

**EFFECTS OF CUSTOMS PROCEDURES ON IMPORT BUSINESS PERFORMANCE  
FOR SMALL AND MEDIUM ENTREPRISES IN KENYA**

**MPEKETHU MUTWIRI RICHARD**

**A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ECONOMICS,  
FINANCE AND ACCOUNTING IN THE SCHOOL OF BUSINESS IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF A POST  
GRADUATE DIPLOMA IN CUSTOMS ADMINISTRATION AT THE JOMO  
KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

**2018**

**DECLARATION**

This research project is my original work and has not been presented for the award of a degree in any other institution.

Mpekethu Mutwiri Richard ..... ..

Adm No: **HDB335-C016-0344/2017**                      **Signature**                      **Date**

This research project has been submitted for examination with my approval as the university supervisor.

Mr. Ominde Owuor ..... ..

**Signature**                      **Date**

## **DEDICATION**

This project is dedicated to my family for their priceless support both morally and financially during the period of undertaking this research project.

## **ACKNOWLEDGEMENT**

I am grateful to God almighty for granting me good health and seeing me through the entire period that I have worked on this research project. I am also thankful to my able supervisor Mr.Ominde Owuor for his wise guidance up and until the completion of this research project.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	i
<b>DEDICATION</b> .....	ii
<b>ACKNOWLEDGEMENT</b> .....	iii
<b>LIST OF ABBREVIATIONS AND ACRONYMS</b> .....	1
<b>DEFINITION OF TERMS</b> .....	2
<b>LIST OF FIGURES</b> .....	5
<b>ABSTRACT</b> .....	6
<b>CHAPTER ONE</b> .....	7
<b>INTRODUCTION</b> .....	7
1.1.1 Global Perspective on Customs Procedures .....	8
1.1.2 Regional Perspective on Customs Procedures .....	10
1.1.3 Local Perspective on Customs Procedures .....	10
1.2 Problem Statement .....	11
1.3 Research Objectives .....	12
1.3.1 General Objective .....	12
1.3.2 Specific objectives .....	12
1.4 Research Questions .....	13
1.5 Justification of the Study .....	13
1.5.1 The Government .....	13
1.5.2 To Customs Administration .....	14
1.5.3 Importers .....	14
1.6 Scope of the Study .....	14
<b>CHAPTER TWO</b> .....	15
<b>LITERATURE REVIEW</b> .....	15
2.1 Introduction .....	15
2.2 Theoretical Review .....	15
2.2.1 Compliance Theory .....	15
2.2.1 Economic Competitiveness Theory .....	16
2.2.2 The Institutional Theory .....	18
2.3.1 Customs Declaration .....	19
2.3.2 Customs verification .....	20

2.3.3 Customs Release.....	21
2.3.4 Business Performance .....	21
2.4 Empirical Review .....	22
2.4.1 Customs Declaration .....	22
2.4.2 Customs Verification .....	23
2.4.3 Customs Release.....	24
2.4.4 Business Performance .....	24
2.5 Critique of the Literature Review .....	25
2.6 Summary of the Literature Review.....	26
2.7 Research Gap.....	26
<b>CHAPTER THREE .....</b>	<b>27</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>27</b>
3.1 Introduction.....	27
3.2 Research Design .....	28
3.3 Target Population .....	28
3.4 Sample Size and Sampling Procedure .....	29
3.5 Data Collection Instruments.....	29
3.6 Data Collection Procedures .....	30
3.7 Pilot Testing .....	30
3.7.1 Validity Test .....	30
3.7.2 Reliability Test .....	31
3.8 Data Analysis and Presentation.....	32
<b>CHAPTER FOUR .....</b>	<b>33</b>
<b>RESEARCH FINDINGS AND DISCUSSION .....</b>	<b>33</b>
4.1 Introduction.....	33
4.1.1 Response Rate .....	34
4.1.2 Results of Pilot Study.....	34
4.2.1 Gender .....	35
4.2.2 Age Distribution of Respondents .....	36
4.2.3 Level of Education of Respondents .....	36
4.2.4 Location of Businesses.....	37
4.2.5 Duration of existence of the businesses .....	38

4.3.6 Type of Goods That the Businesses Trade In.....	38
4.2.7 Ease of importation .....	39
4.3 Descriptive Analysis.....	40
4.3.1 Customs Declaration Procedures .....	40
4.3.2 Customs Verification Procedures .....	43
4.3.3 Customs Release Procedures .....	45
4.3.4 Import Business Performance for SMEs.....	48
4.4 Inferential Analysis .....	49
4.4.1 Regression Analysis .....	50
4.4.2 Analysis of Variance (ANOVA) .....	50
4.4.3 Coefficient Analysis .....	51
<b>CHAPTER FIVE .....</b>	<b>53</b>
<b>CONCLUSIONS AND RECCOMENDATIONS .....</b>	<b>53</b>
5.1 Introduction.....	53
5.2 Summary of the Findings.....	53
5.2.1 Customs Declaration Procedures .....	54
5.2.2 Customs Verification Procedures .....	55
5.2.3 Customs Release Procedures .....	55
5.3 Conclusions.....	55
5.4 Recommendations.....	56
5.5 Areas for Further Studies .....	58
<b>REFERENCES .....</b>	<b>58</b>
<b>APPENDICES .....</b>	<b>60</b>
Appendix A: Introduction Letter.....	60
Appendix 2: Questionnaire.....	61
Appendix 3: Budget .....	67
Appendix 4: Work plan.....	68

## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>CFS</b>	Container Freight Station
<b>C.I.F</b>	Cost Insurance Freight
<b>DPC</b>	Document Processing Center
<b>EAC</b>	East African Community
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>GATT</b>	General Agreement on Trade and Tariffs
<b>IDF</b>	Import declaration Form
<b>ICD</b>	Inland Container Depot
<b>KEBS</b>	Kenya Bureau of Standards
<b>KC</b>	Kyoto Convention
<b>KPIs</b>	Key Performance Indicators.
<b>NEPAD</b>	New Partnership for Africa's Development
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>RKC</b>	Revised Kyoto Convention
<b>ROI</b>	Returns on Investment
<b>SADC</b>	Southern African Development Community
<b>SMEs</b>	Small and Medium Enterprises
<b>TFA</b>	Trade Facilitation Agreement
<b>WCO</b>	World Customs Organization
<b>WTO</b>	World Trade Organization



## **DEFINITION OF TERMS**

**Customs Procedures:** According to the East Africa Customs Management Act (EACCMA) (2005), Customs Procedures refers to all the procedures which must be carried out by the persons concerned and by customs in order to comply with the customs law.

**Business performance:** According to Alexander and Sinnett, (2005) business Performance refers to a composite assessment of how well a business is performing on its most crucial parameters typically; financial performance, customer experience and market competitiveness.

**Customs Declaration procedures:** According to Mezyenski, (2013) are the procedures that importers have to carry out so as to notify customs of an import. They include lodgment of the entry by furnishing customs with the requisite documents and document processing by customs.

**Customs Verification Procedures:** According to Mezyenski,(2013) verification procedures refers to the procedures carried out by the customs authority to verify that the declared information tallies with the consignments being cleared by the importers or their representatives. It involves physical verification of cargo and scanning of cargo.

**Customs Release Procedures:** According to Mezyenski, (2013) these are the procedures carried out by customs so as to authorize the cleared consignments to leave the customs area. It's the last stage of cargo clearance.

**Key Performance indicators:** According to Alexander and Sinnett, (2005) Key Performance indicators are a measurable value that demonstrates how effectively a company is achieving its key business objectives.

**Customs Area:** According to EACCMA, (2005), customs area means any place appointed by the commissioner of customs by notice and in writing under his or her hand for the deposit of goods subject to customs control.

## LIST OF TABLES

<b>Table 4.2:</b> Response Rate.....	35
<b>Table 4.2</b> mean and standard deviation table representing customs declaration procedures.....	43
<b>Table 4.3</b> Mean and standard deviation table representing Customs Verification Procedures.....	45
<b>Table 4.4</b> Mean and Standard deviation for customs release procedures.....	48
<b>Table 4.5</b> Regression Analyses.....	50
<b>Table 4.6:</b> ANOVA.....	51
<b>Table4.7:</b> Coefficient Analysis.....	52

## LIST OF FIGURES

<b>Figure 2.1:</b> Conceptual Framework.....	19
<b>Figure 4.1:</b> Gender Distribution of Respondents.....	36
<b>Figure 4.2:</b> Age Distribution of Respondents.....	36
<b>Figure 4.3:</b> Level of Education of Respondents.....	37
<b>Figure 4.4:</b> Location of Businesses.....	38
<b>Figure 4.5:</b> Duration of existence of the businesses.....	38
<b>Figure: 4.6:</b> Type of Goods That the Businesses Trade In.....	39
<b>Figure 4.7:</b> Ease of importation.....	40
<b>Figure 4.8</b> Distribution of Opinion Levels on Complexity of Entry lodgment process.....	41
<b>Figure 4.9</b> Opinion levels on document processing procedures.....	42
<b>Figure4.10</b> Opinionlevels on document processing procedures.....	44
<b>Figure4.11</b> Opinionlevels on document processing procedures.....	45
<b>Figure 4.12:</b> Distribution of opinions on flow of information in customs release.....	46
<b>Figure 4.13:</b> Distribution of opinions on flow of information in customs release.....	47
<b>Figure 4.14</b> Opinion levels on How Customs Procedures affect profitability of businesses.....	48
<b>Figure 4.15</b> Opinion levels on how Customs Procedures affect Market competitiveness.....	49

## ABSTRACT

World over, customs plays an important role in regulating international trade. Among other functions performed by customs include protection of the society, collection of the trade statistics and collection of revenue imposed on imports and exports. Customs is tasked with the responsibility of ensuring that importers and exporters adhere to the set rules and regulations as to import or export goods and services. This therefore results to the customs procedures that are enforced by customs in regulating the international trade. The customs procedures are required by World trade organization (WTO) and the (WCO) to be facilitative to trade so as to make the process of importing or exporting commodities easy and seamless for traders. However, it can be noted that customs procedures at times are bottlenecks to international trade hence acting as impediments to trade rather than facilitating trade. Customs procedures in some instance are complex, lengthy and costly hence making the process of trading across the borders difficult and expensive hence the expected volumes of trade are not realized hence an effect on the economic performance. Some of these customs procedures include; Customs declaration, documents processing, verification of cargo and issuance of customs release. Each of these procedures has cost and time implications hence a direct impact on trade. Businesses that rely on goods and services from across the borders are usually directly impacted by the customs procedures since they are aimed at regulating cross border trade. These impacts are in terms of cost of doing business and time delays as a result of the customs procedures and is measured using the key performance indicators (KPIs) including customer satisfaction, financial productivity and employee satisfaction. This study therefore seeks to substantiate the impact that these customs procedures have on the business performance of the SMEs in Kenya. A descriptive research design was used in conducting this research project with the aim of establishing how the customs procedures affect import business performance in Kenya. Data was collected using semi structured questionnaires which were administered to the small importers and customs officers at the DPC. The study targeted a population of about 1000 SMEs around Nairobi and the researcher used the Yamani Taro formulae to come up with the sample size which was made up of 285 SMEs. The collected data was then coded and analyzed so as to determine the effects of the specific customs procedures on import business performance for SMEs in Kenya using the linear regression model. The analyzed data had results that indicated that customs procedures had negative effects on import business performance for small importers. Among the tested procedures which included; Customs declaration procedures, customs verification procedures and customs release procedures, declaration procedures were found to be the most complex and hence had the highest impact on the performance of import business for SMEs who double up as the small importers.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study**

Among the many roles played by the customs and border control department is the facilitation of the cross border trade which plays an extremely pivotal role in the economy of any country. The term trade facilitation has been defined in many different versions with most scholars defining the terms as making trade easier and at the same time adhering to the set legislations and regulations for conducting the trade (Sakyi, Villaverde, Maza & Bonuedi, 2017). Therefore, so as to facilitate trade, the trade rules have to be harmonized and simplified in order to allow the traders to conduct transactions with ease. This concept of trade facilitation is therefore aimed at making cross border transactions easier and cheaper by; eliminating administrative delays, simplifying the trade procedures, enhancing transparency, security and adopting technology in the process of conducting trade. With globalization and the growth of the trade volumes there is need to facilitate the movement of goods and services across borders so as to realize the desired economic growth.

Despite customs being tasked with the role of facilitating trade across borders, it can be noted that the customs procedures that traders need to adhere to have a massive impact on the cost of conducting the business. These procedures range from customs declarations, to classification, valuation and eventually customs clearance. It's evident that these activities have an impact on the cost of doing business and hence the trickle effect is felt by the consumers and eventually the economy at large. This results with the country facing struggles in realizing the projected economy growth due to the high cost of doing business as a result of the customs procedures. However, if properly managed the customs department can play the important role of facilitating

the import-export business by ensuring that traders incur minimal costs when importing or exporting products and services. This would therefore ensure that the projected economic growth and development is realized.

