

**FACTORS AFFECTING THE CUSTOMS VALUATION PROCESS BY
THE KENYA REVENUE AUTHORITY AT THE PORT OF MOMBASA**

REUBEN FELIX OCHIENG

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE POST GRADUATE DIPLOMA IN
CUSTOMS ADMINISTRATION OF THE JOMO KENYATTA
UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

2022

DECLARATION

This research project is my original work and has not been presented for any award in any other academic or non-academic institution.

Signature

Date.....

REUBEN FELIX OCHIENG ONYANGO

HDB335-C0160-4456/2016

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

Signature

Date.....

BERNARD MUMIA (CPA-K, MINCU)

LECTURER,

JKUAT, Kenya

DEDICATION

I dedicate this research project to my wife Maureen and children Jannes and Meryln.

AKNOWLEDGEMENT

First and foremost I thank God for showeirng with His grace and the gift of life to be able to complete this research project. Secondly I want to thank my parents Mr.& Mrs Ochieng for raising and providing for me. I owe them a lot especially for their perserverance and unwavering support.I would like to thank my wife Maureen Atieno Otieno, my son Jannes Lonney Onyango and my daughter Meryln Queen Onyango for bearing with me during this period when I was busy completing this research project. I would also like to thank my employer the Kenya Revenue Authority for supporting me towards completion of this project. I thank the KESRA fraternity for their guidance especially my supervisor Mr. Benn Mumia for taking his time to go through this work to ensure it is perfect. Lastly I want to thank my colleagues, fellow students, friends and all those who made this work possible.

.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF APPENDICES	ix
LIST OF FIGURES	x
LIST OF TABLES	xi
ABBREVIATIONS	xii
DEFINITION OF TERMS	xiii
ABSTRACT	xiv
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background to the Study.....	1
1.2 Statement of the Problem.....	5
1.3 Objectives of the Study.....	6
1.3.1 General Objective:	6
1.3.2 Specific Objectives:	6
1.4 Research Questions	7
1.5 Significance of the Study	7
1.5.1 Practitioners	7
1.5.2 Policy makers.....	7
1.5.3 To Academicians and Researchers	8
1.6 Scope of the Study	8
1.7 Limitations of the Study.....	8
CHAPTER TWO:	9
LITERATURE REVIEW	9

2.1 Introduction.....	9
2.2. Theoretical literature Review.....	9
2.2.1 Technology Acceptance Theory	9
2.2.2 Expectancy Theory of Motivation	10
2.2.3 Economic Deterrence Theory	10
2.3 Conceptual Framework.....	12
2.4 Review of Variables.....	12
2.4.1 Valuation Database	12
2.4.2 Capacity Building	14
2.4.3 Enforcement procedures	15
2.4.4 Customs Valuation Process	16
2.5 Empirical Review.....	18
2.6 Critique of the Existing Literature	19
2.7 Research Gaps.....	20
2.8 Summary	20
CHAPTER THREE:.....	21
RESEARCH METHODOLOGY	21
3.1 Introduction.....	21
3.2 Research Design.....	21
3.3 Target Population.....	21
3.4 Sampling Frame	22
3.5 Sampling Size and Sampling Techniques.....	22
3.6 Data Collection instruments.....	23
3.7 Data Collection procedures.....	23
3.8 Pilot Study.....	23
3.8.1 Validity	24
3.8.2 Reliability.....	24

3.9 Data Analysis and presentation.....	24
CHAPTER FOUR:	26
RESEARCH FINDINGS AND DISCUSSION.....	26
4.1 Introduction.....	26
4.2 Response Rate.....	26
4.3 Pilot Study Results.....	26
4.3.1 Validity Results.....	26
4.3.2 Reliability Results.....	27
4.4 Demographic Analysis.....	28
4.4.2 Level of Education.....	28
4.4.3 Level of Service.....	28
4.5 Descriptive Analysis.....	29
4.5.1 Valuation Database.....	29
4.5.2 Capacity Building.....	30
4.5.3 Enforcement procedures.....	30
4.5.4 Customs Valuation Process.....	31
4.6 Correlation Analysis.....	32
4.6.1 Karl Pearson’s Correlation.....	32
4.7 Regressions Analysis.....	33
4.7.1 Coefficient of Determination (R^2).....	33
4.7.2 Analysis of Variance.....	33
4.7.3 Multiple Regression Coefficients.....	34
CHAPTER FIVE:	36
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	36
5.1 Introduction.....	36
5.2 Summary of Findings.....	36
5.2.1 Valuation Database.....	36

5.2.2 Capacity Building	36
5.2.3 Enforcement procedures	36
5.3 Conclusions.....	37
5.4 Recommendations.....	37
5.5 Areas for Further Research	38
REFERENCES.....	39
APPENDICES	45

LIST OF APPENDICES

APPENDIX I: LETTER OF INTRODUCTION	45
APPENDIX II: DATA COLLECTION INSTRUMENT	46
APPENDIX III: WORK PLAN	49
APPENDIX III: BUDGET	50

LIST OF FIGURES

Figure 2.1: Conceptual Framework	12
--	-----------

LIST OF TABLES

Table 3.1: Target Population.....	21
Table 3.2: Sample Size	23
Table 4.1: Response Rate.....	26
Table 4.2: KMO & Bartlett Test	27
Table 4.3: Cronbach Alpha	27
Table 4.4: Level of Education.....	28
Table 4.5: Length of Service for the respondents	28
Table 4.6: Descriptive Statistics for Valuation Database	29
Table 4.7: Descriptive Statistics for Training of Valuation Officers.....	30
Table 4.8: Descriptive Statistics of Understaffing of Valuation Department.....	30
Table 4.9: Descriptive Statistics for Customs Valuation	31
Table 4.10: Karl Pearson's Correlation	32
Table 4.11 Model Summary	33
Table 4.12 ANOVA	34
Table 4.13 Regression Coefficients	34

ABBREVIATIONS

ACV	Agreement on Customs Valuation
BDV	Brussels Definition of Value
CVA	Customs Valuation Agreement
EAC	East African community
GATT	General Agreement on Tariff Trade
IMF	International Money Fund
OECD	Organization for Economic Cooperation and Development
TV	Transaction Value
TVM	Transaction Value Method
WCO	World Custom Organization
WTO	World Trade Organization
CIF	Cost Insurance Freight

