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Influence of Supplier Debarment on Service Delivery of Water Companies in Murang'a County

Nungari Naom[1], Oteki Evans Biraori[2], Juma Richard[3]

[1, 2, 3] Murang'a University of Technology

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Abstract: **The aim of the study was to analyze the influence of supplier debarment on service delivery of water companies in Murang'a County. The agency theory served as the foundation for this study. The employed a descriptive research design. The target population for the study included 240 employees from the five water companies in Murang'a County. Purposive sampling was used as the study focused on the procurement department, heads of user departments, and customers. A sample size of 150 respondents were selected for the study. Questionnaires were used by the researcher to collect primary data. By use of SPSS software version 21, quantitative data was analyzed using descriptive statistics and reported as percentages, means, standard deviations, and frequencies. Findings indicate R Square of 0.825 which implies that 82.5% of water companies' service delivery can be attributed to the debarment of suppliers. It was concluded that debarment of suppliers' boosts service delivery of water companies. The study recommends that organizations should enact debarment policies to provide a potentially significant mechanism in the fight against corruption by barring bidders who have committed "corporate integrity offences" from procurement contracts. It is further recommended that organizations that experience non-performing suppliers should institute debarment by PPRA instead secretly debarring suppliers which results to the same non-performing suppliers being awarded contracts by others firms whereby such firms fails to perform again.**

Keywords: **Debarment of suppliers, Service delivery, Water companies.**

I. INTRODUCTION

A debarment process is a mechanism that prevents an organization, firm, or individual from participating in public procurement for a specific reason for a set length of time. Debarment extends to directors and partners if the debarred person is a partnership or a company, and the disqualification decision will not release the prohibited individual of its responsibilities pursuant to any agreement made with a procuring entity before the debarment judgment (PPRA, 2016)

A tenderer who is found to have violated the terms of the PPADA Act 2015 could be put on a blacklist and barred from taking part in procurements for at least three years. The Public Procurement Regulatory Board will follow specific procedures to hear and decide debarment proceedings, as set forth in the New Regulations. It's important to point out that a tenderer who is the subject of the proceedings mighty always have the opportunity to deny the accusations, respond, provide direct evidence in support of it (PPADAR, 2020).

When a poorly performing contractor submits a low proposal, an institution's natural reaction possibly to invoke and has the right to "reject any and all tenders" and choose an alternative bidder. However, because by passing a low bidder is frequently challenged in court, buyers should proceed with caution in these cases. The data available to indicate inadequate past performance and its significance for the evaluation of the present tender are closely tied to the capacity to safely circumvent a poorly performing low bidder. While careful record-keeping can aid in these cases, if the court judges that the

low bid bypass was inappropriate, it will be subject to costly and protracted litigation, procedural remedies in all rule-of-law countries, and lost profit awards in many Commonwealth jurisdictions. Entities should improve their contract administration record-keeping and undertake inspections of their contractors' post-performance to avoid risky and resource-draining legal entanglements. Poor performers, like litigious and dishonest bidders, should be prevented from submitting another low offer, causing another project to fail, and launching more lawsuit. Our institutions expects and we owe them and taxpayers to put in place robust firewalls to keep these troublesome vendors out (Wakhungu, 2013).

Water Service Provider

Water service providers being water companies have been mandated to provide water service delivery properly in the full capacity required by their customers while ensuring quality at all time in an effective and efficient manner, (Tifow, 2014). Despite the Kenyan government's efforts to expand water coverage across the country, Water and Services providers in their respective regions face a slew of obstacles in fulfilling their mission of providing dependable, reliable, quality, affordable, sustainable sanitation and water services in a way that is well customers. According to Kenya's vision 2030 for water and sanitation, the country wants to guarantee access to improved sanitation as well as the provision of clean, safe drinking water, (Sempele, 2017).This study will introduce the basic procurement practices to be applied in order to achieve a sound procurement practice in water companies that allow for an increase in trade and foster economic growth while ensuring that the service delivery of water is achieved.