Among the many customs procedures that have massive effects on the cost of doing import/export business include; the time spent to clear goods at the point of entry or exit and the concomitant costs which are associated with the customs procedures such as declarations. There are a number of bottlenecks that come as a result of the customs procedures that at the end culminate to massive financial burdens to the traders involved in the import/export business. This eventually has massive economic and social costs on the national economy.

### **1.1.1 Global Perspective on Customs Procedures**

With globalization and the rise in the international trade volumes, there is need world over to ensure that the cost of doing business is minimal so as to realize the benefits of this trade. It's in light of this that the global bodies such as the World Trade Organization (WTO) and the World Customs Organization (WCO) have come up with policies and conventions to ensure that the customs procedures have reasonably low financial impacts hence facilitate trade. For instance the Revised Kyoto Convention (RKC) calls for the harmonization and simplification of the customs procedures so as to ensure the smooth flow of trade with less cost and also reduce the time taken to clear goods at the ports of entry or exit.

Globally, the time and costs excluding tariffs which affect the cost of doing business include; documentary compliance, border compliance and the cost of transport in the overall process of exporting or importing a shipment. The costs incurred by the traders in order to comply with these customs requirement have a direct impact on the cost of the goods or services being traded.

For instance, to import a shipment of 15 metric tons of containerized auto parts HS code 8708 from Brazil to china, the trader incurs extra costs to the tariffs so as to obtain the border compliance and the documentary compliance. The trader spends 49 hours and a cost of about \$959 for the border compliance and spends around 12 hours with a cost of about \$226 dollars to obtain all the documentary compliance ("Doing Business - Measuring Business Regulations - World Bank Group", 2018).

Slight difference in time and cost of doing business highly determines if or not a country takes part competitively in the global value chains. It's in view of this that the WTO came up with the Trade Facilitation Agreement (TFA) which came into effect on 22<sup>nd</sup> February 2017 (Sakyi, Villaverde, Maza & Bonuedi, 2017). This agreement is a major achievement in ensuring transparency and efficiency in conducting cross border trade. The adoption of TFA has seen countries adopt numerous reforms so as to facilitate trade by cutting down the cost of trading across borders. Some of the common reforms that have been adopted include; adopting of E-systems to enable electronic processing of customs procedures, carrying out risk based inspections on shipments, elimination of redundant procedures to increase the efficiency of the customs administration and improvement of the border infrastructure. These measures have been put into place so as to ensure that the time and resources spent by traders to comply with the customs requirements are minimized. These initiatives under TFA have significantly reduced the time for traders to comply with the border procedures by 21 hours for exports and by 20 hours for imports (a case of Mauritius) (Sakyi, Villaverde, Maza & Bonuedi, 2017). This has a significant impact on the cost of trading across borders.

The WTO projects that the adoption of the TFA will have a massive impact on the cost of trading across borders. According to a WTO 2015 report, TFA is estimated to have a massive impact on



the cost of trading across borders with the potential to reduce the cost of trade by 14.3% and increase the volumes of trade by a whopping \$1trillion per year. These benefits of TFA are further supported by OECD which finds that TFA will enhance efficiency at the border and in turn reduce the costs of trading across borders hence enhance the business performance of the SMEs.

### **1.1.2 Regional Perspective on Customs Procedures**

WTO has cited that high costs of doing business in Africa have hampered the growth of import/export business in the region. Some of these costs are associated with the customs procedures that the traders have to comply with so as to move goods and services across borders. For instance, a shipment from South Africa takes three weeks, requires five sets of invoices, 28 South African Development Community (SADC) certificates, 84 customs stamps, 56 customs signatures and 83 customs documents before it enters Angola. Acquiring all these documentations has a financial impact on the cost of trading across the borders in Africa ("Doing Business - Measuring Business Regulations - World Bank Group", 2018). These statistics therefore are clear indications that customs operations in regulating cross border trade highly affect the cross business performance in the local economies. This is due to the processes that traders have to comply with so as to bring in consignments have both time and cost effects on trade hence affecting the performance of businesses.

### **1.1.3 Local Perspective on Customs Procedures**

To trade across the borders in East Africa, traders have to incur huge financial costs in addition to the tariffs. For instance to move a 15 tons shipment of auto parts from Kenya to Uganda the trader has to incur a cost of about \$143 and spend around 21 hours for border compliance and also spend 19 hours at a cost of \$191dollars for documentary compliance ("Doing Business -

Measuring Business Regulations - World Bank Group", 2018). These costs render the products being traded expensive and not competitive in the local market.

Due to these costs, intra-African trade which is estimated to be worth \$6 trillion dollars has not been realized yet. Further impacts of the cost of doing business in the African region are manifested in the WTO forecasting on the growth of global trade in 2018 whereby its projected that global trade will grow by about 2.1% and 4% but only a fraction of this growth will be expected in the African region. These statistics are clear indications that the customs procedures that traders have to comply with have an effect on the cost of trading across borders in the African region and therefore steps should be taken to remedy these effects.

## **1.2 Problem Statement**

The World Bank has in many occasions raised the alarm on the high cost of doing business in Kenya. Customs procedures among other factors are a major factor leading to these high costs. As a result of this, the foreign direct investments (FDI) growth is much lower compared to other EAC countries such as Rwanda and Tanzania. It's noted that the Kenya FDI as a proportion to the gross domestic product (GDP) is at a staggering low 1% and Kenya's global exports are extremely low at about 0.02%. Customs procedures are among the many bottlenecks resulting to these statistics.

To import to Kenya one incurs a cost of; import declaration fee (IDF) which is 2.25% of the C.I.F value of the shipment or a minimum of \$50. In the year 2018 new regulations have been set that traders will have to pay more to acquire the IDF with the cost being raised from 2.5% to 3.5% of the C.I.F and the railway development levy raised from 1.5% to 3% of the C.I.F. These costs are 10% higher compared to the global benchmarks ("Doing Business - Measuring Business

Regulations - World Bank Group", 2018). These above costs among others which are not tariff related and are incurred by the traders so as to comply with both the documentary and border customs procedures have a massive financial impact on the cross border trade. It's therefore necessary to carry out this study in order to determine how these procedures affect import business performance and advice on how customs can facilitate trade hence check the cost aspect of conducting trade across borders. With lower costs of doing business then Kenyan products will be competitive in the regional market hence economic growth will be realized due to better performing businesses.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

This research project is aimed at finding out how the customs operations affect the performance of import business in Kenya. The main objective will therefore be to establish the effects of customs procedures on the import business performance in Kenya.

#### **1.3.2 Specific objectives**

The specific objectives of this study will be;

- i. To determine the impact customs declaration procedures on import business performance for SMEs in Kenya.
- ii. To establish the impacts of verification procedures on import business performance for SMEs in Kenya.
- iii. To determine the effects of customs cargo release procedures on import business performance for SMEs in Kenya.

## **1.4 Research Questions**

- i. How do customs declaration procedures on affect import business performance for SMEs in Kenya?
- ii. How do customs verification procedures effect on business performance for SMEs in Kenya?
- iii. How do the customs cargo release procedures affect import business performance for SMEs in Kenya?

## **1.5 Justification of the Study**

International trade plays a pivotal role in the economy of any country. It's from this nature of trade that the country imports what they don't have in the form of goods and services and in turn exports what they have in surplus. The customs department among other government agencies plays an important role in ensuring that business runs smoothly and traders incur minimal costs so as to conduct trade across the borders hence improve the business performance in any country. It's evident that long dwell times at the ports are major hindrances to trade hence affecting business performance in any state. This study is therefore necessary so as to determine how customs operations affect the business performance and advice on how to mitigate the impacts of these procedures on business performance business in Kenya. This study will therefore be beneficial to:

### **1.5.1 The Government**

The findings of this study will inform the policy makers in the policy making process. These findings and recommendations will therefore enable the government to come up with policies that facilitate trade hence making the customs operations more efficient hence enhance business performance for the SMEs.

### **1.5.2 To Customs Administration**

The customs department plays an important role in implementing the government policies on international trade. Findings and recommendations from this study will therefore enable customs to come up with ways of facilitating trade and at the same time enable them carry out their roles as stipulated.

### **1.5.3 Importers**

This study will be beneficial to the traders since it will analyse the customs operations and try to establish how they affect the performance of these businesses. The findings will therefore enable the SME owners to make informed decisions when dealing with customs hence mitigate the effects of the customs operations on the performance of their businesses.

## **1.6 Scope of the Study**

This study will focus on determining the effects of customs procedures on import business performance for small and medium enterprises in Kenya. The target population for this study will be 1000 SMEs around Nairobi. For the purposes of this study, the researcher will employ descriptive statistics with the use of qualitative data. The researcher will therefore administer semi structured questionnaires and interviews to customs officers at the ICD and DPC, importers (SMEs) and clearing agencies who are stakeholders in the import/export business.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Literature review refers to the evaluative report of existing information on a specific area of study. The review is supposed to describe, summarize, evaluate and clarify the literature available on the area of study hence give the researcher a theoretical base upon which he/ she determines the nature of study (Cooper & Schindler, 2014). This literature review will focus on the past scholarly studies on how the customs operations affect business performance in Kenya. The study will therefore base its study on these previous studies and critique them with the aim of coming up with conclusions and suggestions that will enable customs to conduct their operations in a way that they enhance business performance in Kenya. The conceptual framework will also be included to illustrate how the independent variables influence the dependent variable in this study.

#### **2.2 Theoretical Review**

A theoretical review is a theory based approach highlighting the existing theories that explain a certain area of study. It paints out the relationship between the existing literatures on the study therefore pointing out on the study hypothesis. The theoretical framework therefore introduces and describes the theories that explain why the research problem under the study exists (Cooper & Schindler, 2014). This research study will be informed by three theories which include the trade facilitation theory and the economic competitiveness theory.

##### **2.2.1 Compliance Theory**

Compliance refers to a change in behavior that is requested by another person or group; the individual acted in some way because others asked him or her to do so (Breckler, 2006).

Compliance theory provides a vehicle for the examination of the relationship between those who hold power and those who are subject to that power in various organizations whereby the Situations calling for compliance take many forms. Sometimes the request is up front and direct;

what you see is what you get whereas at other times, it is part of a subtle and more elaborate manipulation." (Kassin, Fein, & Markus, 2011). Customs control is means measures applied by the Customs to ensure compliance with Customs law. As its title suggests, the RKC is an amended version of the original Kyoto Convention (KC) which took effect back in 1974. The Convention aims at establishing a uniform set of rules and guidelines amongst its signatories as to how their respective Customs administrations would operate thus improving transparency, reducing transaction costs, and promoting trade. The RKC expounds on certain provisions contained in other international agreements such as Articles V, VII, VIII and X of the General Agreement on Tariffs and Trade (GATT) administered by the WTO. The RKC SAFE framework rests on two pillars; Customs-Customs network and Customs to business partnerships. It is furthermore complemented by a capacity buildings program; the Columbus Program and requires signatories to comply with following standards: establishment of a predictable set of standards for customs clearance, maintaining transparency, preventing arbitrary actions by customs, utilization information technology in cargo inspection, and the use of risk management and audit based controls. Certain standards in the General Annex are transitional, meaning signatories are given a longer period of time to implement them. Overall, these Annexes provide a general operational framework for a modern Customs administration

### **2.2.1 Economic Competitiveness Theory**

In regard to customs, economic competitiveness refers to the contributions that customs make to economic growth and improvement of the standard of living for the population of any country. It's evident that customs contributes significantly to the economic competitiveness of any country. The national economic competitiveness can be improved by macroeconomic policies and also non policy factors such as weather, demographics and entrepreneurial skills of the

population. However, government policies are the highest contributors to the economic competitiveness, especially in the time of economic distress sound fiscal and monetary policies are necessary for economic growth to be realized. Among the policy issues that impact the competitiveness of an economy is revenue collection which in the customs context will comprise of customs operation in the clearance of cargo.

Customs plays a pivotal role in economic competitiveness in three major ways including; social protection, collection of revenue on imports and exports and trade facilitation. Trade facilitation is defined as the process of making the customs operations more efficient with the main aim of ensuring seamless flow of business with reasonably minimal costs. According to WTO, trade facilitation is the harmonization and simplification of the trade procedures. Trade procedures on the other hand refers to the activities, practices and formalities undertaken in collecting, presenting communicating and processing data so as to move goods and services across borders (Preece, 2008). The costs incurred by traders due to the customs operations at the border points are therefore inevitable since customs and the other agencies at the border are mandated by the government to help in the realization of various government policy objectives. Therefore, the more facilitative the customs operations are and at the same time playing their role, the lower the costs of conducting trade across the borders. This will in turn impact positively the performance of businesses hence the economy.