DEFINITION OF TERMS

- Capacity Building:** Refers to the process of developing or acquiring skills, competencies, tools, resources required to improve the performance of an organization (World Customs Organization, 2021).
- Customs Enforcement procedures:** Means the process of ensuring all Customs procedures including valuation have been complied failure to which sanctions are meted out (World Customs Organization, 2012)
- Customs Agent:** Refers to any person or entity licensed by Customs Administrations to act or represents importers or exporters in carrying out Customs clearance and logistics (KRA,2021)
- Customs Valuation:** Customs valuation is a customs procedure applied to determine the customs value of imported goods (Lubick, 2012)
- Training:** A deliberate attempt by the management of an enterprise to sensitize and develop employees' skills and competences through relevant programs (Noe, 2010)
- Valuation database:** Is a risk assessment tool used by Customs Administrations to verify the accuracy of declared Customs value of imported goods (WCO, 2012)

ABSTRACT

Customs Valuation is one of the most important process in importation of goods. Failure to undertake the process prudently often leads to loss of much needed government revenue, distortion of statistics and hampers trade facilitation due to delays. This study sought to establish the factors that affect the Customs Valuation process by Customs agents at the port of Mombasa. The research study had the following specific objectives to determine how the valuation database affects the customs valuation process at the port of Mombasa; to establish how capacity building affects the Customs Valuation process at the port of Mombasa and lastly to assess the effect of enforcement on the Customs Valuation process by the Kenya Revenue Authority at the port of Mombasa. The Expectancy theory, the technology determinism theory and the manning theory formed the basis of the study. A descriptive research design was adopted. The population consisted of all the 300 Customs Officers working at the port of Mombasa. The Sample size of 169 was determined using the Slovin's formula. The main data collection instrument adopted for the study was the questionnaire which was self-administered. Validity and reliability were measured using the KMO & Bartlet Test and the Cronbach alpha respectively. Data was analyzed both descriptively and inferentially and presented in tables. The findings of the study revealed that all the variables of the study had a significant positive effect on Customs valuation process at the port of Mombasa. The study recommended that information technology should be used more in the customs valuation process, capacity building should be continuous so as to give insights to the current happenings in world of Customs valuation and lastly it was recommended that enforcement procedures should be heightened but simplified so as not to impact negatively on trade facilitation.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Customs valuation is the process where Customs authorities assign a monetary value to a good or service for the purposes of import or export. Customs valuation is a Customs procedure applied to determine the Customs value of imported goods. If the rate of duty is ad valorem, the Customs value is essential to determine the duty payable on an imported good (World Trade Organization, 2015). Kenya is a member of the World Trade Organization, which is a major milestone in the trade history of the nation. The membership implies that the country abides by WTO regulations on imports and exports. Some of the set regulations and policies include Customs principles, trade integration, and custom tariffs calculation based on international commitments.

Previously, many Customs officers in different nations have relied on three methods for calculation of import and export taxes. One method involves tax that based on the quantity of the goods, which can be in volume and weight (Colesky, 2016). The second method involves tax that depends on a percentage of the goods value. Finally, the third method involves a hybrid method, which is a combination of the first two methods. The first method of tax calculation is considered complex process due to the fact that heavy or bulky items may end up being taxed much more through the process. The second method that uses the goods value is considered by many as the fairest and convenient method in tax valuation. A fair Customs valuation should ensure that inexpensive goods are charged less tax compared to the expensive items. Moreover, such a method ensures that business organizations can easily compute their tax and profit margins. The valuation method also ensures that the government can estimate the tax revenues based on total value of imports and exports.

Most nations today use a defined formula for calculation of taxes based on value of goods (Total payable tax= Good's value x tax rate). Subsequently, the tax payable amount depends on the changes of goods value and tax rate. Such a situation can bring about conflict of interest when one considers that it the state that determines the value of goods and the tax rate. Consequently, many nations within WTO follow the General Agreement on Tariff and Trade- GATT in the computation of custom tax (Le, Nayyar & Rots, 2018). GATT valuation procedure depends on the actual value of goods imported into the country. The tax administrator in every nation must ensure a balance between the interests of the state and the business community. Subsequently, the process of Customs valuation must be seen to be fair and effective for all stakeholders. Valuation, in Kenya, is dependent on a valuation data that draws from the existing cost of a similar or same product in the market. If that product does not exist in the market, it poses a challenge.

Customs valuation can be determined on the basis of the transaction value, the transaction value of identical goods, the transaction value of similar goods, the deductive value method, the computed value method and the Fall back method (World Customs Organization, 2015). Adherence to the valuation agreement is important for U.S. exporters, particularly to ensure that market access opportunities achieved through tariff reductions are not undermined or negated by unwarranted and unreasonable “uplifts” in the Customs value of goods to which tariffs are applied. The use of arbitrary and inappropriate “uplifts” in the valuation of goods by importing countries when applying tariffs can result in an unwarranted doubling or tripling of duties.

The Valuation Agreement is administered by the WTO Committee on Customs Valuation, which holds two formal meetings a year. The Valuation Agreement also established a Technical Committee on Customs Valuation, which operates under the auspices of the World Customs Organization (WCO), with a view to ensuring, at the technical level, uniformity in

interpretation and application of the WTO Valuation Agreement. The Technical Committee also meets twice a year. As noted, the Valuation Agreement was initially negotiated in the Tokyo Round, but at that time its acceptance was voluntary. The achievement of universal adherence to the Valuation Agreement as part of membership in the WTO, which occurred in the Uruguay Round was an important objective of the United States (US Trade Representative, 2014).

Customs formalities and measures play an important role in international trade and in business transformation. Harmonization of Customs legislation within the EU is virtually complete, and various chapters of Customs legislation, such as those pertaining to Customs valuation and the origin of goods, have been standardized around the world. There are nevertheless fundamental differences in the interpretation of these rules, both inside and outside the EU. With the Union Customs Code (Regulation (EU) No 952/2013) entering into force on 1 May 2016, also new rules have been introduced on EU Customs valuation. These rules are important in order to calculate the total amount of duties and levies upon the import of goods into the EU (for example import- and anti-dumping duties) (Mooring, 2019).

Customs valuation in the East African region is integral to the trade integration process. Subsequently, the nations within the region have established a Customs union protocol that ensures taxes levied on imports are in tandem with each other. The tariff schedule within the East African Community has an impact on the domestic prices of the goods. Customs valuation within the region impacts on the economies and is therefore, carefully regulated. The Customs union in the East African region requires a progressive reduction and elimination of the tariffs on the goods imported among member nations. On the other hand, locally Customs valuation in Kenya follows the regional and WTO guidelines including GATT. Such guidelines ensure traders in Kenya are fairly taxed (Le et al., 2018).

According to the authorities, Customs valuation rules are based on the provisions of the EAC Customs Management Act, which are aligned on the WTO CVA (Common Report, section 3.1.2). Customs duties are assessed on the C.I.F. value of goods. Although import insurance is not mandatory, a surcharge of 2% of the f.o.b. value of goods is added to the dutiable base in absence of insurance costs. For conversion purposes, KRA uses the selling exchange rate notified by the Central Bank of Kenya at the time it approves the Customs declaration.

