

## **Challenges affecting the Procurement in SMEs in Mombasa County**

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**Abstract:** *This project research study was undertaken to investigate challenges affecting the performance of SME in Mombasa County. Importation business in SME is distinctive in various aspects for instance sourcing of goods, modes of payment for goods and risks involved and the relationship amongst suppliers and importers amongst others. The objective of this project was to identify the effects of inadequate finances to support importation, government regulations affecting importation and poor infrastructure on supply chain effectiveness of these small businesses and the high costs of importation. The study was of small and medium enterprises engaging in importation of garments and shoes from China, Turkey and USA and a sampling technique will be used to obtain a sample for use in the research. The research project used questionnaires and in-depth interview to acquire relevant information about the research which relies profoundly on primary data which will be analysed using frequency distribution tables and graphs.*

**Keywords:** *Finances to support importation, importation costs, custom clearance process, transportation infrastructure*

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### **I. Introduction**

Today many SME's are facing a complex and competitive environment than ever before. As competition intensifies due to changes in the industry structure and the emergence of new technologies, enterprises are determined to reduce their operational cost while enhancing their profitability (Mentzer, 2000). SME's generally experience many challenges in their operations which are distinctive to a level affecting their growth and profits thus reducing their capability to contribute effectively to sustainable expansion.

A number of reasons as to why SME's failed included lack of proper management leading to poor strategic goals being put in place, unwillingness to adapt to rapid changing technology, failure to seek for advice and lack of commitment from top executives. SME's faced importation challenges right from the moment they negotiate for supply contracts, procure, do shipping until the final goods arrive in the importers business premises and this was as a result of challenges in the internal environment revolving around managerial skills, financial knowledge, lack of expertise in functional areas such as marketing and human resource management, Inadequate finance, high cost of credit, and lack of access to finances was a challenge faced by SME's (Ligthelm& Cant 2002;3).

Businesses engaging in international imports faced more challenges as compared to those engaging in local trade (Wanjohi and Mugure 2008). Some of the challenges in fore-front of enterprises in Mombasa (Kenya) included lack of support from the government, rapid changes in technology, insufficient capital/funds, lack of proper training and experience, lack of knowledge and skills, lack of proper information pertaining the inadequate markets and the rules, regulations and policies to be adhered to be able to run and sustain these enterprises.

In today's economy more attention and investment on importation and procurement is on the rise due to the vicious competition in today's global markets and the increased expectations from customers and all businesses engaging in importation ought to ensure that there is smooth supply of their goods right from procuring, shipping, inventory to distribution. The focal point of competition by enterprises offering homogeneous or standardized products is majorly on the supply chain end where efficiency and effectiveness determine whether ones business succeeds or fails.

### **Problem statement**

SME's generally face various challenges in their operations thus their growth has been sluggish for instance limited access to financing, high costs of funds and equipment, infrastructural inadequacies, unpredictable and inconsistent government policies, low purchasing power of consumers, low quality of manufactured goods, multiple taxes and levies on manufacturing inputs and manufactured goods, inefficiencies of customs and ports administration (Onugu 2005).

In an article (Import challenges: the last mile) Smith 2007 "It is bizarre how an ocean container can travel from U.S with no difficulties, only to encounter hiccups during the final delivery process. Logisticians sometimes refer this to this leg of supply chain as "Last Mile" and it can be the Achilles heel of the procurement

process while importing. In import process he also advises that there is need to pay attention to shipments all the way from the moment they are offloaded from the ship to the final consumers to ensure margin advantage gained from importations isn't used to pay for container penalties fees due to negligence as this turns out to be costly.

Insufficient finances to import a whole container of goods were a challenge to most importers as they had to wait for other similar importers so that they could combine their goods to fill a container. This waiting time before shipment increases and consequently brings about supply hiccups in the market. These enterprises are subject to high importation costs like insurance fees for goods in transit, inward transportation costs, inspection fees, and import duties among others. Some of the SME's also lacked adequate finances and had difficulties accessing credit facilities to support their businesses.

