# FACTORS AFFECTING CUSTOMS CLEARANCE OF CARGO AT THE MOI INTERNATIONAL AIRPORT MOMBASA

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

**2018**

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# DECLARATION

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

Signature  Date

……………………. …………………..

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**HDB335-C016-2515/2016**

This proposal has been submitted for examination with my approval as the supervisor

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Signature Date

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## DEDICATION

I wish to dedicate my work in a special way to the very special and most helpful people before and during my research, first my mum, PaustineGesare and my uncle Mr. Andrew Kibagendi who have molded the person in me today.

Secondly, to my fellow Post Graduate trainees in Customs who have been very supportive throughout the entire training period. Lastly I humbly appreciate the efforts of my project supervisor Madam Grace for her continued guidance through this project. This consistently gave me morale on completing this research so that we could together achieve our dreams that we had when we started training together.

Lastly I would like to appreciate the Kenya School of Revenue Administration fraternity for being a leaning shoulder whenever we needed their support, this necessitated completion of this project.

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## DEFINITION OF TERMS

**Green Channel** Is an exit point from any customs arrival area where international passengers arrive with goods whose worth is admissible (Revised Kyoto Convention, 2017).

**Red Channel** Is an exit point from any customs arrival area where international passengers who have goods that need be declared (Revised Kyoto Convention, 2017

**Clearance procedures** Means the rules and re).gulations that are often followed as per the (Revised Kyoto Convention, 2017).

**Training** Constitutes a major concept in human resource development, it is intended with developing some skills to a desired standard by instruction and practice (Smriti, 2010).

**Experience** The inclusion of knowledge or skill that gives birth to direct participation events or activities (Chambers Twentieth Century Dictionary, 2017).

**Education** This is the process of giving or acquiring general knowledge, developing the gate way for reasoning and judgment or it is a level of schooling (Smith, 2010).

**Scanner** Is a machine that is used to examine, identify or record images of things by using a beam of light, sound or a beam of X-rays (Chambers 20 Century Dictionary, 2017).

**Clearing agents** A party authorized by customs authorities to certify and manage consignments between countries (Business Dictionary, 2017).

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## LIST OF ACRONYMSAND ABBREVIATION

| | |
|---|---|
| **ACSS** | Airport Checkpoint Security Screening |
| **API** | Advance Passenger Information |
| **CDF** | Currency Declaration Form |
| **EAC** | East African Community |
| **EACCMA** | East African Customs Community Act |
| **EACMR** | East African Customs Management Regulations |
| **EDI** | Electronic Data Interchange |
| **EU** | European Union |
| **ICA** | International Civil Aviation |
| **KAA** | Kenya Airports Authority |
| **KRA** | Kenya Revenue Authority |
| **MIA** | Moi International Airport |
| **SPSS** | Statistical Package for Social Science |
| **USA** | United States of America |
| **WCO** | World Customs Organization |
| **WTMD** | Walk-Through Metal Detector |

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## ABSTRACT

Cargo clearance at the Moi International airport Mombasa has been a major boast to the economy, opened regional and international markets as well as contributed to increased revenue collection. This happens when all the airport stakeholders come together towards achieving this common goal, starting from the cargo carriers, the Kenya Airports Authority, Immigration, clearing agents, police and the Kenya Revenue Authority officers. Therefore, cargo clearance at the airport is not a single organization's affair but a joint collaboration of the said stakeholders. The purpose of this study was to examine the factors affecting cargo clearance at the Moi International Airport Mombasa. With the following objectives: To determine the extent to which customs human resources affect clearance of cargo at Moi international Airport to establish the extent to which risk management factors affects clearance of cargo at Moi International Airport and to establish the extent to which other stakeholders affect customs clearance of cargo at Moi International Airport. Stratified random sampling was used to collect data. A target population of seven hundred and three respondents involved in cargo clearance at the airport, sample size of two hundred and fifty five was selected from the population and primary data was collected using structured questionnaires. The findings on the factors affecting customs cargo clearance at the Moi International Airport were beneficial to the KRA, The government, KAA,Police, Immigration Department, Airlines and Clearing agents where they put into use the study findings and recommendations that will see the customs cargo clearance procedure ran as per the international and locally standards. The study found out that human resource factors were the most significant variable influencing customs cargo clearance, followed by risk management factors which the study found out that were second in significance when examining the factors that affect customs cargo clearance at the airport, this would assist all airport stakeholders to adhere to all risk identification and management policies that were proposed by the study. Findings on the extent of how other stakeholders affect custom cargo clearance at the airport showed that the customs cargo clearance process is a joint effort or procedure where all responsible stakeholders must be involved in order to make it a success.Based on the findings on the factors affecting customs clearance of cargo, the study concluded that risk management factors had the highest correlation of 0.698 followed by human resource factors with a correlation of 0.694 and last is human resource factors with a correlation of 0.615 to customs cargo clearance. Meaning that a lot of people were aware of the role played by KRA staff in customs cargo clearance at the airport, the study further concluded that risk cannot be eliminated completely and is inherent in all customs areas but can be managed through selection of available risk management techniques.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the study

Customs procedures are usually available to give precise, predictable methods through which cargo can be imported into the country and get cleared on payment of applicable import duties therefore, fulfilling the requirement of the customs law (Prakash, 2007). Customs clearance of goods involves the following processes; classification, assessment, examination and payment of customs duty on imported cargo on the basis of the entry presented by the importer or his appointed agent (Prakash, 2007).

Customs operations have two major tasks one being the protection of financial interests that is the collection of proper duties and the monitoring of the goods for the upholding of safety and security that is law enforcement. Though, the financial aspect had become less critical, since revenue and duties had since fallen. While the safety and security had really increased the agenda following the September 11 attacks (Kelly, 2010). The customs at Heathrow Airport moved the whole idea of transaction based approach to risk based assurance the rather which is hinged on the electronic exchange of information which can be easily interpreted as intelligent, pro-active and risk-based ((Hillson, 2007).

The Heathrow airports electronic cargo clearance is an outsourced function to Cargo Community system (CCS UK), also the cargo handlers and storage companies fund the British Telcom which maintains and develops a messaging system for controlling a map of destinations (Cesky, 2015) The benefits identified as a result of implementing electronic cargo clearance at the airport related primarily on the efficiency and effectiveness of operations, the system also enables error detection. The drawbacks identified were the complete reliance of the system which would be venerable to cyber-attacks and or system outages or break-downs and finally the major objective has not been wholly achieved because of the poor design and rollout of the electronic system.

For an individual to be certified to clear and release cargo, he or she must have undergone training at the Kenya School of Revenue Administration, where one is equipped with customs knowledge and rules and regulations as provided for by the WCO. Sufficient training in new

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targeting and inspection processes help ensure that proper customs cargo clearance is done (Inter-American Bank, 2010). Putting in human capital through the following; higher academic qualification, training, was considered a milestone towards attaining sustained long term employee productivity. There had been a major deal of empirical research that studied the relationship between human resources and productivity in their line of duty, in the form of human skills in an organization, the focus was on the influence of human resources on employee performance (Rueda, 2015)

Mutsotso (2010), employees' work skills are enhanced through education and training which increases their perception towards efficiency and effectiveness in carrying out their job operations. It therefore meantthat organizations that had a high capacity building were likely to increase in production that was characterized by higher levels of employee motivation that acquisition of knowledge and skills enhanced creativity among employees in their cause of duty(Hameed, 2011).

Increased growth in global trade and cargo volumes, travellers and conveyances brought increasingly new customs cargo clearance challenges (Musyoki, 2017). They included security threats of terrorism, illegal trade in natural resources, trade in substances that pose public health and safety. Cargo inspection is a critical aspect in safeguarding the supply chain, security and protection of the society against threats of terrorism and facilitation of genuine trade. Musyoki, (2017, November 29) stated that KRA had for the past fifteen years used modern cargo inspection tools such as X-ray cargo scanning at the airports. This being in-line with WCO Safe Framework of standards directive on using non-intrusive inspection equipment. Musyoki, (2017, November 29) Noted that the installation of the technology system would significantly reduce the time taken to transport cargo to inland container terminals and neighbouring countries, thus this will make the airport more competitive hence steering economic growth in the region and internationally as well.

The WCO's simplified customs based controls, aimed at the dual-channel system, of international passengers arriving by air gives the following guidelines to customs department of United Nations members on how to handle international passengers, their luggage or cargo, at their key international airports, in collaboration with other airport stakeholders and other

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agencies concerned, suggests the use of the dual-channel system for the clearance of international air passengers and their luggage (RKC ,2017). The customs department introduced the dual channel system of clearance of international passengers’ cargo and luggage easily by allowing those with nothing to state or declare to go through the green channel while those passengers with luggage or cargo to declare to use the red channel so that they pay duties for their luggage or cargo(Customs Clearance procedures In EU, 2017).

The system would allow passengers with luggage or cargo to select between two types of entrance that is the green and the red channels respectively (WCO, 2017). Once on the green channel the passengers will be presumed to be having no luggage or cargo but only items which can be allowed into the country free of duties and any taxes and which are not under any import prohibitions or restrictions. Those international passengers that used red channel were presumed to have something to state and therefore they wereexpected to cooperate with the customs officers to allow them through the process (Wood , 2015). Each entry points shall be clearly and correctly marked so as to enhance the choice between them and enhance easy understanding by the passengers therefore, the dual channel system assists customs officers to filter out any potential smugglers from sneaking in prohibited or smuggled items (WCO, 2017).

