

**FACTORS INFLUENCING SMUGGLING OF IMPORTED GOODS AT THE PORT OF
MOMBASA**

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DECLARATION

This research project is my original work and has not been presented for a Post Graduate Diploma in any other academic or non- academic institution

Signed.....

Date

ALEX NGUMI GAKONYO,
HDB335-C016-4130/2016

This research project has been submitted for examination with my approval as the Supervisor

Signed.....

Date

GRACE LEKASI.

DEDICATION

This research project is dedicated to my family, relatives and friends for all the support they gave me towards seeing that I have achieved the best in my education.

ACKNOWLEDGEMENT

First and foremost, I thank the Almighty God for the gift of life, tender care, love, protection and good health this far through the writing of my research project.

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LIST OF ACRONYMS

EAC	East Africa Community
GATT	General Agreement on Tariffs and Trade
KRA	Kenya Revenue Authority
S.P.S.S	Statistical Package for the Social Sciences
WCO	World Customs Organization
WTO	World Trade Organization

DEFINITION OF TERMS

- Smuggling -** The conveyance of things by stealth, particularly the clandestine movement of goods to evade customs duties or import or export restrictions Smuggling flourishes wherever there are high-revenue duties (Britannica, 2013)
- Customs Control -** Measures applied by Customs to ensure compliance with the duties and taxes imposed on imports and exports and the other laws that it is responsible for enforcing. (Kosovo, 2013)
- Rates -** Includes any cess, levy, imposition, tax, or surtax, imposed by any Act (EACCMA, 2004)
- Trade restrictions -** An artificial restriction on the trade of goods and/or services between two countries (Kosovo, 2013)
- Penalties -** A punishment, or the usual punishment, for doing something that is against a law (Britannica, 2013)

ABSTRACT

Smuggling is the secret movement of goods across national borders to avoid customs duties or import or export restrictions. It typically occurs when either the customs duties are high enough to allow a smuggler to make a large profit on the clandestine goods or when there is a strong demand for prohibited goods, such as narcotics or weapons. Most government and non-governmental agencies are continuously looking for ways in which they can bring down the rates of smuggling so that they may be able to concentrate more on their core work of protecting the society. The study was conducted at Kenya Revenue Authority at Mombasa. The researcher's objectives were to explore the influence of smuggling of imported goods at the port of Kilindini in the last 5 years, to examine the influence of trade restrictions on smuggling of imported goods at the port of Kilindini in the last 5 years, to establish the influence of Sanctions by customs commissioner on smuggling of imported goods at the port of Kilindini in the last 5 years and to determine the influence of customs controls on smuggling of imported goods at the port of Kilindini in the last 5 years. From analysis, the findings showed that all factors 'Rates of duties', 'Trade Restrictions', and 'Sanctions' could be used to reduce rates smuggling of imported goods at the port of Kilindini. The most significant one and influential as regards to factors influencing smuggling of goods at the port of Mombasa was Sanctions with a significant correlation of 0.829, followed by Import Duty with a correlation of 0.811 and finally Trade Restrictions with a correlation of 0.602. The same trend was depicted in regression analysis. Therefore, based on these findings, government or organizations that intend to reduce or completely put an end to smuggling of goods at the port of Mombasa can implement some or all of the recommendations in this study such as, The company should be able to put all containers through the scanners, government should try and reduce import duty rates slightly and the courts should try borrowing from other countries that have less smuggling cases do in terms of Sanctions. The study used a descriptive research design and stratified random sampling method which picked a sample of 69 respondents from a population of 230 staff from Kenya Revenue Authority of various departments who were provided with questionnaires. In collecting the data, open-ended and closed-ended questions were used. The quantitative data was generated and analyzed by use of tables, charts and percentages. A pilot study was also conducted to pre-test or try out research instruments whether it was used properly to obtain consistency in information collected. It was concluded that the rates of duties should be re looked since the ones present are enticing the smugglers too much so that they may circumvent paying the duty rates and by doing so the government will not benefit. Simplifying the import duty rate structure will help reduce opportunities for tax avoidance as well as monitoring costs per unit of revenue raised since high import duty rates provide financial incentives for smuggling to take place, government should negotiate on porous borders dispute through table talks with neighbor countries, there should be established international conventions and there smart technology should be deployed so as to monitor goods that have a restriction from entering back in the country once they are deemed for export and that the company should be able to put up systems that will ensure the lead time will be reduced such as the electronic data interchange that electronically monitors stock levels of customers and they will be able to replenish the stock before there are stock outs. Also a Just in Time system should be adopted since this will enable reduction of lead times by just delivering products when they are just about to end.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Smuggling flourishes wherever there are high-revenue duties for example on tea, spirits, and silks in 18th-century England, coffee in many European countries, and tobacco almost everywhere) or prohibitions on importation (narcotics) or on exportation (arms and currency). Smuggling is probably as old as the first tax or regulation on trade. In the 18th century, tea, tobacco, spices, silks, and spirits were smuggled into England in quantities exceeding those brought in legitimately (Britannica, 2013).

In France smuggling against the tobacco monopoly and the exorbitant tax on salt became widespread. Britain could not enforce its mercantilist policy of requiring its colonies to trade with the rest of the world only through the mother country, and by 1744 more than 40 vessels from the American colonies were trading directly with the Spanish empire (Britannica, 2013).

Attempts by the Chinese government to stop the smuggling of opium led to the opium war of the 1840s. British India in the 19th century suffered smuggling of salt between states with different tax rates, while smuggling of all kinds of dutiable goods occurred between Goa and India and between Gibraltar and Spain. In the latter half of the 19th century, smuggling developed in Africa, particularly of spirits from the Portuguese colonies into the Boer states and from French colonies into the Gold Coast and Nigeria (Britannica, 2013).

During the 13 years of the prohibition of the sale of liquor in the United States (1920–33), fleets of ships carried liquor from Europe and the West Indies to the Atlantic coast, while truckloads were run all along the Canadian frontier. In the second half of the 20th century, such drugs as heroin, cocaine, and cannabis were products for smuggling worldwide. Methods of smuggling change little; all are variants of two main techniques: the undetected running of cargoes across frontiers and the concealment of goods in unlikely places on ships or cars, in baggage or cargo, or on the person (Britannica, 2013).

Unscrupulous traders are using cargo containers loaded with cereals meant for the Kenyan market to conceal illegal ethanol imports and avoid paying taxes. Information obtained show that

the dealers, in cahoots with some border staff, take advantage of the porous borders to smuggle in cheap ethanol, thereby denying Kenya Revenue Authority (KRA) millions in unpaid taxes, the illicit ethanol has impacted negatively on the alcohol industry. (Menya, 2018)

“Ethanol being the main ingredient for producing potable spirits is finding its way into Kenya. The product is being smuggled into the country without paying the relevant taxes, mainly excise duty and VAT, which makes it cheaper than products purchased through legal channels. This gives the illegal manufacturers the right to sell their fake products at very low prices due to low cost of production,” Drums of ethanol are concealed by bags of cereals to escape being picked out by KRA customs staff. Reacting to the allegations of smuggling and printing of fake KRA stamps for spirits, KRA Commissioner for Domestic Taxes Department, said the number of local distillers of spirit was reduced from 177 companies to 26 due to engaging in illicit production. The authority has put in place measures to eliminate smuggling of goods through the borders by deploying a fully dedicated Border Control Unit. “The traditional areas of smuggling have been the Tanzanian border and the coast line. In the past, consignments smuggled through these points have been intercepted and cases are at various stages of prosecution. (Menya, 2018)

In what forms does smuggling occur?

Outright avoidance of official customs controls across the borders e.g. on Lake Victoria, overland on road, rail and often through the bush ways. This form of smuggling is generally associated with highly marketable goods, goods of high tax value, and prohibited or restricted goods. (URA, 2008)

Under declaration of goods: This is a circumstance where the importer declares less quantity on importation documents than the actual goods being imported. This form of smuggling occurs through customs controls – usually deliberately, on the side of the importer.

Undervaluation of goods: This is a situation whereby goods are given a lower value than they actually have. Undervaluation often happens out of ignorance, negligence or connivance at the customs control. It aids smuggling indirectly. (URA, 2008)

Misclassification of goods: This means that goods are declared under a different class of imports particularly to attract lower rates of tax with intent to reduce the tax liability. This again may happen out of ignorance, negligence or deliberately. This problem also aids smuggling.

Falsification of documents: Sometimes documents pertaining to certain goods are tampered with in their particulars with intent to benefit the taxpayer by a reduction in tax. (URA, 2008)

Misdeclaration of country of origin: This is a circumstance whereby a different country is declared as the source of goods instead of the correct country of origin. It is very common with COMESA and NON COMESA states because of the lower tariff rates for goods originating from COMESA member states. (URA, 2008)

Short landing transit and/or re-export goods: Transit goods are those goods which are destined to other countries through Uganda, e.g. from abroad through Uganda to Rwanda, DRC. Re-exports are goods which come into the country but are subsequently exited. In both these cases, Smuggling occurs when the goods finally end up on the Ugandan market, leading to total evasion of taxes and other controls. (URA, 2008)

Problems associated with smuggling

Loss of revenue: Smuggling is an act of tax evasion which deprives government of revenue for public expenditure.

Distortion of market prices: Goods which are smuggled into the country are often sold a lot cheaper than goods brought onto market through the right procedures. Smuggling therefore deprives traders of free competition. (URA, 2008)

Collapse of local industries: A country achieves better economic growth by developing its own industrial base. Smuggling under-cuts prices of the locally manufactured goods. This leads to collapse of local industries.

Unemployment: When there is unfair competition in the market, compounded by the collapsing of industries, the labour market (employment base) is eroded. Many professionals, skilled and unskilled personnel remain jobless. (URA, 2008)

For years, Mombasa has been known as “the city of merchants”. Dating back to the times of Vasco Da Gama when Mombasa old port was being used for trade between the East Coast of Africa and the Far East After the construction of the Kenya Uganda railways (1895-1902) a new port was born west of Mombasa Island. Subsequently the Port became an increasingly busy trading post for the region. Due to its strategic location, midway between South Africa and the Gulf of Aden the Port has experienced tremendous traffic through the years (KPA, 2016).

The Port of Mombasa is the gateway to East and Central Africa, and is one of the busiest Ports along the East African coastline. The Port provides direct connectivity to over 80 Ports worldwide and is linked to a vast hinterland comprising Uganda, Rwanda, Burundi, Eastern Democratic Republic of Congo, Northern Tanzania, Southern Sudan, Somalia and Ethiopia by road. A railway line also runs from the Port to Uganda and Tanzania (KPA, 2016).

The study used a descriptive research design and stratified random sampling method which picked a sample of **69** respondents from a population of 230 staff from Kenya Revenue Authority of various departments who were provided with questionnaires. In collecting the data, open-ended and closed-ended questions were used. The quantitative data was generated and analyzed by use of tables, charts and percentages.

1.2 Statement of the Problem

Smuggling is the conveyance of things by stealth, particularly the clandestine movement of goods to evade customs duties or import or export restrictions. Smuggling flourishes wherever there are high-revenue duties for example, on tea, spirits, and silks in 18th-century England, coffee in many European countries, and tobacco almost everywhere or prohibitions on importation (narcotics) or on exportation (arms and currency) (Britannica, 2013).

Smugglers were behind an influx of cigarettes from European markets, including Montenegro. Nairobi domestic excise duty collections recorded the worst performance in the first half of the

current financial year among all tax classes, declining by nine per cent. Remittances from the main excise sectors declined by 8.4 per cent, attributed largely to drop in volumes - 16 per cent for tobacco, 11.2 per cent for spirits, and 16.3 per cent for beer. (Guguyu, 2018)

Unscrupulous traders are using cargo containers loaded with cereals meant for the Kenyan market to conceal illegal ethanol imports and avoid paying taxes. Information obtained show that the dealers, in cahoots with some border staff, take advantage of the porous borders to smuggle in cheap ethanol, thereby denying Kenya Revenue Authority (KRA) millions in unpaid taxes, the illicit ethanol has impacted negatively on the alcohol industry. (Menya, 2018)

“Ethanol being the main ingredient for producing potable spirits is finding its way into Kenya. The product is being smuggled into the country without paying the relevant taxes, mainly excise duty and VAT, which makes it cheaper than products purchased through legal channels. This gives the illegal manufacturers the right to sell their fake products at very low prices due to low cost of production,” Drums of ethanol are concealed by bags of cereals to escape being picked out by KRA customs staff. Reacting to the allegations of smuggling and printing of fake KRA stamps for spirits, KRA Commissioner for Domestic Taxes Department, said the number of local distillers of spirit was reduced from 177 companies to 26 due to engaging in illicit production. The authority has put in place measures to eliminate smuggling of goods through the borders by deploying a fully dedicated Border Control Unit. “The traditional areas of smuggling have been the Tanzanian border and the coast line. In the past, consignments smuggled through these points have been intercepted and cases are at various stages of prosecution. (Menya, 2018)

Importers were also supposed to declare to the Customs Department arrival of the product seven days before the consignment docks at Kilindini, Mombasa, where all sea-based imports were to be cleared for the local market. Furthermore, transporters were required to use trucks fitted with electronic cargo tracking devices, as approved by the Customs Department, for easier monitoring and surveillance to avoid smuggling of the product or diversion to unlicensed dealers. (Menya, 2018)

The anti-graft agency office has welcomed Interpol to enable them to unmask instances of business extortion. The morals and hostile to debasement commission was examining graft cases at the port of Mombasa port. The cases were in connection to the puzzling vanishing of containers at the port. They are likewise investigating the smuggling of the top of the range vehicles from the European market. A few people associated with tax avoidance outrages have been charged up until now. There has been an effort to curtail smuggling of counter bands and drugs and also the diversion of transit cargo. The inspector general of police was to set up an autonomous unit to control tax evasions and smuggling (Calvin, Corruption and Democracy , 2017).