KRA maintains a database of reference values constituted from previously accepted transactions. The database is used only for risk management purposes, according to the authorities. The valuation of used cars is based on retail selling prices assessed by KRA. They are updated twice annually. KRA derives its selling prices from the retail price of vehicles of the same model or similar models on the domestic market, adjusted for profit margins and depreciation. The depreciation rates range from 5% for vehicles of less than 6 months old to 70% for vehicles aged between 7 and 8 years.

Sagas (2015) did an assessment of the impact of electronic tax register on revenue collection by Kenya Revenue Authority western region, Kenya. Findings from their study indicated that 75% of the respondents were of the opinion that ETR machines have helped to curb cases of tax evasion 86% of the respondents were of the opinion that ETRs have helped increase revenue collection due to their efficient nature. (Wang'ombe, 2009) did a study on the revenue productivity and some administrative factors of the Kenyan tax system for the period 2001–2008. The result of this study came up with buoyancy estimates of the total tax system as 1.26 while elasticity was 1.27. The study thus concluded that the tax system in general was both elastic and buoyant implying that tax reforms had greatly improved productivity. Discretionary tax measures had a very small effect on tax productivity implying improved efficiency.

Over the years KRA has been surpassing targets as set by the Ministry of Finance. The only exception is in 2008 which was largely because of the effects of post-election violence. In 2010, revenue collections translated into 9% of the previous year's collection. This meeting of targets can be attributed to various revenue enhancement measures that have been put in place such as internal controls, internal and client audits, border patrols, authorization and segregation of duties. However, there is still room for improvement by KRA in performing its mandate as a revenue collector. There are some areas where manual accounting is practiced and there is an urgent need to computerize the areas if revenue leakages are to be minimized.

1.2 Statement of the Problem

Customs valuation practices are subject to the WTO Agreement on Customs Valuation (ACV), which mandates that the Customs value of imported goods, to the greatest extent possible, should be the transaction value, that is, the price paid or payable for the goods. Valuation fraud is frequently reported as a major problem in developing countries, and many of them still find that implementing the ACV presents one of the most challenging aspects of Customs work. Valuation work is practically difficult in some countries in which the reliability of commercial invoices tends to be poor, and where trade undertaken by the informal sector and in second-hand goods is significant (Wulf & Sokol, 2011).

Customs valuation in Kenya is based on the price actually paid or payable for the imported goods. The imported goods may be liable to import duty, value added tax, excise duty and any other applicable levies, when the allowable limits are exceeded. Customs duties are paid at the appointed banks or through mobile banking platform after the generation of an electronic payment slip. Banks are located within the terminals. The basic problem comes in to being if the base for valuation is not fair and neutral system that treats every importer equally; otherwise, the importers face many challenges. It should not be arbitrary or fictitious custom value if KRA wants to provide greater uniformity and certainty. Custom valuation

should be based on simple and equitable criteria consistent with commercial practices. From time to time importers showed their distressed.

Mutema (2013) examined customer service delivery at the Customs and Border Protection (CBP) Department. The respondents included various Customs staff and clearing agents. The study found that the main tasks of customer service in Customs services department involve processing of declarations, release of cargo resolving public complaints and provision of focused taxpayer education. Findings indicated that service delivery in the department had not been satisfactory because of poor working conditions and unfriendly customer attitudes. The study however, did not address customer service delivery as a strategic objective of KRA. However, partnerships were not studied, although these are strongly recommended by the WCO, as recommended in the WCO Customs-Business Partnership Guide (WCO, 2015). As explained, importers complain for different reasons related to Customs valuation at the port of Mombasa. Therefore, the main purpose of this study is to investigate the factors affecting Customs valuation at the port of Mombasa.

1.3 Objectives of the Study

1.3.1 General Objective:

To investigate the factors affecting the Customs valuation process at the port of Mombasa.

1.3.2 Specific Objectives:

The study will be guided by the following objectives:

- i. To determine the effect of the valuation database on Customs valuation process by the Kenya Revenue Authority at the port of Mombasa.
- ii. To determine the effect of capacity building on Customs valuation process by the Kenya Revenue Authority at the port of Mombasa.
- iii. To determine the effect of enforcement procedures on Customs valuation process by the Kenya Revenue Authority at the port of Mombasa.

1.4 Research Questions

The researcher will seek to respond to the following research questions while carrying out the research:

- i. How does the valuation database affect Customs valuation by the Kenya Revenue Authority at the port of Mombasa?
- ii. How does Capacity building affect Customs valuation by the Kenya Revenue Authority at the port of Mombasa?
- iii. How does enforcement affect Customs valuation by clearing and forwarding agents at the port of Mombasa?

1.5 Significance of the Study

1.5.1 Practitioners

Those who practice Customs valuation include Customs authorities, Customs agents, Port Authorities, Standards bodies and other Partner Government Agencies will greatly benefit from this study in terms of insight and resource allocation.

1.5.2 Policy makers

In view of the importance of valuation to the correct assessment and application of Customs duty, due concern should be given to collect revenue. Custom valuation is fundamental in calculating Customs duties which are a basic source of revenue for the government in the form of tax and duty compared to developed countries which is for control purpose than revenue. This study is beneficial to the government and the Kenya Revenue Authority to enable them plan and balance between the various factors affecting the Customs Valuation process.

1.5.3 To Academicians and Researchers

The study will add to existing knowledge in Customs and Valuation as a discipline. The study will be used by future scholars as a reference in Customs. The research findings will be useful for further research.

1.6 Scope of the Study

The study will focus on the factors affecting Customs valuation at the port of Mombasa. The study will be limited to custom valuation practice and its impact on Kenyan importers. It is not the intention of this paper to study the general custom valuation system and Customs modernization rather it focuses on the Customs valuation at the port. The population of the study will comprise of Customs officers working at the port of Mombasa.

1.7 Limitations of the Study

There was some reluctance in filling questionnaires among some of the respondents They may be afraid to elaborate on the explanations sought in the questionnaires because of fear of being victimized if they give negative information about Customs valuation.

Some of the respondents may be resistant in answering some questions for fear of victimization by the employer. However, the researcher will have to convince them that the study is purely for academic purposes and that the findings will be kept confidential and not used in any way against them. Some of the correspondents may not understand the questions posed on them and may end giving responses that are not in line with the questions being posed to them. In prevention of this, the researcher will go out of line administering questionnaires that will preferable be filled there and then clarifying any queries in regards to the queries that will arise over the same.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will examine the literature and investigate theories related to Customs valuation at the port of Mombasa, a review of past studies by different authors on the study topic and finally the conclusion from literature review. It will also show the conceptual framework of the study that displays the relationship between variables.