Statement of the Problem

Procurement Processes and systems should be well-established and operate in accordance with supplier debarment policy for service delivery to be successful and efficient which necessitates streamlining the procurement procedures. Unfortunately, in Kenya, the supplier debarment is ignored or seen as unimportant and Implementation consequently becomes a nightmare. Debarment of supplier is increasingly acknowledged as being crucial to the delivery of services since Public procurement makes up a sizable proposition of overall spending and budgeted expenditure. Understanding the processes of supplier debarment helps better comprehend the true costs associated with obtaining any goods or services and vital because of the significance of accountability and compliance level. However, debarment of suppliers is still based on secrecy, inefficiency, and corruption, as well as undercutting costs, which results in significant resource waste. While inefficient methods waste resources, cause delays, and are typically the subject of accusations of corruption and ineffective administration, good practices cut costs and achieve results quickly. (Thai, 2017) . Institutional sound procurement capacity in debarment of suppliers is critical for a successful procurement implementation and sustainability in every processes (Ambe, 2016). Public procurement in debarment of suppliers aims at reducing corruption rate in Kenya, promote fairness, transparency and nondiscrimination in procurement. There is a concern with public funds being misappropriated as a result of public procurement and lack of debarment of suppliers.

General Objective

To evaluate the influence of supplier debarment on service delivery of water companies in Murang'a County

Specific Objectives

1. To analyze the influence of due diligence on enhancing service delivery of water companies in Murang'a County
2. To examine the influence of evaluation of non-performance supplier on enhancing service delivery of water companies in Murang'a County
3. To evaluate the influence of debarment of suppliers on enhancing service delivery of water companies in Murang'a County.

Hypotheses

$H_0 1$: There is no statistically significant influence of due diligence on enhancing service delivery of water companies in Murang'a County.

$H_0 2$: There is no statistically significant influence of evaluation of non-performance supplier on enhancing service delivery of water companies in Murang'a County.

$H_0$3: There is no statistically significant influence of list of debarred suppliers on enhancing service delivery of water companies in Murang'a County.

II. LITERATURE REVIEW

Agency Theory

In 1973, separately and almost simultaneously, Jensen & Meckling were the first researchers to suggest and begin constructing a theory of agency. Ross is credited with creating economic theory of agency, whilst Mitnick is in charge of the institutional theory of agency, despite the fact that the fundamental ideas behind these approaches are comparable. In fact, the methods are complementary in that they both use comparable notions under various assumptions. Ross essentially pioneered the investigation of agencies as a problem with compensation contracting; agencies were seen as a problem with incentives. Jensen & Mackling (1976) offered the now-popular theory that entities emerge from agency and change to handle agency in response to the inherent impurity of agency relationships. Because it is not worthwhile to make behavior faultless, it never happens as the principle would have it. While regulating or buffering them, adapting to them, or being chronically disfigured by them, society, on the other hand, creates structures to deal with these faults. As it covers concerns of control, monitoring, adverse selection, moral hazard, incentive alignment, and information asymmetry in the principal-agent relationship, the debarment of suppliers can be seen through the lens of agency theory. Debarment of suppliers is a tool used to manage agency issues and guarantee that suppliers act in the principal's best interests.

Conceptual framework

The conceptual framework explains the relationship between the dependent variable enhancing service delivery of water companies and the independent debarment of suppliers in the study.

