable demonstrates that 92% (114) respondents held the view that the growth rate of MSEs in the County was extremely low. This implies that the respondents were dissatisfied with the MSEs rate of growth. It should remain an issue of concern to obtain such disheartening revelations. The study had initially assumed that with advent of devolution, the results may be evident strong show of growth.

Despite spirited effort by the government to support development of small scale suppliers through such measures as establishment of preference schemes for what is popularly termed as special or interest groups, MSEs, which fall among the target group remain disadvantaged. This finding resonates well with Ongachi and Bwisa (2013) who advanced the argument that Micro and small enterprises in Trans Nzoia County are not growing at all. It is a fact as observed by Ogwel, Iravo and Lagat (2016) resulting from lack of support by essential markets such as public procurement.

Despite the fact that even the government itself acknowledges the importance of MSE sector's contribution to the economy according to Momanyi (2016), its strategies to develop small enterprise suppliers remains inconsequential. This may be associated to among other things, lack of goodwill to operationalize the strategies. Consequently, the MSEs will end up lagging behind with disheartening growth statistics. Figure 4.8 gives details of these findings. The same is illustrated in figure 4.4.

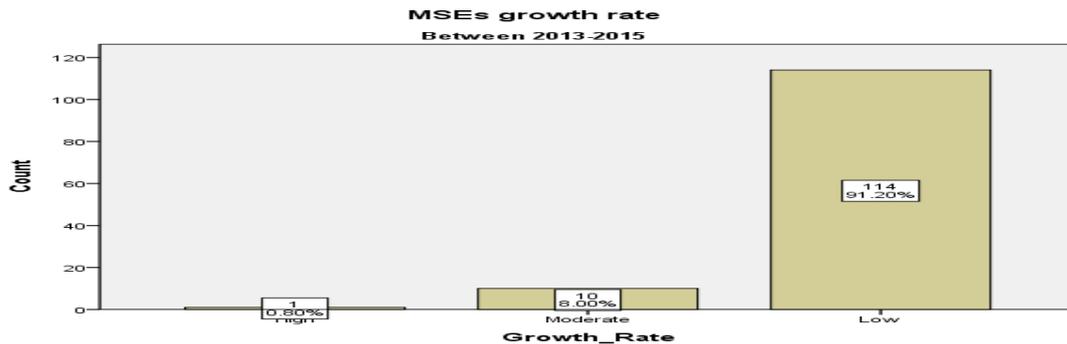


Figure 4.4: MSEs growth rate

4.5.2 Parameters of MSEs Growth

Among the objectives of starting a business enterprise lies growth. With the literature at the disposal of this study indicating poor growth or negative growth rate, the need for this study was underscored. In order to substantially examine this facet, the parameters in this section were set to guide the study. The findings were as documented below.

Number of Contracts

The study sought to determine whether MSEs secured profitable contracts from government entities. It is notable from the findings of this aspect that 44% of MSEs never receive any procurement contract in the government in three year period covered by the study. For those who reported having received contracts, majority received only one contract in the three years. Despite many respondents registering contract awards, they still reported that the MSE growth is very low. The study sought to ascertain the reasons by analyzing the value of contracts awarded as reported in the following variable. Table 4.8 shows the responses for the total contracts awarded to the MSEs in three years between 2013 and 2015.

This finding enjoys the similarity with Njiraini and Moyi (2006) study that established that Kenya’s public sector purchasing procedures and practices have persistently locked

out MSEs. Similar views are also held by Ochiri (2011) who reported that public procurement in Kenya has perpetually ignored the MSEs since independence, because local MSE firms have been regarded as lacking capacity to service the government with its needs.

Although there seem to have a few who secured more than one procurement contract in the three years, the value of the contracts would be able to explain whether the contracts were capable of making the MSEs to grow or not. This is because the growth of the MSEs was reported to be non-existent. It therefore implies that the values of the secured contract could be insignificant and inconsistent to support their growth. This would be assessed by interrogating the values of contracts awarded in the next parameter.

Table 4.8: Contract awards

		Frequency	Percent
Valid	None	55	44.0
	One	37	29.6
	Two	12	9.6
	Above Two	21	16.8
Total		125	100.0

Value of Contracts

In an attempt to establish the value of contracts awarded to the MSEs in the 3 years, 43% posted a zero income from public procurement contracts. Approximately 25%, respondents made less than Ksh. 100,000 in total from public procurement contract in three years. This is relatively a meagre figure especially when comparing the same to the statutory 30% minimum public procurement spend reserved for MSEs by the government and the total government budget spent on procurement of goods, works and

services. These statistics are way below expectations in as far as supporting and developing small scale suppliers is a concern.

It is against such backdrop that Ogachi (2013) argued that although the government has a strategy setting aside minimum 30% of total public procurement spend for the Kenyan youth, persons with disability and women owned MSEs across the country, the challenge lies in the implementation system that seems cumbersome, poorly coordinated and bureaucratic especially in this era of devolved government system. Furthermore, Ogachi (2013) observes that the categories of contracts set aside for these groups award are based on low-value jobs. This leaves the older established firms to deal in jobs with real money further relegating MSEs to the periphery of public procurement opportunities. Mwendwa (2010) echoes these sentiments and says that the major challenge that County governments face in implementing devolution in Kenya is narrowing regional disparities in income, resource endowment and economic development.

This can be successfully achieved if the devolved system can tap into and harness the available local resources through the local MSE entrepreneurs by supporting the ‘buy county-built county’ initiatives. Devolution being the heart of the Constitution, governors should be the champions of the constitutional spirit and desire to enable locals to take part in setting their own economic, political and social agenda as contented by (Alande & Wekhuyi, 2013). This will assist in combating bureaucratic policies previously experienced in the government at the expense of MSE access to government opportunities in the defunct County Council administration order, thus hampering their growth. More details about this aspect are explained in table 4.9.

Table 4.9: Value of Contract to MSEs

		Frequency	Percent
Valid	None	54	43.2
	Below 100,000	31	24.8
	Above 100,000	25	20.0
	Over 500,000	15	12.0
	Total	125	100.0

Debriefings

The study sought to determine if any debriefings had been accorded the MSEs in Trans Nzoia County. It was ascertained that the county government of Trans Nzoia hardly ever conduct debriefing sessions to the MSEs. Anchored on this, it may be generalized that other county governments across the country do not debrief their MSE on public procurement. A total of 91% of respondents said that they have never been debriefed on any procurement process. This could be one of the many other reasons why they keep losing out on the procurement contracts as they could be repeating similar mistakes made in the past without information about the same. If the cause of the failure to win public procurement contract is related to requirement that MSEs have failed to meet, they should be informed.

In most cases, communication costs are higher for MSEs than large organizations which hinder effective, fair and open competition among suppliers. In order to mitigate on such problems, Anyanzwa (2013) states that the government needs to acquire necessary software and hardware systems that are secure and cost effective to be used to communicate and share information with the stakeholders. Besides, the MSEs should be exempted from multiple registration requirements by the PPDPRAR which increases real costs in terms of effort and time spent in filling myriad compliance forms (Ogachi, 2013).

These notwithstanding, feedback is a useful tool for effective management decisions. It assists all parties in a process to understand the actions of each other for the betterment of working relations. Therefore, counties should underscore need for consultative fora on regular basis to sensitize suppliers, with emphasis on MSEs on crucial requirements in the bidding processes. Such fora sessions would significantly improve better understanding of what is expected of the MSEs and hence effectively take part in public procurement. Finding on debriefings are tabulated and also illustrated in both figure 4.5.

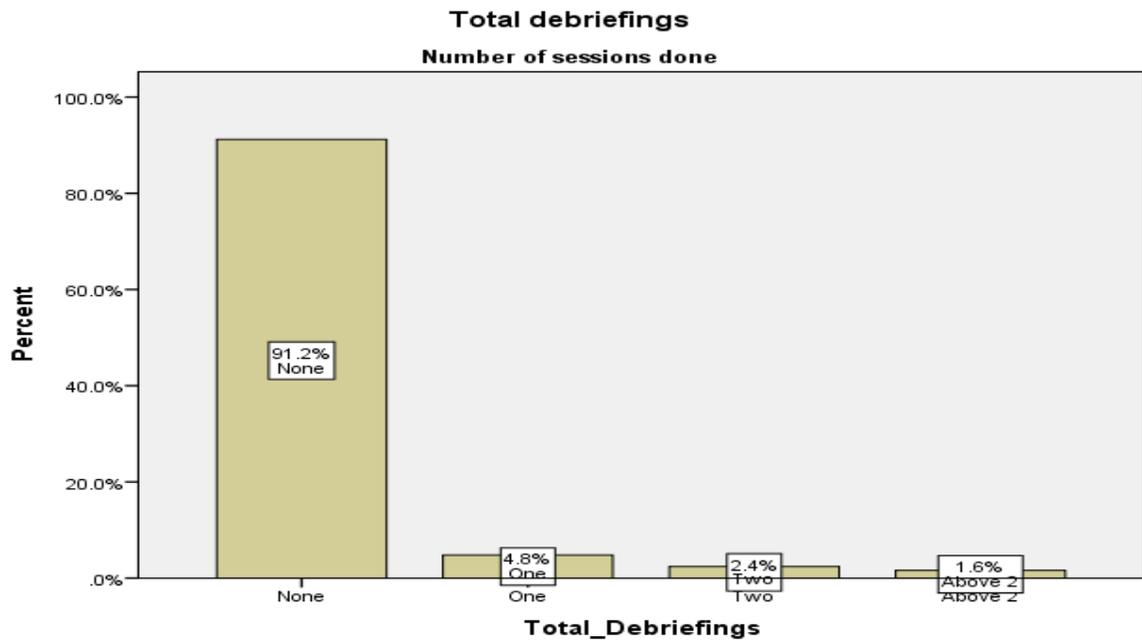


Figure 4.5: Total debriefings

Dispute Resolution

As regards whether the County governments satisfactorily resolve disputes with its suppliers or not, 92% of respondents observed they have never experienced any attempt to resolve disputed procurement process. This suggests that many malpractices, if any, go unsatisfactorily addressed. This may be among the reasons why there exists

perpetuated unabated sidelining of MSEs from mainstream public procurement processes and hence lack of growth. The culture of unresolved procurement disputes has tendencies to discourage bidders from taking part in further procurement processes.

However, it is upon the MSE to take the initiative and rise to the occasion to endeavor to chart their own course taking full advantage of the statutory provisions favoring them in matters public procurement. They should therefore, refuse to be taken for granted as lacking capacity to supply government its needs shares (Ochiri, 2012). MSEs should realize that they occupy a very important economic niche and that they are now the biggest contributor to national economy, according to a survey by the Kenya National Bureau of Statistics (KNBS) says (Momanyi, 2016). This information is illustrated in table 4.10 as follows:

Table 4.10: Disputed procurements

		Frequency	Percent
Valid	None	115	92.0
	One	5	4.0
	Two	3	2.4
	Above 2	2	1.6
Total		125	100.0

Statistics on Growth Parameters

From the data collected, the following statistics were derived and their interpretation could be as follows. The mean value of the contracts awarded to the MSEs is 0.99. This indicates that on average, in the three years under the study, the MSEs secured only one supply contract each to the government entities in the County. On average each MSE was awarded contracts below Ksh. 100,000 as indicated by the mean of 1.01. On

whether there was any debriefing for the three years, the mean of 0.14 depicts negligible statistic. This implies that there was almost none. The same mean of statistic for the volume of disputes resolved was recorded. These variables posted standard deviations of 1.13, 1.06, 0.52 and 0.51 respectively. These values very indicated small level of variances from their respective means. Going by these statistics, it is pertinent to note that the performance of MSEs in terms of their incorporation into the public procurement system is extremely negligible. Therefore, their growth as a result of opportunities offered by contracts obtained from public procurement is equally discouraging. Table 4.11 gives these statistics in details.

Table 4.11: Growth parameters summary

		Contracts Awarded	Contract Value	Debriefings	Disputes
N	Valid	125	125	125	125
	Mean	.99	1.01	.14	.14
	Std. Deviation	1.13	1.06	.52	.51

Relation between Public Procurement and MSE Growth

In responding to the study’s pursuit for whether there exist relationship between public procurement and the growth of MSEs, 92% of the respondents registered their concurrence. The study determined that majority of the respondents support the fact that public procurement was closely related with the growth of MSEs. Table 4.12 illustrates the findings of this aspect in details.

This concurs with Aligula and Owegi (2006) that governments across the globe are major buyers or in some cases the only buyers of goods and services. Governments therefore have significant influence on the size, structure, conduct and performance of industries. All stakeholders in the economy including the MSEs should be adequately

supported to participate in government buying process to enhance their competitiveness and sustainable growth. The PPADA, 2015 concurs that through public procurement, the tenets of economic growth such as informal sector contribution to the national growth can easily be realized (RoK, 2015).

The government should take this advantage to grow the MSEs, especially considering that they are the engines for economic growth and development. This sector employs significant number of the society. Growth of MSE equally promotes maximum utilization of local resources such as labour, natural resources as well as narrowing the gap between imports and exports, thus balancing the international trade. Considering the diverse talents the MSE demonstrate, the government cannot afford to keep them at the periphery of the economic growth and expect to realize its development agenda.

Table 4.12: Public procurement and MSEs growth

		Frequency	Percent
Valid	Related	114	91.2
	Unrelated	11	8.8
Total		125	100.0

4.6. Procurement Procedures

This was the first independent variable of this study. It was considered significant to the study owing to the highly regulated way of public procurement. Owing to the available literature at the disposal of the study, this variable was very crucial to the development of the study problem. The findings on this variable were as discussed hereunder.

4.6.1 Procurement Regulation

The study sought to ascertain how regulation of public procurement affects participation and growth of MSEs. It was established 85% respondents felt it actually did. The regulation of public procurement entails the rules, regulations and policies measures put in place to govern procurement processes in government entities. Among them is the legal framework put in place by the government which encompasses the Public Procurement and Asset Disposal Act, (PPADA) 2015 among other statutes.

Concurrence to this finding is the proposition by Njiraini and Moyi (2006) who opine that procurement regulation procedures in Kenya have tendencies of locking out MSEs by imposing tight regulation such as levying high volume standards, need for proof of large financial base and other stringent pre-qualification standards. According to Amayi *et al*, (2013) the legal framework in Kenya is bureaucratically cumbersome to the extent of rendering public procurement performance ineffective. According to Kenya Institute of Supplies Management (KISM), the Kenyan Constitution calls for use of public procurement to meet social objectives such as supporting small businesses and disadvantaged groups through public procurement procedures (KISM, 2013). Matindi and Ngugi (2013) say that according to the National Association of State Procurement Officials, the procurement environment of public sector has become complex more than ever before. This is especially compounded by the advent of devolution as reinforced by revision of procurement regulations in Kenya. Muteru (2013) observed that Governments in the developing nations are grappling with the need to develop an environment conducive to job creation with a view to generate employment for the high number of new labour market entrants and reduce high structural unemployment vide MSE sector.

Based on this finding *viv-a-vis* the objectives of the MSE sector, the procurement regulatory environments seems to be unsupportive of the MSEs. The government should therefore aspire to work on the procurement procedures in order to ensure the objects of public procurement as anchored on Section 227 of the Constitution of Kenya are

effectively achieved. The main problem may not be necessarily the presence of the regulation but the way the regulation is implemented. Oversight agencies, especially the PPRA needs to execute its mandate to the latter. This in collaboration with other stakeholders will help to offer necessary checks and balance to the public buyer and consequently benefit the growth of MSEs in the supply market. The respondents’ reactions on this matter were as tabulated in table 4.13.

Table 4.13: Effect of procurement regulation

		Frequency	Percent
Valid	Significantly Affects	25	20.0
	Moderately Affects	81	64.8
	Does Not Affect	19	15.2
Total		125	100.0

4.6.2 Procurement Regulation Parameters

This represents details of sub-variable that were utilized to critically analyze procurement procedures. The main variable was dissected into various specific issue-based aspects that were considered to have a direct effect on the dependent variable. The specifics are as demonstrated in the ensuing discussion. The actual findings are also demonstrated under each aspect.

Past Experience

The study asked respondents respond the extent to which the requirement to prove past experience affects the growth of MSE through public procurement. In their reaction, 80% respondents said that the requirement that MSE should provide evidence of past performance affects their growth to a very large extent. This is a significant proportion that suggests that something is wrong with this criterion as a basis for source selection in public procurement.

A number of studies concur with these findings. According to Njiraini and Moyi (2006) Kenya's public sector purchasing procedures and practices have persistently locked out MSEs through high volume standards, need for proof of large financial base and other pre-qualification standards. According to Omondi (2016), over 400,000 Kenyan MSEs collapse annually. Pearce, *et al* (2012) concurs that government support for MSEs participation in economic growth or its willingness to remove barriers for fair trade can have positive influence on their growth. However, public procurement in Kenya has perpetually ignored the MSEs because local MSE firms have been regarded as lacking experience and capacity to service the government with its needs, reports (Ochiri, 2011). This scenario has been a major setback towards the growth of this important informal sector leading to the endless ailing of entrepreneurship culture in Kenya, contends (Muniu & Ngugi, 2013). Despite all the effort and determination made by micro and small enterprises to participate in public procurement, they remain unable to grow due to stiff criteria and lack of support by large corporate markets such as public procurement, a position supported by (Ogwel, Iravo & Lagat, 2016; Ongachi & Bwisa, 2013).

Although it may not be the sole discriminatory factor for effective growth of MSE as a source of supply to the government, requirement for sufficient past experience has had a negative toll to their participation and growth. It is pertinent for the government to reconsider its prequalification criteria with regard to selection of supply sources especially from MSE sector. Stringent source selection regulations could be among the causes of the collapse of most MSE to the alarming tune of 400,000 annually as (Omondi, 2016) posits. Figure 4.6 gives more details about this finding.

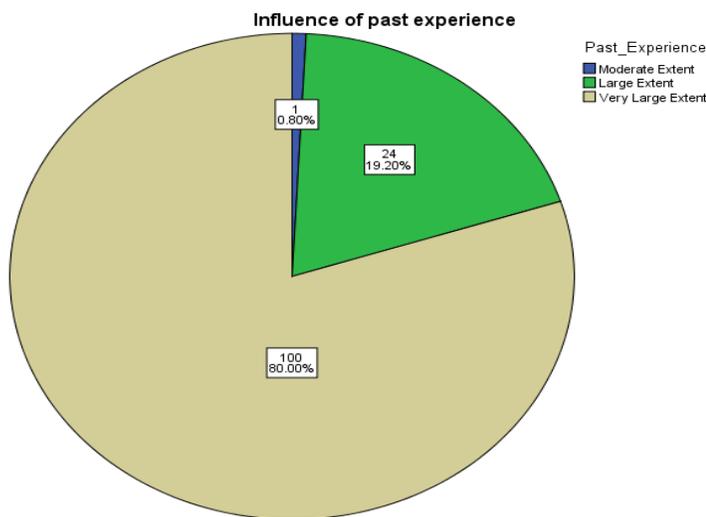


Figure 4.6: Past experience

Financial Capability

The study sought to establish how requirement for proof of financial capability affected MSEs participation and growth in public procurement. In response, approximately 85% felt that it significantly inhibited them from effectively taking part in public procurement. This has consequently thwarted their desired growth and thus rendered them helpless. Most of the MSE seem to have lean financial base and even need intervention of some sort to help them source their capital to suffice government contracts. This is instead of being required to proof their capitation for them to win the contracts.