### 1.1.1 Moi International Airport

Moi International Airport is, the biggest and only Airport in Mombasa county.It is located at a small town calledPort Reitz, it serves bothinternational and local flights. Moi International Airport serves Mombasa city and its surrounding regional communities. It is operated by Kenya Airports Authority (KAA, 2017). The airport has two passenger terminal and a freight terminal where customs clearance of cargo is done. The freight terminal is about one hundred meters from the passenger terminals, at the international passenger’s arrival terminal, a red and green channel system is located at the exit points of the passenger terminal where customs officers examine passengers before being allowed to enter the country whereas, the freight terminal is where cargo is stored, handled and subsequently cleared, there the customs officers had their offices and a scanning area where cargo is scanned for any restricted or prohibited items before it gets cleared by the customs officers. Those were some of the requirements that an international airport should meet as laid down by (ICA) and EACCMA (2004).

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**1.2 Statement of the problem**

According to Haldea (2017), cargo clearance at Indian Airports used the risk based management customs systems of clearance to enhance faster clearance of goods from air cargo complexes, the use of Electronic Data Interchange (EDI), there was quick cargo clearance of perishable cargo and uniform and simple procedure of cargo handling. There were e-payment systems that enhanced faster cargo clearances with an overall aim of minimizing dwell time of cargo to be handled at the airports storage complexes. There is examination of cargo using non-intrusive inspection that is the use of scanners and the use of conveyor belts in cargo offloading which aid faster cargo handling hence, facilitate faster cargo clearance.

Cargo clearance at airports includes one of the major tasks performed by different stakeholders to make it a success. Since the 1920s, air cargo has been one of the quick yet expensive means of cargo transport, it is best especially when items are needed quickly and the distance to be covered is long (Carla, 2014). Cargo clearance does not only involve customs staff, but also it involves other stakeholders who play a major role in cargo clearance at the airport. Several studies have been conducted under the context of Kenya Airports Authority but none of them had any conceptual argument on factors affecting cargo clearance at the Moi International Airport. The study sought to establish whether human resource factors, risk management factors and whether stakeholders had an impact on cargo clearance process at the Moi International airport. Passengers with their cargo, at international Airports were required to use the Green and Red channel system as a means of clearance into or out of the airports, meaning that both passengers and cargo came into contact with customs officers and other airport stakeholders who performed the final clearance before release of passengers or cargo into or out of the airport (Kelly, 2010). Several risk management systems were employed by the airport authorities, immigration department and customs officers in screening and clearing of passengers and cargo (Wood, 2015). The research therefore, undertook to fill this knowledge gap on factors affecting customs cargo clearance at the Moi International Airport.

The gaps exhibited are from a study conducted by (Wood, 2015) at the Mumbai airports that have in place EDI which enhances faster cargo clearance as opposed to what is done at MIA, there is only one scanner at MIA rather than several which facilitate quick clearance, there was no amenities for handling perishable cargo at MIA as opposed to the Mumbai Airports in India.

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## 1.3 Objectives

### 1.3.1 General Objectives

The aim of the study was to establish factors affecting customs clearance of cargo at the Moi International Airport Mombasa.

### 1.3.2 Specific Objectives

The study was led by the following specific objectives:

i. To determine the effect of human resources on customscargo clearance at Moi international Airport.

ii. To establish the effect ofrisk management factors on customs clearance of cargo at Moi International Airport.

iii. To establish the effect of other stakeholders on customs clearance of cargo at Moi International Airport.

## 1.4 Research questions

The study was guided by the following questions:

i. How does human resource affect customs cargo clearance at Moi international Airport?

ii. How does the effect of the risk management factors on customs clearance of cargo at Moi International Airport?

iii. How does, other stakeholders affect customs clearance of cargo at Moi International Airport?

## 1.5 Justifications of the study

The findings of the current study were to seek on what factors that had affected customs clearance of cargo at the airport and their impact on the general cargo clearance process. How to bring cooperation between KRA and other stakeholders at the airport so as to enhance the smooth clearance of cargo and thus, the study tried to seal any loopholes that might have been exhibited by the customs cargo clearance procedures at Moi International Airport. Hence reducing the amount of customs cargo clearance process time that was commonly faced by customs officers during their line of duty at the airport, as well as how human resource management came in, in cargo clearance the study assessed whether the risk management was a factor affecting cargo clearance procedures at the airport .The overall aim of the study was to assist customs officers in the smooth examination and screening of cargo and passenger luggage at the airport.

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The study was of benefit to KRA by enabling the authority have qualified, well trained and experienced staff that would assist the authority in living its vision and mission. The study would help KRA to come up with better and latest methods of cargo clearance as well as ensuring that all revenue is well captured from the imports and exports through the airport. The study was also beneficial to the authority by pointing out the need to co-operate with other stakeholders at the airport so as to enhance smooth cargo clearance at the airport without delaying the owners of their cargo.

KAA being the owner and manager of Moi International Airport, the study would be of greater importance by helping the authority to provide a good working environment e.g. by provision of necessary tools and equipment, and other airport facilities as well as well-trained KAA staff who shall work hand in hand with KRA, police and even other airport users to enable them achieve the goal of faster clearance of cargo at the airport.

Airlines form one of the major stakeholders of KRA in cargo clearance since they are the carriers of the cargo therefore the study would help the airlines at the airport by co-operating with other stakeholders and by scrutinizing their cargo if it is in-line with international and national security guidelines before it's loaded into the aircrafts.The government would benefit from the study by ensuring that it lays down proper policies and regulations that would enhance smooth cargo clearance at the airport as well as gaining revenue collected as a result of enabling environment between all airport stakeholders involved in cargo clearance.

### 1.6 Scope of the study

The study was conducted at the Moi International Airport, at the freight terminal and international passenger's arrival terminal. Randomly selected clearing agents, KAA staff Kenya airways staff, customs and police officers were selected as a sample for the research this was because they were the ones who were directly tasked with freight cargo handling and clearing. The study helped the researcher establish the factors that affected customs cargo clearance at MIA

### 1.7 Limitations of the study

The study encountered accessibility challenge at the airport due to security measures laid down at the airport and the likelihood of not getting sufficient response from the target population. But

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the challenge was overcame by obtaining assistance from the School administration by informing the airport officials that I was their student carrying out academic research.

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# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

According to Owolabi (2007), literature review makes the basis or foundation on which the research is based, searching out, reading, digesting and critically evaluating the work of other scholars before the researcher as it helps to create a good understanding of an insight to relevant previous research and upcoming trends. This chapter focused on theoretical review, passenger clearance procedures, conceptual framework, critiquing on existing literature, research gaps and summary on the studies that had been done on customs passenger clearance procedures.

## 2.2 Theoretical Review

This section is about studies and theories thereof related to the concepts on this research the aim of the study, the best approach to determine the factors affecting customs clearance of cargo at Moi International airport Mombasa. Stakeholder theory, Human Capital Theory and Theory of Constraints and Operational Measures provides a good fit for the study.

### 2.2.1 Human Capital Theory HCT

Human Capital theory was first proposed by Theodore (1960), to show the value of human capacities he made a conclusion that human capital was like any other type of capital, where this form of capital could be invested and increased or enhanced through education, training and of course enhanced benefits that lead to an established quality and level of production.

Human capital can be defined as a set of the following; knowledge, assets, skills and experiences that a person has which add value to the company. It tells us that not all employee have the same value, it is all in their knowledge, skills and assets. It assumes that people act in a rational way at all times, (Savannah, 2017).

According to Becker (2010), human capital theory refers to the stock of knowledge, generation of ideas and other personal attributes that enable an individual to be productive in an organization. The theory provided a good fit for this study since it focused on knowledge, experience and education of customs officers at the airport as well as other stakeholders.

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Nuno (2014), states that for an immigration officer to work at the department, they ought to have some of the following skills that will enable them work effectively; problem solving techniques, ability to relate well with others, communication skills and an ability to observe. This is the kind of human factor was necessary at the airports so as to enhance better passenger handling and enhanced passenger profiling in order to determine who should be allowed in the country or not. Immigration department does not work in isolation, but it works hand in hand with their counter parts from the customs department (KRA, 2017).

The customs officers at the airport needed to possess and be equipped with customs skills, knowledge and experience so as to enable smooth examination of passengers and determine their purpose of the visit and period of stay and hence faster passenger clearance at the airport (Laura, 2015). Human capital is also very crucial for an organization's mission fulfillment as well human capital increases through the experience and education that one has (Crook et al, 2011).

### 2.2.2Theory of Constraints and Operational Measures

The theory of constraints was proposed by Dr. Eliyahu Moshe in 1980s it states that an organization cannot perform well as a result of certain underlying problems or inefficiencies. Though the constraint can be identified by the effect it brings to an organization. Once the major constraint is established and dealt with the operation performance will normalize. This theory therefore suggests that an organization's performance is determined by the type of constrains it faces in its day to day operations. Anything that stops or prevents a system from obtaining its desired performance goals can be described as a constraint. A system is said to be a collection of interconnected elements sharing a common goal (Blackstone, 2010). Based on this theory, KRA ought to ensure that it establishes concreate procedures that will see customs cargo clearance a success process at the Moi International Airport.