2.2. Theoretical literature Review

For the purpose of this study, three theories on the factors affecting Customs valuation at the port of Mombasa will be reviewed to form its conceptual basis. They include; expectancy theory of motivation, technology acceptance theory and Manning theory.

2.2.1 Technology Acceptance Theory

The use of information technology continues to permeate and dominate different facets of business operations. Subsequently, Davis in 1986 came up with a model that would help explain the uptake of technology use in different organizations. Subsequently, the theory helps explain the logic behind the use of technology by individuals in different setups (Smulders et al., 2016). The technology acceptance model brings out the logic for the use of technology by different individuals. Individuals come across different information technology platforms and their acceptance is critical for the success of the platforms. The external factors that influence technology acceptance include attitude and belief. Similarly, the exposure one has to technology determines their likelihood of accepting the technology.

People who have come across technology from their peers are more likely to accept the new technology. Once they interact with peers using the technology they can determine the ease of using the technology. In addition, other factors contribute to acceptance including social and cultural factors. Furthermore, the individuals using the technology can determine the

usefulness of the technology from their peers and choose to accept or reject the theory. In this regard, the theory is applicable to the current research as it can answer the question: How does the availability of valuation database affect valuation of products at the port of Mombasa? It is essential to incorporate the theory as it can help determine the role of valuation database in the customs valuation of products at the port of Mombasa.

2.2.2 Expectancy Theory of Motivation

According to the research undertaken by Vroom in 1964, the effort put by an employee is consistent with the expected reward. Besides, the connection between individual and organization values is directly linked with the effort employed. A motivated employee will seek a fair agreement and will work based on the perceived effort needed and time. Subsequently, the theory states that employees will naturally be industrious on a particular activity if they have the required skills and their effort becomes rewarded in a commensurate method (Hsiu-Li et al., 2011).

Similarly, the theory introduces the concept of valence where emotional orientations of the employee are linked to the rewards expected from employment. Subsequently, the level of want that exists for a particular reward is associated with valence. The theory promotes the idea that management in an organization should identify the things that motivate the employees and provide such benefits. The expectations of the employees are different since they have different expectations driving them forward. The theory is applicable to the research as it correlates to the independent variable of training and staffing levels. The theory will help answer the question: How does capacity building affect the Customs valuation process by the KRA at the port of Mombasa?

2.2.3 Economic Deterrence Theory

According to Allingham and Sandmo (1972) the theory of economic deterrence theory postulates that the compliance behavior of taxpayers is largely influenced by the benefits to

be derived and or the costs to be incurred in tax evasion activities vis a vis the enforcement actions likely to be meted out by the tax authorities if detected or caught. Sandmo (2005) further states that punitive enforcement actions which may include stiff penalties, fines, prosecution and others will often attract high compliance behavior among taxpayers. Conversely, low penalties coupled with feeble enforcement activities such as absence of routine checks, poor document verification, lack of patrols and poor border control will often result in high tax evasion. Evidence

According to Franzoni (2019) many Customs and Tax administrations have implemented the tenets of this theory to deter tax evasion by legislating and imposing hefty fines and other sanctions for tax evaders. This theory is relevant in this study as it helps elucidate the relationship between enforcement and Customs valuation. It gives the general direction which insinuates that Customs Enforcement procedures may have a positive effect on Customs valuation of imported goods at the port of Mombasa.

2.3 Conceptual Framework

Kothari and Gaurav (2014) view a conceptual framework as a diagrammatic representation of the relationship between the main variables in the study.

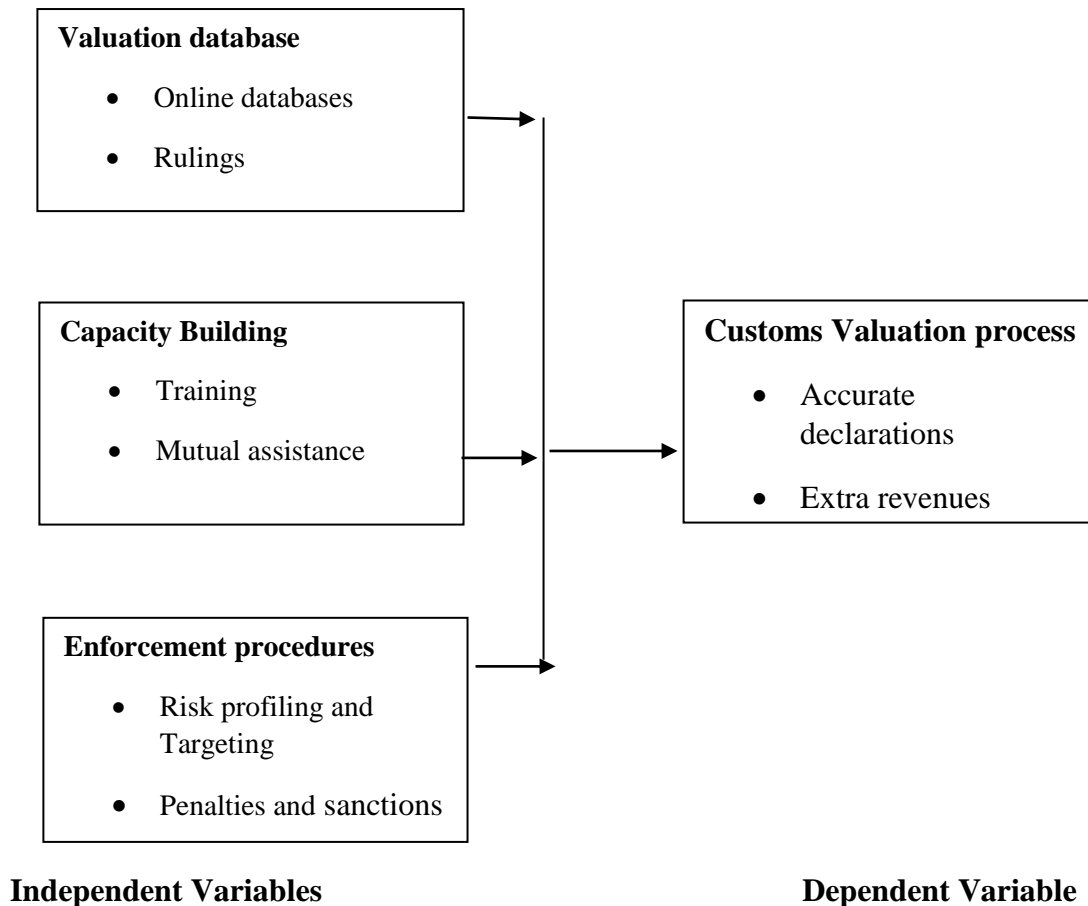


Figure 2.1: Conceptual Framework

2.4 Review of Variables

Scrutinizing the review of variables, the study will examine into the factors affecting Customs valuation at the port of Mombasa.