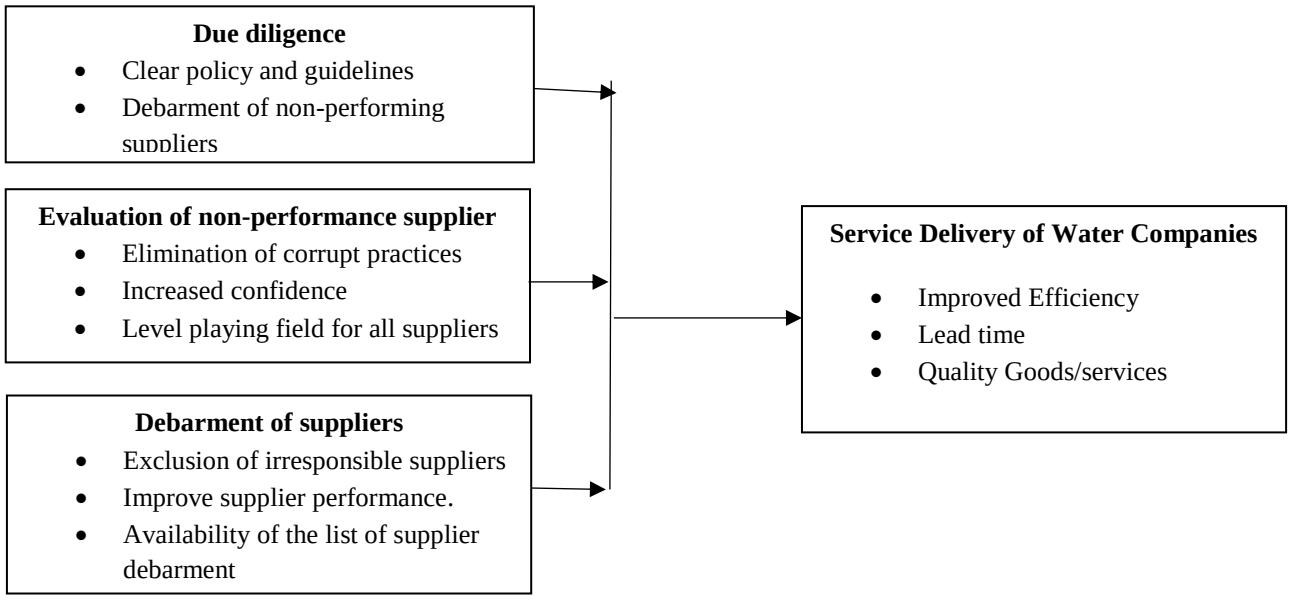

Figure 1: conceptual framework

III. METHODOLOGY

This study employed a descriptive research design as it enabled the researcher to provide descriptive statistics that was helpful in explaining the relationship between variables (Maina, 2012). The target population for the study included 240 employees from the five water companies in Murang'a County. Purposive sampling was used as the study focused on the procurement department, heads of user departments, and customers. A sample size of 150 employees were selected for the study. The decision for this sample size was based on the argument by Mugenda and Mugenda (2003), who claimed that that a sample size of 10% to 30% is sufficient for generalizing the results to the entire population. Questionnaires were used by the researcher to collect primary data, which was data directly obtained from respondents. The data collected was coded,

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allowing the responses to be classified. By use SPSS software version 21, quantitative data was analyzed using descriptive statistics and reported as percentages, means, standard deviations, and frequencies. A five-point Likert scale comprising of four items was used. The scale rating ranged from 1 - 5 with 1 denoting Strongly Disagree, 2 for Disagree, 3 Neutral, 4 Agree and 5 strongly agree. 3 was the midpoint of the score scale. Regression analysis assisted in helping to assess the influence of debarment on enhancing service delivery of water companies in Murang'a County. The regression analysis model was as follows; $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ whereby: $Y =$ service delivery, $\boldsymbol{\beta_0} =$ Constant of the model, $X_1, X_2, X_3 =$ service delivery variables (Debarment of suppliers, Evaluation of non-performance suppliers and Due diligence), $\beta_1, \beta_2, \beta_3 =$ Coefficients for the determination and $\varepsilon =$ Error term.

IV. DATA ANALYSIS

Supplier debarment

The objective of the study was to examine the influence of supplier debarment on enhancing service delivery of water companies in Murang'a County. As shown 4.1 the mean scores obtained the respondents on the scale measuring transparent tendering ranged from 4.46 to 2.73. The highest ranked items were; "Supplier Debarment policy and guidelines is in place in your organization (4.46)" and "List of Debarred Suppliers made available when needed for evaluation team to refer to (4.04)". The lowest ranked items were; "debarring non-performing suppliers has improve supplier performance. (3.30)" and "You organization can have increased confidence that they are dealing with suppliers that are fair and honest (2.73)". From the study findings, most of the scores had a mean above 3 denoting that majority of the respondents were firmly in agreement that debarment of suppliers enhanced service delivery of water companies in Murang'a County. This clearly indicated that debarment of suppliers played a significant role in enhancing service delivery of water companies.

The study agrees with Auriol & Sreide (2017) who claimed that debarment makes little difference in markets with high competition, but that it may deter corruption in markets with low competition if firms value future public procurement contracts and there is a chance of being found out as corrupt. Debarment, on the other hand, when it is effective, has an anti-competitive consequence that aids in supplier collusion. Further, it can prevent collusion and corruption if it is created with an awareness of the market forces at work, enhancing the outcomes of public procurement.