There were also challenges in regards to the key transport and warehousing infrastructure of these businesses such as capacity to handle faster offloading of vessels, slow processing in weighbridges, and lack of an alternative faster means of transport for bulky goods than road transport. In this market, availability of goods at the right time and at right prices was the most critical aspect of the business as this ensured customer retention.

### **Objectives of the study**

#### **General objective**

The general objective of this research project was to establish the challenges affecting the performance of SME's in the county of Mombasa.

#### **Specific Objectives**

- 1 To find out the challenges affecting clearance processes in procurement of SME's in the county of Mombasa.
- 2 To evaluate transportation infrastructure in procurement of SME's in the county of Mombasa.
- 3 To establish funds required to carry out importation in procurement of SME's in the county of Mombasa.
- 4 To analyse importation costs in procurement of SME's in the county of Mombasa.

## **II. Literature Review**

### **Finances to support Importation**

Management of funds is a crucial field within the endogenous environment of small and medium enterprises that presents numerous potential obstacles and lack of financial sources is often reported as the major obstacle experienced by businesses. Financial issues important for business success are capital requirements, bookkeeping, financial planning, financial control, management of working capital and income generation. (Brink and Cant 2003)

In a research carried out by Brink, Cant and Ligthelm (2003) on the problems experienced by small businesses in South Africa, financial problems having the most widespread impact were difficulty in obtaining finance/credit (53.9% respondents 'agree' or 'strongly agree') followed by heavy operating expenses (51.8%). No less than 41.8% 'agree' or 'strongly agree' that bad debt poses a serious problem to their businesses.

The following financial problems were highlighted as the least serious problems (mentioned by approximately one in every four businesses): overinvestment in inventories (22.2%) and failure to analyse financial information (23.2%). Problems agreed upon by approximately one in every three respondents were: inadequate credit management (28.2%), insufficient knowledge of bookkeeping (29.2%), failure to do financial planning (30.7%) and poor cash flow management (34.8%). In general the above shows that apart from obtaining finance and the burden of heavy operating expenses, less than half the respondents reported a negative influence of other financial problems on their business success.

Not all businesses have enough financial resources to undertake meaningful importation. For one to engage in profitable importation business, they must have the required finances to be able to import one or more containers of goods on their own. If one is unable to do this, they will most often combine finances with another business owner in order for them to import at least a container of goods.

If a situation occurs where an importer is unable to raise finances to import a container they will search for another business that shares the same problem in order for them to come together and purchase one. Meanwhile there is an interruption in the supply of such goods. Other times, the importers will borrow from other business owners to cover up for the shortage. The lenders of such funds will not in many instances charge interest on the money lend but will ask for a share of the profits from the proceeds of the sale of goods imported.

The importation business in SME is one where their business relationship with suppliers is skewed in favour of the suppliers. This is so because the importers have to pay 50% of the goods before they are shipped from the suppliers. When the goods are in the high seas, they are required to pay the remaining 50% of the cost of goods in order for the suppliers to send them the bill of landing.

An importer may have the money to pay the first instalment, but lack the finances to clear the balance or to pay customs duties for the goods. When the importers go to the commercial banks to obtain finances for the above, they face challenges in getting these facilities due to not meeting the criteria set by these banks. For most credit facilities from the banks, one has to provide collateral against the loan to be advanced. Most small business owners lack commensurate collateral for borrowing.

### **Importation costs**

The true costs on importations in procurement will among others include the following costs: -