2.4.1 Valuation Database

According to Shirsavar and Shirinpour, (2017) a valuation database is a tool for assessing risks. It is normally put in place by Customs enhance administrations to counter incidences of Customs valuation fraud. Customs valuation risks often lead to low revenue performance. According to International Chamber of Commerce (2015) developed countries may not suffer

much from incidences of as developing countries because the latter are most frequently faced with limited technical capacity to put in place robust mechanisms and systems to detect and deal with valuation fraud. It is often argued that the existence of a valuation database will enhance trade facilitate to a great extend especially by speeding up the valuation process.

ICC (2015) further contends that countries that use valuation databases are mostly emerging or developing countries because they are very much dependent on revenue from Customs duties unlike the development countries which generate most of their incomes from domestic taxes. The informal sector also forms a big chunk of these countries imports therefore incidences of unreliable and fraudulent documentation are rife. Hence a justification for the use of a valuation database as a risk assessment tool. This however has its own challenges as evidence suggests that it may lead to deviation from the provision of WTO Agreement on Customs Valuation.

Valuation databases may be manual or electronic. The choice of which system to use is as the behest of the Customs Administration. The rationale for establishment of a valuation is anchored in article 10 of the World Trade Organisation Agreement on Customs Valuation which states that Customs Administrations have the right satisfy themselves of as to truthfulness, correctness and accuracy of the declared values. According to the WCO guidelines on the development and use of a national valuation database, Customs administrations have the discretion as to which members of staff will have access to the database. As a general rule importers and Customs agents usually have no access to the valuation database so as to encourage transparency.

According to WCO (2019) India set up its Customs Valuation database project in 2004 from scratch according its own requirements with technical assistance from the World Customs Organization. The Indian system obtains data from the Customs clearing system on a daily

basis. The Indian experience was so successful that it began assisting other countries in setting their valuation database. One of the beneficiaries is Kenya, which implemented its National database in 2009 with technical assistance from India and the World Customs Organization. Evidence suggests that owing to the implementation of the system compliance levels have been enhanced. Theoretical implications postulate that valuation database will enhance the Customs valuation process and enhance compliance.

2.4.2 Capacity Building

Capacity building is implemented by most entities whether trading or non-trading including governments and its agencies on the premise that its meant to increase productivity and promises higher levels of organizational performance. In a more general context Mehdi (2015) defines capacity building as a methodological and all-inclusive approach that includes training, development, knowledge management so as to continuously improve individual and organizational competencies and capabilities. The World Customs Organization on the other hand narrows the definition to the Customs context and defines it as Capacity Building as those deliberate ventures undertaken by an organization to improve and or transform competences, skills and abilities of employees with the overall aim of fulfilling its mission and strategic goals (Halloway, 2008).

According to Widdowson (2008) successful implementation of Customs valuation process as well as other Customs interventions, projects, reforms and modernization among others, capacity building has been identified as a key component and process. Most Customs administrations in emerging economies often face challenges of technically qualified personnel who can deal with complexities of international trade which include Customs valuation hence the need for capacity building.

Malone (2002) contended that Capacity building must be applied to both the individuals and the institution and that actual capacity building in the field of Customs valuation actually

requires considerable level of technical assistance. According to WCO (2019) the key instrument and tools available for capacity building for members' focus on five areas which include strategic support advisory and delivery, human resources, integrity, stakeholder engagement and gender equality. The Kenya Revenue Authority is a member of WCO and therefore may benefit from any technical assistance offered in the aforementioned areas. The World Customs uses a regional approach in its Capacity Building strategy with member nations organized into regions which include Regional Office for Capacity Building and Regional Training Centers. Kenya belongs to the East and Southern Africa region and hosts the Regional Office for Capacity Building and also has one of the four Regional Training Centers (RTC).

DeCorby-Watson (2018) concluded that Capacity building interventions are able to transform individual attitudes, skills, knowledge and also influence behavioral change in organization. They also observed that overall Capacity building does enhance outcomes of work which is consistent with theoretical implications which suggest that positive correlation between Capacity building and performance. This study shall endeavor to elucidate the relationship between Capacity building and the Customs valuation process at the port of Mombasa.

2.4.3 Enforcement procedures

Customs authorities globally are charged with the duty of securing land borders, sea ports, airports, frontiers and any other entry or exit points to ensure that all goods, people and means of conveyances whether for import, export or transshipment comply with Customs laws and regulations as well as other legislation and ratified international treaties and laws. Failure to comply with Customs laws and procedures is usually met with enforcement action in form of penalties and other sanctions (De Wulf, 2015).

Enforcement procedures may be encompassing activities such as risk profiling and targeting, intelligence gathering and analysis, patrolling, surveillance, physical controls, verification,

offences management, penalties and sanctions among other things. While performing these procedures Customs authorities may use enforcement tools such as systems, databases, networks, smart gates, scanners and others. In matters of the Customs valuation process enforcement procedures usually start with profiling and targeting of grossly undervalued consignments which may sometimes take many days to resolve (WCO, 2021).

2.4.4 Customs Valuation Process

Standard custom valuation contributes in time saving during valuation. The time spent to clear imported goods is the concern of every importer. This is because of the costs associated with storage cost at custom, demurrage to be paid and sales lost if not cleared out on time. Reducing the time requirement for clearance depends on custom valuation of goods and affects the movement of goods at port or custom office. Uniform international trade is facilitated through Custom valuation. Sherman and & Glashoff (2013) explained the advantage of uniform valuation rate of duty and value of goods. “Rates of duty are typically established on an ad valorem base (ad valorem is Latin for ‘on the value’)-for example, a 10% on the value of goods”. It thus becomes necessary to establish the value of the goods in order to determine what duty to assess. Some articles have a well-established commercial value in particular markets, but more often the proper price or value is very uncertain. Price varies from time to time, from place to place, from brand to brand, and also according to the quantity purchased and many other factors, including such considerations as how long the parties have been doing business with each other (Sherman & Glashoff, 2013).

Customs valuation is a major feature, and concern, of modern Customs tariff systems. It is important not only for the assessment of Customs duties, whether for purposes of generating revenue or as a means of encouraging and protecting domestic industry but is also a significant element in a variety of other aspects of international trade such as trade facilitation, statistics, taxes and other charges levied at importation as well as in the

application of preference systems (EAC Custom Valuation Manual, 2010). Custom valuation contributes also for trade facilitation. Harmonized system is a base for standardized valuation to achieve facilitated trade system. World Trade Organization (2012) states that a unique feature of the harmonized system was to be used as the basis for Customs tariff as well as international trade statistics nomenclatures. It was widely recognized that, in addition to the benefit of trade facilitation and analysis of trade statistics, adoption of the harmonized system would help ensure greater uniformity among countries in Customs classification and enhance their ability to monitor and protect the value of tariff concession in GATT (WTO, 2012).