The study also supports Dixon's (2021) claim that debarment policies provide a potentially significant mechanism in the fight against corruption by barring bidders who have committed "corporate integrity offences" from procurement contracts. Debarment may help prevent future wrongdoers, motivate contractors to seek rehabilitation, render actual offenders incompetent, and encourage the development of a culture of compliance by giving law-abiding businesses a competitive advantage. Debarment from public procurement, according to Hjelmeng & Sreide (2014), has grown to be a crucial tool in the war against corruption and other types of business-related crime. Even vendors who have been found guilty of the listed offenses are active participants in the market, and many are also significant employers. As such, their exclusion from public procurement should not last any longer than is "necessary" for them to earn back the public's trust.

Table 4.1: Debarment of Suppliers

	N	Mean	Std.D
Supplier Debarment policy and guidelines is in place in your organization	91	4.46	.807
Suppliers who engage in corrupt practices are debarred from company tenders	91	3.67	1.446
Non-Performing Suppliers in the procurement process in your company are debarred	91	3.91	1.180
Debarred of Suppliers made available when needed for evaluation team to refer to.	91	4.04	.988
Debarring non-performing suppliers has improve supplier performance.	91	3.30	1.370
Debarring of suppliers ensures your organization that run their businesses responsibly are contracted and excludes irresponsible suppliers	91	4.04	.815
You organization can have increased confidence that they are dealing with suppliers that are fair and honest	91	2.73	.955
Suppliers have reassurance that they are operating on a level playing field and do not need to engage in corruption to keep up with the competition.	91	3.35	1.508

Service delivery

According 4.2 the mean scores obtained the respondents on the scale measuring service delivery of water companies ranged from 4.85 to 3.30. The highest ranked items were; "Complaints from user departments in the Company are minimal (4.85)" and "There is improved quality of projects undertaken by the Company is enhanced (4.65)". The lowest ranked items were; "Deliveries are made within the timelines specified in the order/contract (3.75)" and "The suppliers deliver goods/services that are appropriate (3.30)". The study support those by Maina (2017), who found that e-tendering reduced the procurement period, provided an effective audit trail of the procurement process, eliminated bias and prejudice in supplier selection, increased the level of competitive bidding, improved supplier/customer relationships, improved visibility of procurement dealings, and that e-payments were more difficult to counterfeit. The report further claimed that e-procurement methods such as e-tendering, e-sourcing, e-invoicing, and e-payment significantly improved the organizational performance of Kenya's Ministry of Devolution and Planning.

Table 4.2: Service delivery of water companies

	N	Mean	Std. Dev
The goods are delivered in time which enhances employee work	91	4.16	.654
There is accessibility in the services in our organization since the goods/services are delivered in time	91	4.20	.687
The goods delivered are safe which improves service delivery	91	4.34	.734
Complaints from user departments in the Company are minimal	91	4.85	.363
Deliveries are made within the timelines specified in the order/contract	91	3.76	.935
There is Improved quality of projects undertaken by the Company is enhanced	91	4.65	.480
The suppliers deliver goods/services that are appropriate	91	3.30	1.36
There is availability of the goods/services which has improved service delivery	91	4.49	.751
The services provided in our organization are satisfactory	91	4.12	1.35

Model summary for debarment of suppliers

With a R Square of 0.825, the study's independent variable Due diligence, list of debarred, evaluation of non-performance supplier combines to explain that 82.5% of water companies' service delivery can be attributed to the debarment of supplies drivers they have adopted in their procurement processes. The model summary's findings are shown in Table 4.3. The model's established regression equation was $Y = 3.097 - 0.016X_1 + 0.112X_2 + 0.248X_3$ Where; X1 = Debarment of suppliers, X2= Evaluation of non-performance suppliers and X3 =Due diligence. When all the variables are taken into account, the regression equation predicts that when the three variables (Debarment of suppliers, evaluation of non-performance suppliers and due diligence) are held constant at zero, the service delivery will be positively influenced. This is shown by the coefficient (0= 3.097), which is significant at (p=0.000). The negative sign can be explained in that most procuring entities black list suppliers who under performs and deny them subsequent awards of contracts by introducing a requirement that "Any supplier who has been awarded a contract and did not perform will not be considered". Such requirement knocks out the supplier concern out of being awarded a contract by the procuring entity alone, however because such a list of debarred supplier is not made public, the same supplier can move to another organization and be awarded a contract which he/she cannot again perform. Hence debarment is made in secrecy by one firm.

