BIDDING CAPACITY AND GROWTH OF MSES IN TRANS NZOIA COUNTY, IN KENYA

Francis Kissinger Amayi


ABSTRACT
This study sought to explore the relationship between Micro and Small Enterprises’ bidding capacity and their growth in Trans Nzoia County, in Kenya. 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 market is dominated by large enterprises. MSEs struggle to compete against stringent discriminative procurement requirements besides other technicalities. Among the specific objectives included; to assess the relationship between bidding capacity of the MSE’s and their growth in Trans Nzoia County, in Kenya, to determine the relationship between the intervening effect of MSE participation in public procurement and growth of MSEs in Trans Nzoia County. The study was conducted in the County Government of Trans Nzoia. The respondents were sampled from the MSE within the trading associations registered with the MSE Authority in the County. 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 Trans Nzoia County at 92% response rate. On the relationship between MSEs bidding capacity and their growth, 79% of the MSEs reported high level of incompetence. The study concluded that there exists strong relationship between public procurement and the growth of MSE in Trans Nzoia County, in Kenya. This phenomenon could be construed to be the case across the counties in Kenya. Recommendations have been drawn at the tail end of the study.

Key Words: Bidding Capacity, MSEs, MSEs’ Growth
INTRODUCTION

Micro and Small Enterprises

According to Waithaka, Ngugi, Aiyabei, Itunga and Kirago (2012) MSEs are engines of economic growth and development. They heavily contribute to job creation and poverty reduction, 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).

However, although governments are biggest spenders globally consuming an estimated average of 60% of the GDP according to Matindi (2013) and Aketch (2013), public procurement market is dominated by large enterprises at the exclusion of MSEs, who are struggling to compete against stringent discriminative procurement requirements according to (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 et al, 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$ 2,000 billion equivalent to 7% 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 MSEs enterprises, projected to receive on average 21% of federal government’s contracts. In South Africa whose public procurement takes 13% of its GDP according to Tinyu (2011) and 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.

Statement of the Problem

Micro and small enterprises in Trans Nzoia County are unable to grow according to (Ongachi & Bwisa, 2013). This is partly due to lack of support by large corporate markets such as public procurement, observe (Ogwel, Iravo & Lagat, 2016). Although MSEs contribute to over 60% of private sector job creation and poverty reduction globally, contributing 16%-

A number of studies conducted on the problem include (Njiraini et al, 2006; Owegi, et al, 2006; Ongachi et al, 2013 & Ong’olo & Odhiambo, 2013). Poor growth rates of MSEs could therefore be attributed inadequate market for their products (Njiraini et al, 2006 & Muniu et al, 2013). Can public procurement market support the development and growth of MSE as small scale suppliers in Kenya? Despite spirited efforts by the government to allocate them procurement opportunities; including reservation of 30% of procurement contracts to MSEs as argued by Chai (2013) and PPADA, (RoK, 2015), many counties are unlikely to implement it because of the inherent technicalities (Ogachi, 2013). In Trans Nzoia county, limited studies seem to have been conducted on this problem and hence the cause for this study.

**Objective**

The main objective of this study is to explore the relationship between public procurement and the participation and growth of Micro and Small Enterprises (MSEs) in Trans Nzoia County.

**Specific Objectives**

1. To assess the relationship between bidding capacity of the MSE’s and their growth in Trans Nzoia County, in Kenya.

2. To determine the intervening effect of participation and the growth of MSEs in Trans Nzoia County, in Kenya.
LITERATURE REVIEW

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. Competency Models (CM) theory was applied to relate the bidding capacity of the MSEs to their rate of growth. 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 et al (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 in the economy, 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 business sector, with regard to nurturing MSEs in the devolved system of governance.

Conceptual Framework

This study conceptualized 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. The study conceptualized that with bidding capacity constraints, their access and exploitation of public procurement opportunities has been hampered more often and it is likely to persist for unforeseeable future. Figure 1.0 illustrates conceptual framework of the study.
Independent variable | Intervening variable | Dependent variable

**Figure 1.0:** Conceptual framework

**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. Bidding capacity as a factor in MSE-government procurement correlation, (Muniu *et al*, 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 *et al*, 2013 & Njiraini *et al*, 2006).
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 fork. 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.

