

**CORRUPTION IN THE PROCUREMENT PROCESS AND THE
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES:
A CASE STUDY OF TWO SELECTED BUSINESS
ENTERPRISES IN MONDULI DIVISION-
ARUSHA DISTRICT IN TANZANIA**

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**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS
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DECLARATION

I, Matunda.C. Flora, declare that this report on the “Corruption in the Procurement Process and the Performance of Small and Medium Enterprises” in Tanzania has never been submitted to any other institution or university for any academic award.

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APPROVAL

This report on “Corruption in the Procurement Process and the Performance of Small and Medium Enterprises” in Tanzania has been done under my supervision, as the university supervisor and is ready for submission.

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Signature 

Date: 15/2/2012.

DEDICATION

This piece of work is a dedication to my dear husband, Mr. Method Kamugisha Matunda for his love, patience and financial support towards my academic career.

ACKNOWLEDGEMENT

I am very grateful to all those who assisted in the gathering of data and to those that have kindly commented on the drafts of this report. Special thanks are due to my supervisor Dr. Stanley Kinyata for his endless and tireless guidance. I appreciate him for his great contribution in the accomplishment of this piece of work. I also recognize the effort of all the lecturers in the School of Business and Management, for their knowledgeable and professional contribution towards my academic career.

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LIST OF ACRONYMS

ILO:	International Labor Organisation
NTNU:	Norwegian Trondheim National University of Science and Technology.
SMEs:	Small Medium Enterprises
WISE:	World Institute of Scientology Enterprises

ABSTRACT

This research on “Corruption and the Performance of Small and Medium Scale Enterprises” was carried out in TANCEED and Shoprite in Monduli, Tanzania purposely to; find out the role of procurement on the performance small and medium enterprises; to find out the challenges of procurement and causes of corruption; and to suggest possible solutions to the challenges experienced in procurement. To figure out the problem, literature was reviewed on the main variables of the study to enrich field responses. Both qualitative and quantitative research designs were relied upon, whereby questionnaires and interviews were used on a sample of 30 respondents drawn from the audit, procurement and accounts departments.

It was established that procurement plays a role of protecting against loss, promoting an effective supply environment, enhancing growth of business, promoting on going training for efficiency, promoting market potentials, and bridging market linkages. The study further revealed that challenges of procurement include low ability to establish strong connections, unsupportive bidding structures, tight foreign competition, strict government procedures, and unreliable statistical information. The study also suggested that for procurement to effectively promote the performance of small and medium enterprises there is a need for a mutual enforcement of procurement rules, government support, increased information access and punishing unethical behavior.

The study concluded that, procurement as a process ought to be a transparent process if corrupt practices are to be countered and ethical practices need to be observed to eliminate and wipe out practices of corruption that prevent advancement of SMES in the procurement business.

The study recommends; creating clear policy guidelines; joint formulation of sustainable practices; building stakeholders through promoting transparency; comprehensive effort in assessment of a procurement; collaboration to develop risk taking abilities and a smooth implementation of capacity development.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Introduction

The vast majority of all businesses in Tanzania are small and medium sized enterprises (SMEs). The Government of Tanzania has long recognized and appreciates the key role such organisations play in the continued development of the Tanzania economy. The continuing health of the economy, communities and environment will depend on the health and growth of SMEs, if the dilemma of corruption is leveraged in the procurement process of SMEs. In the context of this study, procurement implied contracting, as it includes other activities that are in the shape of a contract in channeling government expenditure for example privatizations, licenses, concessions and other types of contracts, which also affect the budget. The study therefore sought to address issues of procurement that affect the performance of SMEs.

1.2 Background of the Study

SMEs defined as the “for-profit enterprises” with fewer than 500 employees, are vitally important to the federal governments’ procurement and their economies as a whole (Doran and Humphrey, 2000). The term procurement is used to refer to the acquisition of goods and services by any individual or organization whether public, private or international. Procurement as a process is being depended upon to help businesses both large and small to identify customer needs, determine the best customer or organization to supply this need to, ensure that what is needed is delivered to the right place, at the right time, at the best price and that all of this is done in a fair and open manner. Thus governments, agencies and organization procure to achieve concrete results of their expectations (Fact Sheet, 2009). Owing to this factor procurement is changing the trend and pattern of businesses as well as organizational culture. Procurement is producing a major impact on enterprises by changing the whole concept of business in terms of setup and consumer buying behavior and the trend shows that both small and medium enterprises are experiencing this business revolution (Fagber, 1996).

SMEs all over the world are known to play a major role in social economic development. They are working through collaboration with industry associations and individual businesses to strengthen access to government business (Ferrand, 1997). Globally business is accomplished through the elaborate networks of the supply chain the persons, entities and infrastructure that transform materials and human capital into intermediate and finished products and services for customers and consumers. The problem of corruption affects every business in the supply chain include SMEs. In Canada the Office of Small and Medium Enterprises (OSME), is working with SME organizations to share information on forming joint venture consortia to access major government contracts, and identifying and pursuing opportunities that encourage the introduction of innovative new products. For this reason OSME has focused on training, exchanging information, developing support tools, and recommending procurement policy changes that respond to SME and regional issues. This has yielded a significant contribution of SMEs to economic performance accounting for 43 percent of Canada's economic output, 66 percent of all private sector employment, and over 99 percent of all Canadian businesses (Barnes and Morris, 1999).

According to the Fact Sheet (2009), it is postulated that in Africa, governments, agencies as well as organizations are procuring to achieve concrete results of their expectations. Basing upon this factor, procurement is changing the trend and pattern of businesses as well as organizational culture. Procurement is producing a major impact on the performance of SMEs by changing the whole concept of business in terms of setup and consumer buying behavior and the trend shows that both small and medium enterprises are experiencing this business revolution.

Just like elsewhere in the world, SMEs in Tanzania contribute significantly to employment, income generation and stimulation of growth in both urban and rural areas. SMEs contribute about 40% to the country's Gross Domestic Product. In Tanzania, it is estimated that every year about 5.7% of the school leavers get employed in the Public Sector as such the remaining 94.7% end up being employed in the SMEs sector, although the procurement process is not effectively supporting the performance of SMEs.

There is a strong feeling among the actors that SMEs have been marginalized in most of the public sector activities. Although Tanzania enacted the Public Procurement Act 2004 in addition to the Public Procurement Regulatory Authority which was formed to ensure application of fair, competitive, transparent, non-discriminatory and value for money procurement standards and practices, there is still very little to show that it has improved market access for SMEs (Gereffi, 1999).

In Monduli division alone micro enterprises engage up to 4 people, in most cases family members or employing capital amounting up to TZS 5.0 million, the majority of which fall under informal sector. Small enterprises are mostly formalized businesses engaging between 5 and 49 employees or with capital investment from TZS 5 million to TZS 200 million. Medium enterprises employ between 50 and 99 people or use capital investment from TZS 200 million to TZS 800 million. More than 70% of all registered businesses are SMEs. The Government being the largest spender in terms of procurement has failed to support SMEs in respect of market access for its various public procurements. As a result, most of SMEs have failed to penetrate in the market hence become stagnated. This makes it an undisputable fact that the private sector which is dominated by SMEs is still nascent despite the significant role in the economic development of the country. The study therefore clearly set out the commitment to change and address the manner in which the procurement process is exercised in Tanzania particularly in Monduli division, in seeking to support the improvement of the performance of SMEs by creating a fair and open environment in which they can operate to jointly contribute to the growth of the country.

1.3 Statement of the Problem

It is imperative to note that procurement is one of the areas prone to corruption in the business community which is affecting the efficiency of public spending and donors' resources. This is creating waste and which is ultimately affecting the quality of business and the opportunities that SMEs present to improve quality of life.

In Tanzania, more than 70% of all registered businesses are SMEs, which have remained nascent under the procurement process despite the significant role they play in economic development. Corruption is harming SMEs and has increased their operation costs,

reduced their competitiveness by making them to suffer from inappropriate work relationships, insubordination of roles and unethical conducts which remain unpenalized (Ferrand, 1997). This is hindering SMEs from deriving from the benefits of procuring (Hemsing, 1998) the clear cut of which has created complex conditions in the productivity and profitability of the enterprises, thus generating global concern. This is in spite of the fact that there are possible interventional measures to be embraced in improving transparency, mutual enforcement of events, emphasizing observation of codes of ethics and clearly laying out the rules and procedures to be followed is not being done. The aim of this study therefore, was to investigate the causes and find out how concerned individual groups in the business world appropriately control corruption in nurturing the growth and performance of SMEs to further their role in fostering economic, environmental and social benefits across the country particularly in Monduli Division – Arusha District in Tanzania.

