



**EFFECTS OF COMPLIANCE IN PUBLIC PROCUREMENT REGULATIONS ON THE
PERFORMANCE OF PROCUREMENT FUNCTIONS WITHIN THE UNIVERSITIES
IN KENYA: A CASE STUDY OF KISII UNIVERSITY**

^{1*} Agnes Kemuma Nyakundi

Jomo Kenyatta University of Agriculture and Technology
anyakundi222@gmail.com

^{2} Dr. Willy Muturi**

Jomo Kenyatta University of Agriculture and Technology
mmuturi2001@yahoo.com

Abstract

Public procurement involves making sure that regulations of procurement are followed in the public sector. The study was restricted to the effects of compliance in public procurement regulation on performance of procurement functions of public universities. Studies that have been done reveal that even after enactment of regulations in procurement there are inefficiencies observed in public funds usage in procurement functions due to inadequate compliance that can be attributed to public procurement. Compliance levers to supplier continue to be low in Kenya despite efforts by the public procurement oversight authority (PPOA). To put in place measures to improve compliance (PPOA, 2007). The specific objectives of the study was to establish the extent to which procurement ethics on compliance of public procurement regulations, extent to which awareness on compliance of public procurement regulations and procedures influence performance of procurement functions of public universities and the extent to which supplier training on compliance of public procurement regulations influence performance. The target population which was the totality of the cases comprised of 893 respondents. The sample size was 10% of the target population which comprised of 90 respondents. The study employed a descriptive research design. The questionnaire was used for data collection and data was analyzed with both qualitative and quantitative methods. Descriptive statistics involved the use of frequency, means, tables, and percentages. Inferential statistics involved the use of regression analysis to assess the strength and association of the variables in the study. The findings revealed that there is significant correlation of 0.076 this implies that an increase in procurement ethics compliance increases the performance of the public university by approximately 7.6%. It was clear that respondents agreed that adequate training on matters of procurement facilitates efficient and effective procurement practices and there was a strong positive relationship between compliance of public procurement regulations and procedures.

Keywords: procurement functions, procurement regulations

Background of the Study

Worldwide, public procurement has become an issue of public attention and debate, and has been subjected to reforms, restructuring, rules and regulations. World Bank, (2004) define public procurement as the acquisition of goods, services and works by a procuring entity using public funds. According to Roodhooft and Abbeele (2006), public bodies have always been big purchasers, dealing with huge budgets. World Bank (2004) also reiterated that public procurement represents 18.42% of the world GDP. Although several developing countries have taken steps to reform their public procurement systems, the process is still shrouded by secrecy, inefficiency, and corruption and undercutting. In all these cases, huge amounts of resources are wasted (Odhiambo & Kamau, 2013).

In developing countries, public procurement is increasingly recognized as essential in service delivery (Hunja, 2011), and it accounts for a high proportion of total expenditure. For instance, public procurement accounts for 60% of total public expenditure in Kenya (Akech, 2005), 58% in Angola, 40% in Malawi and 70% of Uganda's public spending as cited by Hunja, (2011). According to Griffith and Griffith (2012), there are five types of public procurement methods; open tenders, where prospective suppliers are invited to compete for a contract advertised in the press and the lowest tender in terms of price is generally accepted although the advertisers usually state that they are not bound to accept the lowest or any tender.

Although several sectors in Kenya have taken steps to reform their public procurement systems, The process is still shrouded by secrecy, inefficiency, corruption and undercutting. In all these Cases, huge amounts of resources are wasted (Odhiambo & Kamau, 2013). According to Ministry of Finance Strategic plan, (2009-2013) Procurement has a major role to play in the execution of budgets at all levels of Government. Government is the largest single buyer of goods, works and services in the country of which the government spends approximately 70% of budget on procurement. The total expenditure for the financial year 2011/2012 was kshs.895.5 billion which represents 76.5 per cent of the gross revised estimates. The expected budget in 2013/2014 is estimated at Ksh1.6 trillion, which means that the government procurement spends will be slightly over Ksh.1 billion. President Uhuru Kenyatta's directive of reserving 30% of all government procurement for enterprises owned by the youth, women and persons with disabilities, including SMEs is now a key pillar of the government's agenda. What this means is that procurement opportunities reserved for youth owned businesses is estimated at Ksh300 billion in the next financial year (Procurement Reform Project, 2014).

