

**CHALLENGES FACED BY SMALL AND MEDIUM ENTERPRISES IN
ACCESSING PUBLIC CONTRACTS IN BONDO, KENYA**

BY

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PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF
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BUSINESS, UNIVERSITY OF NAIROBI**

DECLARATION

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This management research project report has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

To my wife Millicent Auma her whole-hearted support as I undertook the MBA degree program. Many thanks to our children David Abuya, Mitchelle Catherine Abuya and Toney Biden Abuya who collectively endured my extremely busy schedule for the entire MBA period denying them my close-touch attention.

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ABSTRACT

This study focused on establishing the challenges SMEs faced in accessing public sector contracts in Bondo District. The study was anchored on the EU Directives on public contracting from which PPDA (2005) and PPR (2006) were drawn to regulate public procurement. Compliance to EU Directives has been seen to disadvantage SMEs in accessing public sector contracts in favor of large enterprises. The Kenya Government has been in the forefront in advocating for the youth access to Government Contracts. This has been evidenced by the Presidential Directive on Youth Access to Government contracts by allocating 10% of all public contracts to SMEs. Despite this preferential treatment of SMEs, comparative tallies of public contracts secured by SMEs in Bondo against those secured by large enterprises are still very small. The study had twin-objectives, one being to determine the main challenges faced by SMEs in accessing public sector contracts in Bondo District besides determining the types of public contracts often secured by SMEs in Bondo District.

The research design adopted was stratified random sampling of SMEs in which self-administered questionnaires were used to collect data. A sample size of 136 SMEs out of a population of 210 SMEs were selected. The collected data was analysed using descriptive statistics.

From the study perceived corruption, large documentation level, inavailability of public contracts, lack of information access, lack of feedback, large lot sizes, existing framework arrangements, lack of capital, long procurement time-scales, bureaucratic procurement procedures, stringent selection criteria, inaccurate contract information, cost of tendering, poor business infrastructure unfavorable taxation regime and pre-qualification were the major challenges SMEs face in accessing public sector contracts in Bondo. Again the study found that SMEs in Bondo which to some extent secured public sector contracts were found to have mostly drawn their public contracts from the Office of the President, Local Authority, Roads & Public Works and Agriculture & Regional Development.

In conclusion, there are still a number of challenges that SMEs in Bondo are facing in accessing public sector contracts. These challenges need to be addressed by both the government and SMEs management. To accomplish this, the study recommends that further research be carried on how these challenges could be reduced both by government contracting authorities and/or SMEs themselves. Further research could also be carried on the initiatives the government has put to facilitate SMEs access to public contracts. Research could also be done on contribution of the level of education of procurement officers in achieving value for money during public procurement.

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LIST OF ABBREVIATIONS AND ACRONYMS

CIPS:	Chartered Institute of Purchasing & Supplies
EC:	European Commission
E-Proc:	Electronic Procurement
EU:	European Union
GNP:	Gross National Product
GOK:	Government of Kenya
KAM:	Kenya Association of Manufacturers
KCA:	Kenya College of Accountancy
PPD:	Public Procurement Directorate
PPDA 2005:	Public Procurement and Disposal Act 2005
PPOA:	Public Procurement Oversight Authority
PPR 2006:	Public Procurement Regulation 2006
SME:	Small and Medium Enterprise
SPSS:	Statistical Package for Social Sciences
UK:	United Kingdom
USA:	United States of America
USIU:	United States International University
VAT:	Value Added Tax
VFM:	Value For Money

CHAPTER ONE

1.0. INTRODUCTION

1.1.1. Background of the Study

Small and medium-sized firms are the drivers of the Kenyan economy. They employ about 7.5 million Kenyans outside the small-scale agriculture. Therefore SMEs are recognized as contributing to the distribution of wealth, as they allow the middle class to emerge and contribute to the solution of regional economic imbalances given their greater flexibility in terms of location. This promotes economic development and improves people's lives (Chen, 2006). Despite this important economic role SMEs play in Kenya, SME's continue to face many challenges as they try to propel economic growth of an economy (Wanjohi, 2009).

Public procurement is the acquisition, whether under formal contract or not, of works, supplies and services by public bodies. It ranges from the purchase of routine supplies/services to formal tendering and placing contracts for large infrastructural projects by a wide and diverse range of contracting authorities (Lysons & Farrington, 2006). The legal framework upon which public procurement is done is the EU Directives/2004/18/EC (KAM, 2008). EU Directives 2004/18/EC cover the procurement procedures of all public sector bodies. Kenyan Public Procurement & Disposal Act 2005 (PPDA 2005) and the Public Procurement & Regulation 2006 were both drafted based on the EU Directives (KAM, 2009).

Accordingly, many SME's have had challenges in compliance with the EU Directives/PPDA 2005 putting many of the SME's off public contracts (KAM, 2009). Currently Kenya Government is developing policies that are geared toward supporting SME sector growth through a variety of

programs such as the GOK 2010/11 budget which contained effective policies for helping Small and Medium Enterprises (SME) to boost participation in public contracts and hence the overall national economic development. Despite this preferential treatment of SMEs by government through allocation of 10% of all public contracts to SMEs, a comparative tally of public contracts secured by SMEs in Bondo against those secured by large enterprises are still very small (PPOA, 2011). The choice of Bondo District to be covered by the study was thus based on the fact that generally many SMEs are still not securing Public Contracts, (PPOA, 2011).

1.1.2. Small & Medium Enterprises (SME's)

The term SME covers a wide range of definitions and measures, varying from country to country and between the sources reporting SME statistics (Kenya Association of Manufactures, 2008). Although there is no universally agreed definition of SME, some of the commonly used criteria are the number of employees, value of assets, value of sales and size of capital as well as turnover. Among them the most common definitional basis used is employees because of the comparative ease of collecting information and here again there is variation in defining the upper and lower size limit of an SME, (KAM, 2008).

In developing countries the number of employees and size of assets or turnover for SMEs tend to be much smaller compared to their counterparts in developed countries due to their relative size of business entities and economies (World Bank, 2007). Types and features of Small Scale Business in Kenya survivalist enterprises are activities by people unable to find a paid job or get into an economic sector of their choice. Common features include low income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business besides poverty and the attempt to survive being the main characteristics of this category of enterprises. The European Union (EU) categorizes companies with fewer than 50 employees as small

and those with fewer than 250 employees as medium (Kibas, 2004; EU Commission, 2006). This is the definition of SMEs adopted in this study.

Small enterprises constitute the bulk of the established businesses. The enterprises would usually be owner-managed or directly controlled by the owner-community and are mostly family owned. They are likely to operate from businesses/industries in various business sectors like retailing, manufacturing, professional services and construction-like formalities. Medium Enterprises constitute a category which is difficult to demarcate vis-à-vis the “small” and “large” business categories. SME’s are still viewed as basically owner/manager-controlled, though the shareholding or community control base could be more complex. SMEs in Kenya are generally distinguished by the nature of their production and management arrangements, trading relations, financial practices, internal competence etc. (KAM, 2008).

According to KAM (2008) SMEs in Kenya typically have the following features in varying degrees; they are small units, often rural-based and family owned, most of them are small independent enterprises, standing alone and producing for a well-defined market, some are specialized firms, producing specialized products, selling to the international and /or local markets, they rely on low cost raw materials, low energy costs, low labor costs, and are characterized by low division of labor, flexible and often small production runs, they have low capital formations and finally, they are largely labor intensive units with low-level technologies; but one needs to note the emergence of high skill and technology-intensive SMEs.

A large part of the economic system in many countries, whether developed or developing, is formed by small and medium sized enterprises (SMEs). These enterprises are considered by various researchers, to be essential for the economic development of those countries (Praag and Versloot, 2007). As an example, in the European Union (EU), Small and Medium Enterprises represent more

than 98 percent of the firms and serve as a crucial foundation for the labor market in the member countries (Smallbone and Rogut, 2005). Apart from the crucial role that these SMEs play in the economies of these countries, these organizations generally encounter various weaknesses and challenges (Smallbone and Rogut, 2005; Smith and Smith, 2007; Joubert, 2004).

1.1.3. Public Contracting and SME's

The contribution of the Small and Medium Enterprises (SME's) to the economy of a nation is well recognized. In developing countries, it is believed, the contribution of SME's towards employment generation is significant. The EU Code of Best Practices for SME access to procurement introduced in 2008 stated that increased involvement of SMEs in public procurement would result in higher competition for public contracts, leading to better value for money (VFM) for contracting authorities.

Public procurement is the process by which government departments or agencies purchase goods and services from the private sector (Lysons & Farrington, 2006). It takes place at both a national and regional level. The procurement process would usually be subject to specific rules and policies covering how the relevant decisions are made.

In order to achieve value for money in the public sector, the status of the procurement department needs to be advanced by appointing a senior management representative and by either developing internal capabilities or recruiting externally (Lysons and Farrington, 2006). Common purchases should be centralized, and policies and procedures established to regulate the buying activities of internal clients. Supply and demand needs to be aligned through vertically integrated information flows and robust operational systems. Strategic source planning should be carried out, a category management system adopted, relevant suppliers appraised and selected, and appropriate relationships adopted. Supply performance monitoring, and relationship management are key on-going activities to streamline public contracting and achieve value for money (Lysons and Farrington, 2006).

There are a number of barriers to achieving value for money in the public sector that may include: Procurement objectives in the public sector have always been unclear. A diverse range of stakeholders in public contracting situations do exist and it is not always obvious which group takes precedence. Procurement strategies have been driven by EU directives and require prescriptive and formulated sourcing approaches. Collaborative relationships with suppliers are difficult to justify. There is also considerable political intervention, an emphasis on budgetary control, and a risk-averse culture in public contracting. Supply chain strategies must thus be designed to achieve value for money, but it is not always clear what this entails. Procurement competences have not been well developed to operationalize designed strategies. Decision-making is often slow and bureaucratic, and public sector organizations often have a remit to pursue environmental and social objectives which may contradict commercial imperatives (CIPS, 2012)

1.1.4. SMEs in Bondo District

Bondo District is geographically located to the western region of Kenya just along the Equator. Bondo is bounded by Rarieda, Siaya, and Gem Districts. Bondo District covers 1328 square kilometers (km²); out of which 715 km² is covered by water while 593 km² islands. Bondo had a population of 157,522 (GOK, 2009). Bondo District had three administrative divisions namely Maranda Division, Usigu Division and Nyangoma Division. There are 210 SME's in Bondo District registered with the Town Council of Bondo. The SME's operate in various sectors from building and construction, transportation, food and beverage, fishing, textiles, automotive repairs and general supplies. Public contracting rules applicable in Bondo District are virtually guided by the Public Procurement and Disposal Act (PPDA) of 2005 and the Public Procurement Regulations of 2006.

