THE ROLE OF CUSTOMS IN FISH EXPORTATION IN KENYA

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POST GRADUATE DIPLOMA IN CUSTOMS ADMINISTRATION

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DECLARATION

This project is my original work and has not been presented for a post graduate diploma in any other academic or non-academic institution.

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CHERUIYOT ELIJAH MUTAI Date

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This project have been submitted for examination with my approval as the supervisor

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SIMON MUMU Date

ABSTRACT

Improved export performance is one of the vital components which drive nation's financial development. Meaning, exports can enhance a company's creation productivity to conquer higher exchange hindrances and address distinctive market tastes in competitive universal markets.

Kenya is one of the developing countries and there is need to increase exports in order to realize economic growth. It is essential to put more attention to other potential products which would bring many benefits to the nation when they access the international market and not only depend on a little processing of coffee and tea. Fish and fish products can hence be explored given the fact that the resource is readily available.

Descriptive research design was adopted and it targeted population which composed of Kenya Revenue Administration staff, Kenya Fisheries Service officers and fish exporting personnel. Questionnaires were administered and analyzed.

This study looked into role of customs in fish exportation as a factor that affect the fish exportation in Kenya in three perspectives; customs processes, Government assistance and operation strategies. These variables showed significant effect on fish export in Kenya as indicated by the strong coefficient of correlation and a p-value which is less than 0.05. The overall effect of the analyzed factors was very high as indicated by the coefficient of determination. The overall p-value of 0.00 which is less than 0.05 (5%) is an indication of relevance of the studied variables, significant at the calculated 95% level of significance.

On the recommendation, the government of Kenya needs to prioritize fish trade and invest on structures which enables its growth in order to boost Blue Economy since it has a potential.

Studies on factors outside the institutional model is also key in order to give full picture of what may influence fish exportation.

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ACRONYMS

DWFN	Distant Water Fishing Nations
EACCMA	East Africa Community Customs Management Act
EEZ	Economic Exclusive Zone
ELG	Export-Led Growth
EU	European Union
FAO	Food and Agricultural Organization
HACCP	Hazard Analysis Critical Control Point
IT	Information Technology
KeFS	Kenya Fisheries Service
KMFRI	Kenya Marine and Fisheries Research Institute
KRA	Kenya Revenue Administration
SMEs	Small and Medium sized Enterprises
USD	United States Dollar

CHAPTER ONE

INTRODUCTION

1.1 Background

Export is defined as to take or cause to be taken out of the Partner States (EACCMA, 2004). To realize economic growth and development in developing and less-developed countries, exports play an essential role. In addition to being one of the primary sources of foreign exchange currency in a country, it is likewise an extreme instrument to cover the Balance of Payment shortfall and using the development of residential capital, which is accordingly utilized as a part of the procedure of the export generation (Gul, Siddiqui, Malik & Razzaq, 2013). It has been eminently noted that economic development is as a result of the foreign exchange earned from exports (Albaum, Strandskov & Duerr, 2002).

Improved export performance is one of the vital components which drive nation's financial development, this implies that, exports can enhance a company's creation productivity to conquer higher exchange hindrances and address distinctive market tastes in competitive universal markets (Amornkitvikai, Harvie & Charoenrat, 2012). To create and grow trades is not a simple undertaking given that these days all nations are endeavoring to get more offer of worldwide markets and they have understood that advantages of securing a share for the country is not just financial picks up but also brings about material benefit (Albukhanfar and Vakilalroaia, 2013). Scholars have demonstrated that the essential worry for nations is to enhance sends out the execution or exports (Fiegenbaum, Hart & Schendel, 1996). One of the principle and fundamental variables deciding export performance is a methodology of export market advancement. Studies demonstrate that applying such procedure enhances sends out execution (Cass & Julian, 2003).

Denmark, in spite of being a small country where its domestic market is relatively limited, it is one of the world leading exporting nations. The Danish companies have been able to prosper and improve its resilience in the international market by increasing competitive strength making the companies more productive, specialization in products which Danish companies hold the advantage, and access to new knowledge and development (The Danish Government, 2014).

In Asia, Export-Led Growth (ELG) has been a significant feature used by several countries to realize their economic growth (Were, Ndung'u, Geda & Karingi, 2002). The four Asian tigers which are Hong Kong, South Korea, Singapore and Taiwan; and the lately industrialized countries such as Malaysia, Indonesia and Thailand have been able to realize rapid growth by opening trade through ELG mechanism (Giles and Williams, 2000).

Kenya is one of the developing countries and there is need to increase exports. It is essential to put more attention to other potential products which would bring many benefits to the nation when they access the international market and not only depend on a little processing of coffee and tea (Were et al., 2002). Fish and fish products can therefore be explored.

According to Abila 2003, almost half of the fish traded in international market originate from developing countries. These countries however, have inadequate resources to venture into improved standards as required by the market and even equipment to improve production.

FAO 2010, confirms that huge portion of the fish produced ends up passing through international marketing channels. It therefore brings about a convincing fact that countries who may want to improve their exports should consider fisheries. FAO world statistics showed that in 2008, exports in fish and fish products was valued at USD 102 billion which was an increase of 83% from the recorded figure in the year 2000. In 2014, the trade in fish and fish products was valued at USD 148.3 billion and was expected to increase to USD 150 billion marks in 2017 as per to FAO 2017 predictions.

Kenyan through Kenya Revenue Authority (KRA) which is a body mandated to facilitate trade should therefore put strategies in place to ensure that Kenya features in top nations trading in fish and fish products for a common good as Cusco (2013) said. Customs services should not in any way be seen to hinder or as a barrier to trade.

1.1.1 Fish exports in Kenya

In Kenya, fish exportation started in 1980s though the fishing itself has a longer history which dates back to more than 5 centuries. The total annual production of fish in Kenya according to Abila (2003) was approximately 180,000 metric tons where he has noted the declining trend over a period of time. Recent statistics according to Sanga (2018) shows a slight improvement of 13,000 metric tons to hit 193,000 metric tons. Fish trade has however recorded history of

setbacks, in 1997, fish from Kenya were banned from Spain and Italy markets due to safety concerns. As a result, Kenya's fish exports to EU dropped by 34% while foreign exchange earnings dropped by 13%. In 1998, Kenya suffered yet another loss when the chilled fish from Lake Victoria was banned from accessing the EU market again citing hygiene standards; this reflected a decline of 66% of fish exports to the Europe and on the other side, foreign exchange earnings was not left out since it experienced a drop of 32% as compared to preceding year (Abila, 2003).

