

# EFFECT OF FUNDS DISBURSEMENT PROCEDURES ON PUBLIC PROCUREMENT PERFORMANCE IN NYERI COUNTY: (A CASE OF NYERI SUB- COUNTY)

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**Abstract:** This research will seek to find out the effect of disbursement of funds on procurement performance in Nyeri sub-county. The objectives is to determine the effect of delayed funding of projects, insufficient funds, mandatory returns of unspent funds and coordination between treasury and decentralized ministries on Public Procurement performance .A Questionnaire was used to collect data using drop and pick method. Validation of the method and instrument used will be carried out before presentation. Data collected was entered into (SPSS) i.e. Statistical Packages for Social Scientists and analyzed using descriptive statistics where frequencies and percentages was computed and inferential statistics where Pearson's correlation analysis and multivariate linear regression will be computed. Study results was presented in frequency and percentage tables and charts while the explanation to the same presented in prose. The findings of this study is of great importance to the formulation and implementation of funding policies in the government of Kenya. It also enhance performance in management of procurement functions. The study concluded that Delay in releasing of Funds significantly and positively influenced public procurement performance at Nyeri Sub-County. This implies that procurement processes is a project within a project and require sufficient resources to be available on time like any other projects. The study further concluded that insufficient funds has a significant and a positive effect on public procurement performance at Nyeri Sub-County. This implies that funding fluctuations, gaps and reductions inevitably affect the completion of procurement project. The study also, came into a conclusion that returning unspent money had significant and a positive effect on public procurement performance at Nyeri Sub-County. This implies that procurement project are likely to stay un delivered as the funds have high chances of being declared unspent. Finally, the research concluded that coordination had a significant and positive effect on the public procurement performance at Nyeri Sub-County. This implies that public organization can be effective and efficient through enhancing the coordination between central government and decentralize departments which in turns improve the process of procurement. The study therefore, recommends that the Government should implement a payment programme with a convenient repayment system which in turn will enhance public procurement performance. The study established that public organizations always compromise quality for quantity because of insufficient funds, the study recommends that procurement projects for public organizations should adequately funded to avoid such problem from occurring in the future. Since the Unspent funds once returned cannot be reimbursed at the beginning of the following financial year, the also study recommends that adequate policies should be put in place to ensure that unspent funds are full utilized which in turn will ensure continuity of the abandon planned projects. The study finally recommends that in order to enhance the public procurement performance in the country, all the decentralized department in the public organization should be fully be engaged in budgeting process.

**Keywords:** delay in releasing of funds, insufficient funds, returning unspent money and coordination.

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## 1. INTRODUCTION

An understanding of public procurement, its essence and purpose provide the best justification for accountability and openness in the procurement process. Public is acquisition, whether under formal contract or otherwise, of works, Supplies and services by public institutions using public finances (PPDR 2006). It involves acquisitions of goods and services by all contractual means. It also the use of public funds Procure works, goods and services with or without government direct involvement (procurement policy term, 2012). Public procurement is the act of acquiring public goods works or services including construction. It includes all processes involve in acquisition of goods and service e.g. specification of requirements, source selection, tender evaluation and award and administration of contract. It is an established legal system that plan, advice, acquire and oversee public expenditure on requirement that meets the government goals and objectives (Prier & McCue 2009)

### Statement of the Problem:

The objective of public procurement is to, maximize economy and efficiency, promote fair competition and equal treatment of suppliers, achieve transparency and accountability, integrity and fairness, increase public confidence and promote local industry (PPDA 2005). To achieve this objective procurement must perform its function efficiently and effectively. The goal is to minimize cost of acquisition, provide right quality of good and services at the right time and place in the right quintiles and from the right sources. It must also adhere to the laws and regulation governing procurement functions. The procuring entities expect to receive their entire requirement on time for them to deliver services to the citizens in accordance with their vision and mission and they rely on procurement department for these provisions. Procurement must therefore receive sufficient funds on time and as per the projected procurement plan.

However, either for lack of coordination between procurement and finance or for other factors unknown to the researcher funds disbursement is “erratic like rainfall”. It is never received as per the procurement plan or as per the time established by the law which is at the beginning of every quarter (PFMA 2012). This has caused a myriad of problems to all stakeholders .procurement personnel are accused of not performing, project delays giving rise to rise in projects cost and causing contractors cash flow problems. The cash flow problems sent contractors to borrow from banks who in turn charges high interest rate and hence humbler economic improvement. The contractors are aware of this and when quoting for goods or works they quote very high prices to gather for the waiting period. Some contractors end up being unpaid completely because as the funds delay priorities changes and the projects are abandoned.

I handle a project in Narok in 2015 which had a sailing of 50 million. We received the first allocation on June 2015 which was 10 million. With our expectation the contractor did a job worth 12 million and was paid 10 million. The project was never funded again until January 2018 while I had already been transferred. When I visited the area recently I noted the building was reducing to one storey while the initial plan was five storey. Such is the trend in most projects. Some are abandoned other are reduced in size with cost almost remaining unchanged because of the effect of inflation and interest rates.