1.4 Purpose of the Study

This paper is an attempt to investigate the causes and suggest measures to eliminate corruption in the procurement process by suggesting possible address concerns of small and medium enterprises in the procurement process by suggesting possible intervention measures that enterprises may reflect upon while venturing to procure to provide a safeguard to the interests of SMEs as a way to improve their performance.

1.5 Objectives of the Study

1.5.1 General Objective

The main objective of the study was to examine procurement and its impact on the performance of SMEs in Monduli Division, Arusha District in Tanzania.

1.5.2 Specific Objectives

- i) To establish the role played by procurement on the performance of small and medium scale enterprises in Monduli Division.
- ii) To find out the challenges experienced by small and medium enterprises in procuring and causes of corruption in Monduli Division.

- iii) To suggest possible intervention measures that can help to control the problems faced by small and medium enterprises in procuring in Monduli Division.

1.6 Research Questions

- i) What is the role played by procurement on the performance of small and medium enterprises in Monduli Division?
- ii) What are the challenges experienced by small and medium enterprises in procuring in Monduli Division?
- iii) What are the intervention measures which can be adopted by small and medium enterprises to control the problems faced in procuring?

1.7 Research Hypothesis

It is hypothesized that;

- i) Procurement plays a significant role in the performance of small and medium enterprises.
- ii) Small and Medium enterprises experience challenges of poor access and incomplete information, incompetence of SMEs, poor statistical records and inadequate business linkages information in trying to procure.
- iii) There are intervention measures that can be adopted to control the problems faced in procuring.

1.8 Scope of the Study

1.8.1 Geographical Scope

The study was carried out within TANCEED and Shoprite Tanzania located in Monduli Division in Arusha District in Tanzania. Monduli is bordered to the north by Kenya, to the east by Kilimanjaro Region and Arumeru Districts, to the south by the Manyara Region and to the West by Ngorongoro and Karatu regions. The division is approximately 185,237 people according to the 2002 Tanzania National Census.

1.8.2 Content Scope

The study was carried out with a purpose of examining corruption in the procurement process and it was restricted to establishing the role played by procurement on the performance of small and medium scale enterprises in order to find out the challenges experienced through corruption as way forward to providing possible intervention measures to curbing corruption in procurement.

1.8.3 Time Scope

The study covered a period of three months and took place from September 2011 to November 2011, due to the work activity that was carried out.

1.9 Significance of the Study

It is expected that when this study is carried out and accomplished successfully, it will contribute substantial awareness on assumptions of procurement through providing useful information to both small and medium enterprises.

The study is expected to provide a base for future studies to other researchers who may so wish to undertake the same or similar study and yet at the same time narrowing existing gaps in the procurement process.

The study will assist in identifying appropriate means of determining an immediate solution to unethical conduct to promote procurement as well as promoting the performance of procurement departments for organizational development.

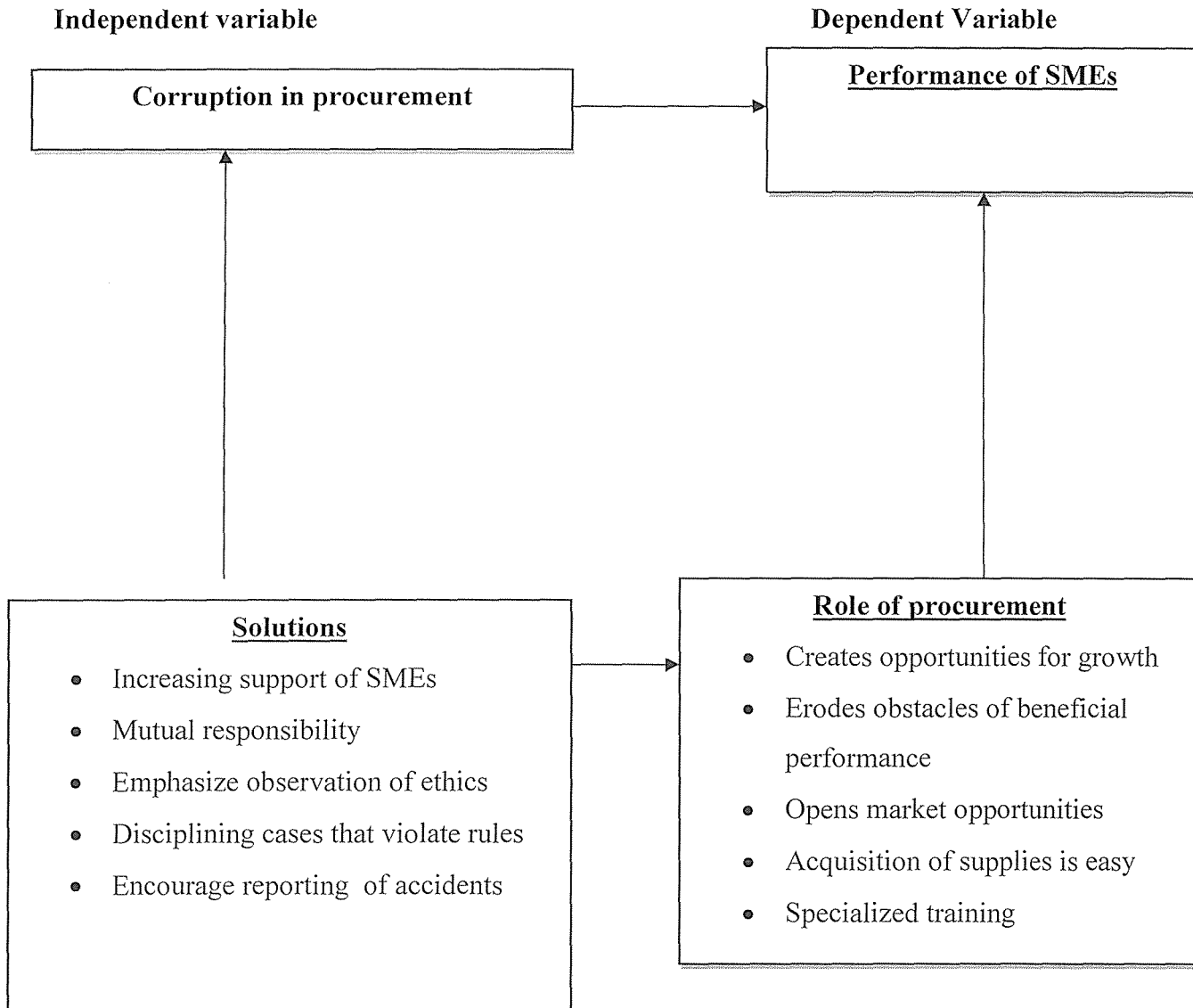
Once the gaps are closed the study will change the attitude of the procurement officials in handling procurement issues, thus improving the performance of enterprises through procurement.

The study will be significant to the researcher in fulfilling one of the requirements for award degree of Bachelors in Supply and Procurement.

1.10 Conceptual Framework

The conceptual framework diagrammatically shows the relationship between the different variables in the study. The independent variable was perceived as corruption in the procurement process and the dependent variable was the performance of SMEs.

Figure 1: Conceptual Framework



It is perceived that procurement plays an important role in the performance of SMEs by creating opportunities for growth, eroding obstacles of beneficial performance, opening market opportunities, enabling an easy acquisition of supplies and providing specialized training. These opportunities aid effective performances of SMEs. Corruption affects the performance of SMEs however solutions such as increasing support of SMEs, encouraging mutual responsibility, emphasizing observation of ethics, disciplining cases that violate rules and encouraging reporting of accidents.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The study reviewed literature from various scholars on the major variables of the study which were to; establish the role of procurement on the performance of small and medium enterprises; finding out the challenges experienced by small and medium enterprises in procuring; and suggesting possible mitigation measures to control the problems faced by small and medium enterprises in procuring.