The main aim of this theory in business is to eliminate any constrains so as to reach the maximum desired results by an organization. In this case, the customs department at the airport ensures that all problems or constraints faced by other stakeholders are quickly addressed to ensure the smooth customs cargo clearance at the airport

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### 2.2.3 Stakeholders Theory

Stakeholder theory is an organizational management theory touches on moral values in an organization's settings (Freeman, 2013). This theory was proposed by Edward Freeman in his book, "Strategic Management; a Stakeholder Approach" he sighted different categories of people in an organization who can be referred to as stakeholders. According to Freeman (2013), he suggested that stakeholders required special attention as well as corporation for an organization to achieve its mandate. In his book he sighted shareholders as being the major stakeholders, the study shall focus on the clearing agents, police, airlines, KAA and even the owners of cargo as the major stakeholders for KRA at Moi International Airport.

The stakeholder theory incorporates the resource based point of view, while it integrates other factors such as political and social factors as well. The theory outlines several types of stakeholders amongst them are customers, employees, government, trade associations (Donaldson, 2014). Stakeholders have certain powers that they exact on an organization due to their various relationships with an organization. The legitimacy is the globally accepted and expected behaviours, norms and structures that an organization should follow in order to serve the interests of the stakeholders in the best possible manner (Mitchel, et al 2010). The stakeholder theory as proposed by Edward Freeman incorporates five themes to learn from. They are definition and the different stakeholders surrounding an organization and the stakeholder's responses as well.

To get to the bottom line about the importance of the stakeholders theory, there must be an understanding of the validity of the stakeholder theory and the point to which it can be applied to an organization. Therefore, stakeholders can easily be identified primary and tertiary stakeholders (Friedman, 2012).

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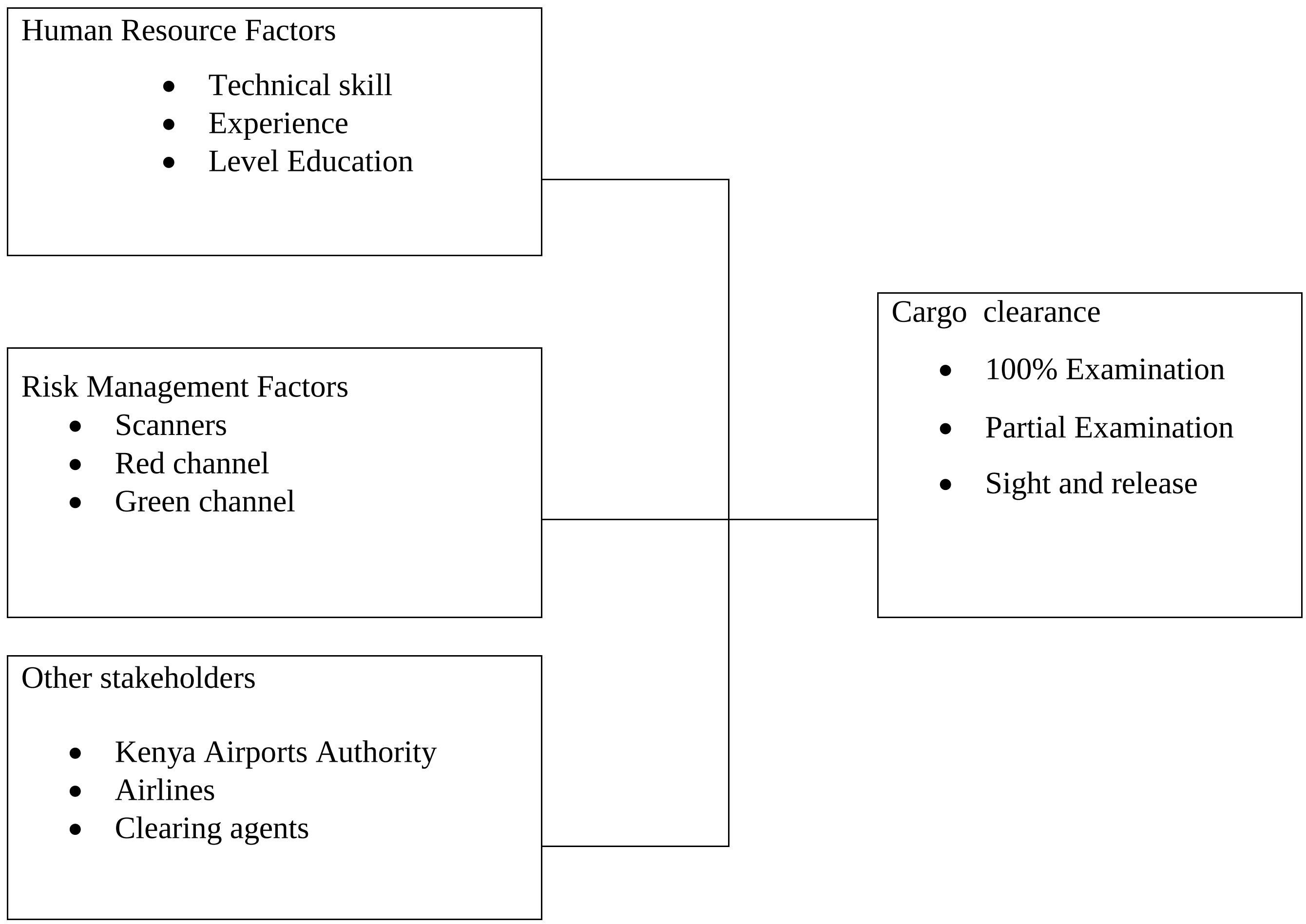
**2.3 Conceptual Framework**




**Independent Variable** **Dependent Variable**

**Source: Researcher (2018)**

**2.4 Review of Variables**

**2.4.1 Human Resource Factors**

Training is teaching or equipping employees with current skills and knowledge that relate to specific useful competencies. Training of customs officers, immigration officials and police on improving one's capability and performance, (Centre for Personal Professional Development, 2010). Customs officers and their counterparts at immigration department continue to undergo training so as to equip employees with modern skills so as to cope up with the changing ways of cargo clearance at the international airports. It was established that, human resources that were

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efficient and skilled was the most significantfactor in success and led to increased commitment in ensuring better cargo clearance process (Golden, 2012). Training as a factor in cargo clearance also leads to customs and immigration officers to feel the need of belonging to their respective departments (Stanca, 2008).

According to Sepulveda (2009), training makes customs, immigration and police officers easily cope up with the changes and even enhance the generation of new ideas. Training plays a vital role in imparting and putting airports at the best positions to face competitions as well as face any challenges that may come their way. Training had been found that not only does it make officers abreast of new passenger and cargo clearance challenges but also makes airports safer and more competitive (Ahmad, 2010).

Creating the right experience for customs, immigration and police officers can have a positive impact on cargo handling at the airport or any institution serving the public (Linder, 2011). Employee experience is the most common term that is found within the human resource department of an organization (Nicole, 2012). Employees with good work experience are better placed at performing their duties more efficiently and correctly as per the laid down organizational requirements. This is what is required of customs, immigration and police officers to be in possession in order to help them, clear cargo and passengers effectively(Antony, 2012).

The success of an organizational performance depends on the competencies of their workforce as such employers tend to hire people to various positions based on educational qualifications to perform on the job. Therefore educational qualifications have a significant bearing on job performance. Therefore highly educated customs, immigration and police officers will have a high job performance at the airport (Kasika, 2015).

### 2.4.2 Risk Management Factors

According to Musyoki (2017), cargo scanning was of great aspect in safeguarding the supply chain security and protection of society against transnational crimes. KRA for the last fifteen years had employed x-ray cargo scanning systems at its airports as a non-intrusive inspection method in accordance to Safe framework of Standards. The employment of scanners had assisted seal off revenue leakage and in the fight against illegal importation and exportation of goods. Apart from the interception of contraband goods, the scanners had aided in preventing criminal

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activities from dumping cheap, substandard and harmful products in the local market, interception of high end vehicles concealed as bicycles and assisted in quick cargo clearance (Morton, 2013).

### 2.4.4 Cargo Clearance procedures

The word prohibited goods or items,is defined plausibly in the(East African Community Customs Management ACT [EACCMA], 2004) to mean any goods the import or export of which is under any prohibition under the Customs Act or any other international law. Being in possession of such items is deemed a direct violation of the Kenyan laws or International laws which may attract penalties, surrender of the items or even jail terms to those people found with such items. Some of the prohibited and restricted items are; Pornographic and obscene materials, wild life products among other items (Kenya Revenue Authority [KRA], 2017).

### 2.4.3 Other Stakeholders

According to Kasarda (2013) Air cargo handling both local and internationally is well elaborated by a system of organized cooperation among a network-based of cargo-carrying airlines, the freight forwarders, ground handlers among other parties involved in cargo clearance at the airport. Air cargo gives importers and exporters benefits of safe cargo handling, urgency and geographic flexibility and coverage as well, airlines forms a good link in customs cargo clearance given that they are the carriers of cargo. Clearing and forwarding agents are like a link between cargo owners and other logistics providers on the supply logistics they are the third party who handle and manage the operations of cargo shipment in other words they facilitate the global supply chain (Kasarda, 2013).

The clearing and forwarding agents know and comprehend rules and regulations applicable in the global clearance and forwarding process in Kenya and the rest of the world. They do the job creating international invoice for international shipping, arranging and coordinating customs for attaching warehousing, by completing all the documentation work among other work that customs agents perform in enhancing customs cargo clearance (Aeromarine, 2018).