For a third year in a row, ban on the Kenya's fish exports to EU was imposed in 1999. This was after suspected pesticides used to kill fish in Lake Victoria. This time, 68% of fish export was recorded as EU market accounted for 62% of all Kenyan fish exports. It was this time when Kenya gained access to Israel as the most prominent market and other markets such as Far East, North America, the Middle East, and other African countries (Abila, 2003).

The EU however remains the favorite market for Kenyan fish because of its proximity thus allows for higher profit margin even after the set quality conditions such as having exporting firms comply with the Hazard Analysis Critical Control Point (HACCP). This meant that personnel involved in fish production chain have to invest in equipment such quality fishing gears, cleaner boats, preservation facilities both during harvest and in transportation trucks. Other costs to be incurred are hygiene training expenses and lab test for fish (Abila, 2003). In that respect, governments must invest in laboratories to monitor fish quality and to inspect fish production systems.

Consequently, the cost of production and marketing increases which result to affects the competitiveness of the products internationally (Abila, 2003).

According to Manyala 2011, Kenya has a long coastline of 640km and extends up to 200nm offshore. This makes an area of 142,400 km^2. In addition, Kenya has been added another 150nm to make 350nm offshore. Exploitation of fish resource in the area has been challenging due to the fact that fishermen along the Kenyan coast use small crafts which thus makes it impossible to access deep waters. This leaves the huge chunk of the ocean to the vessels from Distant Water Fishing Nations (DWFN). These vessels were on the president's focus during Jamhuri Day celebration of 2017. President Uhuru Kenyatta hinted on the plans to promote marine fishing sector through Blue Economy initiative. He also directed that all the foreign fishing vessels to land their fish in Kenya and be processed before exportation (Sanga, 2018).

The current local fishing vessels are 5 according to Kenya Fisheries Service (KeFS) which is very low as compared to the vessels of up to 20 Kenyan flagged vessels in number which Fulanda, Kimani, Mugo, Kamau, Munga, Swaleh, Mkare, Anam, Mitto, Mutua & Musyoka (2013) reported to have been carrying out trawling activity in Kenya. According to KeFS, there are 50 fish exporting companies located at the coast. These establishments majorly produce frozen and chilled fish whose market destination is mainly Europe.

1.2 Statement of the problem

Every nation's goal is to grow economically. International trade is there to offer the solution and being able to expand exports is of utmost importance in that respect. Due to globalization of markets, countries are competing to have access. This means the lesser the cost of production the more competitive the country becomes (Decramer, Fuss & Konings, 2014).

Kenya is set to achieve its vision 2030 whose one of the pillars is economic growth in trade sector, manufacturing sector, agricultural sector and in Information Technology (IT) enabling services. One of the potential industries to help realize the vision is fisheries which cuts across trade sector and manufacturing sector. Kenya is yet to ensure fish processing is done before exportation. Currently simple processes such as freezing, chilling and packaging are done. The only industry in the recent past by the name 'Wanainchi Marine' which was dealing with Tuna and Tuna-like product processing is closed. This would have helped in balancing trade. Kenya has only experience a balance of trade surplus in 1964 and 1977. Mechanisms to increase exports should therefore be put in place. Fish is one of the resources which Kenya has but not fully exploited. As a matter of fact, Workman (2017) ranked the top ten exports from Kenya and fish was nowhere to be seen. On top of the list was coffee, tea and spices which made 26.1% of the total exports valued at USD1.4 billion, on the 2nd position was live trees, plants and cut flowers taking 13.1% valued at USD716.7 million while the minerals fuels worth USD426.2 million was ranked 3rd exports. Manyala (2011) stated that large portion of Kenyan's Economic Exclusive Zone (EEZ) has been left to Distant Water Fishing Nations (DWFN) which according to the head of State's speech on Jamhuri Day of 12th December 2017 do not land their fish in Kenya neither do their reports verified. As a result the Head of State directed the revocation of all licenses for foreign vessels fishing in Kenyan EEZ and that they have to land their fish in Kenya for processing before exportation (Sanga, 2018).

A challenge however to the local fishers is to exploit these resources, facilities used in all the production are unaffordable to many who would have wished to take part in the process. Poor facilitation thus limit the fishers to internal waters and dependent on the state of the sea. There is need to relook at the fisheries sector in order boost exports. Fulanda et al. 2013 reported that fishing vessels were up to 20 in number that is for trawling vessels only, but currently, KeFS has only licensed 5 local vessels.

This study looked into role of customs in fish exportation as a factor that affect the fish industry in Kenya in three perspectives; customs processes, Government assistance and customs operation strategies.

1.3 Objectives

General objectives

To assess the role of customs in fish exportation in Kenya

Specific Objectives;

i. To ascertain the effects of customs processes in fish exportation in Kenya.
ii. To assess effects of Government assistance in fish production and exportation in Kenya
iii. To ascertain effects of the customs operation strategies in fish exportation in Kenya

1.4 Research questions

i. How does the customs processes affect fish exportation in Kenya?
ii. How does the Government assistance affect fish exports?
iii. To what extend does the customs operation strategies in Kenya affect fish exports?

1.5 Justification

The study was aimed at assessing the role of customs in fish exportation in Kenya. The findings will guide policy makers in developing policies which will boost fisheries exports. Kenya Revenue Authority (KRA) will benefit a lot from the information provided by the study and has identified critical issues to deal with in order to improve service delivery and relatively improving fish exportation.

KeFS whose mandate is to manage fisheries resources is also a key institution to benefit from this study it gives more understanding on fish exportation and will be able to initiate legal structures in addressing some of the concerns raised by the fishing industry stakeholders.

The researchers and scholars who may want to carry out study on the same area or related topic will also find this study as of utmost help. Others to benefit from the study are fishers, fish dealers and general public who may have interest in the fisheries export.

1.6 Scope

The study was aimed at assessing role of customs in fish exportation in Kenya. However, data was sourced from fish exporting firms found in the coast region, fisheries officers at the KeFS regional office in Mombasa, and KRA officers in export section in Southern Region. Thus the conclusion may not be used to generalize for the whole country.

1.7 Limitation

The data collection was done using written questionnaires which was be administered to fish exporting personnel, KRA officers and KeFS officers. It was quite difficult to interrogate them due to their busy schedule. The respondents, especially fish exporting personnel, were spread along the coast thus it was quite costly to move around while collecting data. To overcome the challenges, the researcher made a formal request to top managements of the firms and also had a plan on how to cover as much respondents as possible on the same geographical area at a day. The researcher also used a drop-and-pick later approach for questionnaire in order to give time the respondents to go through the questions and answer them appropriately.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter entails review of a well-researched literature related to factors affecting exports. It involve the comprehensive check of the following topics; theoretical review, empirical review and conceptual framework. Finally, it gives a critique, summary and the research gaps thus making the structure of this chapter complete.

