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Original Article

Role of Public Procurement Preference Scheme on the Growth of Small and Medium-sized Enterprises in Nyamira County, Kenya

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Keywords:

Public Procurement Preference Scheme, Growth, SMEs, Waiver on a Bid Bond, AGPO Registration

The focus of the study is to investigate the role of public procurement preference schemes in enhancing the growth of small and medium-sized enterprises. The general objective of the study was: To investigate the role of public procurement preference schemes in enhancing the growth of small and medium-sized enterprises in Nyamira County, Kenya. The specific objectives included; establishing the role of 30% preference on the growth of small and medium-sized enterprises, to investigate the role of waiver of bid bond on the growth of small and medium-sized enterprises, to establish the role of local firm preference on the growth of small and medium-sized enterprises and to assess the role of easy access to procurement opportunities registration on the growth of small and medium-sized enterprises. The study was guided by agency theory. A descriptive research design was applied to the study. The study population included 35700 registered and licensed SMEs, from where a sample of 391 was arrived at by Yamane's formula. Data collection involved the use of self-administered questionnaires. Both descriptive and inferential statistics were used to perform data analysis. The results of the model summary indicate that R² equals 0.498 at a 0.05 significance level, thus revealing that 49.8 % of the SME growth can be accounted for by the public procurement preference scheme. The study concluded that there was a positive influence of public procurement preference schemes on the growth of small and medium-sized enterprises. The study recommended that SMEs may team up with one another under joint bidding in order to get higher chances of preference and also compete with large-sized firms for public procurement opportunities.

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INTRODUCTION

Public procurement describes the Government's and state-owned firms' purchases of materials, labour, and services (Arockiasamy et al., 2022). Public procurement is crucial to the development, stability, and success of small and medium-sized businesses anywhere in the world (SMEs). The procurement sector accounts for about 70% of developing country budgets and 35% of those of wealthy countries (Saxena, 2015; World Bank, 2016). Therefore, it is believed that the government is the primary customer of SMEs' products and services in particular. On the other hand, SMEs are crucial to the general public's and Government's overall social and economic development. These SMEs boost GDP growth and produce new jobs in the majority of nations (Kazungu et al., 2015).

According to a poll (Rasheed, 2015), SMEs are largely responsible for the creation of nearly 50% of the new jobs in our nation. Despite the fact that these SMEs make such a significant contribution, three out of every five enterprises fail during the first few months of existence, according to information from the Kenya Bureau of Statistics published in 2017. This is unquestionably a result of how SMEs are handled, particularly in the area of procurement. The need for better management is closely correlated with business growth (Sumba, 2015).

In an effort to support SMEs, the Kenyan government mandated in 2010 that public procuring entities reserve at least one in ten State tenders for

youth and SMEs. These groups are responsible for a sizable portion of Kenya's small businesses, effectively granting traders access to a crucial market (Ng'ang'a, 2012). After the Public Procurement and Disposal Amendment Regulations, 2013, were passed, this requirement (reservation of at least one in ten state tenders) was increased to an even larger percentage, requiring that 30% of tenders in all public procurement organisations be reserved for the disadvantaged groups—youth, women, and people with disabilities. Nevertheless, despite the requirement, procurement organisations have been hesitant to provide SMEs with the minimum required tenders, which has led to a low level of participation by SMEs in government tenders.

Many developing nations, whose SMEs are viewed as being unproductive and not making a profit, are concerned about threats that could impede their growth (Jabbie, M., & Saffa, M. 2021). The government's lack of active participation in the public procurement process has significantly slowed the growth pace of SMEs. The existence of SMEs and their effects on the overall economy of the nation, however, has not received much attention. This study aimed at gathering data that will be helpful to the county and national governments, create efficient policies and regulations that will aid SMEs in actively engaging in public procurement and support their development. The study will therefore be helpful to SMEs because it will increase their knowledge of public procurement participation and help them

become more productive. The study's findings will serve as a generated source of knowledge for scholars to consult. The results of this study will be of great benefit to the Nyamira County Government in helping create the appropriate policies that would enhance the viability and productivity of the county's SMEs.

