

INFLUENCE OF TENDER FINANCING ON YOUTH ACCESS TO GOVERNMENT PROCUREMENT OPPORTUNITIES IN KISII COUNTY, KENYA

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Abstract: *The Government procurement forms a large part of any state's economic, social and other development objectives of many countries. Government procurement in Kenya has not achieved its broad objective of the government to reach all the participants and the disadvantaged groups, particularly youths. It is on the basis of this background that this study aimed to assess the influence of tendering participation by youth in Kisii County, Kenya.*

Objectives: *The general objective of this study was to establish the determinants of youth access to government procurement opportunities with a specific objective; to determine how tender financing affect youth access to government procurement opportunities in Kisii County.*

Design: *Descriptive research design was employed since there was quantitative data. Simple random sampling was used in this study. The study used purposive sampling technique since the respondents had the same characteristics, experience and skills. The target population of this study was 228 respondents who were the youths from the five out of nine sub counties of Kisii County.*

Significance: *The findings will assist the county government to improve their strategies and finding a way in which youths can be encouraged to participate in tendering. Through this study, the county management will be able to analyze and do the tendering procurement tendering management as by the requirement of the public procurement and disposal act of 2015 by avoiding wastage of public resources and realizing the value for money.*

Findings: *The study findings highlighted that tender financing occasioned a change in tendering participation by youths. The study findings indicated that tender financing posted a positive correlation with tendering participation by youths.*

Keywords: government procurement, tender financing, tendering participation, youth entrepreneurs

Introduction

Youths are among the disadvantaged or special interest groups in many developing economies. According to Blome & Schoenherr (2011), the participation of Special Interest Groups in government procurement is an important function of governments across the world. Nonetheless, the World Bank (2010) indicates that many countries are yet to develop procedural frameworks that ensure: public procurement procedures are transparent

and promote fair and equal treatment; public resources are linked to government procurement and in accordance with intended purposes; procurement officials are ethical and accountable and promote public scrutiny.

Access to Government Procurement Opportunity (AGPO) initiative was launched at the KICC on June 29th 2012 by The Public Procurement Directorate under the Ministry of Finance. The initiative's aim is to facilitate the youth, women and persons with disability-owned enterprises to participate in government procurement (R. o. K, 2013) and is spearheaded by the Director of the Public Procurement Directorate C. A. Otunga. The initiative's task at hand is to enable youth, women and people with disability access 30% of Government Tenders. This will only be made possible through the implementation of the Presidential Directive to set aside at least 30% of government procurement opportunities for the youth, women and persons with disabilities enterprises without competition from established firms. The will empower the youth, women and persons with disability-owned enterprises by giving them more opportunities to do business with the Government.

Tender Financing

Governments can use public procurement to achieve policy objectives. Among others for job creation and employment for example by splitting up purchases in such a way that jobs are created or requiring suppliers to use the unemployed in supplying their goods and services; SME/regional involvement for example by splitting up orders in smaller lots so that smaller companies can participate in competing for these smaller lots; Diversity (social outcomes) i.e. favouring various suppliers that include youth, disabled, women, local firms (Telgen, 2006). Public Procurement serves as one window through which public sector interacts with the private sector. How such interaction is managed is very important in fostering a sense of fairness and widening the base of participation by private sector in public procurement (All-Party Parliamentary Small Business Group (APPSBG), 2006). Small and Medium Enterprises (SMEs) are often excluded from public procurement contracts despite the advantages that accrue from their inclusion (Obanda, 2011). Access to public procurement is clearly in the interest of SMEs. According to Odhiambo and Kamau (2003) in the three East African countries, there is a very strong feeling among the actors that SMEs have been marginalized in most of the public sector activities. While there are many reasons for lack of participation the main one seems to be lack of a coherent, transparent, accountable and participatory procurement policy in the three countries.

The Kenyan government through its Private Sector Development Strategy is seeking ways to promote competition, innovation and Value for Money (VFM) in the delivery of public services (Bovis, 1998). Improving procurement process through enhancement of the participation of SMEs in the public entities is one way of achieving sound procurement practices. Much could be gained by enabling more SMEs to compete. The benefits to the public entities can include better levels of service, innovative business solutions and increased competitiveness in the longer-term. In return SMEs could gain by having access to a large and stable market. SMEs may offer better value for money than larger suppliers by bringing greater competition to the public entities, lower costs, innovation and creation of employment to the youths (Simbiri, 2012).

SMEs need to have access to, and the opportunity to win, government contracts. What must not happen is that the process unintentionally favours large firms in some way and discourages small firms. It should be noted that, it is not about giving preferential treatment to SMEs but about facilitating a more level playing field. The PPOA states that the tendering/bidding process should be fair and transparent for all candidates. The contribution of small and medium enterprises (SMEs) to employment, growth and sustainable development is widely acknowledged. However, the SMEs who contribute a great percentage to the economy today have been the victims to unfair and corrupt public procurement practices and even have been barred from accessing the public procurement market. According to Vincze (2010), improved access for SMEs results in more competition, and is as one can expect likely to lead to better value for money for procurers, thus for the society.

