

Procurement Procedures on Effective Purchasing Of Goods and Services in Kenya Commercial Bank, Kigali, Rwanda

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Abstract: - *The main objective of this study was to examine how procurement procedures can be used as useful tool to achieve effective purchasing of goods and services in KCB-Headquarters. Then, the specific objectives of this study were to assess the effects of procurement procedures on effective purchasing of goods and services in KCB; to identify the effects of procurement transparency on effective purchasing of goods and services in KCB and to determine the effects of procurement rules and regulations on effective purchasing of goods and services in KCB. Researcher states problems including that KCB has been moving on the slow pace and is facing with obstacles because the big number of competitors still prefers to use the traditional process of procuring goods or services needed; the procurement procedures affects cost through public procurement, the level of competition in procurement is not optimal in public institutions, therefore this affects the cost of product and values of money in the institution. Researcher developed different related theories including the tendering theory as a theory of price determination; the tendering theory as decision theory; theory of auctions; and implications for tendering theory as a theory of pricing. The population of the study was 262 as employees of KCB Headquarters; where the selected and chosen sample size was 158 respondents who were taken randomly. The questionnaire; interview and documentation research techniques used in order to collect information. And then the SPSS was used during data analysis. According to the research findings obtained and which are related to the research objectives of the study, after data collection, the researcher concludes that procurement procedures affect significantly effective purchasing of goods and services in KCB; procurement transparency affects significantly the effective purchasing of goods and services in KCB and then also procurement rules and regulations affect significantly the effective purchasing of goods and services in KCB.*

Keywords: - *Competitive Tendering; Procurement procedures; Procurement transparency; Procurement rules & regulations and Effective Purchasing of Goods and Services.*

GENERAL INTRODUCTION

Background to the study

Procurement management is a process of purchasing or acquiring the products, services such as simple office items to sophisticated high-tech equipment from outside the organization to perform the work. Procurement management includes the results needed from outside the organization to perform the work. It also includes administering any contract issued by a procuring entity (the buyer) and administering contractual obligations placed on the organization (the seller) by the contract. Prior to World War I, purchasing will be regarded as primarily clerical. During World War I & II; the

Function increased due to the importance of obtaining raw materials, supplies, and services needed to keep the factories and mines operating. In 1950s & 1960s purchasing continued to gain stature as the techniques for performing the function became more refined and as the number of trained professionals increased. With introduction of major public bodies and intergovernmental organizations, such as United Nations, procurement becomes a well-recognized science. In 1970s & 1980s more emphasis will be placed on purchasing strategy as the ability to obtain needed items from suppliers at realistic prices increased (Weele, 2018).

Nowadays in the public finance literature, different governments are involved in four major economic activities: (a) providing the legal framework for all economic activities, (b) redistributing income through taxation and spending; (c) providing public goods and services freely available to the public such as national defense, public safety, education, and infrastructure (bridges and roads); and (d) purchasing goods, services and capital assets. In recent years, the Government of Rwanda has made impressive progress in rebuilding its public financial management system, which like so much of the country will be largely destroyed during the genocide against Tutsi of 1994. Rwanda Public Procurement Authority mainly focuses on regulatory measures, monitoring and building capacity in public procuring entities. The Rwanda Public Procurement Authority is a Public body established on February 20, 2008 by the law N° 63/2007 of 30/12/2007. It will be created to replace the National Tender Board during a reform process in Public financial management launched by the Government of Rwanda (GoR), in which Public procurement reform will be one of the most important components (RPPA, 2015).

Statement of the problem

KCB has been moving on the slow pace and is facing with obstacles because the big number of competitors still prefers to use the traditional process of procuring goods or services needed. Therefore, KCB is shifting to procurement procedures but its suppliers (competitors) and various institutions seem not to be ready to respond at the same pace. According to several researchers, procurement procedures is a useful tool in public procurement, where it affects the value of money and cost of the product in the institutions. However the opposite is envisaged in most public sector organizations these days as contracts are being awarded to some incompetent contractors who through various means find their ways into the procurement net and misappropriate state funds allocated to them in the name of contact deals. Even if, procurement procedures affects cost through public procurement, the level of competition in procurement is not optimal in public institutions, therefore this affects

the cost of product and values of money in the institution. Therefore, this pushes the researcher to analyze procurement procedures as an effective tool in ensuring effective purchasing of goods and services in banking institutions, specifically at KCB.