2.2 Theoretical Review

There are several theories explaining how exports have helped to the development of some of the mega economies. However, this study will review the following theories; Mercantilism theory, The Absolute Advantage theory and the Resource-Based theory.

2.2.1 Mercantilism theory

The basis of this theory was commercial revolution shifting from primitive economic system to capitalism, from a simple to large international trade. As quoted by Humphrey (n.d.) retrieved on 20th July 2018, it was the primary economic system of trade used from the 16th, 17th and 18thcenturies. Mercantilist theorists believed that world's wealth was finite and European nations took some steps through regulations to ensure they accumulate as much wealth as possible. This was through interventions to minimize imports through tariffs and maximize exports thus having a positive balance of trade. The exports were exchanged with precious metals. The monarch controlled everything. The products were regulated to ensure high quality while incurring low cost of production thus enabling the nations' high competitiveness in the foreign markets.

The theory was geared towards improving competitive power of a State, thus promoting exports. Kenya can therefore borrow ideas from this theory. To promote fish exports, Kenya should embark on relooking at the existing tariffs, ensuring its favorability towards fish exports, ensure proper regulation on quality while safeguarding low cost of production as advocated by the theory. Kenyan firms can be more competitive in international market if its production cost is lowered. The idea of ensuring availability of basic materials used in fishing among other factors in line to ensuring smooth running of this business is vital thus tariffs and regulations as proposed by Mercantilism should be enhanced.

This study assessed various variables under roles of customs which affects fish exports in three perspectives; customs procedures, government assistance and customs operation strategies which may assist in the realization of the Mercantilism theory.

2.2.2 The Absolute Advantage theory (Adam Smith model)

Teofilo (2005) quoted this theory was developed by Adam Smith where he was of the view that Mercantilist policies were becoming obstacles to economic growth and skewed towards favouring producers and disregard interest of the consumers.

Adam Smith contended that export is beneficial on the off chance that you can import merchandise that could fulfill better the necessities of customers as opposed to delivering them on the inward market. Given that every one of the economies have restricted assets, there are confines in the level of production. In a situation that a nation needs quite more of an item, at that point unquestionably, she needs to forgo different products. In conclusion, Smith insisted that it is just sensible that nations grasp specialization of items which they have total preferred standpoint over the other and trade of items will guarantee that the two nations advantage.

Fish in Kenya is readily an available resource. The exploitation of such resources should be optimized in order to gain absolute advantage of them. This will ensure that the country does not import what it has, instead import other items which may not readily available. There should be no need to import fish for consumption or to be used as bait as it is happening currently. Instead, Kenya should be exporting them. The country also should ensure that all fish being exported should be processed locally instead of simple processes like freezing and packaging which is happening currently. By so doing, Kenya will optimize its benefit and boost absolute advantage as suggested by this theory.

This study assessed role of customs in fish exportation in Kenya, thus making a nice basis on where to improve as customs to ensure ways proposed by the Absolute Advantage theory are realized. Thus, will help in bridging the gap between the imports and exports.

2.2.3 The Resource-Based Theory

This theory states that an organization with ‘strategic resources’ will have important comparative advantage over other organizations. These resources normally have four characteristics; valuable, rare, difficult to imitate and non-substitutable. If the resource has the four qualities, it will not

only have a comparative advantage but also a sustainable comparative advantage (Malhotra, 2007).

Assets that do not have each of the four characteristics can be exceptionally valuable, yet they are probably not going to give long term value. An asset that is profitable and uncommon however that can be imitated, for instance, may give an advantage for the time being, yet contenders can conquer such favorable position in the end.

Kenya is lucky to have a share of the Indian Ocean of EEZ approximated to be 142,400 km^2 plus recently added 150nm seaward (Manyala, 2011), and being a country located along the equator make it even unique. Kenya's ocean is rich in fish as one of contributing factors is the upwelling which brings up the nutrients which occurs in the northern part of the Kenyan waters. Kenya also has two major rivers, namely Tana River and River Sabaki which flow into the ocean supplying fresh water from upcountry this ensures presence of nutrient in the sea which are food for the fish and also promotes life cycle of highly valued marine creature such as prawns. Kenya should therefore improve in exploiting fish resource in the area.

This study was therefore necessary since it gives deeper analysis on roles of customs in fish exportation. A resource which Kenya enjoys not only comparative advantage but also sustainable comparative advantage.

2.3 Empirical Review

Exports assumes a critical part in nation's economy. Trading products and ventures are most imperative wellsprings of remote trade wage subsequently keeping worldwide economy live and dynamic (Albukhanfar and Vakilalroaia, 2013). Because of globalization, lessening in tariffs, free market policies and government help by means of export advancement programs have come about to increment in exports which as per Seringhaus and Rosson (1990) could reinforce domestic industrial sectors by giving economies of scale underway, particularly for firms with little residential markets.

Dehdashti in 2007 studied "Effective Factors on Small and Medium Exporting firms." The outcomes demonstrated that interior controllable elements incorporate export advertising key elements, administration state of mind and observations, interior irrepressible factors which

incorporates administration, competency and outside overwhelming factors which incorporates overseas market qualities, industry attributes and estimation standard are arranged in 3 criteria; money related, non-money and mixed. Dehdashti, 2007 also stated that various studies which have been done in different countries with an aim of identifying effective factors on exports performance in several industries found that variables from researcher's point of view affect export performance either directly or indirectly.

Bategeka, Munyoki & Ogut (2012) study on "Effects of exports marketing strategy in relation between firm's skill and export performance of small and medium exporters in Uganda" demonstrated that the export marketing strategy has an importantly affects connection between association's skills and export performance in spite of the prior studies.

Oyenini and Omotayo, (2009) studied "Effect of Marketing Strategies on Exports Performance" in 2009. The results showed that product acceptance and promotion and marketing position has impacts on exports performance of a firm.

Amornkitvikai et al 2012 studied "Factors affecting the export participation and performance of Thai manufacturing small and medium sized Enterprises (SMEs)." The study found out that the factor estimates of the government support variable after analysis showed a helpful results to the exports in a number of studies.

Wu and Cheng (1999) studied "The Determinants of Export Performance of China's Township-Village Enterprises" and found that fiscal support from the government was so helpful and resulted to improved competitiveness thus fortified exports. Government help was unequivocally found to have a huge and beneficial outcome on an association's export choice and its export performance in all models assessed by every single factual strategy for Thai manufacturing SMEs.

Deal, Menguch & Myers (2000) found the following factors affecting export performance; qualities of the firm which involves measure, saw entrance obstructions and foundation in business; competency of the firm that is trades test and market exploration, which centers around showcase against assortment and dynamic as opposed to being uninvolved.