- i. Basis price whereby the suppliers have quoted price per item, packaging, sea/air freight, and marine insurance, however in the kinds of goods imported in SME, the costs of importation will be the price quoted per item of merchandise and the cost of transportation to the port of Mombasa.
- ii. Handling/transportation charges and this includes handling charges at point of entry (Mombasa), storage costs in case the goods are not cleared on time, port costs, and internal transport to the buyer's premises or the warehouse, freight forwarding fees, insurance for the goods while in transit. To SME importers, this cost is paid to the clearing agents.
- iii. Custom and associated charges and this includes custom duties levied by the government on imports and custom clearance fees among others. For SME businesses engaged in importation, these costs are paid to the clearing agents
- iv. International financing and this are costs associated with the costs of documentation, costs incurred when converting currency to the supplier's currency which is mostly the US dollar, exchange rate fluctuations, bank fees like electronic money transfer fees, interest paid on bank overdrafts.
- v. Inventory costs are associated with holding higher inventory levels than the capacity of the buyer's premises or warehouse. Costs are also incurred on loading and offloading goods to the warehouse.
- vi. Sourcing costs- before an importer identifies a supplier; they will most often visit the overseas supplier's premises in order to inspect the goods that the supplier deals in. Thus sourcing costs will include the costs of visit to the overseas suppliers, estimated communication costs, costs of inspection by overseas agent and local inspection agents, legal fees in contract drafting and management.

### **Custom clearance process**

All countries have in place some customs controls for revenue generation, domestic economic interests, and national security purposes. While there are similarities between countries (like the universal need for shipment documentation, including commercial invoices and Bills of Lading) there are local, specific requirements that have to be addressed.

The port of Mombasa is the preferred port that many importers from SME or any other market will rely for offloading goods for overseas. This port is faced with challenges of being able to only handle a certain small percentage of the incoming vessels. Thus goods will usually delay when they get to the port ready for offloading. Compared to counterpart ports in Asia and Europe that have implemented best in class technology, the port of Mombasa receives more goods that it can handle. This is so because overseas ports are able to load more ships that Mombasa port can offload.

Broadly, customs clearance can be defined as the set of functions undertaken by a country's customs authority, which include, but are not limited to processing of import, export, and transit declarations, assessment of origin, value, and classification of goods, collection and processing of duties and fees, physical inspection, examination, and release of cargo, conduct of post-clearance audits, processing of urgent consignments, administration of waivers and exemption schemes and drawback (re-exportation) schemes. (McLinden; 2005)

To import any commodity into Kenya, an importer will have to enlist the services of a clearing agent who will process the import documentation through Kenya Customs electronically on the Simba 2005 system and clear the goods on behalf of the importer. An import declaration fee (IDF) of 2.25% of the (cost insurance and freight) CIF Value subject to a minimum of Kshs. 5,000 is payable. Customs will assess duty payable depending on the value of the item(s) and the duty rate applicable.

For an individual or a business to undertake importation in Kenya, various regulations set by the government must be met. These documents have financial implications and take considerable time to obtain. There are many importation documents required when importing which include an original commercial invoice that gives details of the goods, details of the payment and delivery terms and a detailed breakdown of the monetary amount due.

A packing list will also be required as it give the details of the goods that have been packed and may also list the weight of individual items together with a total weight of the goods. The customs authority will also require original bills of lading, original certificate of conformity, original test report, and original certificate of origin for Preferential Trade Area partners e.g. COMESA, import declaration form, insurance debit note, and importers declaration.

An Import Declaration Form (IDF) must be applied for and obtained from the Kenya Revenue Authority for any commercial importation. The IDF gives the indication as to whether the values declared thereon are final. If not final, then an appraisal of value must be sort with the valuation section of the customs services department. In this case, a complete set of the shipping documents will be attached to the appraisal of value request form following which a value certificate is issued. The process could involve physical verification of the goods.

About quality and quantity, other control bodies such the Kenya Bureau of Standards, Public Health Department, Department of Agriculture (Kephis) and Mines & Geology Department may be asked to determine if the expected standards have been met. In case of suspicion, tests may be carried out and certificates/Permits issued. Under this criteria, test Certificates from accredited bodies may be required.

The Customs Services Department may be asked to determine the correctness of the classification for purposes of collection of the correct taxes. This may involve physical verification and/or computer scanning. Quality inspection is performed by the relevant authorities in Kenya such as the Kenya Bureau of standards. An IDF will be required before inspection is done.