It is also the main exit point for ivory poached in East Africa and smuggled to Asia, and has become a key entry point of Afghan heroin bound for Europe via East Africa. Officials of the port and other government agencies there have faced frequent and widespread accusations of colluding with rogue importers and exporters, depriving Kenya of tax revenues (Akwiri, 2016). Various studies have been conducted by (Weru, 2016; Yurekli, 2007; Wanjiru, 2015) and they did not discuss about sanctions, trade restrictions and rates of duties and so this has opened up a research opportunity and therefore intended to bridge the gap by investigating the factors leading to smuggling of imported goods at the port of Kilindini, a case study of Kenya Revenue Authority. Smuggling fraud represents a significant proportion of world trade. These issues will be reviewed here as well as actions aimed at countering commercial fraud growth.

1.3 Objectives of the study

1.3.1 The general objective

The general objective of this study is to determine the factors influencing smuggling of imported goods at the port of Kilindini.

1.3.2 The specific objective of this study will be as follows;

- i. To explore the influence of rates of duties on smuggling of imported goods at the port of Kilindini.
- ii. To examine the influence of trade restrictions on smuggling of imported goods at the port of Kilindini.

- iii. To establish the influence of sanctions by Customs commissioner on smuggling of imported goods at the port of Kilindini.

1.4 Research questions

The study in question seeks information to address the following questions:-

- i. How do rates of duties impact on smuggling of imported goods at the port of Kilindini?
- ii. How do trade restrictions impact on smuggling of imported goods at the port of Kilindini?
- iii. To what extent do sanctions by customs commissioner impact on smuggling of imported goods at the port of Kilindini?

1.5 Justification

The researcher will be conducting this research so that he will be able to show numerous agencies how countering the efforts of smuggling through borders will help governments protect the society and also collect more revenue. This research will be able to benefit numerous people including but not limited to: organizations, government, other researchers, the researcher himself, customers, policy makers and to K.R.A.

The government will be able to carry out their core duties appropriately and they will be able protect the citizens from the harmful effects of commercial fraud and they will also get more revenue collected since the smuggled goods even the legal ones are not paid duty for.

The research will provide a basis for reference and stimulate the interest among researchers. It will also offer encouragement to them. Problems and solutions sited will provide the necessary knowledge concern distribution functions.

1.6 Scope

The study was conducted at Kenya Revenue Authority, which is located in Kilindini in Mombasa. It will target various managements. Staffs were given questionnaires at random, with respect to all departments at hand so as to achieve the desirable outcomes from the findings of the study. The study focused on 69 permanent employees in essence 20 top managers, 90 middle managers and 120 low managerial.

1.7 Limitations of the study

The challenges encountered during the study include inadequate finances, illiteracy especially from some respondents who could not understand few of the questions, some employees were on leave during the data collection period, some were too busy to fill the questionnaire while others misplaced the questionnaires given them and some kept on complaining that the questionnaire was too long hence they did not fill it fully as expected but majority of them filling them as expected. Despite all these, the study was very successful.

Limited financial sources also posed a problem in terms of going back and forth to administer and collect questionnaires from the chosen sample group but were able to get a generous sponsor who facilitated the logistical challenges.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter has four sections: Theoretical literature, empirical literature, conceptual framework and gaps of the study. Theoretical literature contains part of theory and written materials done by others while the empirical literatures are the facts and figures thereof. Conceptual framework on the other hand is the structure of the research idea and how it's put together. This will lead to appreciation and understanding of the research that will be done with regard to this subject.

2.2 Theoretical review

Theoretical review is formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical bounding assumptions. The theoretical framework is the structure that can hold or support a theory of a research study. The theoretical framework introduces and describes the theory that explains why the research problem under study exists. (Richard, 2013)

2.2.1 Statistical Detection theory

Recently, the theoretical analysis of illegal trade has received fresh impetus from the imaginative work of Mark Pitt (1981). The prior investigation (started by the Bhagwati and Hansen (1973) paper and stretched out in consequent commitments by Johnson (1974), Sheik (1974) and others) had expected that lawfully and unlawfully exchanged products, as long as they were homogeneous, would be cleared in the household showcase at indistinguishable costs, and that this indistinguishable cost would need to be equivalent to the levy comprehensive cost on lawful exchange since any local cost underneath that would make legal trade unprofitable. (Jagdish, 2009)

Watching that legitimate exchange Indonesia coincides with illicit exchange and that in spite of this the local cost is underneath the duty comprehensive value (so lawful exchange is apparently unbeneficial), Pitt develops a model that licenses such "value uniqueness" to exist in the model. Fundamentally, he contends that some legitimate exchange is required if the dealer is to deal with unlawful exchange without pointless danger of recognition; consequently the misfortune on

lawful exchange is to be viewed as a method for allowing the benefits on illicit exchange to be earned. (Jagdish, 2009)

There are two essential sorts of illicit exchange that should be recognized in the accompanying, all activated by either quantitative limitations, which might be set in unadulterated amount or (as is all the more as often as possible the case) in esteem terms, or by levies. (I) the illicit exchange may just comprise in bringing the products through lawful checkpoints yet bypassing the control of the traditions by basically fixing the traditions officer or by disguising the importation in some frame. (ii) On the other hand, the unlawful exchange might be led through illicit checkpoints, as in the prominent origination of dhows pulling in from Bahrain et al. onto deficient watched coastlines and offloading their illicit freights. (Jagdish, 2009)

The qualification between unlawful exchange through legitimate and illicit spots of section is of significance seeing that it has a hearing on the sorts of illicit exchange that can emerge in the two cases. Along these lines, if illicit exchange happens through unlawful section focuses, such exchange is without a doubt prone to be that related with "ships in the night" kind of task, which will thus suggest that distinct genuine expenses will be caused in attempted it On the other hand, the unlawful exchange that emerges in the state of faked invoicing, where exchange esteems are faked keeping in mind the end goal to decrease evaluated installments or to increment surveyed appropriations, obviously necessitates that such illicit exchange happen through legitimate checkpoints where traditions officers will stand up to the faked solicitations in deciding the assessment installments or sponsorship benefits on the claimed exchange. Such faked invoicing is probably not going to include the sorts of genuine costs that are related with carrying through unlawful section focuses and will in this manner have differential ramifications, in result. (Jagdish, 2009)

The Statistical Detection theory relates with this study which is factors influencing smuggling of imports since the theory talks about an assumption that legally and illegally traded goods, as long as they were homogeneous, would be cleared in the domestic market at identical prices, and that this identical price would have to be equal to the tariff inclusive price on legal trade since any domestic price below that would make legal trade unprofitable The theory also talks about how

carrying out legal business in such an area how it will be unprofitable since the smuggled goods will offer a lower market price than the legal goods hence pushing out the legit business people from carrying out trade.

2.2.2 Social conflict theories

Social conflict theories basically claim that crime takes place because the society is based on class conflict'. If it were only based on a classless society or on a society of planned and distributed uniform power, conflict would be erased and we would not experience crime. Accordingly, crimes are considered as "acts perceived by those in power as direct or indirect threats to their interests and that are defined as criminal through a political process." Nevertheless all such societies experienced a significant number of crimes. (Kadir, 2014)

Struggle speculations "see wrongdoing as a balanced decision for the persecuted" (Williams, 1997) yet they neglect to clarify why the higher strata of the general public, in spite of all the power they have, would carry out violations, for the most part salaried wrongdoings. For what reason would they encroach similar laws they made, or to place it at the end of the day, for what reason would they sanction the laws that route in any case, on the off chance that they would abuse them? At that point, the wrongdoing isn't just a level headed decision of the persecuted yet in addition a judicious decision of the oppressor'. In any case, struggle speculations don't give this adjusted ground of exchange, as they support one, the mistreated. Therefore, social clash hypotheses can be considered as wrong to legitimately clarify money related cubicle wrongdoing (FWCC) and wrongdoing when all is said in done so far as that is concerned; in light of the fact that professional wrongdoing (WCC) is without a doubt an essential piece of the general idea of wrongdoing', abandoning it unexplained is somewhat leaving the wrongdoing itself unexplained. (Kadir, 2014)

There is no uncertainty, be that as it may, that they have added to the criminology writing enormously in light of the fact that they gave a one of a kind point of view and, as it were, opened the entryways for the entire idea of cushy culpability and discharged a portion of the unjustifiable fault from the shoulders of the road hoodlums. It ought to be noticed that different particular thoughts have made many sub branches of contention hypothesis. Some of them are:

'Marxist criminology', 'peacemaking criminology', 'radical criminology', 'women's activist criminology', 'left-pragmatist criminology' (left optimism). (Kadir, 2014)

The theory of Social conflict relates with this study which is; factors influencing smuggling of imports since the theory talks about the reasons why some crimes such as smuggling take place. One reason according to this theory is about the class the society has divided into. These classes seem to be in conflict with each other and also among themselves and so it encourages people to go to great extents so as to outshine the other. This can explain also as to why smuggling takes place since unscrupulous business people want to have a higher advantage over others in the same class. (Kadir, 2014)

2.2.3 Psychological/psychiatric theories

The Discussion of the mental sources of wrongdoing can be followed back to the start of the eighteenth century (Oleson, 2007). There are various mental/mental speculations, for example, 'Displaying Theory', 'Measurable Psychiatry', 'Connection Theory', 'Conduct Theory', 'Disappointment animosity Theory', and 'Poise Theory' among others. Be that as it may, we should know that the greater part of the mental speculations connect wrongdoing with deliberations like psychological maladjustment, insight, or identity (Oleson, 2007)

We can classify mental hypotheses into two fundamental classifications: (I) psychological and (ii) conduct speculations. It ought to be noticed that both 'insight' and 'conduct' are ideas significant to money related violations, and their informative inclinations at the season of the criminal's basic leadership is irrefutable, on the grounds that budgetary wrongdoings are about degenerate 'conduct'. Like Pinel, Weiner (1992), Rush (1812) and Maudsley (1867), numerous theoreticians contend that culpability is 'connected to the types of craziness' or 'equal 'to it, and in reality a type of escape from being frantic (Oleson, 2007) Even this approach, wrongdoing is a protect from frenzy, considers wrongdoing to be a reasonable decision. Hence, it doesn't should be the primary hypothesis on the grounds that there is an independent judicious decision hypothesis in any case. (Kadir, 2014)

Prior to mental hypotheses, prevention was the principle contention of criminal equity approaches; however these strategies, in time, moved to the restoration of guilty parties. Anyway

recovery programs neglected to avoid or decrease future criminal exercises (Martinson, 1974). Murray and Cox (1979) additionally announced that recovery programs were sub-par compared to prevention based ones. This, for sure, is one reason why we won't incline toward mental speculations in discussing monetary wrongdoings. Since there are not very many hypotheses that legislatures consider building open arrangements upon and mental speculations were given this rare possibility. They filled in as government approaches particularly after the second 50% of the twentieth century however they fizzled. Numerous legislatures surrendered utilizing rehabilitative methods for discipline, detainment, and moved to more reformatory means in view of levelheaded decision. (Kadir, 2014)

Psychiatric theory relates with this study which is; factors influencing smuggling of imports in an indirect way because they research whether or not the offenders possess the requisite criminal intent while committing the crime. This is true relating to this study since smugglers usually use their intelligence to circumvent restrictions or officers on duty so that their commodities may find their way into the country undetected of their illegality.

