

Public Perception towards Government Procurement System: Evidence from the Eastern Region of Malaysia

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ABSTRACT

In the Malaysia public sector, it has to be acknowledged that there have been tremendous improvements in financial management especially in the last few years. However, despite numerous reminders on the importance of good financial management and proper record keeping, problems still continue to occur year after year and this is clearly evident by the Auditor-General Report, which highlights many incidents of financial mismanagement. Most of the incidents highlighted in the Auditor-General Report are due to non-compliance to the existing laws, regulations and financial procedures or simply due to the complete lack of integrity and accountability on the part of the financial managers. Government procurement is a business process within a political system of a government which is largely decentralized and subject to regulations and requirement of several financial provisions. This project aims to explore the public's perception toward the government procurement system. The results of this study indicated that the perceptions of the public is satisfactory towards the Malaysia government procurement system since there are still loopholes within the existing process and procedures which allow opportunity for corruption to occur.

Keywords: *Government Procurement System, public perceptions, Malaysia, tender*

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Introduction

Procurement is an integral part of governance and the financial management system in a country. It is particularly important in developing countries with active infrastructure and social programmes. Public procurement spending accounts for about 15 percent of world's GDP (OECD, 2005) and is often much higher as a proportion of GDP in developing countries. The government is often the largest purchaser of goods and services, especially in the poorer countries. The procurement system of a country can determine the competitiveness of the markets, the national investment rates, and the long term growth rate. Increasingly it can be, and is becoming, a key instrument of sustainable development through creating markets for more sustainable products.

This project aims to explore the public perceptions toward the government procurement system. The results of this study indicated that even though the perceptions of the public is good towards the Malaysia government procurement system, the level of effectiveness of the public procurement system is still at a satisfactory level since there are still loopholes which allow opportunity for corruption to occur. Finally, the study is also aimed to enhance awareness among the public on the importance of having effective, efficient and transparent government procurement system towards achieving high quality of services.

The rest of the paper is organized as follows. The next section reviews the literature. Section 3 presents the methodology of the study. The discussion of the analysis is presented in Section 4. Section 5 is the concluding remarks.

Literature Review

Definition of Procurement

Government procurement is a business process within a political system. Failure to properly balance these elements can lead to wasted effort and poor development results within the most important single marketplace in developing countries. Government procurement remains as a big part of the economy of developing countries, accounting for an estimated 9-13% of their gross domestic product Wittig, Wayne A, (2002). Nevertheless, it is an area in need of attention since resources are not being properly managed in many countries.

Government procurement refers to purchases of goods or services, including consultancies and professional services, construction, maintenance and material supply contracts, facilities contracts, capital equipment and property and leasing arrangements, undertaken by governments for their own consumption¹. The process spans the whole life cycle from the identification of need through to the end of a services contract or the end of the useful life of an asset. The procurement process aspires to achieve the best value solution. This is not necessarily the lowest cost but the optimum combination of whole life costs and benefits to meet the needs of the government².

Public procurement procedures often are complex. Transparency of the processes is being questioned, and manipulation hard to detect. Few people becoming aware of corruption complain publicly, since it is not their own, but government money, which is being wasted. Many developing countries have adopted procurement legislation and regulations that seek to ensure that public entities source goods and services through an open and competitive process. Public entities are tasked with the delivery of services, establishment of frameworks and leadership of programs. These tasks generate expectations on the part of the public: parliamentarians, private corporations and individuals, and these expectations directly influence the perceptions of procurement's success as a strategic management tool. Measuring achievements, or organizational successes, requires the establishment of reference systems that take account of diverse pressures from key stakeholders which act as drivers of public sector renewal.

Importance of Public Perceptions towards Government Procurement System

Public value as a concept offers a unifying theme that facilitates the discussion of public sector success (Smith, Anderson & Teicher, 2004). More describes public value as a measure that recognizes that public organizations consume public resources and these resources or "effort" need to be accounted for in measuring success. Public value is based on the perceptions and expectations of the stakeholder rather than a quantified set of measures. This presents a dilemma in that the expectations of various stakeholders groups may not be consistent. This can be satisfactorily resolved by measuring procurement's success only in terms

of the expectations of key funding stakeholders, including the public. Public choice theory assumes, *inter alia*, that the actions of those acting in the public arena are motivated by self-interest and that there is no direct reward for groups that inter benefits on a public that is aware of neither the benefits nor their source (Shaw, 2002).

