Access To Financial Practices Of Disadvantaged Groups And Procurement Performance Of County Governments In Western Region, Kenya.

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ABSTRACT: The aim of this study was to establish the influence of access to opportunities of financing practices of disadvantaged groups on procurement performance in the county governments of Kenya, Western region. The specific objective of the study was: To establish the influence of access to opportunities of financing practices by disadvantaged groups. The study employed empowerment theory and theory of change. The main instrument for data collection was a questionnaire. The target population for the study was 95. Data was analyzed using multiple regression. The findings indicated that access to financial practices had a significant negative effect on procurement performance with p values of 0.001 and Beta coefficient …. The findings of the study may be relevant to policy makers for the purposes of formulating policies on supplier development practices of disadvantaged groups and may also be part of existing literature that will be used by researchers and scholars. It was concluded that access to financial practices had significant effect on procurement performance of county governments in Western region, Kenya. From the findings it was recommended that county governments in Kenya should embrace access to financial practices for disadvantaged groups to enhance innovation and support to the reserved groups.

Key words: Cost level, Financial practices, Supplier development and procurement performance

1.1 Introduction
Procurement performance is an important aspect in the county governments as it potentially impacts the county governments’ quality performance, customer responsiveness, product innovation and the financial performance of the county [1]. The user departments of the county governments assess the value of the procurement function and will always express dissatisfaction when their objectives are not reached. The purchasing department will continuously be required to emphasize productivity gains, reduced costs, and fast delivery in this aspect [3]. Through developing suppliers, the organizations procurement performance is enhanced through enhanced operational performance, improvement in supplier performance which is a plus to the buying organization through value addition, cost reduction, quality deliveries and effective communication and relation between the procurement function and the suppliers [4]. Supplier development aims at enhancing organizations’ procurement operations (Dalvi & Kant, 2015). Legislative agenda designed to empower reserved group to access public procurement contracts has been adopted. The economic actions of reserved groups in public contracts is approximately 10% to 30% of the global Gross National Product (GNP) in Europe [17]. Preference and classification strategies have been employed throughout Africa to minimize imbalances brought on by the post-apartheid era [3]. Additionally, strategic procuring was used as a way to improve achieving legislative goals directed toward remediating institutionalized inequity and prejudice. The same concept has been applied to combat joblessness and poverty among those who were formerly disadvantaged by the apartheid government as well as to encourage the establishment of micro African businesses [18] According to section 157(5) of the PPADR of 2015 and article 227 of the Kenyan Constitution of 2010, which both address equity, accountability, and equality without discrimination, disadvantaged and marginalized people were permitted to purchase 30% of public services and goods. The AGPO's only objective was to guarantee that underrepresented groups take an active role in public procurement. Amongst advantages of joining the AGPO are the chance to grow economically by doing business with the government, the opportunity to take part in 30% of open procurement, preferential evaluation for municipal purchases (LPOs) and local delivery orders (LSOs), funding from financial firms, and access to government revolving financing like the Youth Fund, Women Fund, and NCPWD funds. Prompt payments (30 days) for AGPO companies supported by legislation and invoice discounting nonetheless only 7.7% out of 30% tenders were awarded to the disadvantaged groups [14]. Section 157(17) a, b, c, and d of the PPDA 2015 has highlighted some of the supplier development practices of disadvantaged groups that can be used to help improve the
disadvantaged groups in Kenya such as capacity building practices, providing technical advisory, empowering them financially and making sure they readily access procurement information hence need arose to establish the influence of supplier development practices of disadvantaged groups on procurement performance of Western region county governments.

1.2 Statement of the Problem
Although marginalized people make up roughly 85% of the total population in Kenya, they only provide less than 10% of public participation, which makes it difficult to carry out the president's instruction, 114 of 2013 that 30% of the government tenders be allocated to the disadvantaged groups [16]. For the 2018–2019 fiscal year, 200 billion [or 30% of government purchases] were designated for young people, women, and people with disabilities. Notwithstanding, assessment of the Women Enterprise Fund's financial year 2018–2019 special group access expenses shows that only Ksh. 2.8 billion against a Ksh. 200 billion allotment was expended, indicating that only 1.4% of the budget was allocated on AGPO. According to a report by national treasury through Hivos East Africa on AGPO (2018) only 7.7% out of 30% tenders were awarded to disadvantaged groups citing some reasons but not limited to difficulty in accessing finances, lack of understanding of the bidding process, not being able to access procurement information on time and lacking the technical capacity needed to accomplish projects on time. Could the above named supplier development practices be the reason behind low absorption of government money set aside for the disadvantaged groups? It is against this backdrop that the study seeks to research on the influence of supplier development practices on procurement performance of Western region county governments. The purpose of the study is to analyze the relationship between supplier development practices of disadvantaged groups and procurement performance of Western region county governments.