2.2.4 The Justice theory

After the positivist and post positivist school periods, what tests, factors, estimations, research centers realized was new individual and social contrasts in view of, this time, mental and neural imperfections and social maladjustments alongside organic contrasts, and if individuals were distinctive regarding their capacities to adjust with lawfulness, they ought to be dealt with contrastingly and 'rebuffed' in an unexpected way, contemplated lab researchers, and legislative strategies changed to tail them (Kadir, 2014)

Approaches were currently supporting treatment rather than prevention and were optional in light of the fact that the equity framework was rebuffing two indicted people in an unexpected way, in spite of the way that they carried out a similar wrongdoing. This was done on logical grounds. Some eventual treated with wide incongruities in charging and condemning in light of their flawed qualities, social or mental prerequisites and so forth. "For instance, one adolescent guilty party may get sent to a confinement focus, another to probation and a third to training camp, just

for a similar offense, since some social specialist's report guaranteed that every individual wrongdoer had distinctive necessities (Kadir, 2014)

The distinctions in discipline achieved a point where judicious basic leadership was not by any means feasible for the eventual hoodlums on the grounds that culprits chose about their disciplines 'after' they perpetrate wrongdoing. In the wake of ending up more familiar with the people, specialists would choose about the 'seriousness' of their discipline so the discipline would be changed in accordance with the restoration needs of the people. Be that as it may, as Bottomley (1979) put it, rehabilitative equity "finished in the whole idea of the vague sentence going under assault for its helpful claims in a circumstance where hard proof of restorative viability lacking as well as where indeterminacy made unsuitable pressures" (Kadir, 2014)

Faultfinders of these imbalances under the watchful eye of the law upheld, created and advanced a 'fair' hypothesis: 'equity hypothesis' a few criminologists call it. Equity theoreticians considered 'discipline' to be "an alluring worth and objective in its own particular right" (Bottomley, 1979). Fogel (1998) declared his 'appropriate reward's idea in 1975, which was proposing an arrival to traditional thoughts like 'determinate sentences' with just a little variety to fit the conditions of wrongdoing. As per Lanier and Henry (1998), the equity model of Fogel contains four components: "(1) restricted circumspection at all procedural phases of the criminal equity framework; (2) more noteworthy transparency and responsibility; (3) discipline defended by the last wrongdoing or the arrangement of violations (neither prevention objectives nor wrongdoer attributes legitimize discipline); and (4) discipline similar with the reality of the wrongdoing, in light of genuine mischief done and the guilty party's culpability." (Kadir, 2014)

In aggregate, circularly, takeoff from the established contemplated a comparative situation to that in which the judicious decision hypothesis rose and developed for not unimportant ideological reasons. The 'restoration', as some calls it, of established school thoughts showed up on the grounds that, with couple of special cases, all recovery endeavors have fizzled. Rehabilitative projects couldn't bring down wrongdoing rates in light of the fact that, as Martinson (1974) put it, they "had no impact on recidivism". After the disappointment of the 'recovery' period, 'discouragement' returned. (Kadir, 2014)

Justice theory relates with this study which is; factors influencing smuggling of imports since the theory talks about how policies were favoring treatment instead of deterrence and were discretionary because the justice system was punishing two convicted individuals differently, despite the fact that they committed the same crime. This is true relating to this study since some of the smugglers caught could be charged differently.

2.2.5 Institutional Theory

Populace biology and asset reliance hypothesis propose manners by which associations can react particularly to natural prompts. Institutional scholars fight that an association's authenticity clarifies survival. "A school succeeds if everybody concurs it is a school; it comes up short if nobody trusts that it is a school paying little heed to its achievement in guideline or socialization" (Harris, 2017)

Institutional hypothesis helps our comprehension of the weights for establishments to end up more comparative, which diminishes institutional assorted variety. Associations endeavor to comply with effectively conspicuous and worthy measures inside the authoritative field, which helps cultivate the association's authenticity. Institutional hypothesis portrays how both consider and unintentional decisions lead establishments to reflect the standards, qualities, and philosophies of the authoritative field. Thus, associations that meet nature's normal attributes get authenticity and demonstrate deserving of assets by society and the more extensive condition. (Douglas, Dubrow, & Matthew, 2005)

Institutional scholars depict two sorts of associations: specialized and institutional. Specialized foundations take after all around characterized advancements, (for example, producing) with effortlessly identifiable and estimated yields. Specialized organizations make progress from effectively delivering astounding results. Interestingly, institutional associations utilize uncertain advancements, (for example, instructing or inquire about) to deliver yields (new information) where quality and productivity demonstrates hard to decide (Morphew and Huisman, 2002). For this situation, rather than effectiveness, the organization endeavors to create exercises and structures identifiable both inside and remotely as genuine. Schools and colleges work inside an authoritative field where an assortment of outside supporters propose how foundations ought to

work, characterizing them as institutional associations. For instance, government offices, accreditation bodies, and disciplinary affiliations all endeavor to deal with the exercises of schools and colleges (Harris, 2017)

Meyer and Rowan contend that regularly these "institutional fantasies" are only acknowledged ceremoniously all together for the association to pick up or keep up authenticity in the institutional condition. Associations receive the "vocabularies of structure" predominant in their condition, for example, particular occupation titles, techniques, and hierarchical parts. The appropriation and conspicuous show of these institutionally-adequate "trappings of authenticity" help protect an emanation of authoritative activity in view of "good confidence". Authenticity in the institutional condition guarantees hierarchical survival (Halsey, 2013)

Be that as it may, these formal structures of authenticity can decrease proficiency and thwart the association's focused position in their specialized condition. To diminish this negative impact, associations regularly will decouple their specialized center from these legitimizing structures. Associations will limit or ceremonialize assessment and disregard program execution to look after outer (and inner) trust in formal structures while decreasing their productivity affect. (Halsey, 2013)

Neo-institutional hypothesis looks at how establishments and their surroundings can have multidirectional impacts on each other. Not exclusively does the earth decide the standardizing desires for advanced education, as noted prior, however schools and colleges likewise help shape the recognitions and desires for nature. As in the previous illustration, Stanford's initiating new curricular or academic methodologies can change what the earth expects when educating in the field. (Harris, 2017)

State school pioneers may work with individuals from the lawmaking body to modify tenets and controls. College presidents, especially inside the general population segment, can fill in as pioneers forming society's perspectives on the part and reason for advanced education. Establishments get away from the "iron pen" confinements on their hierarchical conduct when

effectively adjusting or changing the ecological desires. The consequence of these exercises is that the earth holds a less deterministic part and hierarchical pioneers' decisions increment alternatives accessible to schools. (Harris, 2017)

Institutional theory relates with this study which is; factors influencing smuggling of imports since the theory talks about how policies are made at organizational, institutional or even the government level in our case in which the policies such as rates of duties maybe set high for the importers. This is true relating to this study since when the government sets high rates of duty, then in turn the importers may want to evade paying high rates and this encourages the participation of smuggling activities.

2.3 Conceptual frame work

Independent Variables

Dependent Variable

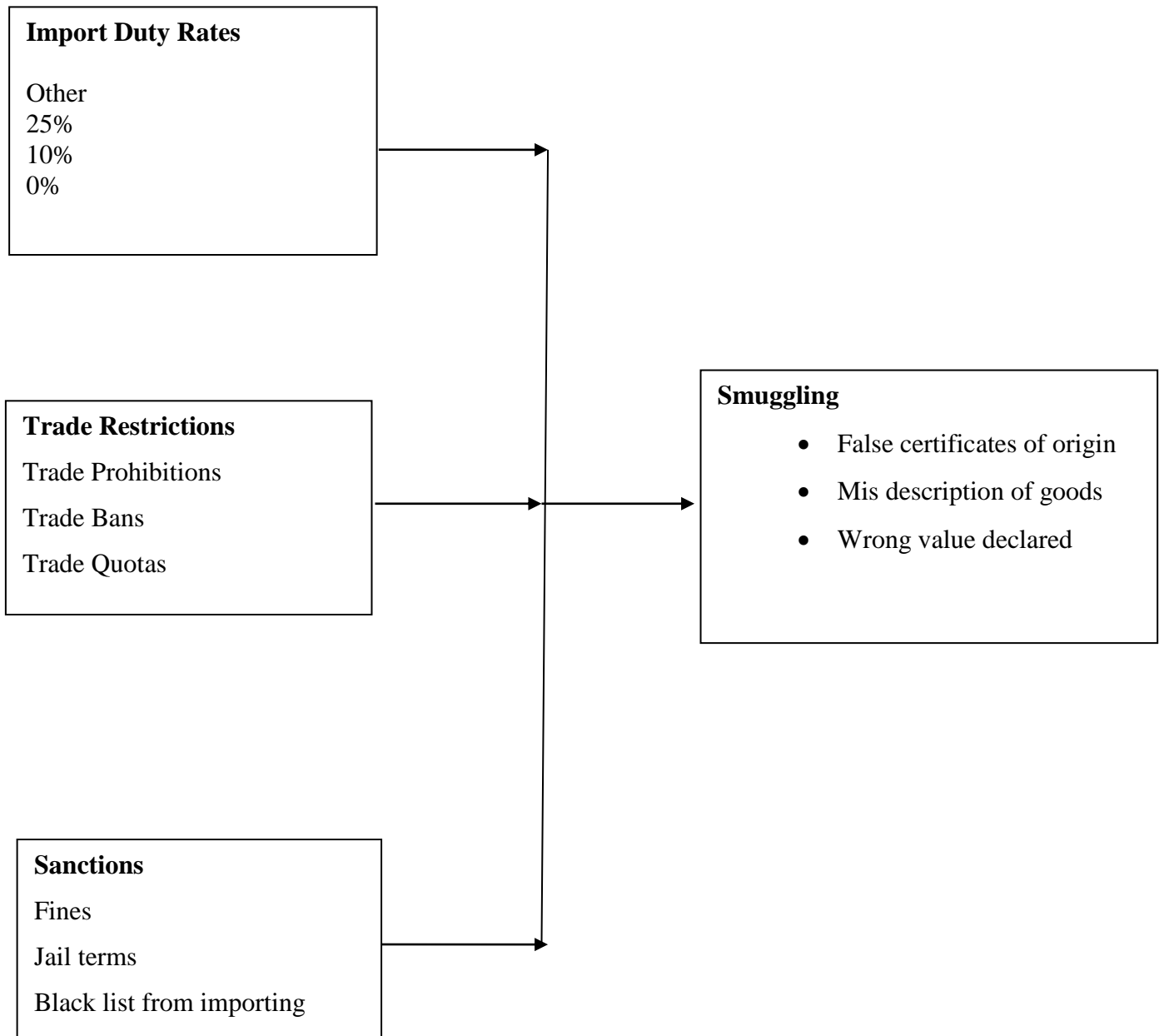


Figure 2.1 conceptual framework

(Source: Researcher, 2018)

2.4 Review of Variables

2.4.1 Import duty Rates

Customs duties are imposed by the Customs and Excise Act 91 of 1964. They are levied on imported goods with the aim of raising revenue and protecting the local market. This includes any cess, levy, imposition, tax, or surtax, imposed by any Act (EACCMA, 2004).

A few gatherings have communicated worry about the proposition of the Department of Finance to force higher extract charges on oil and gas items, saying this could put undue weight on customary Filipinos and more awful, support additionally pirating. Normal Filipinos are concerned that expanded charges could trigger higher transportation rates which thusly, would raise the costs of fundamental wares. A few administrators have likewise communicated second thoughts about the proposed tax hikes, cautioning poor Filipinos particularly the lowest pay permitted by law workers would be hit the hardest. Businessmen are likewise stressed the move could bring about more widespread sneaking of gas and oil items an issue the Bureau of Customs has been has been unable to curb in recent years (Romualdez, 2016).

Speaking to CNBC-TV18 Rajesh Khosla, Managing Director, and MMTC-PAMP had it on record that physical buying of gold is less this year. The gold available in the market is at a discount, which shows that smuggling is very much a reality. He attributes smuggling to duty imposition of 10 percent and 1 percent excise. He is not optimistic about pickup in gold demand in the forthcoming season. "There is still a 2 percent discount for gold in the local market. In this scenario, people aren't buying officially. "Since gold is imported into India, official imports can come in at the official price of gold, adding that jewelers won't buy official gold and sell it at a discount. "Jewelers can sell at a discount only if they buy smuggled gold (Calvin, EACC invited interpol to unmask corruption at Mombasa port, 2016).

One of the major aspects of international trading relations during the post-war period has been the development of regional trade grouping or blocks, primarily in the form of customs unions. Customs unions are by definition discriminatory. They mean a lowering of tariffs within the union and an establishing of a joint outer tariff wall. They combine free trade with protection. Regional trade grouping or economic integration can take several forms representing different

degrees of integration namely, free trade area, and customs union, and common market, economic union and complete economic integration (Valarie, 2013).

In tariff theory, there are two types of discrimination, namely, the commodity discrimination and the country discrimination. The commodity discrimination is one where different tariff rates are applied to different commodities and the country discrimination is one where different tariff rates are applied to the same commodity according to its country of origin. The customs union theory deals with problems raised by the latter type of discrimination (Valarie, 2013).