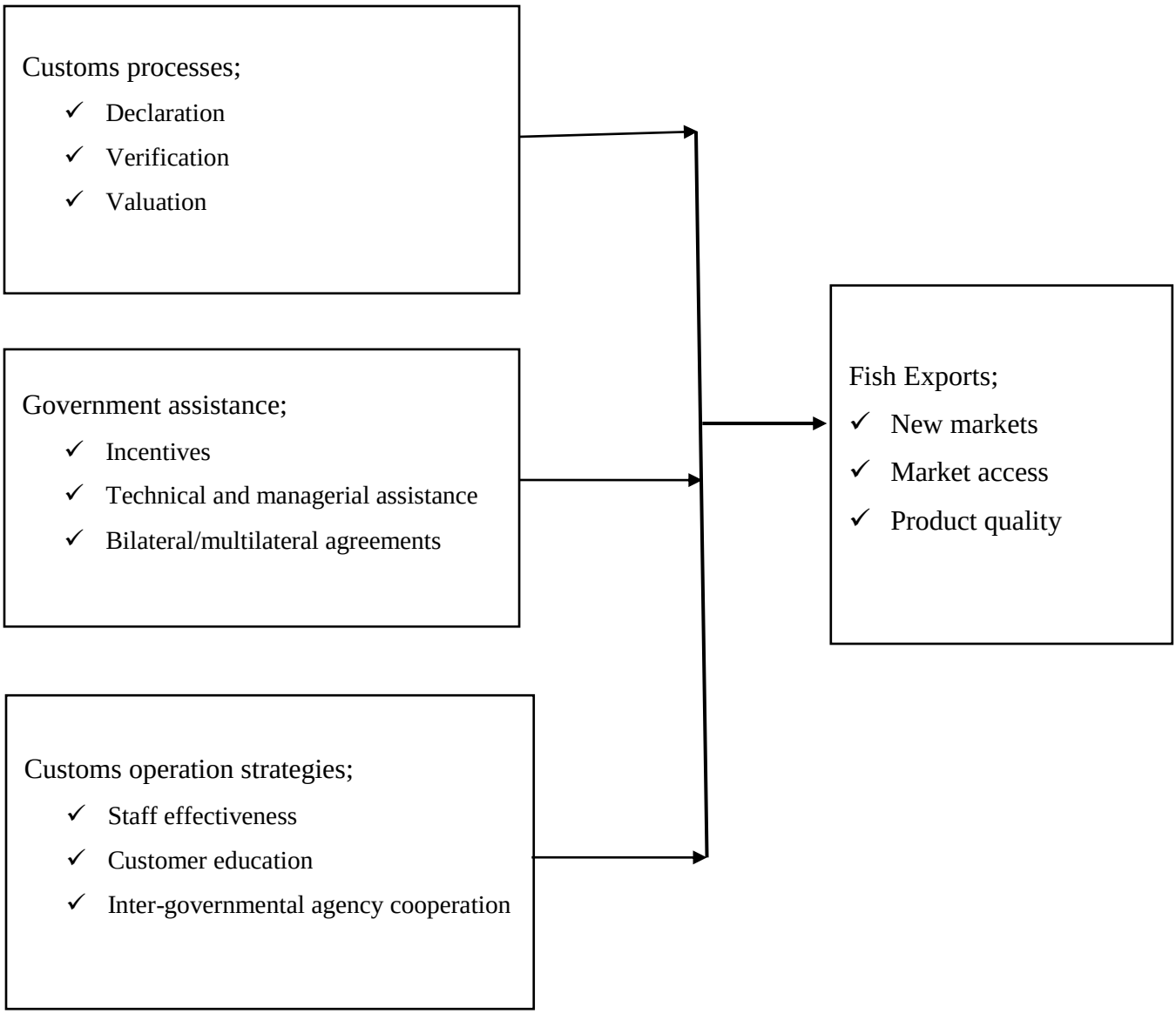
Nategh and Naikan 2009 studied "Sub-structuring of Exports Development with emphasis on Exports Limitations, Drivers and Performance." The findings showed that in the event that

exporter is looked with an issue and restrictions in beginning times of exportation, they may surrender and may never venture into export business. They proposed that focusing in solving such predicaments is of utmost importance. Nategh and Naikan further noted that after identification and giving solutions to such problems, the next thing to do is to identify and strengthen export performance variables.

Moenius, 2006 studied "The Good, the Bad and the Ambiguous: Standards and Trade in Agricultural Products." The study empirically evaluated the following claims: Country-particular horticultural norms consistently obstruct exchange, harmonization of criteria consistently advances exchange rural merchandise and inside trade-blocs, both harmonized criteria and nation particular models differently affect insiders than on outsiders. The results showed that the country particular norms actually hinders trade since they enforces costly testing or adaptation of the product. For harmonization of standards, they reduce variety of products thus lower trade. The outsiders of the trade blocks suffer the most through country specific standards but in the event that they orchestrate their benchmarks with the insiders, they will benefit by expanded exchange with the block.

2.4 Conceptual Framework

Independent variables Dependent variables



2.4.1 Customs processes

The main role of customs is trade facilitation which was defined by WTO 1998 as quoted in Grainger (2008) as the process of universalization and synchronization of trade processes. Grainger (2008) additionally broadened the meaning of trade facilitation to include development in transport framework, proper utilization of government resources on intended purpose, tariff reduction, use of non-tariff barriers, export marketing and export promotion (2008). The

fundamental target of trade facilitation is to enhance the general trade condition and lessen trade costs.

Customs being the vital body in ensuring improved trade, this study assessed the effects of customs processes in fish exportation in Kenya. The researcher assessed the effects of online declaration, effects of verification process on fish being exported, inspection of consignment, efficiency of service delivery and categorization of similar businesses.

2.4.2 Government Assistance

Amornkitvikai et al. 2012 said that government assistance comes in various structures; it can be money related help which involves credit help, income tax exclusion or lessening, and exception from import duty on basic crude materials or non-monetary help for example administrative and specialized assistance, and training support. Wu and Cheng (1999) study demonstrated that government assistance had a solid critical and beneficial outcome on an organization's export choice and its export performance.

This study assessed how the government assistance affects the fish exportation in Kenya. The following aspects were considered; government credits, tax exemption or reduction to materials used in production of fish, technical & managerial assistance, capacity building through trainings, response to emergency facilities both on land and at sea, quality control facilities availability and bilateral/multilateral agreements.

2.4.3 Customs operation strategies

Customs in countries all over the world aims at improved trade, however they are faced with challenges ranging from political, social and economic challenges. This has called for proper operation strategies as an option to ensure service is delivered effectively and shift from just tax collection from imports and exports has been witnessed over the years (The Development Compendium, 2009).