1.3 General Objective
The general objective of the study was to establish the influence of access to financial access practices of disadvantaged groups on procurement performance of county governments in Western region, Kenya.

LITERATURE REVIEW
2.1 Theoretical Review
2.1.1 Empowerment Theory
The origins of the empowerment thesis go back deeper in time and are associated with Marxist sociology theory. Julian Rappaport, a social scientist, created the empowerment theory in 1981. By removing societal barriers like social inequality, isolation, and prejudice that prevent people from obtaining resources, empowerment enables people to have more influence over their life. It entails the creation of large-scale, coordinated groups for lobbying and awareness raising to achieve desired results. The theory was relevant to the study since it informed the benefits associated with having an organisation culture that empowers people to act rationally for the good of the community and the society they live.

2.1.2 Change Theory
The three-step paradigm for change process was created by Kurt Lewin, who is regarded as the father of social psychology. There are three stages to his idea. Recognizing a desire for various motives the phase, which then involves starting to evaluate the present situation and make decisions for the future. The reactivating period is at hand. The transition step is the second stage. The true execution stage, which consists of both organizational structure and behavioral components, is now underway. He refers to this stage as changing. Refreezing is Lewin's third phase. Since it is primarily a steady, thought-out process, neither individuals nor organizations jump into the next stage. According to our perspective, many errors or unsuccessful ideas come about because the organizers and coordinators are excited, however their enthusiasm is not shared by other members of the organization who must alter long-established procedures. Clinical leaders can play a crucial role in assisting healthcare professionals to adapt to the changes. The transition process is a "black box" in which proactive conversation and choice for the following phase remain hazy, but these actions nonetheless serve as a crucial link to the following phase. The theory was relevant to the study as the stakeholders in the procurement process are supposed to understand the change process so that when implementing supplier development practices of disadvantaged groups, they should be effective and involve every stakeholder so that the practices are adopted generously by all.

2.2. Procurement Performance
Acquisition of any kind of works, assets, services, or items through procurement can be done through purchase, rental, lease, hire buy, licensing, leasing, franchising, or other commercial method [14]. On the other side, performance refers to the efficacy and efficiency in accomplishing the predetermined goals and targets that can be fulfilled by achieving the lowest possible operating cost while preserving effectiveness [8].

2.3 Supplier Development
Supplier development practices have been identified as a purchasing strategy that influences organization performance. Supplier development practices entails capacity building, technical development, supplier evaluation access to procurement information and communication practices and opportunities of financing practices [14].

2.3.1 Access to financial practices
Conceptual Framework
The conceptual framework was defined by financing of disadvantaged groups, capacity building practices of disadvantaged groups, access to procurement information and communication practices and technical development practices of disadvantaged groups as the independent variables and procurement performance as the dependent variable. Figure 1.1 depicts the relationship between supplier development practices of disadvantaged groups
which is the independent variable and procurement performance which is the dependent variable.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Financial Practice</td>
<td>Procurement performance</td>
</tr>
<tr>
<td>- Access to credit facilities</td>
<td>- Cost level</td>
</tr>
<tr>
<td>- Level of LPO financing</td>
<td></td>
</tr>
<tr>
<td>- Access to vulnerable group funds</td>
<td></td>
</tr>
</tbody>
</table>

![Figure 2.1: Conceptual Framework](image)

### 2.4 Empirical Literature
This section contains literature reviewed by scholars on effect of access to financial practices on procurement performance.

