

**UPTAKE OF GOVERNMENT TENDERS BY YOUTH - OWNED
SMALL AND MICRO ENTERPRISES IN NAIROBI CITY COUNTY,
KENYA**

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DECLARATION

This research project is my original work and has not been presented for award of degree in any other University.

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The research project has been submitted for examination with my approval as the university supervisor:

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DEDICATION

This study is dedicated to all the public procuring entities in Nairobi City County, to the youth in the county and my beloved daughter Linsey for her patience during the entire period of my study.

May God bless you all.

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I thank Almighty God for his guidance and providence which enabled me to undertake this project that was too involving in terms of time and resources.

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ABSTRACT

Government is often the biggest customer within a country, and governments can potentially use this purchasing power to influence the behavior of private sector organizations. Most of the government spending goes to procurement. The Small and Micro Enterprises (SME) sector is a major employer and driver of economies worldwide. The development of interest in (SME's) has been remarkable in the recent past, especially with governments. As a result, preferential treatment of the SME's has gained strategic visibility in public procurement and governments are implementing the same across the world. This study sought to examine factors that influence the uptake of government tenders by youth -owned small and micro enterprises in Nairobi County, Kenya. It was guided by three specific objectives: To establish the extent of uptake of government tenders by the youth in Nairobi County, Kenya, determine the factors that influence the uptake of government tenders by youth -owned small and micro enterprises in Nairobi County, Kenya and identify the relationship between the factors identified and the uptake of government tenders by the youth in Nairobi County, Kenya. The study employed a descriptive research design. The population consisted of 370 youth owned SMEs registered with the national treasury in Nairobi County. A sample of 52 firms was selected from the sample using stratified random sampling method. Primary data was collected from business owners/managers using a semi-structured questionnaire. Data was analyzed using SPSS with the main analysis tools being frequencies, mean and standard deviation, factor analysis and multiple linear regression. The study found that the youth in Nairobi City County are participating in government tenders to a moderate extent. Six factors that influence the uptake of government tenders were identified through factor analysis. These include: Legal/Regulatory framework, financial access, framework contracting, ethical issues, complexity of the public procurement process and information access. All these variables were found to have a positive relationship with the youth uptake of government tenders which was also statistically significant at 95% confidence level. The study was faced with a number of challenges including insufficient time and lack of commitment by the youth to voluntarily give information which they considered confidential. It was suggested that since the present study focused only the youth who are registered with the national treasury, future studies should consider expanding the scope by including those entrepreneurs who are not registered but operate in the informal sectors.

LIST OF ABBREVIATIONS/ACRONYMS

EU	:	European Union
GDP	:	Gross Domestic Product
GNP	:	Gross National Product
GoK	:	Government of Kenya
ICT	:	Information and Communications Technology
KVEs	:	khadi and village enterprises
OECD	:	Organization for Economic Co-Operation and Development
PPDA	:	Public Procurement and Disposal Act
PPOA	:	Public Procurement Oversight Authority
UK	:	United Kingdom
SMEs	:	Small and Medium Enterprises
SPSS	:	Statistical Package for Social Science
SSIs	:	Small-scale industries

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Government is often the biggest customer within a country, and governments can potentially use this purchasing power to influence the behavior of private sector organizations. Most of the government spending goes to procurement. According to Aketch (2013) public procurement plays a key role in the generation of country's wealth as it accounts for approximately 16% of most countries' GDPs. Callender & Mathews (2000) asserted that governments across the world tend to spend between 8% and 25% of Gross National Product on procurement of goods, works and services. He estimated the financial activities of government procurement in the order of 10% – 30 % of GNP worldwide. In UK, public procurement expenditure is approximately one hundred and fifty (150) billion dollars (Department of Environment, Food and Rural Affairs, 2007).

In Uganda, Woolcock (2008) states that public purchasing accounts for up to 70% of total government spending. Malawi spends over 40% of its budget on procurement. In Kenya, the Government is the largest single buyer of goods and services. The total volume of public procurement in 2003-2004 was established at 3.64 billion USD or 9% of the GDP (Independent procurement review Kenya, 2005). If well directed, this amount can drive economic growth through greater youth participation in public procurement (OECD, 2006).

Preferential treatment to the disadvantaged groups, among them the youth, women and persons with disabilities, is slowly taking shape in Africa through enactment of various procurement laws; for instance, in South Africa, preferential treatment is given to the blacks in an attempt to accommodate group differences, encompass the right to reparation for past inequalities and to uplift vulnerable groups in society (Albertyn and Kentridge (1994).

Similarly in Malawi, a reservation scheme is currently being applied to the ICT sector for procurement below BWP 300,000 (US\$ 46,000), where the opportunity to bid is reserved for 100% citizen-owned companies (Kennekae, 2012).

1.1.1 Public Procurement

Public procurement is the process of purchasing supplies, equipment and services (including works) by public bodies using public funds, regulated by law – and/or the public contracts

which secure the provision of such supplies, equipment and services. Public procurement involves acquisition by purchase, rental lease, hire purchase, license, tenancy, franchise or any type of works, services or supplies or a combination by or on behalf of public authority, such as government agency (Ochieng & Muehle, 2008). The main aim of public procurement is to achieve maximum value for money while ensuring fair and unbiased competition. In Kenya, public procurement rules have been amended severally to give preference to the youth, women and persons with disabilities. This has been achieved through enactment of various laws like the public procurement and disposal (preference and reservations) regulations, 2011, and the public procurement and disposal (Amendments) regulations, 2013. Under these regulations, all public procuring entities are required to reserve 30% of their procurement spend for SME's. SME's or enterprises owned by the disadvantaged groups procurement proceedings are also exempted in providing tender securities. Under the regulations, procuring entities are authorized to make use of existing framework contracts with disadvantaged groups wherever appropriate to provide an efficient, cost effective and flexible means to produce goods, works and services that are required repeatedly or continuously over a set period of time (GoK, 2005)

1.1.2 Youth, Small and Micro Enterprises in Nairobi City County, Kenya

A small enterprise means a business undertaking with an initial staff establishment of not less than eleven and not more than fifty employees and annual turnover or investment not exceeding five million shillings (The Public Procurement and Disposal (County Governments) Regulations, 2013). A Micro enterprise means a business undertaking with an initial staff establishment of not more than ten employees and annual turnover or investment not exceeding five hundred thousand shillings (The Public Procurement and Disposal (County Governments) Regulations, 2013).

The development of interest in Small and Micro Enterprises (SME's) has been remarkable in the recent past, especially with governments. This is because the SME sector is a major employer and driver of economies worldwide. SMEs are also a major source of entrepreneurial skills, innovation and contribute to economic and social cohesion. In Europe there are some 23 million SMEs, representing more than 99% of all businesses, producing more than half of European GDP, and providing around 75 million jobs. SMEs form a key part of many European industrial sectors, such as textiles, construction and furniture

manufacture. Most of the SME's are owned by the youth. Kenya's constitution defines youth as all individuals in the republic who have attained the age of 18 years but have not attained the age of 35 years. Youth participation in public procurement can be an important source of businesses for youth owned enterprises. It functions to create demand and employment both directly through the projects and indirectly through purchased inputs. It offers attractive, stable contracts and accreditation through association with small firms that offer the best potential for job growth and innovation. Public procurement therefore is an effective tool to create jobs and provide the foundations for economic recovery and sustained growth (Mccrudden, 2004).

The government of Kenya has put in place policies to ensure youth benefit from government procurement contracts. Such policies include the public procurement and disposal regulations 2011, gazetted through legal notice number 58 of 2011, the government's affirmative action setting aside 10% of government contracts for the youth and the public procurement and disposal regulations, 2013 setting aside 30% of the public procurement contracts for the youth (GoK, 2005). According to public procurement regulations 2011, procuring entities are allowed to unbundle goods, works and services in practicable quantities pursuant to Section 31(7) of the PPDA, 2005 for the purpose of ensuring maximum participation of disadvantaged groups, small and microenterprises in public procurement (GoK, 2005). Small and micro enterprises or enterprises owned by disadvantaged groups participating in procurement proceedings are also exempted from providing tender securities. Under the regulations, procuring entities are authorized to make use of existing framework contracts with disadvantaged groups, small and micro enterprises wherever appropriate to provide an efficient, cost effective and flexible means to procure goods, works and services that are required repeatedly or continuously over a set period of time (GoK, 2005).