To improve the economic competitiveness and productivity, it's crucial to have a society that is stable, healthy and educated (Kabiru, 2016). Without public funds, it's difficult for any nation to achieve economic growth. Customs therefore plays an important role in ensuring the economic productivity and competitiveness since it's the main collector of revenue for funding the government policies. It's seen that most developing countries rely on tariffs imposed on imports



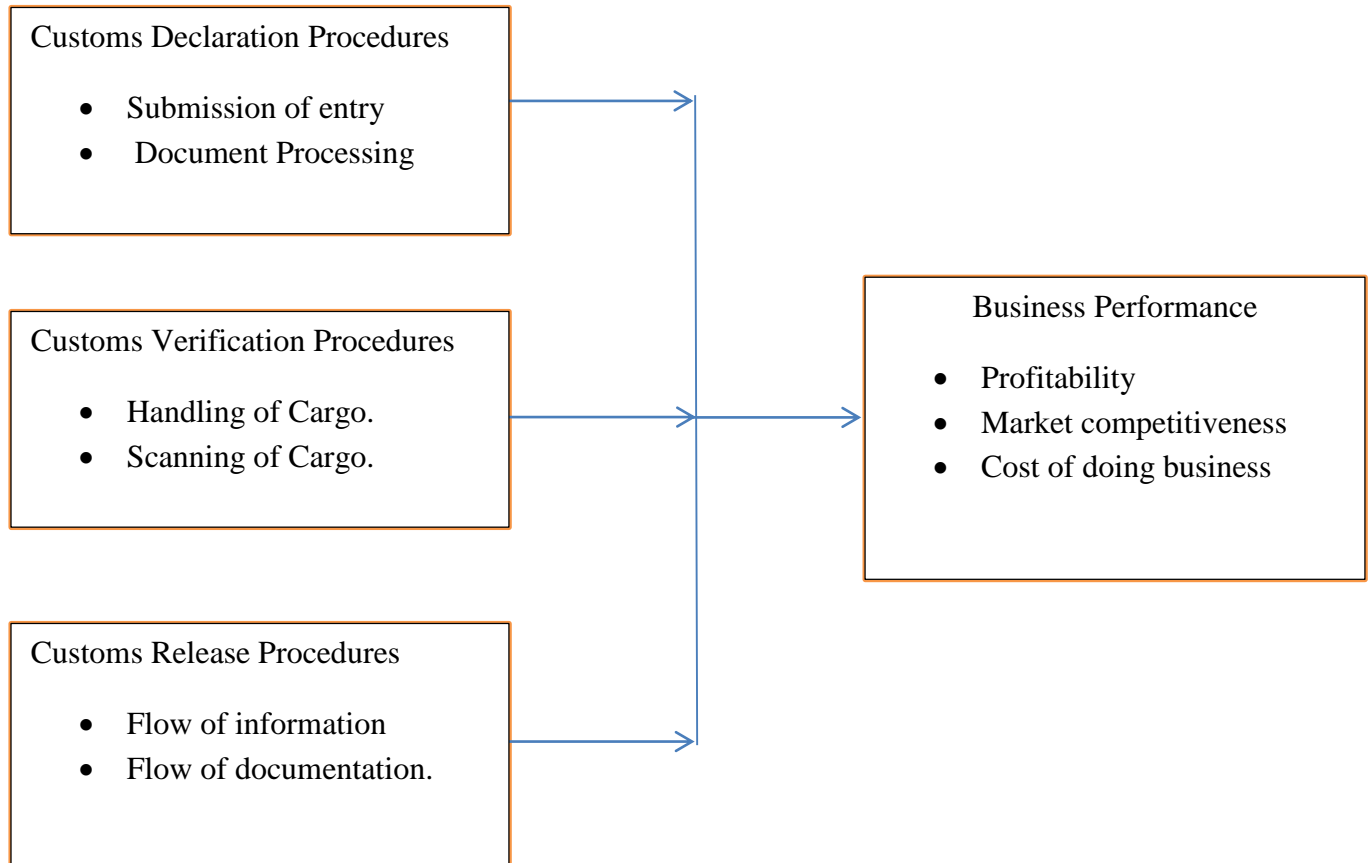
to raise revenue for funding government. Developed Countries built the state authority and infrastructure needed for economic competitiveness using funds raised by customs (Moffat, 2012).

### **2.2.2 The Institutional Theory**

This theory recognizes the embedment of institutional actors. Institutional theorists suggest that organizational actions and processes are driven by their actors in order to justify and plausibly justify their actions. In regard to this perspective, strategy implementations are rationally accounted for by organizational actors and rooted in the normative context (Oliver2007). Organizations usually adopt a standardized set of practices (Onyango, 2013). For instance, the customs department would have to realign internally so as to adopt the newly introduced practices to become part of their daily routine. The implementers of any new policies would therefore need to educate the officers internally on the importance of any newly introduced procedures so as to achieve the desired results. This will enable the officers to own the changes and implement them as required.

The institutional theory believes that organizational fields become structured by powerful influences among organizations. The adoption of a system such as strategy implementation is highly dependent on the extent to which it is institutionalized by legitimacy. Legitimacy concerns force an organization to adopt practices that conform to the mandate of the institutional environment (Robson 2000). Central authority systems, and culture conveyed mainly by formal organizations are the ones that give meaning to the customary and the conventional in daily life. These institutions are supported by the employees and they provide both the social and the legal constructions of the individual identity.

## 2.3 Conceptual Framework



**Independent variables**

**Dependent variable**

**Figure 2.1 Conceptual Framework**

### 2.3.1 Customs Declaration

This involves an array of functions some of which are carried out by the shipping line and others are done by the clearing agencies on behalf of the trader. Prior to the actual arrival date of the vessel at the port, the shipping line lodges an online manifest with customs via the Simba system. The manifest gives special attention to the place of clearance indicating where specific cargo is to be cleared from, either at the port or at the CFS ("KRA Portal", 2018). This is because the nature

of the cargo or a request by the importer as stated in the bill of lading may determine where the cargo is to be cleared from.

A customs entry is then prepared against the uploaded manifest by the clearing agent on behalf of the importer on the Simba online system. This is done by filling the form C17B electronically whereby the agent fills in the information acquired from the importer pertaining to the cargo. Customs declarations are supported by documents such as the; electronic cargo manifest, imports declaration form (IDF), commercial invoice, bill of lading, delivery orders, licenses/permits, exemption/remission authorities, packing lists among other documents depending on the nature of the cargo being cleared ("KRA Portal", 2018).

A customs folder is then prepared by the clearing agent putting together all the documents required on specific cargo. The documents are processed by the customs officers at the documents processing center (DPC) a function that is centralized at the times towers. The customs officers process the registered customs entries electronically and if the documents are in order, a DPC approval is issued (DPC pass) and the declarant through the system gets a notification and then moves to the verification/release point ("KRA Portal", 2018).

### **2.3.2 Customs verification**

The verification officers at the releasing point receive the customs entries online after they are approved at the DPC. Verification of goods may be done either physically or by scanning. Physical verification is usually 100% or partial verification of cargo by the customs officer. The nature of cargo verification is guided by the profiling of cargo into the red, yellow and green channels ("KRA Portal", 2018). Goods on the red channel undergo 100% verification while the goods on the yellow channel are passed through the scanners after the full document verification.

Goods under the green channel are released but are subjected to post clearance audit on a risk based approach to ensure compliance by the traders. The verification report must tally with the customs declaration for the goods to be released. In the event that there are any discrepancies on the value, quantity or quality of the goods then an offence is raised by the customs officer and it's prosecuted as per the customs act ("KRA Portal", 2018). If the verified cargo tallies with the declaration then it's given a clean bill of health and a release order is issued by the officer.

### **2.3.3 Customs Release**

This is usually the last customs procedure on any consignment so that it can be authorized to leave the customs station. Once customs has inspected the documents presented by the clearing agent on behalf of the importer and conducted the physical verification of the cargo a release order has to be issued to allow the consignment to leave the customs station. The customs release is issued once the correctness of the documents has been verified by the proper officer and he/she has established that the information provided by the importer is correct and tallies with the consignment. Obtaining the release order takes time hence having a trickle effect on performance of the businesses that trade in these imported goods. The consignments that have full compliance with the customs requirements are issued with the release order to allow the cargo out of the customs station while those that haven't complied are moved to the customs warehouse ("KRA Portal", 2018).

### **2.3.4 Business Performance**

Business performance is a composite assessment of how well a business is performing on its most crucial parameters typically; financial performance, customer experience and market competitiveness. It can be basically defined as the health of the business and is mainly measured in terms of the financial performance of any business (Alexander & Sinnett, 2005). However the

concept of business performance can be viewed broadly taking into consideration, the businesses' social responsibility, employee satisfaction, reputation, innovation and the productivity of the business. Business performance is measured the key performance indicators such as; revenue, return on investment (ROI), overhead and operational costs (Alexander & Sinnett, 2005). This study therefore is aimed at interrogating how customs procedures those importers have to comply with so as to bring in commodities affect the performance of their businesses mostly for the SMEs. It's evident that customs procedures have an impact on some of the indicators used to measure business performance.

## **2.4 Empirical Review**

An empirical review is an analysis of previous studies that relate positively with one's study, hypothesis and variables conducted through systematic identification, location and analysis of documents containing information related to a research problem under investigation. The Review of Literature summarizes the theory behind the experiment (Arthur, 2012). Literature review is a necessary part of research as it prevents researchers from studying exactly what scholarly studies have already studied.

### **2.4.1 Customs Declaration**

Djankov, (2012) Through Trade facilitation Report states that, every additional time that a product is delayed prior to being shipped reduces trade. One of the objectives of NEPAD is to place African countries on the path of sustainable growth and development, and among the priorities is building infrastructure for accelerating intra Africa trade. Through its report (2005) recommended reform in customs procedures due to highest rate Of customs delay that worldwide was approaching to 12 days average; concluded that, Customs add to over 10% to the cost of imports procedures.

According to (Oloo, Kimtai, Aduwi, Kiprop, and Ojwang, 2010) in their study Time Release Study Report, the average time taken between the arrival and the removal of goods from the entry ports was 6 days 12 hours and 2 minutes and this was found to be longer for the seaport which was 10 days 7 hours and 53 minute in average. At the airports and the land borders it was found to be an average time of about 5 days 11 hours and 26 minutes. This study also established that for goods to move across the land borders and the airports, the customs clearance for post lodged declarations took a shorter time than the time taken by the clearing agents to lodge the entries. This is since the clearing agents take similar time that's taken by the customs officers to process the entries.

Mwambingu, (2016) in his study on the Cargo clearance time at the port, he noted that the import documents submitted by the clearing agent to customs spent an average of about 2.03 hours to 2.89 hours at the DPC. This was against the recommended target time that the documents have to spend at the DPC of two hours. He attributed these delays to last minute changes of the documents by the clearing agents, delay by the other government agencies such as KEBS, and the small number of personnel at the DPC.

#### **2.4.2 Customs Verification**

Kesino, (2012) in his study on the impact of the adoption of the electronic systems by customs documented that physical verification of cargo plays a role in the overall delays during clearance of cargo. This is due to the time taken by the customs officers to physically verify the cargo and also the need to involve other government agencies such as the police and KEBS in the verification process. The availability of the scanners is also a factor that delays the verification process since the trucks have to wait in line so as to be scanned this therefore causes delays in this process.

Trade-Mark East Africa, 2012 in a study on the automation of customs systems in Kenya, stated that an automated system alone does not guarantee the elimination of procedural bottlenecks, transparency and consistency in clearing processes.

### **2.4.3 Customs Release**

Mwambigu, (2016) indicates in his study that cargo delays after the customs release has been issued for an estimated average time of about 39.96 hours to 54.74 hours. He noted that the factors that led to these delays included but not limited to; last minute changes to import documents, coordination between the various government agencies which don't work around the clock and joint inspection of consignments.

Teklu 2011 conducted a study on the impact of border clearance procedures on the cost and ease of doing business in Ethiopia. The study stated that in 2010 the national average (weighted) import clearance time at customs was 13.8 days. The findings of the study showed that document preparation from all regulatory bodies took 8.06 days whereas it took 5 days for inland transportation

### **2.4.4 Business Performance**

Poor customs border operations in the developing countries has highly affected the economies of these countries which suffer under the lack of continuity in the economic sector particularly the obstacles are more pronounce for the small medium enterprises (SMEs) (Hashi 2001). Among the major barriers for enterprises is the low level of institutional development in the areas of the rules and the laws pertaining to the conduct of businesses as well as the business tax system (Aidis and Sauka 2005). The large numbers of the institutional policies affects the functioning of businesses and often play a destructive role of the state institutions in the developing countries. The

excessive and inadequate overload of these formal rules by the state institutions results to the rise of corruption and nepotism (Barlett & Bukvic 2001).