Custom valuation provides initial control benefits. According to East African Community (EAC, 2010) custom valuation manual the benefits of custom valuation is “viewed as it gives initial control to confirm whether the declaration of value has been completed fully and correctly, the required supporting documents are appended thereto, the details of the declaration of facts about the value correspond to the supporting documents, the entry is subject to any Customs rulings, the declared value is realistic in the light of the commercial practices of the industry and identical or similar goods”. Customs valuation systems generally followed one of two conceptually different approaches: those based on a ‘notional’ concept of Customs value, and those based on a ‘positive’ concept. The ‘notional’ concept was represented by the convention on the valuation of goods for Customs purposes in 1950, commonly known as the Brussels Definition of Value (BDV). Under the BDV, imported goods are valued based on their normal price, that is to say the price which would fetch at the time when the duty becomes payable on a sale in the open market between buyer and seller independent of each other. Customs valuation officials would consider the buyer’s actual invoice price paid for the imported goods, but were free to reject it in favour of the notional open market price for goods of same kind. A ‘positive’ system custom value was generally based on the actual price paid by the buyer for the goods, rather than an abstract or fictitious

or notional price that might be paid under perfect competitive market conditions (Rosenow & O'Shea, 2014).

2.5 Empirical Review

Mwongela (2016) undertook a study based on the Customs taxation within Kenya and its reaction to reforms within the field. Subsequently, the research analysed the response of tax revenue and impact on economic growth on the tax productivity within Kenya. The researcher used a double log linear model where the Customs tax revenue served as the dependent variable. The study established that GDP was integral in influencing total tax revenue. The study recommended improvement in the Customs tax administration within the nation.

On the other hand, Munene and Nduru, (2016) did a research with the aim of establishing the effect of tax reforms and relevant modernization programs on the tax revenue by the Customs department of KRA. The researchers collected data from 126 respondents while using a descriptive research design. The study established that the association between Customs enforcement reforms with tax revenue collection was weakly positive and statistically insignificant. Subsequently, the research recommended Customs reforms that would lead to more collection of taxes.

Ikechukwu and Madubuko (2016) examined the effect of VAT, Customs tax and Excise duty on the Nigerian economic growth. The researchers examined secondary sources in order to collect data pertinent to the study. Subsequently, following comprehensive analysis the researcher established that VAT, Customs duty and Excise duty contribute significantly towards the nation's economic growth. The three variables were found to contribute significantly towards the national GDP.

Similarly, Munyoro et al., (2016) undertook a study with the aim of establishing the role and function of Customs and excise duties on the women cross-border traders. The researchers employed a qualitative research methodology that was premised on a positivist philosophy. Moreover, the research design relied on a case study approach. Data was collected from respondents using a self-administered questionnaire on the border points of Chirundu and Beitbridge in Zimbabwe. The findings of the research indicate that Customs and excise duty hinders profitability and growth among traders.

Kanyi (2014) undertook research on the effects of tax policy reforms on tax revenue in Kenya. Subsequently, the researcher examined the tax reforms within the revenue administration in Kenya. The researcher used correlational research design to come up with findings. The findings indicate that total tax revenue has a direct correlation with domestic taxes and Customs taxes. Furthermore, the study recommended a comprehensive review of tax policies with a view of growing total revenue.

2.6 Critique of the Existing Literature

The study by Mwangela (2016) sought to highlight the impact Customs taxation reforms on the GDP of Kenya. The researcher utilised secondary data to aid in explaining what changes have occurred in Customs duty administration. The research did not consider the rate of taxes charged for goods and services and its impact on GDP. Similarly, Munene and Nduru (2016) only considered the reforms within Customs administration at KRA. The research findings are drawn from data collected from a target population with knowledge on the Customs duty reforms. The research study pushes for progressive reforms within the Customs administration and this can include the Customs valuation process.

On the other hand, Ikechukwu and Madubuko (2016) have reviewed three taxes and used secondary sources to gather relevant data. The research did not consider the impact of

Customs valuation at the ports of entry. The study did not collect primary data before coming up with conclusive findings to inform future researchers. Kanyi (2014) considered tax reforms within revenue administration in Kenya. The researchers did not specifically consider Customs tax reforms and policies in the tax administration process.

Munyoro et al. (2016) considered tax rates charged on women traders within the Zimbabwe border points. The research did not consider the rate charged on Customs duty but rather domestic taxes. The study findings are generalisable considering the target group of traders. Conversely, Owino (2019) considered the historical tax rates of Customs and excise duty charged in Kenya. The findings highlight the significance of proper Customs valuation at the points of entry.

2.7 Research Gaps

Various studies have been undertaken in clearance of goods at the port of Mombasa as well as effect of various customs reforms on performance. Mwangela (2016) mainly focused on the rate of taxes neither did his study attempt to research on any objectives under this study. Secondly Munene and Nduru, (2016) studied the effect of Customs reforms on revenue performance. The study did not focus at all the variables under this study hence a gap. Subsequently, Ikechukwu and Madubuko (2016) examined the effect of VAT, Customs tax and Excise duty on the Nigerian economic growth. they have provided extensive knowledge on the tax policies required for economic growth. Therefore, have not focused on any variable under this study including the dependent variable which is Customs valuation process at the port of Mombasa.

2.8 Summary

This chapter discussed theoretical literature, the conceptual framework, empirical review, critique of existing literature and finally deduced the research gaps.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter aimed at explaining the research methods or instruments used in collecting the data. It will describe the research design, the population and sample size, the sampling techniques, data collection methods and procedures and finally data analysis and presentation.

3.2 Research Design

A research design is the roadmap of conducting a study. This research adopted a descriptive research design whereby the nature of factors affecting Customs valuation at the port of Mombasa were investigated. Moreover, descriptive research enables one generate quantitative data on the variables under study (Kothari & Gaurav, 2014). The choice of this research design is justified because the nature of the study involves investigating the likely association between the independent variables and the dependent variable in the study.

3.3 Target Population

The target population of the study consisted of all the Customs officers working within the port of Mombasa. As per the Human Resource Records (2020), there were 300 Officers working at the port of Mombasa in various capacities and in various section.

Table 3.1: Target Population

Section	Population
CFS operations	100
Port Operations	70
PMU	30
Enforcement	100
Total	300

Source: KRA Human Resource Southern Region (2020)

3.4 Sampling Frame

A sampling frame is the whole list of all the cases in the population where a probability sample is drawn (Saunders, Lewis & Thornhill, 2009). For this research, the sampling frame will comprise of 600 Customs officers working at the CFS operations, Port operations, Petroleum Monitoring Unit and Enforcement sections.