Kenya Airports Authority is the sole operator and owner of all Kenyan civilian airports and airstrips. It came into existence through an Act of parliament in 1992 the, KAA was mandated to offer apparatus, equipment, buildings and necessary machines that are necessary for customs

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cargo clearance in the airports, such as protective warehouses for safe keeping of cargo, conducive offices and other amenities that would be used by all parties that involved in customs cargo clearance (Kenya Airports Authority [KAA], 2017).

### 2.4.4 Cargo Clearance procedures

Customs clearance procedure is an exercise performed by customs officers to ensure that in-coming international cargo is in compliance with the country's laws and regulations. Therefore the need for border control, this had resulted from a huge percentage of cargo examinations, to a more selective based on cargo risk assessment, intelligence gathered, as well as randomly applied inspection processes to ensure that none of the cargo at the airport violet any of the cargo clearance procedures as defined in the Revised Kyoto Convention. Cargo clearance procedures can as well be done before cargo arrives at a foreign airport this is done by assisting importers declare what they have at the airport of departure, so upon arrival they don't need to be subjected to further clearance procedures rather assisted quickly to clear their cargo at the airport (World Customs Organization [WCO], 2006).

Cargo from high risk flights or black listed nations were the ones subjected to 100% customs examination clearance procedures so as to rule out any suspicious elements concealed alongside legitimate cargo. The Electronic Data Interchange (EDI) for transmission of cargo details to the Airport of destination well in advance of the cargos' arrival is seen as a milestone towards achieving both trade facilitation and compliance with international cargo handling and safety standards (WCO, 2006).

## 2.5 Empirical Review

Muchiri (2014) conducted a research on IT risk management in cargo clearance process, he used Stratified sampling, his study population was 72 officers and the response rate was 59 officers. The study used open ended questions for obtaining its findings then Quantitative data analysis was used to arrive at the findings below by computing and interpretations proportions of various levels of risk. The research required input from respondents at various levels involved in the cargo clearance process e.g. top management, supervisors and junior staff. The research findings were that IT Risk management was paramount in customs cargo clearance since it would be used to seal all revenue leakages that were observed during clearance processes.

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Anyango (2014), conducted a research on service quality and customer satisfaction in Kenya Airways cargo operations, this including the KQ staff's efficiency in handling cargo. The research adopted descriptive research design the population for the study was 150 Kenya airways agents of which a sample of 110 respondents was chosen. The study found out that customers used the Kenya Airways airline mostly due to the urgency of the cargo or perishability of cargo. The study more so discovered that the major constructs of perceived quality in cargo operations were tangibility and free from doubt. Where, tangibility came out as the major predictor of the expected quality of service in the airline operations.

Inter-American Bank (2010), conducted a study paper on risk management for cargo and passengers at the European nations on various modes of cargo transport, one being by air. The study was conducted in all of the Europe's busiest airports to determine their cargo risk assessment capabilities, though the study was also done on other forms of freight such as sea transport, rail and road transport which had various levels of risk management. The study noted that most of the air cargo is transported aboard passenger aircrafts and only 24% on cargo planes. The study discovered that the North American Customs administrations have a four-hour, pre-arrival submissions of cargo details to allow sufficient time for risk assessment of cargo.

**2.6 Critique of the Existing Literature relevant to the study**

This was the in-depth checking and comparing the work of other scholars on what they have arrived at or what their conclusion is about the same subject matter, business Research methods (Zikmund, et al 2014). A study by Muchiri (2014) on IT risk management in cargo clearance process was more into discovering ways of sealing revenue leakages that were observed during clearance process. The population used by the study was not representative given that customs officers were more than the population under study therefore, the population wasn't representative in the study again IT risk management cannot in itself seal revenue leakages but a combination of several other factors.

A study by Anyango (2014) on service quality and customer satisfaction at Kenya Airways (KQ) that was only conducted at Jomokenyatta International Airport (JKIA) the study focused only on cargo clearance agents thus, leaving out other users of KQ that is other cargo users who do not involve clearing agents in handling their cargo. Again the discovery of the study is not clear as to the findings or the conclusion of the study since Anyango (2014) identifies tangibility and assurance as the predictors of service quality offered by KQ, which are rather difficult to quantify.

The Inter-American Bank (IDB) research paper, on risk management for cargo and passengers, did not have a clear population under study. It had as well several other areas of cargo risk management concern a part from the airports such as railway, sea and road transport as means of cargo freight. Therefore, one cannot tell exactly if the cargo risk management was only attributed to air freight or the other modes of transport that the study also conducted on. There is also the mention of the North American Customs administration which the study doesn't expose if it was the lead customs administration that featured or there were other customs administrations of other European countries on which the study made a discovery that there is pre-clearance as a means of cargo risk management.

## 2.7 Research Gaps

The research gaps observed from the literature reviewed above, were evident that the findings were not clear on the elements that are involved in customs cargo clearance at international airports therefore, enterprises tend to avoid the whole issue of cargo clearance, hence the major reason for slack period in cargo clearance at airports. The elements of risk management and information technology on airports that were studied on cargo clearance by (Muchiri, 2014), were of different levels therefore the studies did not come out clear on factors that affect cargo clearance. More studies were based on customs cargo risk management procedures, at the airports thus, the study sought to clear this knowledge gap by studying on the factors that affect customs cargo clearance at the MoiInternational airport Mombasa.

## 2.8 Summary

This chapter started by providing a summary of the discussion on the main key theoretical approaches and findings reported earlier in relation to cargo clearance procedures at the airport. Key theoretical approaches discussed; Human Capital Theory, Theory of constraints and operational measures and Stakeholder's Theory. The chapter also includes conceptualization, critique of existing literature and research gaps identified by the research.

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# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter provided the operational framework within which data was to be collected and analyzed .It described the research design that was be employed, the study population, sample size and selection, collection of data and analysis, the research instruments used, the research procedure followed, measurement of variables ,reliability and validity of instruments. According to Webster, (2015) research is a keen study that is undertaken to unearth and report new knowledge about a phenomenon. It is a diligent search, a keen investigation or examination especially investigation aiming at the discovery and interpretation of facts.

## 3.2 Research Design

The study used a descriptive survey research design in arriving at a better conclusive examination on the factors that affect customs cargo clearance at the Moi International Airport Mombasa where by both qualitative and quantitative research techniques were applied. Descriptive research as put by Hopkins et al, (2010) involves getting together data that tell events, opinions, attitudes and then organizes, tabulates, depicts, and describes the data collection. Descriptive research can also be explained as the prevailing conditions or situation of a subject under study as put across by Aggarwal, (2008). The research design involvedobtaining, information concerningone or more groups of people perhaps about their characteristics, opinions, attitudes, or previous experiences through asking respondents questions (Hopkins et al, 2010). Descriptive research will be preferred since the researcher wanted to obtain better understanding of the factors affecting customs cargo clearance procedures at Moi International Airport Mombasa.

## 3.3 Population

Ngechu(2008), defines a population as; a set of people, elements, events, things or households that are under study or experiment. This definition will ensure that the population of interest was homogeneous or uniform throughout the study. The study targeted 313 customs officers, 50 immigration officials, 250 police officers, 50 customs clearing agents, 10 airlines and 30 international passengers at Moi International Airport who in total make a population of 703.

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**Table 3:1 Target population**

| Target population | Size | Percentage |
|---|---|---|
| Airlines | 10 | 01% |
| Customs officers | 313 | 45% |
| Police officers | 250 | 36% |
| International Passengers | 30 | 04% |
| Immigration Officers | 50 | 07% |
| Customs clearing agents | 50 | 07% |
| **Total** | **703** | **100%** |

Source: KRA, Immigration, Police and KAA

### 3.4 Sampling Frame

This is the source material from which, it is an outline of those potential candidates within a population that qualify to be sampled James (2009). For this study, a sampling frame shall be a list of customs officers at the airport as provided by the KRA, in charge of customs department at Moi International Airport as follows;Airlines 10 Police officers 250, International Passenger 30 Immigration Officers 50, Customs clearing agents and 313 customs officers.

### 3.5 Sample and Sampling Technique

Sampling is a process of choosing members of the population of interest that a study seeks to obtain information from that is both statistically and logically sound (Creswell, 2008). The study used stratified sampling, customs officers, police officers, airlines, immigration officers and KAA shall be the strata and be sampled based on the number of expected international flights that shall be expected to arrive as per the data that shall be obtained from the Kenya Airports Authority (KAA) Slovin formula was used to help the researcher arrive at a desired sample size.

$n=N/ (1+Ne^2)$

Where: n=Number of Samples

N=Total Population

E=Error of Tolerance

N=703

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$$E=0.05$$

$$\frac{703}{1+703\text{x}0.05^2} =$$

n=255

**Table 2.2 Sample Size**

| Target population | Sample Size | Percentage |
|---|---|---|
| Airlines | 3 | 01% |
| Customs officers | 115 | 45% |
| Police officers | 91 | 36% |
| International Passengers | 10 | 04% |
| Immigration Officers | 18 | 07% |
| Customs clearing agents | 18 | 07% |
| **Total** | **255** | **100%** |

Source: researcher 2018

### 3.6 Data Collection Instruments

These are tools for data extraction (Ormston et al, 2013). Since the study was largely depended on primary data, questionnaires were used as data collection instruments using open ended questionnaires that were more helpful in extracting more information from the respondents because they gave room for them to express themselves, while close ended questionnaires required a simple yes or no response from respondents, they are simple to respond to but they don't allow them to express themselves fully. Then finally there is a combination of both open and close ended questionnaires. The study chose open ended questionnaires for the study since the questionnaires gave respondents freedom to express themselves about the subject under study. According to (Kothari, 2004) the data extracted using questionnaires is not easily manipulated by either the researcher or any other person hence increasing its reliability.

