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Challenges of Micro and Small Enterprises' (MSEs') Finance Accessibility on Participation in Public Procurement Market in Kenya

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ABSTRACT
This study sought to investigate the challenges of micro and small enterprises (MSEs) finance accessibility on participation in public procurement market in Kenya. The study was guided by Schumpeter's Theory of Innovation, Theory of Social Change, Sociological Theories, Family Orientation Theory, Hayekian Knowledge Problem (HKP), Resource Based Theory, Theory of Perfect Competition, Decision Theory, and Contingency Theory. This study was a descriptive survey design with a population of about 519,385 MSEs in Nairobi County. The owner-managers of MSEs were the unit of analysis and were targeted for information because they are likely to be the decision makers in these businesses and are actively involved in their day to day operations. The study established that only a small section of the respondents have ever accessed government funding to boost their businesses while majority (69.0%) have never received any government funding at all. Results of the study also established that the process for securing the funds was too technical and hard to understand, and the time taken to approve such loans was unnecessarily long yet government tenders comes with very strict timelines which automatically leads to disqualification if not adhered to. This study recommends that the government should increase its funding opportunities to MSEs to boost their business activities.
Key words: Finance, Procurement, Entrepreneurs, Accessibility**,** Participation

INTRODUCTION

According to Mbaku (2012), after constitutional rules have been adopted and the apparatus of state established in a country, there exists an incentive for citizens to capture the government and use its redistributive powers to enrich themselves. Each political choice has a distributional effect, and participants in political markets have preferences about these effects and about public policy outcomes. Consequently, these individuals are willing to expend resources to influence these outcomes. Quite often, individuals will organize themselves into special-interest groups in order to improve their ability to affect distributional outcomes. The process of expending resources in an attempt to influence public policy outcomes is called *rent-seeking*. The resources expended create no social product and as a result are regarded as a social waste (Krueger, 2004).

Mbaku (2012) argues that basically, entrepreneurs pay bribes to the bureaucrat in exchange for benefits they would not have otherwise received. Bureaucratic corruption involves several kinds of activities. In addition to accepting bribes from individuals and groups seeking government favours, bureaucratic corruption also includes theft or the illegal appropriation of public resources by the civil servant, nepotism, illegal taxation by the bureaucrat, and other types of activity that illegally increase the bureaucrat's compensation package. Some of these activities, however, do not qualify as rent-seeking.

Bribery of a civil servant by an entrepreneur in order to receive an important permit represents an incidence of bureaucratic corruption and is rent-seeking behaviour.

Although the conversion of public resources by a civil servant to his own private use is bureaucratic corruption, it is not rent-seeking behaviour. If, on the other hand, civil servants lobby legislators in an effort to secure legislation raising bureaucratic compensation levels, such behaviour is rent-seeking, but it is generally not considered a form of corruption. Thus, not all types of bureaucratic corruption are rent-seeking behaviour. The extent of bureaucratic corruption, of course, is determined by the laws and institutions of a country and how effectively those rules constrain the ability of the government to intervene in private exchange.

Politicians, interested in maximizing votes and thus, re-election, seek contributions from interest groups to finance their campaigns for public office. Interest groups, eager to influence policy outcomes, willingly provide the campaign contributions with the hope that, once elected, the law-maker will support special-interest legislation to create rents and to improve the ability of the interest group to extract those rents from the economy. Rent-seeking can thus result in the adoption of perverse economic policies that impose significant costs on a large and poorly organized population while at the same time effecting a significant transfer of wealth from the economy to a few well-organized groups. For example, in many developing countries, small urban groups have succeeded in getting the government to enact price control regimes which force foodstuff prices below their (free) market equilibrium levels, resulting in a transfer of wealth from the larger, but poorly organized, rural sector to the politically-volatile and relatively well organized urban sector.

Civil servants, whose job it is to implement national economic policies, and consequently serve as the agents of politicians and voters, may also attempt to maximize their self-interest. There is a strong incentive for bureaucrats to behave opportunistically and to maximize their budgets at the expense of executing public policies efficiently and effectively. The absence of competition among government bureaus and agencies, as Niskanen (2010) and Lowenberg (2012) show, usually results in output that is significantly larger than that which would have been produced in a competitive environment under similar circumstances.