Mohamed and Mnguu (2014) in their thesis titled Fiscal and Monetary Policies: Challenges for Small and Medium Enterprises (SMEs) Development in Tanzania in evaluating challenges afflicting the growth and development of SMEs concurred that among the factors limiting the participation and growth of SMEs include complex, costly regulatory and administrative environment. These disadvantage the SMEs against their large sized enterprise counterparts already enjoying the advantage of scale

economies with attractive break-even levels. The high cost of compliance to regulations discourage the potentiality of SMEs to their businesses, while driving some of the existing enterprises out of business and rendering joblessness to their employees and the economy at large. Other inhibitive factors for the survival of SMEs include tight registration procedures, vague regulative policies, inadequate infrastructure and bureaucratic processing time (Mohamed & Mnguu, 2014).

Financial ability remains a nightmare not only of the MSEs but medium and large enterprises as well. The government should come up with supportive schemes such as pay to procure payment in advance (PIA) specifically for MSE suppliers. The current procure to pay (P2P) only favours the big brothers of the trade with plummeted scale quantity advantages. The payment cycles also need to be strictly complied with and even scaled downwards to reduce long suffering for the MSE in terms of pending bills. Liquidity problems remain the sole pandemic killer of MSE in the competitive market environment. Table 4.14 give summary of the findings.

Table 4.14: Financial capability

		Frequency	Percent
Valid	Large Extent	19	15.2
	Very Large Extent	106	84.8
Total		125	100.0

Staff Competences

When asked to give their position on whether a requirement that MSEs should demonstrate staff competence in order to be allowed to participate in procurement processes, 66% agreed. They posted that it has significant effect on their much required growth through public procurement opportunities. This is a significant number that cannot be ignored just and wished away on any basis of argument.

It is extremely important to note, as also concurred by Indire, *et al* (2008) that government participates in business in various ways including establishment of regulatory framework and operating procedures. In order to make it easy for MSEs to effectively participate in procurement processes, a number of reforms focused on capacity development are necessary. Many countries have come up with procurement reforms to streamline operations in Public Finance Management Systems, (Eyaa & Oluka, 2011). In Kenya, this should aim to assist the government to align Kenya's Vision 2030 which relies on harnessing private sector resources to build public infrastructure for sustainable economic growth and development. Nonetheless, the challenges in public procurement go beyond procurement rules and regulations to include process, methods, organizational structure and work force training and development, views shared by (Eyaa & Oluka, 2011). Pearce *et al*, (2012) say that offering capacity development support for the MSE business can help to foster their participation in procurement procedures and contribute to their economic growth.

This foregoing therefore, require the government to establish deliberate effort to offer training and development to the MSEs. This will go a long way into equipping the small scale entities to improve on their performance. Equally, the government should also consider establishing tailor made strategies such as sponsoring business incubators for the MSE where necessary skills, knowledge and aptitudes can be disseminated to them. This would consequently, hopefully help the MSE to gain better competences to participate in government procurement process and in effect raise their growth transition rates. Table 4.15 gives respondents details about competence requirement criterion as a means to obtain access to public procurement.

Table 4.15: MSE Staff Competences

		Frequency	Percent
Valid	Moderate Extent	2	1.6
	Large Extent	40	32.0
	Very Large Extent	83	66.4
Total		125	100.0

Legal Registration

When they were asked to indicate how requirement to fulfill legal obligations affected their ability to grow themselves in public procurement, 94% reported that it had significant influence on MSE participation in public procurement and hence their growth. From table 4.16 below, majority expressed views that this requirement greatly affects their participation in public procurement. Despite registering with Micro and Small Enterprise Authority, they still cannot secure any meaningful business that could guarantee them of sustainable growth. However, legal registration is mandatory for not only the government but also all other entities to engage any part into contractual dealings.

Despite that, this study's finding aligns well with Njiraini and Moyi (2006) who say that the government should consider simplifying the complicated registration processes. This will enable and permit the MSEs to effectively take advantage of the opportunities that come with public procurement. Multiple registration requirements that have dogged the MSEs which include incorporation registration, registration with the National Treasury for the AGPO program, KRA certification among other types of registration have a significant impact on the MSEs ability to take part in public procurement. These sentiments concur with Ogachi (2013) observation that multiple registration requirements continue having a toll on the implementation of the AGPO scheme. There need for simplification and easing of these requirements to the most affordable extent possible.

Table 4.16: Registration requirements

		Frequency	Percent
Valid	Moderate Extent	1	.8
	Large Extent	6	4.8
	Very Large Extent	118	94.4
	Total	125	100.0

Procurement Procedures Summary

The statistical details about these attributes are illustrated in table 4.17 as follows. The parameter for analyzing procurement procedures effects on MSE growth yielded the following statistical results. From the information obtained, requirements for MSEs to have past experience attracted mean observations of 4.79. This value signifies that on average, all the respondents shared the view that requirement for past experience has a significant effect on their growth through public procurement. The degree of variance as measured by the standard deviation for the same variable was smaller at 0.43. A similar scenario was established for the requirement for MSE to have strong financial base with a mean of 4.85 with standard deviation of 0.35. In respect of staff competence and legal registration requirements, the cases were not any different. They had means of 5.05 and 5.74 and standard deviations of 0.53 and 0.31 respectively. These findings show that all the four attributes under the study pose significant influence on the MSEs growth rates as the study sought to determine. On average, respondents seem to have shared the similar views.

Table 4.17: Procurement procedures summary

		Experience	Financial	Competence	Registration
N	Valid	125	125	125	125
Mean		4.79	4.85	5.05	5.74
Std. Deviation		.43	.36	.53	.31

Nature of Influence

The study sought to ascertain whether procurement procedures influence positively or negatively the growth of MSEs in the county. In response, 85% felt that they have retrogressively influenced their growth. This shows that the public procurement procedures currently in place are yet to post any positive support for the growth of MSEs. Although a few respondents differ in opinion, the majority paint a gloomy picture of the whole scenario. This requires attention of the government policy makers and strategists. More details are presented in figure 4.7.

This finding does not significantly depart from Njiraini and Moyi (2006) views that Kenya's public sector purchasing procedures and practices have persistently locked out MSEs through high volume pre-qualification standards. Devolution being the heart of the national development, governors should be the champions of the constitutional spirit and desire to enable locals to take part in setting their own economic, political and social agenda, (Alande & Wekhuyi, 2013). This will assist in combating bureaucratic policies previously experienced in the government at the expense of MSE access to government opportunities (Mulwa, 2010). In order to enhance sustainable positive and expeditious growth of MSE, the County governments should put in place entrepreneurship promoting policies with positive externalities to enhance economic growth and development not only for the national economy, but also for potential entrepreneurial activities at county level observe (Abosede, *et al*, 2013).

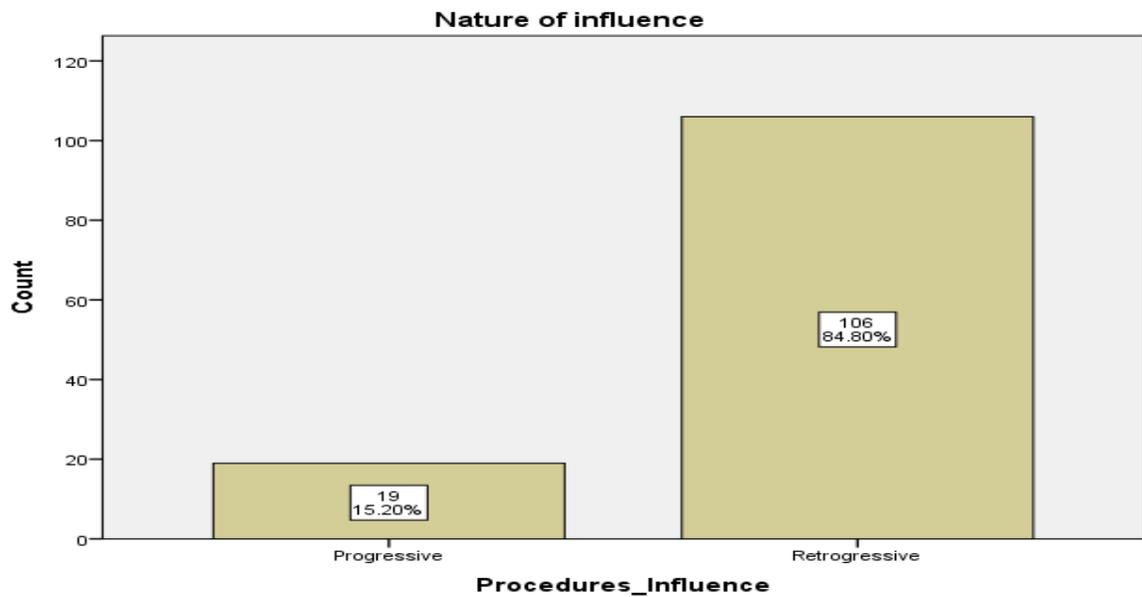


Figure 4.7: Procedures influence

4.7 Procurement Contract Administration

This was the second important independent variable of this study. It was considered key to the study owing to its central place in the management of public procurement contracts. It was also crucial because it touch heavily of supplier management aspect in the process of administering public procurement contracts. The findings in relation to its effects on the growth of MSEs suppliers were as follows.

4.7.1 Effectiveness of Contract Administration

The study's question on how effective procurement contracts are administered received tremendous negative responses. Among the respondents, 82% said that procurement contract administration is substantially ineffective. This indicates that the MSE operative lack confidence in the public procurement system in the County. The study sought to ascertain specific areas of mismanagement that cause this dissatisfaction as addressed in the contract administration measurement parameters in the next question.

This finding compares relatively well with a number of observations by other scholars. For instance, Aketch (2013) reported that in order to enable the government to achieve the public procurement objectives as enshrined in the PPADA, 2015 and other regulatory framework, procurement personnel should exercise high levels of professionalism in the discharge of their mandates. According to Eyaa and Oluka (2011), the overall area where public procurement management at both the Central Government (CG) and Local Government (LG) Procurement and Disposal Entities (PDEs) score the lowest is in respect to contract award and contract management and administration. The reason being that public procurement is vulnerable to all manner of irregularities such as bribery and bid rigging. Aketch and Karanja (2013) observed that public procurement irregularities are most likely to occur in public utility funding activities such as award and general administration of public contracts.

Gauging by these views, procurement contract administration is a very sensitive part in the procurement process. Any slight impropriety on the part of the contract managers results in unimaginable level of mistrust and loss of confidence by various stakeholders. It is therefore helpful for the government procurement contract administrators to exhibit high degree of professionalism when handling their duties. Issues of concern include among others conflict of interest, bid rigging, subjecting MSEs to unfair competition, withholding of crucial information and general lack of corporate social responsibility to relevant stakeholders. More findings on aspect are clearly explained by table 4.18.

Table 4.18: Effectiveness of contract administration

		Frequency	Percent
Valid	Highly Effective	14	11.2
	Moderately Effective	9	7.2
	Highly Ineffective	102	81.6
	Total	125	100.0

4.7.3 Contract Administration Parameters

Just like the other variable, these were the specific attributes of the main variable considered key to the study. They were used to shade more light on the argument that contract administration actually affects growth of MSE. These parameters generated useful information to help in drawing conclusions about the study. They include but are limited to the aspects discussed below.

Contract Variations

The study equally sought information on how the respondents considered contract variation as a practice affects MSE growth. It was revealed that 65% of the respondents reported that it greatly did. This points to the fact that there exists a practice where execution of public procurement contracts is characterized by undue variations. Frequent variation of contract terms inevitably goes down to affect its execution and thus discouraging suppliers both active and potential from taking part in the process. This is more so, where the variations result into significant financial and execution difficulties.

This finding reveals a contradiction with the provisions of the Public Procurement and Asset Disposal Act, 2015 (RoK, 2015). The statutory provisions governing contract variation are quite prohibitive on unwarranted variations on any procurement contract. Frequent alteration of contracts' terms and conditions end up in all or in some instances frustrating the contracts. The cost of a frustrated contract can be dire especially where

initial capital outlay such as mobilization costs are higher. It is also unbearable when the shifting costs are prohibitive. This situation is so damaging when the parties involved suffer from financial, structural and even technical stability, which is typical of MSEs. Table 4.19 illustrates this finding in details.

Table 4.19: Contract variations

		Frequency	Percent
Valid	Moderate Extent	11	8.8
	Large Extent	33	26.4
	Very Large Extent	81	64.8
Total		125	100.0

Specification Variations

In an effort to establish the effect of varying procurement specifications on the growth of MSEs, 67% of the responses observed that it has extremely strong effect. As is the case of contract variation, varying procurement specifications has tendencies to raising costs. Most suppliers abhor unwarranted and sudden changes to specifications. The sentiments in this response echo those in contract variation aspect above.

This finding identifies significant with the provisions of the PPADA, 2015 that specifies how public procuring entities should manage their specifications development processes. The Act unequivocally states that specifications must be clear and open to promote the objects of the law in letter and spirit. Lysons and Farrington (2010), Burt and Dobler (2004) concur that frequent variations to specifications may completely result into a different quotation from what the original one was. This may raise the cost that may need suppliers to re-tender or otherwise abandon the process. This may lead to supplier apathy in future dealings with the organization.

All public procuring entities should therefore do their homework thoroughly well when writing their items specifications. Just like it is an international norm and practice, any additional detail to a specification results to added cost. The government may also seek to establish a mechanism in which procurement specifications are drawn and duly approved by competently specialized agencies in all its array of requirements. These approved specifications can therefore be dispatched to all public entities to provide guidance in procurement specifications operations. The purpose of this being to gap knowledge needs in respect of writing specifications. Details on how the respondents reacted to this question are provided in table 4.20.

Table 4.20: Specifications variation

		Frequency	Percent
Valid	Moderate Extent	15	12.0
	Large Extent	26	20.8
	Very Large Extent	84	67.2
Total		125	100.0

Disputes Resolution

The study sought to ascertain the how disputes are resolved in public procurement affected participation and growth of MSEs. According to the judgment of 54% of respondents, the manner in which procurement disputes are resolved significantly affects growth of the MSEs. Dispute resolution is an important practice in supply chain management sphere. Unless issues important to stakeholders are satisfactorily addressed and redressed, it may degenerate into sour relations. Although, unlike other responses for other variables, the number who feel that dispute resolution is important is relatively lower.

For the public procuring entities in Kenya, there are bodies established to deal with procurement dispute. PPADA, 2015 establishes Public Procurement Administrative and Appeals Review Board (PPAARB) (RoK, 2015). According to Lysons *et al*, (2010), effective dispute resolution is a recipe for pleasant working relations with suppliers. It is essentially part of the corporate social responsibility (CSR) to suppliers. Seemingly, PPAARB seems to be ineffective in their mandate and therefore causing MSE to opt not to seek their intervention in the many disputes that there may be. This is ultimately affecting their participation in public procurement with the consequences of negative growth rate.

This trend may be reversed by the agencies responsible for resolving disputes rising to the occasion and delivering effective, efficient and progressive decisions and judgments in matters procurement. The agencies such PPAARB, EACC and ODPP should actively help in resolving the issues raised by MSE and even facilitate affordable mechanisms through which such disputes may be raised by aggrieved parties without strain. The entities need to adopt a proactive approach in resolving disputes in order to create and build confidence among the MSEs. This will encourage them to take part in public procurement and hence improve on their growth rate. The details are provided in table 4.21.

Table 4.21: Dispute resolution

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Small Extent	1	.8
	Moderate Extent	26	20.8
	Large Extent	30	24.0
	Very Large Extent	67	53.6
	Total	125	100.0

Debriefing

In seeking to discover how debriefing affects the growth of MSEs, study established this was among the factors that significantly affect MSEs growth. According to the finding, 46% of the respondents reported that they approve the fact that debriefing sessions affects their participation and growth in public procurement. However, it was the only variable among the five tested in the same group that had two equally rated tallies by the respondents shown in table 4.22.

PPADA, 2015 provides for the notification to be made to all bidders that take part in a procurement process at the award stage (RoK, 2015). This is despite of whether they lost the tender or not or whether they requested for the notification or not. However, the law does not make it mandatory to inform the bidders who lose, the reasons why they lost in the process. This could have been an opportune moment for an automatic debriefing effort. It only stipulates grounds under which such information may be provided, of which they involve some element of sacrifice for the seeker to undergo such through litigation and appeal. These involve financial implications that may be out of reach by MSEs and thus not pursued in most circumstances.

There is need to make debriefing a mandatory statutory requirement for all public entities. This will not only help to foster bidding skills but also enhance the participation

spirit for MSE. With an increase in the level of participation in procurement processes, the small scale suppliers will be able to grow because frequent participation sharpens bidding skills. Wekesa (2013) sums this by observing that for an organization to have a good administrative system, the solution is through collaborative investment and partnership with stakeholders. These details are explained in table 4.27 as follows.

Table 4.22: Debriefings

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	20	16.0
	Large Extent	52	41.6
	Very Large Extent	52	41.6
Total		125	100.0

Contract Documentation

The study sought to understand if contract documentation affects the MSEs growth in public procurement. Contract documentation was noted to significantly affect MSE growth. This is according to 71% of the respondents who shared the views. It could be concluded that the management of procurement contracts records have been facing numerous management problems. This could probably have degenerated into scenarios such as delayed payments. Bearing in mind that records are life blood of any organization, their mismanagement portends serious problems on activity management.

This finding concurs with the provisions of the PPADA, 2015. The Act clarifies that contract administration is the management of terms of procurement or asset disposal contracts made with contractors or suppliers after tender award by a procuring entity, for the purpose of assuring compliance with the obligations such as timely delivery, quality

and quantity inspection, acceptance, payment, claims, dispute resolution and completion, among other terms (RoK, 2015). For all the issues addressed here to be achieved, proper documentation of processes is required. The Act also requires Accounting Officers in procuring entities to establish systems that would ensure that procurement decisions are made in coordinated and structured manner.

With proper documentation of procurement contracts, the rewards are multiple and insurmountable. Well documented processes help to realize timely delivery, quality and quantity inspection, acceptance, payment, claims, dispute resolution and systematic completion of processes. If all of these processes are handled and completed satisfactorily, not only will suppliers get incentive for extending repeat competitive offers to the government, but the government also realizes value for money. There is also an aspect of trust building that helps to establish a stronger value chain with far reaching benefits to the stakeholders. For more summarized details table 4.23 illustrate this.

Table 4.23: Contract documentation

		Frequency	Percent
Valid	Very Small Extent	2	1.6
	Small Extent	1	.8
	Moderate Extent	5	4.0
	Large Extent	28	22.4
	Very Large Extent	89	71.2
Total		125	100.0

Contract Administration Parameters Summary

The statistical summary of the parameters testing procurement contract administration as analyzed above have the following statistical analysis. All the variables contract variation, specification variation, dispute resolution, debriefing and contract documentation have their means as 4.56, 4.95, 4.29, 4.55 and 5.01 respectively. All the variables have their means indicating that on average, all respondents agreed that they have significant effect on MSEs growth. The degree of variance as indicated by the means between the responses for contract variation and dispute resolution remain small. This indicates greater degree of homogeneity in the responses. However, for the variables specification variation, debriefing and poor documentation the higher values of standard deviations report wider variations among the respondents' views. This means that the majority of respondents' heterogenic views on the subject matters. These details are provided in table 2.24.