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 Keya 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 YAGPO 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 (PPDA, 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.

**Bidding Capacity**

Muniu et al (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. Yusuf 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 et al 2013 & Yusuf et al 2014).

This study by Muniu et al (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. Yusuf 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.
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.

METHODOLOGY

Research Design

The study adopted a descriptive research design with focus on the County Government of Trans Nzoia. 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.

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 interpretivists’ 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.
Population of the Study

The study targeted all MSEs registered by the Micro and Small Enterprises Authority (MSEA) in the County Government of Trans Nzoia. Micro and small enterprises in Trans Nzoia County are unable to grow according to (Ongachi & Bwisa, 2013), partly due to lack of support by essential markets such as public procurement, observe (Ogwel, Iravo & Lagat, 2016). Shikuku and Omwenga, (2015) concur with the fact that Trans Nzoia County is the most affected county, with the least ranking of MSEs growth rate if not stagnated growth out of the 47 counties in Kenya. 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 County had 771 registered MSEs clustered in four groups constituting business associations spread across the four sub-counties in the Trans Nzoia (RoK, 2014). The target population of the study was therefore the four associations. The target population is summarized in table 1.0

Table 1.0: Target population for the study

<table>
<thead>
<tr>
<th>Association Name</th>
<th>No. of MSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kwanza Brotherhood Jua Kali Association</td>
<td>207</td>
</tr>
<tr>
<td>Kiminini Jua Kali Welfare Association</td>
<td>234</td>
</tr>
<tr>
<td>Cherangani Lower Association</td>
<td>74</td>
</tr>
<tr>
<td>Saboti Association of Street Vendors and Informal Traders</td>
<td>256</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>771</strong></td>
</tr>
</tbody>
</table>


Sampling Frame

The sampling frame for this study included the 771 MSEs registered by the Micro and Small Enterprises Authority in the County Government of Trans Nzoia. The study sample was be 155 firms representing the rest of the universe. This sample size was considered representative, as supported by (Kothari, 2004 & Ogachi, 2011) argument. The sample size statistic was be determined as shown in the following calculation:

\[ n = \frac{n_0 \times N}{n_0 + (N-1)} \]
\[
\begin{align*}
    n &= (193)(771) \\
    &= 193 + (771-1) \\
    n &= 155
\end{align*}
\]

**Data Analysis and Presentation**

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. Data was collected through a systematically. first step was to seek authority from the National Council for Innovation, Science and Technology (NCIST) to conduct the study in Kenya so as to avoid any potential hitches that might arise from lack of permission to conduct the research. This was followed by stratifying the clustered business associational blocks for sample selection based on the location and registration of the MSEs as explained in the sampling technique above. For effective approach of the respondents, the researcher will make self-introduction and request for consent of the respondents for taking part in the exercise. Questionnaires will then be distributed to the selected and willing respondents from the sample. The study will employ research assistants because the expected sample size is large. Respondents will be given ten days in order allow ample time for them to answer the issues raised without undue haste to enhance objective and reasonable responses. Data from observation will be collected during the normal visits by the researcher.

**Test of Reliability and Validity**

The study utilized Cronbachs’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). 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 & Ngugi, 2013) with (Kimberlin & 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.
Data Analysis and Presentation

The study adopted both qualitative and quantitative data analysis techniques. 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 will begin by editing the data to clean up the collected material facts in order to ensure that only relevant responses remained. The irrelevant ones will be discarded so as avoid invalid findings, conclusions and recommendations. This process helped to save time in the final analysis of data as the study will be able to concentrate on what is relevant and valid. After editing, the remaining portion was coded for easier classification and avoidance of mixing up facts during the writing of the final report. Alpha-numeric codes will be preferred because of their convenience and memorability besides being elastic. Classification will be based on the question and nature of responses. After coding and classifying data, the study will tabulate the results of the findings using a hp laptop intel CORE i7. To realize accuracy and effectiveness in the analysis of data, Statistical Package for Social Sciences (SPSS) software, version 23 was utilized.