### 3.7 Data Collection Procedure

This is the systematic method of gathering and measuring information on the targeted individuals under study so as to come up with an answer to the question under study (Ormston et al, 2013).

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This shall be achieved through self-administered questionnaires. The researcher depended on assistance from enumerators in dropping and  picking up the questionnaires to the respondents while conducting a follow up interviews so as to make sure the questionnaires were duly filed before being picked to minimize errors.

### 3.8 Pilot Testing

This was a small scale preliminary study done so as to evaluate or ascertain the feasibility, period, cost and size variability. This was done in respect to research design. It collects data from respondents similar to those that will be used in the full study that is, 10% of the selected sample size (Mugenda & Mugenda, 2003).

#### 3.8.1 Reliability

Reliability is the consistency of data collection instrument in providing same results on same conditions (Kothari, 2011). Reliability of the data collection instrument for the study will be measured using the SPSS Cronbach's Alpha during piloting.

#### 3.8.2 Validity

Validity is when an item delivers or gives out what it is supposed to give out or deliver(Neuman, 2014). Validity of the instrument was ensured from the directions of the KESRA supervisors and lectures in structuring the data collection instrument. It will guide in examining specific aspects of research to see if the selected procedures will work (Collis, 2009). It leads to more reliable results and enhances the validation of the tasks prior to the actual research.

### 3.9 Data Analysis

It is that act of systematically reasoning to understand the data that has been gathered (Ridley, 2009). It is also known as data purification, changing and modeling data with an aim of discovering useful information, giving suggestion and thereby give support to decision making, the raw data obtained through the use of the the questionnaires was analyzed using Statistical Package for Social Science (SPSS) version 25. SPSS, was used to generate frequencies, descriptive analysis, reliability and validity of test, correlation and at the end run regression. The results of some of the analysis were to be exported to Microsoft Excel for visual presentation and reporting.

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### 3.9.1 Linear regression Model

The relationship of the variables, wereexpressed as a linear regression model.

$$Y= \beta_0 + \beta_1X_I + \beta_2X_2+ \beta_3X_3 + \varepsilon$$

Where,

$Y$= Factors affecting customs cargo clearance

$\beta_0$= Constant (constant coefficient of intercept) y intercept

$X_1$= Human Resource Factors

$X_2$ = Risk Management Factors

$X_3$ = Other stakeholders

$\beta_1$, $\beta_2$, and $\beta_3$ are regression coefficients explaining variables X1, X2 and X3 respectively

$\varepsilon$=Error term.Other factors affecting customs clearance of cargo at Moi International Airport Mombasa but not included on this research.

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# CHAPTER FOUR

# RESEARCH FINDINGS

## 4.1. Introduction

This chapter presents the output of data analysis descriptive statistics were used to explain the results of the study which were made in form of frequencies, percentages, tables, and regression analysisusing the SPSS software that was used to convert the collected data into meaningful information as shall be shown in the preceding sub-chapters below.

## 4.2. Response Rate

The targeted population for this study was customs officers, police officers, clearing agents, airlines and the KAA the Moi International Airport Mombasathe targeted respondents were 255 out of which 131 respondents filled the questionnaires thus making a response rate of 51.3% of the respondents which was considered satisfactory to make the conclusion for the study. Thus, the recommendations by Mugenda and Mugenda (2003) that a response rate of 50% is adequate to undertake a study.

**Table 4.2 Respondents and Response Rate**

| | **Frequency** | **Percentage** |
|---|---|---|
| Respondent | 131 | 51.37% |
| Non-respondent | 124 | 48.63% |
| **Total** | **255** | **100%** |

## 4.3. Pilot Results

| **Scale** | **Cronbach's Alpha** | **No. of items** | **Comments** |
|---|---|---|---|
| Human Resource factors | 0.769 | 5 | Accepted |
| Risk Management Factors | 0.758 | 5 | Accepted |
| Other Stakeholders | 0.829 | 5 | Accepted |
| Customs Cargo Clearance | 0.789 | 5 | Accepted |

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For the purpose of determining the internal consistency of the data collection instrument (Questionnaire) using Cronbach's alpha that was tested on each variableusing the SPSS version 25, Cronbach's alpha was used to view the values on how the questions related. Human Resource had a value of 0.769, Risk management had a value of 0.758 while other Stakeholders had a value of 0.829 and Customs Cargo Clearance had a value of 0.789 therefore indicating that the instrument was accepted hence, the questionnaire was ruled to be reliable.

### 4.4. Demographic analysis

The study wanted to find out the period in years that the respondents have been in employment, their level of education and to which cadre they belonged to.

#### 4.4.1. Level of Education

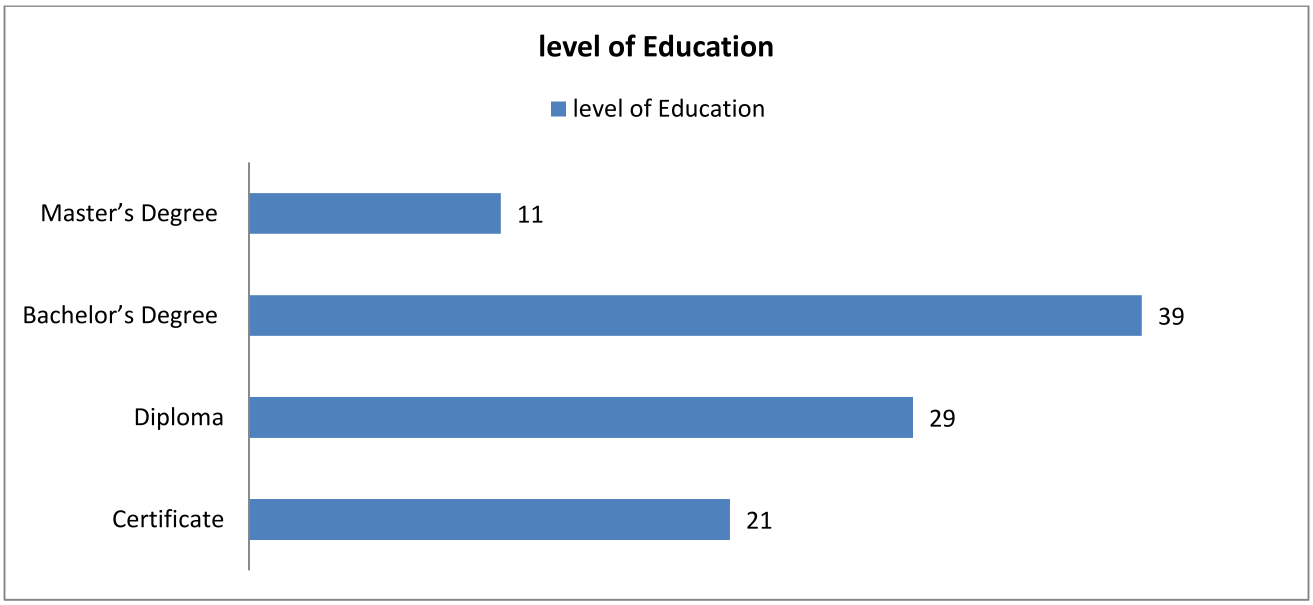


**Figure 4.1 Level of education**

From the figure above, most of the respondents who returned the questionnaires had a bachelor's degree making up a 39% of the respondents, 29% of the respondents had a diploma as their highest level of education, 21% of the respondents had a certificate as their level of education while 11% of the respondents had a master's degree as their level of education.

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### 4.4.2. Department/Cadres

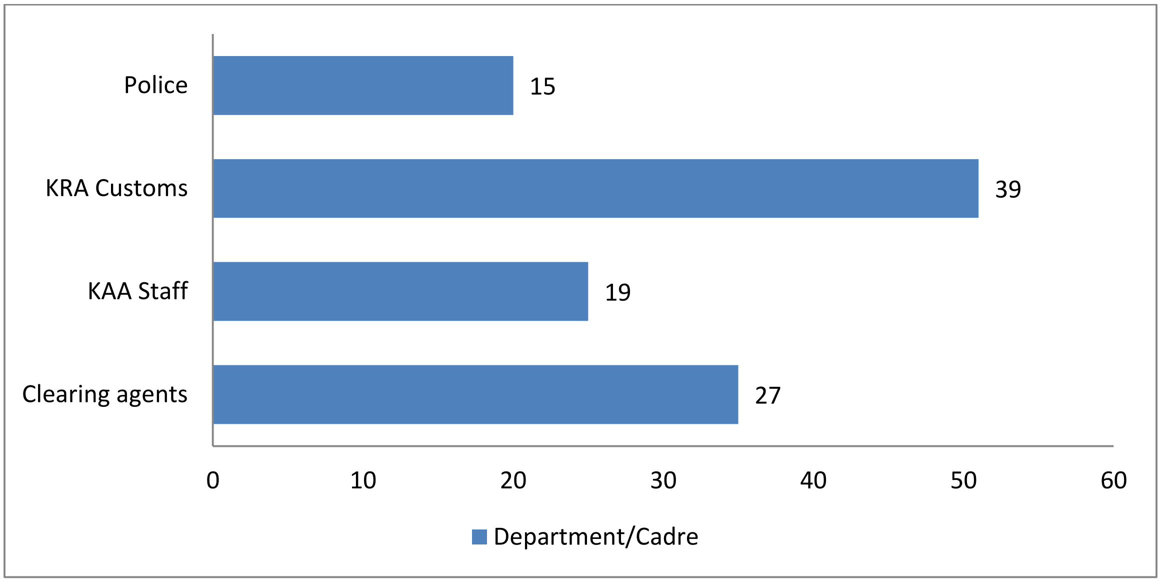


**Figure 4.2 Respondents cadres or departments**

From the figure above, most of the respondents were from KRA customs department which was at 39% and followed closely by the respondents from clearing agents who comprised a 27% of the respondents then followed by respondents from the KAA staff who comprised a 19% of respondents and finally 15% of the respondents were from the police department.