Table 4.24: Contract administration parameters summary

		Contract Variation	Specification Variation	Dispute Resolution	Debriefings	Poor Documentation
N	Valid	125	125	125	125	125
Mean		4.56	4.95	4.29	4.55	5.01
Std. Deviation		.65	4.57	.88	3.64	4.57

Equitability of Procurement Opportunities

The study wanted to establish whether the procurement opportunities were equitably distributed in the county. When they were asked how equitable public procurement opportunities are rationalized in the county, 935 of the respondents said that the opportunities were skewed to a few suppliers. The finding supports the findings posted in the measures of MSE growth parameters above which established that majority of MSE are unable to secure contracts in governments entities. This has gone ahead to curtail their potential growth, consequently phasing majority of them out of business.

This finding echoes Njiraini and Moyi (2006) findings that Kenya's public sector purchasing practices have persistently sidelined MSEs. Ogachi (2013) argues that although the government has legislated to set aside 30% of total public procurement spend for the MSEs across the country, the challenge lies in the implementation system especially in this era of devolved government regime. The growth of MSE sector in Kenya continues to suffer from dilapidated infrastructure and continued harassment from the government procurement agencies that undermine their desired growth says, (Muniu & Ngugi, 2013). The most disturbing aspect here is the harassment by government operatives.

This study observes that the problems bedeviling MSE in their bids to secure procurement contracts are fueled by multiplicity of other factors. Considering that contract awards are slop sided and skewed towards one side of the supply category of firms tells that the oversight agencies have failed in their mandates. It is incumbent upon the government to crack the whip and have the institutions responsible to execute their mandates as expressly set in their respective statutes. In the case of overlapping mandates like other agencies appear to be, the government should consider merging the agencies to establish one or few vibrant entities that effectively oversight the procurement system in Kenya. Equitable rationalization of procurement opportunities is presented in figure 4.8.

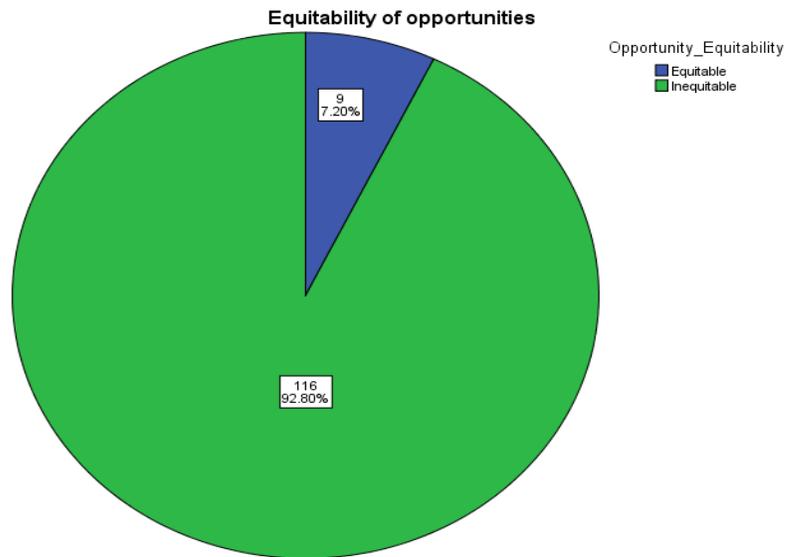


Figure 4.8: Equitability of opportunities

4.8 E-Procurement Technology

Currently, it is a government policy that all public procurements be executed electronically via IFMIS. This according to government will help in mitigating the colossal loss of public revenue in questionable government transactions. All public procuring entities, counties included are required to engage suppliers through the electronic platform. This caused the study to seek to determine its effect on the growth of MSEs in the Counties in Kenya.

4.8.1 Effectiveness of E-Procurement Technology

The question the study on how effective e-procurement technology is in the conduct of public procurement activities saw 65% of respondents projecting that the technology is ineffectively operational. This is to expressly explain that the effect of e-procurement technology is still insignificant, especially in terms of supporting MSEs participation in public procurement. It is only against the background of participation that the MSEs can eventually grow.

This finding contracts the benefits of electronic procurement, arguably that it leads to more market transactions, improves market transparency, lowers search and supplier switching costs besides improving the overall management of supply chains as concurred by (Aketch & Karanja, 2013 & Eyaa & Oluca, 2011). However, it concurs with Aketch and Karanja (2013) who argue that despite the aforementioned influence of ICT on procurement performance, it is disheartening to note that its implementation in most Kenyan entities is still poor. According to Pearce (2012) firms in competitive market environment must strive to understand both the existing technological advances and the probable future advances that can affect their products and service delivery. This is likely to offer competitive advantage especially in identifying and ceasing business opportunities within the environment.

Pertinent to note from this variable is the general emphasis and desire that government procurement processes head towards electronic transactions. The re-engineering of the IFMIS in government entities is desired to transform the procurement operations from manual to electronic platform. However, by critically analyzing the respondents' reactions, it is conspicuously discernible that the electronic platform in public procuring entities is substantially parallel in a way to manual systems to the extent of rendering the e-technology ineffective and insignificant. The main reason for this kind of scenario could be that there is a lacuna in the law that procuring entities exploit to circumvent the spirit of automation of procurement operations. The best way out of this kind of a situation is to cap the degree to which alternative, non-electronic systems may be utilized in executing procurement operations with emphasis on electronic procurement technology. Table 4.25 presents these findings in details.

Table 4.25: Effectiveness of e-procurement

		Frequency	Percent
Valid	Very Effective	42	33.6
	Moderately Effective	5	4.0
	Not Effective	78	62.4
Total		125	100.0

4.8.2 E-Procurement Measurement Parameters

In order to effectively decipher the effect of e-procurement on the growth of MSEs, the variable components were key. These are the constituent aspects that jointly make up the e-procurement variable. They played a key role in showing how this independent variable affects the dependent variable. It was discussed in details under the following sub-categories.

Availability of ICT Tools

The study asked for the extent to which ICT infrastructure affected the growth of MSEs in procurement in the County governments. It was cited by 91% of respondents as among the attributes significantly affecting the participation and growth of MSEs in public procurement in Kenya. Availability of the ICT software and hardware have significant determination on whether MSEs participate in public procurement or not. These findings are indicated in table 4.26 below.

Along the same line of understanding, JKUAT concurs that slackened socio-economic growth and development in East Africa (EA) is attributable to slow uptake and commercialization of locally generated social and scientific technological innovations, (JKUAT, 2013). This owes to inadequate infrastructure and lack of political goodwill to support the appropriate rate of growth of technology in the region. Draft *et al* (2010)

concur that information Technology (IT) consists of the tools used to gain awareness of information, analyze this information and execute on it to increase the performance of the supply chain. ICT facilitates knowledge management by transforming data into information and knowledge, and share all across the enterprise, posing need for appropriate infrastructure to support it. In the past, manual systems that characterized the public sector processes have been a deterrent to effective participation of the private sector, especially the MSEs in government procurement opportunities. Chopra *et al*, (2010) says that ICT is crucial to the performance of a supply chain because it provides the efficient mechanisms through which supply chain managers make decisions.

At the behest of IFMIS re-engineering that is the characteristic trade mark of the current public procurement system, ICT tools must be availed to all suppliers in Kenya. Although according to the IFMIS bi-annual journal by the National Treasury (RoK, 2015), IFMIS has trained 4000 suppliers across the 47 counties on e-procurement, they have not provided necessary infrastructure. More so, basing on this finding one may conclude that it is most likely that the majority of the trained suppliers fall within the purview of large and/or probably medium enterprises. This continues to limit small enterprise participation in the e-procurement processes, and as a result dashing off their growth targets.

Table 4.26: ICT tools and infrastructure

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	1	.8
	Large Extent	9	7.2
	Very Large Extent	114	91.2
Total		125	100.0

Technological Know-How

When asked the extent to which technological know-how affected MSEs growth, 90% noted that it equally has significant influence on the growth of MSE through public procurement. The implication here being that unless the MSEs are adequately equipped with relevant knowledge of the workings of the e-procurement system, they may never make it through public procurement. The details of this finding are tabulated in 4.27.

The most successful e-procurement implementations have been driven by those who best understand and partake the procurement processes and the outcomes to be achieved from deploying ICT in decision making. Unfortunately, Burt *et al* (2004) argue that it is common to ascertain that transaction-based procurement system has been purchased, implemented, operated and maintained with almost no input or participation from all relevant stakeholders. These systems may be acquired on the strength of purging costs of full time employees (FTE) which does not discriminate between individuals performing tactical and strategic value-added activities. Such purging increases future problems since few professionals are left to contribute during the critical requirements development process, and hence loss of buy-in and ownership of the new technologies by those left out.

From this viewpoint, it is advisable that all supply chain partakers should be trained, sensitized and inducted to any changes in technology. These sensitization efforts should not be limited to a selected few just like the National Treasury seems to be doing. Important to consider still, is that considering the huge number of both active and potential small scale suppliers in the market, the training and sensitization efforts must be perpetual and tailor made to address specific areas of interest to the MSEs. This will ensure that the technological challenges faced by these small scale supply entities are addressed and they become enabled to fully participate in public procurement operations and processes.

Table 4.27: Technological know-how

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	3	2.4
	Large Extent	8	6.4
	Very Large Extent	113	90.4
Total		125	100.0

Flow of Information

The extent to which flow of information on public procurement opportunities affect growth was another concern of the study. Majority of respondents at 82% said that the extent of information flow determines whether MSEs participate in public procurement or not. Failure to participate automatically translates to loss of business and poor growth rate. The rest of the details are provided in table 4.28 below.

According to Draft *et al.* (2010) information is a key supply chain driver that glues and allows the other supply chain drivers, to work together with the goal of creating an integrated, coordinated supply chain. A supply chain can be effective only if all stakeholders within the supply chain share a common reasoning about the information that they have to make decisions for competitive advantage and economic sustainability. Although Kenya's ICT sector is headed for sweeping reforms likely to yield an efficient and effective governance system, Mumo and Wokabi (2013) observe that the private sector has persistently experienced hardships when engaging the public procuring entities on the IT front owing to cumbersome procurement laws. This has negatively affected the implementation of the Public Private Partnerships (PPPs) despite the existence of the regulations guiding the initiative. Different information with different

stakeholders in a supply chain results in misaligned action plans that hurt the entire supply chain

The government should therefore work on ensuring that e-procurement disseminates the right information at the right time and to the right people. The information must also be relevant to MSE in making informed decisions. For instance issues to do with specifications, contract variations, tender validity periods must be unequivocally communicated. In an event that debriefing sessions have been organized should be informed in good time to allow maximum participation by all interested parties. These measures will go a long way in building confidence and trust in the public procurement system which are among the desired objects of public procurement according to the PPADA, 2015 (Rok, 2015).

Table 4.28: Flow of information

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	2	1.6
	Large Extent	19	15.2
	Very Large Extent	103	82.4
	Total	125	100.0

Reliability of Network

The study too sought to establish the degree to which reliability of the e-procurement network reliability affects MSEs growth. On this front, 52% of the respondents concurred that it significantly affected. Comparative, this was relatively smaller number of respondents. However, the views expressed help to shade light on the commonly held position among majority of suppliers about the e-procurement system. These details are reflected in table 4.29.

This concurs with the argument that slackened socio-economic growth and development in East Africa (EA) is attributable to slow uptake and commercialization of local technological innovations, (JKUAT, 2013). This owes to inadequate infrastructure that leads to frequent network down times and lack of political goodwill to support the appropriate rate of growth of technology in the region. In concurrence of these findings too is Kemei (2017) and Apollo (2017) who say that the IFMIS system is defective and that it has been exposed to exploitation and manipulation by its operatives. This owes to its exposure to fraud and misuse due to lack of proper safeguards and controls against misuse by unauthorized persons, says the report of the Auditor-General for the financial year 2016 (RoK, 2016).

This finding is significant in its own way. The IFMIS platform has been a subject of sharp focus in the recent past with such scams as National Youth Service, Ministry of Health and other numerous national and county governments' e-procurement related scandals. Explanations given include the claims of system hacking, malicious collaboration with system administrators and abuse of secret password codes by various users including the accounting officers. All these events might have informed the kind of responses that the study obtained in respect to this variable. The government should therefore work tirelessly to reign in on the perpetrations in order to restore public confidence and goodwill in matters procurement. Otherwise the economy stands to lose by phasing out large number of MSEs that collapse due to lack of participation in the lucrative public procurement contracts as contented by (Njiraini & Moyi 2006; Ongachi & Bwisa, 2013; Ogwel, Iravo & Lagat, 2016; Shikuku & Omwenga, 2015 & Omondi, 2016.)

Table 4.29: Network reliability

		Frequency	Percent
Valid	Moderate Extent	21	16.8
	Large Extent	39	31.2
	Very Large Extent	65	52.0
Total		125	100.0

E-procurement Parameters Summary

The statistics for the above measurement parameters show that for the need to have ICT tools and sufficient infrastructure in place, on average all the respondents supported the idea with a means for the various parameters coalescing around of 5. This signifies that the attributes significantly influences the growth of MSE. The variance as explained by the values of their respective standard deviations indicate that the respondents held were heterogeneous in some responses such as information flow and network reliability. However for the rest of the variables, the degrees of variance were lower, indicating homogeneity of responses. This could lead to the conclusion that majority of the respondents views are closely related. This information is summarized in table 4.30.

Table 4.30: e-Procurement parameters summary

		Tools	Know how	Information flow	Network reliability	Confidentiality
N	Valid	125	125	125	125	125
Mean		4.88	4.86	5.18	5.15	4.26
Std. Deviation		.47	.52	4.52	6.43	.81

Adoption of e-Procurement

It was again in the interest of the study to ascertain measures that could help to improve the effective adoption of electronic procurement technology by MSE. Various views were expressed on the measures that the government should put in place to help in the adoption and implementation of e-procurement for MSEs. Approximately 51% of respondents preferred training and sensitization of the MSEs on the requirements of the technology. A number of other suggestions were put forth as figure 4.9 exhibits.

This establishment supports Indire *et al*, (2008) who say that to facilitate small business growth and development, the government should commit to undertake training initiatives. This will impart fresh knowledge and improve skills of the business people to enhance better management of the informal business sector. JKUAT (2013) contends that in order to support innovative programs that can promote entrepreneurship and create a pool of indigenous, skilled, adaptive and competent human capital capable of stimulating the region's socio-economic development, universities should work closely with MSEs and young entrepreneurs to enhance their capacity. Alande, (2013) blames inadequacy in staff training both technically and experientially, technology and financially for poor performance of County governments as they reduce effective capacity for service delivery. However, training-based capacity carries more sense when coupled with competence-based capacity.

Although the government proposes to incorporate MSEs in training programs as indicated by various state agencies such as public training institutions, it government should endeavor to collaborate with MSEs. This would be appropriate in designing relevant training curriculum. It will avoid negative perceptions that may exist were the programs be developed devoid of the user or the consumer input. The MSEs should be trained mainly on change of attitudes and mindset towards progressive approach to public procurement management.

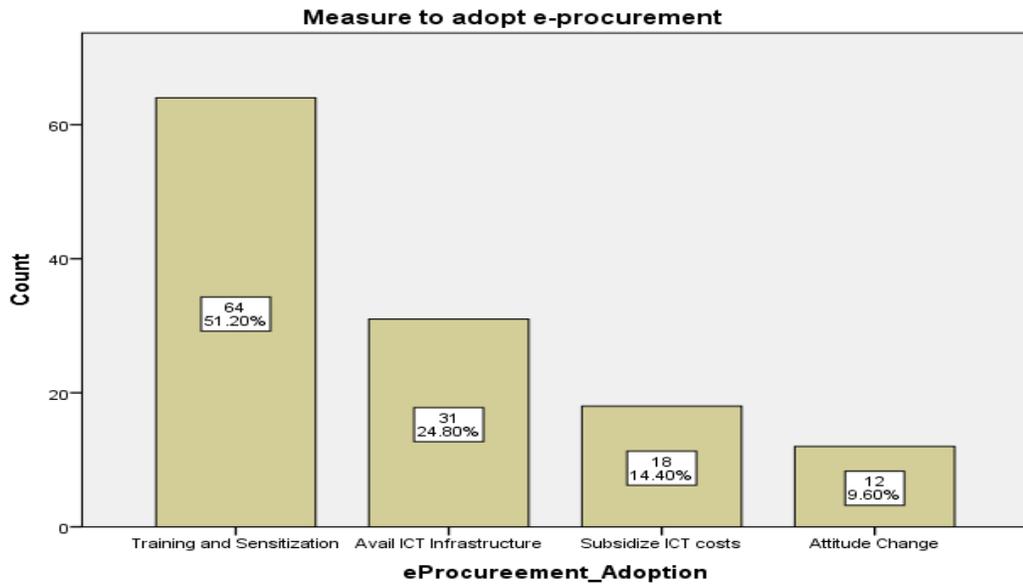


Figure 4.9: Measure to adopt e-procurement technology

4.9 Bidding Capacity

The way in which competitive bids are prepared and submitted determines whether a supplier wins a contract or not. This was considered instrumental for this study. It was aimed at addressing the problem from the bid preparation viewpoint, particularly from the supplier side. The study presumed that it is due to lack of bid preparation skills and experience that drives MSEs out of business with government entities.

4.9.1 Bidding Competences

In seeking to determine the degree to which MSEs are competent in preparing competitive bids, 79% respondents reported that there existed high level of incompetence. This is despite the study also establishing that most respondents were educated individuals. However, it is worth to note that having general education does not amount to being techno-savvy. The rest of the information is presented in figure 4.10.

In contending with this finding, Amayi *et al*, (2013) explain that re-engineering of IFMIS may not achieve much unless the government professionalizes and capacitates the supply chain function with necessary and relevant human capital at all stages of the supply chain. This area has been marred by corruption and ineptitude, due to deployment of non-professionals to manage public procurement against the requirement of the Supply Practitioners Management Act (SPMA), (RoK, 2007). Technology impacts on the development of business conditions and creates new opportunities for suppliers, producers and customers. The stakeholders in government supply chains can determine the extent to which the government takes advantage of ICT. Failure to recognize and remedy such problems jeopardizes the survival not only of public organizations but suppliers as well.

The government has since time immemorial insisted on engaging competent suppliers to services its requirement. Essentially, the competences are determined in terms of bid preparation at the evaluation stage of the procurement processes. With demonstrated level of incompetence in this study, it is deducible that the MSEs keep losing contracts due to their inability to present well prepared bid documents. In order to establish key areas of interest as far as incompetence is concerned the following parameters were studied.

