ASSET DISPOSAL PRACTICES AND PROCUREMENT PERFORMANCE OF STATE CORPORATIONS IN KENYA

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Abstract

State corporations over the years have not been performing to the standards required worldwide. The majority of the people have argued that the performance in most countries has been poor. The study aimed to establish the effect of asset disposal practices on the performance of state corporations in Kenya. The study will focus on disposal planning.

I INTRODUCTION

Assets are a major aspect of any business and they include fixed and non-fixed assets. Disposal is the act of derecognizing an asset that has reached the end of its useful life when no future economic benefits or service potential is further expected from its use.

Disposal by public sector organizations in Kenya is usually governed by the Public Procurement and Disposal Act and Public Procurement and Disposal Regulations. This PPDA clearly outlines the disposal practices that should be followed by public organizations. The disposal planning should be done at the same time as the procurement planning. Procuring entities should dispose of their assets at least once every year. A disposal committee should be formed to work with the user departments and the head of procurement to prepare the disposal plan. The disposal committee should recommend, to the accounting officer, the disposal including the disposal method (Public Procurement Oversight Authority, 2009).

II LITERATURE REVIEW

Sergio (2010) carried out a study on effectiveness to develop strategies for effective disposal of goods and equipment in public institution. The study adopted qualitative approach and journals were used to collect data that was later analyzed using SPSS version 21. The study findings revealed that there were existing practices of disposal of goods and equipment that affected performance of state corporations. However, the study findings further revealed the following strategies; the institutions should code all asset when they procured goods and equipment into their outfit to determine longevity of the asset, professional independent body should examine every asset when they are due for disposal, certificate of disposal should be issued by standing disposal committee, methods of disposal should be approved by the head of institution, economic returns and finally, asset disposal plan that would be effective , efficient and economical in all government institution.

Theoretical Review

A theoretical framework guides the researcher in determining what statistical variables need to be measured. Thus the theoretical literature helps the researcher to see clearly the variables of the study, provides a general framework for data analysis and helps in selection of applicable research design (Ngumi, 2013).

Control theory

According to Bierstaker (1999), the basics of control theory is that for business or system to stand, one individual should authorize the purchase and the selling of products, while another should take custody of the sale and the third individual should account for the number of products sold (Bierstaker, 1999). According to section 45 (4) of PPADA 2015, all asset disposal processes shall be handled by different persons in respect of identification, consolidation, preparation of disposal plan, pricing and the disposal itself.

The theory is significant to the research because it highlights issues with asset disposal where one individual would not be responsible for the overall process. The theory thus proves that pricing, disposal plan, and the disposal process need more than one individual to control the practices, allowing insights into the corporations.

Conceptual framework

Independent Variable   **Dependent Variable**

Disposal Planning   **Performance of State Corporations**

- Formulation of disposal committee   -Reduction in costs
- Verification of disposal recommendations   - Timely delivery of services
- Processing of disposal recommendations   - Customer satisfaction

III RESEARCH METHODOLOGY

Introduction

This chapter highlights the research methodology that will be used in the study to achieve the research objectives in terms of research design, population, sampling, data collection, data processing and analysis.

Research Design

According to Babbie (2013), research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in the procedure. The study will use a descriptive survey design to help in indicating trends in attitudes and behaviors and enable generalization of the findings of the research study to be done. This design is appropriate for this study because it utilizes a questionnaire as the data collection tool that saves time, expenses and the amount of quality information yielded is valid, while interviewer bias is reduced because participants complete identically worded self-reported measures.

Target Population

According to Zikmund, Babin, Carr and Griffin (2010) a population refers to all items in any field of inquiry and is also known as the 'universe'. Polit and Beck (2010) refers to population as the aggregate or totality of those conforming to a set of specifications. The population of the study will be 187 state corporations as per List of Kenyan State Corporations 2016. The state corporations are classified based on sectoral categorization.