1.2.0. Research Problem

Many studies show that SMEs are the driving engine of growth, job creation and competitiveness in domestic and global markets. They also play a pivotal role in innovation and productivity growth (Blackburn and Athayde, 2000). Some of the SME surveys that have been done, the most conclusive one have focused on issues such as access to capital and financial intermediation assuming that a key concern for any business is how to find additional capital to expand (Esselaar et al, 2007). The experience of Fina Bank in lending to SME's found that the major challenges faced by SME's is poor credit history and lack of collateral for funding towards bid bonds and projects (Wasonga, 2008). There is a wide range of general and specific information that SMEs need in the course of their operation that is suitable for their sustainability.

Wanjohi (2009) and the Kenya Association of Manufacturers (KAM) (2009) note that one of the major challenges that SMEs face in the course of doing business in Kenya is inadequate business information. Others include: lack of and/or inadequate managerial training and education and skills, lack of access to credit both for start up and expansion of the business, unfavourable national policy and regulatory environment.

Similarly, Economic Survey Document of World Bank (2004) notes that limited access to information is one of the major problems that SMEs encounter. Others are; unfavourable business policy environment and unfavourable taxation regime, inhibitive legal and regulatory environments, limited access to markets and limited access to financial services, inadequate access to skills and technology, inadequate business skills, limited access to infrastructure, limited linkages with large enterprises, gender inequality and entry barriers (whether formal and/or informal) and health and safety in workplaces and HIV/AIDS. All of these studies have been based on SME's in Nairobi and its environs but with little attention to the challenges facing SMEs in accessing public sector contracts in other

counties. There are no doubt the challenges that the SMEs contend with in accessing public sector contracts are enormous but some SMEs and governments are striving to overcome them. Today, the Kenya Government has been in the forefront in advocating for the youth access to Government Contracts. This has been evidenced by the Presidential Directive on Youth Access to Government Procurement (PPOA, 2011). Presently, pursuant to the Regulation 6 of the Public Procurement and Disposal (Preference and Reservations) Regulation, 2011, there is the National Sensitisation and Recruitment Drive on Youth Access to 10% of all Government Procurements (PPOA, 2011).

This preferential treatment for SMEs by Government is meant to develop the SME sector and hence the general economy of the country. Despite this preferential treatment of SMEs by government through allocation of 10% of all public contracts to SMEs, a comparative tally of public contracts secured by SMEs in Bondo against those secured by large enterprises are still very small (PPOA, 2011). The choice of Bondo District to be covered by the study was thus based on the fact that generally many SMEs are still not securing Public Contracts, (PPOA, 2011). It is believed that there are other challenges that SME's face in accessing public contracts which may have included lack of information, large contract sizes besides financial challenges (Wanjohi, 2009). The youth, who own most SMEs, still have problems with meeting the government requirements for public contracting among other things, business registration/incorporation certificate, PIN certificate as well as VAT compliance certificate. The SMEs in Bondo District are, by no exception, equally challenged but probably uniquely. This study therefore focused on surveying the various challenges SMEs are facing in accessing public sector contracts, a survey of Bondo District, Kenya. As a consequence, the motivation for this study was to find responses to the following issues:

1. What are the main challenges faced by SMEs in accessing public contracts in Bondo?
2. What types of public contracts are often secured by SMEs in Bondo?

1.3.0. Research Objectives

The main objectives of this survey was as follows:

1. To determine the main challenges faced by SMEs in accessing public contracts in Bondo District.
2. To determine the types of public contracts often secured by SMEs in Bondo District.

1.4.0. Value of the Study

Academic institutions in any country are bestowed with the duty of creating and disseminating knowledge. Findings of this research as regards the challenges in accessing public sector contracts by SMEs in Kenya and the steps these SMEs can undertake to counter the challenges form a basis from which the teaching fraternity can refer during their day to day activities while at the same time as a reference for further research for those who would want to pursue the subject further. The results of this study would also find practical application in SME organizations whose managers are faced with the question of what to do to remain afloat in the face of the challenges. The research results would also give the banking sector a glimpse into the effects that the financial crisis has had on SMEs. This probably would inform their decisions as far as provision of services like credit to SMEs would be concerned. Policy makers and especially the government would stand to benefit from the study's recommendation regarding public sector procurement policy measures that would alleviate the challenges and ensure that SMEs do not go under but continue to flourish and thus improve the standard of living of Kenyans by giving them a source of earning through employment. The research also would benefit shareholders of SMEs in respect to possible areas of investment. Credit and risk department in financial institutions stand to understand the expected business cycle in SMEs and determine lending methodologies that would accommodate such SMEs. Investors in SME businesses and specially the equity investors would also benefit from the understanding of how SME businesses are affected by challenges and how to cushion themselves from the turmoil while generating maximum returns.

CHAPTER TWO

2.0. LITERATURE REVIEW

The literature review briefly covers the role of SME's in economic development, the framework of public contracting, the impact of public procurement framework on SME's in accessing public contracts and would exhaustively review the literature on the challenges facing SME's in accessing public contracts as well as the government initiatives facilitating SME's access to public contracts.

2.1. The Role of SMEs in Economic Development

Many researchers and scholars have hailed the importance of SMEs and this cannot be over emphasized. For example, Arianoff (2010) notes that in Belgium, SMEs account for well over 70 percent of the GDP and that the profitability of SMEs is much higher than that of the large companies. Kenyan Economic Report (2009) reveals that in Kenya, SMEs produce 77 percent of the total jobs while Kenya Association of Manufacturers (KAM) (2009) observes that in Kenya the SMEs contribute about 85 percent level of employment. Presenting the case of Europe, Ashby (2007) observes that SMEs are essential since they have the capability to provide what large companies or large business ventures are unable to offer.

Small and medium-sized firms are the drivers of the Kenyan economy. They employ about 7.5 million Kenyans outside the small-scale agriculture. Therefore SMEs are recognized as contributing to the distribution of wealth, as they allow the middle class to emerge and contribute to the solution of regional economic imbalances given their greater flexibility in terms of location. This promotes economic development and improves people's lives (Chen, 2006). The SME sector is the sector in which most of the world's poor people are working (Wasonga, 2008). The sector therefore contributes

significantly to employment creation. The contribution of the SMEs to the economy of a nation is thus well recognized. While individually an SME may not have a significant impact on the economy like the large corporations do, their cumulative social and environmental impact is significant. Therefore, SMEs are recognized as contributing to the distribution of wealth, thus promoting economic development and improving people's lives (Chen, 2006). SMEs complement the work of larger enterprises, serving as suppliers of materials, and operating in areas incompatible with these larger enterprises, as well as stimulating economic growth.

2.2. The EU Directives & Public Sector Contracting

The legal framework upon which public contracting is done is the EU Directives/2004/18/EC (KAM, 2008). EU Directives 2004/18/EC cover the procurement procedures of all public sector bodies. Kenyan Public Procurement & Disposal Act 2005 (PPDA 2005) and the Public Procurement & Regulation 2006 were both drafted based on the EU Directives (KAM, 2009).

Accordingly, many SME's have had challenges in compliance with the EU Directives/PPDA 2005 putting many of the SME's off public contracts (KAM 2009). Currently Kenya Government is developing policies that are geared toward supporting SME sector growth through a variety of programs such as the GOK 2010/11 budget which contained effective policies for helping small and medium enterprises (SME) to boost participation in public contracts and hence the overall national economic development.

EU Public Procurement Directives and in effect the PPDA 2005 give a prominent guide to transparency, considering it is fundamental to the elimination of distortions and discrimination in these markets. They require that invitations to tender with an expected contract value above established thresholds are published in the Official Journal of the European Union (OJEU).

Another important element of transparency is the publication of the final outcome of public procurement procedures. In a competitive environment, free of collusive practices, competitors can monitor the results of tendering processes and improve their future bids. This too puts downward pressure on prices over time. The number of contract award notices published in the Official Journal of the European Union has been growing steadily in recent years in compliance with the EU Directives (CIPS, 2012).

Public sector contracts should be awarded in line with the Government's value for money policy.

There is considerable scope for encouraging improved competition and performance in public sector contracts outside an individual procurement cycle, where policy and legal obligations are not as prevalent as inside the cycle. Many of these areas can be considered outside an individual procurement cycle e.g. encouraging open, fair and transparent sub-contracting, developing structured relationship management approaches or developing policies on the use of SMEs or Minority Owned Businesses and Social Enterprises.

According to EU Directives, it is very important that the public procurement function is discharged honestly, fairly, and in a manner that secures best value for public money. Contracting authorities must be cost effective and efficient in the use of resources while upholding the highest standards of probity and integrity. Procurement practices are subject to audit and scrutiny under the Comptroller and Auditor General (Amendment) Act 1993 and Accounting Officers are publicly accountable for expenditures incurred. Management in Government Departments and Offices should ensure that there is an appropriate focus on good practice in purchasing and where there is a significant procurement function that procedures are in place to ensure compliance with all relevant guidelines.

In general, a competitive process carried out in an open, objective and transparent manner can achieve best VFM in public procurement. This is in line with Kenyan PPDA 2005 and the EU Directives on

Public Procurement. Essential principles to be observed in conducting the public procurement function includes non-discrimination, equal treatment, transparency, mutual recognition, proportionality, freedom to provide service and freedom of establishment. The Directives impose legal obligations on public bodies in regard to advertising and the use of objective tendering procedures for contracts above certain value thresholds.

2.3. The Impact of EU Directives on SME's Access to Public Contracts .

In the past decades, the public procurement system in Kenya has undergone significant developments. From being a system with no regulations in the 1960s, and a system regulated by Treasury Circulars in the 1970s, 1980s and 1990s. The introduction of the Public Procurement and Disposal Act (PPDA) of 2005 and the Public Procurement Regulations of 2006 has introduced new standards for public procurement in Kenya.

In many countries, intensive purchasing makes the government a dominant buyer of a wide range of goods and services. But in the interests of administrative efficiency and in the search for economies in purchasing, government purchasing agencies tend to place their orders in relatively large amounts at a time, and often by selective tender. Hence, the government's purchasing activities inevitably discriminate, albeit unwittingly, against SMEs. Procurement concerns have given rise to a fruitful area of research. It is often argued that governments should promote SMEs because of their greater economic benefits compared to large firms in terms of job creation, efficiency, and growth (Vala, 2009).