Value for money is the main principle underpinning public procurement, which includes ethical behavior and the ethical use of resources. The application of the best ethical standards will ensure the best achievable procurement outcome. Ethical behavior and good probity practices enhance the procuring entities reputation in the eyes of the public in the marketplace. This enhances business confidence in procurement processes which is likely to maximize the number of suitable responses for future tenders. To attain this goal, procurement must be operated with probity in mind by adopting an ethical, transparent approach that leads the business to be conducted fairly, reasonably and with integrity. Thus, perceptions should not be overlooked in considering probity. The public should be confident that officials conducting procurement will maintain a professional relationship that stands up to public scrutiny (Ramadhan S. Mlinga, 2010).

In November 2004, a local newspaper published a front-page story on defective buildings and roads that had cost the taxpayer an estimated RM2 billion (US \$500 million)³. In another report in 2009, it is reported that Kolej Kemahiran Tinggi MARA Balik Pulau in Penang bought two same brand – Acer Aspire-5052ANWXMI at a whopping price of RM84,640. In addition, the college purchased 450 units of computer CAD with network card at RM3.45 million for 12 labs. A check by the Auditor General's Department revealed that the market price for the latest model is between RM5,350 to RM6,500 each. It is also found that, the model supplied is no longer in the market⁴. Government departments have been directed to comply with current procurement policies that use the tender system to ensure transparency and accountability. Thus, another question arisen here is that, what is the perception of the public on the transparency of the procurement policies and also accountability of the government officials in executing the tender procedures that lead to those incidents occurred and found during the audit.

As spelled out in the Ninth Malaysia Plan (2006-2010), The Malaysia government commits to improve the quality of public services as it is fundamental prerequisite towards achieving the national Mission. Towards this end, the Government will continue to reduce bureaucratic

red tape, especially at the local authority and district levels. Work processes and procedures as well as regulations will be revamped and streamlined while more decision centers will be established to enable effective and speedy decision making. However, it must be acknowledged that dishonest officials always manage to find loopholes in the best systems. Bribes may be organized in such a way that the procedures fixed by law are circumvented. The bottom line therefore is the integrity of the individual. Each and every person must exhibit absolute integrity in the exercise of his functions. Even when he has the opportunity to take a bribe, whether one that is offered or one which he can ask for easily, he should be so motivated that he will refuse to do so. Another perception that can be raised here is the perception of the public towards the integrity of government officials.

Taxpayers have rightfully demanded that government spend tax money wisely and effectively. Preserving competition and ensuring the integrity of the procurement process provides government purchasing officials with the ability to obtain goods and services at the lowest possible cost and builds public confidence that taxpayer funds are being spent wisely. Therefore, communication with the public was central to good management during times of scarcity. Government has a number of options when looking to manage public perception transparently. Transparency promotes public support, so performance information can and should be made available to the public. To keep the public informed, some localities have taken the steps of creating a public relations function within their organization which facilitates the timely flow of accurate information.

There is lack of transparency in the award of contract because procurement officers normally award contract to contractors well known to them. There is therefore no competitiveness in awarding of these contracts. However, the implementation of contracts is very hard. There is normally political intervention on some contracts. For example politicians pressure us to keep quiet about non-performing contracts or shoddy works by some service providers. Again service providers corrupt monitoring committees so as to cover up shoddy works⁵. Thus, it imperative to point it out that addressing corruption in procurement requires the participation and cooperation of all stakeholders including the perceptions from public.

The authors find difficulties in collecting literature which relate on the perception of the public on government procurement. Thus, the authors use the findings of the Auditor-General Reports, Transparency

International Handbook, OECD Reports and also information from the government website to support the findings. However, to fill the gap in the literature, the authors take the initiative to explore this area which finally will contribute to the enhancement to the existing Malaysia government procurement system.

Methodology of the Study

Sampling and Data Collection

Table 1: Number of Respondents (Public)

State/Town	No of Population in 2009	No. of Samples
Pahang/Kuantan	407,778	500
Terengganu/Kuala Terengganu	396,433	300
Kelantan/Kota Bharu	577,301	200
Total	1,381,512	1,000

For the purpose of the study, 1,000 questionnaires had been distributed to the public randomly in Pahang, Terengganu and Kelantan. We had chosen the population in the state capital; Kuantan, Kuala Terengganu and Kota Bharu since it represents the highest population compared to other districts. As far as the number of samples is concerned, our determination is based on the generalized scientific guideline for sample size decision (Krejcie and Morgan (1970)). The reason why we focus on the eastern region in our study is due to the launching of Economic Corridor Easter Region which is believed will lead to volumes of major projects to be held in those states. After following up, 794 questionnaires which represent a 79.4% initial response rate had been collected. However, 27 of the collected questionnaires, were incomplete questionnaires as well as contained invalid response and were judged to be unusable and excluded from the analysis. After excluding the incomplete and invalid responses, the research ended with 767 valid and usable questionnaires, representing a 76.7% response rate as stated in Table 1.