Statement of the Problem

Although Kenya's public enterprises are now subject to procurement preferences (Public Procurement and Asset Disposal Act [PPADA], 2015) and Relegations 2020, SMEs have not completely embraced the preference to participate in government procurements, which has slowed their expansion. According to Mulae (2022), some of the challenges faced by Small and Medium Enterprises include access to affordable credit, market access, infrastructure, and logistical challenges. The SMEs require capacity-building in product development to improve quality and standards. Digitisation of businesses is crucial to the adoption of e-commerce, which most SMEs are not able to adopt, thus missing out on the available opportunities.

According to Section 157 (12) & (13) of PPADA 2015, procuring entities are instructed both at the national and county level to submit reports to the authority every six months demonstrating compliance with the legal provisions on implementation of the preferences and reservation scheme. The report should indicate the number of youths, women and persons with disability from whom goods, works, and services have been procured by the procuring entity as required under section 157 (13) (b) of the Act. This is a mandatory report to be submitted to the authority to enable the preparation of a report to Parliament every six months for consideration by the relevant committee responsible for the equalisation of opportunities for youth, women and persons with disability, which report shall contain details of the procuring entities and how they have complied with the provisions of the Act (PPADA, 2015).

Out of this requirement of the Act, reports show that the beneficiaries of the preference, more so the youth, have portrayed low uptake of the AGPO program, thereby undermining the program objectives. According to the National Treasury Report on AGPO, 2018, less than 40% of the youth, particularly in rural areas, had exploited this opportunity and procuring entities are finding it difficult to meaningfully engage these youth for varied reasons. Further, according to Hivos (2018), only 36% of applicants reported having won tenders, 66% lacked capital, 60% had challenges in getting paid after delivery, and all indicated that procurement procedures and criteria are complex, burdensome, costly for new entities, too technical requiring specialised bidding skills and have limiting compliance costs. Scholars have attributed this outcome to the existing legal framework (Munene, 2018).

General Objective

To investigate the role of public procurement preference scheme in enhancing the growth of small and medium-sized enterprises in Nyamira County, Kenya

Specific objective

- To establish the role of 30% preference on the growth of small and medium-sized enterprises in Nyamira County.
- To investigate the role of waiver of bid bond on the growth of small and medium-sized enterprises in Nyamira County.
- To establish the role of local firm preference on the growth of small and medium-sized enterprises in Nyamira County.
- To assess the role of easy access to procurement opportunities registration on the growth of small and medium-sized enterprises in Nyamira County

Hypothesis

Ho₁ 30% preference has no statistically significant role in the growth of small and medium-sized enterprises in Nyamira County.

Ho₂ Waiver of bid bond has no statistically significant role on the growth of small and medium-sized enterprises in Nyamira County.

Ho₃ Local firm preference has no statistically significant role in the growth of small and medium-sized enterprises in Nyamira County.

Ho₄ Easy access to procurement opportunities registration has no statistically significant role in the growth of small and medium-sized enterprises.

LITERATURE REVIEW

The section provides an analysis of the role of public procurement preference schemes and the growth of small and medium-sized enterprises. It outlines the theoretical framework, empirical review, and conceptual framework.

Agency Theory

This theory took into account parties that played the roles of a principal and an agent. “One of the oldest and most commonly codified modes of social interaction” is the agency relationship (Ross, 2016). Between the government (the principal) and potential suppliers, especially SMEs (the agents), there is frequently knowledge asymmetry in public procurement. The government might not have the resources or the specific knowledge needed to create a certain commodity or service internally, but SMEs do. According to agency theory, this information asymmetry may make it necessary for the government to assign tasks to SMEs acting as their agents in order to take advantage of their knowledge and abilities (Kumar et al., 2022). Agency theory provides a deeper understanding of the principal-agent dynamics in public procurement and their implications for SME growth. It highlights the importance of aligning incentives, implementing effective monitoring mechanisms,

and designing appropriate contractual arrangements to promote SME performance and mitigate agency problems. By considering agency theory, policymakers and practitioners can develop strategies and policies that foster a mutually beneficial relationship between public procurement entities and SMEs, ultimately contributing to economic growth and development (Beal, 2022).