Society as a whole would be better off if all individuals cooperated, that is, no one engaged in opportunism, and rent-seeking did not exist. However, non-cooperating individuals often garner for themselves a level of wealth that is above and beyond what they would have obtained in the absence of opportunism. Consequently, as discussed by Wiseman (2010), unless the ability of the government to intervene in private exchange is sufficiently constrained by the constitution, a democratic society with a majority voting rule can deteriorate into a Leviathan state whose regulatory powers will be used by special interest groups to effect inefficient wealth redistribution in their favour. This reallocation process of state resources may be having a negative impact for MSEs to access government funds through public procurement.

OECD (2009) notes that public procurement is traditionally one of the government sectors most vulnerable to corruption, due to its size, complexity and the sums of money at stake that provide both incentives and opportunities for corrupt behaviors. The root cause of this corruption can be understood from Herbst (2010) perspective that public procurement constitutes the principal instrument for exercising political patronage, a practice that is especially prevalent in Kenya and many other African countries since there are very few means of economic advancement outside of the state. In Kenya, for instance, about 60 percent of government revenue is spent on procurement and one can therefore understand why public procurement has been at the center of corruption.

Odhiambo & Kamau (2013) indicate that common corrupt practices in public procurement include public officers. These public officers, often under the influence of powerful politicians and businessmen, only invite preferred firms, favor certain firms at the short-listing stage, design tender documents to favor particular firms and release confidential information. According to Migai-Akech (2005), this state of affairs is exacerbated by the fact that the procurement system is manned by junior officers, who are powerless to correct any anomalies and may easily be manipulated by their seniors and powerful politicians. He further observes that corruption in public procurement is also facilitated by lack of transparency in the system where the applicable procedures are invariably inaccessible to the public.

However, these studies do not indicate how corruption in public procurement sector affects supply opportunities available to the MSEs in the sector. If indeed the sector is ripe with corruption as reviewed literature indicate, then there is need to establish how runaway corruption in public sector influences MSEs' access to procurement opportunities in government. Even as Odhiambo & Kamau (2013), indicate that inefficiencies in public procurement contribute to an unsuitable business environment which hurts local businesses. There is a question of "how" which is not addressed in the available literature and which the current study seeks to answer. Against this background, emerging efforts to look at corruption aspects of public procurement constitute a promising trend to help understand the challenges facing MSEs in accessing public procurement market in Kenya and possible solutions to the problem under study.

THEORETICAL RELATIONSHIP OF FINANCE ACCESSIBILITY BY MSEs

Resource Based Theory

Penrose (1959) provided initial insights of the resource perspective of the firm. However, the resource-based view of the firm (RBV) was put forward by Wenerfelt (1984) and subsequently popularized by Barney's (1991) work. Many authors for example Nelson & winter (1982); Dierick & Cool (1989); Mohoney & Pandian (1992); Eisenhardt & Martin (2000); Zollo & Winter (2002); Zahra & George (2002) and Winter (2003) made significant contribution to its conceptual development. The theory emphasized the importance of organization resources and their influence on performance and competitive advantage in the market. According to RBV, every organization has its own unique resources that enable it to remain competitive in the market, by addressing the rapidly changing environment (Helfat, 2007). These resources may be financial, human, physical, technological and information. These may be valuable, rare and non-substitutable (Crook, Ketchen, Combs & Todd, 2008).

Critiques of the RBV have pointed out that some resources contribute to competitive advantage while others do not; hence, not all resources of an organization have the ability to contribute to competitive advantage. Secondly, the mere availability of resources are coordinated and integrated (Lopez, 2005). To execute procurement function, there is need to have informed professionally trained and experienced staff in the field of procurement.

Model on Corruption Effect

In societies with politicized resource allocation systems, the civil service becomes the principal mechanism for the allocation of resources, and not the market. Consequently, entrepreneurs seeking to secure the rights to lucrative monopoly positions created by government intervention must purchase these rights from politicized markets controlled by civil servants. Bureaucrats, aware that the permits provide their owners with significant monopoly profits, try to capture some of these rents by demanding bribes from entrepreneurs who request licenses. Government regulation also imposes significant costs on business enterprises. To reduce the burden of such regulations, many entrepreneurs attempt to bribe civil servants, whose job it is to administer these laws. The main purpose of a bribe is either to obtain an exemption from the laws, or to have one's enterprise taxed at a diminished rate.