Tax avoidance activities, by both consumers and producers, constrain government's ability to raise revenue and control consumption through taxation. Simplifying the import duty rate structure will help reduce opportunities for tax avoidance as well as monitoring costs per unit of revenue raised. Tax evasion involves both illicit trade and illicit production; it may involve genuine products or counterfeit. High import duty rates may provide financial incentives for smuggling, when enforcement and tax laws are weak, penalties are small, and it takes a long time to prosecute smugglers. Up-to-date technologies and a coordinated action including international collaboration, strengthened administration and enforcement with swift penalties are required (Asaria, 2012).

Cigarette smuggling into Kenya is on the upsurge, exposing local manufacturers to unfair competition and denying the government a huge source of revenue. This year the Kenya Revenue Authority (KRA) has seized three consignments of cigarettes concealed in containers declared to be carrying other goods like cotton buds and electronic equipment, raising fears that similar cargo may have passed through the port of Mombasa undetected (Jared, 2010).

Two months ago, the taxman intercepted two 40-foot containers packed with cigarettes with a tax liability of more than Sh50 million. Cigarettes, like alcohol, are subject to high import and excise duty. This, according to Kenya International Freight and Warehousing Association (Kifwa) chairman Gerald Kagumo is persuasive enough to make unscrupulous importers risk bringing in the product concealed in other goods to avoid paying the levies. Cigarettes are

slapped with a 25 per cent import duty with the excise fee charged per 1,000 sticks, normally referred to as a mill (Jared, 2010).

2.4.2 Trade restrictions

Economists have had an enormous impact on trade restrictions, and they provide a strong rationale for free trade and for removal of trade restrictions. Although the objective of a trade agreement is to liberalize trade, the actual provisions are heavily shaped by domestic and international political realities. The world has changed enormously from the time when David Ricardo proposed the law of comparative advantage, and in recent decades economists have modified their theories to account for trade in factors of production, such as capital and labor, the growth of supply chains that today dominate much of world trade, and the success of neomercantilist countries in achieving rapid growth (Krist, 2014).

Almost all Western economists today believe in the desirability of free trade, and this is the philosophy advocated by international institutions such as the World Bank, the International Monetary Fund, and the World Trade Organization (WTO). And this was the view after World War II, when Western leaders launched the General Agreement on Tariffs and Trade (GATT) in 1947. However, economic theory has evolved substantially since the time of Adam Smith, and it has evolved rapidly since the GATT was founded. To understand U.S. trade agreements and how they should proceed in the future, it is important to review economic theory and see how it has evolved and where it is today (Krist, 2014).

In the seventeenth and eighteenth centuries, the predominant thinking was that a successful nation should export more than it imports and that the trade surplus should be used to expand the nation's treasure, primarily gold and silver. This would allow the country to have a bigger and more powerful army and navy and more colonies (Krist, 2014).

One of the better-known backers of this rationality, known as mercantilism, was Thomas Mun, a chief of the British East India Company. In a letter written in the 1630s to his child, it read: "The conventional means along these lines to build our riches and fortune is by Foreign Trade, wherein we should ever watch this administer; to pitch more to outsiders yearly than we expend

of theirs in esteem. By this order duly kept in our trading, that part of our stock which is not returned to us in wares must necessarily be brought home in treasure.” (Krist, 2014).

Mercantilists believed that governments should promote exports and that governments should control economic activity and place restrictions on imports if needed to ensure an export surplus. Obviously, not all nations could have an export surplus, but mercantilists believed this was the goal and that successful nations would gain at the expense of those less successful. Ideally, a nation would export finished goods and import raw materials, under mercantilist theory, thereby maximizing domestic employment (Krist, 2014).

Smuggling is made attractive by the fact that the cost of sugar production in Kenya is about \$600 (Sh51,000) per metric ton, which is way above the average production cost of \$400 (Sh34,000). Locally, milled sugar goes for up to Sh120 a kilogram whereas the smuggled sugar costs as low as Sh50 a kilogram in the towns of Wajir, Garissa and Mandera. It means smuggled and imported sugar is cheaper than locally-produced sugar (Jubat, 2013).

Dadaab is indeed more than just a refugee camp. Over the years, it has mutated into a major smuggling hub for sugar, rice, maize, pasta and electronic goods. Investigations by The Standard on Sunday reveal that illegal immigrants, some of whom have acquired Kenyan ID cards, smuggle more than 15,000 bags of sugar worth more than Sh72 million daily through the porous border with Somalia (Jubat, 2013).

More dangerously, the culprits sneak into the country illegal arms and ammunitions, posing a serious security threat. It is the latter threat that persuaded the Government, through Interior Cabinet Secretary Joseph ole Lenku, to order the refugee camps closed. Officials of the UNHCR have, however, vowed to defy the order maintaining that the refugees can only leave the country on assurance of their security and better life back (Jubat, 2013).

2.4.3 Sanctions

Despite the shortcomings of the monetary penalty as a form of punishment for corporate offenders, it is widely used in regulatory law and likely to continue to be a feature of regulatory design. But how should the quantum of regulatory Sanctions be determined? In order to answer

this question, this article critiques and contrasts two theories of punishment which have been expounded in relation to traditional crimes: deterrence theory (which that the purpose of punishment is to deter would-be offenders from committing crimes) and desert theory (which claims that the primary purpose of punishment is to communicate social blame or censure for the commission of crimes) (Yeung, 2013).

Although commercial regulation is primarily concerned to deter undesirable behavior, rather than to express moral condemnation of that behavior, it is nevertheless suggested that a fair and effective regulatory penalty regime should combine the essential features of both models. Sanctions should be set at a level which is sufficiently high to deter future contraventions of the law, provided that any given penalty award is not unfairly disproportionate to the seriousness of the offence (Yeung, 2013).

Persons involved in smuggling and other modus operandi of imports and exports, in violation of prohibitions/ restrictions in vogue or with intent to evade duties or fraudulently claim export incentives are liable to serious penal action under the Customs Act. The offending goods can be confiscated and heavy fines and penalties imposed. There are also provisions for arrests and prosecution to deter them from smuggling and commercial frauds-which seriously affect the economy and even society at large when it comes to sensitive goods like drugs, arms and ammunition. The following paragraph briefly indicates the provisions in law for seizure, confiscation of goods, and imposition of penalties by adjudication. Later paras indicate the arrests and prosecution provisions (Remya, 2015)

The person involved in omission or commission under the Customs Act, in relation to any goods which renders such goods liable to confiscation under section 111, or abets the same, or acquires possession of or is in any way concerned in carrying, removing, depositing, harboring, keeping, concealing, selling or purchasing, or in any other manner dealing with any goods which he knows or has reason to believe are liable to confiscation under section 111, shall be liable to penalties as follows:- (Remya, 2015).

In the case of goods in respect of which any prohibition is in force under the Customs Act or any other law for the time being in force, to a penalty not exceeding the value of the goods or five thousand rupees, whichever is the greater; (Remya, 2015).

In the case of dutiable goods, other than prohibited goods, the person shall be liable to a penalty not exceeding the duty sought to be evaded on such goods or five thousand rupees, whichever is the greater; (Remya, 2015).

In the case of goods or baggage in respect of which miss-declaration of value has been done, to a penalty not exceeding the difference between the declared value and the value thereof or five thousand rupees, whichever is the greater; (Remya, 2015).

In the case of goods falling both under clauses (I) and (iii), to a penalty not exceeding the value of the goods or the difference between the declared value and the value thereof or five thousand rupees, whichever is the highest; (Remya, 2015).

In the case of goods falling both under clauses (ii) and (iii), to a penalty not exceeding the duty sought to be evaded on such goods or the difference between the declared value and the value thereof or five thousand rupees, whichever is the highest. (Remya, 2015).

2.5 Empirical Review

A study by Yurekli (2007) on smuggling activities on states per capita cigarette consumption and revenues by using a static demand model. His analysis was based on data for 50 states and the District of Columbia (DC) of the United States over the period 1970–1995. The estimated price elasticity's of demand for cigarettes ranged from -0.48 to -0.62 , indicating that a 10% increase in price would reduce consumption per capita by 4.8% to 6.2%. Anti-smoking laws had a significant negative impact on per capita consumption. In 1995, consumption was reduced by 4.7 packs per capita among states with anti-smoking laws, or 1.1 billion fewer packs of cigarettes consumed. Both short-distance smuggling between neighboring states and long-distance smuggling from Kentucky, North Carolina and Virginia existed and were significant. Smuggling activities from military bases and Indian reservations, however, were not significant. On average, 6% of states' tax revenues were lost due to smuggling activities in 1995. Results also showed

that short-distance smuggling was less important than long-distance smuggling as a source of the revenue loss (Yurekli, 2007).

Another study by Salt (2016) dwelt on trafficking and smuggling in Europe. Salt contends that a business opportunity for sporadic carrying has developed, in which the instruments and types of association are still generally obscure. Sporadic runners utilizing these administrations are presented both to deceitful specialist co-ops and to the movement and policing experts, in this manner creating a reliance on shields gave by the trafficking systems. Along these lines an advantageous interaction has created amongst traffickers and trafficked. The gigantic intrigue and worry for trafficking and pirating in legislative, between administrative and non-legislative associations, in the media and prevalent assessment, is running in front of hypothetical understanding and truthful proof. This has suggestions for approach measures intended to battle trafficking and sneaking, which may not work and furthermore have unintended symptoms. The article starts with a dialog of the primary reasonable and definitional issues standing up to analysts and government officials. This is trailed by an appraisal of the primary hypothetical methodologies that have been produced and an assessment of current factual learning. Data on the authoritative structure of sneaking associations is then evaluated, trailed by a synopsis of the attributes of products included, in light of observational investigations that have been done. The article finishes up by demonstrating a portion of the principle inquire about needs (Salt, 2016).

A study by IDPC (2017) focused on drug trade. The drug trade is a prime driver of crime across the Caribbean. In the Netherlands Antilles, authorities estimate that 75 percent of crime is drug-related. Some 60 percent of all the cocaine seized in the Caribbean in 2004 was seized in the Netherlands Antilles, and cocaine seizures there increased dramatically between 2001 and 2004. Confronted with large numbers of people attempting to smuggle drugs by commercial flights, authorities implemented a “100% Control” policy of screening large numbers of passengers for drugs. Drugs were confiscated from the couriers, but in most cases the couriers themselves were not arrested. The program has been very successful in reducing cocaine smuggling via air courier, and could be tested in other contexts, including other Caribbean countries suffering from drug transshipment. The Antillean example also highlights the need for cooperation between

Caribbean transshipment countries and destination countries in maritime interdiction (IDPC, 2017)

2.6 Critique of the Existing Literature

A study by Janssen (2017) on Libya says that ‘Only God can stop the smugglers’ He continues to say Libya provides a complex but highly relevant case to explore smuggling networks’ political and socioeconomic functions. It is exemplary of the worrisome relationship between a fractured and in many areas absent state, empowered non-state armed factions and militias and a policy of criminalization, which has blurred the line between smuggling and trafficking. Libya is also an example of how the criminal economy specifically smuggling can be the glue connecting the interests of otherwise opposing actors. And lastly, the case of Libya illustrates that it is problematic to tie anti-smuggling policies to weak state institutions and a government that cannot deliver (Janssen, 2017). I find this being untrue because the state can apply some of my objectives as solutions to smuggling and this can greatly reduce and might even stop smugglers from their acts.

A study by Wanjiru (2015) on the illegal trade in wildlife resources and the implication for international security talks about a case of poaching of ivory in Kenya. The study established that illegal trade in ivory has necessitated and increased militarization of poaching and wildlife protection. Poverty; weak legislation penalizing illegal trade; corruption among law enforcement agencies; and thriving ivory consumer markets particularly in East Asia, were identified as the key drivers of this illicit trade making it “low-risk and high-profit”.

The study has recommended strengthening of national legislation; strengthening of capacities of regulatory institutions; increasing international cooperation and multiagency collaborations; and tackling demand through awareness campaigns on the role of illegal trade in wildlife, as responses towards reduction of illegal trade in wildlife species and products (Wanjiru, 2015). Wanjiru (2015) did not use factors like trade restrictions or high penalties to do her study to become more effective. There seems to be a gap in her study because if those are not addressed then the issue on ivory smuggling will continue to thrive.

A study by Weru (2016) on wildlife protection and trafficking assessment in Kenya focuses mainly on the drivers and trends of transnational wildlife crime in Kenya and its role as a transit point. The study goes on to say that The transit of these illegal goods is facilitated by Kenya's relatively well-developed transportation infrastructure. Kilindini Port in Mombasa and Jomo Kenyatta International Airport (JKIA) in Nairobi are the leading exit points for wildlife contraband leaving Kenya. Since 2009, more ivory has exited through Mombasa than any other trade route out of Africa, primarily destined for China and Hong Kong, with transit points in Malaysia, Viet Nam, Thailand and Singapore (Weru, 2016). The study by Weru (2016) emphasises that wildlife smuggling is the major loss to a country and majourly Kenya. His study is critiqued since the trade which usually causes Kenya a mojour loss is the trade in Sugar, Maize and Rice when they are smuggled in since they occur in numbers above metric tonnes.