The government serves as the principal in public procurement, delegating duties and authority to SMEs in the capacity of agents. The government depends on the SMEs to act in its best interests and make sure that the items or services it purchases adhere to the necessary quality requirements.

Agency theory focuses on the relationship between principals (e.g., government entities) and agents (e.g., SMEs) and how the interests and behaviours of the agents are aligned with those of the principals. In the context of public procurement, agency theory provides insights into the incentives, monitoring mechanisms, and contractual arrangements that can facilitate SME growth. It highlights the principal-agent conflicts, information asymmetry, and risk-sharing considerations inherent in public procurement processes (Delbufalo, 2018).

Incentive alignment is a crucial aspect of the principal-agent relationship. This theory explores how public procurement policies and practices can provide appropriate incentives for SMEs to enhance their growth. It examines the role of performance-based contracting, bonus schemes, and long-term relationships in aligning the interests of SMEs with the goals of public procurement agencies. The theory also discusses the potential benefits and challenges of using technology-enabled monitoring systems, such as e-procurement platforms and data analytics, to enhance transparency and accountability (Davis, Batchelor & Kreiser, 2019)

By illustrating the mutability and relativity of the subject matter of cognition, this theory has opened up new study directions. The relationships that are the focus of the cognition typically take the form of

formalised contracts in various economic sectors, including the insurance industry, corporate governance, human resource management within an organisation, the formation of strategic alliances, public-private partnerships, and the procurement of public goods and services. When one party must depend on the other's actions, an agency relationship develops. The agency relationship is a legal arrangement whereby the principal (the party hiring the agent) appoints the agent to carry out particular activities on the principal's behalf while retaining decision-making authority (Chrisidu-Budnik et al., 2017).

Therefore, the theory was crucial to the study since it emphasises the need for the government (Principal) to preferably hire SMEs (Agents) by awarding them tenders and directly leading to their growth.

Empirical Literature Review

Worldwide, public procurement plays a significant role in the expansion of SMEs (Hamisi, 2011; Kidalov and Snider, 2011). According to several studies (e.g., Kazungu, Matto, and Massawe, 2017, Kazungu and Panga, 2015, and Ngugi, 2012), SMEs are a county's primary drivers of growth and economic development. The GDP of the County benefits greatly from SMEs. Therefore, it is crucial that the government foster an atmosphere that is beneficial to SMEs' capability and capacity, as well as a competitive environment. When the operational climate for SMEs is extremely favourable for having access to public contracts, Peprah et al. (2016) asserted in their study on SMEs' accessibility to public procurement the contribution to the economy is tremendous. The investigation did discover, however, that SMEs do not receive the favourable treatment outlined in the public procurement laws. In Kenya, Kazungu and Panga (2015) examined the significance of empowering SMEs to take advantage of public procurement possibilities.

According to Hansen et al. (2012), the failure of 60% of SMEs within their first five years of operation is due to complicated regulatory requirements and a lack of access to financing to fund current operations and future expansion. In order to encourage and accelerate SMEs' growth, Kazungu and Panga (2015) urged the proper execution of public procurement legislation and a framework for their promotion.

SMEs may have more trouble than large enterprises competing in the public procurement marketplaces (OECD 2018). SMEs may be prevented from submitting bids for governmental contracts by particular traits. SMEs could not be able to bear the cost of protracted payment delays, meet bid security criteria, have to have a certain amount of turnover or experience, or have trouble getting financing for the working capital they need to complete a contract on time (Loader 2016; OECD 2018). Small and medium-sized enterprises (SMEs) are likely to experience more severe limitations on resources, both financial and human, than large corporations, which will have an impact on their ability to spend money on the (opportunity) costs of attending to the formalities involved in submitting bids for public contracts.