If the economic system were deregulated and access to markets unrestricted – that is, licenses and permits were not required, for example, to engage in economic activity – there would be no reason for entrepreneurs to pay bribes to civil servants. If, for example, there were no restrictions on international trade, entrepreneurs would not be required to obtain import permits, and as a result, bureaucrats would have no opportunity to extract bribes from participants in international trade. Thus, bureaucratic corruption is directly related to the level and extent of government activity in the economy.

Several studies have examined corruption in Africa, including Werlin (2003); LeVine (2005); Gould and Mukendi (2009). Ghana represents an excellent example of a country in which excessive government intervention in private exchange gave rise to high levels of corruption. Corruption in Ghana is well documented, by for example, Werlin (2003) and LeVine (2005). Ghana gained independence from Great

Britain in 1957, with Dr Kwame Nkrumah as the country's first chief executive. The Nkrumah government subsequently established a repressive political system and, like many other developing countries, adopted statism as the country's development path. Within a few years of independence, the incumbent government had succeeded in manipulating the rules to insure its total and absolute control of resource allocation. In fact, by 1966, the year in which Nkrumah's regime was overthrown by a military coup, the country had degenerated into a venal society with a repressive and highly controlled internal economic structure in which access to lucrative monopoly positions was regularly sold by civil servants.

The destruction of the market mechanism and the relatively heavy reliance on the political system for the allocation of resources increased the level of rent-seeking and created opportunities for bureaucrats to extort bribes from entrepreneurs seeking access to markets. Since the government of Nkrumah was overthrown in 1966, Ghana has enjoyed only a brief period of civilian rule. Despite efforts at institutional reform, the economy is still characterized by significant levels of state intervention and as a result, rent-seeking, including corruption, continues to be a major development problem. Democratic Republic of Congo represents another important case of corruption in post-independence Africa. In a little over five decades of independence, the country's apparatus of state has been converted into a framework for the enrichment and self-advancement of the nation's elites.

In fact, Mobutu Sese Seko, who ruled DR Congo for a long time acknowledged that corruption was the nation's greatest development problem (Gould and Mukendi, 2009). Its leaders have been cited in several cases of abuse of the public trust, including the illegal appropriation of military resources by military officers, and the use of judiciary authority by some of the nation's judges to punish their enemies and those of their friends. Also reported are incidents of adjudication of court cases based on the accused wealth status, mass smuggling of diamonds and coffee, and placement of dead or non-existent individuals on the national payroll. There are cases of non-payment of import duties by entrepreneurs, who pay bribes to the bureaucrats in the customs and excise department.

Three important forms of corruption have been identified in DR Congo: first, in routine state business, individuals bribe civil servants to have incriminating or compromising documents expunged from their official files. Bribing the right official, especially in the government's salary computerization bureau, can result in an increase in one's base salary. Second, supervisors may also engage in corruption while implementing public programmes. For example, an individual given the responsibility for implementing a bridge construction project may receive additional compensation either by submitting false accounts and pay vouchers, or by allowing contractors to submit invoices with inflated costs. Based on a prior agreement, the civil servant is paid a bribe by the contractor. If completion of the project involves the importation of raw materials, the civil servant supervising the project may be able to earn extra-legal income by purchasing more inputs than are required to complete the project and then selling the surplus to private entrepreneurs, usually at below market prices.

Third, state intervention in private exchange is carried out by the country's bureaucracy. For example, civil servants design and implement state price control programmes, as well as assessing the taxes each enterprise must pay. In addition, as is the case in most other African countries, the state in the Democratic Republic of Congo is responsible for marketing most cash crops and other primary commodities (including fuels and minerals) produced domestically.