## **2.5 Critique of the Literature Review**

Kesino, (2012) in his study on the impact of the adoption of the electronic systems by customs focused on how the electronic systems enhanced service delivery by customs. The researcher in this study sought to find how automation of the customs systems impacted the customs procedures including declaration, verification and release. Despite addressing the impacts of the automation of the customs systems and how this affected the customs procedures by making them easier and faster, the study didn't focus on the trader who trade in the imported goods. This study focuses on customs and the automation of systems this is a major weakness of the study since it doesn't focus on the importer who is a major stakeholder in the cargo clearance process.

(Oloo, Kimtai, Aduwi, Kiprop, and Ojwang, 2010) in their study Time Release Study Report, investigated the release time of consignments from the customs stations. The study collected and analyzed data to determine which customs procedures were bottlenecks hence resulting to lengthy release time and eventually long dwell times. However, the study didn't interrogate the cost effect of these procedures and the impact which they had on the performance of businesses in Kenya. This study was mainly aimed at making findings that would help customs enhance their service delivery and didn't put into consideration the plight of the importer.

Mwambingu, (2016) in his study focuses on the cargo dwell times at the port and lays much focus in analyzing the average time consumed by the importers agent to comply with the customs procedures. He breaks down the time taken during declaration, document processing, physical verification of cargo and release of cargo from the customs station. The weakness of this study



manifests itself in that the researcher doesn't analyze the cost impacts of these procedures as a result of the long dwell times. This therefore leaves a knowledge gap which needs to be filled by attaching each procedure with the time spent by the importers agent to comply and the cost of each procedure hence determine how these affect the performance of businesses in the country.

## **2.6 Summary of the Literature Review**

From the above reviewed research studies which have touched on the variables of this study it's clear that customs procedure have an impact on the business performance in the country. Most of the previous scholarly studies indicate that the customs procedures that importer and their agents have to comply with have a time and cost impact on the traders hence affecting the business performance of the SMEs that deal with the imported goods. The studies depict that poor customs border operations in the developing countries has highly affected the economies of these countries which suffer under the lack of continuity in the economic sector particularly the obstacles are more pronounced for the small medium enterprises (SMEs). It's also evident that large numbers of the institutional policies affects the functioning of businesses and often play a destructive role of the state institutions in the developing countries. The excessive and inadequate overload of these formal rules by the state institutions results to the rise of corruption and nepotism.

## **2.7 Research Gap**

There have been various scholarly studies by different researchers on the impact of customs procedures on the import export business. However most of the previous researchers focused on the bottlenecks that have made it difficult to realize its role of trade facilitation with the intent of

making good these defects. These studies have not laid emphasis on the importer who plays a pivotal role in this cross border trade. Since no study has been conducted to determine how the customs procedures affect business performance there exists a knowledge gap that needs to be filled by conducting this study. This research will therefore go a long way to inform the policy makers and implementers on the importance of factoring in these delays to ensure that importers do not incur unnecessary transaction costs which can be reduced by ensuring seamless customs procedures including the inspection, documentation and the administrative delays hence enhance business performance for SMEs.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction.**

Research methodology refers to the systematic, theoretical analysis of the methods applied to a field of study in collection and analysis of data with the aim of making decisions on a specific study (Goddard & Melville, 2011). This chapter therefore explores the methodology that will be used in this study clearly explaining the research design, the population of interest, data collection and data analysis methods that will be used. It will explain the source of the data that will be used, methods of data collection, and the techniques that were used to analyze the data collected. It also explains the model used as well as clearly elaborates all the variables of interest.

### **3.2 Research Design**

This research use descriptive research design. According to Cooper and Schindler (2003), a descriptive study attempts to describe or define a subject often by creating a profile of a group of people, problem or events. This study sought to establish to what extent does the customs operations impact business performance in Kenya. The study relied on collecting empirical data quantitatively from traders, customs officers and clearing agents in Nairobi. Quantitative data was collected and analyzed so as to find answers hence fulfill the objective of the study. Data collection will be done through the administration of a semi-structured questionnaire. The questionnaire was the main tool of data collection since it's easy to administer, cheap and consumed less time compared to other data collection methods. The questionnaires were administered to the target population using the drop and pick method.

### **3.3 Target Population**

A population universe refers to the total collection of elements about which the researcher intends to make some inferences (Schnilder&Cooper, 2014). The target population was therefore the

1000 SMEs around Nairobi ("KRA Portal", 2018). Nairobi was chosen as the study site due to its proximity, time available for the research and budgetary constraints for the researcher.

### **3.4 Sample Size and Sampling Procedure.**

This section of the research study shows how the sample was selected and the sampling procedure used. To determine the sample size, Yamani Taro (2005) formula was used. This formula states that the desired sample size is a function of the target population and the maximum acceptable error and it's expressed mathematically as;

$$n = \frac{N}{1 + Ne^2}$$

Where:

$n$ = Sample size

$N$ = Target population

$e$  = Maximum acceptable margin of error (5%)

$$n = \frac{1000}{1 + 1000(0.05)^2} = 285 \text{ SMEs}$$

The research uses a 5% error margin and therefore 285 SMEs were targeted. Random sampling will be adopted for this study. To enable the researcher generalize the findings, a total of 285 SMEs from different were selected randomly and the questionnaires administered to them to represent the whole population. Statistically, for one to generalize the findings of a research study, then a sample of not less than 30 must exist (Wiersma, 2005).

### **3.5 Data Collection Instruments.**

The study relied on data collected by questionnaires structured to meet the objectives of the research study. According to Mugenda & Mugenda (2012), questionnaires are used to collect important information about a population under study. Each item was then addressed to take care of specific items of the study. All the respondents selected were guided on how to fill the questionnaires. The respondents were given a timeframe on which they will fill in the questionnaires and the researcher collected them after the lapse of this time. To ensure the effectiveness of the questionnaires a pretest will be conducted to establish how the study will span out. Questionnaires were used since they are easy to administer and they also don't require hefty budget when conducting a study.

### **3.6 Data Collection Procedures**

The questionnaires were administered to the respondents through drop and pick method whereby the respondents were given one week period to respond to the questionnaires. The questionnaires were used since they are easy to administer and are cost effective in conducting research studies (Elswick, 2010). Questionnaires that were satisfactorily filled by the respondents were used by the researcher to make the findings on the study.

### **3.7 Pilot Testing**

A pilot study test was carried out to test the validity and reliability of the research instruments. According to Mugenda and Mugenda (2012), a sample size of 10% of the sample size is considered adequate for descriptive study thus as per the sample size, 32 SMEs were selected for the pilot study.

#### **3.7.1 Validity Test**

Validity is the accuracy and meaningfulness of inferences which are based on the research results (Kothari 2012). It's the degree through which results obtained from the analysis of data represented the phenomenon under study. There are three types of validity test including; the content, criterion and related construct validity. This study shall use the content validity to measure the degree to which the sample of the items represents the content that the content requires to measure. The pilot study shall point out on any need of language change and editing of the study for proper understanding and interpretation of the questionnaires by the respondents. If the pilot study proves the validity and reliability of the instruments, then the questionnaires for the study shall be printed and administered to the study population for the collection of the necessary data for study and which shall be subject of the analysis.

### **3.7.2 Reliability Test**

Reliability was a measure of the degree to which a research instrument yielded consistent results after repeated trials. It involves administering the same instrument to a similar group of subjects for a number of times (Kothari, 2012). The test retest method shall be used to ascertain the reliability. The reliability shall be obtained by correlating the scores of each questionnaire for each variable. The Pearson's product moment correlation coefficient (r) shall be used to test reliability of the questionnaires. The correction coefficient of the halves shall be corrected by the Spearman Brown Prophecy formula.

### **Spearman's Rank Correlation Coefficient formula**

$$1 - \left( \frac{6 \sum d^2}{n(n^2 - 1)} \right) = 1 - \left( \frac{6 \times 6}{n(n^2 - 1)} \right)$$

## **Where**

$d$ - is the difference between the two ranks of each observation.

$n$ -is the number of observations

## **Whereby results;**

Close to -1 - Negative correlation.

Close to 0 - No linear correlation.

Close to 1 - Positive correlation.

## **3.8 Data Analysis and Presentation**

Data analysis procedure includes the process of packaging the collected data putting it into order and structuring its main components in a way that findings are easily and effectively communicated processes (Mugenda and Mugenda, 2012). After the fieldwork, before analysis all the questionnaires were adequately checked for reliability and verification. Editing, coding and tabulation will be carried out. The analyzed data was then presented using the statistical tables, graphical representation and pie charts. According to Mugenda and Mugenda (2012), graphical representations make it much easier for the reader to see the trend of distribution then looking at numbers in a frequency distribution. The data was analyzed using a multiple regression analysis used to predict how the independent variables of customs systems are affecting the dependent variable, the regression analysis shall be combined with other descriptive statistics models such as the measure of central tendency which include the; mean, mode and median using the SPSS version 17.5 and Microsoft excel.

## **Regression Analysis Model**

$$Y = \alpha + \beta x_1 + \beta x_2 + \beta x_3 + \varepsilon$$

Where;

**Y**= Business Performance

**$\alpha$**  = Constant

**$\beta$**  = Regression coefficient

**x<sub>1</sub>**= Customs declaration,

**x<sub>2</sub>**= Customs Verification,

**x<sub>3</sub>**= Customs Release ; and

**$\varepsilon$**  = Error.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

This chapter discusses the results and the findings of the research project which were inspired by the main objective of the study which was to establish the effects of customs procedures on import business performance for SMEs in Kenya. Data was analyzed to determine, describe and



explore the impact of customs procedures on the performance of import business for SMEs in Kenya. Data was obtained from self-administered questionnaires, interviews and documentary reviews which included among others reviewing the customs administration databases. The questionnaires were administered to SMEs that deal in import business around Nairobi. A total of 285 SMEs were targeted and questionnaires administered to them to collect data on the effect of customs procedures on the performance of the import business for SMEs in Kenya.

**4.1.1 Response Rate**

A total of 285 questionnaires were issued to small importers of the issued questionnaires, 199 were successfully filled and collected by the researcher this representing a 69.8 % of the target population. According to Sekaran (2008) a response rate of 60% and above is required so as to extrapolate the findings of a study over the entire population. The remaining questionnaires were deemed not to be usable for the study due to various reasons including; some were not substantially filled with the respondents skipping the most crucial parts, some participants were uncooperative and not willing to participate in the study and others were suspicious of the study and had confidentiality issues. These among others were challenges that the researcher faced during the collection of data for this research project.

**Table 4.1: Response Rate**

<b>Distributed Questionnaires</b>	<b>Returned Questionnaires</b>	<b>Response Rate</b>
285	199	69.8%

**4.1.2 Results of Pilot Study**

For the pilot study, 32 questionnaires were administered to the respondents to establish whether the questions measured what they were intended to measure. The respondents were divided into

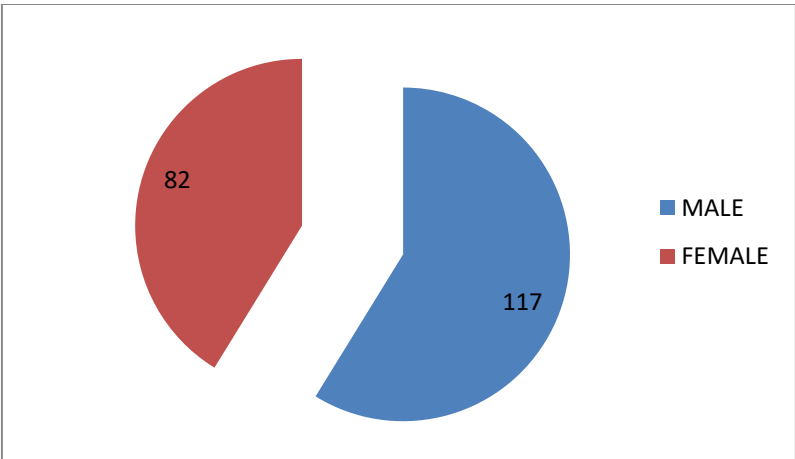
two groups of 16 each so as to test correlation between their responses. The spearman's correlation coefficient was 0.615 indicating that there was a positive correlation between the responses. This meant that there an increase in the independent variable results to an increase in the effects to the dependent variable. This therefore was a clear indication that customs procedures have an impact on import business for small importers in Kenya.

**4.2 Demographic Information**

This section lays focus on the basic background of the respondents who took part in this study. This was with the aim of establishing whether the demographic traits of the respondents influenced their responses on the subject of study.

**4.2.1 Gender**

From the sample, a total of 199 respondents were considered for the study. They thus filled the questionnaires. All the respondents were considered according to the criterion shown in the graphs below. Classification according to gender, a total of 117 males and 82 females were involved this translated to 58.8% males and 41.2% females;



### Figure 4.1 Gender Distribution of Respondents

#### 4.2.2 Age Distribution of Respondents

For age, the following is a graph showing results for the various age groups considered in the study, all age groups were covered. The age group with the highest number of respondents was 45-54 which translated to 29.6% closely followed by those who are above 55 years of age at 27.6%, then those with 25-34 years at 20.1% and those below 25 years at 12%.