1.2 Statement of the Problem

SMEs account for a significant share of employment and GDP around the world. In developed countries, SMEs employ around 67 percent of formal sector workers, while in developing countries; this number is lower at around 45 percent. Similarly, SMEs contribute a sizeable share to formal Gross Domestic Product – 49 percent on average in high income countries and 24 percent on average in low income countries, respectively (Source: Bank of

Namibia). SME's have the potential to contribute to innovation and economic strategies and to encourage competition (Fee. R. et al. 2002)

The Indian government gives preferential treatment to MSMEs, khadi and village enterprises (KVEs) by way of waiving of tender fees, awarding contracts to other than the lowest bidder and 5-15% price preference for small-scale industries (SSIs). It also gives reservation for MSMEs including KVEs and preference to women's groups, scheduled castes and scheduled tribes and other minority groups (UNCTAD India, 2007). The challenge with this initiative is the tradeoff between the initiative and EU trade agreement with the Indian government, which requires that India opens its public procurement to the other members of the block, Sengupta (2004) observed. He recommended that India may ask for certain exemptions, say for MSMEs, which will give the government flexibility to use preferential treatment tool. But the recommendation still did not address the issue in totality; for instance, whether allowing preferential treatment (exemptions) for MSMEs may mean extending such preferential treatment to European MSMEs which are much bigger and more competitive compared to Indian MSMEs is still a question.

In Namibia, according to a survey done by the national youth council in 2010, the government has an equipment aid scheme which assists the SME's acquire production equipment and technology which boosts their production capacity and reduces production costs. This gives the SME's a better competing ground when bidding for government tenders. The SME's receive certificates which enable them to receive preferential tender rating by public tender boards. However, the survey revealed that establishing a business in Namibia is perceived as being challenging to SME's. Obtaining industry-specific permits is costly and time consuming. This discourages the youth from registering their firms, which in turn blocks them from participating in government tenders. The survey recommended a one stop shop for registration of businesses.

In 2010, the Kenya government in its endeavors to support the SMEs required public procuring entities to set aside at least one in every 10 State tenders for the youth and SMEs who control a huge chunk of Kenya's small businesses effectively giving traders access to a critical market (Ng'ang'a, 2011). This was upgraded to even higher percentage in 2013 after enactment of the Public Procurement and Disposal Amendment) Regulations, 2013, which requires that 30% of tenders in all public Procuring entities should be reserved for the

disadvantaged groups, that is, the youth, women and persons with disabilities. However, the SMEs participation in government tenders has still been low.

Kawino (2007) studied responses of micro and small enterprises to business opportunities in Kenya. The study found out that several internal and external factors in the environment determine the identification and choice of an opportunity to be exploited by an entrepreneur. Further the study recommended that support be given to this sector in form of skills development, culture change programmes and financial skills and market opportunities. The study however was done on SME's in Gikomba jua kali area only, which may not be representative of the bigger Nairobi County.

In a study on factors influencing success of youth enterprises in Ndaragwa Constituency, Nyandarua County, Kenya, Muthini (2012) found out that administrative and regulatory framework influenced success of youth enterprises. Further, he found out that business assistance and support influenced the success of youth enterprises. He recommended formal training for the new youth entrepreneurs before they start up businesses. This study however dwelt on the success of youth enterprises in general and not in the public procurement market context.

Preferences and reservations for SME's in public procurement being relatively new in Kenya, the resultant uptake of government tenders has not been extensively researched on. Very little has been done on the specific area of youth uptake of government tenders. This study therefore focuses on answering the following questions: To what extent has the youth been able to take up the government tenders? What are the factors that influence the uptake of government tenders by youth- owned small and micro enterprises in Nairobi, Kenya? What is the relationship between the identified factors and the uptake of government tenders by the youth in Nairobi, Kenya?

1.4 Objectives of the Study

The objectives of this study are to:

- i) To establish the extent of uptake of government tenders by the youth in Nairobi City County, Kenya.
- ii) Determine the factors that influence the uptake of government tenders by youth - owned small and micro enterprises in Nairobi County, Kenya.

iii) Identify the relationship between the factors identified and the uptake of government tenders by the youth in Nairobi County, Kenya.

1.5 Value of the Study

The study will be beneficial to the Government through the Public Procurement Oversight Authority which will understand the challenges it still needs to address so that the opportunities it has presented under the scheme can be exploited.

The youth will also benefit from the study by understanding fully and taking up the opportunities presented to them by the government and also come up with ways of dealing with the challenges facing them.

Scholars and academicians who may wish to use the findings of this study as the basis for further research on this subject will also benefit from this study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is about the review of literature in relation to the study. The purpose of reviewing the literature is to explore research works and other relevant secondary data which are useful to the study. The study will cover: An overview of theoretical framework of the study, legal/regulatory framework, and ethics in public procurement, financial requirements and information access will be discussed as pertains the factors and challenges that influence the uptake of government tenders by youth owned small and micro enterprises in Nairobi City County.

2.2 Theoretical Review

According to Gildenhuis (2002:603), calling for tenders for the supply of goods and services is a standard procedure in national government. Legislation compels governments to call for tenders before buying any goods or services. But tendering are Faced with the challenge of corruption, conflict of interest, lack of uniformity, theft, inflate prices, inadequate processes and lack of proper monitoring, national governments are always looking at ways of improving and maintaining the current tendering systems

Visser and Erasmus (2007:150) state that government, as the largest buyer in the country, is responsible for ensuring that procurement policy supports and attains overall economic objectives. SMEs need to have access to, and the opportunity to win, government contracts. What must not happen is that the process unintentionally favors large firms in some way and discourages small firms. It should be noted that, it is not about giving preferential treatment to SMEs but about facilitating a more level playing field. The PPOA states that the tendering/bidding process should be fair and transparent for all candidates.

According to Vincze (2010), improved access for SMEs results in more competition, and is as one can expect likely to lead to better value for money for procurers, thus for the society. Small and Medium Family Enterprises play important roles in Kenya economy. Several factors have been identified to contribute to the uptake of government tenders by the SME's, particularly the youth-owned.

2.3 Factors Influencing Uptake of Government Tenders by the Youth

According to the Organization for Economic Co-Operation and Development (OECD)(2007), public procurement is regarded increasingly as a strategic profession that plays a central role

in preventing mismanagement and minimizing the potential of corruption in the use of public funds (OECD, 2007). Public procurement is progressively recognized as an instrument of government policy and a lever for wider economic, social and environmental change (OECD, 2007). A number of factors have been identified to contribute to youth participation in public procurement.

One of the factors is the legal/regulatory framework. The legal and regulatory framework establishes the rules within which all the financial institutions, instruments, and markets operate in a given country.