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:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + B_3 X_3 + B_4 X_4 + B_5 X_5 + \varepsilon \]

\[ Y = \beta_1 X + \beta_2 Z + \beta_3 X.Z + \varepsilon \]

Test for Multicollinearity

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 X₁, X₂…Xₖ, 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). However, muclticollinearity is not a serious problem if the purpose of the study is to predict or forecast future values of the dependent variable, according to (Sekaran & Bougie, 2013), which is the basis for this study.

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 & 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 & Bougie, 2013), very popular in social sciences, and thus, the approach to be taken by this study.

DATA ANALYSIS AND PRESENTATION

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 2.0 below provide details of the results for the reliability tests for the study variables.

Table 2.0: Statistics for reliability test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y</td>
<td>.751</td>
<td>4</td>
</tr>
<tr>
<td>X1</td>
<td>.835</td>
<td>4</td>
</tr>
<tr>
<td>X2</td>
<td>.818</td>
<td>5</td>
</tr>
<tr>
<td>X3</td>
<td>.763</td>
<td>5</td>
</tr>
<tr>
<td>X4</td>
<td>.798</td>
<td>4</td>
</tr>
<tr>
<td>X5</td>
<td>.882</td>
<td>6</td>
</tr>
<tr>
<td>X6</td>
<td>.931</td>
<td>6</td>
</tr>
</tbody>
</table>

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 judgement. This argument is supported by (Kimberlin & 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 & Ngugi, 2013). Content validity thus usually depends on the judgment of experts in the field, which the guided the direction that this study took.

Multicollinearity

In this study, multicollinearity was measured by variance inflationary factor given by Kothari, (2014) as VIFj. If VIFj ≥ 5, Xj 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 in order to remove non-significant variables from the model. The following were the results of the test for multicollinearity.

The multicollinearity test for the variable X1 indicates VIF ≤ 5. This shows that X1 is not significant multicollineated with the other model variables. There is therefore no alarm in this test. In respect to multicollinearity for the variable X2, the results were more or less similar as in the previous case. Test for the X3 did not demonstrate significant multicollinearity as well. With regard to multicollinearity test for the variable X4 the results comparatively higher with VIF value slightly ≥ 2. However this degree of multicollinearity is not worrisome. The variable X5 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 X6 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 3.0 gives details on the results for test for multicollinearity.

**Table 3.0:** Test for multicollinearity

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
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</table>

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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 4.0. It illustrates that the prevalent type of the small scale businesses in Trans County are Micro enterprises. This resonates well with (Njiraini & Moyi, 2006) who argue that public procurement market in Kenya largely supports growth of large enterprise. However it differs with (Sikuku & Omwenga, 20154) who reported that most scale enterprises in Trans Nzoia county 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 4.0: Type of business

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Micro Enterprise</td>
<td>89</td>
<td>71.2</td>
</tr>
<tr>
<td>Small Enterprise</td>
<td>36</td>
<td>28.8</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>100.0</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth_Rate
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 sheds more light on the type of the majority of business entities under the study. Figure 2.0 gives summary of the average annual sales of MSEs in Trans County.

According to (Ngugi, 2012 & 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 enterprises as a business entity with sales turnover not exceeding five hundred thousand shillings per annum. This is echoed by (Ongachi & Bwisa, 2016; Ogwel, Iravo & Lagat, 2016) who concur that lack of alternative markets for the MSE products causes their lackluster performance in terms of low sales revenues.

Figure 2.0: MSEs total sales

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.

Growth Rate

The study sought to find out the rate of growth of MSEs in Trans Nzoia County. 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 & 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 & 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 3.0 gives details of these findings.

The same is illustrated in figure 4.4.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure3.png}
\caption{MSEs growth rate}
\end{figure}

\textbf{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 5.0 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 et al, 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 5.0: Contract awards

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
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<td>44.0</td>
</tr>
<tr>
<td>One</td>
<td>37</td>
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<tr>
<td>Two</td>
<td>12</td>
<td>9.6</td>
</tr>
<tr>
<td>Above Two</td>
<td>21</td>
<td>16.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

#### 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 6.0.

**Table 6.0: Value of Contract to MSEs**

<table>
<thead>
<tr>
<th>Value of Contract</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>54</td>
<td>43.2</td>
</tr>
<tr>
<td>Below 100,000</td>
<td>31</td>
<td>24.8</td>
</tr>
<tr>
<td>Above 100,000</td>
<td>25</td>
<td>20.0</td>
</tr>
<tr>
<td>Over 500,000</td>
<td>15</td>
<td>12.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**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 4.0.