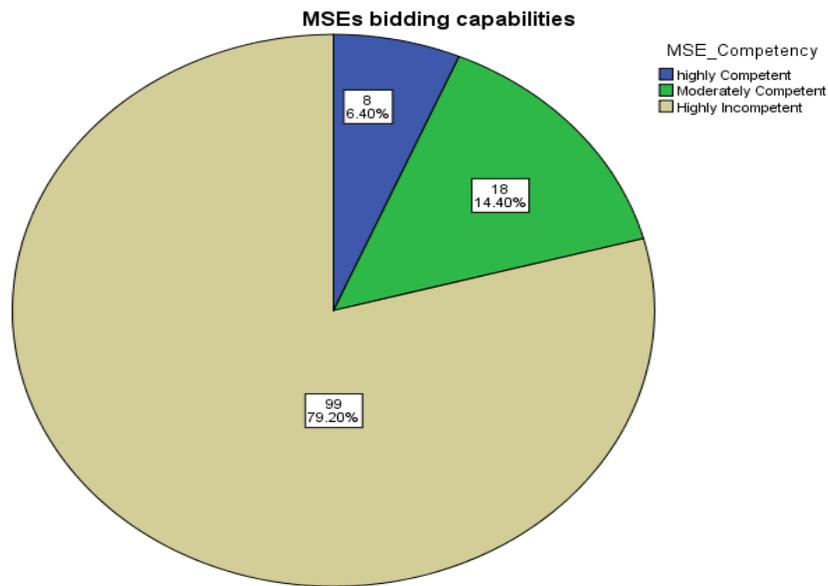


Figure 4.10: MSEs Bidding Competence

4.9.2 Competence Measurement Parameters

These are specific variable related issues covered by the study to assist in digesting effect of the variable on the dependent variable. These parameters are specifically concerned with the extent to which they affect the determine changes in the growth of MSEs. The discussion of the findings are presented under the following sub-headings. They are instrumental to the analysis of the effect of bid preparation skills on the growth of MSEs.

Bid Preparation Skills

The study sought to assess the level of effect that bid preparation skills had on MSEs growth. A total of 96% of the respondents said that possession of competently skilled human resources was required to effectively participate in competitive bidding processes. Among the key areas of concern in respect to competences of MSEs in their bidding endeavors is that of bid preparation skills, knowledge and aptitudes (SKAs). Table 4.31 demonstrates that 120 respondents shared the sentiments.

Indire *et al* (2008) concurs that to facilitate small business growth and development, the government should undertake training initiatives to impart knowledge and improve their bidding skills. According to Mumuni and Insah (2013) entrepreneurs play an important role in local economies in developing countries through employment creation and livelihood sustainability for the rural fork. Their active incorporation in mainstream economic activities is therefore crucial and necessary. Nasio *et al* (2003) supports the view that for the government to ensure that the control of the economy does not excessively pass on to foreign investors, it involves itself in regulating and promoting the growth of local investors.

There is no better way local investors can be promoted other than involving them in lucrative businesses such public procurement. Governments are reportedly biggest spenders globally consuming an estimated average of 60% of the GDP according to (Matindi, 2013; Aketch, 2013). Equipping MSEs with necessary SKAs enables them to be competitive enough to solicit public procurement contracts that will allow their rapid growth. Effective participation in public procurement will also permit the trickle-down economic effect that would lead to robust investment in the cottage industry due to growth in disposable income and propensity to consume at the grassroots.

Table 4.31: Bidding skills

		Frequency	Percent
Valid	Moderate Extent	2	1.6
	Large Extent	3	2.4
	Very Large Extent	120	96.0
Total		125	100.0

Negotiation Skills

The study sought to examine degree to which negotiation skills influenced MSEs growth. Negotiation skills were equally noted to significantly affect the participation and growth of MSEs in public procurement. This was observed by 59% of the respondents. It reveals that apart from bidding skills, negotiation skills are equally necessary and useful. MSEs should realize that with well-developed negotiation skills, they are capable of charting their success in public procurement. Further information on this variable are presented in table 4.32.

Unlike large enterprises that enjoy scale economies that allow them to offer lower prices in competitive businesses, MSEs do not enjoy this advantage. Ogachi (2013) agrees that due to their weak negotiating power, the categories of contracts set aside for the MSEs award are based on low-value jobs. This leaves the established firms to deal in jobs with real money further relegating MSEs to the periphery of public procurement opportunities. As such, Muniu and Ngugi (2013) argue that for MSEs to be able to grow into bigger companies, they must be capacitated to attract and retain skilled employees in their entities to enable them to negotiate for profitable procurement deals.

From the above information, it is evident that effective negotiations require shrewd competent persons. Government entities are institutional buyers with presumably trained manpower in negotiating for better business offers from suppliers. This important resource may not be easily forthcoming for the MSEs as most of them are established without clear work plans owing to the nascent informal sector environment. With the inherent intrigues in negotiations, MSE need to establish closer collaborative mechanism through which they can pool their resources together for effective and efficient negotiations taking advantage of the provisions of the MSEA, 2012.

Table 4.32: Negotiation Skills

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	10	8.0
	Large Extent	40	32.0
	Very Large Extent	74	59.2
	Total	125	100.0

Competition

The study sought to examine to what extent was the level of completion influencing the growth of MSEs. The level of competition was reported to have significant effect on the participation and growth of MSEs via public procurement in the counties in Kenya. This is according to 71% of the respondents. With the ascertained information under growth rate of MSEs section of this study, it implies that there could be intense cut throat competition within the public procurement spheres. This could be the persistent cause for the poor showing and growth of the MSEs in public procurement. Table 4.33 illustrates these findings.

Kihanya (2013) observed that favorable government regulations play an important role in establishing simpler, more appropriate and sustainable environment for businesses to implement their business strategies successfully. However, public procurement in Kenya has perpetually ignored the MSEs for a long time contends (Ochiri, 2011). This state of affairs has favored large enterprises to the extent that they have exerted intense competition in the supply market for the government. This scenario has been a major setback towards the growth of the MSE sector leading to their endless ailing contends (Muniu & Ngugi, 2013).

These findings are a pointer to the fact that MSEs in Kenya have suffered from economic historical injustices since time immemorial. The appropriate way to mitigate the historical injustices that the MSEs have been subjected to is for them taking advantage of the opportunities accruing from the new developments in the legal framework governing public procurement in Kenya. The legal framework has afforded the MSEs preferential treatment in terms of opportunities rationalization and competition mitigation. Furthermore, the advent of devolution has played a big role in pushing resources closer to them. They should therefore cease the opportunities jealously and aggressively seek their growth through these opportunities.

Table 4.33: Competition

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	2	1.6
	Large Extent	33	26.4
	Very Large Extent	89	71.2
Total		125	100.0

Volume of Contract

Does the volume of contract affect the MSEs participation and growth through public procurement? In response to this question, approximately 71% concurred. From analysis of the quantity and value of contracts awarded to the MSEs, it is evident that the contracts are discouragingly low. This is in comparison to the cost and time involved in working out the bid winning matrix for public tenders. Table 4.34 provides details about these findings.

Despite the statutory provision that 30% of public tenders set aside for MSE through the AGPO program according to RoK (2013), Ogachi (2013) decries that the categories of

contracts set aside for these groups award are based on low-value jobs such as supply of calling cards, flowers, printing services and newspapers. This leaves the larger firms to deal in jobs with real money. This relegates MSEs to the periphery of public procurement opportunities. Kihanya, (2013) argues that financial capability is instrumental in the determination of whether an organization succeeds or fails. Okoth (2013) observes that government suppliers suffer financial constraints due to delayed payments forcing them to halt operations because they tend to spend a lot of money upfront but get paid much later. For the MSEs, especially at the county level, this is a big financial blow because most of them operate on a shoe string budget due to inadequate or unfavorable sources of financing.

The major undoing in respect of the volume of the contract therefore, is not that they are huge and therefore infeasible, the converse is the case. Considering the findings in the volume and the value of contracts awarded to the MSEs in the last three, the results were disheartening. Only 2 respondents managed to secure procurement contracts worth of Ksh. 1 Million while over 46% of the respondents recorded negligible values of contracts of below Ksh. 100,000 while only 16% recorded having received contracts worth Ksh. 500,000 and below. With such minimal values, there would inevitably be no incentive for any serious business entity participating in a transaction whose returns are not promising even to settle its cost of capital.

Table 4.34: Volume of Contract

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	8	6.4
	Large Extent	27	21.6
	Very Large Extent	89	71.2
	Total	125	100.0

Bidding Capacity Summary of Attributes

The statistics derived from the measurement variable indicate that on average, the respondents converge around the same views. This is as demonstrated by the values of the respective means. All the means seem to gravitate around 5 indicating that the variables studied are reported to affect the participation and consequent growth of MSEs in public procurement to very large extent. The degrees of variance among the respondents were not far apart from each other as indicated by the standard deviation. The standard deviations are approximately less than 1.00 meaning that they do not deviate significantly from their respective means. This indicates homogeneity of the views expressed by the respondents. Except for the standard deviation for the variable bidding skills which indicated wider variance in respondents' views at 6.31. Table 4.35 gives detailed explanation of these statistics.

Table 4.35: Bidding capacity summary

		Bidding skills	Negotiation skills	Competition	Contract volume
N	Valid	125	125	125	125
Mean		5.74	4.49	4.67	4.62
Std. Deviation		6.31	.71	.59	.68

4.9.4 Measures to Improve Capacity

While responding to what should be done to improve bidding capacity for the MSEs, mixed responses were obtained. However, the majority of respondents at 47% provided that the MSEs should increase their level of participation in procurement activities. Unless they rise to the occasion and claim their rightful stake in public procurement, MSEs will continue lagging behind in growth. More details are provided in figure 4.11.

Although this differs with other literature reviewed, it could complement well the views projected in the literature. For instance, Indire, Nyam and Mbuvi (2008) opine that the government should underscore need for technical training of entrepreneurs at the grass root level to equip with competitive capacity to enable them to perform well in discharging their expected roles in regard to taking part in public procurement. This is echoed by Alande (2013) who adds that the training should not be an isolated event but strategically aligned to knowledge, skills and ability (SKA) improvement for competitive reasons. Against this background, Jomo Kenyatta University of Agriculture and Technology (JKUAT) concurs with the need for graduates to take advantage of the devolved system of governance to stamp authority in the field of entrepreneurial skills that may spur the country's economic development (JKUAT, 2013).

Although frequent participation helps to improve bidding skills and aptitudes, it may not be obvious as it may look. In the interest and spirit of supplier development, trainings,

knowledge transfer and information sharing is necessary. This is cross on both sides of the parties. The government and the MSEs have both part to play. Issues such as information sharing and knowledge transfer is double sided, thus it can be initiated by either side in terms of information seeking by MSEs and information giving by the government. Events such as debriefing sessions and bid filling trainings by PPRA are appropriate platforms to execute these activities.

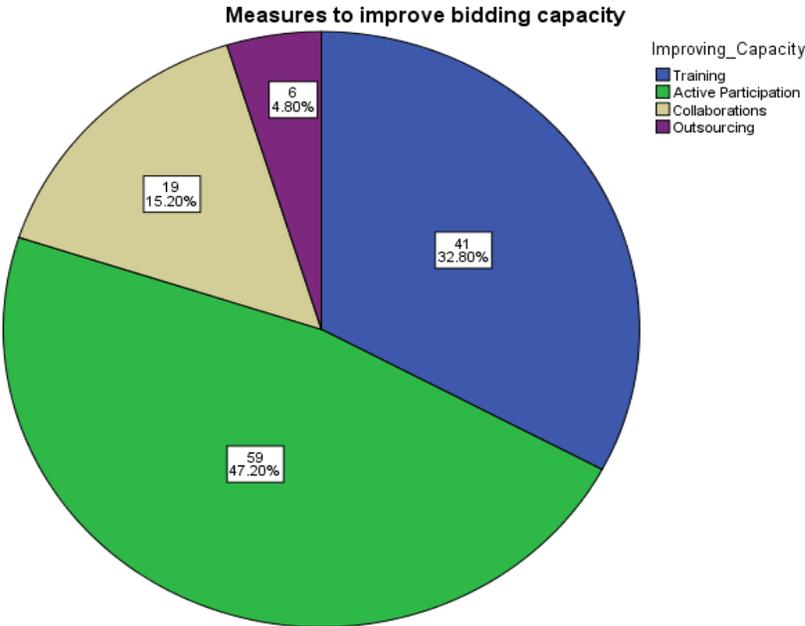


Figure 4.11: Measures to improve bidding capacity

4.10 Oversight Agencies

There are several government agencies charged with the responsibilities of over sighting various operations, public procurement included. Among the agencies include EACC, CID, KENAO, DPP and legislature. Failure on their part to prosecute their mandates could spell doom for the growth of not just MSEs but the government supply market as a

whole. The study established the following as the result of the work of the oversight agencies in matters public procurement.

4.10.1 Performance of Oversight Agencies

The study sought to determine whether public procurement oversight agencies performance was satisfactory. On the performance of oversight agencies, 75% of the respondents posited that the performance is currently unsatisfactory. This is a significant amount of views that should be a wakeup call for the policy makers. It indicates that the public procurement oversight agencies have not done their best to adjudicate on their mandates. Figure 4.12 gives details of the findings on this matter.

This agrees with Manual for Centre for Parliamentary Studies Training (CPST) RoK (2015) that it is important that tender awarding and oversight authorities have the appropriate competences to properly assess, rationalize, and afford equal procurement opportunities to all suppliers. Unless proper ethical standards are observed in the discharge of their mandate, bias will arise and the smaller firms may not benefit from public procurement and become discontented with the process. This should be a reason enough to compel the government in general and County Governments in particular to acclimatize with the global trends through effective benchmarking or risk being irrelevant in today's dynamic socio-economic and political environment.

The fact that MSEs express dissatisfaction with the oversight agencies performance is not in vain. There have been numerous occasions in which these agencies which include EACC, ODPP, KENAO, parliament among other agencies have displayed sheer unwillingness to take serious their work in accordance with the law. There have been cases related to unfair procurements all over the country, with unclear determination by the relevant agencies. As mentioned earlier, multiple procurement related scandals have to the fore in Kenya. However, there end results have remained a mirage, posing serious negative perceptions about the performance of oversight agencies. The causes of unsatisfactory performance remain unknown. This study sought to delve into the matter

and analyzed a number of variables as discussed in the performance measurement parameters in 4.9.3.

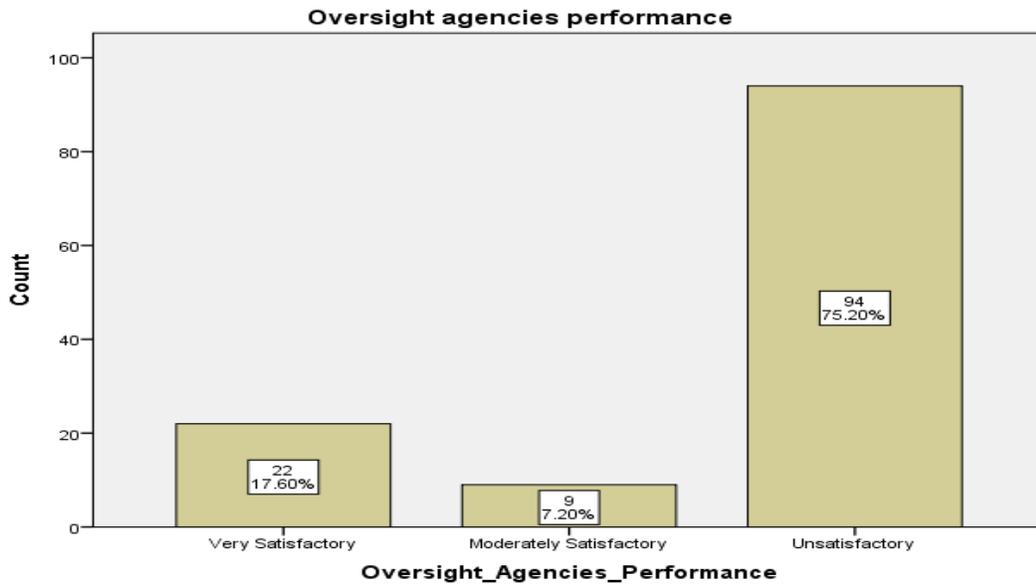


Figure 4.12: Performance of oversight agencies

4.10.3 Oversight Agencies Performance Parameters

As the standard for the study, this variable was further analyzed in more dissected form. It was opened up into individual specific constituents that make up the whole variable for ease of evaluation. A numbers of parameters were drawn for analysis, with more revelations emanating from their assessment. The details were as discussed in the succeeding discussion on the oversight agencies as an independent variable.

Competence of Members

The study sought the respondents' assessment on the extent to which competences of the members appointed to the oversight agencies in Kenya affect their performance. According to 90% of the respondents, for the oversight agencies to function and prosecute their mandates, competency of their members is significant. Competency of

the members affects their ability to ensure that MSEs benefit from procurement opportunities. Clarity and details of these findings are illustrated in table 4.36.

These views are significantly shared by Eyaa and Oluka (2011) that on average majority of individuals involved in the oversight of procurement process are not conversant with legal and general regulatory framework governing them. Getuno, *et al.* (2015) concurs that the level of familiarity with the procurement rules and regulations by the oversight agencies is low as most of those involved in the procurement process do not possess relevant training. Owing to that, there is hardly any oversight agency that has escaped the seemingly contagious predicament of corruption accusations. Documentation and records management skill is especially, another challenge for state agencies. It equally creates room for incompetent practices and negatively affecting enforcement of procurement rules and regulations.

This is the main cause of lackluster performance and poor enforcement of policies and statutory provisions like setting aside 30% of the total procurement spend for the marginalized and MSE enterprises in Kenya. As observed by Eyaa and Oluka (2011) many corporate members in Africa, especially in state owned PDEs have limited understanding of their oversight roles and are usually open to manipulation by principals, due to among other factors, their incompetence.

The finding offers an opportunity to rethink and re-evaluate the appointment criteria for the members of these agencies. The oversight agencies are political appointees who are expected to serve the public interest. This is a big misnomer that cannot hold water before any competent judge. Alternative mechanism should be established that would guarantee fair and competent hiring of the agencies.

Table 4.36: Competences of oversight agencies

		Frequency	Percent
Valid	Moderate Extent	1	.8
	Large Extent	12	9.6
	Very Large Extent	112	89.6
	Total	125	100.0

Objectivity and Independence

This study sought again to establish the whether objectivity and independence of the agencies affect their performance. It was found out that the oversight agencies will only be effective when they hold independence and objectivity in their mandate. This was according to 64% of the respondents. It aligns itself well with the findings in the need for competent members as in above. The findings are highlighted in table 4.37 for more details.

In support of this findings, Shiundu *et al*, (2013) concurs that the basic purpose for establishment of the oversight agencies by public procurement regulatory framework is to assist in striking a balance not only in the way procurement and its accompanying processes are structured, but in how the various roles, responsibilities and decision rights are allocated between procuring entities and other stakeholders. This puts the agencies in a pivotal position in the adjudication of government procurement processes. Consequently, the onus of effective participation of all categories of suppliers including MSEs in public procurement lies with these authorities. The absence of autonomy will therefore negate the primary purpose of their existence.

Adjudicating in important matters affecting the society such as sectorial contribution to the economic growth requires a neutral arbiter. When parties present their cases before an agency that is perceived to have a pre-determined mindset as a result of compromise

and conflict of interest, they develop apathy. This could be the genuine scenario in the adjudication of public procurement in Kenya. The public seems to have no confidence in the oversight agencies owing to their perceived or demonstrated alignments to various slants of the society. If allowed to continue, the economy will be the main loser as the sectors such as MSE and other informal sectors continue on a down turn path to the doldrums.

Table 4.37: Independence and objectivity

		Frequency	Percent
Valid	Small Extent	2	1.6
	Moderate Extent	9	7.2
	Large Extent	34	27.2
	Very Large Extent	80	64.0
Total		125	100.0

Funding of Agencies

The study asked whether funding of the oversight agencies affected their performance. It was determined that adequate funding of the activities of the oversight agencies is mandatory. This is according to 62% of the respondents. Owing to the nature of their work and the public expectations from the agencies, funding is handy for the oversight agencies. These findings are detailed in table 4.38 below.