In most countries, microenterprises and small-scale enterprises account for the majority of firms and a large share of employment. Therefore, it may be the policy of the Government to provide maximum practicable opportunities and initiatives for SME participation in public contracts. SMEs can

participate in public-sector procurement in one of two ways. They can either directly contract with a public body, or participate as a sub-contractor to a prime contractor. This paper thus focused only on direct SME participation. It tries to identify different levels of government generation of procurement policies that may help achieve SME-related policy goals.

2.4. SME Challenges in Accessing Public Sector Contracts

Even though there is great growth potential for the country's economy attributed to SMEs, the owners have to put up with numerous challenges for the opening up, maintenance and expansion of their ventures. Such challenges could be of human resources, awareness, management, financing, institutional and infrastructural issues. The management challenges refer to the ability of owner-managers to administer their own business with a vision of the effect this would have on their businesses. The human resource challenge is viewed as the personnel who are contracted by the SMEs and the quality of the same (Smith and Smith, 2007), as well as in the role of the owner-managers in contracting personnel and the inherent challenges to this process (Bartlett and Bukvic, 2001).

Awareness is defined by Baron and Shane (2007) as the competitive force, the most important force that an enterprise can have. Most SME managers and employees can not afford to buy newspapers on a daily basis nor do they have access to internet where most public contracts are advertised. Some public tenders are placed on notices of various public offices thus quite inaccessible to most SMEs. This shows that information on public tenders are majorly inaccessible to most SMEs especially those that are placed far away from the District Headquarters. The acquisition, promulgation and transference within SMEs are themselves challenges (Olwale and Garwe, 2010).

Inadequate education and skills is another key concern where the majority of those who run SMEs are staff whose educational background are insufficient to carry out managerial routines for their

enterprises (King and McGrath, 2002). Typically SME owners develop and use their own approach to management, through, a process of trial and error instead of using formal business management methods (Hill, 2007). As a result, their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept (Hill, 2007). Since Public Contracts are characterized by orderly documentation virtually attainable with the experienced and well trained managers quite lacking in most SMEs, SMEs end up not succeeding in getting public contracts.

In order to bid for public contracts, SMEs have got to have enough capital that can be used to acquire the tendered items. Public contracts are characterized by big lot sizes which require huge capital to service. The challenges of funding is defined as one of the perennial problems for small-sized enterprises in accessing public contracts and it is related to the difficulty of access to credit and credit guarantees (Krasniqi, 2010). Even upon some SMEs getting the public contracts, SMEs often don't have access to credit hence always operating on a tight budget where focus is on short-term returns and so would not be able to fulfill the public contract requirements (Kasekende and Opondo, 2003). A key concern for the SME business thus becomes how to find additional capital to expand (Kasekende and Opondo, 2003). This would give the SMEs the financial capacity to bid for public contracts and service them on access.

As a developing country, Kenya still lags behind with respect to key infrastructure commitments such as roads, electricity, water, communication etc. Good infrastructure is a pillar of sound business and without it the business is weakened in its operations. This condition gives rise to a new challenge which is the uptake of new information technology in SME. Infrastructure is viewed as a challenge for SMEs, as the quality of this can affect the prospects of SME cost competitiveness, especially in developing countries, because many of these countries suffer from a deplorable lack of basic infrastructure, such as transport, telecommunications and electricity (Olawale and Garwe, 2010). Poor

infrastructure means SMEs don't have exposure to the new technologies which if implemented may offer a substantial cost reduction to the business and offers a competitive advantage for the SMEs. Since most public contracts have clearly set specifications the most common competitive dimension is left for VFM. With cost advantage pocketed by SMEs attributed to good infrastructure as seen in large companies enjoying economies of scale, SMEs can comfortably compete for public contracts on the same footage with large firms. The prevalence of poor infrastructure thus becomes a major challenge to SMEs in accessing public contracts.

The institutional challenge is defined as the policies and regulations that can affect the activities of a small enterprise (Shi and Li, 2006; Baron and Shane, 2007). Public contracts driven by EU Directives and PPDA 2005 usually require SME suppliers which are legally registered and value added tax-compliant. Most SMEs usually lack 'formality' in terms of business licenses, value-added tax (VAT) registration, formal business premises, operating permits and accounting procedures required by the Public Procurement and Disposal Act (2005) as well as the Public Procurement Regulations (2006). Tax avoidance and non-compliance with various business registration formalities could be attributed to their limited capital base and only rudimentary technical or business skills among their operators (Wasonga, 2008). Since most of them lack these important documents, they are often eliminated in the very first stages of public contracting. Additionally, a clear government policy to guide SME development is not in operation thus SME's fail to grow beyond the traditional "family business" into either regional and/or global reach.

The EU Directives insistence on quality and VFM makes various public contracting authorities to insist on past works, supplies or service experience of similar nature. This is usually lacking with most SMEs. Most SMEs thus fail to secure public contracts due to lack of past experience leaving large enterprises at the helm of enjoying most public contracts, (EC, 2003).

CHAPTER THREE

3.0: RESEARCH METHODOLOGY

3.1. Introduction

This chapter explains the ways data was gathered, analysis, interpretation and presentation was carried with the goal of transforming the primary data into information that could add value to this study. It consists of the following areas:

3.2. Research Design

The research employed a sample survey, of descriptive methodology where data collection about the sample was collected through self administered questionnaires. Survey studies are normally intended to describe and report the way things happen. The sample survey was chosen since it would allow for the collection of a large amount of data in a relatively short period of time hence cost effective. The survey sought to get information from the employees of the SMEs regarding their perception on challenges SME are facing in accessing public sector contracts since they have front-line experience. An analysis of the patterns and themes that generated from this survey was then used to formulate generalizations. Essentially, from certain generalizations (in terms of theories, general laws or observations) by examining a set of particular observations led to some conclusion (Muganda, 2010).

3.3. Population

The study population was made up of all the 210 SMEs registered in Bondo District. (Town Council of Bondo, 2012). The choice of Bondo District to be covered by the study was based on the fact that many SMEs are generally not securing Public Contracts, (PPOA, 2011), besides the convenience attributed to the ease of accessibility, time schedule and financial resources available to the researcher.

3.4. Sample Size

A sample was selected using a stratified random sampling method. The SMEs were stratified into various types of businesses, including, Building & Construction, Hotels & Restaurants, Office Equipment & Stationers etc. With this sampling method, respondents within each stratum had an equal chance of being selected to participate in the study randomly. This method ensured that all the business types in the target SME population were represented. On the basis of Sekaran, (2006) sample size framework for a given population, a sample size of 136 SMEs (Appendix 3) was used in this study out of a possible population size of 210 SMEs.

3.5. Data Collection

Primary data was collected through structured questionnaires. The structured questionnaire by definitions is a group of structured questions with each item in the questionnaire developed to address a specific objective or research question of the study (Mugenda and Mugenda, 2003). This tool of data collection was chosen due to the ease with which it could be administered. It had been widely asserted that a self-administered questionnaire was the most efficient and cost effective method to collect data pertaining to the various aspects of public behaviors (Yoo et al, 2005: (Washban and Plank, 2006). With the help of research assistants, the questionnaires were dropped to the SME premises for owner-managers and employee-managers as targeted respondents since they were best placed to have the required information by virtue of their position. In this study the questionnaires had two distinct parts. The first part collected background information of the SMEs from respondents. The second part was the main questionnaire intended to determine challenges to accessing public sector contracts by SMEs in Kenya.

The first survey step was concerned with the collection of data from the owner-managers of the SMEs from Bondo District. In this step, the objective was to identify the main challenges encountered by

SMEs in accessing public sector contracts. Following this, the search for entrepreneurs for participating in the survey was started. A list of around 210 SMEs was obtained from the Town Council of Bondo from which 136 SMEs were chosen as a representative sample. The data and observations were then collated in the questionnaires.

3.6. Data Analysis

The collected data was then edited centrally to detect errors and omissions, ensure data was accurate, uniformly entered, complete and consistent with intent of the questions and other information in the survey and arranged to simplify coding and tabulation. Alphanumeric data coding was carried out to assign numbers and other symbols to the questions which were done in order to group the respondents to a limited number of categories that facilitated efficient analysis.

Data collected was analyzed using descriptive statistics. This involved use of various tables summarizing frequencies and percentages. A list of tables showing frequency distribution and percentage occurrence of the variables under study was then generated. Further analysis was done to establish the mean responses, standard deviation as well as the coefficient of variations for each variable to determine the consistency of the findings.

The analysis was tied to each objective so as to reach reliable conclusions. The statistical package for Social Sciences (SPSS) software was employed to help analyze the responses.

CHAPTER FOUR

4.0: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1.0. Introduction

This study had twin objectives of determining the challenges facing SMEs in accessing public sector contracts in Bondo district and also to determine the type of contracts often given to SMEs in Bondo. In seeking to achieve these objectives, a total of 136 questionnaires were administered to the owner managers and employee managers of each SME in the sample. Of these, 122 questionnaires were successfully filled. The response rate was thus 89.71%, which compares favourably with Punch's (2003) stipulation of an acceptable response rate. Punch(2003) indicated that high response rates help to ensure that survey results are representative of the target population. Punch(2003) indicated that acceptable response rates vary by how the survey is administered. For e-mail and face-to-face administered questionnaires, a response rate of above 60% is considered adequate (Punch 2003).

4.2.0. Background of SMEs in Bondo District

4.2.1. Size of SMEs in Bondo District.

Table.1a: Number of Employees

Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-50 Employees	116	95.1	100.0	100.0
Missing System	6	4.9		
Total	122	100.0		

Source: Research Data (2012)

Table.1b: Number of Employees

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
No of Employees	116	1	1	1	0	0

Source: Research Data (2012)

The factors here were categorised into five SME sizes. These included SMEs with 1-50 employees, 51-100 employees, 101-150 employees, 151-200 employees and 201-250 employees. According to Table 1a, 100% of the respondents indicated that the size of their SMEs had between 1-50 employees. The other categories of SME size of employees constituted 0%. This implied that in Bondo District the employee base of SMEs ranges between 1- 50 employees.

According to Table 1b, the mean response was one(1) with zero standard deviation from the mean indicating zero variability thus very high level of consistency. Since the research objective was to determine the challenges faced by SMEs in accessing public contracts in Bondo, the size of SMEs here was of great importance and was found to be between 1-50 employees. The employee base of SMEs in Bondo thus is still low indicating little growth. Accessing public contracts would probably let them grow and employ more people.

4.2.2. Area of Business

Table 2a: Area of Business

	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Building & Construction	22	18.0	19.0	19.0
	Stationary & Office Equipment	20	16.4	17.2	36.2
	Carpentry & Steel Fabrication	32	26.2	27.6	63.8
	Oil & Petroleum Sector	10	8.2	8.6	72.4
	Automotive Supplies & Garage	22	18.0	19.0	91.4
	General Hardware	10	8.2	8.6	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 2b: Area of Business

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Area of Business	116	1	8	3.34	0.37	0.110778443

Source: Research Data (2012)

The following areas of business were considered: building & construction, stationary & office equipment, restaurants, food & beverage, carpentry/steel fabrications workshops, oil & petroleum, automotive supplies & garage, general retail stores, general hardwares and transport.