Specific objectives.

- I. To assess the effects of procurement procedures on effective purchasing of goods and services in KCB.
- II. To identify the effects of procurement transparency on effective purchasing of goods and services in KCB.
- III. To determine the effects of procurement rules and regulations on effective purchasing of goods and services in KCB.

LITERATURE REVIEW

Tendering theory as a theory of price determination

Before progressing any further, it may be worthwhile to summarize the essential characteristics of tendering theory. As expressed by Gates, and also as explicitly stated by Friedman, tendering theory is a theory of pricing. As a theory of pricing, the optimum bid has two components: the estimated cost of executing the project, including the return to capital, and a strategy for maximizing profit, which with some qualifications discussed below is effectively a constant mark-up. As suggested by Archibald (1959), the assumptions of economic theories can be divided into: statements about motivation; statements about the behavior of the economic agents; statements about the existence and stability of functional relationships; restrictions on the range of variables to be taken into consideration and boundary conditions under which the theory is held to apply.

This stresses a concept of tendering that departs from the traditional way of looking at the tendering process: it goes beyond the winning tender as determining the price of an individual contract into a theory of pricing in an industry where each object is unique.

Tendering theory as decision theory

Gates (1967, p 75) referred to tendering theory as a strategy of bidding. Consequently, tendering theory is often seen as simply a prescriptive or normative theory rather than as descriptive or positive. Tendering theory, according to this argument, is no more than a model of rational behavior, and rationality according to this argument, is a normative concept. Seen that way, tendering theory like almost all other social science theories would be normative theories, irrelevant to the explanation of actual behavior (Rosenberg, 1994).

However, in a normative theory, the 'ought to' also implies 'being able to'. Tendering theory is not only about how tendering 'ought to' be performed, but also an explanation of achievable rationality.

Theory of auctions

The process of obtaining new jobs through tendering with simultaneous single sealed bid tenders for unique projects prior to the actual cost being known, has so many aspects to it that there has been very little work done on the actual outcome, the price. This is where auction theories will potentially be useful. Auction theory comes in many models designed to deal with many different situations. Auction models are distinguished by the number of bidders and/or sellers, by symmetric or asymmetric information between bidders and seller or between bidders, the information available, type of auction, type of bidding, single or sequential auctions, finite or infinite sequences, equal or individual-public valuations of the item auctioned, cooperative or non-cooperative bidding, with or without a reserve price, with or without commitment to accept the result of the auction, willingness to accept risk and so on. The empirical importance of tendering is reflected in the number of papers, articles and books devoted to various aspects of auctions. Tendering is a common method of procurement for many different types of goods and the value of goods traded through auctions or tenders is huge (Milgrom and Weber, 1982).

Empirical review

Different studies have confirmed the use of various types of procurement methods for the project

delivery. Ogunsanmi (2016) investigated the effects of procurement related factors of procurement selection criteria, tendering methods and variation orders on project performance. Purpose of the study will be to evaluate the effects of procurement related factors on project performance, impacts procurements on project performance. He confirmed that procurements have impacts on project performance. He concluded that procurement selection criteria, tendering methods and variation orders have impacts on project performance. Cost, time, quality related factors, tendering methods and variation orders strongly affect project performance.

(Rainer Kattel & Veiko Lember, 2010) carried out a research on public procurement as an industry tool. They used qualitative research design and found that government procurement should not be seen only as an indirect support measure for development, but also as a direct vehicle for promoting innovation and industries and, thus growth and development. They also showed that using public procurement for development assumes high levels of policy capacity, which most developing countries lack.