2.1 The Theory of Procurement

The study was guided by theory of Dolan and Humphrey (2000) on the profession of procurement. According to them, procurement is an internationally recognized profession evolving from a simple buying function to a recognized professional role within businesses and organizations. This puts procurement officers and others acting in this role, or supporting the function, in a special position of trust and thus are held to high standards of professionalism. Development of professional and ethical competencies of organization and business procurement officers is recognized as an important component of the procurement reform process. They further realizes that, procurement officers operate within a complex environment and thus are subject to pressure from end-users seeking rapid response or a specific technical solution, from suppliers seeking invitations or contracts, from representatives or the public seeking explanation for the use of the funds, and by anyone who thinks they detect a lack of transparency or other weakness in the process.

Organizations and businesses should procure goods and services through competitive bidding, ensuring access to favorable prices, reliable transport, insurance, impartial advice and recognition of environmental safety considerations. Thus to improve on the consistent comprehension of the procurement principles, policies and procedures, organizations and businesses undertake to develop procurement certification through training which becomes mandatory to practitioners.

2.2 The Role of Procurement on the Performance of Small and Medium enterprises

2.2.1 Creates Opportunities for Growth

According to Eshetu (2000), governments being the major contributors in the procurement process help in develop strategies that help SMEs to grow and graduate from micro to small, from small to medium and from medium to large. This in the end can enhance their contribution to the national economic growth.

2.2.2 Erodes Obstacles of Beneficial Performances of SMEs

Dolan et al (2000) on the other hand recognizes that procurement promotes an understanding of the behavior of Small Medium Enterprises (SMEs) as a difficult task. According to Dolan, their economic performance is hampered or boosted by many different factors some of which are internal to the enterprises yet others may be economic or socially motivated by the environment in which they operate. While others may seem generic some may be sector specific as pointed out by Ferrand (1997). Yet according to Gereffi (1999) some factors may seem to have a more immediate impact on enterprise output, while others have time lags of which some may be directly targeted through government intervention, while others are more effectively promoted through market channels.

2.2.3 Supports and Determines the Structural Framework Scrutinization

According to Gomez and Gupta (1996), the procurement process provides a strategic framework which can help in depicting the main elements, levels of analysis and links that are important for operation of small and medium enterprises in Africa. It is for this reason that Helmsing (1998) foresaw purpose of procurement to be, what one needs to open the .black box in order to understand the sort of requisites and internal processes that lead to technological upgrading and building of marketing capability in firms.

2.2.4 Opens Market Opportunities

Procurement is of necessity as derived from Lall, (2000) deductions that, marketing capabilities are required to make the product available and attractive to the buyer. According to him these capabilities range from activities concerned with establishing a marketing channel from the factory to the buyer, organizing the logistics in terms of mode and speed of transport, promotion by way of advertising and branding and above all the after sales service. However Knorringa maintains that, despite its positive contribution, these activities have received less attention from researchers and policymakers than those concerned with improving products and production processes. Yet according to Gerhard, (2009), the neglect of marketing is being rectified through procurement.

2.2.5 Aids Acquisition of Supplies

According to Grey-Johnson (1992), it is postulated that, procurement aids in the capable acquisition of supplies and that it often requires purposeful and cumulative efforts which are aimed at assimilating and modifying existing technologies, yet at the same time adapting them to local conditions. This case according to Knorringa (1996) is particularly true with developing countries because major innovations are still concentrated in technologically advanced countries. The effectiveness of these integral efforts that lead to in-firm technological learning is assumed to depend on two main factors that is to say, the educational background and prior working experience of the founder/manager; and second, the skills and working conditions.

2.2.6 Promotes Specialized Training to Suit Advancing Technology

With a growing pace of technological change, Fagerber (1996) envisages that the spread of information technologies and intensifying competitive pressures in industries has rendered the need for specific skills to be more demanding. This is unlike the general industrial development in the past which merely focused on improving the basic educational system and encouraging in-firm training. The currently emerging competitive setting as emphasized by Helmsing (1998), necessitates greater emphasis on high-level as well as specialized training to meet industry's needs. It is for this reason that Albaladejo

(2000), appreciates that procurement aids the development of countries in contention with Eshetu (2000), who realized that industrial capabilities require investments in human capital and all this can be attained through procurement.

2.2 The Challenges Faced by Small and Big Retail Enterprises in Procurement

2.2.1 Incomplete and Poor Access to Information and Unfavorable Bidding Condition

According to United Nations (2008), it is recognized that, there are concerns that information on bidding offered in most of the time is incomplete therefore denying SMEs their rights to access appropriate and relevant information on the bidding. In addition to this the WISE (2004) report points out the illiteracy level is very high among SMEs, as such limiting their ability in accessing important information on market opportunities that are available and the needs of these markets. Whereas Eshetu (2000) also points out on how most public institutions do provide incomplete information on tenders they offer which makes conditions for bidding not favorable for SMEs as issues such as bid securities, performance bonds are high and as a result most SMEs are automatically eliminated during the process of bidding.

2.2.2 Existence of Foreign Contractors and Incompetence of SMEs

Existence of foreign contractors has also been a challenge to the local construction firms. This is due to strong support they obtain from their governments in terms of credit facilities which put them in good chances of winning big tenders especially in construction works (NTNU (2008)). The presence of foreign contractors affects the competence of local SMEs. According to Purohit and Kavita, (2009), this is reflected in the fact that, most goods and services supplied by SMEs become uncompetitive in the market. This is due to several reasons including: High operating and unsubsidized costs such as power, transport, delays in movement of goods at the port and border entry points mostly due to lengthy customs procedures, bureaucratic tax system leading to corruption, poor quality of products or services due to limited skills in product development, no certification and accreditation and use of outdated production technologies, high prices mostly caused by high operating costs, low economies of scales, high taxes, high interest

rates, stringent loan conditions for startups, poor infrastructure and supply side constraints.

2.2.3 Poor Statistical Records

According to Agrawal (2004), observation, it is pointed out that in most cases there are no records to show what the Government has procured from SMEs in Tanzania. Yet government departments report that they procure 40% of their supplies from SMEs which no records to match or reflect the procurers from SMEs. With Barnes and Morris (1999) it is recognized that the procurement process is deterred by investigative violations. According to them investigative violations cover up and conceal useful material facts during an investigation session, may also intimidate key witnesses not testify, procurement officials may also lie about their personal behavior and yet others may go as far as trying to get other employees to joining hands in unethical behavior.

2.2.4 Stringent Government Procurement Rules

In most cases, the procedure for tendering is difficult and complex as it requires one to tender for the whole lot of supplies and not in small lots. One big lot supply limits SMEs participation in the procurement since they are small and do not have capacity to tender for big supplies of one lot (UN, 2010).

2.2.5 Inadequate Business Linkages of SMEs

There is inadequate incentive for large companies to buy from small companies as reported by the United Nations (2007). That some large companies are offsprings of other companies abroad hence they prefer to source most of the raw materials from their mother companies which are based outside Tanzania. However, there have been some initiatives made by the private sector to assist small firms in accessing markets of large firms

2.2.6 Corruption among Government Officials

There are concerns that corruption has been practiced by some public officials in Government institutions hence limits SMEs in accessing the public procurement. This is

an area which has been complained by most of the SMEs that consulted (Milner et al, 2000).

2.2.7 Fiscal Immodesty and Unethical Conduct of the Procurement Officials

ILO (1998) reveals procurement problems to include office abusive relationships. These include bribery, corruption, conflicts of interest, solicitation, acceptance of gifts, favors, services from inmates, ex-inmate, relatives, or friends; improper contact or failure to report contact with inmates, ex-inmates, relatives or friends; the appearance of inappropriate relationships. Yet according United Nations (2007), procurement officials abuse the process of procurement by going on the offensive side to abuse and misuse powers conferred unto them. These abuses may include fiscal impropriety such as abuse or misuse of fiscal or business office practices, converting institutional property to an employee's personal use, falsification of hours worked, improper procurement practices and theft or misuse of organizational funds and personal property.

However, Humphrey and Schmitz (1998) have acknowledged the presence of insubordinate relationships between employees as one of the problems faced in the procuring process. Among these problems experienced are the refusal of a direct order, inattention to duty, failure to respond to emergencies, failure to properly supervise inmates, breach of institution security, falsification or records or documents, gambling or the promotion of gambling, loss of temper in the presence of inmates, favoritism on the job, inappropriate supervisory/subordinate relationships, inattention to duty for instance falling asleep on post as well as breach of institutional security through loosing keys.