In the implementation of the myriad of state regulations, civil servants have an opportunity to extract additional income from the economy for themselves. Entrepreneurs regularly pay bribes to civil servants in order to minimize or eliminate their tax obligations. Officers of the customs and excise departments routinely reduce import duties owed to the state by importers. The latter, of course, share the cost savings with the bureaucrats. Gould and Mukendi (2009) state that these and other corrupt behaviour or practices have been 'ingrained, institutionalized and routinized' in the economy of DR Congo and have resulted in the 'systematic bleeding of the state treasury'.

We start by analyzing how inequality, fairness and corruption affect optimal policy choices and how policies in turn affect the equilibrium levels of inequality, fairness and corruption. The gap between actual and fair income can be decomposed into four terms:

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The first term implies that a higher tax rate corrects more for the unfairness generated by unjustifiable inherited wealth, whereas the second term implies that a higher tax rate also deprives the individual of some of her fair wealth. Therefore, to the extent that wit−1 6= ˆwit−1 for a positive measure of agents, society faces a trade off in choosing the size of the government that is optimal from a fairness perspective. The last term, on the other hand, captures the net gain or loss of the agent from his participation in the zero-sum game of corruption, which also depends on the size of the government.

Empirical Relationship of Access to Finance by MSEs

A study by Mwania, (2011) on the effect of *Biashara Boresha* Loan (BBL) on the performance of micro and small enterprises owned by Kenya Commercial Bank (KCB) Ruiru branch customers sought to review the lending procedures of biashara boresha loan, to assess the effect of BBL on MSEs performance and to find out the challenges faced in lending to SMEs. It found out that besides BBL, there are other factors believed to have an effect on business performance. Mwania concluded that infant businesses need support in their early years when their motivation is high and innovation is low and that collateral requirements at KCB Ruiru should be made a bit flexible and repayment period should be increased to at least a year because SMEs only manage to access a small amount of loan due to short repayment periods.

Further, 53% of BBL customers interviewed felt the process was cumbersome. Some felt that after availing all the required documentation, the turnaround time was not acceptable. 52% of the entrepreneurs utilized the loan advanced 100% for working capital and their revenue increased from previous thus boosting the business performance. 11.9% diverted the amounts advanced and they confessed as having difficulties in meeting their repayments on time. They also saw their sales turnover decrease from the previous due to the increase in operating costs brought about by the interest rates on the loans advanced.

The study also found a positive correlation between BBL and entrepreneurs business performance and concluded that young businesses require more support financially to supplement their working capital. The study recommended that Kenya Commercial bank had a few issues to address such as lending procedures, collateral requirements and repayment period to ensure better customer satisfaction and that further research should be done on entrepreneur's competencies, competition, and government regulations among others.

Another study conducted by Kinyua (2014) in Nakuru Town sought to investigate factors affecting the performance of small and medium enterprises in the *Jua Kali* Sector in Nakuru town. It sought to investigate the role of finance, management skills, macro-environment factors and infrastructure on performance of small and medium-sized enterprises in the *Jua Kali* sector in Nakuru town. The findings shows that; that access to finance had the potential to positively affect performance of SMEs; management skills were found to positively and significantly affect performance of SMEs; macro environment factors were found to significantly affect performance and Infrastructure did not significantly affect performance of SMEs in the study area. The study recommended that banks should improve access to finance through offering better lending terms and conditions and collateral requirements; focus on acquiring appropriate management skills such as financial, marketing and entrepreneurial skills and effectively strengthen the macro environment in order to increase SMEs performance.

Finally, Mugo (2012) on a study to investigate factors affecting women entrepreneurs' performance in Central Business District (CBD) of the city of Nairobi, sought to assess the financial accessibility, and the effect of record keeping challenges. It also sought to establish the effect of budgeting on financial factors affecting women entrepreneurs' performance, and the working capital management on the women entrepreneurs' performance. Finance was identified as the major impediment affecting performance of women entrepreneurs. The study recommended that banks should develop a product for women entrepreneurs, that is special and which can allow them to access loans. It further recommended that the government should offer business training to women. There should also be good policies in place to support women entrepreneurs achieve their business objectives.