The Public Procurement System in Kenya has evolved from a crude system with no regulations to a legally regulated procurement system in line with international standards. Since the beginning of the millennium, Kenya has undertaken efforts to reform and modernize its Public Procurement System. The evolution was through a system regulated by Treasury Circulars in the 1970s, 80s and 90s and further to an orderly legally regulated procurement system since March, 2001 under the Exchequer and Audit (Public Procurement) Regulations. As a result of the implementation of this reform agenda, Public Procurement and Disposal Act (PPDA) was approved by parliament in 2005. In 2007 the PPDA came into force and established the Public Procurement Oversight Authority (PPOA) as regulatory body for development and oversight of the Kenyan Public Procurement System (Nyathore, 2013)

Owegi and Aligula (2006) captured public procurement reforms in Kenya since independence to the year 2005 when the Public Procurement and Disposal Act (2005) was enacted. Besides the PPDA, Public procurement in Kenya is governed by many other legislations like Public Procurement and Disposal Regulations (2006), Supplies Practitioners Management Act (2007), Public Procurement and Disposal (Public Private Partnerships) Regulations (2009), Constitution of Kenya (2010), Public Procurement and Disposal (Preference &Reservations) Regulations 2011, Public Private Partnerships Act (2012), and most recently Public Procurement and Disposal (County Government) Regulations, of 13th April, 2013 (Nyathore, 2013). Most of these legislations are in support of the disadvantaged groups, under which category the youth fall, for instance, , one of the objectives of the PPDA is to facilitate the promotion of local industry and economic development. Sec. 39 of the Act stipulated provisions for Preference and Reservations for the groups. Section 227 of the Kenyan constitution also gave guidelines on the preference and reservation scheme. The Public

Procurement and Disposal (Preference and Reservations) Regulations, 2011 defines a target group as designated tenderers identified by the government to benefit from the preference and reservations schemes. Public Procurement and Disposal Preference and Reservations Amendment Regulations, 2013 reserved 30% of government tenders for the youth, women and persons with disabilities. Under the same regulations, the target groups have also been exempted from paying tender securities for government tenders (GoK, 2013). These legislations have contributed greatly to the youth uptake of government tenders as most of the youth entrepreneurs now find the government a better entity to trade with.

Another factor affecting youth participation in public procurement is Financial Access According to Ganbold (2008), the ability of SMEs to grow depends highly on their potential to invest in innovation and qualification. All of these investments need capital and therefore access to finance. Ganbold highlights that the consistently repeated complaint of SMEs about their problems regarding access to finance is a highly relevant constraint that endangers the economic growth of the countries. SME's are mostly not able to access finance from local banks at all, or face strongly unfavourable lending conditions, even more so following the recent financial crisis. Banks in developing countries are in turn hampered by lack of lender information and regulatory support to engage in SME's lending. The overall result is absence of a well functioning SME lending market, and SME's are impeded in their growth, with negative consequences for innovation, economic and macro-economic resilience in developing countries (Wouter Deelde, 2011)

In response to the financial challenges to the youth, the government has put in place measures to empower the youth financially and ensure that the youth has access to finances, for instance, uwezo fund was initiated in 2013 to support the disadvantaged financially. The fund lends loans to the disadvantaged at lower rates and no collateral is required to secure the funds (GoK, 2013). The government also has the youth fund which lends money to the youth at lower interest rates. The main objectives of the youth enterprise fund are: Provide funding and business development services to youth owned or youth focused enterprises, provide incentives to commercial banks through appropriate risk mitigation instruments to enable them increase lending and financial services to youth enterprises; Provide loans to existing micro-finance institutions, registered non-governmental organizations involved in micro

financing, and savings and credit co-operative organizations for on-lending to youth enterprises; Attract and facilitate investment in micro, small and medium enterprises oriented commercial infrastructure such as business or industrial parks, stalls, markets or business incubators that will be beneficial to youth enterprises; Support youth oriented micro, small and medium enterprises to develop linkages with large enterprises; Facilitate marketing of products and services of youth owned enterprises in both domestic and international markets (GoK, 2006). Public procuring entities have also been instructed to pay suppliers within thirty days to facilitate them participate in more tenders (GoK, 2013). The public institutions are also supposed to give letters of undertakings to the youth suppliers which are meant to help them secure funds from financial institutions. Invoice discounting has also been popular in the financial institutions, which has seen the youth greatly benefit from government tenders.

Creation of awareness/Information access also contributes greatly to youth participation in government tenders. Awareness is defined by Baron and Shane (2007) as the competitive force, the most important force that an enterprise can have. Njiraini and Moyi (2006) argue that most MSEs rarely participate in government purchasing in Peru due to lack of information about the market.

Research with SMEs in Northern Ireland and Ireland suggests that they are often unaware of, or have limited knowledge of, how to access public procurement opportunities. For example, the 2009 FSB survey found that half of SMEs in Northern Ireland were unaware of any public procurement information sources, and 48% were unaware of e-sourcing (the civil service e-tendering website). In addition SMEs were found to lack the time and resources required to source contracts FSB Northern Ireland (2009). According to InterTradeIreland (2009) report of the same year, it was found that lack of knowledge in how to access the public procurement market is a significant factor in SMEs not targeting the market. This was particularly the case for lower value contracts, which may not be advertised widely. In most developing countries, market signals on business opportunities, customer trends, methods of organization, etc., are not communicated, effectively, to the SMEs (Ladzani 2001; Okello-Obura ... *et al* 2008). The SMEs perform better in information-rich environments (Moyi 2000 & Ladzani 2001). To achieve quality within the information rich environment, some notable challenges need to be handled head on. Small and Medium Enterprises (SMEs) in Uganda face the following difficulties identified by the Commonwealth Secretariat (2010):

insufficient knowledge of the formal tendering process; no feedback was made available about previous unsuccessful tenders (Obanda, 2011). According to InterTradeIreland (2009) SMEs often are not well-acquainted with public procurement language and procedures, and may face more difficulties than larger organizations when looking for relevant opportunities and drawing up tenders. The InterTradeIreland report in 2009 supports this finding, noting that buyers have found that SMEs fail less on compliance issues and are more likely to be unsuccessful in procurement opportunities as a result of failure to write ‘intelligent’ tenders. The report also noted that many companies may consider tendering for public work if they were supported in improving their resources, knowledge and skills. Within the developed and developing countries of the world, it is now generally accepted by policy-makers at local, regional and national level, that small to- medium sized enterprises (SMEs) are becoming increasingly important in terms of employment, wealth creation and the development of innovation (Nieman, Hough and Nieuwenhuizen, 2003; Vesper, Boden, and Roman in Carland, Carland and Ciptono, 1999).

In cognizant of this, the government of Kenya has put in place avenues through which the youth can access information on government tendering: There is continuous capacity building on how to write formal tenders by the government through the PPOA. Through suppliers forums, the bidders are also enlightened on the public procurement system and the continuous improvements the government is undertaking to make it easy for the SME’s. This helps in changing the public perception that the public procurement system is complex, costly and time consuming. The government has also required all public procuring entities give feedback to unsuccessful bidders, indicating why they did not win a certain tender. This not only motivates them to participate more, but also helps them improve on the areas that made them not win the tender. High value contracts are published on daily papers and departmental websites, (GoK, 2013). There is also a requirement from the PPOA that procuring entities post their tender opportunities within certain thresholds in the PPOA website. (PPOA, 2007)

Registration of special groups has been devolved to the county level, therefore the SME’s do not have to register themselves with the national treasury as it was initially (county government amendments Regulations, 2013). The government, through the National Youth Council has also been sensitizing the youth on the opportunities available for the youth even at the county level.

Framework Contracting is another factor that affects youth participation in government tenders. A framework contract “means a contract to fulfill all actual purchase requirements of one or more public bodies for goods, services or works during a specified contract period, with deliveries or performance to be scheduled by placing orders with the contractor (PPOA, 2010). In Northern Ireland, Procurement frameworks were thought to have a number of advantages, including value for money through centralization, reductions in bureaucracy and the establishment of beneficial long-term relationships with suppliers (Perry, 2011).