### 4.4.3. Respondents Working experience

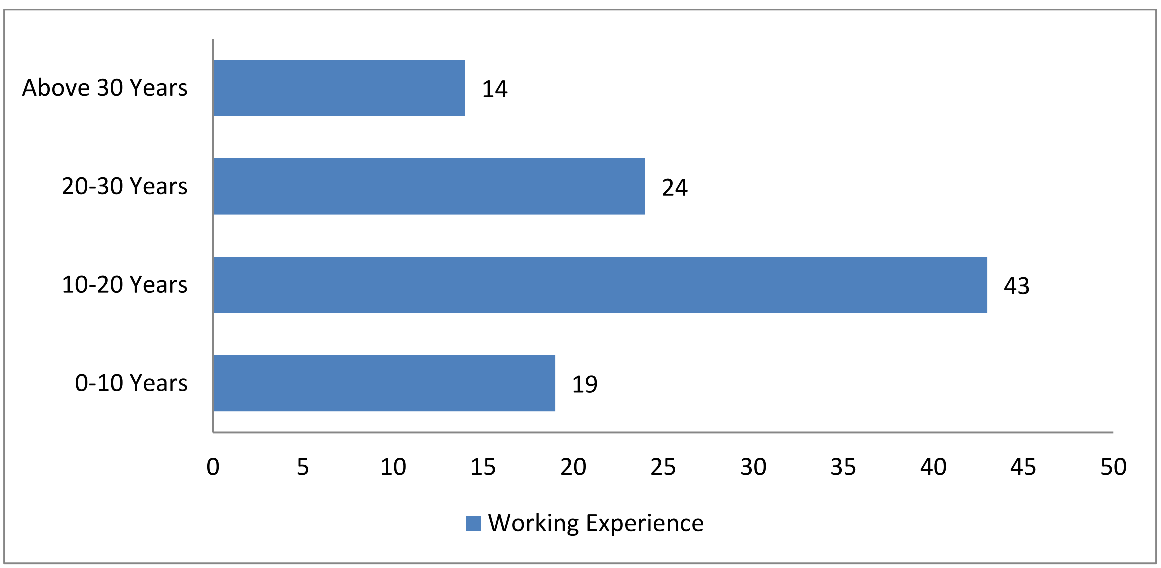

**Figure 4.3 Respondents working experience**

From the figure above, most of the respondents had work experience of above 30 years were 14% between 20-30 years being represented by 43% of the total respondents, those with 10-20 years of work experience were represented by 24% of the respondents and those with 0-10 years of work experience were represented by 19%. Knowledge, skills and employee experience can be taken as a form of assets by an organization, (Savanna, 2017).

### 4.5. Descriptive Analysis

The study sought to establish the factors that affect customs cargo clearance at Moi International Airport the analysis details are shown in frequency tables below:

#### 4.5.1. Human Resource Factors

| Statements | Mean | STD dev |
|---|---|---|
| The staff attendance to Customs technical training has improved customs cargo clearanceat Moi international Airport | **3.65** | **1.264** |
| Customs officers' experience in customs cargo clearance has enhanced customs cargo clearance at Moi international Airport | **4.03** | **0.902** |
| Customs officers' level of education has enhanced in customs cargo clearance at the airport | **3.47** | **1.042** |
| Motivation of the customs officers positively affects the customs cargo clearance at the airport. | **4.12** | **1.081** |
| There is adequate Number of customs officers at the airport to facilitate effective cargo clearance at the airport | **4.31** | **0.976** |

The staff attendance to Customs technical training has improved customs cargo clearance at Moi international Airport having a mean of 3.65 with astandard deviation of 1.264. Customs officers' experience in customs cargo clearance has enhanced customs cargo clearance at Moi international Airport has a mean of 4.03 with a standard deviation of 0.902. Customs officers' level of education has enhanced in customs cargo clearance at the airport mean of 3.47 with a standard deviation of 1.042. Motivation of the customs officers positively affects the customs cargo clearance at the airport. Mean of 4.12 with a standard deviation of 1.081. There is adequate Number of customs officers at the airport to facilitate effective cargo clearance at the airportwith a mean of 4.31 and a standard deviation of 0.976.

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### 4.5.2. Risk Management Factors

| Statements | Mean | STD dev |
|---|---|---|
| The use of cargo scanners has improved customs cargo clearance at the airport | **4.50** | **0.906** |
| The number of scanners at the airport has led to efficient customs cargo clearance at the airport | **3.66** | **1.026** |
| Scanners have greatly assisted in detection of concealed items in cargo during customs cargo clearance at the airport | **3.94** | **0.920** |
| The green and red channel at the airport has enhanced faster customs cargo clearance | **4.05** | **1.058** |
| The green and red channel system has increased the detection of restricted and prohibited items in customs cargo clearance | **3.79** | **1.077** |

The use of cargo scanners has improved customs cargo clearance at the airport having a mean of 4.50 with a standard deviation of 0.906. The number of scanners at the airport has led to efficient customs cargo clearance at the airport having a mean of 3.66 with a standard deviation of 1.026 Scanners have greatly assisted in detection of concealed items in cargo during customs cargo clearance at the airport having a mean of 3.94 and with a standard deviation of 0.920 The green and red channel at the airport has enhanced faster customs cargo clearance having a mean of 4.05 with a standard deviation of 1.058. The green and red channel system has increased the detection of restricted and prohibited items in customs cargo clearance having a mean of 3.79 and a standard deviation of 1.077.

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### 4.5.3. Other Stakeholders

| Statements | Mean | STD dev |
|---|---|---|
| There is adequate number of customs clearing agents at the airport to facilitate effective customs cargo clearance | 4.288 | **0.910** |
| Customs clearing agent's efficiency affects customs cargo clearance at the airport | **4.25** | **0.979** |
| The airlines have adequate number of personnel to enhance customs cargo clearance at the airport | **3.95** | **0.994** |
| The airlines' efficiency at the airport has enhanced customs cargo clearance | **3.61** | 1.024 |
| The KAA cargo handling facilities has facilitated quicker customs cargo clearance at the airport. | **3.86** | 1.086 |

There is adequate number of customs clearing agents at the airport to facilitate effective customs cargo clearance having a mean of 4.288 with a standard deviation of 0.910. Customs clearing agent's efficiency affects customs cargo clearance at the airport has a mean of 4.25 with a standard deviation of 0.979. The airlines have adequate number of personnel enhance customs cargo clearance at the airport mean of 3.95 with a standard deviation of 0.994. The airlines' efficiency at the airport has enhanced customs cargo clearance is evidenced by a mean of 3.61 with a standard deviation of 1.024. The KAA cargo handling facilities has facilitated quicker customs cargo clearance at the airport with a mean of 3.86 and standard deviation of 1.086.

### 4.5.4. Cargo clearance

| Statements | Mean | STD dev |
|---|---|---|
| The human resource factors have enhanced the 100% cargo examination method at the airport. | 4.22 | **1.104** |
| The use of human resource factors have led to the partial customs cargo examination method that increases customs cargo clearance at airport | **3.71** | 0.965 |
| The use of risk management factors have led to the sight and release method of customs cargo examination that enhances customs cargo clearance at the airport | **4.08** | 1.080 |
| The presence of other stakeholders at the airport has facilitated faster customs cargo clearance at the airport | **4.24** | 0.972 |
| The other stakeholders' storage facilities have facilitated customs cargo | **4.00** | 1.024 |

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|---|
| clearance at the airport. |

The human resource factors have enhanced the 100% cargo examination method at the airport had a mean of 4.22 and a standard deviation of 1.104. The use of human resource factors has led to the partial customs cargo examination method that increases customs cargo clearance at airport had a mean of 3.71 with a standard deviation of 0.965. The use of risk management factors has led to the sight and release method of customs cargo examination that enhances customs cargo clearance at the airport had a mean of 4.08 and standard deviation of 1.080. The presence of other stakeholders at the airport has facilitated faster customs cargo clearance at the airport mean of 4.24 with a standard deviation 0.972. The other stakeholders' storage facilities have facilitated customs cargo clearance at the airport had a mean of 4.00 and standard deviation of 1.024.

## 4.6. Correlation Analysis

The study sought to know, relationship between the factors that affect cargo clearance and Customs cargo clearance Procedure.