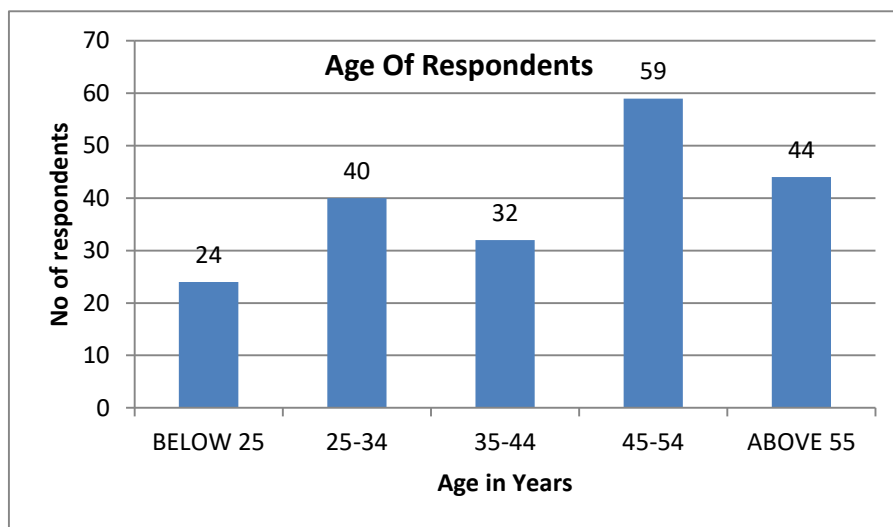
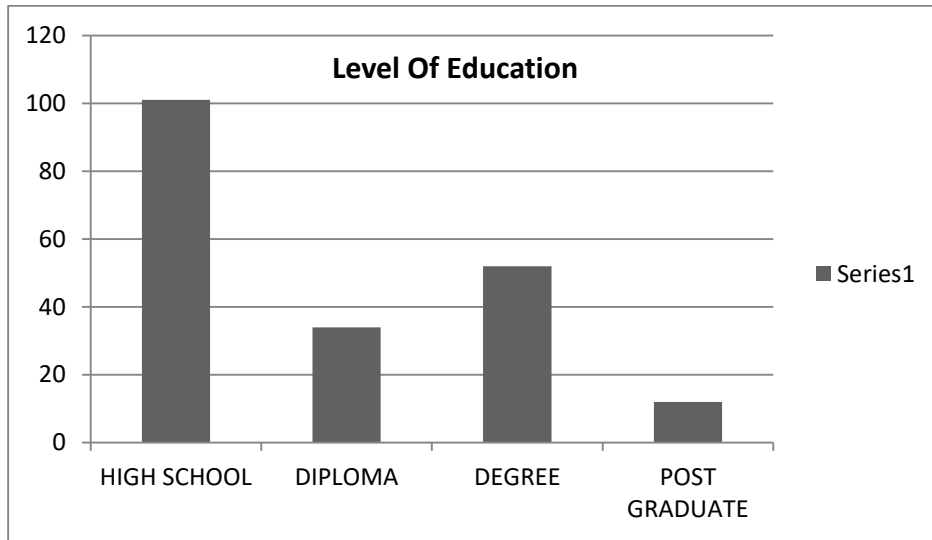


Figure 4.2 Age Distribution of Respondents

#### 4.2.3 Level of Education of Respondents

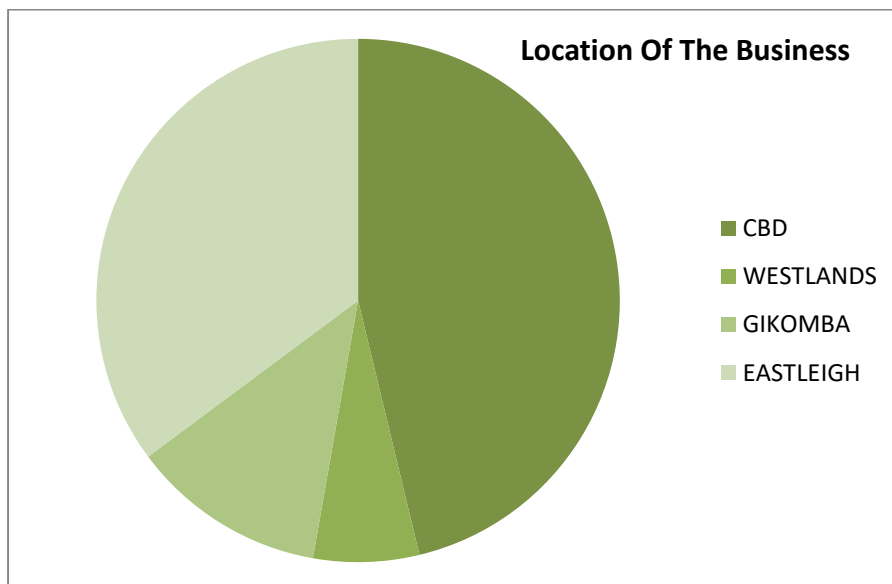
From the foregoing, the level of education showed that most of the respondents in business had high school education as their highest level of education. 50.7% of the respondents had high school level education, 17% had diploma level education, 26% of the respondents were university graduates and 6% of the respondents had postgraduate level of education. This may have caused ignorance on their part about customs and procedures involved. The findings on the level of education are as shown below;



**Figure 4.3 Level of Education of Respondents**

#### 4.2.4 Location of Businesses

The numbers of businesses located in the Central Business District in Nairobi were more, followed by Eastleigh. The pie chart below paints a picture, thus indicating the many traders involved with customs hail from the Nairobi CBD. This translated to 46% in the CBD, 35% in the eastleigh area, 12% in Gikomba and 7% of the interviewed businesses located in the Westland's area.



### Figure 4.4 Location of Businesses

#### 4.2.5 Duration of existence of the businesses

Many businesses involved in this study were ten years and younger. The respondents dealing with customs had a wide range of experience, for diversity and reliability. The number of years dealt with customs would thus tell on whether there had been effect on the business performance as the problem under consideration. It also showed that many businesses located around Nairobi were in operation for the most part 10 years and below taking up 76% of the total respondents.

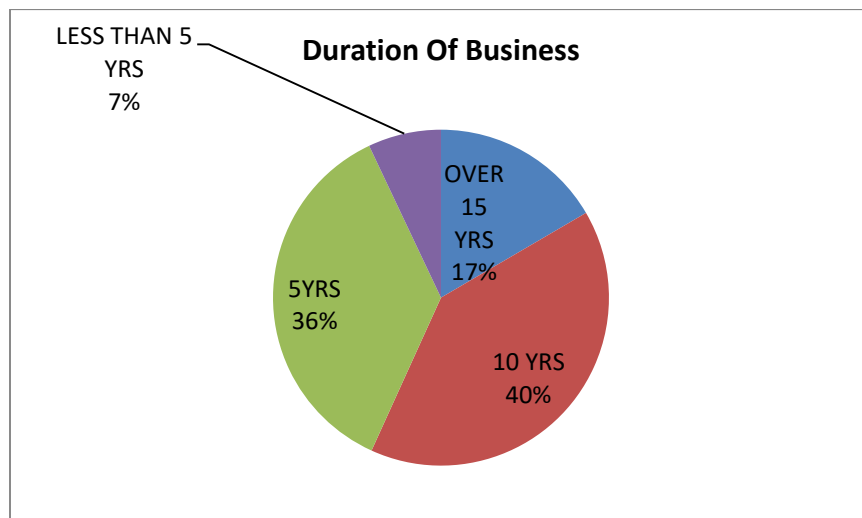
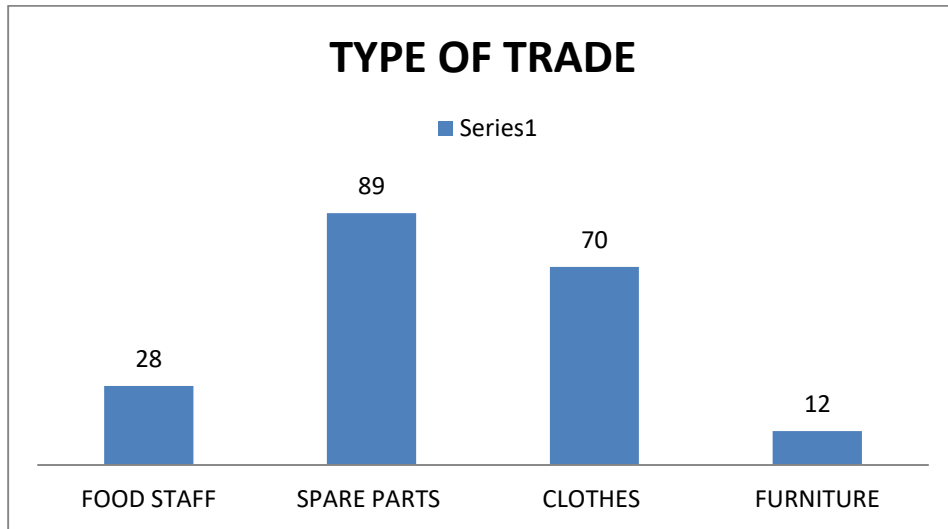


Figure 4.5: Duration of existence of the businesses

#### 4.3.6 Type of Goods That the Businesses Trade In

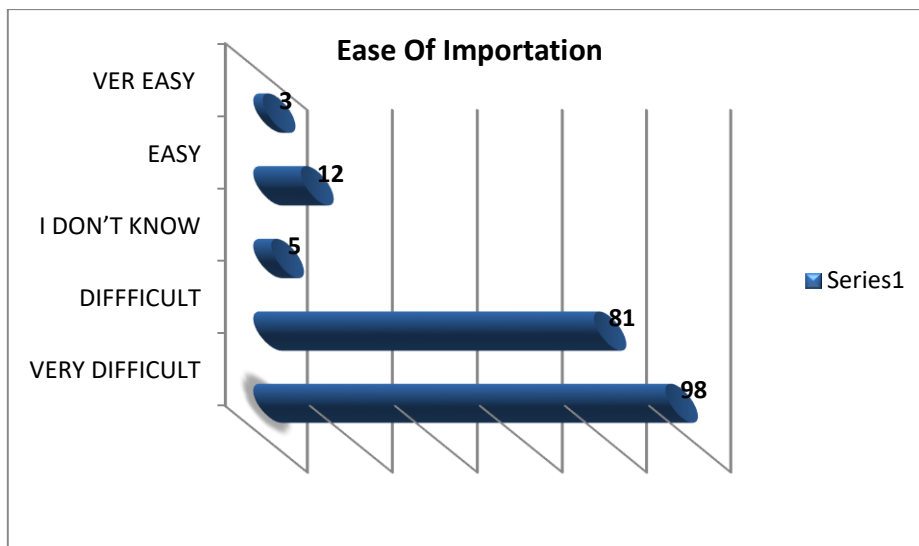
When asked on the type of trade, many respondents were involved in spare parts and clothes, which form the largest part of the imports market. These respondents thus had direct contact with customs; their responses on the same thus had direct implications of how the population felt on the same. A chart of the same is shown below.



**Figure: 4.6 Type of Goods That the Businesses Trade In**

#### 4.2.7 Ease of importation

The respondents were required to rate on how easy the importation process was and most of the respondents felt that this process was complex and difficult. In the responses received, 49% of the respondents felt the importation process was very difficult, 40.7% rated it as difficult, 2.5% were undecided on the question 6% said it was easy and a minimal 1.5% indicated that it was very easy to import. This is represented in the graph below.



**Figure 4.7: Ease of importation**

There is prevailing difficulties encountered by importers on customs. The overall graph on the ease of importation is thus skewed to the right. Based on the scale of the opinions, many of the respondents had problems importing their products. This affected the performance of their business negatively, and led to collapsing of some businesses before their 5<sup>th</sup> birthday.

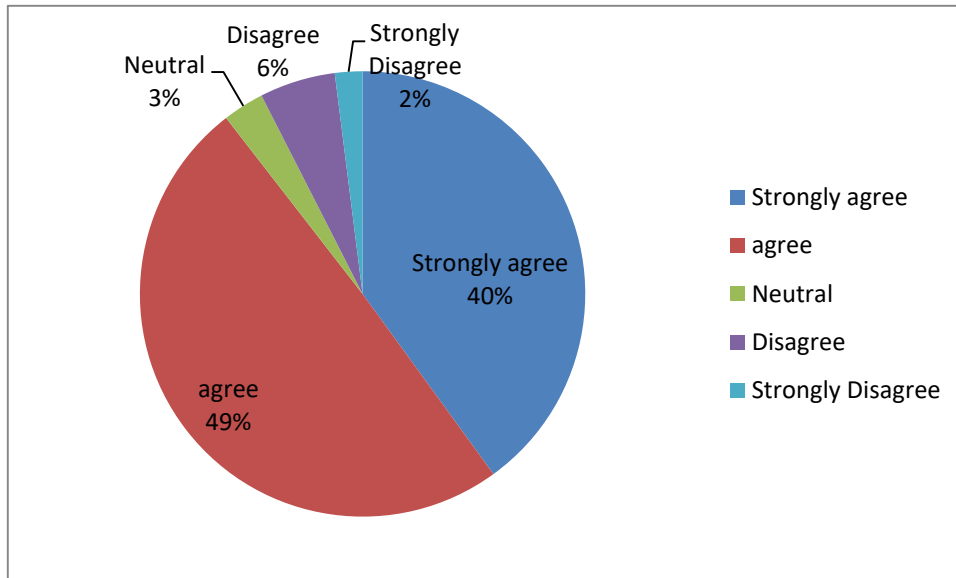
### **4.3 Descriptive Analysis**

The concept of descriptive statistics involves a summary of the statistics which quantitatively bring out the characteristics of a collection of data in a study. They provide simplified summaries about the samples and the measures in a study (Trochim, William M.K. 2006). For this particular study, the mean and the standard deviation have been employed by the researcher to explain the traits of the findings in the study.