Operation strategies on goods and services employed by customs affects trade. This study therefore assed the effects of that customs role of operation in fish exportation in the following perspectives; staff effectiveness on commitment to their duties or to service delivery to clients, sensitization on requirements of market which are not limited to international required standards, trainings on present and new procedures, giving statistical market information and the way customs coordinates with other government agencies in facilitating fish trade.

2.4.4 Fish export

EACCMA (2004) defines export as to take or cause to be taken out of the Partner States. Exportation has been proven all nations in the world are desiring to increase exports so as to realize economic growth (Fiegenbaum et al., 1996). Cass and Julian (2003) demonstrated that export performance can be achieved depending on marketing strategies. Fish resource in Kenya is readily available and exporting them should be explored.

This study explored the factors that affect the fish exportation. This was achieved through the following aspects; whether there are new markets being found, whether exports volumes are increasing, ease of market access and product acceptance in international market.

2.5 Critique of the existing literature relevant to the study

Numerous studies have been done across the world as far as factors affecting export are concerned. The studies however looked at exports in broader perspective overlooking potential sectors such as fisheries which are readily available and can make options for developing countries. This therefore leave little information available in fish export while according to FAO 2010, a large portion of fish produced ends up in international market.

Some of the studies which have been done in Kenya as far as fish production and trade is concern have not check on the factors affecting the fish exportation. Abila 2003 did a study on fish export but his major concern was food safety and food security. The study stipulated the safety concerns but did not inform on the underlying factors that causes it. Manyala 2011 carried out a study on fish trade but was only concerned about the value chain analysis. The study gave the estimated production of fish but did not recognize the critical issues which determine or affect production. Fulanda et al., 2013 narrowed down its study to “Reconnaissance survey of the Malindi-Ungwana bay land-based artisanal shrimp fishery” where shrimp is just a portion of the fishery and again did not show the fish trade factors in totality.

2.6 Summary

This chapter began by giving three relevant theories to this subject then in-depth literature on the studies that have been carried out in the area. Conceptual framework was also drawn to represent

variables thereafter a critique of the literature and finally the research gaps as far as fish export in Kenya is concerned. It is clear that the existing studies have less to do with fish exportation. This study will be of significant important in understanding fish exports and may set a basis of interested scholars in studying along this line.

2.7 Research gaps

Kenya recently established a section under the Department of Fisheries called The Blue Economy (BE) which main focus is to optimize the benefits of the Kenya waters and being developing country, Kenya through customs should have strategies to promote fish exports and compete for the world finite market which according to FAO 2017 was expected to be valued at USD 150 billion by the end of 2017. For the success of the competitiveness over other countries, there should in depth understanding of factors affecting fish exports as far as customs role is concerned.

The existing research studies in Kenya and around the world have overlooked the fisheries sector over other production sectors thus limited information on the factors affecting it. The studies which exist in fish sector are mainly scientific studies carried out by Kenya Marine and Fisheries Research Institute (KMFRI) and other scholars. The information in the studies are mainly fish biology and their habitats thus not capturing export part. For example, Munga, Mwangi, Ong'anda, Ruwa, Manyala, Groeneveld, Kimani, Nanreusel (2013) studied species composition, distribution patterns and population structure of penaeid shrimps in Malindi-Ungwana Bay, based on experimental bottom trawl survey. Few studies which have information on the fish production and exports lack the aspects of factors affecting exportation itself, instead focusing on foods safety and food security like (Abila, 2003) where he showed the historical status of fish as far as healthy standards are concerned. Another study was for value chain analysis by Manyala (2011) where he was interested on the catch landed and did not look at export aspects. Fulanda et al., (2013) carried out a study that was land-based survey on artisanal shrimp fishery, also did not explore the exportation of aspects of fish.

On the role of customs, Githaiga (2013) carried out a study but he concentrated so much in intellectual property rights. This study therefore majored in fish exports and study factors

affecting its exportation in terms of customs processes, Government assistance and customs operation strategies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a strategic framework that serves a bridge between research question and implementation of the research (Durrhein, 1999). This chapter therefore provides the research methodology that the researcher used to collect data, the methods of analyzing the data and interpretation. This include the following; research design, target population, sampling frame, sample & sampling techniques, data collection instruments, data collection procedure, pilot testing and data analysis.

3.2 Research design

This study adopted descriptive cross-sectional design. This type of design is suitable for research that collects data on relevant variables at one point in time. It is commonly used in social science research in cases where researchers seek to explain the causes of a phenomenon by comparing the attributes of each variables within the phenomenon, as well as identifying and examining other characteristics that are systematically linked to the phenomenon (Neuman, 2003). A descriptive cross-sectional design collects data about individuals' states of mind, ideas, behavior or any assortment of training or social issues (Orodho & Njeru, 2003).

3.3 Population

Population refers to the total gathering of particular individual’s components applicable to the research study (Zikmund, 2003). The researcher was able to achieve its objectives by targeting key stakeholder in fisheries including; 520 personnel from fish exporting companies in the coast region, 42 personnel/staff from KeFS regional office in Mombasa and 48 KRA officers in export section at the Southern Region making a total population of 610.

3.4 Sampling frame

A sample is a subgroup of the population in being studied which consist of a section of members from given population (Sekaran, 2000). The researcher sampled from the 610 population during his study to ensure that all stakeholders were represented.

The population strata summary are as shown in the table below.

Table 3.3: Population strata

Respondent	Population
Fish exporting companies	520
Fisheries officers	42
KRA officers	48
Total	**610**

3.5 Sampling and sampling techniques

Sampling is the method toward choosing a few components from a population on behalf of the whole population under study (Cooper and Schindler, 2006). The researcher determined/assed the role of customs in fish export using questionnaires. The researcher administered questionnaires to representatives of fish exporting stake holder; fish exporters, KeFS staff and KRA staff.

The formula which was used was the one provided by Yamane (1967) which simplified how to determine sample size. In this study a 95% confidence level and P = 0.5 was assumed.

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size, N is the population size, and e is the level of precision.

Applying the formula, $n = \frac{N}{1+N(e)^2}$ = $n = \frac{610}{1+610(0.05)^2}$ = 242

Therefore; the sample strata summary was as shown in the table below

Table 3.4: **Sample strata summary**

Respondent	Sample size	Percentage
Fish exporting companies	206	85
Fisheries officers	17	7
KRA officers	19	8
Total	**242**	**100**

Stratified sampling technique was used since the subsamples vary thus there was a need to deal with each stratum independently. Mugenda & Mugenda (2008) defined stratification as the process of assembly individuals from the population into generally homogeneous subgroups before sampling. This usually helps in reducing sampling error.