### **Transportation infrastructure**

In Mombasa, Kenya the provision of better infrastructures has lagged behind over years. Many of the reasons that importers experience problems in the last mile are transportation infrastructure related. Upgrading ports, railroads and highways, all critical components of an economy based on global trade, are very expensive propositions and long-term in scope. They require an integrated approach across various governmental and private sector interests, which unfortunately can cause bureaucratic delays (Smith; 2007).

Some of the transport infrastructures are as follows-

- i. Road / Railway network which requires more track, power units and railcars in order to serve all the internal transportation needs of importers within Kenya - all these are very expensive items. The railroads have arguably not kept pace with the major capital investments made by container ship operators and the ports. Compared to the urgency of goods imported, most importers choose road transport than railway transport since it is also efficient than the former. Challenges are also observed with road transport in terms of high costs of transportation brought about by the recent hike in the prices of fuel.
- ii. Weighbridges deals with trucks transporting goods from Mombasa are required to undergo a mandatory check at all weighbridges along the way towards Mombasa. These weighbridge stations are in Mariakani and Mlolongo. There is always a constant queue in these stations and this further delay the goods from arriving at the business premises on time.

## **III. Research Methodology**

### **Research Design**

A research design constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2012). This research has used descriptive survey design. This is so because a descriptive design is one that helps in generating knowledge that may be used to describe the characteristics of the variables in a particular situation. Descriptive studies are not only restricted to fact findings, but may often result in the formulation of important principles of knowledge and solutions to significant problems.

Descriptive survey was most appropriate for this study as it's a method of collecting information by interviewing or administering a questionnaire to a sample of individuals (Oordho, 2003). Importation challenges affect the performance of SME's and the aim of this research is to find out the effects of the various variables identified earlier on the Importation challenges and their performance on SME's and that is the reason a descriptive design is best suited in this research. This research involves collecting information from only a portion of the population of interest, thus a sample survey was carried out. This is because the design produces higher response rate and better data quality can be provided (Cooper, 2003).

### **Target Population**

The population of the study was of five Sme's registered as one business referred to as Big Daddy Enterprise. The target population was of businesses engaging in procurement and importation of various products for instance clothes and shoes by use of sea transport due to bulk order thus qualifying to be a cheaper mode of transport to use.

### **Sampling frame**

The sampling frame is a listing of all the members of population of interest. According to Mugenda and Mugenda (2003), a sampling frame as a list, directory or index cases from which a sample can be selected. In this case the sampling frame is difficult to obtain in totality for instance all the list of importers. The major

products of trade in SME include shoes and clothes. The importers of these products import from three major countries that include Turkey, USA and China.

The sampling frame include members grouped into shoe importers and clothes importers then a further grouping is done on the origin of their products whether it is Turkey, USA or China. By so doing, data is collected from the varied range of import businesses lines and helped in generalizing to the larger population and make inferences.

**Sample and sampling technique**

**Sample size**

According to Mugenda (2003), a representative sample size is one that is at least 10% - 20% of the population. The researcher used 15 % of the target population to be the sample population from all the departments. Hence a sample size of 100

Sampling is the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group (Oordho and Kombo, 2002). A probability sampling technique is used since it allows each unit in the population an equal chance of being selected. This research uses a stratified random sampling in coming up with the sample of the study because a well stratified random sample eliminates bias and ensures that all subgroups are represented and also because samples were to be taken from homogeneous subgroups within the population.

- a) The sample was obtained by sampling importers engaged in shoes business and those in clothing business

**Table 1 Shoes and Clothing**

	Approximate population of importers	Sample Size	Sample %
Shoes	3	2	15
Clothing	2	3	15
Total	5	5	15

- b) The second stage includes shoes and clothing of business who import their goods from Turkey, USA or China

**Table 2 Shoes and Clothing from Turkey, USA and China**

	Shoes	Clothing
Turkey	1	1
USA	2	1
China	2	3
Total	5	5

**Instruments**

The instruments used for this research were questionnaire so as to allow the respondents to give various judgments on various variables under the study. However, the researcher requests the respondents to elaborate or give explanations on their responses.

**Data collection procedure**

This research relied heavily on primary sources of data. The questionnaires were administered personally as the respondents are found in one locality thus high response rate. The questions asked primarily focused on the challenges affecting SME's performance.