Target Population

Sectoral Category of Employees	Population	Percentage (%)
Tertiary Education and Training Corporations	19	10.2
Regional Development Authorities	12	6.4
Service Corporations	29	15.5

Research Corporations	19	10.2
Public Universities	15	8.0
Regulatory Authorities	31	16.6
Commercial/Manufacturing Corporations	37	19.8
Financial Corporations	25	12.4
Total	**187**	**100**

Source: Presidential Taskforce on Parastatal Reforms (2019)

Sampling Frame

The study will conduct a census of the 187 state corporations in Kenya instead of adopting a sampling methodology. The study respondents will therefore be 187 senior supply chain officers one from each of the 187 SOEs in Kenya. The use of senior supply chain officers is justified on the basis that they were more aware about the asset disposal practices activities as compared to managers of other department.

Sample Size and Sampling Technique

A sample is a small group obtained from accessible population, (Mugenda & Mugenda, 2012). A good sample should be a true representative of the population, result in a small sampling error, viable, economical, and systematic, whose results can be applied to a universe with a reasonable level of confidence (Kothari, 2004). The study will conduct a census on the total target population since the number of targeted population is small. Gall, Gall and Borg (2013) argue that a census is allowed whenever a population size is smaller than two hundred respondents and this gives more detailed feedback than if sampling is conducted. It is recommended that a census survey is used when the population (187) is small that is less than 200 and manageable to collect information for the study (Yin, 2013).

Ethical Considerations

According to Kothari (2004), ethical considerations are the principles set to guide research designs and practices. The research will follow the principles during the data collection process. The study will aim to protect the rights of the participants and enhance research validity while maintaining scientific integrity. The research will consider voluntary participation, which allows them to opt in or out at any point of the study. Informed consent will be respected by ensuring they understand the purpose of the research, the risks involved, and the benefits behind the research. The research will protect the participants' identity under the ethical consideration of anonymity. The participants will sign consent forms to agree to participate in the study.

Data Study instruments

The study will use of primary forms of data. To ascertain the primary data from various PPPs, the study used self-administered questionnaires. Saunders, Lewis & Thornhill (2009) argue that well standardized and tested questionnaires are most effective elements of a structured survey. Keeping the central objective of study in mind, the study adopted closed question items that are sufficient to yield only relevant information. Likert scale is an interval scale that specifically uses five anchors of strongly disagrees, disagree, neutral, agree and strongly agree. The Likert measures the level of agreement or disagreement. Likert scale is good in measuring perception, attitude, values and behaviour (Upagade & Shende, 2012). A Likert scale questionnaire is preferred as it makes it possible to convert responses into quantitative format for ease of data analysis using computer based software.

Data Collection Procedures

Burns and Grove (2010) define data collection as the precise, systematic gathering of information relevant to the research problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories. The study will collect data using drop and pick method.

Questionnaires will be dropped and picked later to enable the respondents have enough time to respond to the questionnaires. This will enhance reliability.

Pilot Study

This section provides the methods of pre-testing the research instrument in this case the questionnaire. It includes validity testing and reliability testing of the data collection instrument. In order to minimize the possible instrumentation error and hence increase the reliability of the data collected, pilot study will be conducted to measure the research instruments reliability and validity (Mathiyazhagan and Nandan, 2010). A pilot study will be undertaken on 10% of the sample population which were not included in the final research. Cooper and Schindler (2006) argue that the respondents in a pilot test do not have to be statistically selected. A 5-10% of the population is sufficient for a pilot. The pilot study will be conducted on 18 senior supply chain officers from the 187 senior supply chain officers study population. Pilot study will therefore be conducted to detect the weakness in design and instrumentation, and to provide accurate data for sample selection (Sutrisna, 2009).