3.6 Data collection instruments

The researcher used questionnaires while assessing role of customs in fish exportation. Beer 1988 defined questionnaire as a document containing an arrangement of inquiries which is sent to respondents with a perspective of acquiring their info and suppositions on the point of research study. The questions were in structured format to limit and keep the focus on the objectives thus the researcher will gain appropriate response (Mugenda and Mugenda, 1999).

3.7 Data collection procedure

Secondary data as well as primary data was used. The secondary data was sourced from written materials which includes internet, journals, past studies and relevant books.

The primary data was collected by the researcher through questionnaires. Questionnaires were administered using a drop and a pick-later method hence the respondents had time to read and answer questions. This method has been found to be very effective and improves response rate (Jackson-Smith, D., Flint, C. G., Donal, M., Trentelman, C. K., Holyoak, G., Thomas, B. and Ma, G., 2016).

3.8 Pilot testing

Collins & Hussey (2003) stated that a pilot test is of utmost importance as it helps to assess the validity of the instruments and reliability of the data to be collected. Validity refers to the exactness of information in representing the phenomenon under examination (Mugenda & Mugenda, 2008). Content validity is a non-statistical method used to validate the content employed in the questionnaire. With assistance of supervisor, the ambiguous, confusing and poorly prepared items in the questionnaire were checked. Then the target population were stratified into various strata.

Reliability is concerned with the degree at which the instrument is free from errors (Mugenda & Mugenda, 2008). The questions in the questionnaire were pretested through a pilot study. This was to seek to identify weak, ambiguous and inadequate questions for rectification. The researcher selected 6 respondents (2 from each stratum) for the purpose of this process and who were not considered in the main study.

3.9 Data analysis

Data analysis is the process of bringing order, structure and meaning to the mass of collected data (Marshall and Rossman, 1999). The data was analyzed using Statistical Package for Social Sciences (SPSS) Version 25. The data collected were entered into SPSS worksheet the process which Kothari (2004) describes as editing, coding, classification and tabulation of collected data for easy analysis. This ensured that the data was homogeneously keyed in, consistent, comprehensive and precise to enable coding and tabulation. Coding is a process of assigning information collected with numeric or symbols thus reducing large quantities of data.

The results were then be presented tables and figures.

A multiple regression analysis was applied to establish how independent variables influenced dependent variable using the formula below;

$$\mathbf{y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + E}$$

Where;

y	=	Fish exports
$\beta 0$	=	Regression intercept (value of **y** when the X_i are Zero)

β_{is} = Regression coefficients determining X_i on how they affect y

X_1 = Customs processes

X_2 = Government assistance

X_3 = Customs operation strategies

E = Error term (other factors outside the model which affect y)

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter presents the analysis of the data on the role of customs in fish exportation in Kenya. Discussions on variable analysis results are presented and the discussions on models established after analysis.

4.2 Response Rate

Response rate is the proportion of respondents who filled-up questionnaires and returned, it is expressed as a percentage of the number of people in the sample (Cooper & Schindler, 2013). A total of 242 questionnaires were administered to respondents and a total of 151 were filled and returned giving response rate of 62.4% which is within what Parker (2012) prescribed as a significant response rate for statistical analysis and established at a minimal value of 50%. According to Babbie (2013) return rates of 50% are acceptable and fit to analyze and publish, 60% is good and 70% is very good.

Table 4.1 Questionnaire Response Rate

	Frequency	**Percentage**
Respondent	151	62.4%
Non-respondent	91	37.6%
Total	**242**	**100%**

4.2.1 Reliability

The ability of an instrument to be consistent in producing same results when subjected to same measurement over and over is reliability. Bagozzi (2000) summarizes that reliability can be the extent of accuracy or inaccuracy. Reliability of the data collection instrument was determined using Cronbach's alpha from the SPSS version 25 and results were tabulated as shown in table 4.2 below.

Table 4.2 Reliability Results

Scale	Cronbach's Alpha	Comments
Customs Processes	0.775	Accepted
Government assistance	0.718	Accepted
Customs operation strategies	0.769	Accepted
Fish Export	0.754	Accepted

Reliability refers to instrument's ability to provide consistency results when measuring the same test consistently. To test and retest is mostly regarded as conservative estimate of the true reliability of the data collection instrument (Bellini and Rumrill, 2009), using the SPSS version 25, Cronbach's alpha was used to view the values on how the questions a related. According to Amin (2005) a Cronbach's alpha, an average index of 0.70 is considered adequate to consider the instrument reliable. The above table 4.2 shows the reliability results of the questionnaire. The findings indicated that customs processes had a Cronbach's alpha value of 0.775, government assistance a value of 0.718, customs operation strategies having Cronbach's alpha value of 0.769, while customs revenue collection had a value of 0.754. Therefore indicating that there was high reliability of the data collection instrument.

4.3 Demographic characteristics of the respondents

Demographic analysis of the respondents includes gender, age, occupation and experience affects export of fish from Kenya.

4.3.1 Gender

It was useful for the success of this study to investigate the relevance of gender towards fish export from Kenya. Results obtained were as shown below

Table 4.3 Gender

Gender	Percentage %
Male	56.3
Female	43.7

Results according to the illustration above, indicates that majority of the respondents were male with 56.3%, while female were, 43.7%. This implied that majority of the respondents were male.

4.3.2 Age

The researcher sought to find out age of employees' and how it affects export of fish from Kenya. The following results were recorded as shown in figure 2 below. Results revealed that majority of the respondents were between 31 and 45 years with 30.4%, followed by age between 18 and 30, representing 29.8%. The findings shows that majority of the respondents were middle age.

Table 4.4 Age

Age	Percentage %
18-30 years	29.8
31-45 years	30.4
46-60 years	25.2
Above 60 years	14.6

4.3.3 Occupation

The researcher sought to find out titles of respondents and the following results were recorded as shown in figure below.

Table 4.5 Occupation

Occupation	Percentage %
Fish exporter	47.7
Fisheries officer	31.8
Customs officer	20.5

4.3.4 Years of experience

On the years of experience, the results were as shown in the table below. The results showed that most of the fish industry players have been there for between 16 to 45 years.

Table 4.6 Years of experience

Year of experience	Percentage %
Less than 15 years	6.6
16-30 years	25.8
31-45 years	46.4
Above 45 years	21.5

4.4 Descriptive Analysis

In the study findings the researcher used a Likert rating scale of 5 to 1; where 5 were the highest and 1 the lowest. Opinions given by the respondents were rated as follows, 5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree. The analyses for mean, standard deviation were based on this rating scale.