Table 4.3: Model summary for debarment of supplier

Model	R	R Square	Adjusted R Square	Std. Error of the
1	.909[a]	.825	.819	.151

Predictors: (Constant), Due diligence, list of debarred suppliers, and evaluation of non-performance supplier

ANOVA for Debarment of Supplier

The overall model is significant since the F calculated at the 5% level of significance was 137.158, which is higher than the F critical (value = 5.1922). The results are shown in Table 4.4.

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Table 4.4: ANOVA for Debarment of Supplier

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.360	3	3.120	137.158	.000
	Residual	1.979	87	.023		
	Total	11.338	90			

Dependent Variable: Service delivery of water companies
Predictors: (Constant), Due diligence, list of debarred, evaluation of non-performance supplier

Table 4.5 Coefficient of Debarment of suppliers

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.097	.202		15.332	.000
	Debarring suppliers	-.016	.032	-.035	-.515	.608
	Evaluation of non-performance suppliers	.112	.027	.298	4.066	.000
	Due diligence	.248	.017	.751	14.728	.000

a. Dependent Variable: Service delivery of water companies

Hypothesis testing

The results show that debarment suppliers has a significant influence on water companies' ability to offer service delivery ($\beta1$= -0.016, p = 0.608). This statistically indicate that a change of one standard deviation in Debarment suppliers result to a -1.6% decline in service delivery of water companies. The water companies' success in providing services would be favorably influenced if they adopted list of debarred suppliers. The null hypothesis that list of debarred suppliers has insignificant influence on service delivery of water companies is consequently accepted since a p value of 0.608 is sufficient evidence that debarment of suppliers has significant negative influence on service delivery of water companies.

The results further demonstrated that evaluation of non-performance suppliers has a significant influence on the success of service delivery ($\beta2$=0.112, p = 0.000). This statistically indicate that a change of a unit change in the evaluation of non-performance suppliers causes improvement of service delivery of 11.2% by water companies. Ideally, if the water companies were practicing more evaluation of non-performance suppliers, then their service delivery would be improved. The null hypothesis that evaluation of non-performance suppliers has no significant influence on service delivery of water companies is consequently rejected since a p value of 0.000 is sufficient evidence to draw the conclusion that evaluation of non-performance suppliers has a significant influence on enhancing service delivery.

The results show that due diligence have a significant influence on service delivery of water companies the success ($\beta3$=0.248, p = 0.000). This statistically indicate that a shift of one standard deviation in due diligence results in a 24.8% improvement in service delivery by water companies. The water companies' success in enhancing services delivery would be positively influenced if they used more due diligence. The null hypothesis that due diligence have no significant influence on service delivery by water companies is therefore rejected because a p value of 0.000 is sufficient evidence to conclude that due diligence has a noteworthy influence on service delivery.

V. SUMMARY, CONCLUSION AND RECOMEMMENDATION

Summary

The finding from the study revealed that debarment of suppliers had a glaring influence on service delivery of water companies in Murang'a County. Debarment of suppliers help prevent future wrongdoers, motivate contractors to seek rehabilitation, render actual offender's incompetent, and encourage the development of a culture of compliance by giving law-abiding businesses a competitive advantage.

Conclusion

The results decision is prove that debarment of suppliers' boosts service delivery of water companies. This is because debarment of suppliers prevents collusion and corruption when created with an awareness of the market forces at work, enhancing the outcomes of public procurement. However the single firm debarment of a supplier results to reduction of

service delivery due organizations' secret debarment of suppliers because the same non-performing suppliers are awarded contracts by other organisations where they are not debarred.

Recommendation

On realization that debarment of suppliers' boosts service delivery of water companies, the recommends recommends that organizations should enact debarment policies to provide a potentially significant mechanism in the fight against corruption by barring bidders who have committed "corporate integrity offences" from procurement contracts. Even vendors who have been found guilty of offenses are active participants in the market, and many are also significant employers. As such, their exclusion from public procurement should not last any longer than is "necessary" for them to earn back the public's trust. It is recommended that organizations that experience non- performing suppliers should institute debarment by PPRA instead secretly debarring suppliers which results to the same non-performing firms being awarded contracts by others firms whereby such firms fails to perform again.

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