However this finding goes against Mutambu (2016) report that shows that even with perceived level of sufficient funding, oversight institutions can still fail to deliver. The report highlights the frustrations of the government that despite funding the agencies, they have not shown results in terms of tackling the economic vices they are established to combat. According to Mutambo (2016), enough resources were availed at the disposal

of the agencies in the financial year 2015-2016. However, no one agency could show tangible results for the same. Based on the findings in this study, it may however, be concluded that the reported funding may have been overwhelmed by the voluminous amount of pending work in the target institutions back logs.

Inadequate funding of an entity is a recipe for under performance and other malpractices. This is the basis for sentiments by Eyaa and Oluka (2011) that there is hardly any oversight agency that has escaped the seemingly contagious predicament of corruption accusations. In Kenya, the government has strived to extend more funding of the oversight agencies under the Multi-Agency Taskforce (MAT). However, the additional funding does not seem to yield tangible results. This contravenes the essence of increasing funding for the agencies because it is expected to produce commensurate results in terms of water tight cases that can stand prosecution beyond reasonable doubt. The MAT includes agencies such as EACC, DPP, CID, AG, and the judiciary. Funding should therefore be aligned to specific clearly defined tasks such as specific cases and administrative tasks so that the money does go to waste as a result of lack of planning for the same.

Table 4.38: Funding

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	9	7.2
	Large Extent	38	30.4
	Very Large Extent	77	61.6
	Total	125	100.0

Inter-Agency Relationships

The respondents were asked to determine whether inter agency relationships affected their work. Approximately 72% of the respondents posited that oversight agencies need to cultivate collaborative working relations amongst themselves. The respondents held views that inter-agency relations affect their ability to execute their respective mandates. The findings are presented in table 4.39.

These findings coincide with another finding by Asiago and Ngao (2013) and Ngugi (2012) that in order to ensure that they deliver on their mandates, the oversight agencies should pool together their team-specific experiences. This will enable them to make and implement objective decisions with far reaching positive impact not just to the public procurement processes but to the economy at large. This is bound to benefit the business community that comprises over 70% MSEs, argue (Muniu & Ngugi, 2013). This can be achieved through the engagement of fair and constructive discussions and debates on strategic decisions during their committee sittings in adjudicating on crucial matters such as suppliers' determination, selection and other relevant procurement contract related issues.

The government in the recent past established MAT as a measure to address this concern. However, despite this effort, there still exist long term perennial cases that are pending redress. Even worse still is the emergence of fresh high volume scandals in the government procurement circles whose fate seems to go the way other cases have taken in the past. The agencies under the MAT arrangement have engaged blame shifting games and finger pointing at each other. The government should therefore consider merging these agencies into a broad spectrum multi-disciplinary agency with distinct mandates under one command. This can help to solve the delay in resolving the cases and utilize available SKAs in a more organized and coordinated manner.

Table 4.39: Inter agency relationships

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	5	4.0
	Large Extent	29	23.2
	Very Large Extent	90	72.0
Total		125	100.0

Clarity of Roles

With presumption that there was role conflicts, that study sought to ascertain hoe role clarity affects the oversight agencies' performance. It emerged from 37% of the respondents that clear definition of roles for various oversight agencies has relative effect on their performance. Although majority of respondents expressed themselves that the effect is not to a very large extent. From this revelation, the study reports that role conflict could lead to poor performance. The rest of the details about the findings are shown in table 4.40.

PPDA, 2005, PPDR, 2006 as amended by PPDCGR, 2013 vest supreme authority of public procurement decisions in PDEs' tender committees, sentiments echoed by (RoK, (2015; RoK, 2006 & RoK, 2013). Some of the authority is further delegated to other oversight agencies such as PPRA's complaints review and administrative board, EACC, KENAO and even the internal audit divisions.

Shiundu *et al*, (2013) contends that the basic purpose for establishment of the oversight agencies in public procurement is to assist in ensuring fairness and equity in opportunities. This is not only in the way procurement and its accompanying processes are conducted, but in how the various roles, responsibilities and decision are allocated and executed within procuring entities. This is effective when the roles of the entities are clear and unambiguous. Lysons and Farrington (2010) concur that one of the causes of conflicts and unsatisfactory performance within inter related agencies is the role ambiguity. Eyaa and Oluka (2011) says that many corporate members in Africa, especially in state owned PDEs have limited understanding of their oversight roles and are therefore open to manipulation.

This is evident among the MAT agencies. In their recent anti-corruption summit with various stakeholders, there was blame shifting amongst themselves to the extent that it was difficult to identify the areas of concern in the fight against the vice. In order to contain this phenomenon, the measure of unifying their role under one broad spectrum as addressed above is necessary. It would eliminate the inherent conflicts and help to streamline the operations therein.

Table 4.40: Role clarity

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Small Extent	1	.8
	Moderate Extent	35	28.0
	Large Extent	46	36.8
	Very Large Extent	42	33.6
Total		125	100.0

Oversight Agencies Summary of Attributes

From the table 4.41, the means for the variables gravitate around 5 which was the statistic for the very large extent effect. This is except the mean responses for the variable role clarity which is 4, a statistic for large extent effect. This shows that on average respondents agree that variables addressed by the study have significant effect on the oversight agencies ability to ensure that MSEs gain from public procurement opportunities. The degrees of variance within the responses as indicated by the standard deviations of the respective variables demonstrate varied degrees of respondents positions on the extents to which the variable affect the growth of MSEs.

Table 4.41: Oversight agencies summary

		Competences	Independence	Funding	Powers	Relationship	Role clarity
N	Valid	125	125	125	125	125	125
Mean		5.21	4.54	4.92	4.63	4.66	4.02
Std. Deviation		3.51	.70	4.57	3.65	.64	.85

4.10.4 Measures to Improve Performance of Oversight Agencies

From findings of this study, the most preferred way of enhancing performance of the oversight agencies is through affording them goodwill and support. This was supported by approximately 34% of the respondents. The other measures proposed were as presented in figure 4.13.

This indicates that inability of oversight agencies in Kenya to satisfactorily discharge their mandates arises from interference and lack of goodwill by the societal institutions. The most crucial goodwill for this case is political. As noted earlier, the public seems to have no confidence in the oversight agencies owing to their perceived or demonstrated alignments to various slants of the society. In order to ensure independence and objectivity in their work, all-round support is an inevitable by all the stakeholders.

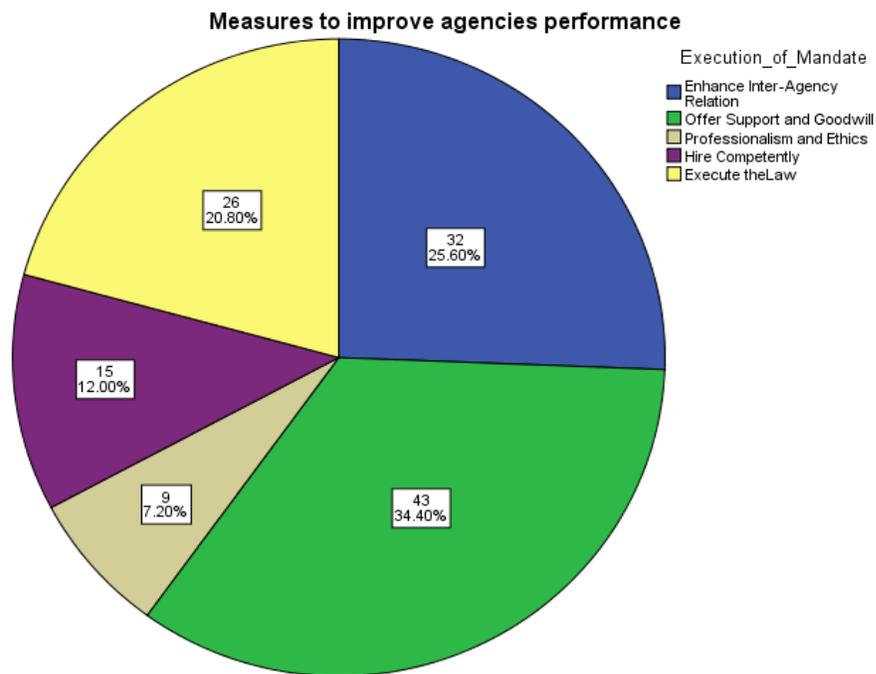


Figure 4.13: Measures to improve agencies performance

4.11 MSEs Participation in Public Procurement

The study hypothesized that growth of MSE through public procurement must have an intervention of participation as an independent variable. Unless there is effective and active participation in public procurement processes, it would be impossible to claim growth by MSEs. This variable was therefore considered as the intervener between the effects of the other independent variable and the dependent variable. The study's findings for this particular variable were as discussed herein.

4.11.1 Frequency of Participation

The study established that 37% of the respondents, quite disheartening figure, participate frequently in public procurement processes. This is a relatively smaller number compared to the size of the potential benefit that is associated with frequent

participation. However, it is not the total number of participants as per figure 4.14 below.

Infrequent participation in public procurement limits suppliers' chances of winning supply contracts. Siti and Atikah (2010) and Mohd *et al*, (2010) explain that SMES poor showing in public procurement occasions their poor growth. This is caused by lack of SMEs management to realize their potential capabilities or failure to exploit such capabilities to take advantage of the opportunities arising from public procurement. This case seems prevalent in the Kenyan where despite the existence of the preference and reservations clauses in the PPDR, 2006 (RoK, 2006) many MSEs still do not take effectively take part in procurement process.

In Kenya, all public procurement plans are structured on quarterly basis. Therefore, for MSE to effectively participate, they have to do it quarterly to raise their chances of success. This is however not evident according to these findings. The government should strive to encourage MSEs to participate in government procurement processes. This can be achieved through reducing the barriers inhibiting MSEs from accessing procurement opportunities making it a pipe dream for the majority of the firms. There should also be established formal training institutions with specific focus on the existing MSEs in their respective counties. This will foster faster growth of the micro enterprise supply chains which would lead to increases in the growth of the domestic as well as the national economies.

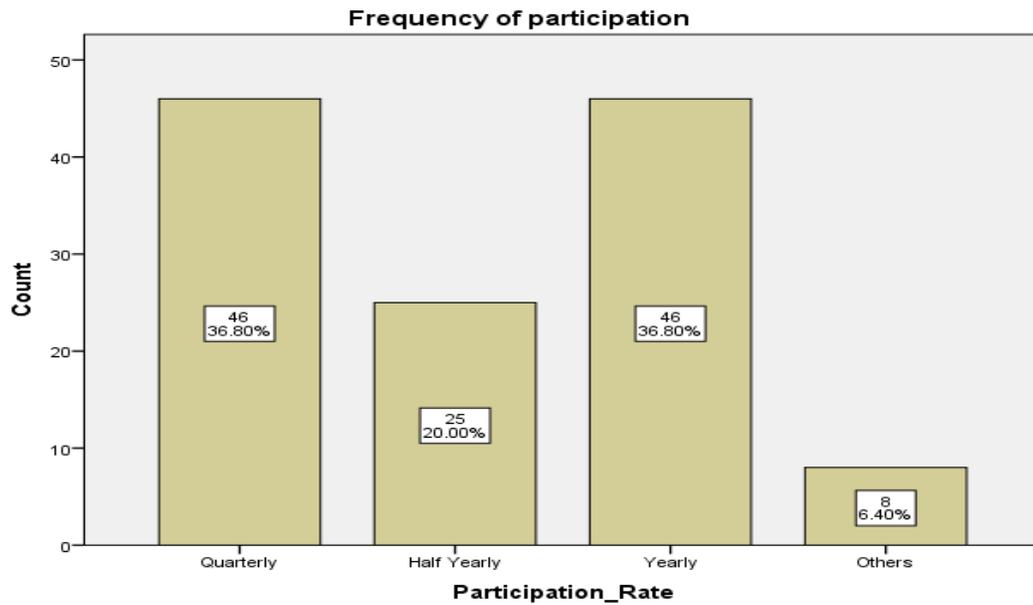


Figure 4.14: Frequency of participation

4.11.3 Determinants of MSEs Growth

This section sought to measure the extent to which each of the independent variables directly influenced the dependent variable. It was utilized to show the respondents rating of the effects of the other independent variables on the participation of MSEs in public procurement. Presumably, all the other independent variables affected how the MSEs participated in public procurement. The study outcomes on this variable were discussed as follows.

Procurement Procedures

It was determined by the study that 91% of respondents feel that procurement procedures significantly affect the growth of MSEs. The regulation of public procurement includes the rules and regulations that regulate procurement processes in public entities. They include the legal framework put in place by the government which

is reflected in the Public Procurement and Asset Disposal Act, (PPADA) 2015 among other statutes.

These findings concur with Indire *et al*, (2008) observations that government regulates business environment in several ways including establishment of regulatory framework and operating procedures. The procedures are basically established and enforced by the Public Procurement and Asset Disposal Act (PPADA, 2015) and Public Procurement, Disposal Regulations (PPDR, 2006) among other legal frameworks. However, these procedures have tendencies of locking out MSEs by imposing tight regulation such as levying high volume standards, need for proof of large financial base and other stringent pre-qualification standards as observed by (Njiraini & Moyi, 2006). Nonetheless, the challenges in public procurement go beyond procurement rules and regulations to include process, methods, organizational structure and work force, argue (Eyaa & Oluka, 2011). The details are presented in table 4.42.

Table 4.42: Procurement procedures

		Frequency	Percent
Valid	Large Extent	11	8.8
	Very Large Extent	114	91.2
Total		125	100.0

Contract Administration Practices

To this end, the study established that contract administration practices and procedures were considered to influence growth of MSEs in varying proportions. This was supported by 58 respondents stating that it affected to a very large extent while 57 others claiming it affected but to a large extent. This gives a total of 92% of the respondents in substantial support of the fact that it actually does affect. The respondents felt that

procurement procedure have significant influence on the growth of MSE than contract administration activities.

In congruence with these findings are RoK (2010) and Shiundu and Rotich (2013) views that an organization is as effective as its applied governance styles, management attitudes and approaches of the executives. The executives in counties should provide the pivot point upon which all aspects of organizational functioning revolve in the administration of procurement contracts in the public sector. Eyaa and Oluka (2011) observe that the overall area where public procurement management at both the Central Government (CG) and Local Government (LG) Procurement and Disposal Entities (PDEs) score the lowest is in respect to contract award and contract management and administration. This is because decisions about overall strategic planning and organizational management are the responsibility of the chief executive officers (CEOs) and their immediate subordinates. However, such decisions should be complemented with appropriate management attributes which take on board all stakeholders for sustainable positive results. These findings are presented in table 4.43 as follows.

Table 4.43: Contract administration

		Frequency	Percent
Valid	Moderate Extent	10	8.0
	Large Extent	57	45.6
	Very Large Extent	58	46.4
Total		125	100.0

E-Procurement Technology

In respect to e-procurement technology as a factor in MSEs growth, 85% of respondents, reported that the variable has significant effect on the growth. This shows that the deployment of electronic technology in form of IFMIS has had significant influence in determining whether MSEs can participate in public procurement or not. As such, for the

MSEs to participate in public procurement and probably secure their growth, they need to be techno savvy. This could be the main reason for this outcome from the respondents.

Aketch and Karanja, (2013) and Eyaa and Oluka (2011) echo these findings that electronic procurement (e-procurement) which is a component of ICT, leads to more market transactions, improves market transparency, lowers search and supplier switching costs besides improving the overall management of supply chains. That notwithstanding, Aketch and Karanja (2013) argue that it is disheartening to note that its implementation in most Kenyan entities is extremely poor. According to Pearce (2012) firms in competitive market environment must strive to understand both the existing technological advances and the future advancements that could affect their products and service delivery.

This is likely to offer competitive advantage especially in identifying and ceasing business opportunities within the environment. Slackened socio-economic growth and development for MSEs is attributable to slow uptake and commercialization of scientific technological innovations. This owes to inadequate infrastructure and lack of political goodwill to support the appropriate rate of growth of technology amongst the MSEs. In the past, manual systems that characterized the public sector processes deterred effective participation of the private sector, especially the MSEs in government procurement opportunities. More details are provided in table 4.44.

Table 4.44: e-Procurement Technology

		Frequency	Percent
Valid	Large Extent	19	15.2
	Very Large Extent	106	84.8
Total		125	100.0

Bidding Capacity

In almost equal measure, just like other previous variables, 82% of respondents regarded bidding capacity to exert to a very large extent its effects on MSEs growth. It was yet the other critically significant factor in the study that was found to influence the growth of MSEs in counties in Kenya.

Indire *et al* (2008) advance that in order to facilitate small business growth and development, the government should commit to undertake training initiatives to impart and improve skills of the business people to enhance their business management capacities. Alande, (2013) blames inadequacy in staff training both technically and experientially, technology and financially for poor performance of County governments as they reduce effective capacity for service delivery. According to Shiundu and Rotich (2013), competent procurement related decisions are those based on rules and analysis with sufficient organizational experience which enhances responsiveness to citizens' expectations and aspirations.

Although the Integrated Financial Management Information System (IFMIS) was intended to enhance operational and control capacity in the public financial management reform effort, many key activities are still undertaken outside the system albeit the IFMIS capabilities to achieve full automation. The IFMIS strategic plan presumably, seeks to identify the political, administrative and capacity constraints that require rigorous interventions in order to secure the buy-in and necessary ownership within MDAs. Apparently, large enterprises have persistently had a field day in government

procurement at the expense of MSEs. Besides, the re-engineering of IFMIS may not achieve much unless the government professionalizes the public procurement function with necessary and relevant human capital as well as capacitate the MSE to participate in public procurement. In table 4.45 these findings are clearly presented in their detailed form.

Table 4.45: Bidding capacity

		Frequency	Percent
Valid	Moderate Extent	1	.8
	Large Extent	22	17.6
	Very Large Extent	102	81.6
Total		125	100.0

Oversight Agencies

From these findings, majority of respondents said that although it had influence, they did not consider the influence of oversight agencies to have significant effect on the growth of MSEs taking part in public procurement in Kenya. It was found out that 43% of the respondents, believed that the procurement oversight agencies affected the growth of MSEs. This implies that although oversight agencies are expected to offer checks and balances on the procurement operations in the public entities, their existence has not convinced the MSEs that they can help them to grow.

This aligns with Shiundu *et al*, (2013) that the basic purpose for establishment of the oversight agencies by procurement regulatory framework is to assist in striking a moderated balance not only in the way procurement processes and technologies are structured, but in how the various roles, responsibilities and decision rights are allocated between procuring entities and other stakeholders. This puts public tender awarding

authorities in a pivotal position in the adjudication of government procurement processes. Consequently, the onus of effective participation of all categories of suppliers including MSEs in public procurement lies with these authorities. Centre for Parliamentary Studies Training (CPST) states that it is important that tender awarding and oversight authorities have the appropriate competences to properly assess, rationalize, and afford equal public procurement opportunities to all potential bidders, (RoK, 2015).

However, unless proper ethical standards are observed in the discharge of their mandate, bias will arise. Resultantly, the weaker firms may not benefit from public procurement processes. It therefore requires tender adjudication committees to be constituted from a team of officers with sufficient and relevant managerial experience, knowledge, confidence and competences. Despite the recognition of the value of managerial experience in converting organizations' resources into societally beneficial plans in the public sector, little effort and attention have been devoted to developing an experience-based cross functional team of public executives to serve in procurement oversight committees. In order to ensure that they deliver on their mandate, the oversight agencies should pool together their team-specific experiences to make and implement decisions with positive impact of the public procurement processes on the economy. This can be achieved through the engagement of fair and constructive discussions and debates on strategic decisions during their committee sittings in adjudicating on suppliers' determination, selection and contract awards. More results about these findings are in table 4.46.