**Data processing and analysis**

Data processing and analysis comprise categorizing, manipulation and summarizing of data in order to obtain answers to research questions (Kothari, 2004). Data preparation was done on completed questionnaires by editing and then coding. The data was entered into the latest version of SPSS (Version 22) ready for analysis.

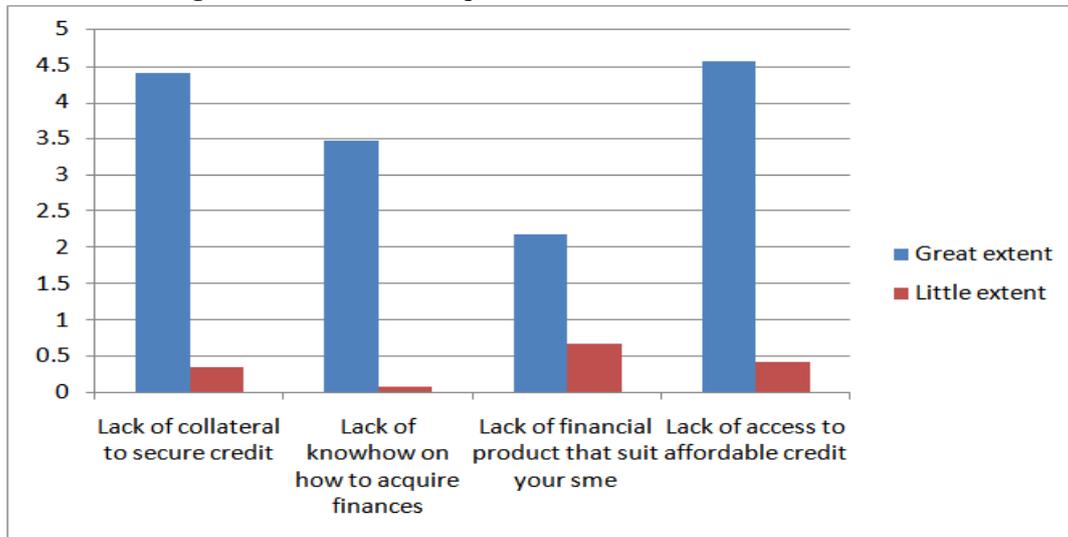
Further information obtained from the respondents was used to explain the various variables under the study. This also aids in explaining why the different respondents are giving their response as regards to the various questions in the questionnaire. The data collected from the interviews provided answers to any disparities found after the analysis of the data collected using the questionnaires. It is then used to generate conclusions on the analysis of the graphs generated.

The analysis of the data collected through the research is sufficient enough to generate frequency distribution tables as the study seeks to measure the extent to which the various variables affect SME procurement and having used a 5 point scale in the questionnaires, the findings are transposed to graphs which clearly portray the findings for one to generate clear and accurate interpretation of the findings.

**IV. Research Findings and Discussion**

From the research findings, the following tables were constructed whereby the highest mean score was found to be 5 which denoted that all the respondent respond that specific aspect under investigation affected to a very great extent the procurement in their business. The lowest mean score is 1 which denoted that the entire respondent responded that the specific variable under study did not affect at all procurement.

**Figure 1: Effects of inadequate finance on Procurement in SME’s**



**Aspects of inadequate finance on procurement in Sme’s**

Under inadequate finance four aspects were discussed which include lack of collateral to secure credit from financial institutions. Collateral that is acceptable to financial institutions include title deeds, motor vehicle log books, shares of reputable companies, life endowment policies, business assets etc. 4 of the respondents said that lack of such collateral was to a very great extent affecting their ability to secure credit facilities to enable them sustain a continuous cycle of importation business where at any time in their business cycle they had goods in their premises ready for sale.