Statement of the problem

The Public Procurement Regulations of 2006 aimed at promoting fairness, transparency and non-discrimination in public procurement with the aim of ensuring efficient use of public funds. However, studies reveal that even after the enactment of the Regulations, there are inefficiencies observed in public funds usage in procurement due to inadequate compliance that can be

attributed to public procurement. Compliance levels to suppliers continue to be low in Kenya public universities despite efforts by the Public Procurement Oversight Authority (PPOA) to put in place measures to improve compliance (PPOA 2007). Procurement audits carried out in public universities revealed non-compliance with procurement regulations. Also, in Kenyan public universities, it has been noted that tendering committees inadequately follow regulations relating to audit report-2013/2014. This study therefore seeks to assess the effects of compliance in public procurement regulations on the performance of procurement functions within the university.

General objective

The general objective of the study is to establish the effect of Public Procurement Regulation on the performance of Procurement functions in public university in Kenya.

Specific objective

- i. To establish the influence of transparency on performance of procurement functions in public universities in Kenya.
- ii. To evaluate the effect of competitive bidding on performance of procurement functions in public universities.
- iii. To establish the influence of professionalism on the performance of procurement functions in public universities in Kenya.
- iv. To examine the effect of quality sourcing on performance of procurement functions in public universities in Kenya.

Research Design

The study employed a descriptive study approach. According to Trochim (2006), a descriptive research design was best suited for this kind of research where studies are conducted to demonstrate relationships between things or interactions between groups of people. The relationship sought here involved the impact of compliance in public procurement regulations on the performance of the public universities.

Target Population

The target population was 893 respondents who comprised of 2014-2015, 866 prequalified suppliers of Kisii University, SCM Department Records,2015) and 27 Kisii university procurement staff..

Sampling Techniques and Sample Size

Random sampling was used in selecting the respondents. Mugenda and Mugenda (2005) acknowledges 10% to 30% of the target population to be the sample population of the study as it gives the in-depth of the study, for this study 10% was used to draw the sample size of 90 respondents to the study. Simple random sampling was used in getting the 90 respondents from the target population. The sampling method was recommended because was best suited for the kind of study with this size of population (Mugenda, 2004).

Results and Discussion

Influence of transparency on performance of procurement functions.

The researcher sought to find out the influence of transparency on performance of the procurement functions of public universities. The respondents were asked to state the extent of agreement or compliance with purchase regulations and lack of such procedures. Data obtained from findings were analyzed and presented in the table 4.6 below, where the score of 5 was given to rank 1, 4 to rank 3, 3 to rank 3, 2 to rank 4, and 1 to rank 5. According to the findings, requirements on purchase requisitions were followed to a large extent. A score of 3.90 indicated that organizations were keen on purchase requirements. The results show that PPDA procedures were also followed to a large extent. However, despite favorable results on the first two parameters, there were cases of weak enforcement measures and cases of un-ethical practice. Results indicate that such unethical cases and weak enforcement measures were rampant at 3.62 and 3.82 respectively. This implies therefore that the public sector has to put in place mechanisms to ensure effective compliance enforcement and root out un-ethical practice.

Table 1: Influence of procurement ethics on compliance of public procurement regulations

S.No	Category	Ranks					Weighted Averages
		1	2	3	4	5	
1.	PPDA Procedures followed	30	30	17	12	1	3.84
2.	Purchase Requisition followed	24	41	18	6	1	3.90
3.	Weak of transparency practice	32	18	23	12	7	3.55
4.	Cases of un-ethical practice	31	18	23	12	6	3.62
5.	Weak enforcement measures	33	23	24	6	4	3.82

Regression Analysis

According to the result on table 2 the positive beta value indicates that transparency on compliance of public procurement regulations has a positive influence on performance of the procurement functions in the public universities. This implies that an increase in transparency increases the performance of the public functions within the university by approximately 7.6%.