**Figure 4.0:** Total debriefings

**Dispute Resolution**

As regards whether the County government of Trans Nzoia 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 as (Ochiri, 2012) observes. 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 7.0 as follows:

Table 7.0: Disputed procurements

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
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<td>92.0</td>
</tr>
<tr>
<td>One</td>
<td>5</td>
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<tr>
<td>Two</td>
<td>3</td>
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<tr>
<td>Above 2</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>100.0</td>
</tr>
</tbody>
</table>

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 8.0 gives these statistics in details.

**Table 8.0**: Growth parameters summary

<table>
<thead>
<tr>
<th></th>
<th>Contracts Awarded</th>
<th>Contract Value</th>
<th>Debriefings</th>
<th>Disputes</th>
</tr>
</thead>
<tbody>
<tr>
<td>N Valid</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>Mean</td>
<td>.99</td>
<td>1.01</td>
<td>.14</td>
<td>.14</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.13</td>
<td>1.06</td>
<td>.52</td>
<td>.51</td>
</tr>
</tbody>
</table>

**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 9.0 illustrates the findings of this aspect in details.

This concurs with (Aligula & Owigi, 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 9.0: Public Procurement and MSEs Growth

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>114</td>
<td>91.2</td>
</tr>
<tr>
<td>Unrelated</td>
<td>11</td>
<td>8.8</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**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.

**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 5.0.

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), 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.

![MSEs Bidding Competence](image)

**Figure 5.1: MSEs Bidding Competence**

### 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 10.0 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 folk. 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 as public procurement. Governments are reportedly biggest spenders globally consuming an estimated average of 60% of the GDP according to Matindi (2013) and 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 10.0: Bidding skills

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderate Extent</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>Large Extent</td>
<td>3</td>
<td>2.4</td>
</tr>
<tr>
<td>Very Large Extent</td>
<td>120</td>
<td>96.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

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 11.0.

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, (Munui et al, 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 11.0: Negotiation Skills

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Very Small Extent</td>
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<td>.8</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>10</td>
<td>8.0</td>
</tr>
<tr>
<td>Large Extent</td>
<td>40</td>
<td>32.0</td>
</tr>
<tr>
<td>Very Large Extent</td>
<td>74</td>
<td>59.2</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>100.0</td>
</tr>
</tbody>
</table>

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 12.0 illustrates these findings.

Kihanya (2013) states 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 et al, 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 12.0: Competition**

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Small Extent</td>
<td>1</td>
<td>.8</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>Large Extent</td>
<td>33</td>
<td>26.4</td>
</tr>
<tr>
<td>Very Large Extent</td>
<td>89</td>
<td>71.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**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 13.0 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) concurs 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 13.0: Volume of Contract**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very Small Extent</td>
<td>1</td>
<td>.8</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>8</td>
<td>6.4</td>
</tr>
<tr>
<td>Large Extent</td>
<td>27</td>
<td>21.6</td>
</tr>
<tr>
<td>Very Large Extent</td>
<td>89</td>
<td>71.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>125</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**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 14.0 gives detailed explanation of these statistics.  

**Table 14.0: Bidding capacity summary**

<table>
<thead>
<tr>
<th></th>
<th>Bidding skills</th>
<th>Negotiation skills</th>
<th>Competition</th>
<th>Contract volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>N Valid</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
</tr>
</tbody>
</table>
### 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 6.0. Although this differs with other literature reviewed, it could complement well the views projected in the literature. For instance, (Indire, Nyam & 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.
The 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.

### 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 MSE in Trans Nzoia County. 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 Trans Nzoia County are not growing. The results of these tests are presented in table 15.0 and figure 7.0. These tests show that this is study is approximately normally distributed.

**Figure 6.0: Measures to improve bidding capacity**

**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.

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**Figure 6.0: Measures to improve bidding capacity**
Table 15.0: Test for normality

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

Figure 7.0: Histogram for normality test

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 & Garg, 2014) in practice it is accepted if it withstands critical testing.