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### 4.6.1.Karl Pearson's correlation

**Table 4:3 Correlations**

| **Pearson Correlation Correlations** | | | | |
|---|---|---|---|---|
| **Model** | **Human_ resource** | **Risk_ Management** | **Other_ stakeholders** | **cargo _clearance** |
| Human_resource.Pearson Correlation | 1 | | | |
| Sig. (2-tailed) | | | | |
| N | 131 | | | |
| Risk_Management.Pearson Correlation | .365** | 1 | | |
| Sig. (2-tailed) | .000 | | | |
| N | 131 | 131 | | |
| Other_stakeholders.Pearson Correlation | .465** | .672** | 1 | |
| Sig. (2-tailed) | .000 | .000 | | |
| N | 131 | 131 | 131 | |
| cargo_clearance.Pearson Correlation | .615** | .698** | .694** | 1 |
| Sig. (2-tailed) | .000 | .000 | .000 | |
| N | 131 | 131 | 131 | 131 |

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

Using Karl Pearson's Correlations (r) to explain the relationship between dependent and independent variables under the study, the above table shows that there was a moderate positive relationship between the variables. Human Resource factors had positive correlation to Cargo Clearance of 0.615 which indicates a moderate positive relationship. P value of 0.00 which is less than 0.000 this clearly supports the significance of the study. Risk management had a strong positive correlation to the Cargo Clearance of 0.698 in the Karl Pearson's correlation, having a significance level denoted by P value of 0.000 which is less than p 0.000. Relationship between the variables which were statistically significant with (p< .001) for variableswhich indicates a moderate positive relationship, Risk Management had 0.698 relation with the Cargo Clearance showing a strong positive relationship while Other Stakeholders had 0.694 to the Cargo

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Clearance showing a strong Relationship between the Variables which were statistically significant with ($p < .001$) for variables.

### 4.7. Regression Analysis

To further understand the relationship between the dependent and independent variables further analysis was conducted using the analysis of variance

#### 4.7.1.Analysis of Variance (ANOVA)

**Table 4.3 ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| **1** | **Regression** | **1212.209** | **3** | **404.070** | **87.230** | **.000[b]** |
| | **Residual** | **588.295** | **127** | **2.741** | | |
| | **Total** | **1800.504** | **130** | | | |

a. **Dependent Variable: cargo_clearance**
b. **Predictors: (Constant), Other_stakeholders, Human_resource, Risk_Management**

The ANOVA for the regression indicated that the results computed using the regression model were significant ($F= 87.230$, $p<0.05$) meaning that the regression model was significant. This means that at least one of the independent variables is a significant predictor of the dependent variable.

#### 4.7.2.Coefficient of determination ($R^2$)

**Model summary**

**Table 4:4 Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| **1** | **.821a** | **.673** | **. 666** | **2.15226** |

**Predictors: (Constant), Other_stakeholders, Human_resource, Risk_Management**

From the model above, (R) explains the variance shared between the independent and dependent variables, in the case above is 0.821 indicating the presence of variance shared by the independent variables and the dependent variables. The coefficient of determination $R^2$ defines the amount of variation of the dependent variable that can be explained by the independent

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variables R square being 0.673 explains the variation in the dependent variable. This implies that the data that had been employed in the regression model were accurate and reliable to be used to regress the variables.

### 4.7.3.Coefficients

**Table 4:4 Multiple Regressions**

| **Model** | | **Unstandardized B** | **Coefficients STD. Error** | **Standardized coefficients BETA** | **t** | **Sig.** |
|---|---|---|---|---|---|---|
| **1** | **(Constant)** | 3.767 | 1.036 | | 3.638 | .000 |
| | Human_resource | .323 | .053 | .348 | 6.049 | .000 |
| | Risk_Management | .311 | .055 | .389 | 5.666 | .000 |
| | Other_stakeholders | .243 | .065 | .271 | 3.747 | .000 |

**Dependent Variable:**cargo_clearance

$$Y= \beta_0 + \beta_1X_I + \beta_2X_2+ \beta_3X_3 + \varepsilon$$

$$Y= 3.767+ 0.323X_I + 0.311X_2+ 0.243X_3 + \varepsilon$$

Customs Cargo Clearance =3.767 + 0.323 Human Resource + 0.311 Risk Management + 0.243 other Stakeholders + ε

Where,

Y= customs cargo clearance

$\beta_0$= Constant (constant coefficient of intercept) y intercept the value of customs performance when the factors under study are zero.

$X_1$= Human Resource Factors

$X_2$ = Risk Management Factors

$X_3$ = Other stakeholders

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$\beta_1$, $\beta_2$, and $\beta_3$ are regression coefficients explaining variables X1, X2 and X3 respectively

$\varepsilon$ =Error term. Other factors affecting customs clearance of cargo at Moi International Airport Mombasa but not included on this study.

$Y= 3.767+ 0.323XI + 0.311X2+ 0.243X3 + \varepsilon$

The customs Cargo Clearance is given by Y, whereby, when the Variables under study are at zero it is 3.767 which is the Y-Intercept in the regression model.

A unit increase in the Human Resource Factor will positively affect the Customs Cargo Clearance by 0.323 or the Cargo Clearance will be improved by 32.3% if there is a unit increase in the Human Resource Factors.

Customs Cargo Clearance will be affected by a unit increment in Risk Management Factor by 31.1%.

A unit increase in other stakeholders' involvement in the clearance influences the cargo Clearance by 0.243, Customs Cargo Clearance will be improved by 24.3%

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# CHAPTER FIVE

## SUMMARY, CONCLUSIONS AND RECOMENDATIONS

### 5.1 Introduction

The following summary, conclusion and recommendations were made from data that was collected and analyzed, based on the following objectives of the study: To find out the extent to which customs human resources affect customs clearance of cargo, to find out the extent to which risk management factors affects customs cargo clearance, to establish the extent to which other stakeholder factors affect customs clearance of cargo and to establish the relationship between the factors and customs cargo clearance.

### 5.2 Summary of findings

#### 5.2.1 Customs human resource factors

From the findings, it was found out that human resource was the most significant variable influencing customs cargo clearance with a unit increase in customs human resource resulting to .323 unit increase in customs cargo clearance. The regression coefficient of customs human resource and cargo clearance was positive ($\beta$=0.323) and significant (p value =0.000) this means that human resource factor is statistically significant. It was further revealed that customs human resource factors enhances customs cargo clearance byensuring that customs staff education, training and experience are maximized to increase customs cargo clearance at Moi International Airport and increases customs cargo clearance because KRA staff are given targets to meet in order to commensurate to the higher amount of cargo cleared at the Airport performance. It alsoestablished that increased number of people understand the role played by KRA staff in customs cargo clearance and the importance of the staff's training, education and experience in cargo clearance.

Human Resource factors had a positive correlation to Cargo Clearance of 0.615 which indicated a moderate positive relationship. P value of 0.000 which is less than 0.001 hence clearly supporting significance of the study

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### 5.2.2 Risk Management Factors

The research findings indicate that risk management factors significant affect customs Cargo Clearance at Moi International Airport as supported by the model by a factor of 0.311 or 31.1%. in,influencing customs cargo clearance with a unit increase led to an increase of 0.311 in cargo clearance. This implies that risk management was statistically significant and has a positive impact on customs cargo clearance. The results further reveals that risk management increases customs cargo clearance because it reduces frequency of risks occurring therefore, reducing cost of cargo clearance, loss of cargo importation or exportation of illegal or prohibited cargo meaning that the level of cargo security as well as quick cargo clearance attributed to the proper laid down risk management factors. Risk can never be eliminated completely andis inherent in all other areas of cargo clearance but can be managed through selection of available riskmanagement techniques for mitigating against importation of illegal, prohibited or hidden items in cargo. The study also showed that importers and exporters are keen on what they import or export so as to be in-line with the laid down risk management policies since there is reduced occurrence of illegal or prohibited items in cargo which call for stern penalties on those caught violating risk management policies of cargo clearance processes (Wood,2015).

Risk Management had a strong positive correlation to the Cargo Clearanceof 0.698 in the Karl Pearson's correlation having a significance of 0.000 denoted by P value of 0.001 which is less than 0.000 this clearly supports the significance of the study.

### 5.2.3 Other Stakeholders

The study found out that, other stakeholders was the least significant factor in influencing customs cargo clearance with a unit increase in other stakeholders leading to a 0.243 increase in customs cargo clearance. The regression coefficient of other stakeholders and customs cargo clearance was positive ($\beta$=0.243) although statistically significant (p value=0.000). The study reveals that for cargo clearance to be a smooth exercise other stakeholders must be actively be involved in the cargo clearance process and both stakeholders should be in constant contact with customs officers in order to ensure that any issues arising from cargo clearance are adequately addressed so as to give importers and exporters ample time in their export or import business so has to have any customs cargo clearance matters quickly solved. The study further established that when appropriatecargo clearance procedures are in line with estimated risk management policies, the required time and effort in mitigating risk is reduced thus more effort is shifted towards faster cargo clearance and assistance of cargo owners to have their cargo in time from the airport.

Using Karl Pearson's correlation, Other Stakeholders had a strong correlation to the Cargo Clearance given by coefficient of correlation of 0.694, showing a strong Relationship between the variables which were statistically significant with ($p<.001$) for variables.

The overall study revealed a strong positive relationship between factors that affect cargo clearance namely human resource factors, risk management factors, other stakeholders and customs cargo clearance. As explained by the positive correlation of R=0.821. In addition, a combination of human resource factors, Risk management factors and other stakeholders factors have 67.3% ($R^2$=0.673) predictive potential for customs cargo clearance. Thismeans 67.3% of variation in customs cargo clearance can be explained by changes in the three studied cargo clearance factors risk. The value of adjusted $R^2$ is 0.666. This reveals that, the factors that affect cargo clearance confirmed only 66.6% of the customs cargo clearance procedure at the Moi International Airport. Lastly from the results of ANOVA the study revealed that the regression model isstatistically significant (p value=0.000) was less than the significant level of 0.05. Thisimplies that better incorporation of factors that affect cargo clearance leads to improved customs cargo clearance procedures.