The questionnaire was designed by the authors and the reliability was tested by using Cronbach's Alpha statistical technique which the result is revealed in the next section.

Public Perception towards Government Procurement System

The questionnaire is divided into two sections:

- i. Background and demographic information of the respondents
- ii. Public perception towards the government procurement system.

Questionnaires are designed on a five point Likert Scale, which was used to measure the suppliers' perceptions towards the public procurement system. Next, the data was analyzed by using SPSS version 17.0.

Table 2: Respondents' Profile

Personal Data		Frequency (Percent)			
		Pahang (n = 373)	Terengganu (n = 217)	Kelantan (n = 177)	Total (n = 767)
Gender	Male	249 (67%)	125 (58%)	74 (42%)	448 (58%)
	Female	124 (33%)	92 (42%)	103 (58%)	319 (42%)
Age	<25 years	25 (7%)	14 (6%)	12 (7%)	51 (7%)
	25-34 years	138 (37%)	80 (37%)	65 (36%)	283 (37%)
	35-44 years	136 (36%)	79 (36%)	60 (34%)	275 (36%)
	45-55 years	65 (18%)	38 (18%)	28 (16%)	131 (17%)
	>55 years	9 (2%)	6 (3%)	12 (7%)	27 (3%)
Marital Status	Single	47 (13%)	30 (14%)	20 (11%)	97 (13%)
	Married	264 (71%)	153 (70%)	126 (71%)	543 (71%)
	Divorced	62 (16%)	34 (16%)	31 (18%)	127 (16%)
Education	Secondary School	15 (4%)	27 (12%)	18 (10%)	60 (8%)
	Certificate	57 (15%)	59 (27%)	43 (24%)	159 (21%)
	Degree	280 (75%)	117 (54%)	109 (62%)	506 (66%)
	Post Graduate	21(6%)	14 (7%)	7 (4%)	42 (5%)
Occupation	Public Servant	159 (43%)	103 (47%)	84 (47%)	346 (45%)
	Private Servant	117 (31%)	69 (32%)	56 (32%)	242 (32%)
	Pensioner	69 (37%)	24 (11%)	17 (10%)	110 (14%)
	Self-employed	28 (18%)	21 (10%)	20 (11%)	69 (9%)
Position	Assistant/ Clerical	62 (17%)	17 (8%)	14 (8%)	93 (12%)
	Executive	129 (34%)	97 (45%)	74 (42%)	300 (39%)
	Managerial	111 (30%)	57 (26%)	54 (30%)	222 (29%)
	Top Management	71 (19%)	46 (21%)	35 (20%)	152 (20%)
Income Level	<RM2,500	59 (16%)	27 (12%)	23 (13%)	109 (14%)
	RM2,501-5,000	162 (44%)	91 (42%)	62 (35%)	315 (41%)
	RM5,001-7,500	124 (33%)	75 (35%)	73 (41%)	272 (36%)
	RM7,501-10,000	24 (6%)	21 (10%)	17 (10%)	62 (8%)
	>RM10,001	4 (1%)	3 (1%)	2 (1%)	9 (1%)
Tax Payer	Yes	311 (83%)	183 (84%)	149 (84%)	643 (84%)
	No	62 (17%)	34 (16%)	28 (16%)	124 (16%)

Results

Reliability Test

Reliability of a scale gives an indication of how free it is from random error. One of the most commonly used statistical technique is Cronbach's Alpha (Pallant, 2001), which is also being employed in this study. It provides an indication of the average correlation among all of the items that make up the scale with values ranging from 0 to 1 and the higher value indicating greater reliability. The Cronbach's Alpha is a reliability coefficient that reflects how well the items in a set are positively correlated to one another. The closer Cronbach's Alpha to 1, the higher the internal consistency reliability. The result from SPSS version 17 reveals that the value is 0.759, which is above 0.7. Furthermore, the result of the inter-item correlation matrix shows that the correlation values among the 15 items are quite high which is ranged from 0.417 to 0.498. Additionally, the questionnaire was also sent to National Institute of Public Administration (INTAN) for review. Therefore, this portrays that the items are reliable.