2.7 Summary

This chapter has made attempts to find out the factors influencing smuggling of imported goods at the port of Kilindini. This has been made possible through the review of various past studies over the prevailing years putting focus on issues relating to rates of duties, trade restrictions, and penalties. Critical consideration needs to be focused on by the government hence innovative ways to curb the challenges that affect negatively and other measures that improve on the passive aspects that affect positively. Encouragement for creativity and consideration that will lead to the adoption of new ideas should be enhanced by the authorities. Other continuity and improvement driven aspects should be involved to enhance in decision making aspects.

2.8 Research Gaps

The researchers who have previously conducted research on factors influencing smuggling of goods, have not adequately looked into areas such as the impact of rates of duties, trade restrictions, and penalties extensively. It is prudent to note that the study has been conducted by various researchers such as; Heidari (2015), Wanjiru (2015) and Weru (2016) , however very few researchers have embarked to find out what makes it difficult to reduce the rates of smuggling cases. It therefore the intent of this study to try and find out the factors influencing smuggling of goods

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. This includes the research design, population, sampling frame, sample and sampling technique, instrument, data collection procedure, pilot study and data processing and analysis. This research methodology was aiming at enabling the researcher to obtain the data, process the data and interpret the results.

3.2 Research design

Research design provides the glue that holds the research project together. A design is used to structure the research, to show how all of the major parts of the research project the samples or groups, measures, treatments or programs, and methods of assignment work together to try to address the central research questions (Trochim, 2006).

The research design can also be said to be an overall strategy used by the researcher in collecting and analyzing data in order to test the hypothesis and answer the research questions. Therefore in this study the researcher will consider using a descriptive research design which includes fact finding of the objective matter at hand and give enquiries of different kinds. According to Mugenda & Mugenda, (2003) descriptive design is appropriate because it involves a means of collecting and analyzing data in order to answer research questions. (Mugenda & Mugenda, 2003)

3.3 Population

Mugenda and Mugenda (2003) say that population refers to the entire group of individuals, events or thing of interest that the researcher wishes to investigate (Mugenda & Mugenda, 2003). A population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated. (Akira & Simba, 2017).

The population of this study, therefore, was 230 staff working at KRA in Mombasa. The study focused more on the three levels of management that is top, middle and lower level management staff who were directly dealing with the day to day management of KRA. (Emmah, 2012) The stated population has already included police, members of the sugar board and agents appointed by KRA. The study will not include subordinate staffs and low cadre staffs since their numbers will be very high.

3.4 Sampling frame

The listing of the accessible population from which you'll draw your sample is called the sampling frame. If you were doing a phone survey and selecting names from the telephone book, the book would be your sampling frame (William, 2006). The sampling frame included the top management, middle management and the lower management of Kenya Revenue Authority.

3.5 Sample Size and Sampling technique

From the above population of Two hundred and thirty (230), a sample of 30% of the study population was selected. This generated a sample of **69** respondents which the study sought information from. Out of the 230 employees of Kenya Revenue Authority, the sample size was calculated using a proportion of 30% which is in tandem with Mugenda & Mugenda (2003) argument that a 30% sample size will be a good representation of the population.

$$S = 30\% \times N$$

S = required sample size

N = the population size

$$S = 30\% \times 230 = \mathbf{69}.$$

The study attempted to get views from a representative sample of **69** respondents from a population of 230 staff from Kenya Revenue Authority.

Stratum	Population	% Sample Size	Sample Size
Lower level	120	30	36.00
Middle level	90	30	27.00
Senior level	20	30	6.00
Total	230	30	69

Table 3.1 Sample size

Source: Emmah, (2012)

The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study (Creswell, 2009). A sample of responding staff was drawn from the 230 top, middle and lower level managers from the staff working at KPA offices in Mombasa. Creswell (2009) argues that if well chosen, samples of about 10% of a population can often give good reliability. Simple random sampling technique was used since population of interest was not homogeneous and could be subdivided into groups or strata to obtain a representative sample.

3.6 Data Collection Instruments

Questionnaire

Written questionnaires were administered to collect data on the actors of commercial fraud at the ports. The questionnaires had open ended and closed ended types of questions related to the various variables in the study. The questionnaires were given to different people from the different departments to answer. This method was free from bias and cost less than other types of primary sources of data collection. A questionnaire is ideal for this study because it is easy to administer and analyse.

3.7 Data Collection Procedure

The researcher had first to seek permission from the management through an official written consent letter. Thereafter data was collected using questionnaires, there was also pre-testing of the questionnaires whereby the employees who were not supposed to participate on the data collection were served with questionnaires and given a few days to fill them at their own time. Questionnaires were hand delivered and due to time constrains they were to be collected as agreed. Open ended and closed ended questions were used because the respondents were able to

give insight into their feelings, background, hidden motivation and it gave more information since they will be able to express themselves fully.

3.8 Pilot Test

Pilot studies are studies conducted in advance before the planned research. This research instruments were pilot tested with at least 6 volunteers from the K.R.A middle management, who were not be used in the final data collection, to refine the data gathering plans. Once the pilot testing procedures had been completed, the required changes in the instruments were being carried out. A pilot study was be conducted for 10% of the questionnaires to determine whether the potential respondents understand and can interpret it. This enabled the researcher know if there are things he should include or omit in his various instruments because they may either give more information or omit them if they will go against the companies policy of things such as confidentiality of sharing of information.

3.8.1 Reliability

In order to ascertain the reliability of the questionnaires, the researcher conducted a pilot study on the questionnaires by administering it to some KPA employees from whom data was not to be collected during the actual time of undertaking the research. Reliability is the degree to which to an examination measure gives a steady assessment of an idea. (Abbott & McKinney, 2013)

3.8.2 Validity

Validity is the degree to which a researcher measure actually captures the importance of the idea it is expected to quantify (Abbott & McKinney, 2013). Validity can be measured by the extent the data obtained accurately reflects the theoretical or conceptual concepts; that is if the measurements gotten are consistent with the expectations. The validity of this was determined by asking a series of questions. This investigation utilized both construct validity and content validity. For construct validity, the poll is separated into a few segments to guarantee that each area surveys data for a particular target, and furthermore guarantees that the same is firmly attached to the applied structure for the study.

3.9 Data Processing and Analysis

This is the process of gathering, modeling and transforming data with the goal of highlighting useful information, suggesting conclusions and supporting decision making hence preparing crude data into interpretable designs (Mugenda & Mugenda, 2003). All data obtained will be processed and analyzed using the SPSS software. The study used a descriptive statistics to describe the basic features of the data. With descriptive statistics, the researcher simply described what is or what the data showed. The study also used inferential statistics, because the researcher tried to reach conclusions that extend beyond the immediate data alone. The researcher also used a multiple regression analysis this is because the researcher wanted to predict the value of a variable based on the value of two or more other variables. The data was presented through editing and coding then later on put in a figure and tables.

Through the SPSS software, there was reliability, accuracy, time saving and cost saving. Thereafter, the data was classified, sorted and analyzed in percentages and then presented in tables.

3.9.1 Data Analysis

Regression analysis will also be used to determine the relationship between the independent and the dependent variables as well as determine the combined effect of all the independent variables on the dependent variable. The R^2 analysis will be used to measure the goodness of fit of the model being assessed. Multiple linear regression analysis will be also used.

The following multiple linear regression models were used to model the data: The first one is the reduced model while the second one is the full model:

Reduced model - (R_1^2)

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Full model - (R_2^2):

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y = Concealment

X_1 = Import Duty Rates

X_2 = Trade Restrictions

$X_3 = \text{Sanctions}$

Note that a significant change in R^2 will imply a significant moderating effect.

ε is the error component while β_0 is the y – intercept (constant) and $\beta_1, \beta_2, \dots, \beta_3$, are the model coefficients.

CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter comprised of data analysis, presentation and interpretation of findings that are in line with the identified objectives on Factors influencing smuggling of goods at the port of Mombasa.

4.2 Response Rate Analysis

Table 4.1 Response Rate

Category	Number of responses	Percentage of responded
Returned	66	95.65%
Not Returned	2	2.90%
Absent	1	1.45%
Total	69	100%

According to table 4.1 95.65% of the respondents returned the questionnaire, 2.90% of the respondents did not return the questionnaire while 1.45% were absent. This represented a response rate of 95.65%. Mugenda and Mugenda (2008) note a reaction rate of half or more is sufficient. This is additionally in accordance with Babbie (2004) discoveries that arrival rates of half are satisfactory to examine and publish, 60% is good, and 70% is great. From the table above it is clear that majority of the respondents returned their questionnaire.

4.2.1 Reliability and Validity

This is the ability of a research instrument to give a constant or consistent, and stable measurement. As stated by Tavakol (2011), this instrument is used to measure internal consistency of a scale usually expressed as numbers between 0 and 1. This instrument is mostly preferred where there are many response options. In this case response ranges from **1= strongly disagree** to **5= strongly agree**. SPSS was applied to establish the Cronbach's coefficient alpha (Tavakol, 2011)

(α), and the results were as shown in table 4.1 below.

Table 4:1 Reliability Result

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.800	.867	4

As indicated by Amin (2008), the instrument is viewed as solid if the normal record is 0.70 or above. From the Table 4.1 above, it demonstrates that every one of the recognized elements; Import Duty Rates, Trade restrictions, Sanctions and Smuggling were 0.800 well over the lower limit of acceptability of 0.70. This infers the questionnaire utilized as a part of the examination had acceptable level of dependability that each factor identifies with the distinguished factor and that the coefficient alpha estimation of the recognized factor will increase if any of the variables is overlooked.

4.3 Demographic analysis

Table 4.3 Education Level

Level of Education	Number of Respondents	Percentage of Respondents
University	42	64%
College	17	26 %
Secondary	7	10%
Total	66	100%

According to figure 4.1, 64% of the respondents were university graduates, 26% of the respondents were from college and 10% of the respondents were from high school. From the study it was therefore established that most of the respondents were literate and understood the subject matter.

4.3.1 Period of service

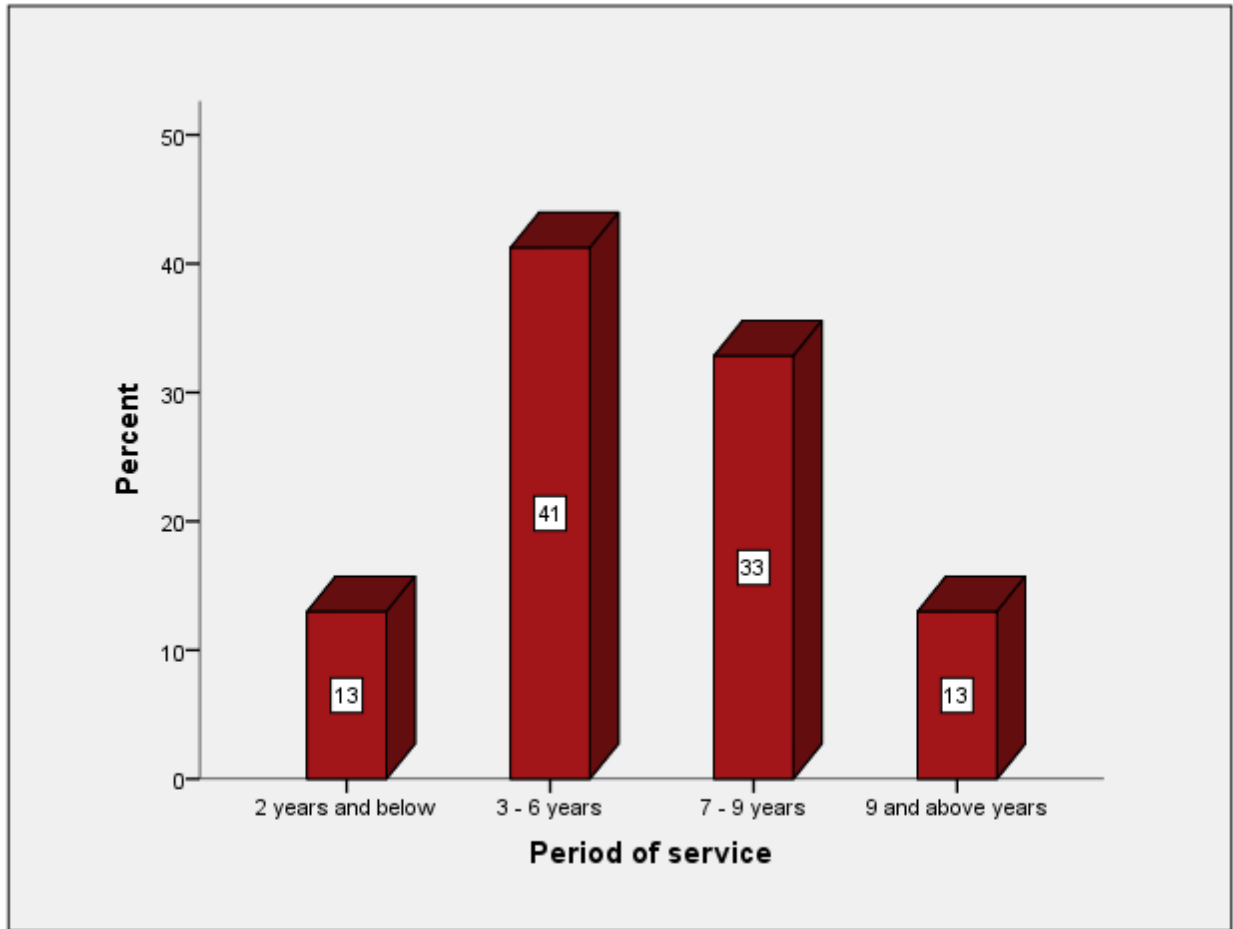


Figure 4.1 Period of service

According to figure 4.2 13% of the respondents have served in the organization for less than 2 years, 41% of the respondents have served in the organization for 3-6 years, 33% of the respondents have served in the organization for a period of 7-9 years and 13% of the respondents have served in the organization for a period of more than 9 years. From the study it was therefore established that most respondents had sufficient experience in terms of knowing fully how the organization operates and carries its activities.