2.3 Solutions to Challenges Experienced in Procuring

2.3.1 Increasing Support of SMEs

There is need to increase support for small and medium enterprises looking to do business with the government. For instance like the effort taken in Canada in the expansion of the Office of Small and Medium Enterprises (OSME) as part of the government's Federal Accountability Act and Action Plan. According to Lall (2000), this is helping in fulfilling government's commitment to reform procurement and that

among other measures that the government is contracting to strengthen the transparency and integrity include; A legislated commitment to fairness, openness, and transparency in the procurement process; requiring contracts to include integrity provisions that require action be taken to preclude corruption, collusion, and the payment of contingency fees in the procurement process; promoting fairness, openness and transparency in the bidding process through a new Policy on Managing Procurement, which will be independently reviewed before it is finalized; a proposed Procurement Auditor to review procurement practices on an ongoing basis; providing accreditation and training for procurement officers; and introducing of a Code of Conduct for Procurement. In addition, while the Government is a major spender in terms of procurement, it is also important that the private sector should support SMEs by procuring through supermarket chains, major wholesalers and retailers. This should also be encouraged through business linkages with other large firms (Alan et al, 2007).

2.3.2 Emphasize Observation of Ethics

WISE (2004), emphasize the need for improving organizational teamwork i.e creating room for easy adaptation just in case of absence or leave from duty with a proper allocation of funds to the respective operations to be supported. This is clearly stated by Albaladejo (2000) who realizes that project funds cannot be used to substitute operating funds, neither is it ethical for project funds to be used to furnish a home extended office. Lall (2000) also notes that for such cases concerning employer's responsibility and willingness to give staff the opportunity to combine work and care giving, employers should be in position to allocate funds efficiently to prevent corruption. Yet according to WISE (2004), corruption can be tackled when all actors work together. Fighting corruption in the supply chain, like any business decision, requires an assessment of risks, a balancing of costs and benefits and tailoring the programme to fit the risk profile

2.3.3 Disciplining Cases that Violate Rules

There is need to create appropriate policy guidelines as well as standards for preventing corruption in both the public and private sectors through criminalization of a range of offences with appropriate sanctions. For this purpose WISE (2004) recommends that, no

senior civil servant or civil servant may on behalf of himself/herself or others accept a gift, commission, service or other payment which is likely, or which by the donor is intended, to influence official actions, or acceptance of which is prohibited by regulations. Thus violation of rules and regulations should entail disciplinary measures or summary dismissal.

2.3.4 Encourage Reporting of Accidents

NTNU (2008), postulates that ethically, occurrence of accidents involving damaging of equipment, bodily harm or any extensive destruction at workplace is all supposed to be communicated to the management. The line manager of a particular concerned unit must be notified. This may at times be relevant to contact the safety representative

2.3.5 Emphasizing Clear Layout and Observation of Procedures and Legislations

According to Milner et al (2000), it is recommended that devising and implementation of well-known regulations with sufficient transparency in the organizational environment can eliminate influence of top officials into decisions that violate the established code of conduct and culture.

2.3.6 Transparency should be Encouraged to Create Equal Opportunities

There should be transparency in the structures that affect the employee progress and potential career choices because this can help in disempowering employees from misusing organizational funds (Milner et al, 2000). The structure should also be designed to cover maternity or paternity leave and management at the department should specify how much is allocated and when to make re-imburements. The procedure should undertake to keep one another informed on an ongoing basis about all matters of significance for supervision. The parties undertake to actively follow up any matters which could lead to supervision not functioning as is agreed upon.

2.3.7 Mutual Responsibility

WISE (2004) emphasizes need for cooperate collaboration with each other for mutual enforcement assistance, in such areas as sharing of information and intelligence, investigations, assets recovery, extradition as well as financial and technical assistance to poor countries in meeting their obligations under the Convention.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter explained the specific research methodology and techniques that the researcher employed in order to obtain data. It is an analysis of the geographical study research design, description of the population sampling strategies and sample design, data collection techniques methods and data analysis techniques.

3.1 Research Design

The study used an explanatory research design because it focuses on perception, facts, feelings, experiences as well as the emotions of respondents, especially since the generated research questions required observance of an explanatory, descriptive and analytical perspective, to find out the impact of procurement on small and medium enterprises by establishing the role of procurement, challenges encountered in procuring by small and medium enterprises and possible measures to control the challenges in procurement.

Both quantitative and qualitative methods were observed in data collection and analysis. General information on the subject matter was collected from the different departments and retail sections among employees, and heads of departments as well as procurement officials through use of questionnaires and interviews. Qualitative design involved in-depth interviewing of the heads of departments. On the other hand, the quantitative section involved use of close-ended questionnaires which was issued to the employees in the different retail sections and departments because method is convenient.

3.2 Study Population

The study population was seventy (70) that is to say thirty (30) employees were selected from TANCEED, forty (40) employees from Shoprite.

Table 1: Showing summary of the respondents

CATEGORY OF RESPONDENTS	TANCEED	SHOPRITE	TOTAL
Procurement and Disposal Unit	19	26	45
Auditing Department	3	9	12
Accounts Department	8	5	13
TOTAL	30	40	70

3.3 Sampling Technique

The sample technique comprised of convenience sampling, whereby the researcher selected the respondents who were easy to approach and willing to give data. The researcher used purposive sampling technique whereby the researcher had to use her own judgment and decide on who to include in the study, then quota sampling technique where survey research was used, voluntary sampling whereby the researcher got willing respondents to give the required data.

3.4 Sample Size

The researcher took a sample size of 30 from the population of 70 by random method, 10 of whom were interviewed for the study, 20 were the respondents of questionnaire.

Sampling method and how to select the respondents included simple or non restricted random selection. Under this each element or unit of the population was given an equal chance of being selected or included in the research that was carried out. The selections of any one would not in any way tie with the selection of the other every member of the group, hence the sample probability was selected without biases.

3.4 Sample Procedure

The sample was randomly selected where employees were selected because they work with the selected retail units and thus were aware of what goes on. The section heads were purposely selected because they were responsible for requisitioning of items and

materials that are lacking within their sections and thus are knowledgeable about procurement issues in the two retail units. During the course of the study, the researcher put into consideration the different attributes of respondents such as age, sex and education. The procedure therefore relied on the demographic characteristics of the study respondents.

3.5 Data Collection

3.5.1 Sources of Data

Primary Data

This was obtained through use of self-administered questionnaires and interviews to the respondents.

Secondary Data

This was obtained through the help of text books and other related works of outstanding scholars such as published magazines, written data sources including published and unpublished documents, agency reports and internet sources were all referred to, to throw more light on the procurement process.

3.5.2 Research Instruments.

Interviews

The researcher organized key informant interviews with section heads who enriched the findings of the study. The researcher interacted with the respondents face to face and asked them relevant questions to the study. The method was selected purposely because it provided for a systematic flow of information due to the order of questions and helped in covering information that was missed out in the questionnaires.

Questionnaires

Both open and close ended questionnaires were used in the collection of data and these were distributed to the employees to provide answers. The questionnaire was purposely selected because it sought personal views of the respondents and thus were in position to use their knowledge in providing a wide range of data as the element of shyness was done away with and it also helped in avoiding repetition of questions.

3.6 Data Processing

The processing of data was done after the collection of data for verification of the information gathered and for attainment of completeness, accuracy and uniformity. Data editing involved checking the information for errors, which was advantageous because it enabled the researcher to delete and eliminate possible errors that were traced which would have influenced the results of the study. Data was analyzed concurrently to avoid duplication thereby guiding the entire study for balanced and critical analysis. The researcher used hypothesis based on the questionnaire and for other items, tabulation pie-charts and percentage and simple statistical methods were used for data presentation, analysis and qualification.

3.7 Data Analysis

The study explained, described and presented the findings basing on the specific objectives of the study and research questions, where data analysis was firstly done through sketchy and generalized summaries of the findings such as observation and conclusions in the process of data collection. Data analysis was done using simple statistical percentages and frequencies and presented in charts.

3.8 Ethical Consideration

The researcher carried out the study with full knowledge and authorisation of the responsible authroity. The researcher first of all obtained a letter of introduction from the university, assigning her to the field which used to erase suspccion of the respondents. The researcher thereafter went ahead to select respondents, and arrange for dates upon which she was to deliver/pick the questionnaires or conduct interviews. The researcher also had the task of assuring the respondents of utmost confidentiality in the process of coding data.