According to Table 2a, 27.6% of the respondents had their business in Carpentry/Steel Fabrication, 19% were in Building & Construction as well as in Automotive Supplies & Garages, 17.2% were in Stationery & Office Equipment and 8.6% had their SMEs dealing in General Hardwares as well as Oil & Petroleum products.

According to Table 2b, the mean response was 3.34 with a 0.37 standard deviation from the mean and 11.08% coefficient of variation, indicating low variability thus very high level of consistency. Since the research objective was to determine the challenges faced by SMEs in accessing public contracts in Bondo, the area of business here was of great importance to establish the SMEs business areas that may be facing the challenges. Most SMEs were found to be dealing in the carpentry & steel fabrication industry besides the automotive supplies & garages as well as building & construction.

4.2.3. Number of Years in Operation

Table 3a: No. of Years in Operation

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
No. of Years in Operation	116	1	4	3.84	0.456	0.11875

Source: Research Data (2012)

Table 3b: No. of Years in Operation

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 Year	20	16.4	17.2	17.2
	1-5 Years	24	19.7	20.7	37.9
	6-10 Years	26	21.3	22.4	60.3
	Over 10 Years	46	37.7	39.7	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

According to Table 3b, of all the respondents, 39.7% had their SMEs having operated business in Bondo District for over 10 years. 22.4% had operated for between 6-10 years, 20.7% had operated for 1-5 years while 17.2% had only operated business for less than 1 year and thus still new in the district.

According to Table 3a, the mean response was 3.84 with a 0.456 standard deviation from the mean and 11.88% coefficient of variation, indicating very low variability thus higher level of consistency. Since the research objective was to determine the challenges faced by SMEs in accessing public contracts in Bondo, the number of years in operation would add value the reliability of the challenges SMEs face in Bondo. The most frequent response being that SMEs in Bondo have operated for over 10 years was highly consistent and thus reflective of the situation on the ground. A 10 years experience gives the respondent enough background information regarding public contracting thus would be in a position to maintain precision in response.

4.2.4. Major Sources of Funding

Major sources of funding that were considered included bank loans, friends & family, personal savings as well as donor funding.

Table 4a: Source of Funding

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bank Loans	66	54.1	56.9	56.9
	Personal Savings	50	41.0	43.1	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		61	100.0		

Source: Research Data (2012)

Table 4b: Source of Funding

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Source of Funding	116	1	3	1.86	0.299	0.160752688

Source: Research Data (2012)

According to Table 4a, 56.9% of the respondents indicated that they had financed their SMEs through bank loans while 43.1% had financed their SMEs through personal savings. None of the respondents had financed their SMEs through either friends & family donations nor donors funding.

According to Table 4b, the mean response was 1.86 with a 0.229 standard deviation from the mean and 16.08% coefficient of variation, indicating low variability thus higher level of consistency. Since the research objective was to determine the challenges faced by SMEs in accessing public contracts in Bondo, SMEs major source of funding would be integral to their public contract access. The most consistent response was on personal savings thus SMEs in Bondo mainly get funding from personal savings.

4.2.5. Approximate Annual Turnover for SMEs.

Table 5a: Annual Turnover

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Annual Turnover	116	1	4	1.42	0.2413	0.169108911

Source: Research Data (2012)

Table 5b: Annual Turnover

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 1 Million	62	50.8	53.4	53.4
	1-2 Million	22	18.0	19.0	72.4
	2-5 Million	30	23.2	24.6	97.0
	Over 5 million	2	1.6	3	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

According to Table 5b, turnover was categorised into below 1 million, 1-2 million, 2-5 million and over 5 million. 53.4% of the respondents had their SMEs approximate annual turnover at below 1 million, 19% had between 1-2 million, 24.6% between 2-5 million while 3% of the respondents were at over 5 million annual turnover.

According to Table 5a, the mean response was 1.42 with a 0.2413 standard deviation from the mean and 16.91% coefficient of variation, indicating very low variability thus higher level of consistency. Since the research objective was to determine the challenges faced by SMEs in accessing public contracts in Bondo, the position of SMEs annual turnover would be integral to their public contract access. With this high level of consistent response centred on between below 1 million then it confirms the most frequent response being that most SMEs in Bondo have an approximate annual turnover of below 1 million. This implies that if payment for public public contracts completed are

delayed then most SMEs here would not fulfill the next public contracts offered thus hampering their future access to public contracts based on poor performance.

4.2.6. SMEs Dealing in Public Contracts in Bondo

Table 6a: SME Dealing in Public Contracts

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	74	60.7	63.8	63.8
	No	42	34.4	36.2	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 6b: SME Dealing in Public Contracts

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
SME Dealing in Public Contracting	116	1	2	1.36	0.285	0.209558824

Source: Research Data (2012)

According to Table 6a, 63.8% of the respondents confirmed having been doing business with public contracting authorities. 36.2% have not been doing business with public contacting authorities. According to Table 6b, the mean response was 1.36 with a 0.285 standard deviation from the mean and 20.95% coefficient of variation, indicating low variability thus higher level of consistency. Since the research objective was

to determine the challenges faced by SMEs in accessing public contracts in Bondo, SMEs tendering for public contracts would be having chances of accessing public contracts. 63.8% SMEs in Bondo were consistently found to have been tendering for public contracts thus in a position to access public sector contracts.

4.2.7. Percentage of Annual Turnover Contributed by Public Contracts

Table 7a: Volume of SME Public Contracts

	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 20%	28	23.0	24.1	24.1
	20%-49%	5	8.2	8.6	32.7
	50%-74%	11	18.0	19.0	51.7
	75%-100%	14	45.9	48.4	100.0
	Total	58	95.1	100.0	
Missing	System	3	4.9		
Total		61	100.0		

Source: Research Data (2012)

Table 7b: Volume of SME Public Contracts

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Volume of SME Public Contracts	116	1	4	2.19	1.277	0.583105023

Source: Research Data (2012)

According to Table 7, 48.3% of the respondents had their SMEs approximate annual turnover contributed by public contracts being less than 20%. 8.6% of respondents had their SMEs annual

turnover contributed by public contracts being 20%-49%. 19% of respondents had their SMEs annual turnover contributed by public contracts being 50%-74%. 24.1% of respondents had their SMEs annual turnover contributed by public contracts being 75%-100%. According to Table 4b, the mean response was 2.19 with a 1.277 standard deviation from the mean and 58.31% coefficient of variation, indicating higher variability thus higher level of inconsistency. This could not be relied upon thus the item (annual turnover contributed by public contracts to SMEs) was discarded.

4.2.8. Public Sectors often Giving Contracts to SMEs in Bondo

Table 8a: Roads & Public Works Contracts

	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5%	72	59.0	62.1	62.1
	5%-20%	22	18	19.1	81.2
	21%-49%	10	8.2	8.6	89.9
	50%-100%	12	9.8	10.1	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 8b: Roads & Public Works Contracts

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Roads & Public Works Contracts	116	1	4	1.37	0.296	0.216243655

Source: Research Data (2012)

According to Table 8a, 62.1% of the respondents had their public contracts given by Roads & Public Works department being below 5%. 19.1% of the respondents had their public contracts given by Roads & Public Works department being between 5%-20%. 8.6% of the respondents had their public contracts given by Roads & Public Works department being 21%-49%. 10.1% of the respondents had their public contracts given by Roads & Public Works department being between 50%-100%.

However, according to Table 8b, the mean response was 1.37 with a 0.296 standard deviation from the mean and 21.62% coefficient of variation, indicating higher level of consistency. Since the research objective was to determine the challenges faced by SMEs in accessing public contracts in Bondo, knowledge of public sectors often giving contracts to SMEs would be integral to their public contract access. The most frequent response was that SMEs in Bondo receive below 5% of public contracts from roads and public works. Mean response analysis established that the most consistent response was also on below 5% public contracts being given by roads & public works. This position is confirmatory thus led to this item being relied upon to make implications regarding the the research objectives.

Table 9a: Office of the President

	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5%	52	42.6	44.8	44.8
	5%-20%	40	32.8	34.5	79.3
	21%-49%	10	8.2	8.6	87.9
	50%-100%	14	11.5	12.1	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 9b: Office of the President

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Office of the President	116	1	4	1.09	0.198	0.181818182

Source: Research Data (2012)

According to Table 9a, 44.8% of the respondents had their public contracts given by office of the president department being below 5%. 34.5% of the respondents had their public contracts given by office of the president department being between 5%-20%. 8.6% of the respondents had their public contracts given by office of the president department being 21%-49%. 12.1% of the respondents had their public contracts given by office of the president department being between 50%-100%. The most frequent response was that below 5% of public contracts in SMEs came from Office of the President.

According to Table 9b, further analysis indicated that the mean response was 1.09 with a 0.198 standard deviation from the mean and 18.18% coefficient of variation, indicating lower variability thus higher level of consistency. Since the research objective was to determine the challenges faced by SMEs in accessing public contracts in Bondo, knowledge of public sectors often giving contracts to SMEs would be integral to their future public contract access. The most consistent response was on being below 5% of public contracts to SMEs being given by Office of the President.

Table 10a: Agriculture & Regional Development

	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5%	42	68.9	72.4	72.4
	5%-20%	5	8.2	8.6	81.0
	21%-49%	5	8.2	8.6	89.7
	50%-100%	6	9.8	10.3	100.0
	Total	58	95.1	100.0	
Missing	System	3	4.9		
Total		61	100.0		

Source: Research Data (2012)

Table 10b: Agriculture & Regional Development

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Agriculture & Regional Development	116	1	4	1.46	0.263	0.1798863636

Source: Research Data (2012)

According to Table 10a, 72.4% of the respondents had their public contracts given by Agriculture & Regional Development department being below 5%. 8.6% of the respondents had their public contracts given by Agriculture & Regional Development department being between 5%-20%. Another 8.6% of the respondents had their public contracts given by Agriculture & Regional Development department being 21%-49%. 10.3% of the respondents had their public contracts given by Agriculture & Regional Development department being between 50%-100%.

According to Table 10b, the mean response was 1.46 with a 0.263 standard deviation from the mean and 17.99% coefficient of variation, indicating lower variability thus higher level of consistency. The response on Agriculture & Regional Development being highly consistent confirms position of the most frequent response that below 5% of public contracts accessed by SMEs in Bondo come from Agriculture & Regional Development sector.