Another aspect of inadequate finance was lack of knowledge on how to obtain finance. Most of the business owners (3 respondents) did not know that the shares and business assets could be used as part of security against loans. Others (4 respondents) did not have an idea what to do to qualify for facility from banks. Majority of the respondent (4) believed that lack of financial products that suits their kind of business had a little effect on their procurement effectiveness. This is so because their feedback was that they have been in these businesses for many years and have been able to excel with or without the aid of from financial institutions.

The major aspects of inadequate finances were lack of access to affordable credit that had the greatest effect on procurement effectiveness of these businesses. This is so as some of the respondents are afraid of loans due to their higher interest rates, hidden charges, many requirements some that will require payment of VAT returns, exposure of their financial position to third parties etc.

From the above aspects, lack of collateral to secure credit and lack of access to affordable credit have greatest effect of the importation effectiveness of these small and medium enterprises. Lack of knowledge on how to obtain finances also get extent affected the ability of the importers to have the necessary working capital to enable them engage in profitable importation businesses that among other ensure a continuous supply of goods and thus procurement effectiveness.

**Table 3: Effects of high costs of importation on Procurement in Sme’s**

Importation costs	Mean score	Standard deviation
Transportation cost	5.00	0.34
Custom duty	4.83	0.27
Inspection fee	4.33	0.05
Clearing agent fee	3.92	0.14
Insurance fees	3.50	0.33
Warehousing cost	3.75	0.21
Currency related charges	4.28	0.02
<b>Grand Mean</b>	<b>4.23</b>	

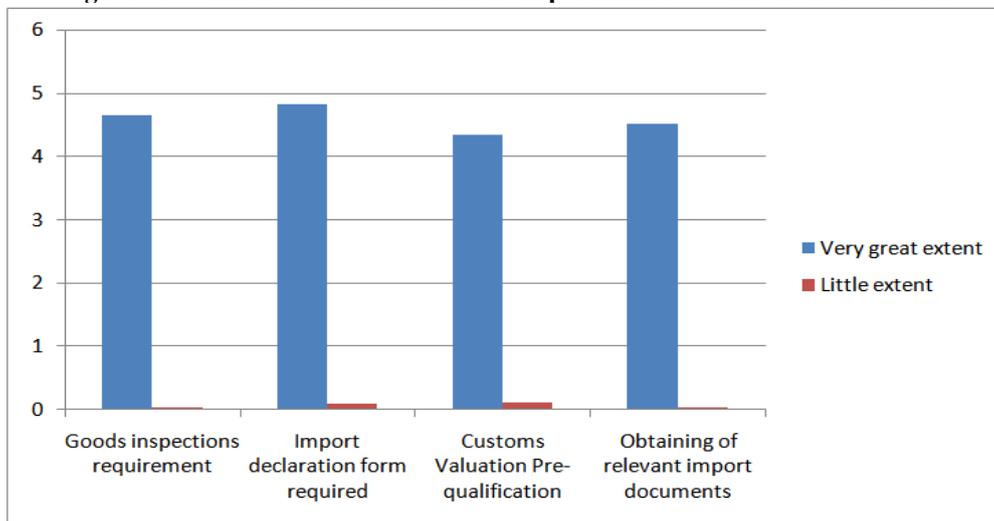
From the feedback obtained from all respondent, most of the respondent rated high importation cost in Kenya affected their business and by extension to a very great extent affected the procurement effectiveness of their business. All the respondent (5) rated transportation costs as an impediment to the successful implementation of an effective procurement process as majority of their overhead in the importation business lies on transport cost.

Customs duty and inspection fee were second and third place in terms of importation costs that affect effective procurement. In the clearing agent fees, insurance fees and warehousing costs there were those who responded (3 responded respectively) that these have no effect at all on procurement effectiveness. Further information provided by them is that at the end all they do when clearing their goods, they use the clearing agents who facilitate all the clearing process regardless whether they charge a premium or not. On insurance fees the supplier usually has paid charged the insurance fee when negotiating selling price for the goods and that it's the supplier who ships the goods and effectively pays for the insurance charges.