Reliability of the Research instrument

Reliability refers to the consistence of a score from one occasion to the next. Reliability measures the extent to which a research instrument is consistent. Internal consistency of the questionnaire is measured (Sekaran and Bougie, 2010). The less variation the instrument produces in repeated measurements of an attribute the higher the reliability. Reliability analysis will be used to assess internal consistency among the variables of study. The reliability of the study measures will be assessed by computing Cronbach's Alpha coefficient for all items in the questionnaire and the overall assessment was given (Sekaran & Bougie, 2010). The Cronbach's alpha coefficient ranges between 0 and 1 with higher alpha coefficient values being more reliable. A questionnaire with a good internal consistency should have high alpha coefficients. All items that will return a Cronbach's alpha coefficient of 0.7 or more will be considered reliable. Individual items in an instrument measuring a single construct should give highly correlated results that will reflect the homogeneity of the items.

Validity of the Research Instrument

The instrument's validity can be regarded as the extent to which the instrument actually reflects the abstract construct being examined (Mugenda and Mugenda, 2009).The content validity of an instrument is the extent to which it provides adequate coverage for the construct domain or essence of the domain being measured. The determination of content validity is not numerical, but subjective and judgmental (Saunders, Lewis & Thornhill, 2009).

Data Analysis and Presentation

The questionnaires will be edited for completeness and consistency to ensure that respondents have completed them as required. The study will collect both qualitative and quantitative data and will be analyzed using both quantitative and qualitative methods with the help of (SPSS). The qualitative data will be analyzed by the use of content analysis which will help the study in giving recommendation in line with the conclusions drawn for the whole population under study.

IV RESEARCH FINDINGS, ANALYSIS AND PRESENTATION

Introduction

The study sought to establish the effect of asset disposal practices on the procurement performance of state corporations in Kenya. The data was collected from 169 respondents as a result of 18 respondents being excepted from the process as they were eligible for the pilot study. Of the 169 respondents, 58% were male, while 42% were female. The respondents were categorized based on age. 18-25yrs 7.1%, 26-35, 26% 36-45, 34% 46-55, 27.2% and 56+, 5.4%. The mean age was 40 years with a standard deviation of 9.98 years. This shows that majority of the respondents were 40 years and above which shows they had vast experience in the industry. The working years mean was 13.65 with a standard deviation of 6.57. This shows that majority of the respondents had work experience of more than 10 years.

Mean and Standard deviation of Age and Working Years.

Working Years	
Mean	13.65868
Standard Error	0.508833
Median	13
Mode	8
Standard Deviati	6.575578
Sample Variance	43.23822
Kurtosis	-1.18723
Skewness	-0.0532
Range	20
Minimum	3
Maximum	23
Sum	2281
Count	167

Age	
Mean	40.30769
Standard Error	0.768039
Median	40.5
Mode	40.5
Standard Deviation	9.984512
Sample Variance	99.69048
Kurtosis	-0.72139
Skewness	-0.02367
Range	38.5
Minimum	21.5
Maximum	60
Sum	6812
Count	169

The data collection process was conducted online for easier access to respondents. Each respondent was sent a link for the questionnaire. The data analysis included Anova for qualitative data and SPSS for quantitative data. The mean and standard deviation are vital to data analysis, with 1-5 being the minimum and maximum in quantitative data. The mean was calculated by determining the extent of SA, A, N, D and SD. The multiple regression analysis was also vital for determining the relationship between independent and dependent variables. F-Test results were vital in the Anova data analysis. The entire data collection and analysis process was to understand the effect of asset disposal practices and procurement performance of state corporations in Kenya.

The study's objective was to assess respondents' agreement with statements regarding the impact of disposal planning on the procurement performance of state corporations. Table 1 presents the results in terms of mean and standard deviation.