I here media and some high profile personalities talk of procurement buying goods at exorbitant price above market rate but when we float tenders those are the prices the suppliers quote. They are all aware of the risk involved in working with government which includes delayed payment, half payment or even being completely unpaid. To cushion the effect of this suppliers charge exorbitantly.

Recently prices of sugar rises from shs.4000 per 50kg bag to 6000.our supplier whom we usually pay 6000 refuse to supply when the market price was 6000. When consulted he said he wants kshs. 9000 In order for him to supply. Having no other option we accept the price because the big wholesalers do not even tender for the supply.

Research is silent on this area probably because researchers fear delving into government finance which is considered confidential area and chances of getting right information is minimal. This research will seek to fill this knowledge gap and recommends measures to be taken in order to address the problem.

**Objectives:**

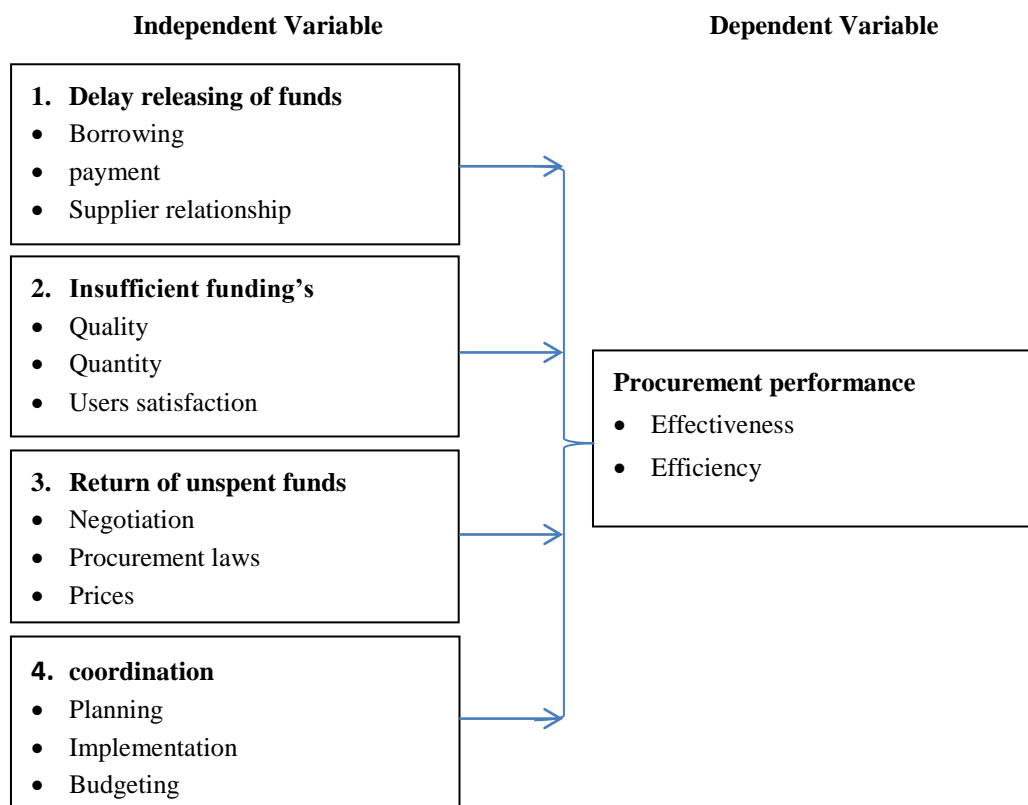
- i. To establish the influence of delay in releasing of funds on the public procurement performance
- ii. To establish the influence of insufficient funds procurement performance
- iii. To establish the influence of returning unspent money at the closure of financial year on public procurement performance
- iv. To establish the influence of coordination on procurement performance

**2. THEORETICAL REVIEW****Institutional Theory:**

The government as an institution organizes its structures in a formal way such that it operates like any other organization. Kraft's Public Policy (2007) emphasizes the legal structures of government. The study of this theory extends across all academic field which includes but not limited to political science, economic and sociology, Najeeb (2014). Institution is important and all scholars take note of this and has triggered a lot of interest in the field of academics, (Kaufman 2011), organization processes and procedures is a reflection of or results of the policies and structures inherent with their wider environment (Paauwe & Boselie 2003). The government has got different institutions of which procurement is one and they all work and interact together to achieve the goals and objectives of the states.

**System Theory:**

System entails a group of different units regularly and systematically interacting together to form one whole. The different units complement each other in a harmonious way so that at the end of the day a predetermine objective is achieved (Kange'the 2002). A system works in an environment surrounding it and has an influence its activities. Each unit in a system plays its role for the benefit of the whole and is under control of rule, laws and structures formed to guide its functions. Organizations and governments have defined structures like any other system and activities are divided according to the knowledge and skills of the available personnel.