Descriptive Analysis

Table 3: Descriptive Analysis on the Level of Public Perceptions

Questions	Pahang (N = 373)		Terengganu (N = 217)		Kelantan (N = 177)		Average Mean Score
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	
Public are aware with the issues related to Malaysia government procurement system.	4.77	0.413	4.42	0.370	3.87	0.311	4.35
Public are affected with issues related to Malaysia government procurement system.	4.63	0.393	4.80	0.404	4.11	0.320	4.51

(Continued)

Public Perception towards Government Procurement System

(Continued Table 3)

I perceive the Malaysia government procurement system is important to public.	4.76	0.401	4.80	0.404	4.07	0.384	4.54
I perceive the Malaysia government procurement system is reliable.	3.18	0.250	3.04	0.382	3.22	0.226	3.15
I perceive the Malaysia government procurement system is transparent.	3.02	0.316	2.97	0.290	3.19	0.541	3.06
I perceive the Malaysia government procurement system is efficient.	3.12	1.139	3.42	0.656	3.40	0.693	3.31
I perceive the Malaysia government procurement system is free from corruption.	1.77	0.629	1.68	0.592	1.70	0.668	1.72
I perceive the Malaysia government procurement system may contribute to corruption.	4.49	0.528	4.35	0.679	4.40	0.572	4.41
I am aware with the efforts taken by Malaysia government in curbing corruption.	4.35	0.480	4.31	0.556	4.29	0.465	4.32

(Continued)

(Continued Table 3)

I am affected with issues related to corruption in Malaysia government procurement system.	4.85	0.522	4.71	0.686	4.29	0.465	4.62
I perceive Malaysia government procurement system promote ethical values among government officers.	2.90	0.579	2.83	0.825	3.05	0.362	2.93
I perceive Malaysia government procurement system promotes good management of public fund.	3.90	0.710	3.26	0.780	3.85	0.362	3.67
I perceive good governance is important in the Malaysia government procurement system.	4.43	0.697	4.57	0.695	4.07	0.678	4.36
I perceive the Malaysia government procurement system gives a fair opportunity to all suppliers and potential suppliers.	3.01	0.628	2.96	0.750	2.10	0.508	2.69
I perceive the Malaysia government procurement system fulfill the concept of accountability and provide good quality services.	3.15	0.373	3.11	0.573	3.09	0.381	3.12

Public Perception towards Government Procurement System

The descriptive statistical findings revealed that the respondents are aware with the issues related to Malaysia government procurement system. The awareness here covers the policies and procedures and also the arising issues which related to the government procurement. The average mean of 4.35 indicates they agree on the statement saying that they aware on the government procurement policies in Malaysia. In addition, the respondents strongly agree that they are affected with those issues and perceived that they are important to them which is indicated by the average means of 4.51 and 4.54 respectively. In short, the respondents who aware with the issues related to Malaysia government procurement system are strongly agree that they are possibly affected with the arising issues and those issues are important to them.

However, the respondents perceived that they neither agree nor disagree on the reliability, transparency and efficiency of the Malaysia government procurement system. This is indicated by the range of the average means of 3.15 to 3.31 for those variables. These results are supported by a statement made by Datuk Ahmad Said Hamdan, the Anti-Corruption Agency (ACA) Director General which suggested that a study be carried out on the weaknesses of the Malaysia procurement procedures to enhance the transparency in the system. He also revealed that, an investigation conducted by ACA indicated there are weaknesses in the system which allow opportunities for corruption and mismanagement of funds.⁶

To understand the respondents' opinions regarding the possibility of corruption to occur in the Malaysia government procurement system, the respondents were asked on their perceptions that the Malaysia government procurement system is free from corruption. It is indicated that, the average mean is 1.72 which is within the range that they disagree and strongly disagree with the statement. In addition, the respondents perceived that the Malaysia government procurement system may contribute to corruption which is indicated by the average mean of 4.41. However, the respondents responded that they aware (Average mean = 4.32) with the efforts taken by the Malaysia government in curbing corruption since they believed (Average mean = 4.62) that the corruption issues might affect their prospects as Malaysia citizens. Additionally, the study also found that the respondents believe that good governance is important in Malaysia government procurement system with the average mean of 4.36. This is aligned to one of the milestones of the National Integrity Plan on enhancement of corporate governance and business ethics which was launched by the former Prime Minister in April 2004.