4.4 Descriptive Analysis

The respondents were asked to rate the extent to which they agree with the statements based on the scale options of; 1 (strongly disagree) to 5 (strongly agree). The questions were randomly

arranged and were aimed at analyzing influence of; Import Duty Rates, Trade Restrictions, and Sanctions on smuggling of imports at the port of Kilindini. The results were summarized using mean scores, where the mean score represents the overall rating on the extent to which respondents agree with the statement.

4.4.1 Import Duty Rates

From analysis as tabulated in Table 4.3 below, results revealed that respondents agreed with mean score of 4.06 and standard deviation of .963 that the rates above 25% in turn make the smuggling rates to increase at the port of Mombasa. From the study most respondents agreed that the rates above 25% in turn make the smuggling rates to increase at the port of Mombasa probably due to importers wanting to achieve high returns from their imports, this further concurs with Romualdez, (2016) that higher excise taxes on oil and gas products, could put undue burden on ordinary importers and worse, encourage more smuggling. A report for The Brewers of Europe by Oxford Economics explains briefly the current structure of excise duties for fermented alcoholic beverages across Europe and highlights how differences in duty rates, combined with different rates of VAT, have led to substantial problems of cross-border shopping, smuggling and fraud. (Oxford Economics, 2009)

The study results revealed that respondents agreed with mean score of 3.83 and standard deviation of 1.080 that a 25% duty rate in turn make the smuggling rates to increase. From the study most respondents agreed that a 25% duty rate in turn make the smuggling rates to increase probably due to higher costs to be incurred by the importers hence cutting into their profits, this further concurs with Asaria, (2012) that simplifying the import duty rate structure will help reduce opportunities for tax avoidance as well as monitoring costs per unit of revenue raised since high import duty rates provide financial incentives for smuggling to take place. (Asaria, 2012)

The study results revealed that respondents strongly disagreed with mean score of 2.21 and standard deviation of 1.520 that a 10% duty rate in turn will make the smuggling rates to increase. From the study most respondents strongly disagreed that the a 10% duty rate in turn make the smuggling rates to increase probably due to the rate being somehow low so the importers will be willing to pay than smuggle in the same products, this further concurs with

Jared, (2010) that the government's think tank, has called for reducing import duty on gold to clamp down on smuggling and make the yellow metal available for small and medium firms. Reduction in customs duty will not only reduce incentives for illegal transactions (smuggling) but it will also help ensure availability of gold for small and medium firms, thereby increasing share of gold jewelers produced by the sector. The duty is now at 20%. "Imposition of the duty has created incentive for traders to smuggle gold. At the buyer level, it has created a monetary incentive to pay for gold in cash in exchange for a cheaper price," said the draft action agenda. There have been demands in the past to reduce the import duty on gold to 10% but the government has so far not moved on the issue.

The study results revealed that respondents disagreed with mean score of 1.88 and standard deviation of 1.040 that a 0% duty rate in turn make the smuggling rates to increase. From the study most respondents disagreed that a 0% duty rate in turn make the smuggling rates to increase probably due to no additional benefit will the importer incur after smuggling like raw materials, this further concurs with Bowers, (2011) that the only answer is to zero rate alcohol and tobacco for one year, which in turn will make smuggling reduce. The industry, dominated by Imperial Tobacco and Gallaher, claims the rate of smuggling and the volume of contraband sold on Britain's streets rockets when import duty goes up. The tax on a packet of 20 cigarettes rose 34p last year and the budget is scheduled to bring the increase for 2011 to 39p a pack. This compares with the previous nine years of inflation-only duty rises, adding between six and 12 pence a year to the cost of a pack. (Bowers, 2011)

Table 4.4: Import duty rates

Statements	N	Mean	Std. Deviation
Do rates above 25% duty rate in turn make the smuggling rates to increase?	66	4.06	.963
Does a 25% duty rate in turn make the smuggling rates to increase?	66	3.83	1.080
Does a 10% duty rate in turn make the smuggling rates to increase?	66	2.21	1.520
Does a 0% duty rate in turn make the smuggling rates to increase?	66	1.88	1.040
Valid N (list wise)	66		

4.4.2 Trade restrictions

From analysis as tabulated in Table 4.4 below, results revealed that respondents agreed with mean score of 3.70 and standard deviation of 1.244 that the set trade prohibitions contribute to smuggling cases at the port of Mombasa. From the study most respondents agreed that that the set trade prohibitions contribute to smuggling cases at the port of Mombasa probably due to the fact that certain items have prohibitions so as to protect the citizens but some unscrupulous business people still want to engage in the same business. There's a law which lists all the prohibited goods and are found in the **prohibited goods under the second & third schedule of the EAC customs management act, 2004**. Narcotic drugs being also a prohibited import has also seen it being smuggled in large quantities. This further concurs with Elkana, (2016) that a Sh360 million cocaine haul seized at the Mombasa port was meant to be delivered to a well known drug baron currently operating within Kenya and Tanzania, the Star has established. Sources who sought anonymity said that the drugs might have been loaded in Oman. A bill of lading obtained by The Star - printed on July 29, 2016 from the Mediterranean shipping company (MSC) - stated that the vessel carrying the drugs MSC Letizia V. SS621R had been loaded with 18 by 20 containers among others each containing 520 bags of brown sugar. (Elkana, 2016)

The study results revealed that respondents agreed with mean score of 4.10 and standard deviation of .524 that the set trade bans contribute to smuggling cases at the port of Mombasa. From the study most respondents agreed that the set trade bans contribute to smuggling cases at the port of Mombasa to increase probably due to such trade bans are failing in large part because they have run into the same basic problem as the war on drugs. Bans on trading wildlife products such as tusks and timber have ultimately made them more valuable, criminal organizations have moved in and taken over the market, imposing high costs through violence and corruption on weak societies. This further concurs with UN,(2018) that plastic bags are illegal in Kenya, and have largely disappeared from many parts of the country. But there is still a black market for them and, thanks to smugglers; they are easy to find, both in the marketplace and on the ground as trash. On 29 August 2017, Kenya implemented a total ban on single-use plastic bags, a move celebrated by environmentalists around the world and one that reflects a growing global trend to ban the disposable products. With the government threatening large fines and even prison sentences for violators, the effects were immediately noticeable and bag litter reduced substantially. However, while the ban has largely been considered a success, bags have not disappeared entirely. In certain regions, they are still being smuggled into the country. In East Africa, Rwanda is the only other country to have successfully implemented such a ban, meaning that there are plenty of places smugglers can get plastic bags and bring them across the Kenyan border to sell on the black market. Kenya is bordered by five countries, and the Ugandan border along Lake Victoria has emerged as a high-traffic area for illicit bags. Rwanda, which has banned plastic bags since 2008, is constantly battling the issue of smuggling. While plastic bag smuggling remains an issue in Kenya, local authorities have vowed to crack down on those who defy the law, and despite some issues many countries are now looking to the ban as a model example. (UN, 2018)

The study results revealed that respondents agreed with mean score of 3.11 and standard deviation of 1.398 that the set trade quotas contribute to smuggling cases at the port of Mombasa. From the study most respondents agreed that the set trade quotas contribute to smuggling cases at the port of Mombasa probably due to quotas often hurt domestic consumers and benefit domestic producers. Quotas may also provide incentives for administrative corruption and smuggling. As quotas raise the price of domestic goods, it becomes profitable to try and

circumvent the quota by bringing in goods illegally, or in excess of the quota. This further concurs with Candela, (2017) that Quotas may also foster negative economic activities. Import quotas may promote administrative corruption, especially in countries where import quotas are given to selected importers. There are incentives to give the quotas to importers who can provide the most favors or the largest bribes to officials. Quotas may also encourage smuggling. As quotas raise the price of domestic goods, it becomes profitable to try and circumvent the quota by bringing in goods illegally, or in excess of the quota. (Candela, 2017)

The study results revealed that respondents agreed with mean score of 3.07 and standard deviation of 1.219 that the set trade restrictions benefit the government. From the study most respondents agreed that the set trade restrictions benefit the government probably due to the harmful effects, some of the restricted products such as narcotics and imported sugar in which some of the products may cause harmful effects to the society or also cause unfair competition to local industries... This further concurs with Jubat, (2013) that more dangerously, the culprits sneak into the country illegal arms and ammunitions, posing a serious security threat. This is the reason the government has to impose trade restrictions in which they protect the society.

Table 4.5 Trade restrictions

Statements	N	Mean	Std. Deviation
Do the set trade prohibitions contribute to smuggling cases at the port of Mombasa?	66	3.70	1.244
Do the set trade bans contribute to smuggling cases at the port of Mombasa?	66	4.10	.524
Do the set trade quotas contribute to smuggling cases at the port of Mombasa?	66	3.11	1.398
Do the set trade restrictions benefit the government?	66	3.07	1.219
Valid N (list wise)	66		

4.4.3 Sanctions

From analysis as tabulated in Table 4.5 below, results revealed that respondents agreed with mean score of 3.48 and standard deviation of 1.006 that the set fines contribute to smuggling cases at the port of Mombasa. From the study most respondents agreed that the set fines contribute to smuggling cases at the port of Mombasa due to the fines being imposed being little hence the perpetrators of the act find it easy to smuggle and pay the fines and still make profits on their commodities . This further concurs with Martell, (2013) that a Chinese smuggler caught in Kenya with a haul of ivory was fined less than a dollar a piece. The smuggler, who was arrested carrying 439 pieces of worked ivory while in transit in Nairobi as he travelled from the Democratic Republic of Congo to Hong Kong, was fined US\$350 (\$337) and was then set free. Such fines pose little if any deterrence, with experts suggesting a kilogram of ivory has an estimated black market value of some \$2406. (Martell, 2013)

The study results revealed that respondents agreed with mean score of 3.69 and standard deviation of 1.227 that the set jail terms contribute to smuggling cases at the port of Mombasa. From the study most respondents agreed that the set jail terms contribute to smuggling cases at the port of Mombasa due to period one is being sentenced to jail being little due to lenient sentences for convicted poachers or smugglers. This further concurs with Peter, (2016) that Chen

Biemei, 30, was jailed for 31 months for trying to smuggle 6.9 kilogram's (15 pounds) of worked ivory she had disguised as 15 bags of macadamia nuts. Chen, who pleaded guilty, was nabbed on August 14 as she tried to fly to Hong Kong. Despite a surge of rhino and elephant killings across Kenya and elsewhere in Africa, previous cases have seen smugglers escape with minimal fines and then set free. Such fines pose little if any deterrence, as experts say a kilogram of ivory has a black market value of roughly \$2,500. (Peter, 2016)

The study results revealed that respondents disagreed with mean score of 2.69 and standard deviation of 1.804 that blacklisting from importing contributes to smuggling cases at the port of Mombasa. From the study most respondents disagreed that blacklisting from importing contribute to smuggling cases at the port of Mombasa probably due to that the move is part of a global crackdown on the smuggling of commodities in violation of UN sanctions resolutions, which were adopted (Haddow, 2018). This further concurs with Ahmadani, (2018) that Customs officials are all set to release the confiscated smuggled Q-Mobile phones worth billions of rupees at cheap rates and also provide an end to the cases against Digicom Trading Private Limited and its owners, it has been learnt. The company of Q-Mobile prior to this fraud has caused heavy losses to the national exchequer through bogus claims and earned worthy income through tax refunds. And, to save billion rupees worth tax it (Digicom) assumed the status of a manufacturer from an importer. However, the inspection team after conducting investigation had cancelled Q-Mobile Company's registration and recommended to blacklist the company and initiate of legal action against the company involved in fraud. The inspection team at FBR has recommended further revenue along with default surcharge and penalty to be recovered from Digicom and the company be blocked and blacklisted besides initiating legal actions. (Ahmadani, 2018)