4.4.1 Effect of Customs Processes on fish export

The first objective of the study was to ascertain the effects of customs procedures in fish exportation in Kenya. Respondents were requested to respond to set questions related to customs process. The statements on whether online services is efficient and improves fish trade. Respondents were in agreement with verification of consignment does not slow export process as indicated by a mean score of 3.82 and a standard deviation of 1.736. Respondents also affirmed that inspection of consignment by KRA and other government agencies is efficient as

demonstrated by mean of 3.97 and standard deviation of 1.681. On whether service delivery in KRA offices is effective, respondents responded in agreement as shown by a mean score of 4.05 and standard deviation of 1.610. Also agreed that categorizing traders into similar groups is essential is essential as demonstrated by a mean 4.27 and deviation of 1.183.

Table 4.7 Customs Processes

	N	Mean	Std. Deviation
Online services is efficient and improves fish trade	151	4.28	1.497
Verification of consignment does not slow export process	151	3.82	1.736
Inspection of consignment by KRA and other government agencies is efficient	151	3.97	1.681
The service delivery in KRA offices is effective	151	4.05	1.610
Categorizing traders into similar groups is essential	151	4.27	1.183
Valid N (listwise)	151		

4.4.2 Effects of Government assistance in exportation in Kenya

The second objective of the study was to assess effects of Government assistance in fish exportation in Kenya. Respondents were asked whether access to incentives will boost fish exportation. Majority respondent in agreement with a mean score of 3.85 and standard deviation of 1.762. On whether having tax exemption or reduction on specific fish handling equipment will ensure improvement in fish trade had a mean score of 3.60 and standard deviation of 1.852. Statement that having access to quality control facilities like laboratory assists in improving fish exports had a mean score of 3.81standard deviation of 1.718. On Technical and managerial assistance from the government is key in fisheries had mean of 3.99 and deviation of 1.679. Finally, respondents agreed that the country is engaging in bilateral/multilateral agreements will expand fish trade had a mean score of 4.27 and standard division 1.183.

Table 4.8 Government Assistance

	N	Mean	Std. Deviation
Access to incentives will boost fish exportation	151	3.85	1.762
Having tax exemption or reduction on specific fish			
Handling equipment will ensure improvement in fish trade	151	3.60	1.852
Technical and managerial assistance from the government is key in fisheries	151	3.99	1.679
Having access to quality control facilities like laboratory assists in improving fish exports	151	3.81	1.718
Country engaging in bilateral/multilateral agreements will1 expand fish trade	151	4.27	1.183
Valid N (listwise)	151		

4.4.3 Effect of Customs Operation strategies on fish exportation in Kenya

The third objective of the study was to ascertain effects of the customs operation strategies in fish exportation in Kenya. The statement that staff portrays value for money in their duties had a mean score 3.57 and standard deviation of 1.882. Depicting a neutral response from respondents. On whether sensitization on international requirement such as Std had a neutral response of a mean score of 3.38 and 1.907. Statement that periodic trainings on present and new procedures are important a mean score of 3.99 standards deviation of 1.677. Statement that statistical market information is important to fish trade had a neutral response with mean rate mean score of 3.46 and standard deviation of 1.843.

Finally, statement on whether intergovernmental collaboration is key to avoid delays in fish exportation had a mean score of 3.76 and standard deviation of 1.715.

Table 4.9 Customs Operation Strategies

	N	Mean	Std. Deviation
Staff portrays value for money in their duties	151	3.57	1.882
Sensitization on international requirement such as Std. are important	151	3.38	1.907
Periodic trainings on present and new procedures are important	151	3.99	1.677
Statistical market information is important to fish trade	151	3.46	1.843
Intergovernmental collaboration is key to avoid delays in fish exportation	151	3.76	1.715
Valid N (listwise)	151		

4.4.4 Fish Export

New fish markets are being found showed a mean score of 4.17 and standard deviation of 1.555. Respondents agreed with a mean score of 3.99 and standard deviation of 1.679 that fish export volumes are increasing. Statement on whether, there is easy access to the market, respondents responded in agreement as indicated by a mean score 3.80 and standard deviation of 1.770. On whether fish product are acceptable in international market is high had a mean score of 4.00 and standard deviation 1.633. Finally, majority agreed that as indicated by a mean score 4.27 and standard deviation of 1.183 that there is increased competitive advantage in fish exports.

Table 4.10 Fish Export

	N	Mean	Std. Deviation
New fish markets are being found	151	4.17	1.555
Fish export volumes are increasing	151	3.99	1.679
There is easy access to the market	151	3.80	1.770
The product (fish) acceptance in international market is high	151	4.00	1.633
There is increased competitive advantage in fish exports	151	4.27	1.183
Valid N (listwise)	151		

4.5 Correlations Analysis

In order to establish the relationship between the independent variables and the dependent variable, the researcher sought to conduct correlation analysis which involved coefficient of correlation and coefficient of determination.

4.5.1 Coefficient of Correlation

Coefficient of correlation is used to determine the relationship between the study variables and their findings. The study used the Karl Pearson's coefficient of correlation (r) and tabulated results as shown in Table 4.7 below. The study findings, revealed a clear positive correlation between the independent variables; customs processes, government assistance and customs operation strategies and dependent variables fish export. The analysis indicates the coefficient of correlation, 'r' equal to 0.689, 0.691, and 0.535 for customs processes, government assistance and customs operation strategies respectively. The analysis revealed a positive relationship between independent variables and dependent variable.

Table 4.11 Correlation

	Fish_Exports	Customs_Process	Government_assistance	Customs_Operation
Fish_Exports	1			
Sig. (2-tailed)				
Customs_Process	.689**	1		
Sig. (2-tailed)	.000			
Government_assist.	.691**	.616**	1	
Sig. (2-tailed)	.000	.000	.000	
Customs_Operation	.535**	.474**	.591**	1
Sig. (2-tailed)	.000	.000	.000	

** Correlation is significant at the 0.01 level (2-tailed).

4.5.2 Correlation of Determination

Table 4.12 Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.774a	.600	.591	2.304

a. Predictors: (Constant), Customs Operation Strategies, Customs Process, Government assistance

Table 4.12 above shows an overall p-value which less than 0.05 (5%). This indicates that overall regression model is significant at the calculated 95% level significance. It further implies that the studied independent variables namely customs processes, government assistance and customs operation strategies have significant effect on fish export. The regression model summary indicates the coefficient determination R square as 0.600. This implies that at 60% of the relationship is explained by three identified variables namely; customs processes, government assistance and customs operation strategies. The rest 40% is explained by other factors not studied in this research. However, this is still a good model as argued by Cooper and Schindler (2013) that as much as lower value R square between 0.10-0.20 is acceptable in social science research.