To see how SMEs could benefit more from the £290 billion worth of bids, 200 SME firm directors were polled by AM Bid regarding annual requests for proposals from the UK public sector for products and services. According to the government's intention, which was described in the green paper from the previous year, this was done to raise the percentage of spending with SMEs, transforming Public Procurement. According to the study, the difficulty SMEs reported having in satisfying the requirements for obligatory qualification and the general complexity of the procurement procedure accounted for 44% of the barriers they highlighted. Based on past failures, more than a third (34%) claimed that the procedure was excessively expensive.

According to the poll, 70% of participants stated they had previously submitted bids for work in the public sector with varied degrees of success, with 45% frequently submitting winning bids. Only 4% of these businesses employed an internal bid writer; therefore, bids were created by business development teams (41%), directors/senior management (34%), or marketing teams (15 percent). However, one in ten respondents claimed they had stopped submitting bids for public sector contracts, and 21% stated they had never done so. According to the study, “this means that overall, 31% of our surveyed SMEs are not even in the game and missing out on potentially valuable contracts, with the government aiming for around 30% of its annual £290 billion expenditure to be with SMEs by 2022 that could transform their business and its reputation.” Short deadlines and too-prescriptive specifications that stifled creativity were both mentioned by 41% of respondents, while the high qualification level was cited by 55% of respondents as their major annoyance.

Studies that are globally comparable include one by Isaac Kazungu and Baraka. Israel (2019) conducted a study on how public procurement might help small and medium-sized businesses expand, using data from Mbeya, Tanzania. At Oxford University, Caroline Nicholas conducted more studies on the involvement of SMEs in public procurement. Using public procurement in Ghana as a springboard for the expansion of small and medium-sized businesses and overall national economic growth was also a case study examined by Stephen et al. Peter Obanda (2018) examined local small and medium-sized businesses and governmental procurement in emerging nations like Kenya.

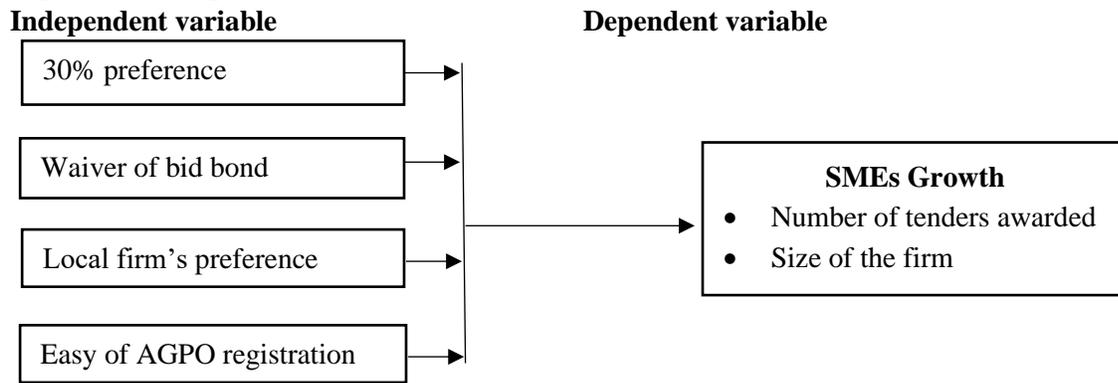
According to Mulae (2022), the challenges affecting the Kenyan SMEs have also presented several opportunities for devolution of the governance structure, which prioritises flagship projects

beneficial to the development of SMEs. Other existing initiatives that benefit SMEs include access to Government Procurement Opportunities (AGPO) and affirmative action funds targeting youth, women and persons with disabilities. Kenya continually offers SMEs Platforms for trade exhibitions and trade fairs to promote market access to a wider scope. The sector has further opportunities available under the existing regional trading blocs and trade agreements for expanded markets (e.g., EAC, COMESA, AfCFTA and AGOA). The county enjoys political goodwill from leaders who have fully supported the sector. Other opportunities lie in product value addition, research development, innovation, skills and technological transfer. Adaptability is key in ensuring Kenya’s small enterprises become globally competitive. Embracing e-commerce and mobile financial transactions is crucial for business growth. The future of these businesses lies in investing in digital transformation, risk management, business succession planning and embracing digital technology to improve business efficiency for market access (Mulae, 2022).