Table 11a: Health

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5%	66	54.1	56.9	56.9
	5%-20%	30	24.6	25.9	82.8
	21%-49%	10	8.2	8.6	91.4
	50%-100%	10	8.2	8.6	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 11b: Health

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Health	116	1	4	1.28	1.304	0.191075269

Source: Research Data (2012)

According to Table 11a, 56.9% of the respondents had their public contracts given by Health department being below 5%. 25.9% of the respondents had their public contracts given by Health department being between 5%-20%. 8.6% of the respondents had their public contracts given by Health department being 21%-49%. Another 8.6% of the respondents had their public contracts given by Health department being between 50%-100%. According to Table 11b, the mean response was 1.28 with a 0.245 standard deviation from the mean and 19.11% coefficient of variation, indicating higher level of consistency. The response on Health sector being highly consistent confirms position of the most frequent response that below 5% of public contracts accessed by SMEs in Bondo come from the Health sector.

Table 12a: Education

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5%	43	70.5	74.1	74.1
	5%-10%	9	14.8	15.5	89.7
	11%-20%	1	1.6	1.7	91.4
	50%-100%	5	8.2	8.6	100.0
	Total	58	95.1	100.0	
Missing	System	3	4.9		
Total		61	100.0		

Source: Research Data (2012)

Table 12b: Education

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Education	116	1	4	1.53	1.158	0.756862745

Source: Research Data (2012)

According to Table 12, 74.1% of the respondents had their public contracts given by Education department being below 5%. 15.5% of the respondents had their public contracts given by Education department being between 5%-20%. 1.7% of the respondents had their public contracts given by Education department being 11%-20%. 8.6% of the respondents had their public contracts given by Education department being between 50%-100%.

According to Table 12b, the mean response was 1.53 with a 1.158 standard deviation from the mean and 75.68% coefficient of variation, indicating higher variability thus higher level of inconsistency. Since the research objective was to determine the challenges faced by SMEs in accessing public contracts in Bondo, knowledge of public sectors often giving contracts to SMEs would be integral to their public contract access. The response on Education Sector being highly inconsistent would not be relied upon thus discarded.

Table 13a: Local Authority

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Local Authority	116	1	4	1.36	0.235	0.173053892

Source: Research Data (2012)

Table 13b: Local Authority

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5%	84	68.9	72.4	72.4
	5%-10%	10	8.2	8.6	81.0
	11%-20%	10	8.2	8.6	89.7
	50%-100%	12	9.8	10.3	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

According to Table 13b, 72.4% of the respondents had their public contracts given by Local Authority department being below 5%. 8.6% of the respondents had their public contracts given by Local Authority department being between 5%-10%. Another 8.6% of the respondents had their public contracts given by Local Authority department being 11%-20%. 10.3% of the respondents had their public contracts given by Local Authority department being between 50%-100%.

According to Table 13a, the mean response was 1.36 with a 0.235 standard deviation from the mean and 17.31% coefficient of variation, indicating higher level of consistency. Since the research objective was to determine the challenges faced by SMEs in accessing public contracts in Bondo, knowledge of public sectors often giving contracts to SMEs would be integral to their public contract access. The response on Education Sector being highly consistent and within the expected

range/outliers about the mean then 72.4% of SMEs in Bondo do access just below 5% of public contracts from the Local Authority.

4.2.9: Mode of Communicating Public Contracts to SMEs in Bondo

Table 14a: Mode of Communicating Public Contracts

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Newspaper Adverts	24	19.7	20.7	20.7
	E-mail/Internet	2	1.6	1.7	22.4
	Office Notice boards	32	26.2	27.6	50.0
	Friends & Networks	58	47.5	50.0	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 14b: Mode of Communicating Public Contracts

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Mode of Communicating Public Contracts	116	1	4	4.07	0.857	0.210456026

Source: Research Data (2012)

According to Table 14a, 20.7% of the respondents often receive communications and tender notices of public contracts by newspapers. 1.7% of the respondents often receive communications and tender

notices of public contracts by E-mail/Internet. 27.6% of the respondents often receive communications and tender notices of public contracts through office notice boards. 50% of the respondents often receive communications and tender notices of public contracts through friends and networks.

According to Table 14b, the mean response was 4.07 with a 0.857 standard deviation from the mean and 21.05% coefficient of variation, indicating high level of consistency. Considering this analysis, the most frequent response on receiving public contract information was through friends & networks thus confirmatory.

4.2.10: Average Rate SMEs Receive Public Contracts in Bondo

Table 15a: SME Public Contracting Frequencies

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Hardly Any	22	18.0	19.0	19.0
	Less Often	52	42.6	44.8	63.8
	Often	42	34.4	36.2	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 15b: SME Public Contracting Frequencies

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
SME Public Contracting	116	1	3	2.06	0.362	0.175728155

Source: Research Data (2012)

According to Table 15a, 19.0% of the respondents felt that their SMEs hardly receive public contracts. 36.2% of the respondents felt that their SMEs less often receive public contracts while 44.8% of the respondents felt that their SMEs often receive public contracts. According to Table 15b, the mean response was 2.06 with a 0.362 standard deviation from the mean and 17.57% coefficient of variation, indicating high level of consistency. Considering the deviation about the mean, the most frequent response on the frequency of accessing public contracts being less often falls within acceptable range thus can be relied upon.

4.2.11: SMEs Dealing in Public Contracts in Bondo

Table 16a: SMEs Dealing in Public Contracts

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	54	44.3	46.6	46.6
	No	62	50.8	53.44	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 16a: SMEs Dealing in Public Contracts

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
SME Public Contracting	116	1	3	2.26	0.362	0.160176991

Source: Research Data (2012)

According to Table 16a, 46.6% of the respondents had their SMEs dealing with public contacts. However 53.46% of the respondents had their SMEs not dealing with public contacts. According to Table 16b, the mean response was 2.26 with a 0.362 standard deviation from the mean and 16.02% coefficient of variation, indicating high level of consistency. Most SMEs in Bondo thus do not engage in public contracting.

4.2.12: SMEs Familiarity with Public Procurement Rules in Bondo

Table 17a: Knowledge of PPDA

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	62	59.0	62.1	62.1
	No	54	36.1	37.9	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 17b: Knowledge of PPDA

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Knowledge of PPDA	116	1	2	1.38	0.289	0.20942029

Source: Research Data (2012)

According to Table 17b, 62.1% of the respondents had knowledge of PPDA (2005) applicable in accessing public contracts. However 46.6% of the respondents had no knowledge of PPDA (2005) applicable in accessing public contracts. According to Table 17b, the mean response was 1.38 with a 0.289 standard deviation from the mean and 20.94% coefficient of variation, indicating high level of consistency. Most SMEs in Bondo thus have knowledge of PPDA (2005) applicable in accessing public contracts.

4.2.13: SMEs and their Perception of Public Procurement Rules in Bondo

Table 18a: PPDA & SME Contracting

	Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	62	50.8	53.4	53.4
	No	54	44.3	46.6	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 18b: PPDA & SME Contracting

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
PPDA & SME Contracting	116	1	2	1.47	0.356	0.242176871

Source: Research Data (2012)

According to Table 18a, 50.4% of the respondents felt that PPDA which guide public contracting in Kenya were equally applicable in Bondo and facilitated their attempts to access public contracts. However 46.6% of the respondents felt that PPDA were not favouring the attempts in accessing public contracts. According to Table 17b, the mean response was 1.47 with a 0.356 standard deviation from the mean and 24.22% coefficient of variation, indicating high level of consistency. The management of most SMEs in Bondo felt that PPDA (2005) which guide public contracting have been favouring their access to public contracts.

4.3.0. Major Challenges of SMEs in Accessing Public Contracts in Bondo

4.3.1. VAT Registration of SMEs in Bondo

Table 19a: VAT Registration

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	74	60.7	63.8	63.8
	Small Extent	2	1.6	1.7	65.5
	Large Extent	10	8.2	8.6	74.1
	V. Large Extent	30	24.6	25.9	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 19b: VAT Registration

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
VAT Registration	116	1	5	1.31	0.196	0.14978355

Source: Research Data (2012)

According to Table 19a, 63.8% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by VAT registration as a requirement for public contracting. 1.7% of the respondents felt that their chances of accessing public contracts were to a small extent

challenged by VAT registration as a requirement for public contracting. 8.6% of the respondents instead felt that VAT registration, to a large extent, challenges their SMEs access to public contracts while 25.9% of the respondents felt that VAT registration, to a very large extent, challenges their SMEs access to public contracts.

According to Table 19b, the mean response was 1.31 with a 0.196 standard deviation from the mean and 14.97% coefficient of variation, indicating some level of consistency. Most SMEs in Bondo thus had their chances of accessing public contracts to a very small extent being challenged by VAT registration as a requirement for public contracting.

4.3.2. Perceived Corruption in Bondo

Table 20a: Perceived Corruption

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	18	14.8	15.5	15.5
	Large Extent	2	1.6	1.7	17.2
	V. Large Extent	96	78.7	82.8	100.0
	Total	122	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 20a: Perceived Corruption

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Perceived Corruption	116	1	5	4.36	0.459	0.105275229

Source: Research Data (2012)

According to Table 20a, 15.5% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by perceived corruption in public contracting. 1.7% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by perceived corruption in public contracting. 82.8% of the respondents instead felt that perceived corruption, to a very large extent, challenges their SMEs access to public contracts.

According to Table 20b, the mean response was 4.36 with a 0.459 standard deviation from the mean and 10.53% coefficient of variation, indicating very high level of consistency. Most SMEs in Bondo thus had their chances of accessing public contracts to a very large extent being challenged by perceived corruption in the public sector.

4.3.3. SMEs Business Licensing in Bondo

Table 21a: SME Licensing

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
SME Licensing	116	1	5	1.52	0.217	0.142763158

Source: Research Data (2012)

Table 21b: SME Licensing

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	96	78.7	82.8	82.8
	Neutral	10	8.2	8.6	91.4
	V. Large Extent	10	8.2	8.6	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

According to Table 21b, 82.8% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by SME business licensing requirement in public contracting. 18.6% of the respondents were neutral on their chances of accessing public contracts being challenged by SME business licensing requirement in public contracting. Another 8.6% of the respondents felt that SME business licensing requirement, to a very large extent, challenges their SMEs access to public contracts.

According to Table 20a, the mean response was 1.52 with a 0.217 standard deviation from the mean and 14.28% coefficient of variation, indicating very high level of consistency. Most SMEs in Bondo thus had their chances of accessing public contracts to a very small extent being challenged by perceived corruption in the public sector.