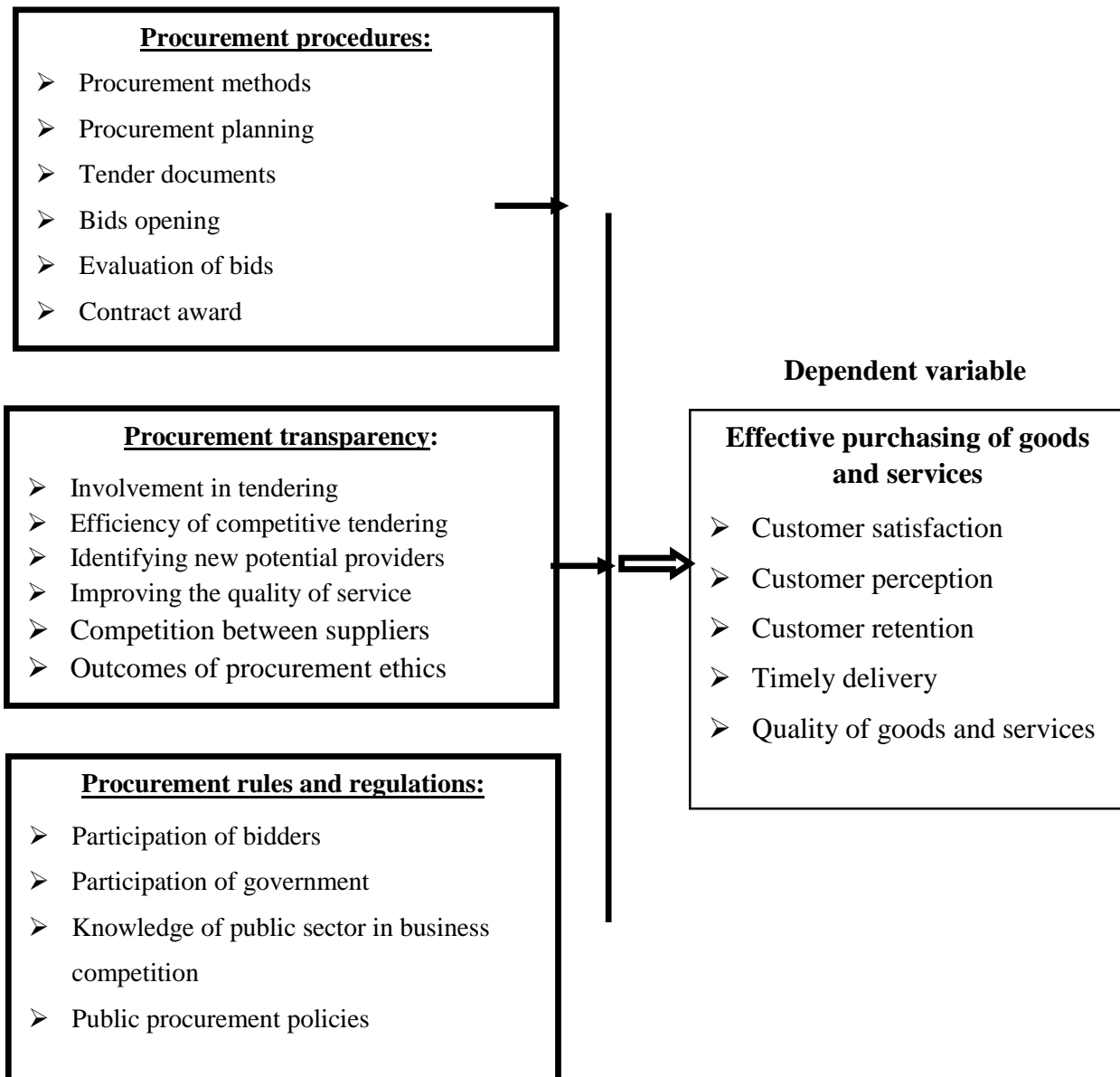
Burguet and Che (2014) demonstrated the disadvantageous role of corruption through studying the competitive procurement administered by a corrupt agent who is willing to manipulate his evaluation of contract proposals in exchange for bribes. The authors used qualitative research and documentary review argued that the inefficiency cost of bribery is in the same order of magnitude as the agent's manipulation capacity and found that corruption is among the factors affect the level of procurement and public funds management.