Conceptual Framework

The indicators of the public procurement preference scheme are 30% preference, waiver of a bid bond, local firms’ preference and ease of AGPO registration. The dependent variable is the growth of SMEs. The majority of businesses want to expand in order to succeed; this expansion of an organisation is never accidental nor spontaneous. An organisation must produce an excess in order to expand. There are elements that serve as pillars in fostering the growth of SMEs. SMEs’ growth can be measured or detected in terms of the number of tenders awarded and the size of the firm. All of the aforementioned factors are directly linked to growth.

Figure 1: Conceptual framework



METHODOLOGY

This study employed the descriptive research design to obtain information about the role of public procurement in enhancing the growth of SMEs in Nyamira County. The descriptive research design enables one to obtain information concerning the current situation and other phenomena and, wherever possible, to draw valid conclusions from the facts discussed (Creswell, 2008). The design was chosen because it provided a means to contextually interpret and understand the role of public procurement and how it enhances the growth of SMEs in Nyamira County. The targeted population of the study were the SME managers or their equivalent of the 35700 registered SMEs (According to the Ministry of Trade, Nyamira County). This is attributed to the fact that they are directly involved with public procurement at their respective organisations and, thus, the most conversant with the study’s topic. A stratified random sampling technique was employed. The SMEs were grouped according to comparable criteria as the foundation for stratification, and a random sample was drawn from each stratum or group. Small and medium-sized businesses were categorised based on the industries to which they belong (service, agriculture, wholesale, retail, ICT, production and manufacturing industries). The study population included 35700 registered and licensed SMEs, from where a sample of 395 managers was arrived at by Yamane’s formula. The

confidence level was at 95%; hence the level of significance was at 0.05.

$$n = \frac{N}{1+Ne^2}$$

Where n = sample size, N= Population size, e= level of significance,

$$\text{Therefore, } n = \frac{35700}{1+35700(0.05)^2} = 395$$

The collected data were coded using the Statistical Package for Social Sciences (SPSS), examined using descriptive statistics, and presented using frequency tables. Data collection was done using self-administered questionnaires on a drop-and-pick basis. Descriptive and inferential statistics were used in the analysis of the results. Regression analysis was used to assess the role of public procurement preference schemes in enhancing the growth of small and medium-sized enterprises in Nyamira County. The regression analysis model formula was as follows; $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ whereby: Y = SMEs Growth, β_0 = Constant of the model, X_1 =30% Preference, X_2 = waiver of bid bonds, X_3 = Local firms, X_4 = AGPO registration, β_1 = Coefficients for the determination and ϵ = Error term.

RESULTS AND DISCUSSION

Public Procurement Preference Scheme

The study investigated the role of the public procurement preference scheme in enhancing the

growth of small and medium-sized enterprises in Nyamira County. The Likert scale rating ranged from 1 to 5, where 1 represented strongly disagree, 2 represented disagree, 3 represented neutral, 4 represented agree, and 5 represented strongly agree. The study respondents were required to indicate their level of agreement or disagreement on each item on the scale, and the results obtained are presented in *Table 1*. *Table 1* shows that the mean scores obtained by the respondents on the scale measuring procurement preference ranged from 2.42 to 3.33. 30% Preference had a mean of 3.31, waiver of bid bond had a mean of 2.42, local firms

had a mean of 3.20, and AGPO registration had a mean of 3.33. The findings presented above show that most respondents obtained mean scores above 3, except for the waiver of the bid bond, indicating that the majority of them were in agreement with the statements on the scale. This clearly showed that preference scheme has an effect on the growth of SMEs, as supported by a study by Saastamoinen et al. (2018), who revealed that there is a positive effect between the growth of SMEs and public procurement preference scheme as a role of public procurement.