CHAPTER FOUR

PRESENTATIONS, ANALYSIS AND DISCUSSIONS OF THE FINDINGS

4.0 Introduction

This chapter presents, analyses and discusses the findings on the specific aims of the study which included; establishing the role of procurement on the performance of small and medium scale enterprises; finding out the challenges experienced by small and medium enterprises in procuring and causes of corruption; and suggesting possible intervention measures that can help in controlling the problems faced by small and medium enterprises in procuring.

4.1 Demographic Representation of the Respondents

The study examined the different background information of the respondents and the findings were as established in Tables 1 to 4;

4.1.1 Representation by Gender

The study sought information on the different gender representation of the respondents and the findings were as presented in table 2;

Table 2: Gender Distribution of Respondents

Sex	No of respondents	Percentage
Females	12	40%
Males	18	60%
Total	30	100

Source: *Field Research Findings (2012)*

Out of the 30 respondents interviewed 12 were females (40%) and the remaining 18 (60%) were males.

Study respondents however portrayed that, the women were the least represented in the procurement process, because procurement is a complex procedure which has a lot of complicated dealings. Just like Dolan and Humphrey (2000), acknowledged that

procurement officers operate within a complex environment and thus are subject to pressure from end-users. It can thus be suggested that because the process of procurement is complicated and subjects procurement officials to pressure, a few women can manage to handle procurement issues. This is because being a submissive gender, they cannot easily succumb to pressure, thus their low representation level in the study.

4.1.2 Representation by Age

The study also sought about the age differences of the respondents and the study findings were as represented in table 2.

Table 3: Age Distribution of the Respondents

Age group	Frequency	Percentage (%)
25 – 30	6	20%
31 - 40	10	33.3%
41 – 50	9	30%
51+	5	17%
Total	30	100%

Source: *Field Research Findings (2012)*

In respect to the study findings in table 2, 6 out of 30 respondents (20%) were between age group 25-30, 10 out of 30 (33.3%) represented age group 31-40, while 9 out 30 belonged to age category 41-50 and the remaining 5 (17%) represented age group 51+.

Study findings indicate that age group 51+ was the least represented group, particularly because as grown-ups, it was revealed that they could not succumb to the demands of procurement as they could not endure regular procurement training as the profession demanded. This indicates that, this age group was less susceptible to dealing with craftiness and complications in the profession, as procurement issues necessitated developing certification through mandatory training which, as practitioners who are grown-up find hard to undertake. This view is earlier held by Dolan and Humphrey (2000) for consistent comprehension of the procurement principles, policies and procedures.

4.1.3 Level of Education of the Respondents

The study also sought information about the level of education and the study findings were as established in table 3;

Table 4: Education Level of the Respondents

Education	Total	Percentage (%)
University	10	33%
Diploma	9	30%
Secondary	5	17%
Primary and below	6	20%
Total	30	100%

Source: *Field Data (2012)*

Findings in Table 3 reveal that, 10 out of 30 (33%) were of university level, 9 out of 30 (30%) had diplomas, 5 out of 30 (17%) were of secondary level and 6 out of 30 (20%) had attained primary level.

The most represented group was that of the University level purposely because procurement necessitates high standards of professionalism as complemented by Dolan and Humphrey (2000), because of the special position of trust it accords. This therefore implies that the study was dominated by those that had attained University education because they had a higher degree of professionalism in the job and thus could handle procurement issues with high integrity and skillfulness.

Yet those with secondary and below were the least represented group. According to the respondents, these mainly worked in the stores and handle unskilled work. It can thus be submitted that they were the minority because they lacked professionalism in procurement issues, thus could not handle the work with integrity.

4.2 The Role of Procurement on the Performance of SMEs

The study queried about the role of procurement on the performance of small and medium enterprises and the study findings were as presented in table 4.

Table 5: The Role of Procurement on the Performance of SMEs

The role of procurement	Frequency (response rate)		Total (%)
	Agree	Disagree	
Prevent against loss	24(80%)	6(20%)	100
Promotes an effective supply environment	21(70%)	9(30%)	100
Enhances growth of business	20(67%)	10(33%)	100
Promotes ongoing training for efficiency	19(63%)	11 (37%)	100
Promotes market potentials	15(50%)	15(50%)	100
Creating linkages in the market	12 (40%)	18 (60%)	100

Source: Field Data (2012)

According to the study findings in table 4 it was established that procurement played a significant role in the performance of small and medium enterprises, the most significant of which was to prevent against loss (80%), followed by promoting of an effective supply environment (70%), enhances growth of business (67%), promotes on going training for efficiency (63%), promotes market potentials (50%), and the less significant role was that of bridging linkages in the market (40%).

According to the study respondents, it was revealed that procurement creates a good business environment by preventing against loss. According to one official from the accounts department of TANCEED, it was noted that, this was particularly so because procurement, has helped the enterprise to judge and better place the nature and activities of the enterprises by making an early prediction of the possible outcomes at each level of performance. Yet according to another official from the Shoprite, it was emphasized that;

By procuring, we secure a better place in the market, we are not affected by the forces of demand and supply, the struggle entirely remains with the bidders to provide us with all the marketing opportunities outside. It minimizes our need to research”

Just like Gerhard, (2009) was apt to notice that, the neglect of marketing is being rectified through procurement. This is what Gereffi (1999) recognized as factors that may seem to

have a more immediate impact on enterprise output, which can more effectively be promoted through market channels, which in this case appears to be who shares the burden of researching on the potentiality of the market for greater output (sales). With this at hand, procurement would have promoted an understanding of behavior of the market of SMEs as supported by Dolan et al (2000).

It can therefore be put forward that, during procurement, bidders exercise the role of researching about the potential market opportunities on behalf of the enterprises. This helps in relieving the enterprises of the cost of marketing and research for product placement, thus cutting marketing expenditures, as bidders provide full support information for their products. This therefore makes it easy for enterprises to anticipate the business status in relation to the future market environment, thus greater chances to counter losses and the successful performance of the businesses.

Study respondents further portrayed that procurement has played a role in promoting an effective supply environment of goods. It was emphasized by one of the respondents, that procurement is a way forward to easy acquisition of supplies because it provides for competition that is conducted in a fair and transparent manner and that in so doing, suppliers are able to guard against collusion because the available rules and regulations are consistently applied to all potential suppliers to select who suits the business/organization's bidding requirements. Yet according another the rationale was that;

The acquisition of supplies was an easy flow because procurement promotes advances in technology, as competing firms try to provide their level best according to the latest models.

This same view was earlier held by Grey-Johnson (1992), who envisaged that, procurement aids in the capable acquisition of supplies and necessitates purposeful and cumulative efforts to modify existing technology. This implies that procurement leads to efficiency in supply much as to the improved quality of goods supplied. Or else contract may not be awarded if products are not modified to suit the current technological levels. Thus bidding companies struggle to regularly modify their products to be demand responsive. In other words, procurement pushes for bidders to be demand response,

which reduces the need to research for market, thus improved performance of the SMEs. Once goods are demand responsive, then their acquisition also becomes easy. Just like Grey-Johnson (1992) foresaw the need for modifications in adapted technological to suit local conditions. This adaptation according to Knorringa (1996), has an implication on, the skills and working conditions. Thus must be adjusted to suit the conditions under which it is tendered.

The respondents also acknowledged the fact that procurement has played a role of enhancement of growth of the enterprises. It was emphasized by one of the respondents that procurement has aided growth of the enterprise by creating of linkages necessary for business operations and open market opportunities. According to the study respondents, once procurement is undertaken, a linkage between the suppliers and manufacturers is created thereby building wider market opportunities once market demand acts as a stimuli to market supply. Thus for the purpose of growth of SMEs government develops strategies that help SMEs to grow from micro to small, small to medium and from medium to large as supported by Eshetu (2000) because this consequently aids the growth of the nation at large as observed from Albaladejo (2000) view on how procurement aids the development of countries.

This implies that because of the ability of procurement to support growth of SMEs, and the nation at large, government intervenes by developing strategies through which the procurement process can be aligned to support the growth of SMEs.

It was further established in the study findings that procurement promotes on-going training for efficiency. That procurement helps officials to advance their career to meet the latest challenges through specialized training, if corresponding demand is to be derived. According to one respondent this was attributed to the fact that, technology keeps changing, and that as it changes a corresponding effect has to be realized if demand is to remain stimulated. According to the study respondents, procurement plays a role in providing specialized training to procurement officials particularly when suppliers have to take the effort to offer specialized trainers to users of the products which according to the manager was enterprising for the business.