In Kenya, the PPOA advocates for framework contracting to reduce on lead time and minimize use of quotations, which are not as competitive as the framework contracts (Public Procurement Guidelines for Framework Contracting, 2010). However, it has been suggested that frameworks can have a negative impact on SMEs in tendering for and delivering contracts such as: Framework lock-outs leading to loss of experience: unsuccessful organizations (in tendering for a framework) can be prevented from accessing those contracts for the duration of the framework. During this time, the organization may not gain experience in this area and may find it difficult to tender for future framework opportunities; Duplication of information and onerous pre-qualification criteria: In some instances, organizations on a framework are required to provide information a number of times. In addition, there are concerns that pre-qualification criteria (such as turnover and insurance compliance thresholds) can penalize SMEs; Consequences of a SME not being the main contractor: SMEs are often sub-contracted parties doing much of the work but for less than the full payment; Research in the EU has found that the large size of contracts is ‘probably the most important barrier for SMEs in accessing public procurement’ across the world. One study found that the higher the value of the contract, the less likely SMEs were to win the contract.¹⁹ GHK (2010). The evidence suggests that SMEs often feel that they are excluded from public procurement contracts because they do not have the capacity to tender for the entire contract (European Commission (2008) This is because of High required levels of professional indemnity and company turnover; a perceived over-emphasis on price; Long payment terms or late payments; and Onerous administrative requirements (GHK ,2010) (InterTradeIreland 2009)

Another factor that has been identifies to play part in youth participation in government tenders is Ethical Issues Ethics can be defined as the rules of conduct recognized in respect to

a particular class of human actions or a particular group, culture, etc (Collins English Dictionary, 2012). Puddephatt (2012) asserts that in Egypt, where public procurement makes up a significant portion of the economy and has the potential to play a major role in incentivizing SME growth, collusive tendering (bid rigging) corruption and in - transparency remain serious obstacles for SMEs. In developing countries where corruption is still a pervasive issue, transparency initiatives are key to unlock many challenges facing SMEs in benefitting from the public procurement market. He continues to add that through active disclosure of documentation and creation of a level playing field for SMEs in public procurement, these initiatives can maximize SME growth, and indirectly contribute to overall economic development and post-recession recovery. Puddephatt and March, (2012) in their journal '*Benefits of Transparency in Public Procurement for SMEs*' says that many barriers facing SMEs in public procurement are related to the lack of transparency in the procurement process. They continue to indicate that this manifests itself in form of obscure tenders and decision-making processes, and is bolstered by a culture of corruption – typically with weak accountability mechanisms and lack of scrutiny over allocation of public funds. Probity requires the purchasing process to be conducted ethically; honestly; and with fairness to all participants. According to the Kenya Public Procurement and Oversight Authority (PPOA) (2007), unethical practices in public procurement are non enforcement of law, lack of transparency and accountability, breakdown or erosion of values and norms, weak management systems, procedures and practices, lack of professional integrity, greed and abuse of discretionary power. Pidaparathi (2006) states that procurement corruption can take place at every stage. According to the OECD (2007), many countries have not been able to tackle the integrity issues in public procurement. OECD considers public procurement as the government activity most vulnerable to corruption. In this sense, lack of transparency and accountability are considered as the major threats to integrity in public procurement (OECD, 2007). The World Bank (2010) indicates that many countries are yet to develop procedural frameworks that ensure: public procurement procedures are transparent and promote fair and equal treatment; public resources linked to public procurement are used in accordance with intended purposes; procurement officials' behavior and professionalism are in line with the public purposes of their organization and systems are in place to challenge public procurement decisions, ensure accountability and promote public scrutiny.

Complex Procurement Processes also affect the youth participation in public procurement. According to Inter TradeIreland (2009) there is evidence to suggest that SMEs perceive public procurement processes as complex, costly and time-consuming. Research in 2009 found that many companies who had little or no experience of tendering in the public sector felt that they did not have the appropriate capability in terms of knowledge and skills, and/ or described issues around inadequate resources or critical mass. 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 SMEs fail to grow beyond the traditional “family business” into either regional and/or global reach.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the research methodology to be used in the study is described. The geographical area where the study was conducted, the study design, the population, sample, sampling frame and, sampling technique are described. The instrument to be used to collect the data, methods that were used in data analysis was described.

3.2 Research Design

A descriptive research design was used. This research design is the most appropriate since the objective of the study is to establish the factors influencing the uptake of government tenders by the youth in Nairobi. This research design has been used successfully by several past studies including Kambua (2013) who studied the implementation of e-procurement practices among private hospitals in Nairobi, Kenya. Oluoch (2003) also used a similar research design successfully in his study on the perceived attractiveness of the freight and forwarding industry using Porter's modified model. The study was descriptive case of factors that influence the uptake of government tenders by youth owned small and micro enterprises in Nairobi. A survey obtained information from a sample of people by means of self-report, that is, the people respond to a series of questions posed by the investigator (Pollitt & Hungler 1993:148).

3.3 Population of the Study

The population of this study was 370 youth owned small and medium enterprises SMEs within Nairobi County. These include, retail and wholesale, ICT services, construction, professional consultancy and agri- business food and supplies.

3.4 Sample Design

A sample was selected using a stratified random sampling method. The SMEs was stratified into various types of businesses, including, Building & Construction, ICT services, retail and wholesale, professional consultancy, and agri- business food and supplies. 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. According to Mugenda and Mugenda (2003), a sample size of 10% of the total population is considered adequate for descriptive study. However, to

improve responsiveness in this study, a sample of 52 youth owned SMEs which represent 14% of the target population were used as presented in table 3.1.

Table 3.1 The Sampling Frame

SMEs in Nairobi	Population	14% samples size
Retail & wholesale	200	28
Professional consultancy	100	14
ICT services	20	3
Construction	30	4
Agri-business food supp	20	3
TOTAL	370	52

Source: PPOA list of SMEs 2014

3.6 Data Collection

For the purpose of this study, the researcher used primary data. A questionnaire was used for data collection. The study targeted the youth business owners and/or the managers in Nairobi City County. This is because they are in a better position to provide information on the factors that influence the uptake of government tenders by youth - owned small and micro enterprises in Nairobi City County, and there will be more representation in Nairobi than any other county.

The questionnaire was divided into three sections A, B and C. section A contained the entrepreneur's personal details and the firm's basic information. Section B captured the extent of youth uptake of government tenders in Nairobi. Section C captured the factors that affect the uptake of government tenders by the youth in Nairobi, Kenya.

3.7 Data Analysis

Descriptive analysis was employed to analyze section one that is, the bio-data. Factor analysis was used to identify the underlying factors. This was done using principal component analysis with VARIMAX rotation. Similar analysis technique had been used by Kambua (2013) who studied the implementation of e-procurement practices among private hospitals in Nairobi, Kenya. Awino and Kariuki (2012) in their study "Firm strategy, Business Environment and the Relationship between Firm Level Factors and Performance"

also successfully the same analysis technique. Descriptive statistics was used to summarize the results for each of the main variables. Aggregate means of the items under each factor was then computed for each respondent to establish a composite index. The resulting factors were used as independent variables and youth uptake of government tenders was the dependent variable. Using the same data collected, simple linear regression analysis was applied to determine the joint relationships between the factors (identified through factor analysis) and the dependent variable. The regression equation was as follows:

$$Y = a + b_i X_i;$$

CHAPTER FOUR

ANALYSIS AND PRESENTATION

4.0 Introduction

This section entails the data analysis according to the objectives of the study. The data is represented in form of tables, frequencies and percentages.

4.1 Response Rate

The study targeted a sample of 52 youth owned SMEs based in Nairobi. The researcher successfully met this target as it was possible for them to be located easily. Most of the youth approached were also willing to respond to the questionnaire. This indicates that the study realized a response rate of 100%.

4.2 Background information

The background of the respondents was studied which established the gender, education level and the respondents' experience in business (duration in business). This gives a profile of the respondents which shows how each characteristic studied was represented in the study as shown in table 4.1.

Table 4.1 Gender of the Respondents

	Frequency	Percent
Male	46	88.5
Female	6	11.5
Total	52	100.0

Source: Researcher, 2014

Both male and female youth took participation in the study. However, the response was majorly from the male respondents as given in Table 4.1 that 88.5% of the respondents were male. The female respondents were 6 representing 11.5% of the respondents. This illustrates that, male youth are more involved in business activities as compared to female youth.

Table 4.2 Education level

	Frequency	Percent
Never went to school	6	11
Primary education	4	8
Secondary education	8	15
College education	18	35
University education	10	18
Post graduate education	6	12
Total	52	100

Source: Researcher, 2014

From Table 4.2, most of the respondents were college graduates. This is as represented by 35% (n=18) of the respondents who had achieved college education. 18% (n=10) were university undergraduates and 12% (n=6) were postgraduates. 15% (n=8) of the respondents were secondary school leavers and 8% (n=4) were primary school leavers. However, 11% (n=6) of the respondents had never gone to school. This generally indicates that, majority (about 65%) of the respondents had achieved college education and above. This enabled them to manage their businesses and as well as equipped them with relevant business and entrepreneurial skills. Majority were also able to understand and respond to the questions asked.