#### 2.4.1 Access to Opportunities of Financing Practices and Procurement Performance
A study was done on influence of AGPO on tendering participation by women in Nakuru County [7]. Cross sectional research design was adopted ON a target population of 297 women. From the analysis it was recorded that access to finance had significant negative effect on procurement performance. [4] studied factors affecting AGPO for disadvantaged groups in the public entities the case of Kenya Ports Authority, the study employed cross sectional research design on a target population of 300. From the analysis it was evident that supplier development practices had a significant negative effect on procurement performance. [6] carried out a research on elements influencing the success of Youth Enterprise Development Funded Projects in Kenya. The target population of the study composed of 45 participants. Purposive sampling method was used, findings recorded that access to financial opportunities has a significant positive effect on procurement performance of Murang’a County. A study on the availability of sources of finance as a significant barrier to youth enterprises’ accessibility to urban tendering process in the public ministries in Ol Kalou Sub County was carried out [5]. Target population of 25 youth owned enterprises was used. The findings indicated that access to credit facilities had insignificant positive effect procurement performance. At Moi Teaching and Referral Hospital, [4] conducted study on the examination of the elements affecting efficiency of the preference and reservation policies amongst disabled people. The study focused on 599 respondents. Findings indicated that access to financing opportunities had a significant negative effect on procurement performance.

### METHODOLOGY

#### 3.1 Research Philosophy
The philosophy of positivism served as the study’s guidance. Positivity was suitable for this study since data collected was both quantitative and qualitative. This was used to show the relationship between the supplier development practices of marginalized groups and procurement performance. Positivism was acceptable for this study. As a result, the occurrences being observed help to provide accurate data. Positivism justifies employing statistical methods to test hypotheses and evaluate research data obtained through quantitative research methods. Researchers that use quantitative techniques and methodologies, such as positivists, must quantify and count their findings. Positivists contend that reality is stable and so amenable to observation from a distance. They add that discoveries can be repeated and that a phenomena can be extracted. In order to discover patterns and establish connections between the various aspects of the social world, this includes changing the independent variable and manipulating facts [12].

#### 3.2 Research Design
A cross sectional research design was used since it was a one-time study According to [12] research design is the conceptual framework for any study, serving as the manual for collection of data, measurement, and analysis. The research design is relevant in measuring the relationship between variables of the study and it brought out a clear perspective and understanding of the influence of supplier development practices of disadvantaged groups on procurement performance of county governments in Western region.

#### 3.3 Target Population
The study used 95 procurement staff from the four selected counties in the western region; Kakamega, Bungoma, Busia, and Vihiga. The respondents were considered because they were informative on procurement information and communication practices. According to [9] the target population is a combination of all items from which a sample is extracted.

<table>
<thead>
<tr>
<th>County</th>
<th>Procurement Department Staff</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kakamega</td>
<td>28</td>
<td>29.47</td>
</tr>
<tr>
<td>Bungoma</td>
<td>25</td>
<td>26.32</td>
</tr>
<tr>
<td>Busia</td>
<td>22</td>
<td>23.16</td>
</tr>
<tr>
<td>Vihiga</td>
<td>20</td>
<td>21.05</td>
</tr>
<tr>
<td>Total</td>
<td>95</td>
<td>100</td>
</tr>
</tbody>
</table>

#### 3.4 Sampling Technique
Census sampling technique was used since the population was 100 respondents and the population would not be divided further. A sample is a collection of case that represents a subset of the intended audience, which the researchers thoroughly chooses for examination to ascertain information about that audience. [12] support the use of census by asserting that a census can be used if the study population is less than 100 to reduce sampling error.

#### 3.5 Data Collection Tools
Collection of primary data was done through use of questionnaires. Secondary data was obtained through analysis of documents. Questionnaires were deemed suitable for the study since they are cheap and easy to
administer and information collected by questionnaires can be easily coded into the SPSS for analysis [9].

3.6 Reliability
Structured questionnaires were used to collect primary data from respondents who were hand delivered to in the four counties. Introduction letter was given to respondents assuring them of their confidentiality. Individuals participating in the survey were not allowed to indicate their names for confidentiality purposes. Reminder messages were sent to all the respondents to increase the response rate.

<table>
<thead>
<tr>
<th>Table 3.2: Reliability Table</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>Access to Financial Practices</td>
</tr>
<tr>
<td>Procurement performance</td>
</tr>
</tbody>
</table>

3.7 Validity
Validation of the instrument was done to ensure that all the data collection tools are based on the study objectives. Both construct and content validity were carried out. KMO and Bartlett’s Test for validity were carried out to determine whether factor analysis was to be done. Bartlett’s test was used along with KMO test to determine whether data is distributed normally. KMO values were greater than 0.5 leading to a recommendation for factor analysis.