Table 4.46: Oversight agencies

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	20	16.0
	Large Extent	54	43.2
	Very Large Extent	50	40.0
	Total	125	100.0

Participation in Public Procurement

The study further ascertained that as an intervening variable, for the MSEs to register significant growth through public procurement, they must participate. Among the six independent variables of the study, 93% of the respondents said that MSE participation significantly affects their rate of growth. This was the second in rank variable that was considered the most influential by the majority of the respondents.

In agreement with this finding, Njiraini and Moyi (2006) contend that one of the innovative ways in which countries should be dealing with the MSE market access constraint is by enhancing participation of MSEs in public procurement. This provides an important market for MSEs and offers them an opportunity to overcome the market constraint. Bougie and Sekaran (2013) advance that unless there is the presence of an intervening variable, the theorized relationship between the independent and dependent variables cannot be sustained. The rate at which the MSEs participate in public procurement in the counties in Kenya is critical and crucial for their growth. According to the Ministry of Industrialization and Enterprise Development, lack of vibrant market for the MSE products inhibits their growth and competitiveness, (RoK, 2013).

In Kenya however, public sector purchasing practices tend to lock out MSEs through unfavorable pre-requisite requirements for participation for the MSEs. In an effort to remedy this phenomenon, the government should be seeking to upgrade the dilapidated MSE infrastructure in order to incorporate the sector into the mainstream procurement activities for their growth and self-sustainability. This trend has been a long time ridicule for the governments in the developing nations. They have been grappling with the need to develop an environment conducive to job creation with a view to generate employment for the high number of new labour market entrants and reduce high structural unemployment without much breakthrough. In order to achieve this goal, it is imperative to prepare for economic expansion, providing economic opportunities for the populace through entrepreneurship in the MSE sector. The details were as demonstrated in table 4.47.

Table 4.47: Participation

		Frequency	Percent
Valid	Very Small Extent	1	.8
	Moderate Extent	1	.8
	Large Extent	7	5.6
	Very Large Extent	116	92.8
Total		125	100.0

MSE Participation Summary

The details of the statistics for the variables discussed above are summarized in table 4.48. From the figures in the table, four out of the six variable have their means closer to 1. This indicates that on average for the variables procurement procedures, e-procurement technology, bidding capacity and participation, the respondents concurred that they have significant effect on the growth of the MSEs in counties in Kenya. However, majority of the respondents held otherwise for the variables contract administration and oversight agencies. The respondent said that the two variables did not significantly influence growth of MSEs in counties in Kenya.

The variances within the expressed views were narrow indicating harmony and close relationship. The standard deviations of the variables indicate narrow degrees of variances. This explains that the respondents views were closely related and that they held closely similar view points of the issues addressed by the study. The inferential analysis will help to explain in details about the possible relevant conclusions on the independent variables.

Table 4.48: MSEs participation summary

		Procedures	Contract Admin	Technology	Bidding Capacity	Agencies	Participation
N	Valid	125	125	125	125	125	125
Mean		5.0	4.0	5.0	5.0	4.0	5.0
Std. Deviation		4.0	.63	6.33	4.51	3.64	4.50

4.11.4 Level of Participation

The level of participation of the MSEs in the counties in Kenya remains disturbing and very low. This is according to 83% of respondents. Despite the purported efforts by the government to stimulate growth of MSEs by incorporating them into public procurement, they still do not take part as may be desired. This problem may be addressed by reviewing the issues raised in this study and formulating appropriate policy measures. The level of participation could be significantly increased if research based decisions were the main focus by the public policy strategists.

This agrees with Ochiri (2011) report that public procurement in Kenya has perpetually ignored the MSEs since independence. Local MSE firms have been regarded as lacking capacity to service the government with its needs. This scenario has been a major setback towards the growth of this important informal sector leading to the endless ailing of entrepreneurship culture in Kenya, contends (Muniu & Ngugi, 2013). Njiraini and Moyi (2006) augments this argument by observing that Kenya's public sector purchasing procedures and practices have persistently shunned MSEs participation by setting tough pre-qualification standards. The growth of MSE sector in Kenya suffers from dilapidated infrastructure and inappropriate technology that undermine their desired growth, (Muniu & Ngugi, 2013).

The major challenge that County governments face in implementing devolution in Kenya is narrowing regional disparities in income, resource endowment and economic development. This can be achieved if the devolved governance system can tap into and harness the available local resources through the local MSE entrepreneurs. County government units should place premium on the philosophy of 'buy county-built county.' Devolution being the heart of the Constitution, governors should champions constitutional spirit and endeavor to enable locals to take part in setting their own economic, political and social agenda. Measures to mitigate prohibitive bureaucratic policies previously experienced in the government at the expense of MSE access to

government opportunities should be addressed comprehensively. The findings are presented in figure 4.15 in more details.

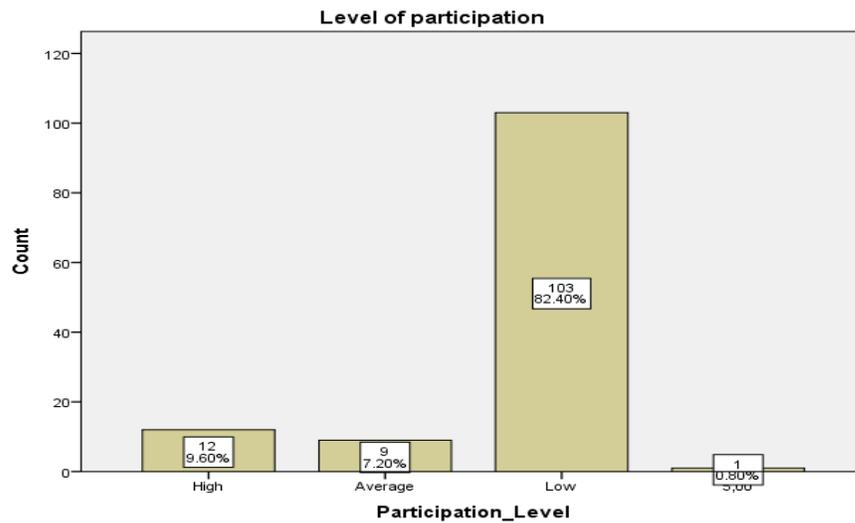


Figure 4.15: Level of participation

4.12 Statistical Modelling

This study was conducted on the basis of fundamental research; to make contribution to the existing knowledge. However, although the objective was to generate additional knowledge about the stated problem, the knowledge generated may be applied later for solving real world problems. It is against this backdrop that inferential analysis is essential to demonstrate the significance of the statistics herein to generally applying them to help solve the problems in real world environment. The inferential statistics are meant for the generalizability purposes.

4.12.1 Testing of Assumptions

In order to determine whether the data collected resulted in a normal distribution curve as presumed, the test for assumptions was conducted. This owes to the study having been based on assumptions that the sample having been selected independently and randomly, the data would be normally distributed. Based on the computation of normality test, it is observed that there is a slightly negative degree of skewness of approximately -0.164, which is within the acceptable range of -1.96 and 1.96 according to (Kothari, 2014). This indicates that majority of respondents did not feel that the independent variables in the study support the growth of MSEs in Kenya. This is expressed by the mean responses of 1.54, which is close to the hypothesized mean of 2.00 representing negative response. The kurtosis test (peakedness or flatness) of the histogram on the other hand illustrates that the number of respondents in support of the variable as not supporting growth of MSEs is approximately 2.00, further solidifying the fact that MSE in the Counties in Kenya are not growing. The results of these tests are presented in table 4.49 and figures 4.17 and 4.18 respectively. These tests show that this study is approximately normally distributed.

Table 4.49: Test for normality

		Statistic	Std. Error
Effects	Mean	1.5403	.04494
	95% Confidence Interval for Lower Bound	1.4514	
	Mean		
	Upper Bound	1.6293	
	5% Trimmed Mean	1.5448	
	Median	2.0000	
	Variance	.250	
	Std. Deviation	.50039	
	Minimum	1.00	
	Maximum	2.00	
	Range	1.00	
	Interquartile Range	1.00	
	Skewness	-.164	.217
	Kurtosis	-2.006	.431

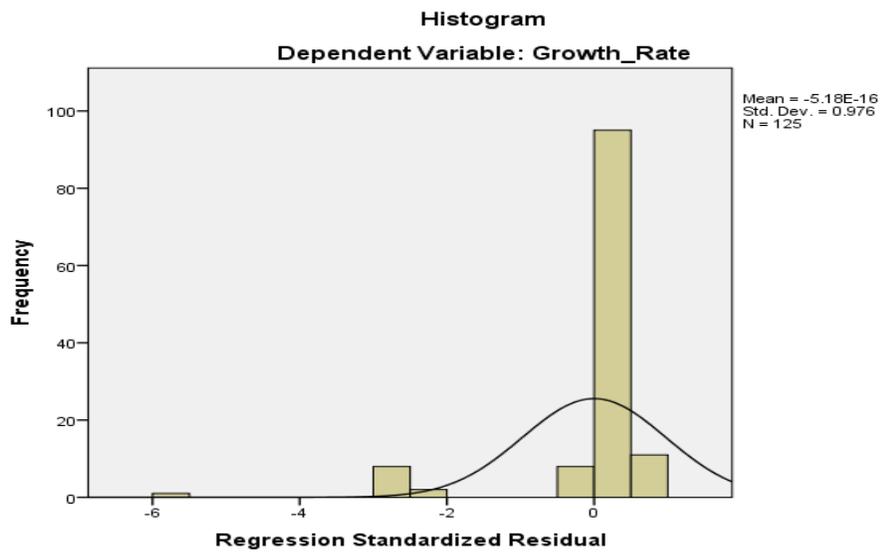


Figure 4.16: Histogram for normality test

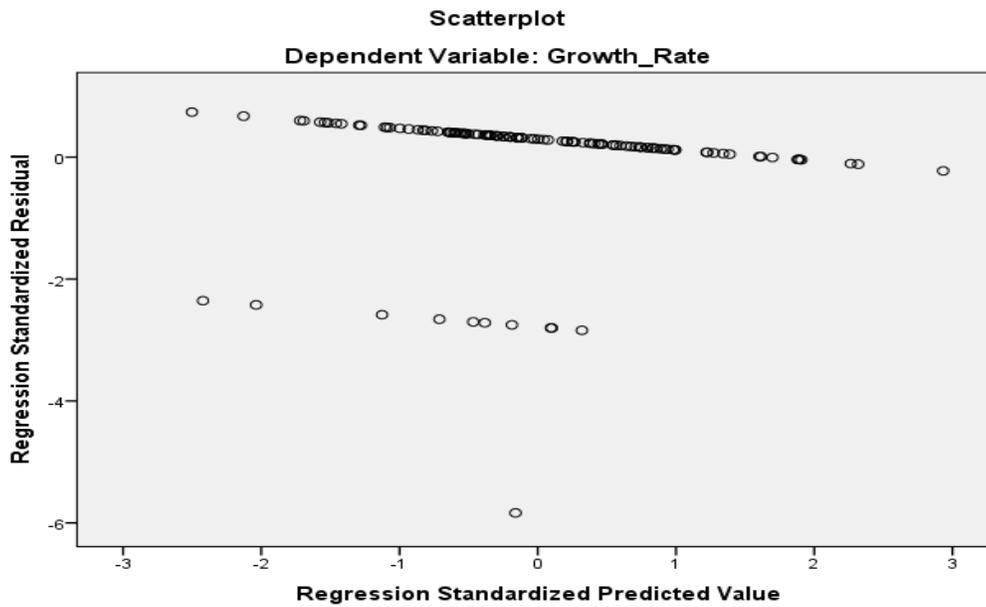


Figure 4.17: Normal Q-Q Plot for normality

4.12.2 Testing of Hypotheses: Chi Square Test

Hypothesis is usually considered as the principal instrument in research whose main function is to suggest new experiments and observations as contended by (Kothari & Garg, 2014). In social science where direct knowledge of population parameter(s) is rare, hypothesis testing is the often used strategy for deciding whether a sample data offers such support for hypothesis that generalization can be made argue (Kothari & Garg, 2014; Sekaran & Bougie, 2013). Therefore, testing of hypothesis enabled the study to make probability statements about the population parameters. Although hypothesis may not be proved absolutely according to Kothari and Garg (2014) in practice it is accepted if it withstands critical testing.

From the cross tabulation for the variable X_1 in table 4.50, it was evident that the rate of growth of MSEs is extremely low. The observed count for the low rate of growth of MSEs was equal to the expected count at 114 against the 10 for moderate growth. The asymptotic significance in table 4.51, which is the Pearson Chi square p value for this

test was 0.052, which is slightly above the 0.05. Therefore, at 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we accept the null hypothesis and conclude that public procurement procedures do not significantly support the growth of MSEs in Kenya. These procedures have tendencies of locking out MSEs by imposing tight regulations as concurred by (Njiraini & Moyi, 2006; Ochiri, 2011 & Sikuku *et.al.* 2014).

Table 4.50: Growth rate X₁ cross tabulation

			X ₁					Total	
			3.25	4.00	4.25	4.50	4.75	5.00	
Growth_Rate	High	Count	0	0	0	0	0	1	1
		Expected Count	.0	.0	.0	.1	.4	.5	1.0
	Moderate	Count	0	1	1	1	4	3	10
		Expected Count	.1	.1	.2	1.3	3.8	4.6	10.0
	Low	Count	1	0	1	15	44	53	114
		Expected Count	.9	.9	1.8	14.6	43.8	52.0	114.0
Total	Count	1	1	2	16	48	57	125	
	Expected Count	1.0	1.0	2.0	16.0	48.0	57.0	125.0	

Table 4.51 : Chi-square tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	18.190 ^a	10	.052
Likelihood Ratio	9.918	10	.448
Linear-by-Linear Association	1.096	1	.295
N of Valid Cases	125		

From the cross tabulation for the variable X_2 in table 4.52, it was evident that the rate of growth of MSEs is alarmingly low. The observed count for the low rate of growth of MSEs was equal to the expected count at 114 against the 10 for moderate growth. The asymptotic significance, which is the Pearson Chi square p value for this test was 0.975 as shown in table 4.53. This is significantly above the 0.05 significance level set by the study. Therefore, at 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we accept the null hypothesis and conclude that public procurement contract administration practices do not significantly support the growth of MSEs in Kenya. Eyaa and Oluka, (2011), appreciates that the overall area where public procurement management at both the Central Government (CG) and Local Government (LG) Procurement and Disposal Entities (PDEs) score the lowest is in respect to contract award and contract management and administration. Aketch and Karanja (2013) observe that public procurement irregularities are most likely to occur in public utility funding activities such as award and general administration of public contracts at the expense of MSEs benefit.

Table 4.52: Growth rate X_2 cross tabulation

			X_2										Total	
			2.40	3.00	3.40	3.60	3.80	4.00	4.20	4.40	4.60	4.80	5.00	
Growth_Rate	High	Count	0	0	0	0	0	0	0	0	0	0	1	1
		Expected Count	.0	.0	.0	.0	.0	.1	.1	.1	.3	.1	.2	1.0
	Moderate	Count	0	0	0	1	0	1	0	3	3	1	1	10
		Expected Count	.1	.2	.1	.5	.4	1.0	.6	1.4	2.7	1.4	1.6	10.0
	Low	Count	1	2	1	5	5	11	8	15	31	17	18	114
		Expected Count	.9	1.8	.9	5.5	4.6	10.9	7.3	16.4	31.0	16.4	18.2	114.0
Total		Count	1	2	1	6	5	12	8	18	34	18	20	125
		Expected Count	1.0	2.0	1.0	6.0	5.0	12.0	8.0	18.0	34.0	18.0	20.0	125.0

Table 4.53: Chi-square tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	9.585 ^a	20	.975
Likelihood Ratio	8.869	20	.984
Linear-by-Linear Association	.362	1	.547
N of Valid Cases	125		

a. 26 cells (78.8%) have expected count less than 5. The minimum expected count is .01.

From the cross tabulation for the variable X_3 in table 4.54, it was evident that the rate of growth of MSEs is very low. The observed count for the low rate of growth of MSEs was equal to the expected count at 114 against the 10 counts for moderate growth. The asymptotic significance, which is the Pearson Chi square p value for this test was 0.370 as detailed in table 4.55. This is above the 0.05 significance level set by the study. Therefore, at 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we accept the null hypothesis and conclude that e-procurement technology does not significantly support the growth of MSEs in Kenya. Aketch and Karanja (2013), Eyaa and Oluka (2011) and (Pearson (2012) agree that despite the significant influence of ICT on procurement performance, it is disheartening that its implementation in most Kenyan entities is discouraging and poor.

Table 4.54: Growth rate X₃ cross tabulation

		X ₃											Total
		1.80	3.40	3.60	3.80	4.00	4.20	4.40	4.60	4.80	5.00	14.80	
Growth_Rate	High	Count	0	0	0	0	0	0	0	0	1	0	1
	Expected Count	.0	.0	.0	.0	.0	.1	.1	.3	.3	.2	.0	1.0
	Moderate	Count	0	0	0	1	0	2	1	4	0	2	10
	Expected Count	.1	.1	.1	.1	.2	.8	1.3	2.6	2.6	2.2	.2	10.0
	Low	Count	1	1	1	0	2	8	15	28	32	24	114
	Expected Count	.9	.9	.9	.9	1.8	9.1	14.6	29.2	29.2	24.6	1.8	114.0
Total	Count	1	1	1	1	2	10	16	32	32	27	2	125
	Expected Count	1.0	1.0	1.0	1.0	2.0	10.0	16.0	32.0	32.0	27.0	2.0	125.0

Table 4.55: Chi-square tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	21.469 ^a	20	.370
Likelihood Ratio	16.915	20	.658
Linear-by-Linear Association	.259	1	.611
N of Valid Cases	125		

From the cross tabulation for the variable X_4 in table 4.56, it was evident that the rate of growth of MSEs is very low. The observed count for the low rate of growth of MSEs was equal to the expected count at 114 against the 10 counts for moderate growth. The asymptotic significance, which is the Pearson Chi square p value for this test was 0.946 as detailed in table 4.57. This is greater than 0.05 significance level set by the study. Therefore, at 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we accept the null hypothesis and conclude that bidding capacity of the MSEs does not significantly support their growth in Kenya. Shiundu and Rotich (2013) and Alande (2013) agree with this finding and blame inadequacy in MSE training both technically and technologically for poor performance in the County governments as they reduce effective bidding capacity. They pose that competent procurement related decisions are those based on rules and analysis with sufficient organizational experience and capability.

Table 4.56: Growth rate X_4 cross tabulation

		X_4								Total	
			2.20	3.00	4.00	4.20	4.40	4.60	4.80	5.00	
Growth Rate	High	Count	0	0	0	0	0	0	0	1	1
		Expected Count	.0	.0	.0	.0	.1	.2	.3	.3	1.0
	Moderate	Count	0	0	1	1	1	1	2	4	10
		Expected Count	.1	.1	.3	.3	.9	1.8	3.3	3.2	10.0
	Low	Count	1	1	3	3	10	22	39	35	114
		Expected Count	.9	.9	3.6	3.6	10.0	21.0	37.4	36.5	114.0
Total		Count	1	1	4	4	11	23	41	40	125
		Expected Count	1.0	1.0	4.0	4.0	11.0	23.0	41.0	40.0	125.0

Table 4.57: Chi-square tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	6.701 ^a	14	.946
Likelihood Ratio	6.119	14	.963
Linear-by-Linear Association	.037	1	.848
N of Valid Cases	125		

a. 20 cells (83.3%) have expected count less than 5. The minimum expected count is .01.