#### **4.3.1 Customs Declaration Procedures**

##### ***4.3.1.1 Lodgment of Entry***

On this the respondents were required to rate the statement that lodgment of the entry is a complicated process. This was aimed at measuring the complexity of the lodgment of the customs entry hence determine its effect on business performance.



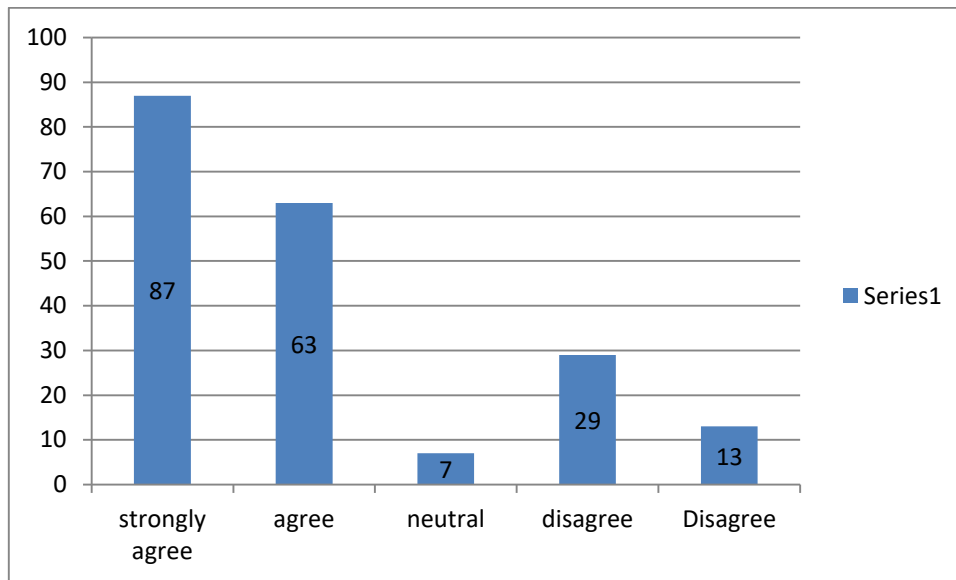
**Figure 4.8 Distribution of Opinion Levels on Complexity of Entry lodgment process**

Of the interviewed respondents, their views on the complexity on the entry lodgment process were as represented in the chart above. 40% of the respondents strongly agreed with the statement, 49% agreed, 3% were neutral while 6% disagreed and 2% strongly disagreed. This indicates that the bigger number of the respondents were of the view that lodgment of the entry is a complex process.

#### ***4.3.1.2 Document Processing procedures***

The respondents were required to rate the effects of the customs document processing procedures to the performance of business for small importers. So as to establish this, the respondents were required to rate the statement that documents take long to be processed at the DPC.





**Figure 4.9 Opinion levels on document processing procedures**

The study established that most of the respondents felt that documents stayed for longer than expected at the DPC and mostly when it comes to the small importers. 43.7% of the respondents strongly agreed with the statement, 31.6% agreed with the statement, 3.5% were neutral while 14.6% disagreed with the statement and 6.5% strongly disagreed with the statement. These results make it evident that delays at the DPC adversely affect business performance for small importers.

**4.3.1.3 Customs Declaration Procedures and effects on Business Performance**

**Table 4.2 mean and standard deviation table representing customs declaration procedures**

	<b>N</b>	<b>Mean</b>	<b>Std. Dev.</b>
Entry Lodgment Procedures	199	3.91	0.688
Document Processing Procedures	199	4.22	0.692

**Grand Mean**

**199**

**4.065**

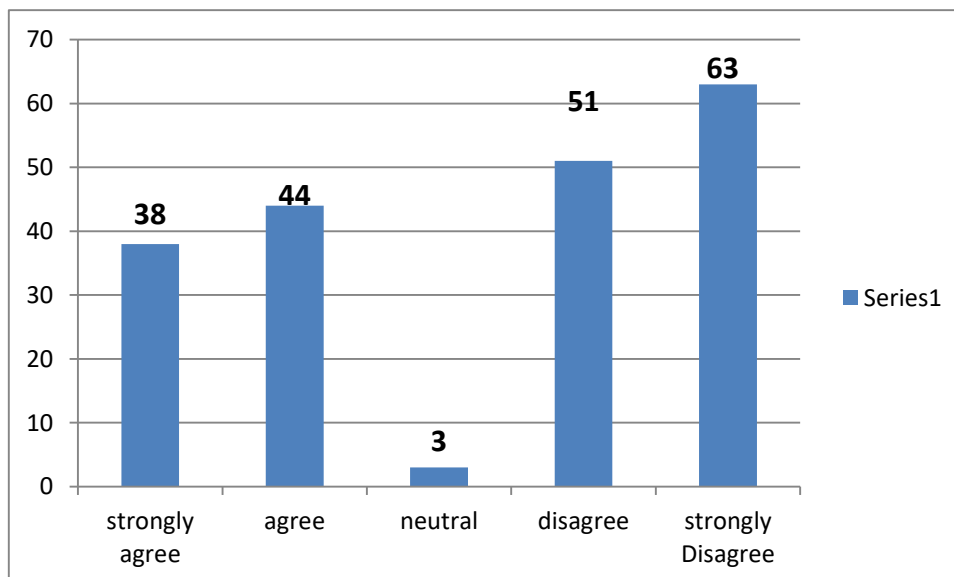
**0.69**

The respondents who participated in the study highly agreed that customs procedures affect business performance for small importers. This is clearly indicated by the findings of table 4.1 where by the mean values of responses on customs entry lodgment procedures and document processing procedures being 3.91 and 4.22 respectively. The grand mean value was found to be 4.065 and the standard deviation was 0.61 for customs declaration.

### **4.3.2 Customs Verification Procedures**

#### **4.3.2.1 Handling of Cargo**

The respondents were asked to rate the level which they felt that handling of cargo during verification affected business performance of the small importers. This section sought to determine the whether traders incurred losses due to breakages, labor charges or time delays during verification. The results of this are represented in the figure below;

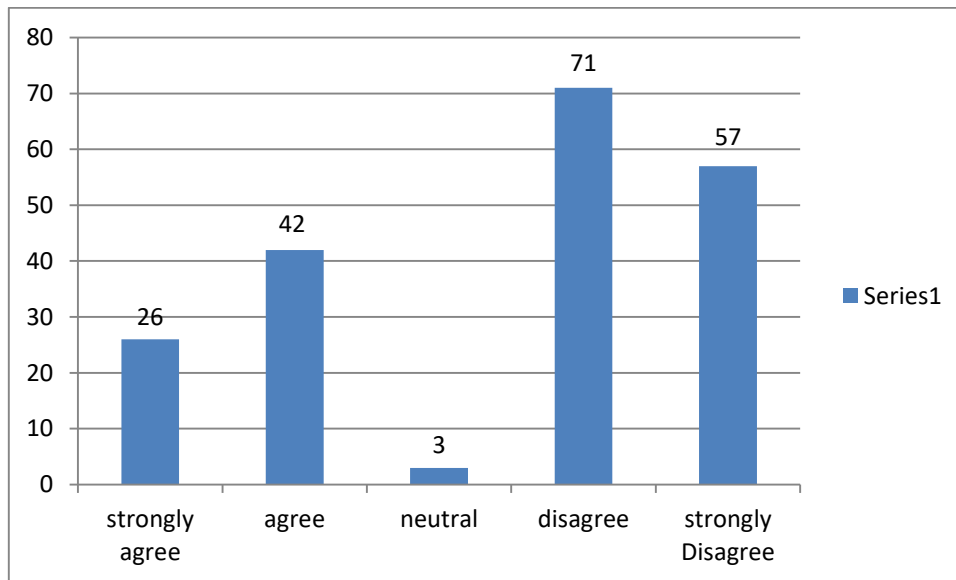


**Figure 4.10 opinion levels on cargo handling during verification**

The figures represented by the figure above indicate that 19% of the respondents strongly agreed that handling of cargo during verification had adverse effects on business performance for small importers, 22% agreed with the statement, 1.5% were neutral while on the other hand, 31% disagreed and 25% strongly disagreed with the statement.

#### **4.3.2.2 Scanning of Cargo**

The question was put to the respondents to find out whether they incurred any losses or time delays during the scanning of cargo. From this it was established that the importers welcomed the technology since it enhanced the verification process. However they also noted the full potential of the cargo scanners hadn't been fully realized since there is only one scanner at the ICDE hence there are time delays.



**Figure 4.11 Distribution of opinion levels on cargo scanning**

13% of the respondents strongly agreed with the statement, 21% agreed 1.5 % were undecided while 35% disagreed with the statement and 28% strongly disagreed with the statement. These results show that scanning of cargo affected business performance for small importers while those who felt that it affected the performance of their businesses attributed it to existence of only one scanner at the ICDE hence led to longer waiting time.

#### **4.3.2.3 Verification Procedures and their effect on Business Performance**

**Table 4.3 Mean and standard deviation table representing Customs Verification Procedures**

	<b>N</b>	<b>Mean</b>	<b>Std Dev</b>
Handling of Cargo	199	2.71	1.61
Cargo scanning	199	2.54	1.58
<b>Grand Mean</b>	<b>199</b>	<b>2.625</b>	<b>1.595</b>

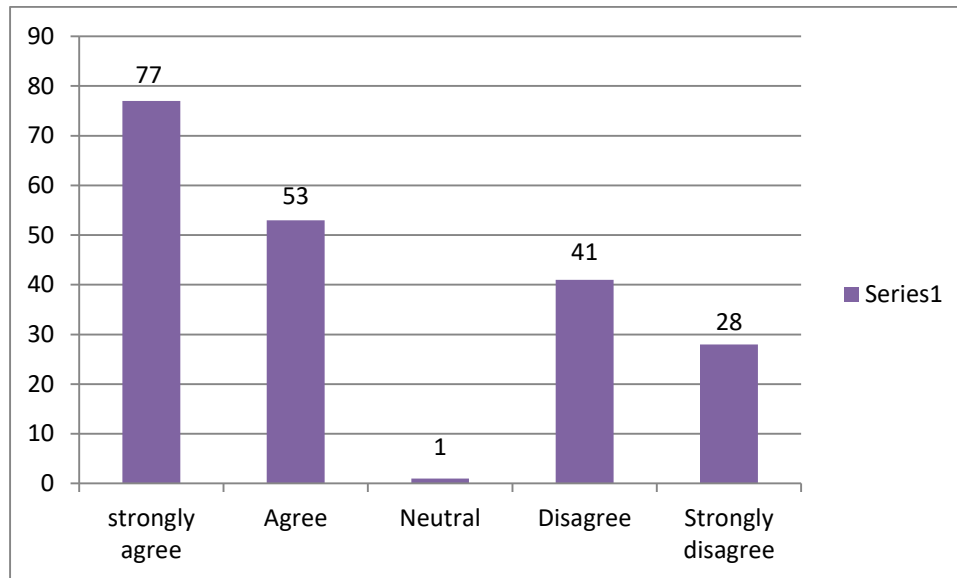
From table 4.2, the responses were of the indication that verification procedures didn't have much effect on business performance. The importers attributed this to the introduction of cargo scanner which has enhanced the verification procedures. However, effects which were not adverse were manifested and this was attributed to the few scanners which led to long queues hence time delays.

#### **4.3.3 Customs Release Procedures**

##### **4.3.3.1 Flow of Information**

The respondents were asked questions to ascertain whether information flowed seamlessly from one customs department to the other. The researcher sought to find out whether there existed any delays in relaying information hence affecting the business performance for the small importers.

The study established that there were loopholes at this stage and unnecessary delays were experienced hence having an effect on businesses.