Tender Financing and Youth Access to Government Procurement Opportunities

According to Ganbold (2008), the ability of SMEs to expand is strongly dependent on their potential to invest in restricting, innovation, and qualification. This is because growth is directly proportional to the level of qualification achieved. Every one of these initiatives requires funds, and as a result, access to various forms of finance. Ganbold draws attention to the fact that the frequently repeated complaint of small and medium-sized enterprises (SMEs) about their problems with access to finance is a highly relevant limitation that puts the economic growth of countries in jeopardy.

According to research conducted by International Finance Corporation (2011), small and medium-sized businesses (SMEs) are vital to the process of economic growth and make a significant contribution to both employment and GDP. Gaining access to financial resources is essential to the growth and development of Businesses. In the first phases of their development, small and medium-sized enterprises (SMEs) rely on finance from internal sources, such as the savings of the owner, retained revenues, or funding through the sale of assets. According to the findings of this analysis, the availability of financial resources continues to be a primary barrier to the growth of small and medium-sized enterprises (SMEs), particularly in developing nations. The report goes on to elaborate by stating that

Access to finance is disproportionately difficult for small and medium-sized enterprises (SMEs) in low-income developing countries (LDCs). Forty-one percent of SMEs in LDCs report access to finance as a major constraint to their growth and development, whereas only fifteen percent of SMEs in high-income developing countries report access to finance as a major constraint. Lending money to smaller businesses like these can be risky for banks. Loans are required to be substantially collateralized with personal assets, and in most cases, start-up businesses are not eligible for finance. The interest rates are not even close to being cheap. The majority of businesses are considered to be of a size that is insufficient for venture capitalists to take into consideration, and the industry as a whole is perceived to be immature and barely profitable at this point.

According to Wanjohi (2012), one of the most significant challenges that small and medium-sized enterprises face is a dearth of access to capital. Because of this, there are fewer options available to be examined, which has an effect on the technological options available. There is a risk that many SMEs would employ unsuitable technology simply because it is the only option they are able to pay for it. Even if an entrepreneur has access to financing, there is still a possibility that they may not have the flexibility to make certain decisions. This is because the terms of the loan may require them to buy large, immobile equipment so that they can use it as security for the loan. Wanjohi (2012) continues by saying that financial restrictions manifest themselves in a number of different ways in Kenya, and that the country's underdeveloped capital market compels business owners to rely on self-financing or borrowing money from friends and family. Lending activities conducted

by commercial banks have historically focused primarily on large businesses and consumer loans, with very little involvement in the financing of small and medium-sized businesses.

Because they do not have access to loans over a longer period of time, small businesses are forced to rely on expensive short-term financing. There is a wide variety of additional financial pressures that are placed on small businesses. They consist of the high cost of credit as well as the excessive charges and fees that banks impose. The situation that took place in Kenya, particularly during the peak of the year 2008, is evidence that ordinary and low-earning business owners require access to finance. A large number of money lenders operating under the guise of pyramid schemes emerged on the scene, offering "small investors" the encouragement that they, too, can achieve financial independence through responsible borrowing. A significant number of business owners have resorted to these schemes for a variety of reasons, the primary ones being an attempt to find alternatives and easy loans with cheap interest rates while still generating a profit. The lack of available capital continues to be a significant obstacle for small and medium-sized enterprises in Kenya (Wanjohi & Mugure, 2008).

Research Methodology

This research adopted descriptive research design for the purpose of this study. The descriptive research design is concerned with determining the frequency with which something happens or the relationship between the variables. This method was suitable for this study, as the research aims to gather detailed information through descriptions and was useful for the identification of variables and hypothetical constructs. The research used descriptive methods to study the factors influencing the access to public procurement opportunities on youth access to government procurement opportunities in Kisii County, Kenya using both quantitative and qualitative approaches to the analysis of the results.

This study target population comprised of head of procurement, head of administrations, head of finance, head of audit department and pre-qualified youth suppliers from the five sub counties in Kisii County, Kenya. The total population for this study was 228 individuals.

Table 1: Target Population

Section	Target Population
Head of procurement	6
Head of administration	12
Head of finance	8
Head of audit	5
Prequalified suppliers	197
Total	228

This study adopted stratified random sampling method as this enabled the research to eliminate sampling bias. The sample size determination formula was applied as shown below;

$$n = N / (1 + N(\epsilon^2)) \quad (1)$$

$$n = 208 / (1 + 208(0.05^2))$$

$$n = 208 / (1 + 208(0.0025))$$

$$n = \frac{208}{1 + 0.52}$$

$$n = 137$$

Where;

n=sample size

N= population under study

ε=Margin error

Data was collected using structured questionnaires. Structured questionnaire was used since it gave quantitative parameters from the respondent.