Table 4.3 Business duration

	Frequency	Percent
0-5 years	8	15
5-10 years	22	42
Above 10 years	22	42
Total	52	100

Source: Researcher, 2014

The study results as presented in Table 4.4 reveals that 15% (n=8) of the respondents had operated their businesses for a period between 0-5 years, 84% (n=44) had their businesses in operation for a period of above 5 years where this was shared equally by those who had been in business operation for a period of 5-10 years and those with above 10 years. This information reveals that, the respondents of the study had detailed knowledge of the business operations as explained by presence of experience gained over the period they have been operating the businesses.

4.4 Uptake of Government Tenders by the Youth

The section presents the results on the extent to which the youth have been involved in public procurement activities. It reviews the ease of the activities to the youth and the extent to which the youth have been able to participate in government tenders. To evaluate this, the study sought to establish whether the national government is improving current public procurement systems by e.g. enacting legislation favorable to the youth, reducing corruption, conflict of interest, lack of uniformity among other challenges. The results were analyzed and presented in the following tables;

Table 4.4 System improvement

	Frequency	Percent
Yes	48	92.3
No	4	7.7
Total	52	100.0

Source: Researcher, 2014

Results in Table 4.4 above indicates that 92.3% of the respondents agreed while only 7.7% disagreed that the national government is improving current public procurement systems by e.g. enacting legislation favorable to the youth, reducing corruption, conflict of interest, lack of uniformity among other challenges.

Table 4.5 Uptake of the Tenders by the Youths

	Not at all		small extent		moderate extent		Great extent		very great extent		Mean	Rank
	f	%	f	%	F	%	f	%	f	%		
Public procurement systems improvement	2	3.8	2	3.8	10	19.2	32	61.5	6	11.5	3.73	1
Leveraging ground	24	46.2	20	38.5	8	15.4	0	0	0	0	1.69	7
Bidding process is fair	10	19.2	26	50	8	15.4	4	7.7	4	7.7	2.35	2
Simplified public procurement system	16	30.8	20	38.5	10	19.2	6	11.5	0	0	2.12	4

Table 4.5 Uptake of the Tenders by the Youths (Continued)

	Not at all		small extent		moderate extent		Great extent		very great extent		Mean	Rank
	f	%	f	%	F	%	f	%	f	%		
Quality and timely information	10	19.2	30	57.7	6	11.5	6	11.5	0	0	2.15	3
Formal training	20	38.5	18	34.6	10	19.2	2	3.8	2	3.8	2	5
Legal frameworks	14	26.9	26	50	12	23.1	0	0	0	0	1.96	6

Source: Researcher, 2014

According to the findings, 61.5% of the respondents agreed to a great extent, 19.2% agreed to moderate extent, 11.5% agreed to a very great extent, 3.8% agreed to a small extent while another 3.8% disagreed that the national government is improving current public procurement systems by e.g. enacting legislation favorable to the youth, reducing corruption, conflict of interest, lack of uniformity among other challenges. This therefore illustrates that there is improvement strategies that has been put in place by the national government to guide the current public procurement systems as supported by 61.5% of the majority of the respondents.

The researcher had to establish whether the government has devised ways of creating leveraging ground for both large and small firms. From the table, 46.2% of the respondents disagreed, 38.5% agreed to a small extent while 15.4% moderately agreed that the government has devised ways of creating leveraging ground for both large and small firms. Since only 38.5% disagreed, this reveals that the government had devised some ways of creating leveraging ground for both large and small firms.

The researcher's efforts to evaluate whether bidding process was fair and transparent for all candidates revealed that, 50% of the respondents agreed to a small extent, 19.2% disagreed, 15.4% agreed to a moderate extent, 7.7% agreed to a great extent and 7.7% agreed to a very great extent that bidding process was fair and transparent for all candidates. This therefore shows that the bidding process is not fair and transparent in the public procurement as supported by majority of the respondents (50%). These findings are in line with Kenya Public Procurement and Oversight Authority (PPOA) (2007) that states that unethical practices in public procurement include non-enforcement of law, lack of transparency and accountability,

breakdown or erosion of values and norms, weak management systems, procedures and practices, lack of professional integrity, greed and abuse of discretionary power.

From the table, findings indicate that, 30.8% of the respondents disagreed, 38.5% agreed to a small extent, 19.2% to a moderate extent while 11.5% agreed to a great extent that the government has assisted SMEs in achieving their full potential through simplified public procurement system. This clearly indicates that the government efforts in simplifying the public procurement system have a moderate effect on the ability of SMEs to achieve their full potential to participate in public procurement activities.

Findings also show that 38.5% totally disagreed, 34.6% agreed to a small extent, 19.2% agreed to a moderate extent and 3.8% agreed to a great extent while 3.8% to a very great extent that SMEs have been offered formal training to acquire skills necessary for running their business. 26.9% disagreed, 50% agreed to a small extent while 23.1% agreed to a moderate extent that there were legal frameworks established for competitive and transparent public procurement process. It is therefore clear from the findings that there are legal frameworks established for competitive and transparent public which however not effective as most of the respondents were moderately agreeing. This was attributed to the fact that, though the government has established frameworks for competitive and transparent procurement process, the implementation of these frameworks has not been done effectively and therefore the youths indicated that they had no evidence in support of the existence of these frameworks.

The study also reviewed on the level at which the youths were involved in public procurement where the results are as presented in the figure below;

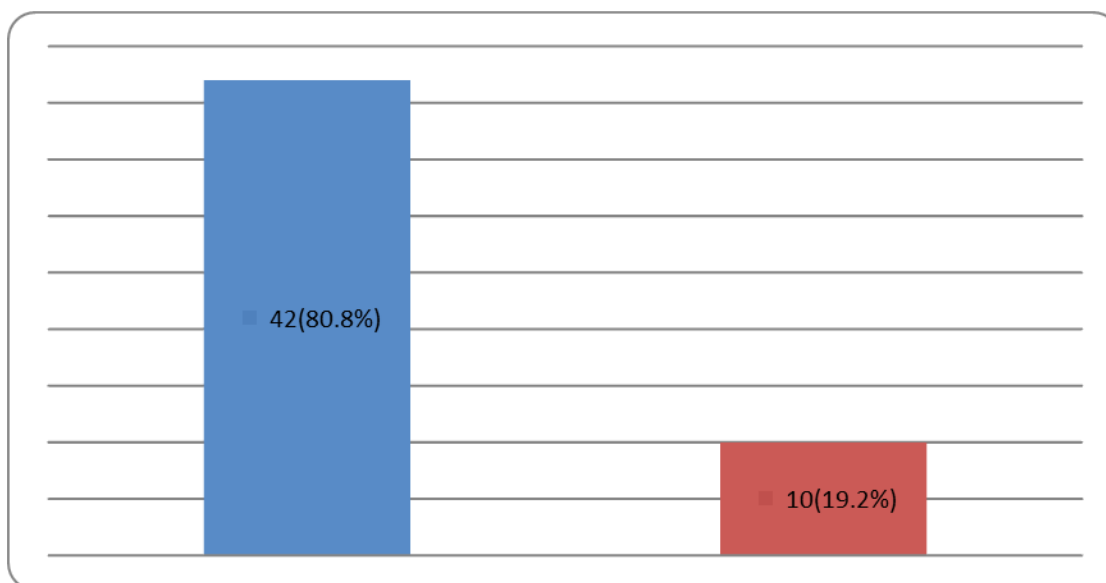


Figure 4.1 Youth Participation in tendering process

The figure illustrates that, majority of the respondents (80.8%, n=42) had participated in government tendering process. 19.2% (n=10) of the respondents however had not participated in any government tendering process. Further, the study evaluated to what extent were the youths involved in tendering processes by studying the number of times the youths had taken participation and the results are as given in table 4.10 below

Table 4.6 Number of Times Participated

Number of times	Frequency	Percentage
1-5	24	57.1
6-10	6	14.3
11-15	4	9.5
16-20	6	14.3
Above 20	2	4.8
Total	42	100.0

Source: Researcher, 2014

The table indicates that, majority of those who had participated in government tendering procedures had done so for 1-5 times. This is according to 24 (57.1%) of the respondents who revealed that they had taken participation in number of times ranging from 1-5 times. Those who took participation for 6-10 times were 6 representing 14.3% of the respondents in the same level with those who had participated for between 16-20 times and those who

participated for 11-15 times were 4 giving 9.5% while the least had participated for more than 20 times. This category had only 2 respondents representing 4.8% of the total respondents who had participated.