From the cross tabulation for the variable X_5 in table 4.58, it was evident that the rate of growth of MSEs is very low. The observed count for the low rate of growth of MSEs was equal to the expected count at 114 against the 10 counts for moderate growth. The asymptotic significance, which is the Pearson Chi square p value for this test was 0.480 as detailed in table 4.59. This is above the 0.05 significance level set by the study. Therefore, at 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we accept the null hypothesis and conclude that oversight agencies do not significantly support the growth of MSEs in Kenya. According to Asiago and Ngao (2013), despite the recognition of the value of managerial experience in converting organizations' resources into societally beneficial plans in the public sector, little effort has been devoted to developing an experience-based cross functional team executives to serve in procurement oversight committees. KENAO report in 2008-2009 says that this has rendered the quality of procurement and procurement related decisions in public entities ineffective and costly at the expense of the general Kenyan society, (RoK, 2009). Eyaa and Oluka (2011) add that many corporate members in Africa, especially in state owned PDEs have limited understanding of their oversight roles and are usually open to manipulation by principal shareholders, due to among other factors, their incompetence.

Table 4.58: Growth rate X₅ cross tabulation

			X ₅									Total	
			1.67	3.67	3.83	4.00	4.17	4.33	4.50	4.67	4.83	5.00	
Growth Rate	High	Count	0	0	0	0	0	0	0	0	0	1	1
		Expected Count	.0	.0	.0	.1	.1	.1	.2	.2	.1	.1	1.0
	Moderate	Count	0	0	1	1	1	3	1	3	0	0	10
		Expected Count	.1	.2	.2	.6	.8	1.4	2.5	2.5	.6	1.2	10.0
	Low	Count	1	3	1	6	9	15	30	28	7	14	114
		Expected Count	.9	2.7	1.8	6.4	9.1	16.4	28.3	28.3	6.4	13.7	114.0
Total	Count	1	3	2	7	10	18	31	31	7	15	125	
	Expected Count	1.0	3.0	2.0	7.0	10.0	18.0	31.0	31.0	7.0	15.0	125.0	

Table 4.59: Chi-square tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	17.629 ^a	18	.480
Likelihood Ratio	14.042	18	.726
Linear-by-Linear Association	.062	1	.803
N of Valid Cases	125		

a. 23 cells (76.7%) have expected count less than 5. The minimum expected count is .01.

From the cross tabulation for the variable X₆ in table 4.60, it was evident that the rate of growth of MSEs is very low. The observed count for the low rate of growth of MSEs was equal to the expected count at 114 against the 10 counts for moderate growth. The asymptotic significance, which is the Pearson Chi square *p* value for this test was 0.991 as detailed in table 4.61. This is above the 0.05 significance level set by the study.

Therefore, at 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we accept the null hypothesis and conclude that e-procurement technology does not significantly support the growth of MSEs in Kenya. In Kenya, public sector purchasing practices lock out MSEs participation through high volume standards for participation. Mnguu and Yusuf (2014) argue that high cost of compliance to regulations usually discourage the potential MSEs from doing business with the government and in most cases drives the existing enterprises out of business. Muteru (2013) argues that for a long time, governments in the developing nations have been grappling with the need to develop an environment conducive to job creation with a view to generate employment for the high number of new labour market entrants and reduce high structural unemployment without much breakthrough.

Table 4.60: Growth rate X₆ cross tabulation

			X ₆										Total
			3.17	3.67	3.83	4.00	4.17	4.33	4.50	4.67	4.83	5.00	
Growth Rate	High	Count	0	0	0	0	0	0	0	0	0	1	1
		Expected Count	.0	.0	.0	.0	.0	.1	.2	.3	.1	.3	1.0
	Moderate	Count	0	0	0	0	0	2	2	1	1	4	10
		Expected Count	.1	.1	.1	.1	.3	.9	1.6	2.8	1.3	2.8	10.0
	Low	Count	1	1	1	1	4	9	18	34	15	30	114
		Expected Count	.9	.9	.9	.9	3.6	10.0	18.2	31.9	14.6	31.9	114.0
Total	Count	1	1	1	1	4	11	20	35	16	35	125	
	Expected Count	1.0	1.0	1.0	1.0	4.0	11.0	20.0	35.0	16.0	35.0	125.0	

Table 4.61: Chi-square tests

	Value	df	Asymptotic Significance (2- sided)
Pearson Chi-Square	6.909 ^a	18	.991
Likelihood Ratio	7.464	18	.986
Linear-by-Linear Association	.907	1	.341
N of Valid Cases	125		

a. 25 cells (83.3%) have expected count less than 5. The minimum expected count is .01.

4.12.2 Correlation Analysis

There exists negative linear correlations for the low rate of growth between the independent variables X_1 , X_2 , X_3 , X_4 , X_5 and X_6 and the dependent variable Y . This implies that there is proportionate change in the growth of MSEs when the independent variable procurement procedures, contract administration practices, bidding capacity and oversight agencies change. However, it is important to note that the change is towards slow growth rather than either moderate or high growth rate. Figure 4.19 illustrates these details.

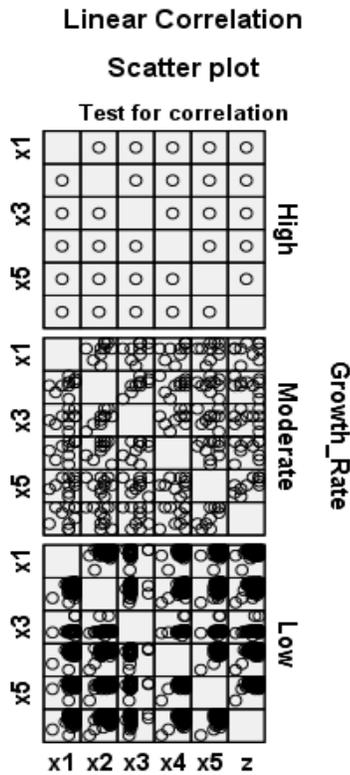


Figure 4.18: Correlation scatter diagram

From the analysis of multiple linear correlation as presented in table 4.62, the independent variables exhibit varying correlation coefficients. This implies that when independent variables increase, the dependent variables increase by some margin for those independent variables with positive correlation correlations. In other instances, it decreases by some margins for those negative coefficient correlations as indicated. For instance, an increase by a unit of X_1 causes 9.4% increase in Y , X_2 brings about an increase of 5.4% decrease, X_3 generates 4.6% rise, X_4 gives 1.7% growth decline, X_5 results in 2.2% positive growth while X_6 declines Y by 8.6%. the significance values indicate that at 95% significance level and 5% confidence, the study accepts the H_0 and concludes that the independent variable herein do not significantly support the growth of MSEs in Keya.

Table 4.62: Study correlations

		Growth rate	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆
Growth Rate	Pearson Correlation	1	.094	-.054	.046	-.017	.022	-.086
	Sig. (2-tailed)		.297	.550	.613	.849	.805	.343
	N	125	125	125	125	125	125	125
X ₁	Pearson Correlation	.094	1	.264**	.150	.454**	.220*	.226*
	Sig. (2-tailed)	.297		.003	.094	.000	.014	.011
	N	125	125	125	125	125	125	125
X ₂	Pearson Correlation	-.054	.264**	1	.011	.539**	.351**	.179*
	Sig. (2-tailed)	.550	.003		.907	.000	.000	.046
	N	125	125	125	125	125	125	125
X ₃	Pearson Correlation	.046	.150	.011	1	.177*	.132	.129
	Sig. (2-tailed)	.613	.094	.907		.049	.143	.153
	N	125	125	125	125	125	125	125
X ₄	Pearson Correlation	-.017	.454**	.539**	.177*	1	.547**	.415**
	Sig. (2-tailed)	.849	.000	.000	.049		.000	.000
	N	125	125	125	125	125	125	125
X ₅	Pearson Correlation	.022	.220*	.351**	.132	.547**	1	.401**
	Sig. (2-tailed)	.805	.014	.000	.143	.000		.000
	N	125	125	125	125	125	125	125
X ₆	Pearson Correlation	-.086	.226*	.179*	.129	.415**	.401**	1
	Sig. (2-tailed)	.343	.011	.046	.153	.000	.000	
	N	125	125	125	125	125	125	125

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

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

4.12.2 Regression Analysis

Regression analysis was done to determine the model fitness. The study utilized multiple linear regression analysis which tested the contribution of the independent variables on the dependent variable in the model. The *t* values of each variable in the model were analyzed. The results of the regression analysis were discussed as follows.

Test for Model Fit

In the multiple linear regression model test, the coefficient of determination (R^2) is 0.832. This value indicates that the amount of variation in the rate of growth of MSE that can be explained by changes in the independent variables is approximately 83%. The adjusted R^2 (R^2_{adj}) shows that the independent variables jointly influence growth of MSEs in Kenya by approximately 82%. The standard error of estimate explains how the observed values differ from the values of the regression model. The smaller the value the more fitting the model is. For this model, the standard error of estimate is relatively

smaller compared to the sample size studied and thus the model is good fitting. Table 4.63 gives summary of the details

Table 4.63: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.879 ^a	.832	.817	.03246

a. Predictors: (Constant), X₁, X₂, X₃, X₄, x₅, X₆

b. Dependent Variable: Growth Rate

4.12.3 ANOVA Test

The H₀ for the study was that all the coefficients are zero. At 95% level of significance, this test confirms that the model coefficients are zero or less than zero as presumed. That is the reason why the MSE rate of growth is extremely low. Based on the F significance, the study accepts the H₀ that the coefficients of the model are either zero or very close to zero. These results are tabulated as follows in table 4.64.

Table 4.64: ANOVA analysis

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.411	6	.069	.650	.690 ^b
	Residual	12.437	118	.105		
	Total	12.848	124			

a. Dependent Variable: Growth Rate

b. Predictors: (Constant), X₁, X₂, X₃, X₄, X₅, X₆

Regression Coefficients Analysis

The Y-intercept (α) value in the model is 2.705. This implies that other factors held constant, the growth of MSEs according to the information from the respondents is approximately 2.7%. The Y-intercept represents the point at which the dependent variable lies on the Y-axis of the curve of growth against the independent variables. This is an indicator that the MSEs in Trans Nzoia County in particular, and probably the other counties in general exhibit stunted growth.

The first independent variable in the linear regression the model, procurement procedures denoted X₁ has t value equivalent to 3.973 (39.73%). The coefficient β value (β_1) is 3.178. This implies that a unit increase in X₁ causes approximately 40% change in the growth of MSEs. This could signify that procurement procedures as they currently stand do not significantly support the growth of MSEs in the Counties in Kenya. The significance values 0.000 which is p -value of the test is lesser than 0.05. Therefore, at 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we fail to accept the null hypothesis and conclude that the independent variable procurement procedures is significant and therefore the fitted linear model is valid.

The second independent variable in the linear regression the model, public procurement contract administration practices denoted X_2 has t value equivalent to 7.630 (76.30%). The coefficient β value (β_2) is 3.052. This implies that a unit increase in X_2 causes approximately 76% change in the growth of MSEs. The significant p -value is 0.001 which is lesser than 0.05. Therefore, at 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we fail to accept the null hypothesis and conclude that the independent variable public procurement contract administration practices is significant and therefore the fitted linear model is valid.

The third independent variable in the linear regression the model, e-procurement technology, denoted X_3 has t value of 5.565 (55.65%). The coefficient β value (β_3) is 5.009. This implies that a unit increase in X_3 causes approximately 56% growth of MSEs. This signifies that the way e-procurement technology is implemented in the public procurement system in the counties in Kenya has significant impacts on the growth of MSEs. The p -value of the test is 0.000, which is lesser than 0.05. Therefore, 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we fail to accept the null hypothesis and conclude that the independent variable e-procurement technology is significant and therefore the fitted linear model is valid.

The fourth independent variable in the linear regression the model, bidding capacity of the MSEs, denoted X_4 has t value of 4.334 (43%). The coefficient β value (β_4) is 3.034. This implies that a unit increase in X_4 causes approximately 43% change in the growth of MSEs. The significance of the p -value of the test at 0.000 is lesser than 0.05. Therefore, at 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we fail to accept the null hypothesis and conclude that the independent variable bidding capacity is significant and therefore the fitted linear model is valid.

The fifth independent variable in the linear regression the model, oversight agencies, denoted X_5 has t value of 8.450 (85%). The coefficient β value (β_5) is 5.070. This implies that a unit increase in X_5 causes approximately 85% change in the growth of MSEs. The

significance values, the p -value of the test at 0.000 is lesser than 0.05. Therefore, 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we fail to accept the null hypothesis and conclude that the independent variable oversight agencies is significant and therefore the fitted linear model is valid.

The intervening variable in the linear regression the model, participation by MSEs, denoted X_6 has t value of 5.222 (52.22%). The coefficient β value (β_6) is 3.133. This implies that a unit increase in X_6 causes approximately 52% change in the growth of MSEs. The significant p -value of the test at 0.000 is lesser than 0.05. Therefore, 95% confidence level and 5% level of significance ($\alpha \leq 0.05$), we fail to accept the null hypothesis and conclude that the intervening variable MSEs participation is significant and therefore the fitted linear model is valid. The summaries of all these results are presented in table 4.65 below.

Table 4.65: Regression analysis

Model		Unstandardized		Standardized		
		Coefficients		Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.705	.006		4.026	.000
	X ₁	3.178	.008	.036	3.973	.001
	X ₂	3.052	.004	.037	7.630	.000
	X ₃	5.009	.009	.028	5.565	.000
	X ₄	3.034	.007	.049	4.334	.000
	X ₅	5.070	.006	.066	8.450	.000
	X ₆	3.133	.006	.026	5.222	.000

Model Summary

The conceptualized model of the study was that $Y = B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + \mathcal{E}$. All the independent variables in this model were hypothesized to have equal influence on the dependent variable. However, after carrying out the study, the following is the actual summary of degrees of influence of variables on the dependent variable. The summary can be presented as:

$$Y = 2.705 + (3.178*3.973) + (3.052*7.630) + (5.009*5.565) + (3.034*4.334) + (5.070*8.450) + (3.133*5.222) + 0.046 = 138.890 \text{ units}$$

4.12.3 Measurement of the Intervening Variable Effect

Based on the proposal to determine the effect of the intervening variable using the structural model $Y = \beta_1X + \beta_2Z + \beta_3X.Z + \mathcal{E}$, the following were the outcome of the study as determined from table 4.65 above:

$$X_1 = (3.178 * 3.973) + (3.052 * 5.222) + (5.009 * 3.973 * 5.222) + 0.008 = 132.494$$

$$X_2 = (3.178 * 7.630) + (3.052 * 5.222) + (5.009 * 7.630 * 5.222) + 0.004 = 239.768$$

$$X_3 = (3.178 * 5.565) + (3.052 * 5.222) + (5.009 * 5.565 * 5.222) + 0.009 = 181.812$$

$$X_4 = (3.178 * 4.334) + (3.052 * 5.222) + (5.009 * 4.334 * 5.222) + 0.007 = 143.082$$

$$X_5 = (3.178 * 8.450) + (3.052 * 5.222) + (5.009 * 8.450 * 5.222) + 0.006 = 263.825$$

From the above computation, the level of growth of Y , which is the dependent variable (MSEs Growth) is equivalent to 960.981 or approximately 961 units. This statistical indicates that the MSEs participation in public procurement has significant effect on their rate of growth. With poor rete of participation as revealed in this study, the MSEs will inevitably sustain insignificant rate of growth.

4.12.4 Optimal Model

After collecting, analyzing and testing data, the proposed linear regression model yielded the results as explained in the regression analysis above. From the findings, the independent variable in the model; X_1 , X_2 , X_3 , X_4 and X_5 generated varying coefficients that signify their revised significance in the model and influence on the dependent variable Y . However, test for significance of each independent variable in the model confirmed that they remain valid and therefore the proposed model holds. The results of table 4.65 provide a basis for the review of the model structure based on the t values and consequently the revision of the conceptual framework in figure 4.19. The following is the revised model of the study.

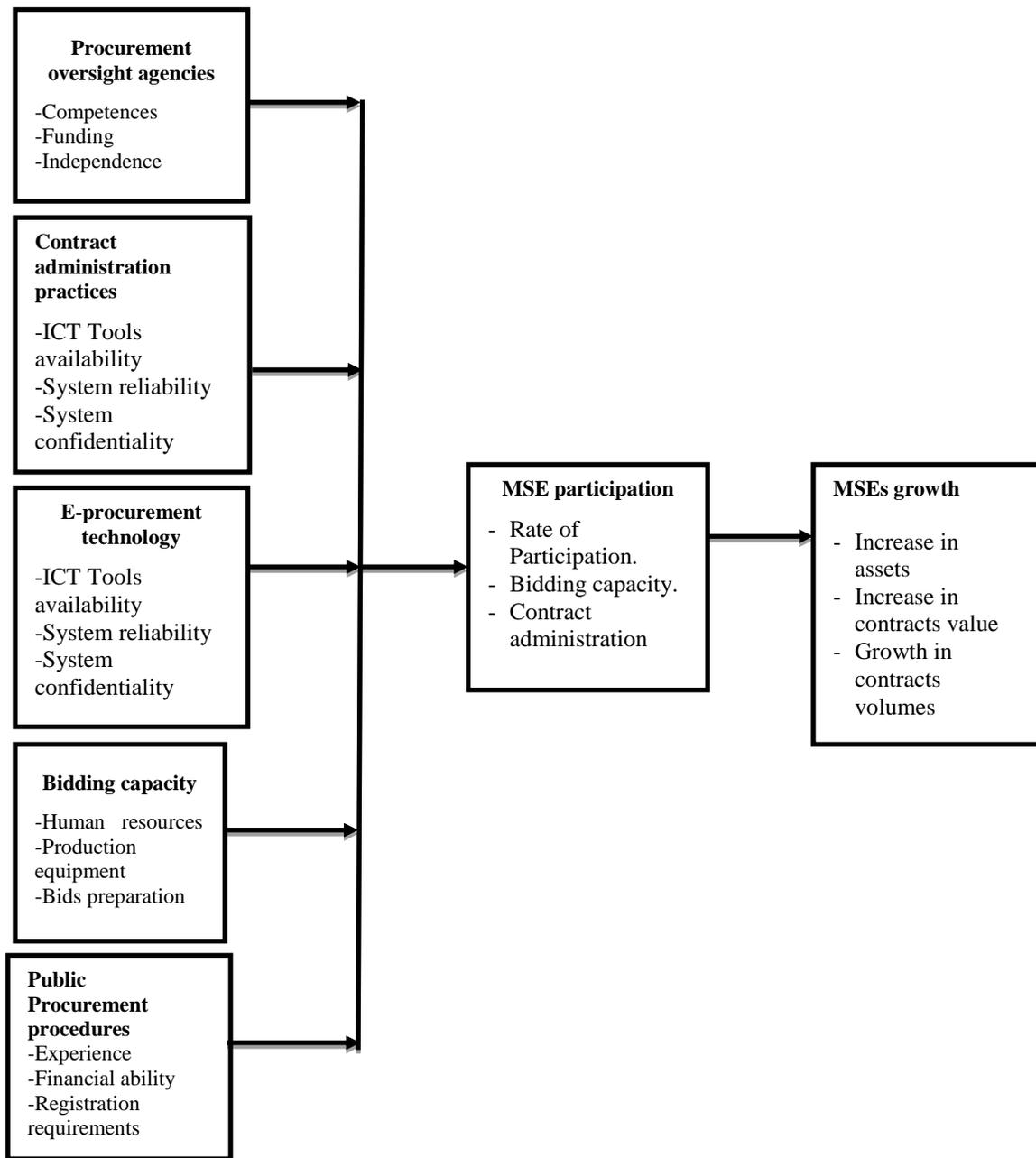
$$Y = \alpha + \beta_5.X_5 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_4 + \beta_1.X_1 + \varepsilon$$

From the revised model, procurement oversight agencies emerged as the most critical factor that significantly affects growth of the micro enterprises in the Counties in Kenya. The second in the order was the procurement contract administration practices. It was closely followed e-procurement technology. The MSEs bidding capacity ranked forth with procurement procedures coming last in that respective order.