This is in contention with the view of Fagerber (1996), on how the spread of technological changes and the intensifying competitive pressures demand for specific skills. Similarly Helmsing (1998), recognizes the importance of higher levels of specialized training to meet demand, thus, to Eshetu (2000), this requires investment in human capital.

It can therefore be submitted, bidders have a role to demonstrate the compatibility of their bided products as a way forward to giving enterprises an opportunity to train and understand the performance of bided items to improve usability of products.

Equally important was the fact that, procurement promotes market potentials by creating an environment for exploration of business potentials and opportunities for market expansion and retention, as revealed by respondents. That once procurers are able to demonstrate qualified product application, a gateway to a sustainable market is established and enterprises are able to meet their goals. This was attributed to the fact that when enterprises procure, they secure a better position to understand customers' needs and behavior. According to one respondent it was stated thus;

By procuring the enterprise is able to identify better strategies which it incorporates in its original plan. This in turn helps the manufacturer's goals to be more realistic than before by becoming demand responsive. The enterprises are also able to acquire exactly what is demanded, thus maximizing opportunities to good performance.

For the above purposes Gomez and Gupta (1996), concedes to procurement providing a strategic framework which depicts levels of analysis and important links in the operation of SMEs. Similarly, Helmsing (1998) admits that procurement helps to understand the requisites of internal processes of technological advancement and establishing of market potentials.

It can therefore be submitted that when businesses/organizations procure, they secure a position best for them to determine goals that are realistic because they drive at an acquisition of supplies that best appeal to the end user in their latest fashion.

Lastly it was also established from the study respondents that procurement is playing a role of bridging linkages in the market. That procurement has linked the manufacturers,

suppliers and end users of the products. According to one respondent it was emphasized that, it is because of procurement that manufacturer has known the requirements of the businesses and the preferences the consumers as end users. It is due to procurement that wastage of resources has been minimized because manufacturers have become demand responsive. This situation is not different from Lall (2000) who deduced that, procurement improves market abilities necessary to make the product available and attractive to the buyer through creating market channels.

In the researcher's opinion, therefore this is depictive of the fact that procurement bridges end users to the manufacturers and suppliers and thus is capable of widening marketing opportunities as manufacturer and suppliers gain knowledge of the demand structures and yet on the other hand end users discover more appropriate and attractive products provided on the market.

4.3 Challenges Experienced by SMEs in Procuring and Causes of Corruption

The study further sought to establish the challenges experienced in procurement and the causes of corruption. The study findings were as presented in table 5.

Table 6: Challenges Experienced in Procurement and Causes of Corruption

Challenges experienced in procurement and causes of corruption	Frequency (response rate)		Total(%)
	Agree	Disagree	
Poor ethical practices	27(90%)	3(10%)	100
Low ability to establish connections	25(83%)	5(17%)	100
Unsupportive bidding structures	23(77%)	7 (23%)	100
Tight foreign competition	20(67%)	10(33%)	100
Strict government procedures	18 (60%)	12 (40%)	100
Unreliable statistical information	13 (43%)	17(57%)	100

Source: Field Research Findings (2012)

According to the study findings in table 5 it was established from the respondents that, the enterprises experience a number of procurement challenges some of which cause corruption. The challenges experienced included the following; poor ethical practices

(90%), low ability to establish strong connections (83%), unsupportive bidding structures (77%), tight foreign competition (67%), strict government procedures (60%), and unreliable statistical information (43%).

According to the study respondents it was expressed that the most significant challenge was the fact that the enterprises experience poor ethical practices from procurement assessment teams, who due to selfish reasons conceal important information acquired from bidders to favor particular bidders. And that owing to this reason, the enterprises were reported to have experienced losses in the acquisition of low quality supplies against the high quality goods that were missed out. A situation which was noted to have caused dismay of some members of the assessment teams, from the enterprises, who had acquired bribes and approved the passing of some bids. This is what the ILO (1998) reports as abusive office relationships which include bribery, corruption, conflicts of interest, solicitation, acceptance of gifts, favors in procurement, which relations to Humphrey and Schmitz (1998) are insubordinate in nature and a barrier to procurement. This is in contention with Milner et al (2000) who recognized that corruption limits SMEs in accessing public procurement, which relationship

It can therefore be noted that once procurement officials establish unethical work teams it results in the failure for enterprises to offer the best value and performance-based considerations in awarding contracts to bidders, thus the expected demand responsive products may not be acquired.

Yet to mention was the problem of low ability to establish strong connections which according to the study respondents arose from the fact that, procurement officials lacked knowledge pertaining to procurement assessments and how to handle bids effectively a situation which deprives the enterprises from establishing business linkages with bigger companies. Thus according to one of the respondents under the department of procurement, it was emphasized that;

At times bidders as well as officials lack planning in the strategic purchasing and acquisition of supplies. Due to this, the evaluation, implementation and controlling procedures in the operational activities of the purchasing function cannot appropriately allow procurers to commit to the objectives of the procuring

retail units. Moreover no strategies in this case are clearly drawn to realize the organization of the enterprise plans.

Thus according to one of the procurers, purchasing knowledge and skills entailed selecting among purchasers to consider which person exhibits high purchasing skills and knowledge in procurement or else no linkages or opportunities to the business world can be recognized. But because this is not the case, enterprises in Tanzania, purchasing risk taking is a substantial predictor of the supply chain performance among SMEs in Tanzania as they are willing to take the risk as long as there is a profit advantage attached. Contrary to this the United Nations report of (2007) recognizes the need to assist small firms to access market of large firms to wipe out the inadequate incentive of larger companies operating with their offsprings only, yet ignoring the potentials of unattached enterprises.

In the researcher's opinion, therefore it can be submitted that contracts at times are awarded to companies that lack full capacity to contract simply because large firms are their parent companies and thus can manage to camouflage under other competent companies to win bids and yet the competent companies that stand out singly fail to secure the contract. This deprives SMEs of a chance to contract with competent companies.

In addition it was also established that the enterprises experience procurement challenges of the unsupportive bidding structures because of hoarding of information by procurement assessments teams. The structures have not effectively prevented unethical conduct as procurement officials influence and secretly plot for who should be awarded the contract. Thus according to one accounting official, it was noted that, the involvement of the procuring team in the assessment process remains a problem because they are the very people that influence bribery and thus can not table the exact information during assessments, or else there hidden agendas come to be uncovered. Above all their presence in assessments creates a sense of insecurity among the bidders, thus contributing to the loss of stakeholder trust in the assessment process, as noted by one of respondents.

This same view is supported by the United Nations (2008), which observes that the information offered for bidding is most of the time incomplete and that this denies

enterprises from accessing appropriate and relevant information on bidding which affects their status in the procurement business, just like Eshetu (2000) recognized that most public institutions do provide incomplete information on tenders they offer which makes conditions for bidding not favorable for SMEs and consequently eliminating SMEs.

In the researcher's opinion, this implies that when information necessary for the procurement is not effectively passed over, then enterprises cannot effectively bid. This is because some bidders may not have the relevant facts about what they are bidding for, thus less willing to take the risk while others may risk without actually knowing how to deal with a particular risk involved for a particular bid.

It was further expressed by the study respondents that a problem of tight foreign competition in procuring disfavored the performance of SMEs. This was linked to connection of some companies to large companies that support them and offer them with the latest applications without immediate payment, while others do not have that opportunity. This consequently kicks out the enterprises that are not linked to large organizations. According to the study respondents, this has been particularly the case with Chinese in Indian bidders in Tanzania who most of the times win bids at the expense of the local bidders. This is in contention with NTNU (2008) on how the existence of foreign contractors has also been a challenge to local firms as matter of strong support from their governments in terms of credit.

This is depictive of the fact that small enterprises fail in the procurement business because they have big foreign competitors, who have all the incentives to promote their bidding as access to credit and support from their home governments helps them to pursue bids successful, unlike the local bidders who lack this support.