From the cross tabulation for the variable $X_4$ in table 16.0, 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 17.0. 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 Trans Nzoia County, in Kenya. (Shiundu & Rotich, 2013; 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 16.0:** Growth rate $X_4$ cross tabulation

<table>
<thead>
<tr>
<th>Growth Rate</th>
<th>Count</th>
<th>Expected Count</th>
<th>Count</th>
<th>Expected Count</th>
<th>Count</th>
<th>Expected Count</th>
<th>Count</th>
<th>Expected Count</th>
<th>Count</th>
<th>Expected Count</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.2</td>
<td>0</td>
<td>0.3</td>
<td>1</td>
<td>1.0</td>
<td>1</td>
</tr>
<tr>
<td>Moderate</td>
<td>0</td>
<td>0.1</td>
<td>1</td>
<td>0.3</td>
<td>1</td>
<td>0.3</td>
<td>2</td>
<td>0.3</td>
<td>4</td>
<td>1.8</td>
<td>10</td>
</tr>
<tr>
<td>Low</td>
<td>1</td>
<td>0.9</td>
<td>3</td>
<td>3.6</td>
<td>3</td>
<td>3.6</td>
<td>10</td>
<td>10.0</td>
<td>22</td>
<td>37.4</td>
<td>114</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>1.0</td>
<td>4</td>
<td>4.0</td>
<td>4</td>
<td>4.0</td>
<td>11</td>
<td>11.0</td>
<td>23</td>
<td>41.0</td>
<td>125</td>
</tr>
</tbody>
</table>

**Table 17.0:** Chi-square tests
Pearson Chi-Square | 6.701a | 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.

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 Trans Nzoia county 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 18.0 gives summary of the details.

Table 18.0: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>$R$</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.879a</td>
<td>.832</td>
<td>.817</td>
<td>.03246</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), X1, X2, X3, X4, x5, X6
b. Dependent Variable: Growth_Rate

ANOVA Test

The $H_0$ 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 19.0.

Table 19.0: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.411</td>
<td>6</td>
<td>.069</td>
<td>.650</td>
<td>.690b</td>
</tr>
<tr>
<td>Residual</td>
<td>12.437</td>
<td>118</td>
<td>.105</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12.848</td>
<td>124</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Growth_Rate  
b. Predictors: (Constant), X₁, X₂, X₃, X₄, X₅, X₆

Regression 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 independent variable in the linear regression the model, bidding capacity of the MSEs, denoted X₄ has t value of 4.334 (43%). The coefficient β value (β₄) is 3.034. This implies that a unit increase in X₄ 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 (α ≤ 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 intervening variable in the linear regression the model, participation by MSEs, denoted X₆ has t value of 5.222 (52.22%). The coefficient β value (β₆) is 3.133. This implies that a unit increase in X₆ 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 (α ≤ 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 20.0 below.

Table 20.0: Regression coefficients
FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Findings of the Study

The main objective of this study was to explore the relationship between public procurement and the participation and growth of Micro and Small Enterprises (MSEs) in Trans Nzoia County. Self-administered structured questionnaires were utilized to collect data. After data analysis and interpretation, a number of findings were made. These informed the main findings reported in this chapter. 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.

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 provide systematically address to the research problem under the study in a coherent manner. The oversight of public procurement has positive relationship the growth of MSE in Trans Nzoia County in Kenya. There is positive relationship between bidding capacity of MSEs and their growth in Trans Nzoia County in Kenya.
Recommendations of the Study

This study was conducted on the primary source of data basis with the main objective being to establish the relationship that exists between public procurement and the growth of MSEs in Trans Nzoia County in Kenya. The primary data was analyzed and presented both quantitatively and qualitatively. From the findings and conclusions of the study, the following recommendations have been presented as the way forward. MSEs should consider establishing bid preparation caucuses in a manner that will not jeopardize the spirit of independent pricing. Preferably, they should consider consulting each other in technical bid preparations and proceed to make independent financial bids separately. The MSEs should consider and embrace outsourcing as an option for the bids preparation. This may help them overcome the problem of preparing ineffective bids as they will tap into the pool of skilled experts in the trade.

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