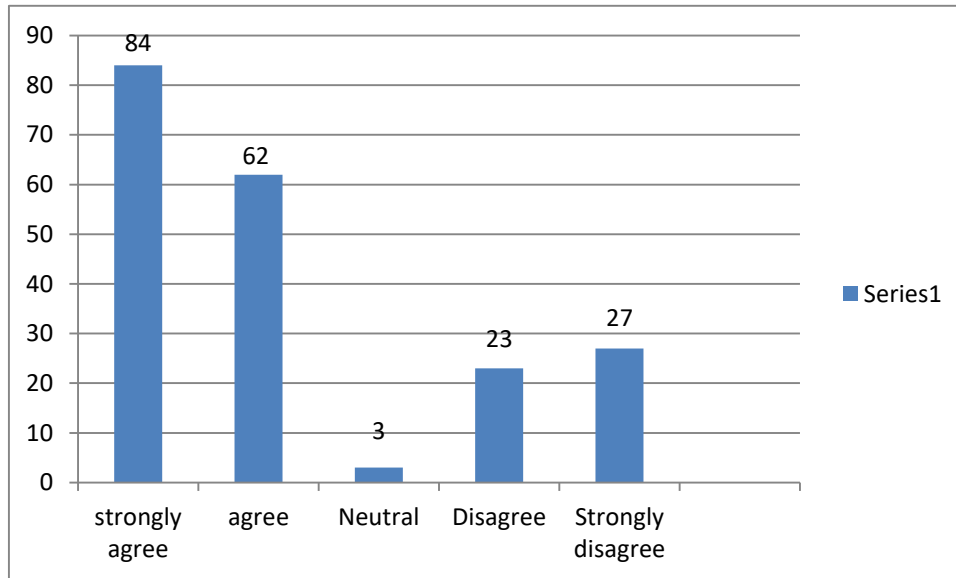


**Figure 4.12: Distribution of opinions on flow of information in customs release**

38% of the respondents strongly agreed that there existed delays in the flow of information between departments hence an effect on business performance, 26 % agreed with the statement, 1% were neutral while 20 % disagreed and 14% strongly disagreed with the statement. This was a clear indication that delay in relaying information between departments affected the business performance of the small importers.

#### **4.3.3.2 Flow of Documentation**

For this sub variable, the researcher sought to establish whether the documents that were required for the goods to be released moved with ease between the different customs desks. The responses by the importers indicated that there were delays at this stage hence affecting the performance of businesses. The findings were distributed as follows;



**Figure 4.13 Distribution of opinions on flow of documentation**

**Table 4.4 Mean and Standard deviation for customs release procedures**

Column1	N	Mean	Std Dev
Flow of information	199	3.5	0.61
Flow of documentation	199	3.77	0.72
<b>Grand Mean</b>	<b>199</b>	<b>3.635</b>	<b>0.665</b>

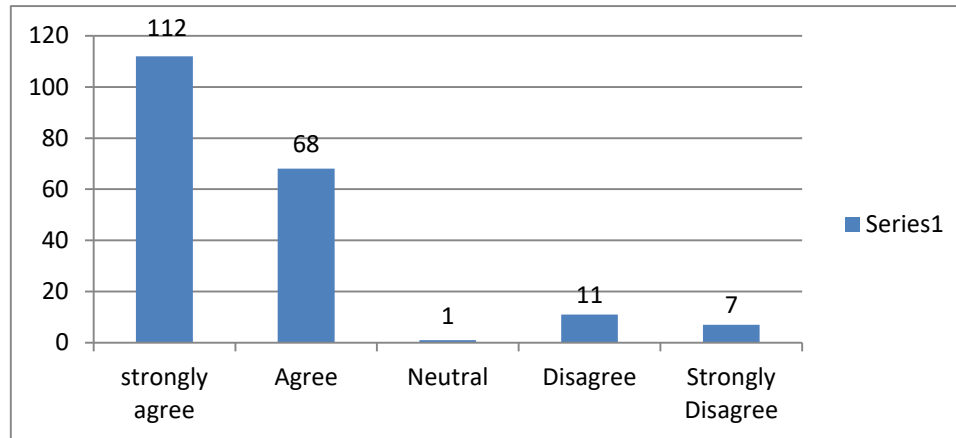
The findings as indicated in this table show that most of the respondents felt that customs procedures have an impact on business performance for small importers. The mean for the flow of information and flow of documentation had a mean of 3.5 and 3.77 respectively and the standard deviation was 0.61 and 0.72 respectively.

#### 4.3.4 Import Business Performance for SMEs.

##### 4.3.4.1 Profitability of Business

This section sought to determine the effects of the customs procedures on the profitability of small import businesses in Kenya. The respondents were asked to rate the statement that customs

procedures affect the profitability of businesses. The findings are as shown in the figure below:

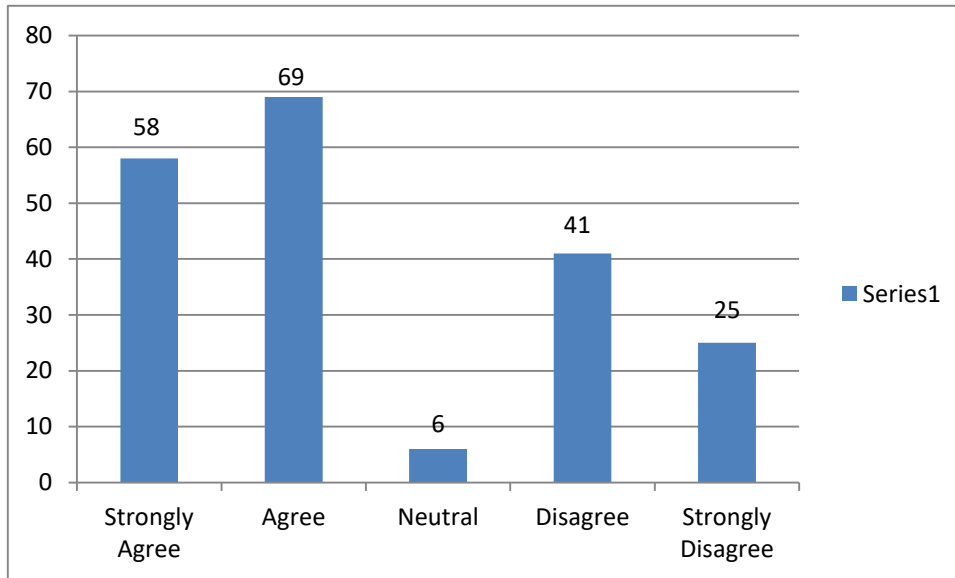


**Figure 4.14 Opinion levels on How Customs Procedures affect profitability of businesses.**

Most of the respondents felt that the customs procedures affected the profitability of their businesses. Those who strongly agreed represented 56%, those who agreed were 34%, 1% were neutral whereas 5% disagreed and 3.5 % strongly disagreed. These findings represent a clear trend that customs procedures have adverse impact on the profitability of their businesses.

##### 4.3.4.2 Market Competitiveness

The respondents were in this section requested to rate the degree of effect that customs procedures had on business performance. The findings were as indicated in the figure below:



**Figure 4.15 Opinion levels on how Customs Procedures affect Market competitiveness**

29% of the respondents agreed strongly that customs procedures affected business performance for small importers, 34% agreed with the statement, 3% were neutral while 20% disagreed and 12% strongly disagreed with the statement. These findings show that customs procedures really have an impact on the competitiveness of business for the small importers.

#### **4.4 Inferential Analysis**

Inferential statistics refers to the use of a random sample of data deduced from a population to describe and make inferences about the population. This kind of approach is employed when it's not possible to test the entire population on the subject in question. For instance in this study, it's not possible to collect views from all the small importers so as to determine the effects of customs procedures on their businesses. Therefore data collected from the sample size will be analyzed and hence extrapolated to the entire population using inferential statistics.



#### 4.4.1 Regression Analysis

To investigate the effect of these procedures on the overall business performance a multiple linear regression model was fitted with the business performance being the response variable (Y) and the three customs procedures, that is, declaration procedure, verification procedure and release procedure as the predictor variables X1, X2 and X3 respectively. The model is a good fit since 76.8% of the data is explained in the model as shown by the value of the R square. Thus the data collected from the three predictor variables; customs procedures indicate that the multiple linear regression model fitted is a good fit for this data. The results are shown in the table below:

**Table 4:5 Regression Analyses**

No of Observations	R	R Square	Adjusted R Square	Standard Error
4	0.8792	0.768396	0.51358286	0.548353126

#### 4.4.2 Analysis of Variance (ANOVA)

Analysis of variance was used to test the significance of the entire regression model. The study sought to test the hypothesis that:

H<sub>0</sub>- Customs procedures do not affect the import business performance for small importers in Kenya.

H<sub>1</sub>- Customs Procedures affect import business performance for small importers in Kenya.

The F value (from the ANOVA table) from the summary of the data fitted into the model is 2077.435. This value is higher compared to the table value from the F distribution tables at 1 and 3 degrees of freedom at a confidence level of 95% which is 10.58. This leads us to reject the Null

hypothesis and conclude that the three predictors variables have a negative impact on business performance the results of this are indicated in the table below;

**Table 4.6: ANOVA**

Model	Df	SS	MS	F	Significance F
Regression	3	29714.43	9904.81073	2077.435	0.016126472
Residual	1	4.767809	4.767808761		
Total	4	29719.2			

#### 4.4.3 Coefficient Analysis

The coefficient analysis was employed to determine whether the regression analysis model had predictive values. To investigate the effect of these procedures on the overall business performance a multiple linear regression model was fitted with the business performance being the response variable (Y) and the three customs procedures, that is, declaration procedure, verification procedure and release procedure as the predictor variables X1, X2 and X3 respectively. This formed an equation of the form;  $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3$

The data was run in the Microsoft excel software and the following results were obtained.

Intercept	5.507029012
X1= Customs Declaration Procedures	0.171598248
X2=Customs Verification Procedures	-0.015229824
X3= Customs Release Procedures	1.117648219

*Business performance*

$$= 5.507029012 + 0.171598248X_1 - 0.015229824X_2 + 1.117648219X_3$$

**Table 4.7: Coefficient Analysis**

Column1	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	5.507029012	2.3795698	2.314296096	0.259656	-24.72827157	35.7423296

X1 DEC PROC	0.171598248	0.0183915	9.330296318	0.067972	-0.062088057	0.405284553
X2 VER PROC	-0.015229824	0.0149649	-1.01770441	0.494414	-0.205376644	0.174916996
X3 REL PROC	1.117648219	0.0384862	29.04020336	0.021913	0.628634181	1.606662256

Declaration procedure- the 95% confidence interval for the value of the coefficient of the Declaration process as a predictor takes the value 0.17 as the value of the coefficient. This indicates that the declaration procedures affect the performance of small import businesses to a great extent. Customs Declaration procedures are thus significant in establishing the how customs procedures affect import business performance for SMEs.

Verification procedure- The coefficient of the verification procedures is – 0.015 this indicates that the verification procedures slightly affect the business performance for small importers. The p-value of 0.4944 is greater than the standard error of 0.0149 of the coefficient of the verification procedure as a predictor for business performance. This indicates that verification procedures affect business performance though not to very great extent.

Release procedure- the 95% confidence interval for the coefficient of release procedure as a predictor of business performance the coefficient takes the value of 1.11. Thus release procedure greatly affects business performance to a great extent. The p-value is also smaller than its standard error.

## **CHAPTER FIVE**

### **CONCLUSIONS, SUMMARY AND RECCOMENDATIONS**

#### **5.1 Introduction**

This Chapter presents an account of the summary of the findings of the study. It also gives the conclusions which reflect the answers to the specific research questions that were investigated. The chapter also has the recommendations and suggestions for further studies on the subject that ought to be carried out so as to mitigate the effects that customs procedures have on import businesses hence enable the customs to facilitate trade and at the same time perform its other functions.

#### **5.2 Summary of the Findings**

This study was aimed at establishing the effects of customs procedures on the performance of import businesses for SMEs in Kenya. Most of the respondents in this study were traders mostly

owners of the SMEs. Most of the interviewed SMEs were located in the CBD, Eastleigh, Gikomba and some in Westland's and most of the businesses were found to be trading in motor vehicle spare parts, apparel and food stuffs.

Most of the respondents were well aware of the customs procedures that are involved in regulating the import business. However a majority of the respondents felt that the importation processes is complicated difficult and costly due to the customs procedures that regulated the trade. Among the tested procedures which included declaration procedures, verification procedures and release procedures the traders felt that the customs declaration procedures were the most complicated since they involved processes such as classification, valuation, prove of origin among other requirements that the traders were not well versed with.

#### **5.2.1 Customs Declaration Procedures**

The study tested the customs procedures independently to find out their effects to import business for the small importers. The findings established that declaration procedures were rated by the respondents to be the most complex and costly procedures in the importation process. The respondents cited factors such as classification, valuation and prove of origin the main bottlenecks in the declaration process since they are not well versed with them. The complexity of these procedures have an impact on the performance of the import business for small importers due to wrong classifications, over valuations, and some businesses don't receive preferential treatment since they can't prove the origin of their products. On the other hand, it was established that customs is mainly focused on collection of revenue hence they don't offer guidance in the event of misclassification are over valuation as long as it attracts higher revenue for the tax man.