Conceptual framework

This section has two variables such as procurement procedures as independent variable and effective purchasing of goods and services as dependent variable where their components are as follows:

Independent variables

Competitive Tendering



Source: Researcher, 2021

Research gap identification

According to the different RPPA’s and KCB’s reports and other books (papers & journals) written by other scholars (and or authors), those were read by current researcher; she found that there are only few studies done on procurement procedures and its components, and they present mixed results. Their research findings show that the procurement procedures on effective purchasing of goods and services are often described in too many details. The criteria for procurement procedures is essential for ensuring that the needed services will meet the requirements and needs for effective purchasing of goods and services. No doubt in the future, the procurement procedures will be paperless and will overcome traditional barriers of distance and

geographical boundaries. While procurement procedures has grown rapidly, there is not enough evidence of its acceptance amongst customers especially on the side of banking institutions; therefore, it is from that biased gap where current researchers were motivated to do research on: *“The procurement procedures on effective purchasing of goods and services in KCB; during the period from 2015 up to 2019”*.

RESEARCH METHODOLOGY

Design of research

A research design is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the research problem. During this study, the data collection

methods and statistical analysis plan are the main research design to be applied. The research design was composed by study framework that was created to find answers to research questions.

Study population

Bailey (2014) says that the population is universal objects over which research is to be carried out. The ideal practice in research would be to gather information from the entire population; this ensures maximum coverage of the population concerned in the research. But due to limited time and funds the entire population of the research cannot be covered and the sample defined as a sub set of population is used. Duttolph (2011) argued that if the sample is selected properly, the information collected about the sample may be used to make statements about the whole population. The entire population of the study who are supposed to provide the information data related to the objectives of the research study is based on employees (staff) in KCB Headquarters who are totalized to 262 employees in different departments.

Sample size

Before identifying the respondents to this research, it is necessary to indicate how the sample size is determined. In order to determine the sample size, the following mathematical formula designed by Yamane Taro (1967) was used; where, n is the sample size; N is size of the population and e is marginal error or level of confidence.

General scientific formula: $n = N / (1 + N [(e)]^2)$;

And then the sample size is: $n = (262) / (1 + 262 [(0.05)]^2)$; $n = (262) / 1.655 = 158.308$; then the sample size is 158 respondents, and then the current researcher was chosen the sample size of population to be questioned through simple random sampling technique. These included director general, senior managers, procurement officers, tender committee members, finance officers, human resource offers and other employees in different department.

Data collection techniques

During data collection, this study used questionnaire, interview and documentation research techniques as follows:

Questionnaire technique

The questionnaire helped the researchers as main means of communication between researchers and respondents. Questionnaire included the series of closed questions about, where these types of questions were distributed by the researchers among respondents in order to collect the written and quantitative data (information) related to the objectives of the study. Therefore, the collected data were analyzed and interpreted by using SPSS.

Interview technique

According to Krlinger (2017), interview is a conversation from which the researchers try to get information to the interviewees. Qualitative questions are asked in relation with the research objectives and this helps the researchers to get direct information from respondents; therefore, this technique allowed the researchers to collect information related to procurement procedures through oral communication with senior staffs in KCB and the researchers approached respondents in order to get qualitative data.

SUMMARY OF MAJOR FINDINGS

The summary of major findings during the research survey related to the comments of the information accorded by 100 workers of KCB by basing on research objectives of the study.

The effects of procurement procedures on effective purchasing of goods and services in KCB

According to the responses provided by the respondents as shown in table number 4.5, where a big number in range between 99% and 75% of total respondents strongly agreed and others who are in range of between 25% and 1% were agreed and thus none was neutral; disagreed or strongly disagreed that:” tender documents assess the effects of procurement procedures on effective purchasing of goods and services in KCB; **bids opening assesses the effects of procurement procedures on effective purchasing of goods and services in KCB; procurement planning assesses the effects of procurement procedures on effective purchasing of goods and services in KCB and 1. Procurement methods assess the effects of procurement procedures on effective purchasing of goods and services in KCB**” are the implemented activities through procurement

procedures in KCB during the period of five years means from 2015 up to 2019.