As given by table 4.9, 10 (19.2%) of the respondents had not participated in any government tendering processes. These gave their reasons for not being involved in these activities which the research summarized as follows; Due to lack of information which the respondents felt that they were not informed on the tender as well as the procedures to follow so as to get involved in the participation. Some youths indicated that they were not interested with the processes as they felt that they would be wasting time which they would not gain anything whereas they could have utilized the time undertaking other productive activities. Others cited corruption which hindered them from participation as they were willing but every time they had sent their applications no response was given. This discouraged them from participating which they attributed to the practice as being corrupt.

This was attributed to the idea that the government is working to improve public procurement systems through supporting legislation that encourage youth access to public tenders by setting aside a given percentage for the youth. This eliminates unwarranted competition that may arise from already established firms.

4.6 Factors Influencing Uptake of Government Tenders by the Youth

This section presents the analysis of the factors identified as influencing the uptake of government tenders by the youth. The response given was based on the Likert scale through which the respondents rated the extent to which they agreed with the given aspects which were indicators of the so identified factor on a scale of 1 – 5 where 1 was strongly disagree and 5 was strongly agree. The items were subjected to factor analysis and the results obtained were as shown in the table below.

Table 4.7 Factor Analysis and Descriptives of identified factors

	Extraction	Mean	Std. Deviation
Awareness			
Lack of information	0.837	2.0769	0.84935
Lack of time required in sourcing government contracts	0.876	1.5769	0.5721
Lack of knowledge on market	0.887	1.8077	0.62743
Infrastructural challenge	0.853	1.76	0.82214
Cost competitiveness	0.939	1.7308	0.76991

Lack of communication on opportunities	0.93	1.68	0.62073
Customer trends	0.944	1.9615	0.90665
Insufficient knowledge on tendering process	0.842	1.9231	0.96703
Lack of feedback on unsuccessful candidates	0.872	2.0769	0.92559
Easy access to information	0.927	2	0.88561
Lack of experience in tendering	0.953	2.1538	0.91576
Acquaintance with public procurement	0.815	2.2308	0.83094
Insufficient knowledge on formal tendering process	0.949	1.5769	0.97711
Government efforts on awareness creation	0.854	1.7692	0.94174
Role of SMEs in creation of employment	0.939	1.7308	0.76991
Unfair competition	0.95	1.8846	0.98327
ICT skills	0.971	3.0769	0.55735
Procurement skills	0.896	3.3846	0.75729
Complexity			
Simplifying public procurement system	0.828	1.6154	0.69038
SME's lack of formality	0.986	1.5385	0.57604
Ethics			
Integrity issues	0.958	1.5385	0.69906
Lack of transparent	0.878	1.3846	0.56547
Procedural framework	0.829	1.9615	0.94892
Lack of transparency as the main barriers facing the youth	0.815	1.9816	0.87227
Framework contracting			
Framework contracts	0.946	2.0385	0.81557
Size of contracts	0.969	3.1923	0.85457
Capacity of tendering	0.965	2.1154	0.98327
Chance to gain experience	0.973	2.1538	0.99773
Financial Access			
Exclusion from public procurement	0.969	2.4615	0.81868
Delayed payment	0.933	2.5769	0.93602
Invest in innovation and qualification	0.972	3.3077	0.84619
Lack of lender information system	0.974	2.6154	0.8593
Regulatory support	0.908	2.4231	0.89325
Financial access	0.838	2.0385	0.86232
Access to credit	0.932	2.0385	0.65564
Bank charges	0.894	2.1538	0.82568
Lack of creditworthiness	0.93	2.1538	0.97347
Management capacities	0.841	1.6538	0.9264
Government assistance	0.875	1.6538	0.83747
Political influence	0.819	2.6154	0.87419
Legal/Regulatory Framework			
Weak regulatory framework	0.952	1.6538	0.88306
Effective procurement process	0.948	1.5	0.70014
Inconsistence enforcing of rules	0.98	2.6923	0.97996
Sufficient procurement laws	0.942	2.0769	0.8822
Proper implementation of laws	0.9	2.0385	0.76598

From the table, the factor analysis identified 6 (six) underlying variables. The first variable identified was awareness measured by 18 factors with means lying between 1.6 and 3.4. This indicates that the opinion of awareness as measured by the 18 factors was moderate among the youth. The second factor identified was complexity of the framework and procurement procedures which had 2 items with a mean ranging between 1.5 and 1.6. This illustrates that complexity of the process had influenced the youth's participation to a small extent. The third variable identified was ethical issues with 4 items with means ranging between 1.4 and 1.9. This indicates that the ethical considerations during the tender processing had moderate influence to the youth's participation. The fourth variable was framework contracting measured by 16 items with means ranging between 1.6 and 3.3 indicating that framework contracting had varied extent of influence to the youth's participation as the individual factors studied had varied means according to the response given. The fifth variable identified was legal/regulatory framework represented by 6 items with means ranging between 1.5 and 2.6. This reveals that, there is a small extent of influence of these factors to the youth's participation. The mean ratings are generally low for all the factors indicating that individual factors have a small influence to the youth's participation. The standard deviation values for all the factors are all below one indicating that the study results are reliable as in an attempt of changing the study units (sample) would result to a not much different findings from the current results.

4.9 Relationship between the Factors Identified and the Uptake of Government Tenders by the Youth

Table 4.8 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		

1	(Constant)	1.695	1.028		1.994	.047
	Financial Access	.186	.095	1.679	2.754	.012
	Framework Contracting	.163	.062	.881	2.652	.033
	Complex Procurement Process	.145	.126	.035	2.041	.009
	Legal/Regulatory Frameworks	.123	.245	.014	2.167	.049
	Creation of awareness/Information Access	.086	.830	.111	2.831	.023
	Ethical Issues	.005	.712	.001	2.002	.014

a. Dependent Variable: Uptake of tenders

The results in the table answer the equation $Y = \alpha_0 + \alpha_i X_i + \alpha_{ii} X_{ii} + \alpha_{iii} X_{iii} + \alpha_{iv} X_{iv} + \alpha_v X_v + \varepsilon$ where:

Y= uptake of government tenders by youth -owned small and micro enterprises (dependent variable).

α_0 = Constant (Defines value of uptake of government tenders by youth -owned small and micro enterprises value without inclusion of predictor variables)

X_i = Legal/Regulatory Frameworks

X_{ii} = Financial Access

X_{iii} = Complex Procurement Process

X_{iv} = Creation of Awareness/Information Access

X_v = Framework Contracting

X_{vi} = Ethical Issues

ε = Error Term

The given equation is answered by the values Unstandardized Coefficients (B) where all of them are statistically significant since their p values (Sig. <0.05) are less than 0.05 testing at 95% confidence level-one tail; the t-values are all greater than 1.96 giving test at 5% significant level under normal distribution. The results indicate that the all the predictor variables in the study have a positive relationship with the level at which the youths are involved in tender uptake

$$Y = \alpha_0 + \alpha_i X_i + \alpha_{ii} X_{ii} + \alpha_{iii} X_{iii} + \alpha_{iv} X_{iv} + \alpha_v X_v + \varepsilon$$

Uptake of government tenders by youth = 1.695 (Constant) +0.186 Financial Access + 0.163 Framework Contracting + 0.145 Complex Procurement Process + 0.123 Legal/Regulatory Frameworks + 0.086 Creation of awareness/Information Access + 0.005 Ethical Issues

From the model, it is clear that, all the independent variables are positively related with the dependent variable. Also, the value of the tender uptake by the youths without the influence of the predictor variables is 1.695. This explains that, at any given time, the youth participation will be 1.695 holding other factors constant at 0. The results also illustrate that, a unit change in the financial access would result to 0.186 times change in tender uptake. A unit increase in the framework contracting would result to 0.163 times increase in tender uptake as given by the coefficient in the model. The model as well indicates that, given a unit change in the complexity of the procurement process, tender uptake would be affected resulting to 0.145 times changes in the same direction.