Strict government procedures were yet another problem identified in the procurement process by the respondents. This was clearly expressed that the procedures from bidding at often times too strict and unfavourable for Small and Medium Enterprises and because of this the performance of these enterprises is affected. According to the study respondents, there is too much paper work yet with complicated qualification procedures, moreover the quantities needed to be procured are often times too big, worse still with

unpredictable circumstances surrounding the bidding process. Thus according to one of the respondents, it is either that you take the risk or you do not procure at all. Yet according to another,

by assessing the supply chain performance in terms of cost, quality and timeliness as well as customer responsiveness and in terms of purchasing the enterprise should be able to estimate the ability to take a purchasing risk in terms of purchasing function, risk and uncertainty, eagerness to take on risks when appropriate opportunities present themselves by professionalized purchasers, but on the contrary the poorest bidders may sub contract with professionalized groups and yet assume the contract award when actually they are incapacitated.

This is in contention with the UN (2010) report which points out that the procedure for tendering is difficult and complex as it requires whole lots of supplies.

This implies that small and medium enterprises fail to compete for bids because the government policies may not prove supportive, just like the bidding environment may scare away the enterprises because of the mega supplies that are expected or bided by other larger companies. This limits the potential of SMEs to compete for bids, even with good supply sources.

Lastly, is the challenge of unreliable statistical information for small and medium enterprises to engage in the procurement business. According to the study respondents, government statistics remained relatively poor for bidders to reflect upon in predict current bidding situation from previous experiences of other bidding companies. This information according to one respondents, is not available on record, thus bidding becomes a risky venture taken blindly. This was attributed to reasons that are partially personal on the side of public officials handling bids. Thus respondents emphasized that with poor access to bidding information, the enterprises cannot stand to compete effectively. This is was earlier maintained by Agrawal (2004), that due to investigative violations, public officials conceal procurement information from the public, as records do not match the statistics available.

In the researcher's opinion therefore, it can be emphasized that because of lack of transparency of the government officials, small and medium enterprises like TANCEED and

Shoprite cannot access information, which prevents them from venturing into the risk for fear of dubious intentions of the public officials.

4.4 Solution to the Challenges Experienced in Procuring

The study further aimed at suggesting possible solutions to the challenges experienced procuring and the study findings were as presented in table 6;

Table 7: Solutions to Challenges Experienced

Solutions to challenges experienced	Frequency (response rate)		Total (%)
	Agree	Disagree	
Strict means to observation of ethics in procurement	22(73%)	8(27%)	100
Increased government support	17(57%)	13 (33%)	100
Improving access to information	16(53%)	14(47%)	100
Penalties be given to violators of ethics	11(36%)	19 (37%)	100

Source: Field Research Findings (2012)

According to the study findings in table 6, study respondents suggested that the procurement process can be improved upon to support the performance of small and medium enterprises by; strict means to the observation of ethics in procurement (73%), increasing government support (57%), improving access to information (53%), and that penalties be given to violators of ethics (36%).

According to the study findings it was noted from the respondents that by being strict on the observation of ethics in procurement, the performance of SMEs will be improved upon. According to the study respondents, it was noted that procurement events have to be mutually enforced if secret dealings are to be done away with. That if procurement measures are made to be more transparent through peer reviews and reporting of misconduct, then accountability will be promoted with stakeholder feedback to support this. According to one of the respondents, this would help to eliminate secret dealings.

Just like WISE (2004), emphasized that corruption can be tackled when all actors work together and that the process requires assessment of risks to fit the risk profile.

In the researcher's opinion, this is significant of the fact with shared information and transparency, procurement will be effectively carried out and secret dealings will be minimized because bidders will be less willing to take bribes for fear of their integrity being broken.

Study respondents also suggested that the procurement process can be leveled for small and medium enterprises if government increases its support and loosens its strict policies. That government needs to put a clear layout of rules and procedures that govern procurement with business that what to partner with government. In addition it was also suggested that government should venture to extend credit to SMEs to enable them bid in big amounts as required under the biddings. This same view is held by Lall (2000), on how there is need to increase support for small and medium enterprises that look to do business with government by reviewing the procurement business in strengthening transparency and openness.

With this in place, the enterprises may be better placed to understand when to venture and when not to venture, thus procurement will not prove a purchasing risk for SMEs anymore.

More still it was established that there is need to improve access to information in the procurement business if SMEs are to compete favorably. According to the study respondents, this was attributed to the fact that, enterprises are eager to exploit market opportunities that come their way, even with limited competencies, as long as they are assured of gains that are guarantee their survival, but the major problem is that the information available does not support the structures in their actual lay out, thus their fear. But with supportive information, SMEs will have a way forward to compete in procuring. For this purpose, Milner et al (2000) also foresaw the need to devise and implement well known regulations with sufficient transparency to eliminate top official decisions that violate procurement ethics.

In the researcher's opinion, this therefore implies that once procurers are well versed with the rules and procedures in addition to support information on bids, much as to the elimination of top official influences, then enterprises will be in a better position to compete for bids when system becomes more transparent.

According to the study respondents, it was expressed that by penalizing the violators of ethics, the procurement process can be improved upon. Other than when they are left to go unpunished all the time. According to the study respondents, this can be effective only if there is reporting of the violations, just like NTNU (2008), finds it ethically to report about the violations. WISE (2004) on the other hand recommends disciplinary measures on violators of ethics.

In the researcher's view this implies that with penalties set for unethical behavior the offenders and future would be offenders are hindered from carrying on the practice as punishment induces fear.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter covers the summary, conclusions and recommendations of the study findings on the three major variables.

5.1 Summary of the Findings

According to the findings it was established from the study respondents, that procurement has significant contributions to the positioning of SMEs in profitable business. But various challenges are met because of a low observation of the principles of procurement. However, solutions to the identified challenges in procurement were also suggested by respondents.

5.1.1 The Role of Procurement on the Performance of SMEs

The study revealed that, procurement prevents against loss, promotes an effective supply environment, enhances growth of business, promotes on going training for efficiency, promotes market potentials, and bridges market linkages.

According to the study, procurement provides room for competitive suppliers to bid and demonstrate what they have. This makes it possible for retailers to identify what can be incorporated within their own systems and what cannot be compatible. Thus choose among the many available options, that which is appropriately compatible. Through procurement manufacturers are able to forecast demand and produce demand responsively. This is particularly possible because the manufacturers are brought to understand the consumer demands through the links created by the suppliers and the government in trying to regulate the procurement business. This consequently results into a business environment that is clear and conducive for enterprises to perform, yet without having to incur costs of market research upon which unnecessary expenditures are avoided and losses minimized, moreover with an improved understanding of the latest

applications as skills are gained from the procurement process. This leads to greater approval of the product and consequently to good performance of the enterprises.

5.1.2 Challenges Experienced in Procurement and Corruption

The challenges experienced in procurement were poor ethical practices, low ability to establish strong connections, unsupportive bidding structures, tight foreign competition, strict government procedures, and unreliable statistical information.

The study responses predict that, procurers are corrupt and abuse powers entrusted to them to meet their own ends. There are unethical relationships among the assessment teams which affects the possibility of winning bids by small and medium enterprises. Because of the unethical work teams, important information is not provided for the bidders to rely on while undertaking to bid, which puts them in more vulnerable position to tender. Besides this the conditions under which they compete also affect their bidding because the rules as set by the government are also strict and inflexible in nature that they do not operate within the confines of the ability of small and medium enterprises to procure. Moreover the larger firms that they do aim to competing with, are foreign and yet receive assistance and credit from their home countries, which is not the case with the small and medium enterprises in Tanzania. In this way the small and medium enterprises in Tanzania loose out on bids.

5.1.3 Solutions to Challenges Experienced

The study revealed that, solutions to challenges experienced in procurement included the following; strict means to the observation of ethics in procurement, increased government support, improved access to information, and penalizing the violators of ethics.

For small and medium enterprises to be better placed in the procurement process, there should be improved observation of ethics where authority ensures that the rules set are maintained and observed through peer monitoring and enforcing punishment where violations are bound. This should be followed by increased government in cementing relations through providing information access on the right structures of the previous

procurement dealings. For all this to be possible mutual consent has to be sought in the procurement process between the bidders and procurers to promote transparency with a clear picture in an open competition environment for all. Above all the procedure for procuring should be clearly stated and laid down for all to understand.

5.2 Conclusion

5.2.1 The Role of Procurement on the Performance of SMEs

The study concludes that by procuring, enterprises can understand the supply and demand links through different market channels and government interferences. Enterprises are then placed in a better position to predict the environment under which they operate as well as the behavior of clients to adjust and adapt to changing technologies, thus improving overall performance of the enterprises.