Under warehousing cost, the (1) respondent who have an opinion that these costs do not affect their importation effectiveness, do so because they only import what their stores can accommodate and this is an equivalent of one containers only at a time. The others (4) believe that warehousing cost greatly affect their procurement effectiveness because as they try to balance between buying in bulk they try are faced with challenges of storing these goods that are in surplus and also in the costs of transportation from the warehouses to the business.

Respondents (3) usually pay for their goods in US dollar currency and thus have to convert Kenya shillings to US dollar and effectively this is an expense item their books. There were also costs incurred when sending money to the supplier abroad. The current weakening of the Kenya shillings has affected their business adversely as they are now buying less quantity of goods with the with the same amount of money that they used to buy the goods with some and 8 months ago. By them trying to wait for the dollar rates to be favourable, there exist periods in which some of the importers actually lack goods in their business.

**Figure 2: Effects of slow custom clearance processes on Procurement in Sme's**



A slow custom clearance process has affected virtually all importers. All aspects of port clearance like the requirements for inspection of goods, the need to have an import declaration form, pre-verification of goods by the customs valuations and obtaining other relevant documents have to a very extent affected importation effectiveness of these business.

Feedback obtained from all the respondents is that they all use clearing agents to facilitates the clearing of goods at the port of Mombasa however the clearing process is slow and at times their containers incur demurrages because of delays in clearing them which in turn increases the cost of the goods and they are afraid of transferring these costs to the final consumer as other importers who may have their goods cleared on time will charge he price that consumer have always been enjoying.

**Table 4: Effects of poor warehousing and transport infrastructure on procurement effectiveness**

Aspects of poor transport and warehouse infrastructure	Mean Score	Standard Deviation
Inefficient railways thus opting for road transport	5.00	0.18
Slow systems at weighbridges	4.81	0.10
Insufficient warehousing capabilities	3.97	0.28
<b>Grand Mean</b>	<b>4.59</b>	

Poor transport and warehouse infrastructure was classified to three aspects, inefficient railway, slow system at weighbridge and insufficient warehouse capabilities. Of these three, inefficient railway and slow systems at weighbridge were of the very great extent affecting the importation and procurement effectiveness of the small and medium enterprises. This is so because all the respondent do use road network for the transportation of their goods because the railway system is slow and they will have to incur extra expenses in moving their goods from railway go down to their business premises once the goods have arrived in Mombasa. Warehousing insufficient capacities are also challenges in that not all the respondents have adequate storage capacity in their premises. They are also faced with the risk of storing all their goods in the semi-permanent structure that are prone to theft, fines and cannot be insured. Effectively this calls for them to look for other storage facilities that are much away from business which also makes them incur extra expenses in form of transport costs, Storage costs and security of the warehouses.

## **V. Summary Conclusions And Recommendations**

### **Summary of the Findings**

The main or general objective of the study was to find out the effect of procurement in Small and medium enterprises in Mombasa County. Further objectives were formulated which included finding out the effects of inadequate finances, high importation costs, slow custom clearing process and poor transport and warehouse infrastructure on procurement effectiveness of these businesses

The objectives were satisfied by collecting and analysing pertinent data using a question are effectively formulated to capture the relevant issues involved. Once collected the data was analysed by use of descriptive statistics from the finding, all the variables under the study were found to affect the importation and procurement effectiveness under the study. All the independent variables were broken to various independent.

Under inadequate finances the aspect that were found to a very great extent affecting the importation and procurement effectiveness were the lack of collateral to secure credit from financial institutions and the lack of access to affordable credit. Majority of the respondent (4) believed that lack of the financial products that suits their kinds of business had a little effect on their importation effectiveness.