This study conceptualized that governments are the biggest spenders globally, consuming on average 60% of GDP, a concept supported by (Matindi, 2013 & Aketch, 2013). MSEs are locked out of public procurement by the stringent requirements set for the MDAs. According to Mwendwa (2010) the major challenge that County governments face in implementing devolution is narrowing regional disparities in income, resource endowment and economic development. With devolution as the heartbeat of the Constitution, governors should champion the constitutional spirit of socio-economic empowerment and desire to enable locals to take part in setting their own economic, political and social agenda say (Alande & Wekhuyi, 2013). Technology wise, unless County governance is empowered to plan, execute and control their

governments' mandates, the inefficiencies of the defunct County Council administrations are likely to crop up and bedevil these devolved units.

Despite revision of PPDR, 2006 to create the PPDPRAR (2013) as argued by (Okoth, 2013) to lay ground for the implementation of the AGPO policy framework, there still exist bottlenecks in its implementation considering that the PPADA of 2015 remains intact. The study conceptualized that with rigid public procurement procedures in place, stereotyped contract administration practices, low adoption of advanced technology by the MSEs, weak and outdated policy framework in place, bidding capacity constraints coupled with ineffective procurement operations by the respective oversight agencies and low or even non-participation in procurement glaring at the majority of MSEs, their access and exploitation of public procurement opportunities has been hampered more often and it is likely to persist for unforeseeable future. After collecting, collating and analyzing data, the optimal model above gave rise to the revised conceptual framework as illustrated in figure 4.19.



Independent variables

Intervening variable

Dependent variable

Figure 4.19: Revised conceptual framework

CHAPTER FIVE

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This is the final chapter of this study which provides the summary of the whole research process. The chapter contains the main findings of the study, conclusions and recommendations in a summarized format. All of these are modeled on the objectives of the study as presented in the following sections. The study adopted descriptive research design approach in its execution.

5.2 Findings of the Study

The main objective of this study was to establish the relationship between public procurement and growth of Micro and Small Enterprises (MSEs) in Kenya. Self-administered structured questionnaires were utilized to collect data. After data analysis and interpretation, a number of findings were drawn. These informed the main findings reported in this chapter. The findings ordered according to the revised conceptual framework of the study as follows:

5.2.1 To evaluate the relationship between procurement oversight agencies and the growth of MSEs in Kenya.

On evaluation of the relationship between procurement oversight agencies and the growth of MSEs, these agencies were found to be related by 8.450 approximately 85%. This is despite the findings that the performance of the oversight agencies is deemed unsatisfactory by majority of the respondents.

5.2.2 To interrogate the relationship between procurement contracts administration and growth of MSEs in Kenya.

Procurement contract administration practices have 7.630 or approximately 76% relationship with growth of MSEs in Kenya. However, inequitable rationalization of public procurement opportunities is significantly related with the MSEs poor growth in the County. Considering that contract awards are slop sided and skewed towards one side of the supply chain, MSEs perpetually pay dearly the price of inequitable business opportunities with poor growth rate.

5.2.3 To examine the relationship between e-procurement technology and growth of MSEs in Kenya.

Electronic procurement was ascertained to have 5.565 equivalent to approximately 57% relationship with the MSEs growth rate at. However, lack of ICT infrastructure and network unreliability were cited as among the attributes significantly affecting the participation and growth of MSEs in public procurement in Kenya.

5.2.4 To assess the relationship between bidding capacity of the MSE's and their growth in Kenya.

In respect of the MSEs' bidding capacity's relationship with the growth, it was ascertained that there exists 4.334 or approximately 43% relationship with the growth of MSEs. With demonstrated level of e-procurement incompetence in this study, the MSEs will keep losing contracts due to their inability to present well prepared bid documents and hence, continue to perform poorly in terms of their growth.

5.2.5 To establish the relationship between public procurement procedures and growth of MSEs in Kenya.

The study established that procurement procedures have 3.973, or approximately 40%) relationship with the rate of growth of MSEs in Kenya. This is a significant statistic.

Despite that, the procurement procedures were noted to be discriminative and highly stringent on MSEs participation and growth.

5.2.6 To determine the intervening effect of participation in public procurement and the growth of MSEs in Kenya.

The study established that MSE participation in public procurement activities is related by 3.133, approximately 31% to their rate of growth. This statistic implies lack of awareness on the part of MSEs on the need for them to take an active role in participating in all procurement process. Consequently, they have perpetually lagged behind as the large enterprises cease the advantage to take up all lucrative tenders in the counties. This implies that there is something amiss in dissemination of information on importance of MSE participation in public procurement activities at the County level.

5.3 Conclusions of the Study

Based on the findings of the study as illustrated in 5.2 above, the following conclusions can be drawn from the data collected and analyzed by the study. The study has strived to align the conclusions not only on the findings but the entire content presented from chapter one to chapter four. This strategic alignment is meant to systematically address the research problem more coherently. The conclusions herein include as hereunder observed.

To evaluate the relationship between procurement oversight agencies and the growth of MSEs in Kenya.

The oversight of public procurement has positive relationship with the growth of MSEs in the Counties in Kenya. Therefore, an improvement in the performance of procurement oversight agencies increases both the rate of participation and growth of MSEs in the Counties in Kenya. Contrary will be the case for this matter. The oversight agencies should consequently execute their mandates diligently and effectively.

To interrogate the relationship between procurement contracts administration and growth of MSEs in Kenya.

Contract administration practices have positive relationship with the growth of MSEs in Kenya. Improving the contract administration practices increases the rate of participation and thus, growth of MSEs in the Counties in Kenya. Contrary will be the case. In this case therefore, much effort should be focused on continuous improvement in the public procurement contract administration practices by the County Governments.

To examine the relationship between e-procurement technology and growth of MSEs in Kenya.

There is equally positive relationship between e-procurement technology and growth of MSEs through public procurement in Kenya. An improvement in the performance of e-procurement technology increases the rate of participation and consequently, growth of MSEs in the Counties in Kenya. Contrary will be the case. In this case therefore, the Counties should be focused on tireless investment into e-procurement technology to facilitate access and hence, participation and growth of MSEs in public procurement in the Counties in Kenya.

To assess the relationship between bidding capacity of the MSE's and their growth in Kenya.

There is positive relationship between bidding capacity of MSEs and their growth in Kenya. An effort in the improvement of the bidding capacity of MSEs increases the rate of not only participation, but also growth of MSEs in the Counties in Kenya. Contrary will be the case. In this case therefore, the Counties should be focused on enhancing bidding capacity of MSEs in order to facilitate their participation and growth.

To establish the relationship between public procurement procedures and growth of MSEs in Kenya.

Despite public procurement procedures not spurring rapid growth of MSE in Kenya, there is established positive relationship between the MSEs growth rate and public

procurement procedures. Supportive public procurement procedures raise the rate of participation of MSEs in public procurement and consequently, their growth in the Counties in Kenya. In this case therefore, the Counties should be focused on appropriate procurement policies and procedures to facilitate participation and growth of MSEs in public procurement in the Counties in Kenya.

To determine the intervening effect of participation in public procurement and the growth of MSEs in Kenya.

The Government in general and County Governments in particular have failed to enlighten MSEs on the opportunities available to them through public procurement. Consequently, majority of the MSEs continue to lack information on the need to participate. Unless appropriate strategies are employed, this scenario likely to perpetuate for unforeseeable amount of time. A more customer focused publicity approach strategy may therefore be appropriate in such circumstances.

5.4 Recommendations of the Study

This study was conducted on the basis of primary sources of data with the main objective being to establish the relationship that exists between public procurement and the growth of MSEs in Kenya. The data was analyzed and presented both quantitatively and qualitatively. From the findings and conclusions of the study, the following recommendations are deducible.

Since the PPADA, 2015 allows for the management of county specific procurements, and consortia buying practices for the counties, counties in Kenya should exploit this to their advantage by putting in place favorable policy framework to redress the drawbacks occasioned by prohibitive procurement procedures currently in place.

MSEs should consider establishing bidding caucuses in a manner that will not jeopardize the spirit of independent pricing. They should consider consultations in technical bidding and proceed to make independent financial bids.

County governments should establish procuring units or agency at the County level to specifically promote MSEs participation in matters procurement. Sufficient resources, at least 50% of the total county procurement spend should be set aside for the MSEs through the establishment.

Counties should establish ICT hubs countywide to facilitate access to the e-procurement services by the MSEs. These hubs should be at least in every sub-county, well equipped with hardware, software, competent personnel, and other enablers to handle the ICT requirements by MSEs as sources of supply.

MSEs should actively raise their rate of participation in procurement trainings for organized by the agencies such as PPRA and KISM. These trainings provide relevant support platforms through which they learn more in matters procurement. This knowledge helps to raise their competence levels in bidding.

The MSEs should embrace outsourcing as a viable option in the preparation of their bids. This may help them overcome the problem of preparing ineffective bids as they will tap into the pool of skilled expertise in the trade.

The government, should purposely demonstrate goodwill and align the MSEA Act, 2012 to the PPADA, 2015 and the constitution to support the growth of MSE through public procurement.

In the long term, the government should consolidate all procurement oversight agencies into a single broad-based body to oversee oversight agencies functioning, with one center of control in order to coordinate their affairs in a well-coordinated and more systematic manner.

In the meantime, some functions of some of the agencies should be merged such as investigative function by EACC, CID and other related agencies to increase efficiency and speed in investigations. The ceiling on the value of contracts partaken by non MSEs enterprises taking part in public procurement at any level of government should be scaled down. In the interest of specialization, county governments should establish full-

fledged ministerial portfolio in their executive structures to take charge of public procurement.

More customer focused information dissemination approach should be embraced by both the national and county governments to enlighten the MSEs to actively participate in public procurement. County governments should consider use of local media approach as a better solution to this lapse.

5.5 Knowledge Addition

In the spirit of knowledge addition, the study managed to address a number of gaps. It was evident from the information gathered that not just should there be standard procurement operating procedures to guide procurement operations, but the way they are structured and implemented matters more. There should be specific procurement procedures for specific categories of supplies based on the suppliers' scale to afford fair competition between large scale suppliers and small enterprise suppliers. The role of public procurement oversight agencies at the county level remains under-performed. County governments should therefore establish common progressive mechanisms through which preference and reservation schemes as enshrined in the legislations to support the growth of MSEs through public procurement can be executed. County governments should embrace pre and post procurement debriefings in order to enhance transparency and accountability in their contract administration practices. This would allow MSEs to scale up their bidding skills by virtue of consultations at the debriefing sessions. There was established a gap on lack of awareness on the part of the MSEs that the PPADA, 2015 provides them opportunity to fairly participate in the public procurement. The study enlightens MSEs on the need to embrace change of mindset and actively participate in public procurement processes to edify their chances for growth and expansion through public procurement. The study also established that most MSEs do not dispute unfair procurement practices. The cost of launching the dispute in terms of both nominal and real cost could be the cause. Therefore, the PPARB should consider

revising appeal costs in favor of MSEs. Finally, there is a big gap between e-procurement technology implementation and MSEs adoption of the same. The government should work on the infrastructure to facilitate the uptake and buy-in of the same by the MSEs.

5.6 Areas for Future Research

This study was centered on the growth of Micro and Small Enterprises through public procurement at the county level. However, there are other avenues for growth available for the MSEs besides this. These avenues could provide reasonable research problems to future studies. Among the suggested areas for future research include value chain model approach and the growth of micro and small enterprises in counties in Kenya. Besides, future scholars could explore the area of Micro and small enterprise supply chains and the economic performance in the counties in Kenya. Further research may also focus on electronic procurement technology and performance of MSEs supply chains in Kenya. In conclusion, Consortia buying Techniques and growth of Micro and small enterprises in Kenya may also be a rich area for research.

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APPENDICES

APPENDIX I: CONSENT LETTER

FRANCIS KISSINGER AMAYI

P.O. BOX 4221-30200

KITALE.

Dear Sir/Madam,

RE: RESEARCH AUTHORITY

I am PhD, Supply Chain Management student at Jomo Kenyatta University of Agriculture and Technology carrying out research on **PUBLIC PROCUREMENT AND GROWTH OF MICRO AND SMALL ENTERPRISES IN COUNTIES IN KENYA**. This study is being carried out as part of requirement of obtaining the degree. In order to carry out the research successfully, you have been selected to form part of the study which is purely academic. The information you are giving will be treated with utmost confidentiality. The respondents will not be required to give their names, unless they voluntarily offer it in which case the name will not appear in the final report that will be submitted to the university.

Your cooperation and assistance in this research is highly appreciated.

Thank you in advance.

Sincerely

Francis Kissinger Amayi

PhD. Student, JKUAT.

APPENDIX II: QUESTIONNAIRE

Section A: Background Information

Which among the following is your type of business enterprise? (Select one as appropriate)

Micro { } Small { }

How many employees does the business enterprise has? (Select one as appropriate)

1-5 { } 6-10 { } 11-15 { } Above 15 { }

How long have you been running the business enterprise? (Select one as appropriate)

0-5 yrs { } 5-10 yrs { } 10-15 yrs { } 15-20 yrs { }
Over 20 yrs { }

What is your average annual sales turnover for the business? (Select one as appropriate)

Ksh. 0-500,000 { } Ksh. 500,001- 1000,000 { } Ksh. 1,000,000-2,000,000 { }

Ksh. 2000,0003,000,000 { } Ksh. 3,000,000- 5,000,000 { } Over
Ksh. 5,000,000 { }

What is you level of education? (Select the highest)

Ph.D { } Masters { } Bachelor { } Diploma { }

Others (Specify).....

What is your gender? (Select one as appropriate)

Male { } Female { }

What is your professional specialization? (Indicate your area of training)
.....

Section B: Growth of MSEs

How is the growth rate of MSEs through public procurement in the Counties in Kenya?
(Tick as appropriate)

High { } Moderate { } Low { }

Do procurement procedures, public procurement contract administration practice, E-procurement (IFMIS) bidding capacity of MSEs and procurement oversight agencies support growth of MSEs through public procurement in Kenya

Yes { } No { }

How many of the following aspects has your enterprise recorded in the periods provided from public procurement in Kenya? (Indicate the values)

	2015	2014	2013
Total number of contracts awarded
Total value of contracts awarded
Total number debriefings done
Total number of disputed procurements

Comment on the relationship between public procurement and the growth rate of MSEs in the Counties in Kenya. (Indicate whether related or not related)

.....

Section C: Procurement Procedures

How does regulation of public procurement affect MSEs’ participation and growth in Kenya? (Tick as appropriate)

Significantly affects { } Moderately affects { } Does not affects { }

To what extent do the following requirements by public procuring entities significantly hinder participation and growth of MSEs in public Procurement in Kenya? (Tick as appropriate)

Variable	Very small extent	Small extent	Moderate extent	Large extent	Very large extent
Past experience					
Financial capability					
Competence of personnel					
Legal registration					

How have procurement procedures influenced the growth of MSEs in Kenya? (Indicate whether progressive or retrogressive)

.....

Section D: Procurement Contract Administration

How effective is procurement contract administration conducted in Kenya? (Tick as appropriate)

Highly effective { } moderately effective { } Highly ineffective { }

To what extent do the following contract administration practices affect MSEs growth in Kenya?

Variable	Response				
	Very small extent	Small extent	Moderate extent	Large extent	Very large extent
Contract variations					
Specifications variation					
Dispute resolution					
Debriefing					
Poor contract documentation					

How equitable are public procurement opportunities allocated to the MSEs in Kenya?
 (Indicate whether equitable or inequitable)

.....

Section E: E-Procurement Technology

How effective is e-procurement technology in public procurement in Kenya?

Very effective { } Moderate { } Not effective at all { }

To what extent do the following technological features influence the growth of MSEs in public procurement in Kenya. (Tick as appropriate)

Variable	Response				
	Very small extent	Small extent	Moderate extent	Large extent	Very large extent
Availability of ICT tools/ infrastructure					
Technological know-how					
Information flow					
Network reliability					
System confidentiality					

What measures would help to improve the adoption and implementation of e-procurement technology by MSEs taking part in public procurement in Kenya? (Briefly explain)

.....

Section F: Bidding Capacity

How competent are MSEs in preparing effective bids in public procurement system in Kenya? (Tick as appropriate)

Highly competent { } Moderately { } Highly incompetent { }

To what extent do the following attributes affect MSEs ability to participate and grow through public procurement system in Kenya? (Tick as appropriate)

Variable	Response				
	Very small extent	Small extent	Moderate extent	Large extent	Very large extent
Human resources competences					
Bids preparation skills					
Negotiation skills					
Level of competition					
Volume of the contract					

In which ways can MSEs improve their bidding capacity to effectively win procurement contracts in Kenya? (Briefly explain)

.....

Section G: Oversight Agencies

How is the performance of oversight agencies in enforcing the implementation of procurement procedures?

Satisfactory { } Moderately { } Unsatisfactory { }

To what extent do the following factors influence the oversight agencies’ ability to help to ensure that MSEs benefit from opportunities offered by public procurement in Kenya? (Tick as appropriate)

Variable	Response				
	Very small extent	Small extent	Moderate extent	Large extent	Very large extent
Competences of the members					
Independence and objectivity of the agencies					
Funding of the agencies					
Adequacy of powers					
Inter-agency relationships					
Clarity of their roles					

What should be done to enhance the execution of the mandates of the oversight agencies in overseeing the conduct of public procurement in Kenya? (Briefly explain)

.....

Section H: MSE Participation

How many times per year do you participate in public procurement in Kenya? (Tick as appropriate)

Quarterly { } Half yearly { } Once a year { }

Others (specify):

.....

To what extent do the following variables determine growth of MSEs in public procurement in Kenya? (Tick as appropriate)

Variable	Response				
	Very small extent	Small extent	Moderate extent	Large extent	Very large extent
Public procurement procedures					
Public procurement contract administration					
E-procurement technology					
Bidding capacity					
Oversight agencies					
MSE participation in public procurement					

Comment on the level of participation of MSEs in public procurement in Kenya. (Briefly explain).

.....

THANK YOU FOR TAKING TIME TO RESPOND TO THIS QUESTIONNAIRE. IN CASE OF ANY CONCERN YOU MAY CONTACT FRANCIS KISSINGER AMAYI ON **0728-888-310**. YOU CAN ALSO E-MAIL ON fkakissinger@gmail.com OR TWEET ON [@kissingerr](https://twitter.com/kissingerr)