RESEARCH METHODOLOGY

This study was a descriptive survey designed to establish the challenges of micro and small enterprises' capacity in public procurement market in Kenya. Descriptive research studies are designed to obtain pertinent and precise information concerning the current status of phenomena and whenever possible to draw valid general conclusion from the facts discovered. Descriptive survey attempts to describe characteristics of subjects or phenomena, opinions, attitudes, preferences and perceptions of persons of interest to the researcher.

Data analysis is the representation of data gathered during a study (Orodho, 2010). This study gathered both quantitative and qualitative data which were coded and analyzed using Statistical Package for Social Sciences (SPSS) computer software. SPSS software was used because of its ability to appropriately create graphical presentations of questions, data for reporting, presentation and publishing. SPSS is able to handle large amount of data and given its wide spectrum of statistical procedures purposefully designed for social sciences, it was also quite efficient (Martin & Acuna, 2012). The analyzed data was presented in the form of frequency distribution tables, pie charts and bar graphs where necessary.

Descriptive statistics were used to analyze the data in frequency distributions and percentages which were presented in tables and figures. Qualitative data was analyzed thematically by categorizing them along themes which were guided by the research hypotheses to establish links between data and major patterns that emerged from the research. Discussions and presentations of the analyzed data were done in tables of frequency distribution, percentages, bar graphs and pie-charts. Measures of dispersion were used to provide information about the spread of the scores in the distribution.

The study also used Analysis of Variance (ANOVA) to analyze the degree of relationship between the variables in the study. This provided an indication to the strength and direction of association between the variables and hypotheses testing. Multiple regression analysis was used to test relationships between the variables. A self-weighting estimating equation was developed out of the multiple regression analysis to help predict values for a criterion valuable from the values for several independent variables. This method is known to be reliable when there is need to control confounding variables to better evaluate the contribution of the variables, to test and explain casual theories, and to test hypotheses and to estimate population values (Cooper & Schindler, 2011).

RESULTS AND DISCUSSION

To establish the extent of financial accessibility to MSEs, the study sought to know how many MSEs have benefited from government funding and the results were as shown in table 1.

Table 1: Access to Government Funding

Governement Funding	Frequency	Percentage
Those have accessed government funding	68	26.1
These haven't accessed government funding	180	69
Not sure	13	4.9
Total	**261**	**100**

From the result shown in Table 1, only 26.1% of the respondents have ever accessed government funding to boost their businesses while a whopping 69.0% have never received any government funding to boost their businesses. However, 4.9% of the respondents did not indicate whether they have accessed any government funding or not. It was further revealed that for the few who have ever benefited from government funding, a majority (57.5%) got funded by the Youth and Women Enterprise Development Fund and 42.5% got funded by Uwezo Fund. These statistics are fairly encouraging given that the later was introduced only in 2013.

For those who were unable to access funding from the Government, they gave their reasons as presented in Table 2.

Table 2: Reasons for Failure to Access Government Funding

Reasons for Failure to get Funds	Frequency	Percentage
Conditions too stringent	227	86.9
Require Security	211	80.8
Corruption in giving out funds	191	73.2
Process too technical	178	68.2
Others	123	47.1
	123	47.1

The results indicate that a majority (86.9%) of the respondents view the conditions put by government agencies to be met by applicants before getting such funds are too stringent and out of rich for ordinary small-scale traders. The findings further show that 80.8% of the respondents view security to guarantee loan as a requirement by funding institutions as a major hindrance to MSEs' access to government funding. According some of these respondents, many micro and small scale traders are starters who may lack permanent assets like land, buildings, motor vehicles, mortgages, insurance schemes and many others which banks need to guarantee loans unsecured loans to clients. This finding is in agreement with the conclusions of another study by Mwania, (2011) on the effect of *Biashara Boresha* Loan (BBL) on the performance of micro and small enterprises owned by Kenya Commercial Bank (KCB) Ruiru branch. Mwania concluded that infant businesses need support in their early years when their motivation is high and innovation is low and that collateral requirements at KCB Ruiru should be made a bit flexible and repayment period should be increased to at least a year because SMEs only manage to access a small amount of loan due to short repayment periods.