### 5.3 Conclusions

**5.3.1**The study concludes that human resource factors and risk management factors influences customs cargo clearance the most. Based on findings on the extent to which factors affecting clearance of cargo affect customs cargo clearance, the study, concludes that human resource factors has a huge influence on customs cargo clearance at the Moi International Airport Mombasa. The regression coefficient of factors that affect cargo clearance and customs cargo clearance is positive and significant. The study as well reveals that increased number of people understand the significance of KRA staff in the cargo clearance process and tend to work hand in hand with them so as to ensure faster and smooth cargo clearance process at the airport. Based on findings on theextent to which factors of risk management affect customs cargo clearance at the airport, the study concludes that risk

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management factors do have a significant influenceon customs cargo clearance. The regression coefficient of risk management was positive andsignificant.

**5.3.2** The study further concludes that risk can never be eliminated completely and is inherent in all customs areas but can be managed through selection of available risk management techniques for prevention against Importation of prohibited or illegal cargo through risk control and faster risk detection. Based on findings on the extent to which other stakeholders affects customs cargo clearance, the study concludes that other stakeholders as a factor significantly influences customs cargo clearance and is statistically significant.The study also concludes that when proper risk management policies are followed appropriately and line with estimatedrisk there are fewer illegal or prohibited cargo that are found in violation of the laid down risk management policies and procedures at the airport (Nicola,2014).

**5.3.3**The study also concludes that the regression model was significant.The findings showed that all the three factors that affect cargo clearance were significant in influencing customs cargo clearance and therefore the conclusion of this study is that KRA should adopt in its' customs cargo clearance process, efforts that that bring together all the factorsthat were focused in this study. The study concludes that there is a strong relationship between factors that affect cargo clearance and customs cargo clearance process at the Moi International Airport as explained by coefficient of determination, $R^2 = 0.673$ indicating that 67.3% of variationin Customs cargo clearance can be explained by changes in the three studied factors that affect cargo clearance .The study finally concludes that the remaining 32.7% can be explained by moderating variables when a further research is conducted incorporating them.

## 5.4 Recommendations

Based on the study findings and conclusions on factors affecting customs cargo clearance the study recommends that for customs cargo clearance to be a smooth and quick exercise, human resource factors such as experience, level of education and training of all stakeholders involved in customs cargo clearance is of great significance since experience in customs cargo clearance assists all stakeholders to avoid past mistakes or minor mistakes that usually occur when an individual is inexperienced.The study also recommends that staff continuous training on the current global trends on customs cargo clearance will equip customs officers and other

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stakeholders on modern cargo clearance processes hence eliminate instances of delays in cargo clearance, loss of cargo as well as damage of cargo while being stored.

The study recommends that the KRA should ensure that all its scanners are in good condition and working so as to enhance the implementation of the laid down risk management policies at the airport. The study further recommends that the use of cargo scanners should not only be used as a risk management tool but as a means of faster cargo clearance since it doesn't involve a lot of human intervention when it comes to cargo examination this will result in quicker cargo clearance thus saving importers and exporters storage charges that they incur while awaiting their cargo to be cleared.

Customs cargo clearance is a procedure that is not undertaken by only KRA customs staff in isolation but it involves other stakeholders, therefore, the study recommends that active participation and mutual involvement of all the stakeholders such as clearing agents, police, the KAA staff and the airlines will create conducive environment for better, faster and smooth customs cargo clearance, this shall only be achieved by having monthly or quarterly meetings between the stakeholders which shall be used to raise any concern or query regarding customs cargo clearance at the airport.

## 5.5 Areas for further Studies

The current study was on factors affecting customs cargo clearance at theMoi international Airport Mombasa, but never studied on other variables that affect cargo clearance at the Airport. Future studies may undertake a similar study but incorporate other variables such as the use of Technology in cargo clearance, Human resource management factors in customs cargo clearancein order to better the level of variation in customs clearance and learn what the study will conclude.

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## LIST OF APPENDICES

### APPENDIX II: QUESTIONNAIRES

Dear Respondent, My name is Kelvin MakoriKibagendi. I am a student at the Kenya School of Revenue Administration (KESRA) Mombasa Campus, currently carrying out a study for the purposeof writing a research project as a requirement for the award of Post Graduate Diploma in Customs Administration.The research topic is FACTORS AFFECTING CUSTOMS CLEARANCE OF CARGO AT THE MOI INTERNATIONAL AIRPORT MOMBASA. You have beenrandomly chosen to participate in this study because of the importance of your information and you are politely requested not to write your name anywhere on this questionnaire. The information you volunteer will only be used for the purpose of this study and will be treated with strict confidentiality.Please feel free and answer all the questions honestly. Thank you in advance for your cooperation.

**INSTRUCTIONS:**

Please tick where appropriate.

After completing the Questionnaire, kindly return them at any of the Kenya Revenue Authority offices located at the Freight Terminal or the one at the Passenger Terminal.

This research work is intended to explore the general overview of the **FACTORS AFFECTING CUSTOMS CLEARANCE OF CARGO AT THE MOI INTERNATIONAL AIRPORT MOMBASA.** Kindly provide answers to the following questions against the most suitable alternative. (Responses will be treated with utmost confidentiality).

### SECTION A: DEMOGRAPHIC INFORMATION

i. Highest level of Education and training attained?
Certificate { } Diploma { } Bachelor's Degree { } Master's Degree { }

ii. Which of the following cadres do you belong to?
Clearing Agents { } KAA staff { } KRA Customs { } Police { }

iii. Working experience in years
0-10 years { } 10-20 years { } 20-30 years { } above 30 years { }

### SECTION B. Human Resource Factors

Human resource factors are all human qualities that an individual must possess in order to perform a specific task or assignment, these include staff education, experience and motivation

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**How does, customs human resources affect cargo clearance at Moi international Airport?**

**5= Strongly Agree, 4= Agree, 3= Neutral, 2=Disagree, 1= Strongly Disagree**

| | **PARAMETERS** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| B1 | The staff attendance to Customs technical training has improved customs cargo clearanceat Moi international Airport | | | | | |
| B2 | Customs officers' experience in customs cargo clearance has enhanced customs cargo clearance at Moi international Airport | | | | | |
| B3 | Customs officers' level of education has enhanced in customs cargo clearance at the airport | | | | | |
| B4 | Motivation of the customs officers positively affects the customs cargo clearance at the airport. | | | | | |
| B5 | There is adequate Number of customs officers at the airport to facilitate effective cargo clearance at the airport | | | | | |

**SECTION C: Risk Management Factors**

Risk management factors are strategies that must employed in order to protect the customs revenue from risks such as concealment of items in cargo, underpayment of customs duties among other risks that arise as result of customs cargo clearance at the airport.

**What is the extent to which risk management factors affect customs clearance of cargo at Moi International Airport?**

**5= Strongly Agree, 4= Agree, 3= Neutral, 2=Disagree, 1= Strongly Disagree**

| | **PARAMETERS** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| C1 | The use of cargo scanners has improved customs cargo clearance at the airport | | | | | |
| C2 | The number of scanners at the airport has led to efficient customs cargo clearance at the airport | | | | | |
| C3 | Scanners have greatly assisted in detection of concealed items in cargo during customs cargo clearance at the airport | | | | | |
| C4 | The green and red channel at the airport has enhanced faster customs cargo clearance | | | | | |
| C5 | The green and red channel system has increased the detection of restricted and prohibited items in customs cargo clearance | | | | | |

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## SECTION D: Other Stakeholders

Stakeholders are an alliance of individuals or organizations that get involved in matters concerning cargo clearance, no single individual can handle the task of cargo handling minus the other person hence the term stakeholders, **To what extent do other stakeholders affect customs clearance of cargo at Moi International Airport?**

**5= Strongly Agree, 4= Agree, 3= Neutral, 2=Disagree, 1= Strongly Disagree**

| | **PARAMETERS** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| D1 | There is adequate number of customs clearing agents at the airport to facilitate effective customs cargo clearance | | | | | |
| D2 | Customs clearing agent's efficiency affects customs cargo clearance at the airport | | | | | |
| D3 | The airlines have adequate number of personnel enhance customs cargo clearance at the airport | | | | | |
| D4 | The airlines' efficiency at the airport has enhanced customs cargo clearance | | | | | |
| D5 | The KAA cargo handling facilities has facilitated quicker customs cargo clearance at the airport. | | | | | |

## SECTION E: CARGO CLEARANCE

Customs clearance is an exercise performed by customs officers to ensure that in-coming or outgoing international cargo is in compliance with the country's laws and regulations.

**5= Strongly Agree, 4= Agree, 3= Neutral, 2=Disagree, 1= Strongly Disagree**

| | **PARAMETERS** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| E1 | The human resource factors have enhanced the 100% cargo examination method at the airport. | | | | | |
| E2 | The use of human resource factors have led to the partial customs cargo examination method that increases customs cargo clearance at airport | | | | | |
| E3 | The use of risk management factors have led to the sight and release method of customs cargo examination that enhances customs cargo clearance at the airport | | | | | |
| E4 | The presence of other stakeholders at the airport has facilitated faster customs cargo clearance at the airport | | | | | |
| E5 | The other stakeholders' storage facilities have facilitated customs cargo clearance at the airport. | | | | | |

**END OF QUESTIONNAIRE**