The study results revealed that respondents disagreed with mean score of 2.48 and standard deviation of 1.652 that the set Sanctions benefit the government. From the study most respondents strongly disagreed that the set Sanctions benefit the government probably due to the importers will have devised ways to evade the Sanctions by ways such as bribing and one of the main reason for the government to impose restrictions is to protect the society at large, this in turn will not be achieved and hence the set Sanctions will not benefit the government. Very high taxes on liquor and cigarettes may just encourage smuggling and illicit trade. Taxes are simply

passed on by business to consumers who ultimately bear the brunt of it. Consumers, however, will always seek the option of buying cheaper goods, irrespective of source. That's where smuggling comes in, from which government derives no revenue. This further concurs with Heidari, (2015) that the bad aspects are which leads to double standard in treating the rich or poor offenders and finally sending the poor ones to the jails by doing this, the government will not benefit since the illegal activity will still thrive. (Heidari, 2015). Sometimes, more is less. When you become too greedy and impose very high rates, you actually collect less because the people rebel. Many rebellions in the past, in the Philippines and elsewhere, were triggered by onerous rates. (Cruz, 2018)

Table 4.6 Sanctions

Statements	N	Mean	Std. Deviation
Do the set fines contribute to smuggling cases at the port of Mombasa?	66	3.48	1.006
Do the set jail terms contribute to smuggling cases at the port of Mombasa?	66	3.69	1.227
Does blacklisting from importing contribute to smuggling cases at the port of Mombasa?	66	2.69	1.804
Do the set Sanctions benefit the government?	66	2.48	1.652
Valid N (listwise)	66		

4.4.4 Smuggling

From analysis as tabulated in Table 4.6 below, results revealed that respondents were in concurrence with a mean score of 4.03 and standard deviation of .713 that false certificate of origin contribute to smuggling cases at the Port of Mombasa. From the findings most respondents had agreed that false certificate of origin contribute to smuggling cases at the Port of Mombasa since when an importer for example is importing tires and he declares that they are from china, then that will raise an eyebrow and 100% verification may be done but when he declares they are from Germany then a partial verification may be done and that can lure the

importer from hiding second hand tires at the back. It is very common with COMESA and NON COMESA states because of the lower tariff rates for goods originating from COMESA member states. This concurs with Damianov, (2012) that a significant part of smuggling is linked to the origin of the goods and to taking advantage of certain preferences, related to this origin. Practice proved that cases in which false certificates of origin were submitted to and accepted by the customs are abundant. Despite the fact that in many of these cases it was possible to disclose the violation during the customs procedure, this did not take place. Often customs officials themselves instruct the violators which false documents should be presented and how they should be falsified. In such cases, the violator pays a bribe to the customs official for accepting the false document as genuine one. (Damianov, 2012)

The study results revealed that respondents were in concurrence with a mean score of 4.13 and standard deviation of .659 that missdescription of goods in place make the smuggling rates to increase. From the findings most respondents had strongly agreed that the missdescription of goods in place make the smuggling rates to increase since what is declared is wrong from the actual goods being imported and this can be an easier way to smuggle in if 100% verification is not done. This concurs with Otuki, (2016) that The Kenya Revenue Authority (KRA) impounded 16 containers loaded with contraband sugar valued at Sh28 million at the Kilindini Port Container Terminal. The taxman identified the importer as Ms. Flowlmer Distribution Company. The commissioner of customs and border control said that the cargo had been mis-declared in the vessel manifest submitted to KRA as “Dividing heads part of grinding machine” and “Truck Boring Mesh” packages rather than imported sugar, which is a restricted commodity. (Otuki, 2016)

Many of the respondents firmly concurred with a mean score of 4.22 and standard deviation of .645 that the wrong value declared increase smuggling cases. From the findings most respondents agreed that the wrong value declared increase smuggling cases since this is a situation whereby goods are given a lower value than they actually have. Undervaluation often happens out of ignorance, negligence or connivance at the customs control. It aids smuggling indirectly. Some importers declare a lower value for their shipments thus paying lower VAT and excise taxes. This is done through fake or tampered invoices. This further concurs with

Damianov, (2012) Violations, related to the value declared in Standard Administrative Document (SAD) and accompanying documents are based on the declaration of a lower value of goods in the documents. The customs officials are obliged to check the declared value and if there is any suspicion regarding its accuracy, they have to determine the true value according to modes and methods, envisaged in the customs legislation. In such cases of criminal cooperation between the violator and the customs official, the latter does not demand from the importer to present additional documents regarding the price of the goods, but accepts the apparently reduced fictive value. (Damianov, 2012)

Table 4.7 Smuggling

Statements	N	Mean	Std. Deviation
Does a false certificate of origin contribute to smuggling cases at the Port of Mombasa	66	4.03	.713
Does missdescription of goods in place make the smuggling rates to Increase	66	4.13	.659
Does the wrong value declared increase smuggling cases	66	4.22	.645
Valid N (list wise)	66		

4.5 Correlation Analysis

The researcher carried out correlation analysis, so as to set up the relationship between independent variables and dependent variables in the study.

4.5.1 Coefficient of Correlation

This helps to establish the connection between the independent variables and the dependent variable. The study conducted correlation analysis and as indicated in the Table below, import duty and smuggling had a positive correlation of value 0.811. Trade restriction was found to be positively correlated to smuggling with a correlation value of 0.602; Sanctions show a correlation figure of 0.829. This shows that there was a higher correlation in Sanctions and smuggling. No negative correlation was noted.

Table 4.8 Coefficient Determination

		Smuggling	Import_Duty_Rates	Trade_Restric	Penalties
Smuggling	P. Correlation	1			
	Sig. (2-tailed)				
	N	66			
Import Duty	P. Correlation	.811**	1		
	Sig. (2-tailed)	.000	.000		
	N	66	66		
Trade_Restric	P. Correlation	.602**	.604**	1	
	Sig. (2-tailed)	.000	.000	.000	
	N	66	66	66	
Sanctions	P. Correlation	.829**	.673**	.431**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	66	66	66	66

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

The research indicates that, all independent variables have a positive effect on smuggling. The correlation between Import Duty and smuggling was 0.811 at significant level of 0.00. The p-value obtained is 0.000, which is less than 0.05. This implies that at 95% confidence level, the positive relationship is statistically significant.

The correlation between trade restrictions and smuggling was 0.602 indicating a positive linear relationship with a p-value of 0.000 that is < 0.05. This implies that at 95% confidence level, the positive relationship is statistically significant

The correlation between Sanctions and smuggling indicated a coefficient correlation of 0.829 with a P-value of 0.000, which is less than 0.05 and giving a positive relationship between Sanctions and smuggling at the Port of Kilindini, Mombasa. This implies that at 95% confidence level, the positive relationship is statistically significant.

4.6 Regression Analysis

In trying to estimate and establish the relationship between the variable, the study used regression statistical process to relationship between independent variable and dependent variable.

4.6.1 Coefficient of Determination

In Table 4.8 below shows regression model calculated at 95% level of significance. Coefficient of determination explains the extent to which changes in the dependent variable (smuggling) can be explained by the change in the independent variables. From the findings, 79.1% of variance is attributed to combination of the three independent factors investigated in this study that is, duty rates, trade restrictions and Sanctions, while the 20.9% is explained by other factors on smuggling not studied in this research.

Table 4.9 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Change	df1	df2	Sig.
1	.869 ^a	.791	.742	1.623	115.361	3	29	.000

a Predictors: (Constant), Sanctions, Trade_Restrictions, Import_Duty_Rate

4.6.2. Analysis of Variance (ANOVA)

It is a statistical method used to establish the significance of the regression model and to test differences between two or more means. The model is considered significant if its p-value is less or equal to 0.05. In the study, the significance of the regression model has a p-value of 0.00, as indicated in Table 4.9 below, which is less than 0.05. This indicates that the regression model was statistically significant in predicting the factors influencing smuggling of imports at the port of Kilindini. As indicated in the table below, ANOVA results showed that the model was significant at $F = 5.572$, with $p < .05$. At 95%, confidence level the analysis indicates high reliability of the results obtained thus indicating that the study was statistically determined.

Table 4.10 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	83.742	3	29.884	5.572	.000b
	Residual	289.765	54	4.226		
	Total	373.507	62			

a Dependent Variable: Smuggling

b Predictors: (Constant), Sanctions, Trade_Restrictions, Import_Duty_Rates

4.6.3. Multiple Regression Analysis

The researcher also engaged the use of multiple regression analysis as shown in Table 4.10 below to check the main determinants that influences smuggling of imports at the port of Kilindini. This section presents a summary of regression analysis between the independent variables including; duty rates, trade restrictions and Sanctions.

Table 4.11 Regression coefficient

Model	Unstandardized Coefficients			Standardized Coefficients	
	B	Std. Error	Beta	t	Sig.
1(Constant)	4.142	1.010		4.173	.000
Import_Duty_Rates	.539	.078	.568	6.795	.002
Trade_Restrictions	.407	.121	.531	5.184	.000
Sanctions	.231	.063	.207	3.152	.002

From the table 4.10 above, the general regression Model equation can be derived as follows;

$$Y = 4.142 + .539X_1 + .407X_2 + .231X_3 + \varepsilon$$

Where,

Y= Smuggling

X₁= Import duty rates

X₂ = Trade restrictions

X₃= Sanctions

ϵ = Error term of the regression

Therefore;

Smuggling of imports (Y) = 4.142 + 0.539 Import duty rates + 0.407 trade restrictions + 0.231 Sanctions.

The Coefficients in the regression model shows that all of the tested variables had positive relationship with the factors influencing smuggling of imports at the port of Kilindini, with all the variables tested being statistically significant with p-values less than 0.05.

The findings imply that a unit change of X₁(Import duty rates), will result to 0.539 change in the factors influencing smuggling of imports at the port of Kilindini. A unit change of X₂ (Trade restrictions), will result in 0.407 change in the factors influencing smuggling of imports at the port of Kilindini and unit change of X₃ (Sanctions), will result in 0.231 change in the factors influencing smuggling of imports at the port of Kilindini. Holding other factors constant on each factor change

Y- Intercept ($\beta_0 = 4.142$), as indicated in Table 4.10, predicts the factors influencing smuggling of imports at the port of Kilindini will be 4.142 when all other independent variables are zero. From the analysis in table 4.10, Import Duty Rates X₁ ($\beta = 0.539$, $p < 0.05$) has the strongest relationship with the factors influencing smuggling of imports at the port of Kilindini followed by Trade restrictions X₂ ($\beta = 0.407$, $p < 0.05$) and Sanctions X₃ ($\beta = 0.231$, $p < 0.05$). All the three variables significantly predicted the factors influencing smuggling of imports at the port of Kilindini.

From the analysis, the findings showed a linear positive relationship. This implies that a unit increase in X₁(import duty rates), will result to 0.539 increase in smuggling of imports at the port of Kilindini, unit increase in X₂ (trade restrictions), will result to 0.407 increase in smuggling of imports at the port of Kilindini and a unit increase in X₃(Sanctions), will result to 0.231 increase in smuggling of imports at the port of Kilindini.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMEDATIONS

5.0 Introduction

This chapter presents the summary, conclusions and recommendations of the study. All these information will be considered appropriate for both K.R.A and any other organization that may be in need regarding the factors influencing smuggling of imports in Kenya.

5.1 Summary of findings

From the researchers' findings, the educational background attained by the staff established that most of the respondents had a sound educational background thus making the study reliable and valid on the basis of educational level. It was also established that most respondents had sufficient experience in terms of knowing fully how the organization operates and how the organization carries out its activities.