4.3.4. Tender Documentation

Table 22a: Tender Documentation Level

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	20	16.4	17.2	17.2
	Small Extent	22	18.0	19.0	36.2
	V. Large Extent	74	60.7	63.8	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 22b: Tender Documentation Level

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Tender Documentation Level	116	1	5	3.74	1.002	0.267914439

Source: Research Data (2012)

According to Table 22a, 17.2% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by heavy tender documentation levels in public contracting. 19.0% of the respondents were to a small extent challenged by heavy tender documentation levels on their chances of accessing public contracts. Another 63.8% of the respondents felt that heavy tender documentation levels, to a very large extent, challenge their SMEs access to public contracts.

According to Table 22b, the mean response was 3.74 with a 1.002 standard deviation from the mean and 26.79% coefficient of variation, indicating high level of consistency. Most SMEs in Bondo thus had their chances of accessing public contracts to a very large extent being challenged by heavy documentation in the public sector contracting.

4.3.5. Available Public Contracts in Bondo

Table 23a: Available Public Contracts

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	36	29.5	31.0	31.0
	Small Extent	4	3.3	3.4	34.5
	Neutral	10	8.2	8.6	43.1
	V. Large Extent	66	54.1	56.9	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 23b: Available Public Contracts

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Available Public Contracts	116	1	5	3.48	0.838	0.240804598

Source: Research Data (2012)

According to Table 24, 31.0% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by availability of public contracts. 3.4% of the respondents felt that their chances of accessing public contracts were to a small extent challenged by availability of public contracts. 8.6% of the respondents were neutral on their chances of accessing public contracts being challenged by availability of public contracts. However 56.9% of the respondents felt that their chances of accessing public contracts were to a very large extent challenged by availability of public contracts.

According to Table 22b, the mean response was 3.48 with a 0.838 standard deviation from the mean and 24.08% coefficient of variation, indicating high level of consistency. Most SMEs in Bondo thus had their chances of accessing public contracts to a very large extent being challenged by availability of public contracts.

4.3.6. Feedback from Contracting Authorities in Bondo after Award

Table 24a: Feedback from Contracting Authority

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	20	16.4	17.2	17.2
	Large Extent	2	1.6	1.7	19.0
	V. Large Extent	94	77.0	81.0	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 24b: Feedback from Contracting Authority

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Feedback from Contracting Authority	116	1	5	4.29	1.022	0.238228438

Source: Research Data (2012)

According to Table 25, 17.2% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by availability of feedback from public contracting authorities. 1.7% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by availability of feedback from public contracting authorities. 81.0% of the respondents

felt that their chances of accessing public contracts were to a very large extent challenged by availability of feedback from public contracting authorities.

According to Table 22b, the mean response was 4.29 with a 1.022 standard deviation from the mean and 23.82% coefficient of variation, indicating high level of consistency. Most SMEs in Bondo thus had their chances of accessing public contracts to a very large extent being challenged by availability of feedback from public contracting authorities.

4.3.7. Lot Sizes in Bondo

Table 25a: Lot Sizes

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	20	16.4	17.2	17.2
	Large Extent	14	11.5	12.1	29.3
	V. Large Extent	82	67.2	70.7	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 25b: Lot Sizes

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Lot Sizes	116	1	5	4.19	1.104	0.263484487

Source: Research Data (2012)

According to Table 25a, 17.2% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by lot sizes. 12.1% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by large lot sizes while 70.7% of the respondents felt that their chances of accessing public contracts were to a very large extent challenged by large lot sizes in public contracts.

According to Table 25b, the mean response was 4.19 with a 1.104 standard deviation from the mean and 26.35% coefficient of variation, indicating high level of consistency. Most SMEs in Bondo thus had their chances of accessing public contracts to a very large extent being challenged by large lot sizes in public contracts.

4.3.8. Existing Framework Arrangements in Bondo

Table 26a: Framework Arrangements

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	16	13.1	13.8	13.8
	Small Extent	10	8.2	8.6	22.4
	Large Extent	12	9.8	10.3	32.8
	V. Large Extent	78	63.9	67.2	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 26b: Framework Arrangements

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Framework Arrangements	116	1	5	4.09	0.696	0.170171149

Source: Research Data (2012)

According to Table 26a, 13.8% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by existing framework arrangements. 8.6% of the respondents felt that their chances of accessing public contracts were to a small extent challenged by existing framework arrangements. 10.3% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by existing framework arrangements while 67.2% were in agreement that existing framework arrangements is a challenge to them in accessing public contracts.

According to Table 26b, the mean response was 4.09 with a 0.696 standard deviation from the mean and 17.02% coefficient of variation, indicating very little variability thus very high level of consistency. Most SMEs in Bondo thus had their chances of accessing public contracts to a very large extent being challenged by availability of existing framework arrangements.

4.3.9. Availability of Finance to SMEs in Bondo

Table 27a: Capital / Finance Availability

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Capital / Finance	116	1	5	2.98	1.906	0.639597315

Source: Research Data (2012)

Table 27b: Capital / Finance Availability

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	48	39.3	41.4	41.4
	Small Extent	12	9.8	10.3	51.7
	Neutral	2	1.6	1.7	53.4
	Large Extent	2	1.6	1.7	55.2
	V. Large Extent	52	42.6	44.8	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

According to Table 28, 41.4% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by availability of capital/finance. 10.3% of the respondents felt that their chances of accessing public contracts were to a small extent challenged by availability of capital/finance. 1.7% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by availability of capital/finance while another 1.7% were in neutral that availability of capital/finance is a challenge to them in accessing public contracts. However, 44.8% felt to a very large extent that availability of capital/finance was a big challenge for SMEs accessing public contracts.

According to Table 26b, the mean response was 2.98 with a 1.906 standard deviation from the mean and 63.96% coefficient of variation, indicating very high variability thus high level of inconsistency and could not be relied upon.

4.3.10. SMEs Skilled Human Resource Base in Bondo

Table 28a: Skilled HR Base

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	102	83.6	87.9	87.9
	Large Extent	2	1.6	1.7	89.7
	V. Large Extent	12	9.8	10.3	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 28b: Skilled HR Base

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Skilled HR Base	116	1	5	1.47	1.273	0.865986395

Source: Research Data (2012)

According to Table 28a, 87.9% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by presence of skilled human resource base within the SME. 10.3% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by presence of skilled human resource base within the SME. 1.7% of the respondents felt that their chances of accessing public contracts were to a very large extent challenged by presence of skilled human resource base within the SME.

According to Table 28b, the mean response was 1.47 with a 1.273 standard deviation from the mean and 86.6% coefficient of variation, indicating very high variability thus high level of inconsistency and could not be relied upon.

4.3.11. Level of Technology Adoption by SMEs in Bondo

Table 29a: Technology Adoption

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	68	55.7	58.6	58.6
	Small Extent	32	26.2	27.6	86.2
	Large Extent	2	1.6	1.7	87.9
	V. Large Extent	14	11.5	12.1	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 29b: Technology Adoption

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Technology Adoption	116	1	5	1.81	1.317	0.727624309

Source: Research Data (2012)

According to Table 29a, 58.6% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by use of technology on public tendering processes. 27.6% of the respondents felt that their chances of accessing public contracts were to a small extent challenged by use of technology on public tendering processes. 1.7% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by use of technology on public tendering processes while 12.1% of the respondents felt that their chances of accessing public contracts were to a very large extent challenged by use of technology on public tendering processes.

According to Table 29b, the mean response was 1.81 with a 1.317 standard deviation from the mean and 72.76% coefficient of variation, indicating very high variability thus high level of inconsistency and could not be relied upon.

4.3.12. Procurement Time-Scales

Table 30a: Procurement Time-Scales

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	28	23.0	24.1	24.1
	Small Extent	2	1.6	1.7	25.9
	Neutral	12	9.8	10.3	36.2
	V. Large extent	74	60.7	63.8	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		61	100.0		

Source: Research Data (2012)

Table 30b: Procurement Time-Scales

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Procurement Procedures	116	1	5	3.5	0.94	0.268571429

Source: Research Data (2012)

According to Table 30a, 24.1% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by long procurement time-scales. 1.7% of the respondents felt that their chances of accessing public contracts were to a small extent challenged by long procurement time-scales. 10.3% of the respondents were neutral on the fact that their chances of accessing public contracts were challenged by long procurement time-scales while 63.8% of the respondents felt that their chances of accessing public contracts were to a very large extent challenged by long procurement time-scales.

According to Table 30b, the mean response was 3.5 with a 0.94 standard deviation from the mean and 26.86% coefficient of variation, indicating low variability thus high level of consistency. This confirms the position of most respondents that their chances of accessing public contracts were to a very large extent challenged by long procurement time-scales.

4.3.13. Procurement Procedures

Table 31a: Procurement Procedures

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	42	34.4	36.2	36.2
	Small Extent	2	1.6	1.7	37.9
	V. Large Extent	72	59.0	62.1	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 31b: Procurement Procedures

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Procurement Procedures	116	1	5	3.5	0.94	0.268571429

Source: Research Data (2012)

According to Table 31a, 36.2% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by long and bureaucratic procurement procedures. 1.7% of the respondents felt that their chances of accessing public contracts were to a small extent challenged by long and bureaucratic procurement procedures. 62.1% of the respondents felt that their chances of

accessing public contracts were to a very large extent challenged by long and bureaucratic procurement procedures.

According to Table 31b, the mean response was 3.5 with a 0.94 standard deviation from the mean and 26.86% coefficient of variation, indicating low variability thus high level of consistency. This confirms the position of most respondents that their chances of accessing public contracts were to a very large extent challenged by bureaucratic procurement procedures.

4.3.14. Selection Criteria

Table 32a: Selection Criteria

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	10	8.2	8.6	8.6
	Large Extent	12	9.8	10.3	19.0
	V. Large	94	77.0	81.0	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 32b: Selection Criteria

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Selection Criteria	116	1	5	4.55	0.742	0.163076923

Source: Research Data (2012)

According to Table 33, 8.6% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by selection criteria. 10.3% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by selection criteria. 81.3% of the respondents felt that their chances of accessing public contracts were to a very large extent challenged by selection criteria.

According to Table 31b, the mean response was 4.55 with a 0.742 standard deviation from the mean and 16.31% coefficient of variation, indicating low variability thus high level of consistency. This confirms the position of most respondents that their chances of accessing public contracts were to a very large extent challenged by selection criteria.

4.3.15. Contract/Tender Information

Table 33a: Contract Information

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	10	8.2	8.6	8.6
	Large Extent	12	9.8	10.3	19.0
	V. Large	94	77.0	81.0	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 33b: Contract Information

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Contract Information	116	1	5	4.05	0.927	0.229010989

Source: Research Data (2012)

According to Table 33a, 8.6% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by litle tender information always given by public sector. 10.3% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by litle tender information always given by public sector. 81.0% of the respondents felt that their chances of accessing public contracts were to a very large extent challenged by litle tender information always given by public sector.