3.5 Sampling Size and Sampling Techniques

According to Cooper & Schindler (2015) sample is defined as the appropriate number of individuals or items that the researcher selects from the population and subjects it to data collection through use of the appropriate methods and designs. The Slovin's formula was used to derive the sample size of this study as follows.

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

Therefore;

$$\text{Sample size } n = 300 / (1 + 300 (0.05^2))$$

$$n = 169$$

Due to the diverse nature of the population the study adopted stratified sampling technique which was proportionate to the population of the strata. According to Thomas (2020), the stratified sampling technique is the best among probability sampling methods as it takes into account all characteristics represented into the sample.

Table 3.2: Sample Size

Departments	Population	Sample Size
CFS Operations	100	56
Port Operations	70	39
PMU	30	18
Enforcement	100	56
Total	300	169

3.6 Data Collection instruments

The questionnaire was chosen as the data collection instrument for this research study. According to Ndukwu (2020) a questionnaire is a data collection instrument that contains a series of questions whose main aim is to obtain relevant information from the people to whom it is administered. There are three types of questionnaires structured, unstructured and semi structured (Kothari & Garg, 2014). This study preferred a structured questionnaire with a Likert type rating scale. The questionnaire was preferred because it is inexpensive and may be administered to a wide population within a relatively short period of time (Cleave, 2021).

3.7 Data Collection procedures

Bandhari (2021) defines data collection procedures as the step by step procedures that the researcher uses to administer data collection instruments and therefore obtain relevant information from the respondents. The researcher first obtained a letter of transmittal from the Kenya School of Revenue Administration and obtained permission to conduct research from the Customs and Port Authorities. The researcher self administered the questionnaires and obtained them immediately after completion.

3.8 Pilot Study

A pilot study is a mock study done before the main study purposely to test the data instruments. It increases the success of the main study as it helps identify and shortcomings

of the research tool and fix them in time (Creswell, 2013). 17 Customs agents were used for the pilot study as they did not participate in the main study. The pilot study represented 10% of the sampling size hence appropriate according to Mugenda & Mugenda (2012).

3.8.1 Validity

Middleton (2021) defines validity as a property of an instrument to accurately measure what it is intended to measure. For this study the researcher used the KMO & Bartlet tests to measure for validity. KMO score of above 0.6 was found to be adequate while Bartlet's test of sphericity of less than 0.05 significance is acceptable.

3.8.2 Reliability

Crossman (2019) reliability refers to the degree to which a research instrument yields the same results each time it is administered. This study measured the internal consistency of the research instrument using the Cronbach alpha where value that is of 0.7 is the standard acceptable value.

3.9 Data Analysis and presentation.

The data collected from the respondents was analysed both descriptively and inferentially. Some of the descriptive statistics used included mean and the standard deviation. On the other hand, inferential statistics used in the study included the Pearson's correlation coefficient and Multiple Regressions analysis. The Social Package for Social Services version 25 was used to analyse the data. Data was presented using tables. The regression model adopted for the study was as follows.

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

Where:

Y represents Customs valuation at Mombasa Port

β_0 represents Constant

X_1 represents Valuation Database

X_2 represents Capacity Building

X_3 represents Customs Enforcement

$\beta_1, \beta_2, \beta_3$ are the Régression Coefficients

ε represents Error Term

CHAPTER FOUR:

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The following segment of the study illustrates the results generated through the data collection process. Consequently, the section shows the demographic analysis, descriptive statistics and inferential statistics.

4.2 Response Rate

Table 4.1: Response Rate

Respondents	Frequency	Percentage
Respondent	119	70%
Non- Respondent	50	30%
Total	169	100%

This study returned a response rate of 70% with 119 questionnaires duly filled and returned for analysis. According to Mugenda & Mugenda (2012) 50% response rate is adequate, 60% good while 70% and above is very good. The rate obtained by this study was very good which was attributed the fact the questionnaires were self administered.

4.3 Pilot Study Results

4.3.1 Validity Results

Validity of the research instrument was measured using the KMO & Bartlet test to establish whether the instrument was valid. The results are presented as below on Table 4.2.

Table 4.2: KMO & Bartlett Test

KMO & Bartlett's Test		
Kaiser-Meyer-Olkin Measure of sampling Adequacy		0.831
Bartlett's Test of Sphericity	Approx. Chi-square	261.948
	Df	12
	Sig.	.000

The findings from Table 4.2 indicate that the KMO measure of sampling adequacy was measured at 0.831 hence adequate as it above the acceptance threshold of 0.6. The Bartlett test of sphericity returned a value of 0.000 therefore significant.

4.3.2 Reliability Results

Reliability of the research instrument was determined using the Cronbach alpha which measures the internal consistency as presented in Table 4.3 below

Table 4.3: Cronbach Alpha

Scale	Cronbach's Alpha	Items Tested	Comments
Valuation Database	0.841	4	Accepted
Capacity Building	0.860	4	Accepted
Enforcement procedures	0.790	4	Accepted
Customs Valuation	0.816	4	Accepted

A pilot study was undertaken to determine the reliability of the questionnaire. Following a Cronbach Alpha test it was determined that all variables were reliable as they had alpha value exceeding 0.7. Sreevidya and Sunitha (2011) posit that a Cronbach alpha value exceeding 0.7 indicates reliability and is thus acceptable.

4.4 Demographic Analysis

The data collection procedure required the identification of the respondents demographic information which is provided in the following sub-sections.

4.4.2 Level of Education

Table 4.4: Level of Education

	Frequency	Percentage
College Diploma	50	45%
Bachelor's Degree	59	47%
Postgraduate	10	8%
Total	119	100%

The study established that 45% of the respondents have a college diploma while 47% hold a bachelors degree. The least education qualification was Master degree that had 8% reprsnetation among the respondents.

4.4.3 Level of Service

Table 4.5: Length of Service for the respondents

	Frequency	Percentage %
0~4 Years	50	40%
5~9 Years	41	32%
10~14 Years	15	12%
15 Years and above	13	16%
Total	119	100%

According to table 4.5 most of the respondents (40%) have been with the organization for a period less than 4 years. On the other hand, the individuals who have been with the organization for 10-14 years had the least percentage of 11.7%. subsequently, the entire population of respondents have enough experience to inform the current study.

4.5 Descriptive Analysis

Descriptive statistics were utilised in the current study to help determine whether the data collected is supportive of the objectives.