Another 73.2% of those interviewed feel that there is a lot of corruption in giving out such funds. This is in agreement with an assertion made by Kidombo (2014) that government bodies are by far the largest conduits of corruption. Just as in the current study, Kidombo indicates that most of the big scandals we hear of originate from the government. He states that, "we hear and see government projects, which in reality are *white elephants* because the funds were misused or diverted to personal use. We here, see and read how chief officers in government have misused funds such as the Youth and Women Enterprise Development Fund, Fuel Levy Fund, Equalization Fund, Constituency Development Fund, County Development Fund and many other such funds causing many government projects to stall." With high level corruption in public financial management system, deserving MSEs are and will continue to be deprived of the necessary capital to inject impetus into their businesses.

Further, 68.2% indicated that securing the funds involves a process that was too technical and hard to understand. Again, this is in agreement with the findings of Mwania (2011) that the process of securing funds for MSEs is cumbersome. Some felt that after providing the necessary documentation, the time taken to approve such loans was unnecessarily long and anti-business. According to some of the respondents, while loan approval takes long, government tenders comes with very strict timelines which automatically leads to disqualification if not adhered to. When they receive such moneys after the expiry of a tender period, there is the likelihood that such moneys will be used for other purposes other than the intended one and repayment becomes a challenge compounding the problem even further. Hence, if MSEs can't access funds in time, they can't do business with the government.

47.1% of the respondents feel that there are other reasons in addition to the ones stated above which hinder them from accessing such funds. They identified some of the reasons as: favouritism, nepotism, clanism, tribalism, and complicity among local leaders and fund officials who are tasked with the responsibility of vetting beneficiaries. Others indicated that they don't receive information about available funding opportunities in time and are usually locked out due to time limitations. Other reasons given include: long distances to service centres where funds are distributed, political differences where certain candidates perceived to be politically correct are given funds at the expense of those that are deemed to be opposed to influential political leaders in an area. Over and above, the findings have established that government funding opportunities are inaccessible to the majority of MSEs in Kenya.

The study also sought to determine sources of finance for those who fail to secure government funding and the results are presented in Table 3.

Table 3: Financial Institutions

Financial Institutions	Frequency	Percentage
Micro finance institution	25	10.2
Commercial Banks	12	4.9
Co-operative Societies	21	8.6
Others	187	76.3
Total	245	100

Table 3 shows that 10.2% of the respondents accessed their finances from micro finance institutions, 8.6% from co-operative societies while 4.9% got funds from commercial banks. A majority (76.3%) indicated that they get their funds from other sources. The sources named included merry-go-rounds and local *chamas*, individual borrowing and personal sources among others. From these results, it is clear that only a small percentage of MSEs access financial services from government sources, banks and other financial institutions. Otherwise, majority of MSEs still depend on informal sources of finance which are inadequate and unreliable to finance government tenders which in most cases require huge capital investment. These findings agree with those of Mwania (2011), Mugo (2012) and Kinyua (2014) that finance affects performance of SMEs since finance aspect is key in any business.

The study also investigated the reasons why MSEs cannot easily access loans from financial institution and the results are presented in Table 4.

Table 4: Reasons for not Accessing Loans

Reasons	Frequency	Percentage
Tough conditions for small businesses	115	44.1
Process too technical	112	42.9
Too Procedural	89	34.1
Unfavourable bank policy	73	27.9
Other reasons	41	15.7

It was revealed by 44.1% of the respondents that the conditions given by the banks are too tough for micro and small enterprises; 42.9% indicated that the process of securing the loans were too technical and out of reach of small business while 34.1% indicated that it was too procedural and unhealthy for small business. The study was further informed by 27.9% of the respondents that banks and micro-financial institutions have adopted policies which are unfavourable to micro and small businesses making it difficult for them to access loans. Another 15.7% had other reasons for not accessing loans which they provided as follows: high interest rates charged by various banks and micro-finance institutions, fear of the punitive measures taken by banks in case one fails to repay the loan; inadequate information about products available in the market to fund MSE activities; and myths and misconceptions about borrowing from banks and other financial institutions.