According to Table 33b, the mean response was 4.55 with a 0.92749 standard deviation from the mean and 22.90% coefficient of variation, indicating low variability thus high level of consistency. This confirms the position of most respondents that their chances of accessing public contracts were to a very large extent challenged by litle tender information always given by public sector.

4.3.16. Cost of Tendering

Table 34a: Cost of Tendering

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Cost of Tendering	116	1	5	4.43	1.058	0.238826185

Source: Research Data (2012)

Table 34b: Cost of Tendering

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	10	8.2	8.6	8.6
	Small Extent	2	1.6	1.7	10.3
	Neutral	10	8.2	8.6	19.0
	V. Large Extent	94	77.0	81.0	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

According to Table 34a, 8.6% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by high cost of tendering. 1.7% of the respondents felt that their chances of accessing public contracts were to a small extent challenged by high cost of tendering. 8.6% of the respondents were neutral on the fact that their chances of accessing public contracts were challenged by high cost of tendering . 81.3% of the respondents felt that their chances of accessing public contracts were to a very large extent challenged by high cost of tendering.

According to Table 34b, the mean response was 4.43 with a 1.058 standard deviation from the mean and 23.88% coefficient of variation, indicating low variability thus high level of consistency. This confirms the position of most respondents that their chances of accessing public contracts were to a very large extent challenged by high cost of tendering.

4.3.17. Pre-qualification of Suppliers

Table 35a: Pre-Qualification of Suppliers

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	40	32.8	35.1	35.1
	Small Extent	2	1.6	1.8	36.8
	Large	24	19.7	21.1	57.9
	V. Large Extent	48	39.3	42.1	100.0
	Total	114	93.4	100.0	
Missing	System	8	6.6		
Total		122	100.0		

Source: Research Data (2012)

Table 35b: Pre-Qualification of Suppliers

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Pre-Qualification	114	1	5	3.73	0.792	0.21232

Source: Research Data (2012)

According to Table 35a, 35.1% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by the pre-qualification requirement. 1.8% of the respondents felt that their chances of accessing public contracts were to a small extent challenged by the pre-qualification requirement. 21.1% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by the pre-qualification requirement. 42.1% of the

respondents felt that their chances of accessing public contracts were to a very large extent challenged by the pre-qualification requirement.

According to Table 35b, the mean response was 3.73 with a 0.792 standard deviation from the mean and 21.23% coefficient of variation, indicating low variability thus high level of consistency. This confirms the position of most respondents that their chances of accessing public contracts were to a very large extent challenged by the fact that a vendor has to be pre-qualified in order to tender for public contracts.

4.3.18. Cash Flow Position

Table 36a: Cash Flow Position

Variable		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	V. Small Extent	20	16.4	17.2	17.2
	Small Extent	24	19.7	20.7	37.9
	Neutral Extent	10	8.2	8.6	46.6
	Large Extent	40	32.8	34.5	81.0
	V. Large Extent	22	18.0	19.0	100.0
	Total	116	95.1	100.0	
Missing	System	6	4.9		
Total		122	100.0		

Source: Research Data (2012)

Table 36b: Cash Flow Position

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
Cash Flow Information	116	1	5	3.71	0.487	0.131230284

Source: Research Data (2012)

According to Table 36a, 17.2% of the respondents felt that their chances of accessing public contracts were to a very small extent challenged by cash flow position. 20.7% of the respondents felt that their chances of accessing public contracts were to a small extent challenged by cash flow position. 8.6% of the respondents however were neutral on the fact that their chances of accessing public contracts were to a large extent challenged by cash flow position . 34.5% of the respondents felt that their chances of accessing public contracts were to a large extent challenged by the pre-qualification requirement. 19.0% of the respondents felt that their chances of accessing public contracts were to a very large extent challenged by cash flow position.

According to Table 36b, the mean response was 3.71 with a 0.487 standard deviation from the mean and 13.12% coefficient of variation, indicating low variability thus high level of consistency. This confirms the position of most respondents that their chances of accessing public contracts were to a very large extent challenged by the cash flow position. Public sector have been known to pay after a long credit period which often leaves SME vendors with no cash to pursue other contracts before being paid.

CHAPTER FIVE

5.0: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1: Introduction

This chapter provides a summary, conclusions and recommendations that were deduced from the findings of the study. The overall response rate was very good since a representative portion of the respondent's population was achieved. This was adequate for a normal distribution assumption. Below were the summary of results and recommendations on the study.

5.2: Summary of Results

From the analyzed research data (Table 1-18/Appendix 3 item 1-18), it was found that all SMEs in Bondo District had their employees ranging between 1-50 employees. Major areas of SME business with public contractor were in Steel & Carpentry fabrications, Building & Construction, Automotive Supplies & Garages while some small percentage being in the General Hardwares and Oil & Petroleum sectors. SMEs in General Retail and Transport sectors had no indication of contracting with the public sector.

Majority of the SMEs in Bondo had existed for over 6 years since inception and therefore had enough practical experience as far as the objectives of this study was concerned. The major sources of funding for SMEs in Bondo were found to be bank loans in addition to personal savings. The average annual turnover of SMEs in Bondo was below 1 million though one-quarter of SMEs had their annual turnover being 2-5 million.

Most SMEs in Bondo depend on public contracts for their survival with just one-third of SMEs not dealing with public contracts completely. Of those dealing with public contracts over 75% of their average annual turnover come from public contracts. SMEs in Bondo mostly draw their public contracts from the Office of the President, Local Authority, Roads & Public Works and Agriculture & Regional Development. These SMEs often received public contracts information through friends & networks but some small percentage through office notice boards as well as newspaper advertisement. Less than half of SMEs in Bondo often received public contracts. Most SMEs in Bondo were found to be knowledgeable in PPDA (2005) with over half considering PPDA (2005) as favoring them in public contracting. The study also found that SMEs in Bondo which secured public sector contracts mostly drew their public sector contracts from the Office of the President, Local Authority, Roads & Public Works and Agriculture & Regional Development.

Analysis from Table 19-36 (also shown in Appendix 3 item 19-36) established that the following were the major challenges SMEs face in accessing public sector contracts: perceived corruption, high documentation level, few available public contracts, lack of access to public contract information, lack of feedback from government, large lot sizes, existing framework arrangements with large enterprises, long procurement time-scales, bureaucratic procurement procedures, stringent selection criteria, inavailability of accurate contract information, large cost of tendering and the pre-qualification requirement based on financial and human resource capacity to do the work, commitment and experience of past works/service to be pre-qualified thus putting high entry barriers. Poor business infrastructure besides delays in invoice payments and highly unfavorable taxation regime were also mentioned as challenges SMEs face in accessing public sector contracts.

5.3: Conclusion

In conclusion, this study focused on establishing the challenges SMEs face in accessing public sector contracts in Bondo District. The study was anchored on the EU Directives on public contracting from which PPDA (2005) and PPR (2006) were drawn to regulate public procurement.

The first objective of the study was to determine the main challenges faced by SMEs in accessing public sector contracts in Bondo District. From the study perceived corruption, large documentation level, inavailability of public contracts, lack of information access, lack of feedback, large lot sizes, existing framework arrangements, lack of capital, long procurement time-scales, bureaucratic procurement procedures, stringent selection criteria, inaccurate contract information, cost of tendering, poor business infrastructure unfavorable taxation regime and pre-qualification were the major challenges SMEs face in accessing public sector contracts in Bondo.

The second objective of the study was to determine the types of public contracts often secured by SMEs in Bondo District. From the study SMEs in Bondo which to some extent secured public sector contracts were found to have mostly drawn their public contracts from the Office of the President, Local Authority, Roads & Public Works and Agriculture & Regional Development.

5.4: Recommendations

This study focused on establishing the challenges SMEs face in accessing public sector contracts in Bondo District. With the challenges in place, it is the responsibility of contracting authorities and SMEs management to ensure these challenges are reduced. It's thus suggested that further research could be done on how these challenges could be reduced both by government contracting authorities and/or SMEs themselves. Further research could also be carried on the initiatives the government has put to facilitate SMEs access to public contracts. Research could also be done on contribution of the level of education of procurement officers in achieving value for money during public procurement.

The study recommends that the government should reduce the level of bureaucracy seen in long procurement procedures. The government should also reduce the heavy taxations charged on business enterprises to ease the business infrastructure for SMEs probably through tax cut incentives.

The study further recommends that contracting authorities should be trained on good contracting practices, ethics & integrity so as to eliminate perceived corruption as a challenge. Documentation level during tendering should be reduced to manageable levels and possibly allow use of e-tendering for this purpose. Public contracting authorities should thoroughly de-brief all bidders upon awarding tenders. The study also recommends reduction of lot sizes so as to be accessible to SMEs interested in public contracts. The various public sector contracting authorities should also try to facilitate faster payments for invoices to avoid holding SME cash for too long so as to be able to facilitate tendering for other jobs.

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APPENDIX 1: QUESTIONNAIRE

SECTION A: ORGANIZATIONAL BACKGROUND)

1. Name of your organization (**Optional**).....
2. Position of respondent in the firm.....
3. Approximate number of employees (**Tick as appropriate**)
 - i. 1-50 employees
 - ii. 51-100 employees
 - iii. 101-150 employees
 - iv. 151-200 employees
 - v. 201-250 employees
4. Area of Business (**Tick appropriately**)
 - i. Building & Construction
 - ii. Stationary & Office Equipment
 - iii. Furniture/Carpentry Workshop
 - iv. Oil & Petroleum
 - v. General Hardwares
 - vi. Restaurants, Food & Beverage Supplies
 - vii. Automotive Supplies & Garage
 - viii. General Retail Stores
5. Number of years in operataion (**Tick appropriately**)
 - i. New & Less than one year
 - ii. 1- 5 years
 - iii. 6-10 years
 - iv. Over 10 years

6. Major source of funding (**Tick appropriately**)

- i. Bank Loans
- ii. Friends & Family
- iii. Personal Savings
- iv. Donor Funding

7. What is your organizations approximate annual turnover in Kenya shillings? (**Tick appropriately**)

- i. Below 1 million
- ii. 1-2 million
- iii. 2-5 million
- iv. Over 5 million

SECTION B

Please Tick appropriately

8. Has your firm done contracts with local and or central government in the last 5 years.

- i. Yes
- ii. No

9. If item no. 8 above is “Yes”, what is the average percentage of your annual turnover that is contributed by public contracts?