Disposal Planning

Disposal Planning

	N	SA	SD	Mean	Std. Deviation
We have formulated a disposal committee to offer advisory advice on the ways to reduce costs	167	1	5	1.65	1.035
We do verify the disposal recommendations to the satisfaction of our customers	168	1	5	1.73	1.035

The disposal committee process and offer disposal recommendations to enhance timely delivery of services	165	1	5	1.76	1.053
The disposal committee does plans which recognize the current and future risk to the reduction cost	169	1	5	1.82	1.071
The disposal committee verify and process disposal recommendations to enhance customer satisfaction	169	1	5	1.85	1.129
Valid N (listwise)	162				

F-Test Results

The Anova results on disposal planning were as follows, F-score= 0.872007, P-value= 0.480175 and F-credit=2.32619. The figures aimed to understand the variance between the statement information on effect of disposal planning on corporate performance. The R2 value was 0.9957 which shows that disposal planning had a direct impact on procurement in respective state corporations' performances.

R^2 = SS within Groups / SS Total

Table 4. 1 F-Test- Disposal Planning

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3.958093	4	0.989523	0.872007	0.480175	2.382619
Within Groups	945.2591	833	1.134765			
Total	949.2172	837				

The Anova results are as follows, F score =0449719, P-Value =0.772649 and F-crit was 2.3825. The results aimed at understanding the variation between and within groups when it comes to valuation method influence of corporate performance in Kenya. After the calculation of the R^2 which was 0.99978 it shows that there was minimal variance between the participant's agreement on the influence of research statements on asset disposal practices and procurement performance of state corporations in Kenya.

Discussions and Findings

Disposal Planning and Procurement Performance of State Corporations

Disposal planning has a direct influence on the procurement performance of state corporations. Five statements formulated the part. 62% (mean=1.65) of the participants strongly agreed that corporations formulated a disposal committee with the aim of reducing costs. 57% (Mean=1.75) of the participants confirmed that they verified the disposal recommendations with the aim to satisfy customers. 55% (mean=1.76) of the participants also strongly agreed that the disposal committee and disposal recommendation enhance service delivery. 55% (mean=1.82) of the participants strongly agreed on the disposal committee plans for future risk to reduce costs. Finally, 55.6% (mean=1.85) of participants strongly agreed that customer satisfaction is enhanced by recommendations from the disposal committee disposal recommendations.

V Summary, Conclusion & Recommendation

The data aimed to understand how asset disposal practices affect procurement performance of state corporations in Kenya. The procurement process is one of the leading factors in the success of any business, and the research's main objective was to show the link between Asset disposal practices and the procurement performance of state corporations in Kenya in depth.

Summary

Objective of the Study

1. To examine the relationship between disposal planning and procurement performance of state corporations in Kenya

The objectives were the guiding factors, and the data aimed to prove how disposal planning affect procurement performance in state corporations

Conclusion

Based on the study's findings, it can be concluded that compliance with disposal planninghas significant impact on the procurement performance of state corporations in Kenya. The study proved that a disposal committee was vital in reducing organizational costs. The general process of reducing the cost of operation is essential in the procurement performance of any organization in Kenya. Under disposal planning, we also agreed that the disposal committee and disposal recommendation was vital in the delivery of services. The formulation of a disposal committee has a direct impact on how services are delivered to customers

Recommendations

The report recommends the establishment of a well-formed disposal committee to guide cost-cutting measures. It is essential to ensure disposal recommendations align with customer expectations and preferences. The disposal committee should develop plans addressing immediate challenges hindering work progress and consider current and potential cost reduction threats.

Areas for Further Research

The report contributes to the existing study by examining the impact of asset disposal methods on the procurement performance of corporations in Kenya. It is recommended to expand current theories, models, and empirical research on Asset Disposal practices as it affects procurement performance to deepen the understanding of public procurement. Further research should identify additional factors hindering the successful procurement performance in the corporations. Conducting comparable studies in other state enterprises and countries would help determine the generalizability of the identified determinants to the procurement performance of the organizations in line with existing literature. Further research in other developing countries would be vital in more understanding of the topic in Kenya. Developing countries would offer more insight into the disposal process than developed countries.

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