Respondents were also asked if they would have a better chance of winning tenders if they applied for tenders together with other large enterprises, and a majority (83.5% or 218) feels they stand very little chance. Only 21 (8.0%) of the respondents feel that they stand a chance where large corporate organizations also tender for the same business opportunities. A further 22 or 8.4% of the respondents did not respond to the question of whether they stand a chance or not when placed together with large and established enterprises in a procurement process. Again, the findings here simply amplify the fact that an affirmative action should be intensified when evaluating and awarding tenders to ensure that MSEs actually benefit from most of the available public tenders given that they are the majority in the enterprise sector in Kenya.

SUMMARY OF FINDINGS

The study established that only a small section of the respondents have ever accessed government funding to boost their businesses while majority have never received any government funding at all. It was further revealed that the few who have benefited from government funding got them through Youth and Women Enterprise Development Fund and Uwezo Fund. Reasons advanced by respondents for being unable to access funding from the Government include: stringent conditions put by government agencies to be met by applicants before getting such funds, rampant corruption during vetting and disbursement of funds, security to guarantee loan as a requirement by funding institutions. Many micro and small scale traders were found to be starters who may lack permanent assets like land, buildings, motor vehicles, mortgages, insurance schemes and many others which banks need to guarantee unsecured loans.

The study also established that the process for securing the funds was too technical and hard to understand, and the time taken to approve such loans was unnecessarily long yet government tenders comes with very strict timelines which automatically leads to disqualification if not adhered to. It was also established that the process of approving funds is riddled with favouritism, nepotism, clanism, tribalism, and complicity among local leaders and fund officials. Many MSEs also fail to receive information about available funding opportunities in time. It was also established that long distances to service centres where funds are distributed and political differences negatively influences MSEs’ chances of accessing financial support. Findings have established that both government funding and private funding opportunities are inaccessible to the majority of MSEs in Kenya.

CONCLUSION

The study investigated how financial accessibility affects MSEs’ participation in public procurement market. The following conclusions were drawn from the summary of the results: only a small section of the respondents have access to government funding opportunities meant to boost their business activities while a big majority are unable to access the same. Many respondents are unable to access funding from the government due to stringent conditions put by government agencies to be met by applicants before getting such funds, rampant corruption during vetting and disbursement of funds, security to guarantee loan as a requirement by funding institutions. The process for securing the funds was too technical and hard to understand, and the time taken to approve such loans was unnecessarily long yet government tenders comes with very strict timelines which automatically leads to the disqualification of MSEs who depend on such funds to show ability to finance tenders. The process of approving funds is meant for MSE activities in the country is riddled with favouritism, nepotism, clanism, tribalism, and complicity among local leaders and fund officials. Many MSEs also fail to receive information about available funding opportunities in time. It was also established that long distances to service centres where funds are distributed and political differences negatively influences MSEs’ chances of accessing financial support. Therefore, both government funding and private funding opportunities are inaccessible to the majority of MSEs in Kenya. The P-value of the T statistics for this variable is 0.011. Since the p-value of 0.011 is below 0.05, the study therefore, accepts that there is a connection between financial accessibility and MSEs’ participation in public procurement market in Kenya.

RECOMMENDATIONS

Following the conclusions drawn from a determination of how financial accessibility affects MSEs’ participation in public procurement market, this study recommends that the government should increase its funding opportunities to MSEs to boost their business activities. Government agencies charged with the responsibility of funding MSEs, commercial banks and other financial institutions should relax their lending conditions to enable many MSEs who lack some of the requirements like securities, guarantors, years of experience, operational bank accounts and many more access those funds. The government should rein in on its officers who are accused of rampant corruption during vetting and disbursement of funds to ensure that deserving MSEs access those funds without hindrance. Rid the process off favouritism, nepotism, clanism, tribalism, and complicity. The government and other stakeholders should simplify the process of securing funds to assist many MSEs to access business finance. Those charged with the responsibilities to disburse funds should expeditiously process them once an application is made to help MSEs meet strict tender deadlines. The government should widely publicise the available funding opportunities in time and bring them closer to the MSEs. All stakeholders should delink politics from the serious business of funding MSEs in this country if we are to help develop our local industries. Both government and private financial institutions should increase funding opportunities and ensure that they are accessible to the majority of MSEs in Kenya.

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