Table 1: Public procurement preference scheme

Preference scheme	N	Mean	Std. Dev
30% Preference	321	3.31	1.17
Waiver of bid bond	321	2.42	.65
Local firms	321	3.20	1.23
AGPO registration	321	3.33	.89

Growth of SMEs

Table 2 shows that respondents agreed that in the last two years, their businesses have successfully increased (M=3.24, SD=1.13). They agreed that the level of profitability for their business entities has increased in the last two years as a result of participating and accessing public procurement opportunities (M=3.89, SD=1.17). Similarly, they agreed that the number of tenders they have been receiving in the last two years has increased as a result of participating and accessing public

procurement opportunities (M=3.99, SD=1.21). They as well agreed that the number of employees increased as a result of participating and accessing public procurement opportunities (M=3.38, SD=1.38). They agreed that the number of their business branches increased as a result of participating and accessing public procurement opportunities. (M=4.11, SD=.84). This established that the SMEs were able to grow by operating efficiently and effectively, expanding their operation and employing more employees through participating in and accessing public procurement.

Table 2: Growth of SMEs

Public procurement training	N	Mean	SD
I consider my business successful increased in the last two years	321	3.24	1.13
Level of my business entity’s profitability increased in the last two years as the result of participating in and accessing public procurement opportunities	321	3.89	1.17
Number of tenders in the last two years increased as a result of participating and accessing public procurement opportunities	321	3.99	1.21
Number of my employees increased as a result of participating and accessing public procurement opportunities	321	3.38	1.38
Number of my business branches increased as a result of participating in and accessing public procurement opportunities	321	4.11	.84

Model Summary for Public Procurement Preference Scheme on SMEs Growth

Table 3 showed that the correlation coefficient (R) is .706, and this indicated that there was a strong positive relationship between public procurement preference schemes and SMEs growth. The adjusted R² is .492, which suggests that approximately 49.2% of SMEs growth could be explained by the

public procurement preference scheme; the other 50.8% was attributed to factors not mentioned in this study. The coefficient of determination (R²) is .498, which means that a 49.8% change in SME growth is accounted for by the public procurement preference scheme. This showed that the public procurement preference scheme had a significantly high influence on the growth of SMEs.

Table 3: Model Summary for public procurement preference scheme

Model	R	R Square	Adjusted R Square	Std. Error Estimate
1	0.706 ^a	0.498	0.492	0.460

a. Predictors: (Constant), 30% Preference, waiver of a bid bond, local firm, AGPO registration
 b. Dependent variable: SMEs growth

Table 4 indicates that there was a statistically significant difference in the growth of SMEs. As a result, the public procurement preference scheme significantly statistically predicted the growth of SMEs ($F_{(4,320)} = 78.327, p=0.000$). Due to the significance value being too low, this proved that

the public procurement preference scheme indeed has an impact on enhancing the growth of SMEs. This was in line with Akoth's (2017) finding that preference in public procurement between organisations and businesses aided in the expansion of organisations.

Table 4: ANOVA test for public procurement preference scheme on SMEs growth

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	66.308	4	16.577	78.327	.000 ^b
Residual	66.878	316	.212		
Total	133.185	320			

a. Dependent Variable: Performance (growth)

b. Predictors: (Constant), 30% Preference, waiver of bid bond, local firm, AGPO registration

Table 5 indicates that the p-values were ($p=0.000, 0.000, 0.003$ and 0.719) for 30% preference, waiver of bid bond, local firms and AGPO registration, respectively. This shows that the independent variables (30% preference, waiver of bid bond and local firms) contribute significantly to the model. One of the independent variables (AGPO registration) is statistically insignificant since the p-value (0.719) is above 0.05 . The regression model is presented as follows; $SMEs\ growth = 2.661 + 0.332$ (30% preference) $+ 0.099$ (Waiver of bid bond) $- 0.128$ (local firm) $- 0.013$ (AGPO registration). The regression model has established that SMEs growth will equal 2.661 when all four independent variables are equal to zero. The

coefficient for the independent variable 30% Preference is 0.332 . This indicates that a one-unit increase in 30% preference is associated with a 0.332 unit increase in the growth of SMEs, all other variables being held constant. The coefficient for the independent variable waiver of bid bond is 0.099 . A one-unit increase in this waiver of bid bond is associated with a 0.099 unit increase in the growth of SMEs., all other variables being held constant. The coefficient for the independent variable Local firm is -0.128 . This suggests that a one-unit increase in local firms is associated with a 0.128 unit decrease in the growth of SMEs, all other variables being held constant. The coefficient for the independent variable AGPO registration is -0.013 .