The uptake of government tenders by youth is also affected by the legal framework in the public procurement as the findings indicates that a unit increase in the legal framework's efficiency would result to 0.123 times increase in the youth's uptake of tenders. Further, the findings illustrates that a unit increase in the youths awareness would lead to 0.086 times increase in the youth's uptake of government tenders as well that a unit change in the ethical issues considered in tendering processes would result to 0.005 times changes in the youth's uptake of tenders. Thus, based on these findings, the study reveals that the uptake of government tenders by the youths is largely affected by financial access which is 18.6% contribution while the least is ethical that gives 0.5% contribution.

Table 4.9 Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.949 ^a	.900	.858	1.35899E6

a. Predictors: (Constant), legal/regulatory framework, financial access, creation of awareness/information access, framework contracting, ethical issues and complex procurement process

The model summary illustrates the variability of the uptake of government tenders by the youth owned small and micro enterprises due to legal/regulatory framework, financial access, creation of awareness/information access, framework contracting, ethical issues and complex procurement process. The findings show that, the variability in the uptake of government tenders is 90% explained by the variables studied while 10% is the variation due to other factors which are not mentioned in this study. The table also indicate that, in a case which the study could have been conducted using entire population rather than a sample, the variation in the results would have been 14.2% different from the current results which is 100- 85.8 (adjusted R Square), thus the results obtained are 85.8% reliable and can be relied upon to explain the variability in the uptake of government tenders by the youth.

Table 4.10 Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.815	5	3.163	6.1875	.009 ^a
	Residual	24.026	47	.5112		
	Total	39.841	52			

a. Predictors: (Constant), legal/regulatory framework, financial access, creation of awareness/information access, framework contracting, ethical issues and complex procurement process

b. Dependent Variable: Uptake of government tenders by the youth.

In the ANOVA table, the *F* statistic is equal to $3.163/0.5112 = 6.1875$. The distribution is $F(5, 47)$, and the probability of observing a value greater than or equal to 6.1875 is less than

0.001. There is strong evidence that the regression results are statistically significant and the variation in the results is insignificant that cannot result to much difference in case of a change in the study units (population) and therefore the model did fit the data.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary, conclusions and recommendations of the study based on the study findings where it compares the researchers' findings against the findings in the literature after which the researcher makes conclusions and recommendations based on the study findings.

5.2 Summary of the Findings

The study was undertaken with the aim of investigating the factors influencing the uptake of government tenders by the youth-owned SMEs. The data collected was analyzed and the results presented in chapter four above. In the participation, 57% of the respondents were male while 43% were female. In the participation 11% of the respondents had no education, 8% had Primary education as their highest level of education achieved 15% were secondary school leavers, 35% were college graduates, 19% were University graduates and 12% were post graduates. Majority of the respondents were business operators for more than 5 years.

According to the findings, majority of youths who had participated in government tendering procedures had participated for less than 5 times while only 2 reported that they had participated for more than 20 times. The low rate of participation was attributed to lack of information to the youth while others were not interested with the processes since they felt that they would be wasting time where they would not gain anything whereas they could have utilized the time in other productive activities. Also, corruption hindered the youth from participation. The study also found out that the government has not significantly assisted SMEs in achieving their full potential through simplified public procurement system as supported by majority of the respondents.

The study found out that, the national government is improving the current public procurement systems as supported by 61.5% of the respondents. This is evidenced by enactment of legislations that encourage youth access to public tenders for instance, reserving some tenders for the youth. This eliminates unwarranted competition that may arise from already established firms. However, there were challenges that were found to influence the

youth's ability to participate in Government tenders among them; corruption and lack of basic information on availability of tenders.

The findings also revealed that the government had not devised ways of creating leveraging ground for both large and small firms as supported by majority of the respondents. This might be attributed to the idea that public procurement systems assume that every firm competing to access a public tender has the same financial and resource capability to run and manage high level contracts. This might not be the case with small and medium sized enterprises which lack the financial machinery and capability to run and manage high level public contracts effectively.

From the research findings, it is evident that the bidding process in Kenyan public procurement is not fair and transparent. These findings are in line with Kenya Public Procurement and Oversight Authority (PPOA) that states that unethical practices in public procurement include non-enforcement of law, lack of transparency and accountability, breakdown or erosion of values and norms, weak management systems, procedures and practices, lack of professional integrity, greed and abuse of discretionary power.

Findings as well indicated that weak national regulatory framework poses a great challenge the youths' ability to participate in public procurement activities. Though the Government has put in place legal frameworks for competitive and transparent public procurement, the implementation of these frameworks has not been done fully. The existing procurement laws are sufficient and supportive to the youths' participation in the government tenders but full implementation is yet to be realized.

Customer trends in Kenya public procurement are not communicated effectively to the youth SMEs. Insufficient knowledge of the formal tendering process also impedes the youth from participating in government tendering process, as supported by 72% of the respondents. This is a result of poor communication and inadequate youth training on government tendering formalities. It is further noted that lack of feedback about previous unsuccessful tenders impedes the youth from participating in government tendering process as they lack information on how to improve their future tendering activities. Easy access to all relevant

information on business opportunities in public procurement is of key importance to the youth.

Further Many youth who have little or no experience of tendering in the public sector feel that they do not have the appropriate capability in terms of knowledge and skills. It is clear from the findings that SMEs are often not well-acquainted with public procurement language and procedures, and may face more difficulties than larger organizations when looking for relevant opportunities and drawing up tenders. Consequently, the government has put commendable effort to create awareness on public procurement opportunities amongst the youth. Finally, SMEs are becoming increasingly important in terms of employment, wealth creation and the development of innovation.

5.3 Conclusion

The researcher therefore based on the study findings discussed concludes that the long payment terms and delays in government tender payments discourages the youths from participating in public procurement activities. Since financial access is critical for SMEs participation in government tenders, the youth are greatly affected as they lack the basic requirements for them to access credits from the lending institutions which also affect their ability to participate in public procurement activities.

The National government is improving the current public procurement systems through enacting legislation that encourage youth access to public tenders, for instance, reservations for the youths in public procurement. This eliminates unwarranted competition that may arise from already established firms.

In public procurement, the bidding process is not fair and transparent. Unethical practices in public procurement include; non enforcement of law, lack of transparency and accountability, breakdown or erosion of values and norms, weak management systems, procedures and practices, lack of professional integrity, greed and abuse of discretionary power.

The government has not significantly assisted SMEs in achieving their full potential through simplified public procurement system there is evidence to suggest that SMEs perceive public procurement processes as complex, costly and time-consuming.

The legal frameworks established for competitive and transparent public procurement process has not been fully implemented. Procurement systems have inadequate regulatory framework to handle procurement processes.

Customer trends in Kenya public procurement are not communicated effectively to the youth SMEs. There is no information provided on the reasons why one did not win previous tenders, therefore the youth face a challenge of exactly how to improve on their future tendering activities. Easy access to all relevant information on business opportunities in public procurement is of key importance to the youth.

The youth lack the capacity to undertake large sizes of contracts. Framework contracting leads to lock-outs which deny the youth a chance to gain experience: unsuccessful organizations (in tendering for a framework) can be prevented from accessing those contracts for the duration of the framework.