**Conceptual Framework**

### 3. RESEARCH METHODOLOGY

The research design used in this study was descriptive research design. The population of this study constituted 96 personnel from 12 departments which are currently under the Central Government in Nyeri Sub-County. These are heads of department, accountants and procurement officers. They were chosen on the basis that they have relevant information and thereby purposively selected. These are the core departments that are mandated to carry out government works and services in Nyeri Sub-County. The data collection instrument for this study was a questionnaire. The questionnaire had both open ended questions and a Likert Scale on some questions. The questionnaire was pre-tested with a small representative sample aimed at identifying potential misunderstandings or biasing effects for various questions. The data was coded and thereafter analyzed using descriptive statistics and inferential statistics (mainly linear regression models) with the aid of Statistical Package for Social Sciences (SPSS) program and presented using appropriate tables to give a clear picture of the research findings at a glance. A multiple linear regression analysis was performed to test the effect of the independent variables on the dependent variable

#### Model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \alpha$$

Where: Y = Public Procurement performance in Nyeri Sub-County County

X<sub>1</sub> Delay in releasing of funds

X<sub>2</sub> Insufficiency of funds allocated

X<sub>3</sub> Returning unspent money

X<sub>4</sub> Coordination

B<sub>0</sub> – Constants of the Model

β<sub>1</sub> – β<sub>n</sub>: Co-efficient of determination

α – Stochastic Error Terms

### 4. REGRESSION RESULTS

Table 4.1: Significance of Independent Variables

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.681	.310		.000	.002
1 Delay in releasing of Funds	-.320	.211	-.169	1.515	.000
Insufficient funds	-.387	.116	-.353	3.329	.001
Returning unspent money	-.343	.152	-.247	2.255	.002
Coordination	.369	.126	.314	29.26	.004

The results in Table 4.1 indicate that Delay in releasing of Funds significantly and negative influenced public procurement performance at Nyeri Sub-County. This implies that procurement processes is a project within a project and require sufficient resources to be available on time like any other projects. Delays in the supply of goods, services and works affect almost every sphere of human activity directly or indirectly.

Further, insufficient funds has a significant and a negative effect on public procurement performance at Nyeri Sub-County. This implies that funding fluctuations, gaps and reductions inevitably affect the completion of procurement project. Delays due to funding gaps have important consequences in both the private and public sector for multiple reasons, including time to market, first mover advantage, macroeconomic risk, and inability to meet customer needs

Returning unspent money had significant and a negative effect on public procurement performance at Nyeri Sub-County. This implies that procurement project are likely to stay un delivered as the funds have high chances of being declared unspent. If the funds is declared unspent the treasury will not bother to allocate the same funds in the following financial year, instead it will reduce the funding with reason that you did not spend because you had no need. This makes heads of procuring entities push procurement department to expedite procurement and if possible bypass the recurred processes.

Coordination had a significant and positive effect on the public procurement performance at Nyeri Sub-County. This implies that public organization can be effective and efficient through enhancing the coordination between central government and decentralize departments which in turns improve the process of procurement.

## 5. CONCLUSION

The study concluded that Delay in releasing of Funds significantly and negative influenced public procurement performance at Nyeri Sub-County. This implies that procurement processes is a project within a project and require sufficient resources to be available on time like any other projects. The study also concluded that insufficient funds has a significant and a negative effect on public procurement performance at Nyeri Sub-County. This implies that funding fluctuations, gaps and reductions inevitably affect the completion of procurement project. The study further came into a conclusion that returning unspent money had significant and a negative effect on public procurement performance at Nyeri Sub-County. This implies that procurement project are likely to stay un delivered as the funds have high chances of being declared unspent. Finally, the research concluded that coordination had a significant and positive effect on the public procurement performance at Nyeri Sub-County. This implies that public organization can be effective and efficient through enhancing the coordination between central government and decentralize departments which in turns improve the process of procurement

## 6. RECOMMENDATIONS

The study recommends that the Government should implement a payment programme with a convenient repayment system which in turn will enhance public procurement performance. The study established that public organizations always compromise quality for quantity because of insufficient funds, the study therefore recommends that procurement projects for public organizations should adequately funded to avoid such problem from occurring in the future. Sufficient funds will also enable public organizations to avoid postponing their activities due to lack of funds therefore enhancing public procurement performance. Since the Unspent funds once returned cannot be reimbursed at the beginning of the following financial year, the study recommends that adequate policies should be put in place to ensure that unspent funds are full utilized which in turn will ensure continuity of the abandon planned projects. The study also recommends that procurement process should be flexible enough to avoid being cut at the last quarter in order to beat timeline for closure of activities. This will in turn enhance public procurement performance in the country. The study finally recommends that in order to enhance the public procurement performance in the country, all the decentralized department in the public organization should be fully be engaged in budgeting process besides the same decentralized departments consulting one another during the financial planning.

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