- i. Less than 20 %
- ii. 20%-49%
- iii. 50%-74%
- iv. 75%-100%

10. If no. 8 above is “yes” what is the average volume of public contracts that you have received from the following public sectors over the last five years compared to your average annual turnover?

Sector	(1) Below 5%	(2) 5-20%	(3) 21-49%	(4) 50-100%
Roads & Public Works				
Office of the President				
Agriculture & Regional Development				
Health				
Education				
Local Authority				

11. If item no. 8 above is “No” give your reasons of not doing contracts with local and or central government.

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12. Through what mode do you often receive public contracts information?

- i. Newspaper advertisement ()
- ii. E-mail/Internet ()
- iii. Office Noticeboards ()
- iv. Friends & Networks ()

13. How often have you been getting government contracts in the last 5 years?

- i. Hardly any ()
- ii. Less often ()
- iii. Often ()
- iv. Very often ()

14. Does your organization know public procurement rules and regulations applicable in Kenya?

- () Yes () No

15. Were public procurement rules favourable to your doing business with local or central government?

- () Yes () No

16. Briefly explain your answer in item no.14 above

.....
.....

17. To what extent have the following factors affected your organizations access to public sector contracts?

Factor	V. Small Extent (1)	Small Extent (2)	Neutral (3)	Large Extent (4)	V. Large Extent (5)
VAT Registration Requirement					
Perceived Corruption					
SME Business Licencing					
Documentation Level					
Available Public Contracts					
Feedback from Government					
Size of contract					
Existing Framework Arrangements					
Finanacial Base					
Skilled Human Resources					

Factor	V. Small Extent (1)	Small Extent (2)	Neutral (3)	Large Extent (4)	V. Large Extent (5)
Level of Adoption of Technology					
Procurement Time-scales					
Procurement Procedures					
Selection criteria					
Contract information					
Volume information					
Cost of Tendering					
Cash Flow position of your firm					
Pre-qualification Requirement					

18. State any other challenge(s) that your firm faces in accessing public contract:

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APPENDIX 2: SAMPLE SIZE FOR A GIVEN POPULATION SIZE

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368

N	S	N	S	N	S
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Source: Sekaran, (2006).

APPENDIX 3: DESCRIPTIVE STATISTICS OF RESEARCH VARIABLES

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Coefficient of Variation
No of Employees	116	1	1	1	0	0
Area of Business	116	1	8	3.34	0.37	0.110778443
No. of Years in Operation	116	1	4	3.84	0.456	0.11875
Source of Funding	116	1	3	1.86	0.299	0.160752688
Annual Turnover	116	1	4	1.42	0.241	0.169108911
SME Public Contracting	116	1	2	1.36	0.285	0.209558824
Volume of SME Public Contracts	116	1	4	2.19	1.277	0.583105023
Roads & Public Works Contracts	116	1	5	1.37	0.296	0.216243655
Office of the President	116	1	5	1.09	0.198	0.181818182
Agriculture & Reg Development	116	1	5	1.46	0.263	0.179886364
Health	116	1	5	1.28	0.245	0.191075269
Education	116	1	5	1.53	1.158	0.756862745
Local Authority	116	1	5	1.36	0.235	0.173053892
Mode of Communicating Public Contracts	116	1	4	4.07	0.857	0.210456024
SME Public Contracting Freq.	116	1	3	2.06	0.362	0.160176991
SMEs in Public Contracting	116	1	3	2.06	0.362	0.175728155

Knowledge of PPDA	116	1	2	1.38	0.289	0.20942029
PPDA & SME Contracting	116	1	2	1.47	0.356	0.242176871
VAT Registration	116	1	5	1.31	0.196	0.14978355
Perceived Corruption	116	1	5	4.36	0.459	0.105275229
SME Licensing	116	1	5	1.52	0.217	0.142763158
Tender Documentation Level	116	1	5	3.74	1.002	0.267914439
Available Public Contracts	116	1	5	3.48	0.838	0.240804598
Feedback	116	1	5	4.29	1.022	0.238228438
Lot Sizes	116	1	5	4.19	1.104	0.263484487
Framework Arrangements	116	1	5	4.09	0.696	0.370171149
Capital / Finance	116	1	5	2.98	1.906	0.639597315
Skilled HR Base	116	1	5	1.47	1.273	0.865986395
Technology Adoption	116	1	5	1.81	1.317	0.727624309
Procurement Time-Scales	116	1	5	3.5	0.94	0.268571429
Procurement Procedures	116	1	5	3.5	0.94	0.268571429
Selection Criteria	116	1	5	4.55	0.742	0.163076923
Bid Information	116	1	5	4.55	0.927	0.229010989
Volume of Information	116	1	5	4.64	1.135	0.244612069
Cost of Tendering	116	1	5	4.43	1.058	0.238826185
Cash Flow Position	116	1	5	3.71	0.487	0.131230284
Pre-Qualification	114	1	5	3.73	0.792	0.212332439

Source: Research Data (2012)

APPENDIX 4: LIST OF SMEs IN BONDO DISTRICT

A. General Retail Stores

1. Bondo Discount Traders
2. Cajo Mwalimu Stores
3. Cajo Supermarkets
4. D & G Shop
5. Emmanuel Stores
6. Gejomiks Enterprises
7. Imani General Stores
8. Kanyaseme Enterprises
9. New Jabondo Stores
10. New Jaribu Stores
11. Omsai Supermarkets
12. Oseki Stores
13. Raoja Agencies
14. Saroko Shop
15. Taratibu Traders
16. Uptown General Stores

B. Restaurant, Food & Beverage

1. Agwambo Butcheries
1. Apiyo Gardens
2. Augustino Hotel Services
3. Bondo Hotel

4. Care For The Earth Entreprises
5. Casanoda Hotel
2. Christian Centre 84 Hotel
3. Goodluck Hotel
6. Green Court Hotel
7. Hotel View Point
8. Kings Club
9. Lake Breze Hotel
4. Lara Cafe
10. Lizer Conference Centre
11. Lwak Family Life Training Centre
5. Mbeya Hotel
12. Migosi Vegetables Entreprises
13. Modern Farmers Entreprises
14. Mwalimu Hotel
15. Ndolo Soft Drink Suppliers
6. New Choma Hotel
7. Nyaukwala Hotel
16. Oki Grand Hotel
17. Ombe Butcheries
8. Osiendega Cafe
9. Panama Hotel
18. Passover Hotel
10. Ranalo Cafe
19. Rozala Motel
11. Sarafina Cafe

12. Savana Hotel
20. Sembo Food Parlour
21. Siaya Hotel Entreprises
13. Summer World Hotel
22. Switel Entreprises
14. Times Cafe
15. Victoria Cafe
23. Walkers Hotel
16. Wimpy Hotel
24. Yimbo Farm Supplies Entreprises

C. General Hardwveres

1. Adunga Hardware
2. Agot Mini Hardware
3. Bei Rahisi Hardware
4. Bondo Hardware
5. Bondo Rafiki Hardware
6. Giri Giri Hardware
7. Kadongo Hardware
8. Kokinda General Hardware
9. Nema Hardware
10. Ngero General Hardware
11. Nyagobei Hardware
12. Nyobinda Hardware
13. Olumbe Hardware

14. Ramogi Hardware
15. Uyawi General Hardware
16. Victoria Plumbing Hardware

D. Building & Construction

1. Bachu Construction Works
2. Bondo Highway Workshop
3. Caukoms Digitech
4. Eagle Fly Company Limited
5. Geel Construction Company
6. Glory Electronics
7. Gogo Builders
8. Golden Construction Company
9. Gope Builders and Contractors
10. Industrial Electrical & Electronics
11. Jakito Contractors
12. Joko Contractors
13. Kadongo Contractors
14. Kajakotieno Engineering Works
15. Mahewa Engineering Works
16. Mikato Building Suppliers
17. Milongo Construction Limited
18. Nyambeka Contractors
19. Nyamseria Entreprises Limited
20. Nyongesa Metal Works
21. Owuor Agot Construction Company

22. Ramoko Contractors
23. Rhok Construction & Allied Services Company
24. Sigma Stone Construction Company
25. Steel Fabricators-Bondo
26. Supplies Extra Company & Construction Limited
27. Wang' Neno Engineering Works

E. Automotive Supplies & Garages

1. Armstone Cycle Spares
2. Asembo Auto Spares
3. Bajaj Automotive
4. Bajaj Enterprises
5. Bondo Auto-Tech Limited
6. Forever Cycle Mart
7. Friends Auto Garage
8. Guba Motor Cycle Garage
9. Kalulu Motor Works
10. Oriko Motor Cycle Spares
11. Raggy Motor Bike Spares
12. Rambo Motor Cycle Garage
13. Simwata Cycle Mart
14. Ten by Ten Auto Spares
15. Ugambe Enterprises
16. Auto-Part Suppliers
17. Bondo Juakali Fabricators

18. Kobong Automotive Garage
19. Kester Auto-Shop
20. Kolili Autogarage Limited
21. Meemu Auto Repairs

F. Oil & Petroleum Supplies

1. Bondo Filling Station
2. Bondo Total Petrol Station
3. Dalpon Petrol Station
4. Elshadai Filling Station
5. Grace Filling Station
6. Mamba Filling Station

G. Furniture/Carpentry Workshop

1. Anyuola General Furniture
2. Asembo Furniture
3. Ayunzu's Furniture
4. Kakuma Fabricators
5. Mos Mos Furniture
6. Osiepe Carpentry & Joinery
7. Pimp Fabricators
8. Ricone Fabricators
9. Sawa Woodwork

H. Transporters

1. Amalo Transporters

2. Kibora Transporters Sacco
3. Kolaka Tours & Travel
4. Kopar Transporters Limited
5. Nyayueni Transporters
6. Ratego Transporters
7. Sonko Transporters

I. Bookshop, Stationery & Office Equipment

1. Akuku Stationers
2. Bako Colour Printers & General Suppliers
3. Bondo Stationers
4. Compuera Machine Suppliers
5. Cosmos General Suppliers
6. Direland Stationers
7. Equator General Suppliers
8. Judo Printers
9. Keya Suppliers
10. Korex Entreprises
11. Lotex Computers
12. Madibu Stationers
13. Mariwa Bookshop
14. Medin General Suppliers
15. Miduri Stationers
16. Milobo Office Equipment Suppliers
17. Odek General Suppliers
18. Otocom Computers & Networking Limited

19. Paradise Select Enterprises

20. Pimp Stationers

21. Ricone General suppliers

22. Ricone Stationers

23. Sihay Stationers

24. Teko Computers Limited

Source: Town Council of Bondo (2012). Register For Business Enterprises.