The t-Value of 2.40 is higher than 2.0. This implies that the estimated results of the coefficients are both individually and statistically significant.

Table 2. Regression coefficients Analysis on transparency on procurement

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	1.468014	0.763809	2.052887	0.132396	0.86277	3.998794	0.86277	3.998794
X1	0.076756	0.040279	2.402162	0.095688	0.03143	0.22494	0.03143	0.22494

The estimated equation as generated above will be: $Y = 1.4680 + 0.0768b$

Influence of professionalism on Performance of the Procurement Functions of Universities.

Further, respondents were asked on the extent to which professionalism of public procurement regulations and procedures influence performance of the procurement functions of the universities. Data collected were illustrated in the table 4.9 below. From the findings in table 3, majority of respondents agreed that professionalism to public procurement regulations affected performance of procurement functions in the public university to a large extent. On professionalism the respondents agreed that most of the procurement officers are aware of the regulations and that such regulation affects the performance of procurement functions of the public university to a large extent, with a rate of 3.59. Organization's and supplier's commitment was rated at 3.64 each. This demonstrates that both parties are aware of the need to comply with procurement regulations. This implies therefore that effective commitment and awareness of procurement regulations had an effect on performance of the procurement functions within the university.

Table 3: Professionalism on public procurement regulations and procedures on performance of the public university

S.No	Category					Ranks		Weighted Averages			
	1	2	3	4	5						
1.	Awareness level					27	19	33	10	1	3.59
2.	Organization's Commitment					27	18	34	9	2	3.64
3.	Suppliers' commitment					25	27	24	12	2	3.67

Regression Analysis Coefficients of professionalism awareness

According to table 4 the positive beta value of 0.1108 indicates that professionalism to public procurement regulations has a positive influence on performance of the procurement functions of the universities. This implies that an increase in professionalism to public procurement regulations increases the performance of the procurement functions of public university by approximately 0.11. The t-Value of 3.33 and P-value of 0.044 are higher than 2.0 and lower than 0.005 respectively. This implies that the estimated results of the coefficients are both individually and statistically significant.

Table 4. Regression Analysis Coefficients of professionalism

	Coefficients	Standard Error	t Stat	P-value
Intercept	1.281773	0.569236	2.778763	0.069062
X2	0.100799	0.033312	3.326096	0.04485

The estimated equation as generated above will be: $Y = 1.2812 + 0.1008b$

Where, y = Performance of procurement functions of public university

b = professionalism

The positive beta value of 0.1008 indicates that awareness and commitment to public procurement regulations has a positive influence on procurement functions of the public university. This implies that an increase in awareness and commitment to public procurement regulations increases the performance of the procurement functions of public university by approximately 10.1%. The t-Value of 3.33 and P-value of 0.044 are higher than 2.0 and lower than 0.005 respectively. This implies that the estimated results of the coefficients are both individually and statistically significant.

Conclusions

Based on the research objectives of the study, the researcher came up with the following conclusions based on the findings of the analysis of the questions in the study.

Effect of transparency on procurement on the performance of Procurement functions of the public university.

The first objective of the study was to determine the effect of procurement transparency on the performance of procurement functions of the public university from the findings the respondents agreed that professionalism affected performance of procurement functions of the public university to a large extent. Professionalism to public procurement regulations entailed following

purchase requisitions and PPDA procedures. These regulations must be adhered to so as to achieve the expected public performance. Therefore, we can conclude that there is strong positive relationship between compliance to procurement professionalism and the performance of procurement functions of the university.

From the findings, it was discovered that a significant number of unprofessionalism on procurement practices are yet to be curbed. Despite the awareness and commitment to procurement professionalism, a significant number of un-professional practices take place. The government must step up efforts to curb such malpractices if any significant public performance is to be realized.