In relation to the ethical values among government officials and good management of public fund, the respondents indicated that they neither agree nor disagree (Average mean = 2.93) on the statement saying that the government system promote ethical values among government officials as well as promoting good management of public fund. This finding might be influenced by a few reports highlighted by the Auditor General Report 2006 and 2007 as reported by the Chief Secretary to the Government Tan Sri Mohd Sidek Hassan⁷. He was commenting on a series of arrests carried out by the Anti-Corruption Agency (ACA), which had arrested 17 government servants including senior officers in Kota Kinabalu, Kelantan, Pahang and Seremban. This indicated that the public confidence towards the government officials and good management of public fund might be affected.

In an attempt to explore the frequency of perception of the government procurement system gives a fair opportunity to all suppliers and potential suppliers, they responded that they are within the range of agree and neutral which is indicated by the average mean of 2.69. The same pattern of responses (neutral position) is observed on the statement saying that the government procurement system fulfills the concept of accountability and provides good quality services (Average mean = 3.12). The authors opined that, these findings indicated that most of the respondents are quite dissatisfied with the transparency of the government procurement system.

It is obviously found that, the perceptions on the Malaysia government system might be influenced by a series of Auditor General Report from 2006, 2007 and 2008, which produce an annual report highlighting the repetitive problems regarding the weaknesses and loopholes in the public financial management in public sector entities which most of them involved procurement. According to the Auditor-General's report for 2007 and 2008, delays in the completion of projects were one of the main factors for the cost overruns. The reports also highlighted weaknesses in the procurement of various items ranging from vehicles to furniture for various government bodies and initiatives. Meanwhile, the Auditor-general Report 2006 revealed the irregularities in the purchase of 144 digital cameras and equipment for the Kuala Perlis National Youth Skills Institute (IKBN). In another incident, it involved the purchase of screw drivers made by the Ministry of Youth and Sports at the price of RM224 while the same items can be purchased at RM32 in the market. These incidents influenced the public perceptions toward the government procurement system.

Government is responsible for the expenditure of taxpayer funds for the purchase of goods and services. Fraud and corruption of the procurement process impacts upon the ability to effectively obtain the goods and services needed at the lowest competitive price and in a timely fashion. Further, the practices which undermine the public perception of integrity of the procurement process impair the ability of all government entities to garner support of their legitimate procurement needs.

Conclusion

This study has presented evidence from the eastern region that the perceptions of suppliers involved in the sample towards the Malaysia government procurement system are satisfactory. However, the public perceptions towards the Malaysia government procurement system is free from corruption is quite low. The perceptions of the public portray that the respondents are fairly satisfied with the effectiveness of the present Malaysia government procurement system except for on the opportunity or possibility for corruption to occur in the system.

The respondents are convincing enough on the possibility of corruption to present in the Malaysia government procurement system by the annual Auditor-General Reports which keep on highlighting the same issues on corruption. The fact that some improvements and reforms need to be done and taken into considerations are highly welcome by the respondents in eradicating the corruption issues. Broadening the focus of the achievement of public value, so that it considers procurement, offers the potential to more clearly and accurately assess the return that agencies receive for their investment in delivering outcomes.

The ultimate goal of public procurement is to satisfy the public interest. Like any government action should be in this sense, good procurement should satisfy the needs of the people, should be fair to businesses, should save (and avoid waste) of public funds. Good public procurement is a good tool to implement public policy in all areas, and should be an instrument for good governance and therefore good government. In this sense, good procurement will contribute to the government's legitimacy and credibility.

The e-Procurement system that had been introduced by the government is believed to minimize some of the major problems in the tradition procurement system. As the concept of public value is based on perceptions and expectations it can be seen as another tool in a toolkit

that public procurement professionals could use to engage stakeholders in the development of procurement as a strategic management function. Finally, this will also improve the perceptions of the stakeholders at large towards the Malaysia government procurement system.

Notes

- ¹ www.bilateral.org (last update 2009).
- ² Procurement Strategy 2009-2012, Cheshire East Council.
- ³ New Straits Times (Malaysia), November 21, 2004.
- ⁴ The Star Online (Malaysia), October 22, 2009.
- ⁵ The Public Procurement and Disposal of Public Assets Authority (PPDA), The 2nd. Public Procurement Integrity Survey, A Final Report 2010.
- ⁶ The Star, October 24, 2007.
- ⁷ The Star, October 27, 2007.

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