5.2.2 Challenges Experienced in Procurement and Corruption

In view of the challenges experienced the study concludes that, small and medium enterprises in Tanzania will continue performing poorly in the procurement process if; poor ethical practices remain unaddressed, important bidding information concealed and if the enterprises are not assisted by the government to bridge stronger connections with suppliers, worse still if an enabling environment is not created for the enterprises to access credit partnered with the challenge of unsupportive bidding structures which can not enable the SMEs to venture nor maneuver the hard and complicated procedures set by government, amidst the tight foreign competition, then procurement by SMEs will remain a myth.

5.2.3 Solutions to Challenges Experienced

The study concludes that, procurement cannot be a problem to small and medium enterprises if government undertakes to provide a supportive framework in addition to extending credit to the enterprises. This is in addition to ensuring strict observance of procurement ethics and penalizing the violators of ethics. Other wise if this is not the case, then, small and medium enterprises cannot gain ground for competition in the procurement process, lest their performance remains low.

5.3 Recommendations

On drawing the conclusions to the study, the researcher made the following recommendations;

- There is need for guidance on the strategic importance of and operational approach to costing capacity development strategies which may in this respect be needed just as a more consistent focus on ensuring early commitment to future funding of agreed capacity of interventions. Otherwise it should not be taken as an automatic costing exercise.
- For procurement to be a success there is need to develop effective strategies that go beyond the control of the procurement authority pertaining to audits, service reforms, and anti-corruption, close dialogue and coordination between all key stakeholders.
- There is need to build stakeholder trust, the importance of involving a broad range of stakeholders throughout the procurement process in terms of informal meetings, workshops, consultations among others should not be underestimated.
- There is need for an in-depth stakeholder understanding of the assessment's objectives. This is likely to facilitate trust in the process and enhance access to valuable information from stakeholders.
- There is need for management to focus on developing purchasing risk taking abilities through collaboration before it actually focuses on purchasing knowledge and skills and strategic purchasing. Thus management should first of all learn how to take care of the risks involved because once risk abilities are developed, then staff responsible for procurement related activities will be able to handle strategic purchasing activities.
- There is need for an enhanced stakeholder awareness of the positive contributions of procurement capacity development on their own work situation. This is likely to

create an atmosphere of meaningful change and help in building broad commitment to the reform agenda.

- There is need to integrate strategies into broader business development forum and this should be part of the strategy development process in order to facilitate joint formulation of sustainable strategies.
- There is need to create appropriate policy guidelines as well as standards for preventing corruption in both the public and private sectors through criminalization of a range of offences with appropriate sanctions.
- There is need for an actively participating procurement authority throughout the assessment and strategy formulation process to compose of the assessment teams and play a role of assessing.
- There is a need for a more comprehensive effort to generate widespread trust in the procurement assessment process.
- There is need to accompany the procurement capacity development strategies by indicators against which the progress of the procurement process should be measured.
- There is need to develop competence in assessment methods for the procurers because assessors are proving a challenged manpower for which authority staff need to prepare well by way of systematic reflection of the assessment methods.
- There is need to facilitate a smooth implementation of capacity development interventions. It is important that a clear commitment to the funding of procurement reforms from the outset of the assessment process whether private or public budgets, there should be a strong link to agreed funding sources which need to be ensured throughout the assessment and strategy formulation process.

5.3 Recommendations for Future Research

This study looked at corruption in the procurement process and the performance of small and medium enterprises, the researcher recommends further research on;

- a) The impact of amorality on procurement investigations
- b) Government procurement policy and the performance of SMEs

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APPENDICES

APPENDIX (A): QUESTIONNAIRE SCHEDULE

Dear Respondent,

I am Matunda C. Flora, a student pursuing a Bachelors degree in Supplies and Procurement. I am conducting a research on “Corruption in the Procurement Process and the Performance of Small and Medium Enterprises”, which is part of the requirement of the award of the Bachelor of Arts Degree in Supplies and Procurement of Kampala International University. I kindly request you, to fill in blank boxes and spaces as provided. All the information provided will be used purposely for academics only and all information will be treated confidentially.

INSTRUCTION: PLEASE TICK WHERE APPROPRIATE

Section A: Biographical Information.

Sex a) Male b)Female

Age

A) 25-30 years B) 31-40 years C) 41-50 C) 51 +

Education level

A) Certificate B) Diploma C) Bachelors D)Others (specify).....

Section B: Roles Played by Procurement in the Performance of Small and medium Scale Enterprises

Businesses procure to promote efficiency

a) Agree b) Disagree

Procurement helps businesses to identify possible needs of the customers

a) Agree b) Disagree

If you agree/disagree how is this possible?

.....
.....

When business procures it is in position to meet its expectations.

a) Agree b) Disagree

If you agree/disagree how is this so? Please explain.....

7. Procurement promotes understanding of the business environment and behavior.

a) Agree b) Disagree

If you agree/disagree how/why? Please justify your opinion

8. Procurement creates links necessary for business operations and opens market opportunities.

a) Agree b) Disagree

If you agree/disagree please explain why.

9. Procurement leads to easy acquisition of supplies.

a) Agree b) Disagree

If you agree/disagree how is this possible/not possible?

10. Procurement is a way forward to attainment of specialized training.

a) Agree b) Disagree

If you agree/disagree how is this possible/not possible?

11. Does procurement promote efficiency in an organization?

a) Yes b) No

If yes, how?.....

Section C: Challenges of Small and medium enterprises in Procuring

1. Small and medium enterprises are experiencing problems in misuse of power by procurement officials.

a) Agree b) Disagree

If you agree/disagree how is this so? Please explain

.....
.....

18. Rules and procedures should clearly be designed and observed, breach of which should be punishable if the procurement process is to be a success.

a) Agree b) Disagree

If you agree/disagree how is this so? Please explain

.....
.....

19. Mutual enforcement of events in the procurement process can help to eliminate unwanted behavior in the procurement process.

a) Agree b) Disagree

If you agree/disagree how is this so? Please explain

.....
.....

20. Discouraging and punishing collaborative practices in abuse of office can promote the efficiency of small and medium enterprises in procuring.

a) Agree b) Disagree

If you agree/disagree how is this so? Please explain.

.....
.....

21. The procurement process can be improved upon if responsible authority encourages and promotes observation of codes of ethics

a) Agree b) Disagree

If you agree/disagree how is this so? Please explain.

.....
.....

Thanks for your Response

APPENDIX (B) INTERVIEW GUIDE

Guiding Issues

- i) How has procurement promoted the performance of SMEs?
- ii) How does procurement help in identification of customer needs?
- iii) How have SMEs met their expectations through procuring?
- iv) How has procurement promoted understanding of the business environment and behavior?
- v) How has procurement created links for business operations and market opportunities?
- vi) Procurement officials unethically conduct their roles through keeping vital information secret, how would you explain this?
- vii) There are insubordinations in the execution of roles under the procurement process which render the procurement process a difficult task, justify this statement.
- viii) How has the problem of not penalizing the abusive relationships accelerated the challenges to small and large scale retailers in procuring?
- ix) How can transparency create a way forward to promoting equality in opportunities for all in the procurement process?
- x) How can the mutual enforcement of events in the procurement process help in eliminating unwanted behavior in the procurement process?
- xi) How can the observation of ethical codes be improved upon by responsible authority to effectively derive from the benefits of procurement?

APPENDIX C: TIME FRAME

PERIOD	DATA COLLECTION
Beginning of Mid September to beginning of October	Proposal Writing and Editing
Mid October to Mid November	Collection of Data
Mid November to End of November	Analyzing and Compiling Data collected
Beginning of December	Typing Setting and Editing
Mid December	Submission of Report

APPENDIX D: EXPECTED BUDGET

ITEM	PARTICULARS	UNIT	COST PER UNIT (UG SHS)	TOTAL (UG SHS)
Equipments	Ream of papers	1	9,500	11000
	Pens	1 Box	15600	15,600
Field work and collection of data	Communication	10 credit	5000	50,000
	Transport to and from	cards	120,000	120,000
	Library	60,000 5 days	1000	5000
Data analysis	Data entry	70	2000	14,000
Research report	Type setting and	500 @page	Approx 70	35,000
	Printing master copy	Next 2 copies	pages 70	14,000
	Binding		3	24,000
Miscellaneous				50,000
Total				388,600