Effects of competitive bidding on performance of Procurement functions of public universities.

The second research question was to address the effect of competitive bidding on the performance of procurement functions of public university. There was a strong positive itive bidding relationship between competitive bidding and performance of procurement functions of public university. From the findings, 74% of the respondents strongly supported this discovery.

Based on the interpretation of the results, it can be concluded therefore that public university procurement departments adhere to the procurement regulations though a significant lot engage in unethical practices. Therefore efforts should be put in place to incentivize those who comply and to curb cases of non-compliance.

Effects of outsourcing on the performance of procurement functions of public university.

According to findings, 79.8% of the respondents agreed that outsourcing in procurement regulations and procedures affected the performance of procurement functions of the public university to a large extent. Attendance of outsourcing and the effectiveness of professionalism are critical to any positive performance in the public university. It was clear that respondents agreed that adequate outsourcing on matters of procurement facilitates efficient and effective procurement practices. A good outsourcing arrangement will facilitate participation which will eventually lead to information sharing that is vital in this important public function.

Recommendations

From the conclusions made, based on the objectives of the study, the researcher came up with the following recommendations:

Transparency on public procurement

The study recommends that university departments should integrate their training arrangements to reflect transparency. This is aimed at achieving an all-participatory approach to trainings by

all stakeholders. This study further recommends that training contents and context are vital considerations to ensuring adequate procurement training.

Competitive bidding

Secondly, the study recommends that proper mechanisms should be put in place to ensure that laxity on the part of competitive bidding to procurement ethics on compliance is curbed. In addition, information on the performance of the procurement departments should be availed and performance contracting engaged to enhance acceptable procurement performance that will lead to high performance public in the public university.

Outsourcing

Thirdly, there is need to integrate performance appraisals with supplier appraisal as a way of incentivizing suppliers who are committed to outsourcing procurement practices.

REFERENCES

- Andrew, M. (2008). *Procurement Reforms in Kenya*. *Journal of Economics*, 22 (1), 23-50.
- Barrett, P. (2010). *Balancing accountability and efficiency in a more competitive public sector environment*. *Australian Journal of Public Administration*, 59(3), 58-71.
- Cronbach, N. (2011) *Regulating Procurement Practice, 4th edition*. New York: Jaico Publishing House
- Dorothy, K. (2010). *Procurement Management Strategies*. *Journal of Purchasing*, 16(1), 20-52.
- Ebrahim, S. (2010). *Training Interventions: Fulfilling Managerial Ends or Proliferating Invaluable Means for Employees: Some Evidence from Iran*. *European Business* 22(2), 257-301.
- Edward, B. (2009). *Public Sector Procurement Methods*. *Journal of Procurement*, 11(1), 65-78.
- Gelderman, J. C., Ghijsen, W. P. & Brugman, J. M. (2006). *Public procurement and EU tendering directives- explaining non-compliance*. *International Journal of Public Sector Management*, 19(7), 702-714.
- Griffith, M. & Griffith, I. (2002). *Law of Purchasing and Supply; 3rd ed*. Edinburgh: Prentice
- Hunja, R. (2011). *Obstacles to public procurement reform in developing Countries*, *International Journal*, 10(2), 167-170.
- Kinyanjui, P. (2010). *Procurement Challenges in Kenya*. *Journal of Procurement*, 13(1), 65-85.
- Leeders S. (2006). *Purchasing and Supplies Management. (3rd ed.)*. Mason, NJ: Pearson Publishers.
- Luhmann R. (2010). *Research Methodology: Methods and Techniques (Second Revised)*. New Delhi: Tata McGraw-Hill Publishing Company.

Lysons K & Farrington B. (2006). Purchasing and Supply Chain Management.7th Edition. London: Pearson Education Limited

Madara O., (2010). Impact of Public Procurement Law on Profit- Oriented State- Owned Corporations in Kenya. Towards New Horizons in Public Procurement. Pr Academics