Results and Discussion

To acquire the requisite data for tendering finance on Youth Access to Government Procurement Opportunities in Kisii County, Kenya. The results are seen in Table 2.

Table 2: Tendering Finance and Youth Access to Government Procurement Opportunities

	SA		A		N		D		SD		Mean	StD
	F	%	F	%	F	%	F	%	F	%		
There is free accessibility tendering finance by the youths by financial institutions to enable them access procurement opportunities on youth access to government procurement opportunities in Kisii County, Kenya.	64	48.3%	14	10.0%	14	10.0%	27	20.0%	16	11.7%	2.5	1.0
There is equal treatment of youths in the process of acquiring tendering finance from financial institutions in Kisii County, Kenya.	61	45.0%	29	21.6%	16	11.7%	23	16.7%	7	5.0%	2.5	.87
The youths in Kisii County, Kenya do not have any financial constraints in accessing public procurement opportunities on tendering participation.	9	6.6%	18	13.3%	16	11.7%	63	46.7%	27	20.0%	2.8	.83

From Table 2 it is clear that majority at 58.3% agreed with the statement that there is free accessibility tendering finance by the youths by financial institutions to enable them access procurement opportunities on youth access to government procurement opportunities. Only 21.7% agreed and 10.0% were neutral represented with a mean of 2.5 and SD of 1.0. This implies that there is free accessibility tendering finance by the youths by financial institutions to enable them access procurement opportunities on youth access to government procurement opportunities. On whether, there is equal treatment of youths in the process of acquiring tendering finance from financial institutions, 66.6% agreed, and 11.7% were neutral as indicated with a mean of 2.5 and SD of .87. This again suggests that there is equal treatment of youths in the process of acquiring tendering finance from financial institutions. When asked if, the youths in Kisii County, Kenya do not have any financial constraints in accessing public procurement opportunities on tendering, 66.7% disagreed, 21.6% agreed and 11.7% were neutral. Clearly, there was also the problem of financial constraints in accessing public procurement opportunities on tendering.

The study results are supported by According to Wanjohi (2012), lack of access to credit is almost universally indicated as a key problem for SME's. This affects technology choice by limiting the number of alternatives that can be considered. Many SME's may use an inappropriate technology because it is the only one they can afford. In some cases, even where credit is available, the entrepreneur may lack freedom of choice because the lending conditions may force the purchase of heavy, immovable equipment that can serve as collateral for the loan.

Correlational Analysis

Pearson's Correlation analysis was computed, analyzed, presented as results presented in table 3.

Table 3: Correlation Analysis

			Youth Access to Government Procurement Opportunities	Tender Financing
Youth Access to Government Procurement Opportunities	Pearson Correlation		1	
	Sig. (2-tailed)			
	N		135	
Tender Financing	Pearson Correlation		.668**	1
	Sig. (2-tailed)		.000	
	N		135	135

**.

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

Wong and Hiew (2005) in their seminal thesis succinctly asserted that the correlation coefficient value was bounded within certain limits which are: a score of 0.10 to 0.29 should be viewed as weak, 0.30 to 0.49 should be viewed as medium and lastly 0.50 to 1.0 should be viewed as pointedly strong. Nonetheless, Field (2005) in expanding the Wong and Hiew assertion noted further that the figure should not read 0.8 and above as that

would create a multicollinearity problem. Consequently, in the present thesis the highest computed correlation coefficient is 0.729 which is below 0.8 creates no multicollinearity problem (3).

From table 3, the independent variable (tender financing) had a positive relationship with tendering participation by youths. Tender financing posted ($r=0.668$, $p<0.00$). This implied that tender financing has a positive relationship with tendering participation by youths.

Table 4: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.605	.381	.229	5.677	.000
tender financing	.409	.079	.398	5.17	.000

a. Dependent Variable: Youth Access to Government Procurement Opportunities

The t-value produced shows the model is fit ($t = 5.677$) and significant at .000 per cent level (Sig. $F < 0.05$). Therefore, premised on the positive coefficients as viewed in table 4, there is statistically significant relationship between tender financing and Youth Access to Government Procurement Opportunities.

$$\text{Thus, } Y_{od} = 0.229 + \beta_1 (0.398) + \varepsilon \quad (2)$$

This implies that tender financing occasioned a 0.398 change Tendering participation by youths.

Summary of Findings

The research investigated the influence of access to government opportunities on tendering participation on by youths in Kisii County, Kenya. The empirical literature showed that access to government opportunities affects tendering participation by youths in Kisii County. The findings have been summarized as per the objectives as; this study findings highlighted that tender financing occasioned a change in tendering participation by youths. The study findings indicated that tender financing posted a positive correlation with tendering participation by youths.

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