From the study carried out, it can be deducted that the set rates of duties contribute to smuggling at the port of Mombasa. It is evident from the research carried out that a mean of 4.06 agreed that rates above 25% duty rate in turn make the smuggling rates to increase, 3.83 agreed that a 25% duty rate in turn make the smuggling rates to increase, 2.21 strongly disagreed that a 10% duty rate in turn will make the smuggling rates to increase and respondents disagreed with mean score of 1.88 and standard deviation of 1.040 that a 0% duty rate in turn make the smuggling rates to increase Very high duties on liquor and cigarettes may just encourage smuggling and illicit trade. Duties are simply passed on by business to consumers who ultimately bear the brunt of it. Consumers, however, will always seek the option of buying cheaper goods, irrespective of source. That's where smuggling comes in, from which government derives no revenue. (Cruz, 2018)

From the analysis, results revealed that respondents agreed that the set trade prohibitions contribute to smuggling cases at the port of Mombasa. Results revealed that respondents agreed with mean score of 3.70 and standard deviation of 1.244 that the set trade prohibitions contribute to smuggling cases at the port of Mombasa. The study results revealed that respondents agreed with mean score of 4.10 and standard deviation of .524 that the set trade bans contribute to

smuggling cases at the port of Mombasa. The study also revealed that respondents agreed with mean score of 3.11 and standard deviation of 1.398 that the set trade quotas contribute to smuggling cases at the port of Mombasa and respondents agreed with mean score of 3.07 and standard deviation of 1.219 that the set trade restrictions benefit the government. Restrictions may foster negative economic activities. Trade restrictions may promote administrative corruption, especially in countries where Trade restrictions are given to selected importers. There are incentives to give the restrictions to importers who can provide the most favors or the largest bribes to officials. Restrictions may also encourage smuggling. As restrictions raise the price of domestic goods, it becomes profitable to try and circumvent the restriction by bringing in goods illegally. (Lumen, 2016)

Penalty is a punitive measure that the law imposes for the performance of an act that is proscribed, or for the failure to perform a required act. From the study carried out, it can be deducted that the set rates of duties contribute to smuggling at the port of Mombasa. Results revealed that respondents agreed with mean score of 3.48 and standard deviation of 1.006 that the set fines contribute to smuggling cases at the port of Mombasa. The study results revealed that respondents agreed with mean score of 3.69 and standard deviation of 1.227 that the set jail terms contribute to smuggling cases at the port of Mombasa. The study results revealed that respondents disagreed with mean score of 2.69 and standard deviation of 1.804 that blacklisting from importing contributes to smuggling cases at the port of Mombasa and finally the results revealed that respondents disagreed with mean score of 2.48 and standard deviation of 1.652 that the set Sanctions benefit the government This is further supported by news showing how a Chinese smuggler caught in Kenya with a haul of ivory was fined less than a dollar a piece. The smuggler, who was arrested carrying 439 pieces of worked ivory while in transit in Nairobi as he travelled from the Democratic Republic of Congo to Hong Kong, was fined US\$350 (\$337) and was then set free.

5.2 Conclusions

The study's goal was to survey the effect of Rates of duties, Trade restrictions and Sanctions on smuggling of imports at the port of Kilindini. The study concludes that;

5.2.1 Rates of duties

It can be concluded that a unit change of rates of duties, will result to 0.539 changes in the factors influencing smuggling of imports at the port of Kilindini. From the study, it can be concluded that the rates of duties should be re looked since the ones present are enticing the smugglers too much so that they may circumvent paying the duty rates and by doing so the government will not benefit. Simplifying the import duty rate structure will help reduce opportunities for tax avoidance as well as monitoring costs per unit of revenue raised since high import duty rates provide financial incentives for smuggling to take place

5.2.2 Trade restrictions

From the study, it can be concluded that the restrictions put in place can lead to administrative corruption. A unit change of Trade restrictions will result in 0.407 changes in the factors influencing smuggling of imports at the port of Kilindini. Suppose that there is currently no restriction on importing Indian cricket bats and 30,000 are sold in the U.S. each year. For some reason, the United States decides that they only want 5,000 Indian cricket bats sold per year. They could set an import quota at 5,000 to achieve this objective. The problem is how do they decide which 5,000 bats get in and which 25,000 do not? The government now has to tell some importer that their cricket bats will be let into the country and tell some other importer that his will not be. This gives the customs officials a lot of power, as they can now give access to favored corporations and deny access to those who are not favored. This can cause a serious corruption problem in countries with trade restriction, as the importers chosen to meet the quota are the ones who can provide the most favors to the customs officers.

5.2.3 Sanctions

It can be concluded that a unit change of Sanctions, will result in 0.231 changes in the factors influencing smuggling of imports at the port of Kilindini. It can be concluded from the study carried out that some of the offences that are committed really don't have strict punishments and so that gives the offenders a second chance to repeat the same crime since getting out when caught is much easier. From the study most respondents agreed that the set jail terms contribute to smuggling cases at the port of Mombasa due to period one is being sentenced to jail being little due to lenient sentences for convicted poachers or smugglers. Punishment for the most serious wildlife crimes was capped at a maximum fine of \$465, and a possible jail term of up to

10 years. Some smugglers caught in Kenya with a haul of ivory were even fined less than a US dollar apiece. (Udoto, 2014)

5.3 Recommendations

The study recommends that the following considerations be taken into account for factors influencing smuggling of imports at the port of Kilindini to be fully effective to zero smuggling cases. The factors include:

5.3.1 Import Duty Rates

With import duty rates having the highest effects on smuggling at 0.539, it is recommended that a keen look should be given on this. The government should try and reduce import duty rates slightly since most respondents said the high duty rates encourage smuggling to take place, the government should also try and introduce tax free holidays where importers may be allowed to import items without necessarily smuggle them into the country.

Take into considerations ways in which they can be able to minimize the level of smuggling by meeting or holding an awareness camp and let the importers know why the set rates are that way, using the most appropriate means of creating transparency and openness in government spending so that the importers may be able to understand where the rates they pay is being used and finally having talks with the importers and come to a reasonable rate that they may want to be charged.

5.3.2 Trade Restrictions

Trade Restrictions came in second at .407 on how it influences smuggling. The company should be able to put all containers through the scanners because currently the scanners only scan 40 ft. containers but now some people may find a loophole in smuggling items through the 20ft containers so to reduce the smuggling rates, the 20ft containers should also be scanned. Also making sure all containers pass through the scanners, the importers will be fully aware and will not try to import any trade restricted commodities.

The company should also be able to hold an awareness day to educate the importers why such trade restrictions have been put in place. The customs and excise as well as tax office to interconnect with one another in order to reduce smuggling of restricted goods because by doing

so, they can track the position of the goods. The company should also deploy more forces where there is smuggling. The company should erect border wires with more mini security check parts. The government should negotiate on porous borders dispute through table talks with neighbor countries, there should be established international conventions and there smart technology should be deployed so as to monitor goods that have a restriction from entering back in the country once they are deemed for export.

5.3.3 Sanctions

Sanctions came in with the least effect on smuggling at .231. The courts should try borrowing from other countries that have less smuggling cases do in terms of Sanctions. The courts should issue very strict Sanctions; one can also be banned from importing once he/she is caught in any smuggling offences by the commissioner or the courts.

The study recommends that the company should be able to put up systems that will ensure the lead time will be reduced such as the electronic data interchange that electronically monitors stock levels of customers and they will be able to replenish the stock before there are stock outs. Also a Just in Time system should be adopted since this will enable reduction of lead times by just delivering products when they are just about to end.

The study recommends that when an individual found smuggling is not of Kenyan citizenship, they should be deported back since some operate businesses here and are not citizens. What the study strongly recommends is that the government can withdraw the trading licenses for the individuals or companies that are participating in smuggling. The courts should also check if the smuggler has any previous criminal histories and if they do then they should be handed a more severe penalty. The courts should also award a deterrent punishment to all smugglers/ couriers caught irrespective of their status for example a minimum of six years of rigorous imprisonment. A separate court to be established dealing with smuggling cases.

5.4 Areas of future research

Since the study focused on the three independent variables that the researcher sought to investigate their influence on smuggling of goods at Mombasa port, these variables being duty rates, Sanctions and Trade Restrictions, and according to the model in the coefficient of

determination which indicated that the model only explained 79.1% of dependent variable (decongestion), the remaining 20.9% of influences of the smuggling of imports is still unexplained therefore further studies to explore such gaps and factors will be needed. The study recommends that further research should be carried out on areas such as: factors influencing smuggling of exports at the port of Kilindini, Factors influencing the influx of counterfeit medicines in Kenya and factors influencing the government from getting high revenue from imports through the port of Kilindini

This study focused on factors influencing smuggling of goods at the port of Mombasa. Since 79.1% of the findings were expounded by the study's independent variables, it is recommended that further research study on other aspects such as training and corruption that affect smuggling of goods at Kilindini port, Mombasa.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Alex NgumiGakonyo,
P.O. BOX 75243-00200,
Nairobi.

17th May, 2018.

Kenya Revenue Authority,
P.O. Box 48240 -00100,
Mombasa.

Dear Sir/Madam:

RE: DATA COLLECTION INTRODUCTION LETTER.

I am a student at Kenya School of Revenue Authority where I pursue a Post Graduate Diploma in Customs Administration. For the purpose of this program, I am conducting a research project on the factors of smuggling fraud at the port of Kilindini. The information collected will be used for education purposes only.

It is for this reason that I humbly request for your cooperation in responding to this questionnaire by filling it. To fulfill the requirements for my study, I intend to collect primary data from your organization, by use of questionnaire. The data provided will only be used for academic purposes therefore it will be treated confidential.

Kindly answer the questions as by the instructions on each question and make brief comments where necessary in the space provided. Your cooperation will be highly appreciated.

Yours Faithfully,

Alex Ngumi Gakonyo

APPENDIX II: QUESTIONNAIRE

INSTRUCTION

Answer the questions by ticking appropriately the answer in the correct bracket. Choose any answer of your choice with relevance to your view on the judgment you have on each question.

Thanks to you in advance:-

SECTION A: PERSONAL DETAILS

1. What is your highest level of education?

- a) Primary []
- b) Secondary []
- c) College []
- d) University []

2. For how long have you worked with the organization?

- a) 2 years and below []
- b) 3-6 years []
- c) 7-9 years []
- d) 9 and above years []

SECTION B: RATES

3. To what extent do you agree with the following statements in regard to rates?

Please tick on the provided spaces in the table below to show your level of agreement where appropriate where SA= strongly agree, A= agree, N= neutral, D= disagree and SD= strongly disagree.

S/N	STATEMENT	SA	A	N	D	SD
1	Do other rates above 25% contribute to smuggling cases at the port of Mombasa?					
2	Does a 25% duty rate in turn make the smuggling rates to increase?					
3	Does a 10% duty rate in turn make the smuggling rates to increase?					
4	Does a 0% duty rate in turn make the smuggling rates to increase?					

4. What do you think are some ways in which the government should handle the issue about duty rates so as to reduce smuggling?

.....

.....

.....

SECTION C: TRADE RESTRICTIONS

5. To what extent do you agree with the following statements in regard to trade restrictions?

Please tick on the provided spaces in the table below to show your level of agreement where appropriate where SA= strongly agree, A= agree, N= neutral, D= disagree and SD= strongly disagree.

S/N	STATEMENT	SA	A	N	D	SD
1	Do the set trade prohibitions contribute to smuggling cases at the port of Mombasa?					
2	Do the set trade bans contribute to smuggling cases at the port of Mombasa?					
3	Do the set trade quotas contribute to smuggling cases at the port of Mombasa?					
4	Do the set trade tariffs contribute to smuggling cases at the port of Mombasa?					

6. What do you think are some factors affecting set of trade restrictions and quotas and what could be your solution to that?

.....

.....

.....

SECTION D: SANCTIONS

7. To what extent do you agree with the following statements in regard to Sanctions?

Please tick on the provided spaces in the table below to show your level of agreement where appropriate where SA= strongly agree, A= agree, N= neutral, D= disagree and SD= strongly disagree.

S/N	STATEMENT	SA	A	N	D	SD
1	Do the set fines contribute to smuggling cases at the port of Mombasa?					
2	Do the set jail terms contribute to smuggling cases at the port of Mombasa?					
3	Does blacklisting from importing contribute to smuggling cases at the port of Mombasa?					
4	Do the set Sanctions benefit the government?					

8. What do you think are some ways in which the courts should punish people caught in the act of smuggling?

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SECTION E: SMUGGLING

9. To what extent do you agree with the following statements in regard to smuggling?

Please tick on the provided spaces in the table below to show your level of agreement where appropriate where SA= strongly agree, A= agree, N= neutral, D= disagree and SD= strongly disagree.

S/N	STATEMENT	SA	A	N	D	SD
1	Does a false certificate of origin contribute to smuggling cases at the port of Mombasa?					
2	Does missdescription of goods in place make the smuggling rates to increase?					
3	Does the wrong value declared increase smuggling cases?					

10. What do you think are some factors affecting attainment of lower levels of smuggling cases at the port of Mombasa?

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Thank you for taking your time to fill this questionnaire

APPENDIX III: WORK PLAN

TASK	DATES						
	15/06/2017 - 1/07/2017	2/07/2017- 29/09/2017	09/10/2017- 10/10/2017	16/10/2017- 23/12/2017	23/12/2017 - 07/01/2018	07/01/2018- 02/06/2018	02/06/2018- 25/07/2018
Feasibility study and problem identification							
Proposal writing							
Proposal presentation							
Pilot testing of questionnaire							
Data collection							
Data analysis							
Report writing and submission							
Review by supervisor and correcting Defend project							

APPENDIX III: BUDGET

NUMBER	ITEM	COST IN KSHS
1	Research assistance allowances. Transport and secretarial services	12,000.00
2	photocopying, typing and binding	6,500.00
3	Fieldwork costs- courier, postage and internet	6,500.00
4	Materials and supplies- airtime and paper	3,500.00
5	Reproduction of final proposal- biding	4,000.00
6	Miscellaneous	7,000.00
	TOTAL	39,500.00