4.6 Regression analysis

4.6.1 Analysis of Variance (ANOVA)

The study used ANOVA to establish the significance of the regression model. The significance of a model is considered significant if its p-value is less or equal to 0.05. As indicated in Table 4.13 below, p-value of the regression model is 0.000 which is less than 0.05. This implies that the model is statistically significant in predicting the role customs in fish exportation in Kenya. Basing the confidence level at 95% the analysis indicates high reliability of the results obtained The overall ANOVA results indicates that the model was significant at F=73.351, p-value = 0.000, this shows that the overall model was significant and that customs processes, government assistance and customs operation strategies.

Table 4.13 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1168.383	3	389.461	73.351	.000b
	Residual	780.505	147	5.310		
	Total	1948.887	150			

a. Dependent Variable: Fish Exports

b. Predictors: (Constant), Customs Operation Strategies, Customs Process, Government assistance

4.6.2 Multiple Regression

The researcher conducted a multiple regression analysis as shown in Table 4.14 to determine the relationship between fish export and the three variables investigated in this study.

Table 4.14 Multiple Regression Analysis Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.526	1.240		2.036	.043
	Customs_Process	.442	.074	.401	5.961	.000
	Government_Assistance	.364	.072	.369	5.031	.000
	Customs_Operation	.088	.046	.127	1.930	.056

a Dependent Variable: Fish_Exports

In Table 4.10 above, the estimation of regression model equation established from the data is as follows;

$$\mathbf{Y= 2.526+0.442X_1 +0.364X_2 + 0.088X_3 + \varepsilon}$$

Y = the dependent variable (Fish Export)

X_1 = Customs Processes

X_2 = Government assistance

X_3 = Customs operation strategies

The regression equation above has established that taking all factors into account (Fish Export) as a result of X_1: customs processes, X_2: government assistance, X_3: and customs operation strategies at zero fish export will be 2.526. The findings presented also shows that taking all other independent variables at zero, a unit increase in customs processes will lead to a 0.442 increase in fish export; a unit increase in government assistance will lead to a 0.364 increase in fish export, and a unit increase in customs operation strategies will lead to 0.088 increase in fish export. This, therefore, implies that all the three variables have a positive relationship with X_1: Customs processes contributing most to the dependent variable followed closely by X_2: government assistance. From the above table, we can be seen that the predictor variables coefficients were statistically significant since all their p-values are less than the common alpha level of 0.05.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, conclusions and recommendations of the study as per the objectives of the study. The objectives of the study was to ascertain the effects of customs procedures in fish exportation in Kenya, to assess effects of Government assistance in fish exportation in Kenya and to ascertain effects of the customs operation strategies in fish exportation in Kenya

5.2 Summary of the Findings

The aim of this study was to assess the role of customs on fish exportation in Kenya.

To collect data, the researcher used a closed structured questionnaire that was personally administered to the respondents. The questionnaire comprised of 20 items. The collected data was analyzed using SPSS and results were presented in form of mean, standard deviations, correlation and regression analysis. Study findings revealed that majority of respondents had a working experience of between 31 and 46. The correlation between the independent variable and the dependent variable was positive.

5.2.1 Customs Processes

The study agreed on the fact that online services are efficient and improves fish trade services as it positively affects fish export in Kenya. The study found that respondents were in agreement with the question ‘verification of consignment does not slow export process’ and that inspection of consignment by KRA and other government agencies is efficient. However the two aspects were rated low as compared to other parameters measured. The positive correlation between customs processes and fish export shown by a correlation figure 0.689 and regression coefficient of 0.442 shows that customs processes greatly contributes significantly to fish export.

5.2.2 Government Assistance

In regards to Government assistance on fish export, the study found out that it also affects fish exports to large extent. The study agreed on the fact that access to incentives will boost fish exportation. The study also agreed with the highest ratings with 4.27 mean score and 1.183 standard deviation on the fact that the Government engagement in bilateral or multilateral agreements will expand fish trade. The positive correlation 0.691 and regression coefficient of

0.364, with p-value less than 0.005 shows that government assistance is statistically significant in affecting the fish export in Kenya.

5.2.3 Customs Operation Strategies

The study was in shows overall a neutral response on this but almost to agreement that periodic trainings on present and new procedures is of utmost importance and intergovernmental cooperation to reduce delays in fish exportation. The study was neutral on the staff portraying value for their money in their duties, provision of market information and lastly sensitization on international standards. A positive correlation of 0.535 and regression coefficient of 0.088, with its p-value less than 0.05, points to the fact that customs operation strategies significantly affects fish export in Kenya.

5.3 Conclusion

The study concluded that all the independent variables studied have significant effect on fish exportation in Kenya as indicated by the strong coefficient of correlation and a p-value which is less than 0.05. The overall effect of the analyzed factors was very high as indicated by the coefficient of determination. The overall p-value of 0.00 which is less than 0.05 (5%) is an indication of relevance of the studied variables, significant at the calculated 95% level of significance. This implies that the studied independent variables namely; customs processes, government assistance and customs operation strategies has significant effects on fish exportation in Kenya.

5.4 Recommendation

The study recommends that the verification and inspection of consignment scored low rating of 3.82 and 3.97 respectively among other processes assessed by this study under customs processes. The respondents seemed to suggest with standard deviation 1.736 and 1.681 that these two processes are the main causes of inconveniences in exportation processes. This therefore means that there is a need to fasten the said processes or prioritize fish during clearance. KRA should in that respect collaborate with other government agencies like Kenya Fisheries service (KeFS) to ensure efficiency and avoid unnecessary losses which might be as a result of delays.

Customs can also train specialized staff to deal with fish and fish products as another option this can encourage more investors who may want to venture in fish trade.

Government should also do more in engaging other States to have bi-lateral and multilateral agreements in fish trade or Blue Economy at large. As the study agrees with high rating of 4.27 and standard deviation of 1.183 that the said aspects are very important in improving fish exports. Also, to provide incentives such as tax exemption on profits or even provide low cost loans to fish exporting companies.

Lastly, this study recommends that periodic open trainings to educate on present and new customs procedures should be done to stakeholders or any other interested parties in fishing industry to boost their understanding on the requirements. This was supported respondents agreeing at a high rating of 3.99 mean and 1.677 standard deviation that it will have highest impact to fish exports as compared to other variable under customs operational strategies.

5.5 Research for further Study

This study focused on the role of customs in fish exportation in Kenya.

From analysis, it was revealed only 60% of results was explained by independent variables in this study. It is recommended that a further study be carried out on other factors outside the institutional model that might affect fish exportation. This can be level of exporters' and staff training on fish trade, trend of fish species demand in the market, quantities and quality available visa vise what market requires and competition element from other countries that might have effect on Kenya's fish exports.

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