This indicates that a one-unit increase in AGPO registration is associated with a 0.013 unit decrease in the growth of SMEs, all other variables being held constant.

Table 5: Coefficients

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.661	.197		13.512	.000
30% Preference	.332	.025	.604	13.220	.000
Waiver of bid bond	.099	.023	.189	4.341	.000
Local firm preference	-.128	.043	-.128	-2.947	.003
Easy AGPO registration	-.013	.035	-.017	-.360	.719

a. Dependent Variable: Performance

Hypothesis Testing

The hypothesis stated that,

Ho₁ 30% preference has no statistically significant role in enhancing the growth of Small and medium-sized enterprises in Nyamira County. The results of multiple regressions revealed that 30% preference has a p-value of 0.000. Since the p-value is less than < 0.05, the null hypothesis was rejected. It was then concluded that a 30% preference has a statistically significant role in enhancing the growth of Small and Medium Enterprises in Nyamira County.

Ho₂ Waiver of bid bond has no statistically significant role in enhancing the growth of Small and medium-sized enterprises in Nyamira County. The results of multiple regressions revealed that waiver of the bid bond has a p-value of 0.000. Since the p-value is less than < 0.05, the null hypothesis was rejected. It was then concluded that waiver of bid bond has a statistically significant role in enhancing the growth of Small and Medium Enterprises in Nyamira County.

Ho₃ Local firm has no statistically significant role in enhancing the growth of Small and medium-sized enterprises in Nyamira County. The results of multiple regressions revealed that the local firm has a p-value of 0.003. Since the p-value is less than < 0.05, the null hypothesis was rejected. It was then concluded that local firm has a statistically significant role in enhancing the growth of Small and Medium Enterprises in Nyamira County.

Ho₄ Access to procurement opportunities registration has no statistically significant role in enhancing the growth of small and medium-sized enterprises. The results of multiple regressions revealed that AGPO registration has a p-value of 0.719. Since the p-value is greater than < 0.05, the null hypothesis was accepted. It was then concluded that AGPO registration has no statistically significant role in enhancing the growth of Small and Medium Enterprises in Nyamira County.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary

The objective of the study was to investigate the role of the public procurement preference scheme in enhancing the growth of SMEs in Nyamira County. The respondents agreed that the SMEs benefit from the 30% preference provision, that there is empowerment as a local firm to participate in tenders by the government, and there is ease registration to government procurement opportunities (AGPO), with a means of 3.31, 3.20 and 3.33 respectively. However, they disagreed on the waiver on bid bonds which had a mean of 2.42. The model summary showed that approximately 49.2% of SMEs growth could be explained by the public procurement preference scheme, and 49.8% chance of SMEs growth is accounted for by the public procurement preference scheme. The regression analysis showed that SMEs growth

would equal 2.661 when all four independent variables were equal to zero. The study found 30% preference, waiver of bid bond and a local firm to be statistically significant, while AGPO registration was found to be statistically insignificant.

Conclusion

The study concluded that there is enough evidence to prove that there is a role of public procurement preference scheme in enhancing the growth of SMEs in Nyamira County as evidenced by p-values of 0.000, 0.000 and 0.003 for 30% preference, waiver on bid bond and local firm respectively. Since the p values of these three independent variables are < 0.05 , the null hypothesis was rejected for both. The null hypothesis was accepted for AGPO registration where the p-value was above 0.05 (0.719). Clearly, the public procurement preference scheme enhances the growth of SMEs through 30% preference, local firms, and waiver on bid bonds.

Recommendation

In order to ensure that SMEs are given the necessary maximum preference in the public procurement process, the study advises public procuring bodies to adhere to the current legislative frameworks, including the adoption of fairness and anti-corruption procedures. The study also suggested that it was necessary to assess the current frameworks and policies for SME development and promotion in order to spot any gaps impeding their development and create an environment that would allow them to take part in and access public procurement opportunities. This will enable SMEs to take advantage of opportunities in public procurement for long-term development and growth.

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