From the information gathered through the interview, their feedback was that they have in these businesses for many years and have been able to succeed whether the financial institutions have been giving them facilities or not. Lack of access to affordable credit was seen to a very great extent affecting the effectiveness of procurement as some of the respondents were afraid of loans due to their higher interest rates, hidden charges, many requirements some that will require payment of VAT returns, exposure of their financial position to third parties etc. When it comes to high importation cost, the feedback obtained from all the respondents was that this was rated with the highest effect on procurement effectiveness of their business. The entire respondent rated highly transportation costs as one of the reasons of failure to sustain a successful implementation business is incurred on transport. Customs duty and inspection fees were also found to affect an effective importation and procurement. However when it came to the clearing agent fees, insurance fees and warehousing cost, there were those who responded that these have no effect at all on procurement effectiveness. Further information provided by them while interviewing them is that they use the clearing agents who facilitate all the clearing process regardless of cost. Most of the respondents do not pay insurance fees on their goods as this is already paid by the supplier when shipping the goods but it is loaded on to the cost of goods the importer pays. Most of the respondents have an opinion that warehousing cost greatly affects their procurement effectiveness because most of them don't have enough storage space for their goods. Majority of the respondents pay for their goods in US dollar currency whereby they will always incur charges when converting Kenya shilling to US dollars. they also incur extra costs in money transfer to the supplier's accounts abroad.

Generally all respondents were of the view that slow customs clearance processes have affected their business. They rated aspects of port clearance to have a very great extent in affecting importation and procurement effectiveness of these businesses. Feedback obtained from all the respondents is that the clearing them leading to extra expenses. All respondents were found to use roads network for the transportation of their goods because the railway system is slow, insufficient warehousing capacities also affect majority of the respondent as not all have adequate storage capacity in their premises. They stores are usually prone to theft, fires and cannot be insured.

### **Conclusions**

From the responses obtained by the questionnaires administered to the 5 respondents and further information to support their answers through the interviews conducted, the following conclusions were made. The first conclusion made is that all the independent variables under the study were found to affect procurement and importation effectiveness of small business in Mombasa County. However the extent to which each variable affects importation and procurement in these businesses has been found not be equal to other.

The variables that were of the greatest extent affecting procurement effectiveness of the small business are the high importation costs incurred by importers, the slow custom clearance process at the port of Mombasa and the poor transport and warehouse, infrastructure. Majority of the respondent (over 80%) ranked slow custom clearance process as one with greatest effect on the importation effectiveness.

Over 55% of the respondents were of the opinion that high importation costs affected the procurement effectiveness if their business over 83% of the respondent were also of the opinion that poor transport and warehouse infrastructure to a great extent affected their ability to sustain an effective supply chain system.

Diverse response was obtained under inadequate finances to engage in a profitable importation business. Majority of the respondent cited lack access to affordable credit and lack of collateral to secure credit as their major challenges when conducting importation which in turn affected their business.

Inadequate finance was ranked as with the least effect on procurement effectiveness of these business as all the respondent shared the idea that whether one has enough working capital to conduct importation, they would still be faced with the challenge of high importation cost, slow custom clearance process and also poor transport and warehouse infrastructure.

## **Recommendations**

### **Recommendations for policy**

Small and medium enterprises involved in the importation business should visit financial institutions in order to get advice on how they can get financial assistance when conducting their business or advices on how to plan their business to ensure that at no time are they faced with the challenge of lack of working capital to run their businesses.

Most of these costs are not under the control of the importer. However, importers can purchase Lorries to be used in carrying their goods from the port to various destinations; they can also enter into long term contracts with freight companies and negotiate a lower price for transporting their goods

Importers can counter this through the use of reputable clearing agents who have created a report with the custom authorities and enjoy faster clearance process. Importers can also negotiate with their suppliers to use reputable shipping companies who have their own clearing department within the organization. With the upgrade of the Kenya railway network system, importers may enjoy cheaper transport rates unlike the road system which is a little bit high on charges. On warehousing importers may lease out a warehouse facility in a group rather than each finding his/her own warehouse.

### **Recommendations for further research**

Further research can be conducted on other procurement and importation challenges that affect those small and medium enterprises in Mombasa County. Also a study on the effects of the government policies on importation of second hand clothing to the country may be conducted to find out its effects on the importation disruptions in the industry

Researcher may also be conducted on other challenges facing small business in Mombasa market that affect their ability to sustain an effective procurement and importation processes. The implications of an ineffective procurement process on the import business may be sustained to find out its implications in terms of cost of goods to the final consumers

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