<table>
<thead>
<tr>
<th>Construct</th>
<th>No of Items</th>
<th>CR</th>
<th>AV</th>
<th>KM</th>
<th>Sphericity</th>
<th>Bartlett’s test of Sphericity</th>
<th>Chi-Square</th>
<th>Df</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFI</td>
<td>8</td>
<td>0.56</td>
<td>0.751</td>
<td>90.321</td>
<td>25</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PP</td>
<td>8</td>
<td>0.68</td>
<td>0.721</td>
<td>58.310</td>
<td>25</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.8 Descriptive Statistics

3.8.1 Response Rate
In the study 95 questionnaires were filled and returned. The response rate was 100% as shown in Table 3.1 a response rate of 70% and above is suitable for conclusion of the findings to a large number of population [13].

<table>
<thead>
<tr>
<th>Table 3.3 Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
</tr>
<tr>
<td>Returned Questionnaires</td>
</tr>
</tbody>
</table>

3.8.2 Access to Financial and Procurement Performance

<table>
<thead>
<tr>
<th>Table 3.4: Effect of Access to Financial and Procurement Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statements</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Disadvantaged groups LPO are financed by financial institutions</td>
</tr>
<tr>
<td>(26.3 %)</td>
</tr>
<tr>
<td>Financial LPOs by financial institutions affect cost level</td>
</tr>
<tr>
<td>(28.4 %)</td>
</tr>
<tr>
<td>Access to Uwezo funds by disadvantaged groups affect cost level</td>
</tr>
<tr>
<td>(25.3 %)</td>
</tr>
<tr>
<td>Disadvantaged groups have Uwezo funds access to finish contracts on time</td>
</tr>
<tr>
<td>(22.1 %)</td>
</tr>
<tr>
<td>Disadvantaged groups have financial capacity to finish contracts on time</td>
</tr>
<tr>
<td>(20%)</td>
</tr>
</tbody>
</table>

3.8.2.1 LPOs Financing
As shown in Table 4.8, respondents were to state whether disadvantaged groups LPO are financed by financial institutions. From the findings 55 (57.9%) respondents agreed while 40 (42.1%) disagreed that disadvantaged groups LPO are financed by financial institutions. The majority who agreed was an implication that most of county government in western region are in a position to increase participation of companies owned by disadvantaged groups in contracts awarded hence improving procurement performance. The few respondents who disagreed respondents implied that some financial institutions in county government do not finance disadvantaged groups LPOs as some of them don’t have enough supporting documentation.
3.8.2.2 Financing LPOs of Disadvantaged Groups and procurement performance.

Table 4.8, respondents were to indicate whether financing LPOs of disadvantaged groups affects procurement performance. The findings shows that 66 (69.5%) agreed while 29 (30.5%) disagreed. Most of respondents who agreed that financing LPOs by financial institutions has an effect on procurement performance was an implication that most of count government increases the financial muscles, strength and capacity of reserved groups through uninterrupted cash flows hence minimal return outwards costs and costs associated with delays in completion of projects by contractors. The findings are in line with [14] who examined factors affecting AGPO, a case study of Kenya Ports Authority.

3.8.2.3 Access to Uwezo Funds

Respondents were to indicate whether reserved groups get access to Uwezo funds. As indicated in Table 4.8, 76 (80.0%) respondents agreed while 19 (20.0%) disagreed that disadvantaged groups are access Uwezo funds. The majority of the respondents who agreed that the disadvantaged groups access Uwezo Funds was in implication that most of county government in Western region enable the disadvantaged groups to get access to procurement opportunities. The few respondents who disagreed indicated that not all county governments in Western Region offer Uwezo funds to all disadvantaged people due to various reasons that might have led to misuse of Uwezo funds and loans.

3.8.2.4 Access to Uwezo Funds by The Disadvantaged Groups and Procurement Performance

Respondents were to indicate if access to Uwezo funds by disadvantaged groups affect procurement performance. From Table 4.8, It was recorded that 58 (61.1%) of respondents agreed while 37 (38.9%) disagreed. From the findings majority of respondents agreed that access to Uwezo Funds by disadvantaged groups affects procurement performance. This implies that most of county governments in western region are able to set aside more capital for disadvantaged suppliers by the county governments which in turn improves procurement performance in county governments in western Region. The results are in tandem with those of [5] on factors affecting the implementation AGPO; a case study of Central Bank of Kenya.