The effects of procurement transparency on effective purchasing of goods and services in KCB

According to the table number 4.6, the respondents shared information on factors that identify the effects of procurement transparency on effective purchasing of goods and services in KCB level such those KCB provides adequate degree of transparency in order to promote fair and equitable treatment for procured supplies; they maximize transparency in procurement procedures and take precautionary measures to enhance integrity; KCB ensures that funds used in procurement are managed to intended purposes; Outcomes of procurement ethics identify the effects of procurement transparency on effective purchasing of goods and services in KCB and identifying new potential providers identifies the effects of procurement transparency on effective purchasing of goods and services in KCB; improving the quality of service identifies the effects of procurement transparency on effective purchasing of goods and services in KCB; competition between suppliers identifies the effects of procurement transparency on effective purchasing of goods and services in KCB; efficiency of procurement procedures identifies the effects of procurement transparency on effective purchasing of goods and services in KCB and involvement in tendering identifies the effects of procurement transparency on effective purchasing of goods and services in KCB where a big number in range between 91% and 75% of total respondents strongly agreed and others as well as 25% and 1% were agreed about those views and statements.

The effects of procurement rules and regulations on effective purchasing of goods and services in KCB

According to the table number 4.7, the respondents shared information on the specified factors that determine the effects of procurement rules and regulations on effective purchasing of goods and services in KCB such as procurement rules and regulations determine public procurement policies; **participation of government determines the effects of procurement rules and regulations on effective purchasing of goods and services in**

KCB; participation of bidders determines the effects of procurement rules and regulations on effective purchasing of goods and services in KCB and knowledge of public sector in business competition determines the effects of procurement rules and regulations on effective purchasing of goods and services in KCB; counter fraud and terrorism checks are completed; collect basic information such as political connections, stakeholders & beneficiaries details and risk assessment are conducted in terms of country of origin, specific sector rules, entry risks where a big number in range between 98% and 75% of total respondents strongly agreed and others in range between 25% and 2% of total respondents were agreed about those views and statements.

The outcomes of effective purchasing of goods and services in KCB

According to the table number 4.8, the respondents shared information on the specified factors that approve the outcomes of effective purchasing of goods and services in KCB such as customer satisfaction proves the outcomes of effective purchasing of goods and services in KCB; **customer perception proves the outcomes of effective purchasing of goods and services in KCB; customer retention proves the outcomes of effective purchasing of goods and services in KCB;** timely delivery proves the outcomes of effective purchasing of goods and services in KCB and then Quality of goods and services proves the outcomes of effective purchasing of goods and services in KCB where a big number in range between 98% and 75% of total respondents strongly agreed and others in range between 25% and 2% of total respondents were agreed about those views and statements.

Conclusion

According to the research findings obtained and which are related to the research objectives of the study, after data collection, the researcher concludes that procurement procedures affect significantly effective purchasing of goods and services in KCB; procurement transparency affects significantly the effective purchasing of goods and services in KCB and then also procurement rules and regulations affect significantly the effective purchasing of goods

and services in KCB. Therefore, the variation of Spearman Coefficient correlation is between -1 and 1. Spearman Coefficient correlation has significance when it is equal or greater than 0.01. According to the research, the correlation of 0.823 (82.3%) is located in the interval [0.75 - 1.00] categorized as positive and very high correlation. As the significant level is at 0.01 (1%), the p-value of 0.000 (i.e. 0.0%) is less than 1%. This leads to confirm that there is significant relationship between procurement procedures and effective purchasing of goods and services in KCB.

Recommendations

To KCB

In order to make strong and effective performance of organization, the researcher suggests KCB to create a strong legal procuring framework at the effective purchasing of goods and services level in relation of procurement procedures that require a sound legal basis to ensure that the effective purchasing of goods and services sector has the authority to pursue an agreement and allows the effective purchasing of goods and services sector to mitigate risks. To prioritize effective purchasing of goods and services based on quantifiable not every effective purchasing of goods and services is suitable for competitive tendering, so it is essential for policymakers to base their activities decisions on economic and financial analysis.

Suggested areas for further researchers

Due to time and stack constraints that the researcher could not exhausted to investigate through the different aspects related to the study reliable, therefore the researcher suggested future researchers that their studies should be constructed by referring to the following proposed topics related to procurement field:

1. The effects of procurement procedures on effective purchasing of goods and services in Rwanda.
2. The effects of procurement transparency on effective purchasing of goods and services in Rwanda.
3. The effects of procurement rules and regulations on effective purchasing of goods and services in Rwanda.

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