5.4 Recommendations

Based on the findings, the researcher makes the following recommendations:

To ensure effective youth participation in the government tenders, the government should initiate policies that encourage their participation through awareness creation which can be through organizing workshops and exhibition forums to equip the youth with the required information.

Credit worthiness as a requirement for the participants in the government tenders should be regulated to accommodate the youth who in most cases are left out due to lack of credit. Requirements for accessing credit from banks and other lending institutions like uwezo and youth funds should be made minimal.

To facilitate fair and transparent bidding process which would see the youth given a chance for participation in government tenders, unethical practices in public procurement should be subject to law. The officers involved in the tendering process should understand that lack of transparency and accountability, breakdown or erosion of values and norms, weak management systems, procedures and practices, lack of professional integrity, greed and abuse of discretionary power should be punished.

SMEs perceive public procurement processes as complex, costly and time-consuming. The government should therefore assist SMEs in achieving their full potential through simplifying public procurement system.

The government should ensure full implementation of the legal frameworks established for competitive and transparent public procurement process. Procurement systems should have adequate regulatory framework to handle procurement processes.

5.5 Limitations of the Study

The study was limited to the youth who are registered with the National Treasury. This therefore limited its ability to generalize the findings as representative of the youths in the country as different youth in different regions experience different situations in their business endeavours. The researcher also experienced some difficulties during the data collection process as some of the youths approached could not freely give some information required as they treated it as confidential. The researcher also faced time constraints during the study.

5.6 Suggestion for Further Research

The study was limited to the youth who are registered with the National Treasury. Therefore, future studies should consider expanding the scope by including those entrepreneurs who are not registered but operate in the informal sectors. Future studies should also consider expanding the topic to include moderating variables like firm size.

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APPENDIX 1: Questionnaire

Introduction

This questionnaire is for soliciting information from selected youth owned small and micro enterprises (SMEs).The objective is to investigate factors that influence the uptake of government tenders by youth - owned small and micro enterprises. The information gathered will be used purely for academic purposes and will be treated with utmost confidentiality. Your cooperation in the exercise would be highly appreciated.

SECTION 1: BIO DATA

- 1.) Please indicate the name of company/business.....
- 2.) Gender
 - a) Male []
 - b) Female []
3. What is the nature of your business
- 4 How long have you been in business operation?
 - a) 0-5 years
 - b) 5- 10 years
 - c) Above 10 years
5. Please indicate your education background?
 - a) Never went to school []
 - b) Primary education []
 - c) Secondary education []
 - d) College education []
 - e) University education []
 - f) Post graduate education []

Please use the following legend to score your response

1-not at all. 2-small extent. 3-moderate extent. 4-great extent.
5-very great extent.

Section 2: uptake of tenders by SMEs

6. Would you agree that national government is improving current public procurement systems by e.g. enacting legislation favorable to the youth, reducing corruption, conflict of interest, lack of uniformity among other challenges?

a) Yes []

b) No []

If yes what benefits have you gained from the government effort?

.....
.....
.....

If no state the challenges you undergo as result

.....
.....
.....

7. Please give the extent of your agreement with the following statements about the uptake of tenders by SMEs.

	1	2	3	4	5
Governments have devised ways of creating leveraging ground for both large firms and small firms.					
The tendering/bidding process is fair and transparent for all candidates.					
Governments has assisted SMEs in achieving their full potential through simplified public procurement system					

The government provides quality and timely information regarding business opportunities for small and medium enterprises					
SMEs have been offered formal training to acquire skills necessary for running their business					
There are legal frameworks established for competitive and transparent public procurement process					

8. Have you ever participated in government tendering process?

a) Yes []

b) No []

If yes how many times?.....

If no, why?.....

9. Have you won any government tender?

a) Yes []

b) No []

If yes, how many?

If no, were the reasons for not winning communicated to you?

What were the reasons?

Section 3: Factors Influencing Uptake of Government Tenders by the Youth

10 .To what extent do you agree with the following statements regarding the uptake of government tenders by the youth owned SMEs? Use a scale of 1 – 5 where 1 is strongly agree and 5 is strongly disagree

Factors	1	2	3	4	5
The government has not been able to tackle the integrity issues in public procurement.					
Lack of transparency and accountability are considered as the major threats to integrity in public procurement					
Government is yet to develop procedural frameworks that ensure public procurement procedures are transparent and promote fair and equal treatment for youth entrepreneurs					
Many barriers facing SMEs in public procurement are related to the lack of transparency in the procurement process.					
One way for the government to assist SMEs in achieving their full potential is through simplifying the public procurement system					
Framework contracts usually have a negative impact on youth SMEs in public procurement.					
Large size of contracts is 'probably the most critical barrier for SMEs in accessing public procurement'					
SMEs often feel that they are excluded from public procurement contracts because they do not have the capacity to tender for the entire contract					
Framework contracts lock out unsuccessful bidders for a long time period, denying them the chance to gain experience required during future tendering					
SMEs are excluded from public procurement contracts because of Long payment terms					
Late/delayed payments discourage the SMEs from participating in government tenders.					

Weak national regulatory framework is often the root of challenges facing SMEs in public procurement					
Country's procurement processes must be fair, equitable, transparent, competitive and cost-effective in relation to small business					
Abuse of public procurement systems arises largely due to weak or inconsistent enforcement of the rules					
The existing procurement laws are sufficient to enable the youth participate in government tenders					
Proper Implementation of the procurement laws is being done to ensure the youth get what they are entitled to in government tendering.					
The ability of SMEs to grow depends highly on their potential to invest in innovation and qualification					
Banks in developing countries are hampered by the lack of lender information in SME lending					
Banks in developing countries are hampered by lack of regulatory support to engage in SME lending					
Financial access is critical for SMEs' participation in government tenders.					
Lack of access to credit is universally indicated as a key problem for SME's.					
The high cost of credit, high bank charges and fees impedes SMEs development					
Most youth SMEs lack creditworthiness, so they have trouble securing funds for their business activities such as procuring raw materials and products, and investing in plant and equipment					

Most SMEs lack management capacities securing funds for investing in plant and equipment					
The government has greatly assisted the youth to access finances through initiatives like the youth fund, uwezo fund among others					
SMEs rarely participate in government tenders due to lack of information about the market					
SMEs lack the time required to source government contracts					
Lack of knowledge in how to access the public procurement market is a significant factor hindering SMEs from targeting the market					
Infrastructure is a challenge for SMEs in Kenya					
Poor infrastructure in Kenya has negatively affected the prospects of SME cost competitiveness					
In Kenya public procurement, market signals on business opportunities, are not communicated, effectively to the SMEs					
Customer trends in Kenya public procurement are not communicated effectively to the youth SMEs					
Insufficient knowledge of the formal tendering process impedes the youth from participating in government tendering process.					
Lack of feedback about previous unsuccessful tenders impedes the youth from participating in government tendering process.					
Easy access to all relevant information on business opportunities in public procurement is of key importance to the youth.					

Many youth SME's who have little or no experience of tendering in the public sector feel that they do not have the appropriate capability in terms of knowledge and skills					
SMEs often are not well-acquainted with public procurement language and procedures, and may face more difficulties than larger organizations when looking for relevant opportunities and drawing up tenders					
SMEs face difficulties identified by the insufficient knowledge of the formal tendering process					
The government has put commendable effort to create awareness on public procurement opportunities amongst the youth.					
SMEs are becoming increasingly important in terms of employment, wealth creation and the development of innovation					
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)					
Youth Often shy away from competing with women and disabled in tenders reserved for the disadvantaged					
Youth are more disadvantaged than women and disabled persons therefore feel they should not be reserved for tenders together with women and disabled, but should have their own category alone.					
Contracts are not awarded free of any political influence					
Youth lack ICT skills to participate in e-procurement					

Youth SMEs lack procurement skills which makes their production costs high, reducing their products competitiveness					
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11 What are the greatest challenges faced by your business in process of business tendering?

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THANK YOU FOR YOUR COOPERATION