### **5.2.2 Customs Verification Procedures**

It was observed that most of the traders had issues with the verification procedures which they said took long hence having a cost impact to their businesses. They indicated that the profiling of SMEs by customs resulted to mistreatment of the small importers since their cargo was required 100% physical verification. This led to losses due to delays, breakage of goods during verification and also costs in handling charges. These delays of cargo at the customs area and extra costs in handling charges and losses due to breakages affected the performance of the import businesses for the SMEs.

### **5.2.3 Customs Release Procedures**

On the release procedures, the small importers felt that there usually exist delays in conveying information between the various customs departments hence delays were experienced even after the traders had complied with the other customs procedures. However, among the other tested customs procedures, release procedures were found to have the least effects on the performance of the import business for SMEs. This is since this stage relied on the flow of documents and information for the goods to be released from the customs area. Delays at this were therefore attributed to the ineffective flow of information and documents from one department to the other.

This study therefore established that indeed customs procedures have an impact on the import business performance for small importers in Kenya. The impacts that customs procedures had on import business performance for small importers are as a result of time delays and costs on top of tariffs as a result of the customs procedures. These procedures therefore needed to be revised so as to facilitate the small importers in trending across the borders since they play an important role in the economy.

## **5.3 Conclusions**

In conclusion, it was established from the analyzed data that customs procedures have a negative impact on the performance of the import businesses for the small importers in Kenya. Customs procedures affected the businesses profitability and competitiveness in their respective markets. This therefore led to the collapsing of the SMEs before their fifth birthday hence an effect to the economy and also leading to loss of jobs. Customs declaration procedures have the highest impact on the performance of import businesses followed by release procedures and lastly the customs verification procedures. This was attributed to different reasons including complexity of the procedures, costly procedures, systems complications and corruption as factors that result to these statistics. Despite it being crucial for customs to check the import business it's also key that these procedures are simplified so as to facilitate import trade for the SMEs who rely on imported stock. This way, the effects of customs procedures that have been determined in this study will be mitigated hence provide an enabling environment for doing business.

#### **5.4 Recommendations**

The researcher has from this study been able to come up with answers to the research questions. It's from the analysis of these answers that the researcher has been able to pick the factors that according to the respondents affect the import business performance for the small importers. The researcher has therefore made recommendations on each of the studied customs procedures that affect business performance.

Clear guidelines on classification of commodities should be provided by customs to traders to curb misclassification by importers which attract punitive fines. Customs should clear the air on the classification of commodities which are classifiable under more than one heading. Proper arbitration procedures should be put into place so as to enable the parties to reach into amicable solutions rather than automatically classifying the commodities under the headings that attract

higher taxes. Customs systems that are user friendly should be adopted to allow the traders to lodge entries for their consignments by themselves. Eliminating the clearing agents will enable the importers save a great deal hence reducing the cost of doing business hence enhance competitiveness. Valuation of consignments should be also be done in a manner not aimed at collecting high revenue from the commodity in question and the figures provided by the importers should be considered when coming up with the customs value. Customs should be encouraged to shift focus from collection of taxes to facilitating trade since big trade volumes will definitely attract high revenue.

Awareness exercises should be conducted by customs to enlighten the importers on preferential treatment policies that different consignments are entitled to; such as preferential treatment due to the origin of the consignment. Most of the cargo should be scanned as opposed to the physical verification that the small importers are subjected to hence resulting to delays and losses due to handling charges and damage of goods during verification. This should therefore be done by adding more scanners at the ICDE since at the moment there is only one scanner available. This will significantly reduce the time delays and cost that's incurred by importers hence improves business performance.

The rolling out of the integrated customs management systems should be hastened so as to enhance the conveyance of information from one department to the other and reducing the release time after the importers has complied with the other customs procedures. This will ensure that information and documents flow with ease among the relevant customs desks for the release of goods hence enhance business performance of the small import businesses due to the reduced release time for Cargo..



## 5.5 Areas for Further Studies

The researcher recommends that further studies be conducted to determine the effects of customs operations on the performance of the import businesses for small importers other than what this study has focused on in this study. From the responses received and the results of the analyzed data it's evident that customs operations have far many effects on the performance of cross border trade for small importers. Future studies can probably focus on the specific customs operations such as classification, valuation and rules of origin to establish how these specific factors affect the importation business for small importers. On the other hand, other research studies can be done to focusing on how customs procedures affect export business for small exporters in Kenya. A study in this dimension will help customs to facilitate export business for small exporters hence earn the country foreign exchange and create jobs for the Kenyan population. A study on the effects of customs procedures on export business for small exporters should be therefore conducted in the future.

## REFERENCES

- Beverelli, C., Neumueller, S., & Teh, R. (2015). Export Diversification Effects of the WTO Trade Facilitation Agreement. *World Development*, 76, 293-310.
- Doing Business - Measuring Business Regulations - World Bank Group. (2018).
- Sakyi, D., Villaverde, J., Maza, A., & Bonuedi, I. (2017). The Effects of Trade and Trade Facilitation on Economic Growth in Africa. *African Development Review*, 29(2), 350-361.
- Cooper, D., & Schindler, P. (2014). Business research methods. New York, NY: McGraw-Hill Education.
- Arthur, J. (2012). *Research methods and methodologies in education*. London: Sage publications.
- Djankov. (2012). Trade facilitation Report.
- Goddard, W., & Melville, S. (2011). Research methodology. Kenwyn, South Africa: Juta & Co.
- Goddard, W., & Melville, S. (2011). Research methodology. Kenwyn, South Africa: Juta & Co.

- Kesino,. (2012). on the impact of the adoption of the electronic systems by customs.
- Mugenda, O., & Mugenda, A. (1999). *Research methods*. Nariobi, Kenya: African Centre for Technology Studies.
- Mwambingu. (2016). Cargo clearance time at the port.
- Preece. (2008). *economic competitiveness theory*.
- Sauka, A., & Chepureenko, A. *Entrepreneurship in transition economies*.
- Teklu. (2011). *the impact of border clearance procedures on the cost and ease of doing business in Ethiopia*.
- Trade-Mark East Africa. (2012). *the automation of customs systems in Kenya*.
- Wiersma, W., & Jurs, S. *Research methods in education*.
- Y. Oloo, H. Kimtai, G. Aduwi, I. Kiprop, and W. Ojwang,. (2010). *Time Release Study Report*.
- Winham, G. (2006). *An institutional theory of WTO decision-making*. Toronto [Ont.]: Munk Centre for International Studies, University of Toronto.
- Neary, J. (2006). *Measuring Competitiveness*. [Washington, D.C.]: International Monetary Fund, Research Dept.
- KRA Portal. (2018). Retrieved from <http://www.kra.go.ke/index.php/kra-portal>
- Alexander, G., & Sinnett, W. (2005). *Business performance management*. [Florham Park, N.J.]: Financial Executives Research Foundation.
- KRA Portal. (2018). Retrieved from <http://www.kra.go.ke/index.php/kra-portal>
- Arthur, J. (2012). *Research methods and methodologies in education*. London: Sage publications.
- Cooper, D., & Schindler, P. (2014). *Business research methods*. New York, NY: McGraw-Hill Education.
- East African Customs Management Act (2005).
- Elswick, S. *Data collection*.
- Kitenga, G. (2010). *Introduction to tax law*. Nairobi, Kenya: Law Africa Pub.
- Alexander, G., & Sinnett, W. (2005). *Business performance management*. [Florham Park, N.J.]: Financial Executives Research Foundation.
- Mezyenski, J. (2013). *Trade in the East African Community*. Hauppauge: Nova Science Publishers, Inc.

## **APPENDICES**

### **Appendix A: Introduction Letter**

Mpekethu Mutwiri Richard,

P.O. Box 518-60600,

Maua.

30<sup>th</sup> August 2018

Dear Respondent,

#### **RE: RESEARCH PROJECT**

I am a student at the Kenya School of Revenue Administration pursuing a Post Graduate Diploma in Customs administration. As part of the requirements of the course, I am required to conduct a

research project; I have since settled on the topic Effects of customs procedures on import Business Performance for SMEs in Kenya. To enable me successfully carry out the study, a questionnaire is provided to facilitate data collection which will be the major basis for the findings for this study.

It's from this that I kindly request you to respond to these questions as directed and as honestly as possible Your participation in this study will be highly appreciated.

Yours sincerely,

Mpekethu Mutwiri Richard.

## **Appendix 2: Questionnaire**

This Questionnaire is to collect data purely for academic purposes only. The study seeks to collected data on the effects of customs procedures on import business performance for SMEs in Kenya. All the information provided by the respondent will be treated with utter most confidentiality

Answer the questions that apply to you as indicated by either filling in the blank space or ticking the option that applies.

### **Section I: Demographic Information**

Gender

Male [ ]

Female [ ]

Indicate where you fall among these age brackets (years)

Below 25 [ ]

25 – 34 [ ]

35 - 44 [ ]

45 – 54 [ ]

Above 55 [ ]

Level of education

High school [ ]

Diploma [ ]

Degree [ ]

Masters [ ]

**Section II: Nature of Business**

1. Where your business is located \_\_\_\_\_

2. How long has your business been in existence \_\_\_\_\_

3. What do you trade in \_\_\_\_\_

4. Where do you obtain your stock from \_\_\_\_\_

**Section III: General**

1. Have you ever imported anything to stock up your business?

Yes [ ]

No [ ]

2. If yes, when did you last bring in a consignment?

2015 or before [ ]

2016 or after [ ]

**3. How easy is it to import stock?**

Very difficult [ ]

Slightly Difficult [ ]

Difficult [ ]

Easy [ ]

Very easy [ ]

**4. If importing stock is difficult, what makes it difficult among these factors in your view?**

Customs procedures [ ]

It's difficult to identify a supplier from outside [ ]

Products are expensive outside [ ]

Transport [ ]

**5. On average, how long does it take to receive shipping documents from the shipper?**

Less than 6 hours [ ]

24 hours [ ]

48 hours [ ]

Over 48 hours [ ]

**6. What is the free period granted for importers to clear consignments from the customs yard\_\_\_\_\_**

**7. How long does it take to lodge documents into the customs Simba system?**

0 – 15 minutes [ ]

15 – 30 minutes [ ]

30 - 45 minutes [ ]

Over 1 hour [ ]

Others specify [ ]

**8. On average how long does it take for importers to pay duty and other charges?**

0 – 15 minutes [ ]

15 – 30 minutes [ ]

30 - 45 minutes [ ]

Over 1 hour [ ]

Others specify [ ]

**9. On payment of taxes and other charges, how long does it take for the DPC pass to be processed?**

0 – 15 minutes [ ]

15 – 30 minutes [ ]

30 - 45 minutes [ ]

Over 1 hour [ ]

Others specify [ ]

**10. Have you ever incurred losses due damage of goods during inspection?**

Yes [ ]

No [ ]

**11. Have you ever incurred losses due to the dwell time of the consignment at the ICD?**

Yes [ ]

No [ ]

## SECTION IV: Declaration

12. Please rate the following statements in regards to customs declaration on a scale of 1-5 where;

- 5 – Strongly agree
- 4 – Agree
- 3 – Neutral
- 2 – Disagree
- 1 – Strongly disagree

	1	2	3	4	5
Lodgment of customs entries affects profitability of small import businesses in Kenya					
Document Processing during customs declaration affects the market competitiveness of small import businesses in Kenya.					
Document Processing During customs declaration procedures affect the cost of doing business for small import businesses in Kenya.					
Customs declaration procedures affect overall business performance foe small import businesses in Kenya					

## SECTION IV: Verification

	1	2	3	4	5
Handling of cargo during verification affects the profitability of small import businesses in Kenya					
Importers incur losses due to damage of goods during verification					
Scanning of Cargo during verification affects market competitiveness					



for small import businesses in Kenya					
Handling of cargo during verification affects the cost of doing business for small importers in Kenya					

**SECTION V: Release**

	1	2	3	4	5
Flow of information during customs release procedures affects the profitability small import businesses.					
Flow of information during customs release affects the market competitiveness of the small import business in Kenya.					
Flow of documentation for customs release procedures affects the cost of doing business for small importers.					

**SECTION VI: Business Performance**

	1	2	3	4	5
Customs procedures affect profitability of Import business for small importers in Kenya					
Customs procedures affect market competitiveness of Import businesses for Small importers in Kenya					
Customs Procedures affect the cost of doing business for small importers in Kenya					

### Appendix 3: Budget

<b>Particulars</b>	<b>Cost (Ksh)</b>
Printing and Photocopy	<b>5000</b>
Transport	<b>10000</b>
Internet Charges	<b>2000</b>
Binding	<b>1500</b>
Research assistant	<b>5000</b>
Data analysis	<b>5000</b>