3.8.2.6 Financial Capacity

As recorded in Table 4.8, respondents were to indicate if county governments have embraced financial capacity. From the findings, it was clear that, 57 (60.0%) agreed while 38 (40.0%) disagreed. Most respondents who agreed implies that, the disadvantaged groups in Western Region counties have the capacity to finish contracts awarded to them on time as this enables the procurement departments to avoid costs associated with failure to execute or deliver which may lower procurement performance. The few respondents who disagreed was an indication that disadvantaged groups in some counties in Western Region fail to deliver and execute their contracts and such county government may be at risk of increased costs associated to contract failure and this may lead to a negative effect on procurement performance of county governments.

3.8.2.6 Finishing Contracts on Time and Procurement Performance.

Respondents were asked to indicate whether finishing contracts on time affects procurement performance. Results in Table 4.8 showed that 68 (71.6%) agreed while 52 (28.4%) disagreed that finishing contracts on time affects procurement performance. From the findings most respondents agreed, an indication that disadvantaged groups execute their contracts on time as effective contract execution enables long term value for organization and also helps in establishing supplier relationships. This also improves functional efficiency and minimizes maverick spending thus improving procurement performance.

3.8.2.7 Access to Financial Information

Respondents were expected to state whether county government allow disadvantaged groups to access to financial information. Basing on the responses given in Table 4.8, It was clearly shown that 52 (54.7%) agreed while 43 (45.3%) disagreed that they do not offer access to financial information to the reserved groups. From the findings, it was evident most respondents agreed that the disadvantaged groups get information about financing opportunities. This implies that the disadvantaged groups access information on financial opportunities for them to be able to participate fully in supplying goods and services to government institutions in Western Region. These findings are similar to those of [7] who studied effect of supplier development in county governments, a case study of Kisumu, Kenya.

3.4.2.8 Access to Financial Information and Procurement Performance

Results from the study as shown in Table 4.8 respondents were to indicate whether access to financial information affects procurement performance, the findings shows that 75 (78.9%) respondents agreed while 20 (21.1%) disagreed that access to information by disadvantaged groups has an effect on procurement performance. The majority of respondents who agreed implies that the County governments in Western region create awareness on financial sources for the disadvantaged groups thus improving the image of their institution which in turn increases and improves performance measured through cost level. These findings are in line with those of [4] on factors affecting reserved groups.

3.9 Inferential Statistics

Table 3.5 Regression Analysis Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>4.123</td>
<td>.638</td>
<td>6.464</td>
</tr>
<tr>
<td>1</td>
<td>-.2.72</td>
<td>.082</td>
<td>-3.321</td>
</tr>
</tbody>
</table>

39.1 Model Summary

A coefficient of correlation R [0.589] was obtained and coefficient of determination [R² = 0.768] showed that
approximately 77% of variations in procurement performance is explained by changes in supplier development practices.

3.9.2 ANOVA
ANOVA explains the variance between variables and variance within variables and whether the model is significant. In this case the model is significant since the P value is less than 5% (P=0.001) Results in Table 3.2 shows a regression model linking supplier development practices and procurement performance in model 3.7.

Table 3.7: Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.589</td>
<td>.768</td>
<td>.755</td>
<td>.037</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), AFP

3.9.4.1 Access to financial practice and Procurement Performance
Access to financial practices by the disadvantaged groups had a regression coefficient of -0.272 and a probability value of 0.001 which was less than 0.05. That is a unit increase in access to financial opportunities reduces procurement performance with 0.272 units. Therefore, the null hypothesis was rejected at 0.05 significance level. This indicated that access to financial practices had a significant negative effect on procurement performance at a 5% significance level.

4.1 Conclusion

4.1.1 Access to financial practice
There is a significant negative relationship between access to financial practices and procurement performance of county governments in Western region, Kenya. That is when financial practices are increased procurement performance significantly improves. It is therefore important to embrace access to financial practices by the disadvantaged groups suppliers to improve procurement performance of county governments in Western region, Kenya.

4.2 Recommendations

4.2.1 Access to Financial practices
Despite most of the respondents agreeing that disadvantaged groups suppliers get access to Uwezo funds there were still few respondents who disagreed that their county government do not provide financial access through loans to reserved groups suppliers. Based on the above criteria as the inferential statistics implied that financial practices has a significant negative effect on procurement performance. Therefore, it is necessary that county governments adopt access to financial services strategies and financial advisory companies’ terms.

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