4.5.1 Valuation Database

Table 4.6: Descriptive Statistics for Valuation Database

Statements	Mean	S.D
Information technology is well utilised in the valuation of goods	3.18	.903
The availability of valuation database has improved customs valuation.	4.12	.973
Valuation rulings are obtained easily from the database	4.14	.960
Valuation rulings have facilitated dispute resolution in a timely manner	4.20	.775

The respondents were in agreement (mean \approx 4.00, std dev \approx 1.000) with the statements The availability of valuation database has improved customs valuation; A valuation database is useful in the process of customs valuation; and The level of acceptance for Valuation database. On the other hand, they were in disagreement with the statement- Information technology is well utilised in the valuation of goods. The findings are consistent with Kim and Kim (2020) who asserts that elements information technology affect the Customs valuation.

4.5.2 Capacity Building

Table 4.7: Descriptive Statistics for Training of Valuation Officers

Statements	Mean	S.D
The training of officers is regular	4.04	.824
Training heightens the skills and competencies of officers.	4.29	.729
Mutual assistance from regional economic blocs has enhanced capacity in valuation	3.71	.642
Mutual assistance from international bodies has simplified and enhanced the customs valuation process	4.12	.621

The respondents were further in agreement (mean \approx 4.00, std dev \approx 1.000) with the statements: The training of officers is regular; Training heightens the skills and competencies of officers; Training is supported by the management and Customs valuation has improved through training of the valuation officers. The findings are consistent with Milhem et al. (2014) who posit the importance of training of employees to performance of employees.

4.5.3 Enforcement procedures

Table 4.8: Descriptive Statistics of Understaffing of Valuation Department

Statements	Mean	SD
Tools are available to conduct risk profiling	4.41	.497
Risk profiling and targeting is conducted on the valuation process	4.27	.666
A framework exists for dealing with valuation malpractices	4.31	.469
Stiff penalties are meted out on valuation offenders	4.25	.440

Similarly, descriptive statistics on Enforcement procedures shows that the respondents were in agreement (mean ≈ 4.00 , std dev ≈ 1.000) with the statements: The respondents generally agree that Customs Enforcement procedures are carried out by the Department and have an effect of Customs Valuation process. These study findings agree with Sawiti (2017) who established that risk profiling has enabled Customs Authorities to determine the most serious non-compliance cases to deter tax evasion.

4.5.4 Customs Valuation Process

Table 4.9: Descriptive Statistics for Customs Valuation

Statements	Mean	S.D
Customs valuation process is a significant feature of contemporary Customs systems	4.45	.503
Customs valuation process follows the provisions of the WTO Agreement	4.49	.505
The Customs valuation process is fair and transparent	4.43	.500
Valuation dispute resolution is timely	4.41	.497

The respondents were further in agreement (mean ≈ 4.00 , std dev ≈ 1.000) with the statements: Customs valuation is a significant feature of contemporary Customs systems; Customs valuation follows GATT provisions; Customs valuation contributes to trade facilitation; Mispricing of goods is a significant challenge.

4.6 Correlation Analysis

The researcher utilised Pearson's correlation to determine the association between predictor variables and the dependent variable.

4.6.1 Karl Pearson's Correlation

Table 4:10 Karl Pearson's Correlation

		Pearson Correlation Correlations			
Model		V.DATA	C.B	C.ENF	C.V
V.DATABASE	Pearson				
	Correlation	1			
	Sig. (2-tailed)				
	N	51			
C.BUILDING	Pearson				
	Correlation	.498**	1		
	Sig. (2-tailed)	.000			
	N	51	51		
C.ENFORC	Pearson				
	Correlation	.555**	.418**	1	
	Sig. (2-tailed)	.000	.000		
	N	51	51	51	1
C.V	Pearson				
	Correlation	.669**	.709**	.359**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	51	51	51	51

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

Table 4.10 indicates that there is a strong positive correlation ($r = .669$) between Valuation Database and Customs valuation. Similarly, there is a strong positive association ($r = .709$)

between training of valuation officers with Customs valuation. Finally, there is a mild positive correlation ($r=.359$) between understaffing of valuation department with Customs valuation. The correlation analysis indicates that the three independent variables have positive association with the dependent variable Customs valuation.

4.7 Regressions Analysis

The multiple regressions statistic was utilized in the study to help determine the relationship between the independent and dependent variables.

4.7.1 Coefficient of Determination (R^2)

Table 4.11 Model Summary

Model	R	R square	Adjusted R square	Std Error of the estimate
1	.583 ^a	.340	.298	0.963

a. Predictors: (Constant), Valuation database, Capacity building, Customs Enforcement

The model summary provides an R-Square value of 0.340 and this explains the variation in the dependent variable arising from the study predictor variables. Consequently, the independent variables of Valuation Database, Capacity Building, Customs Enforcement contribute a 34% variation in the dependent variable of Customs valuation while the remainder of 76% are attributed to other factors not considered in this study.

4.7.2 Analysis of Variance

Analysis of Variance (ANOVA) was conducted to determine the overall significance of the model. The results are as shown on Table 4.12 below.

Table 4.12 ANOVA

Model	Sum of squares	df	Mean Square	F	Sig
1 Regression	2189.997	3	729.999	36.136	.000 ^b
Residual	2323.145	115	20.201		
Total	4513.142	118			

a. Predictors: (Constant), Valuation database, Capacity building, Customs Enforcement

Results from Table 4.12 above establish that overall model was found to be statistically significant at 0.000 which is lesser than 0.05.

4.7.3 Multiple Regression Coefficients

Table 4.13 Regression Coefficients

Model	Standardized Coefficients		Unstandardized Coefficients		
	B	Std Error	Beta	T	Sig
1 Constant	7.893	2.418		3.264	.000
Valuation database	.489	.186	.428	2.629	.002
Capacity Building	.548	.206	.457	2.660	.038
Customs Enforcement	.413	.144	.331	2.868	.000

a. Dependent variable: Customs valuation process

$$Y = 7.893 + 0.489 X_1 + 0.548 X_2 + 0.413 X_3$$

The results from the regression analysis indicate that the predictor variables were statistically significant since their p-values are less than 0.05. The results also indicated that the coefficient for Valuation data base was 0.489 meaning that one-unit increase would lead to an increase in the Customs valuation process by 0.489 unit. On the second variable which is capacity building the results indicated that a unit increase in the same would lead to 0.548 increase in the Customs valuation process. The results of the third variable indicated that a unit increase in Customs Enforcement would spur upwards the Customs valuation process by 0.413.

CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter below examines the findings drawn from analysis of data collected and analysed in the previous section.

5.2 Summary of Findings

5.2.1 Valuation Database

The current research has established through descriptive and inferential statistics that a Valuation database has a significant effect on the Customs valuation process at port of Mombasa. The correlation test was undertaken using Pearson's coefficient which shows a strong positive association with the Customs valuation process. The existence of a valuation database helps in reducing valuation disputes and facilitates the process positively.

5.2.2 Capacity Building

According to the data analysis, there is a strong positive correlation between Capacity building and the Customs valuation process. The value generated through Pearson's correlation indicates that a variation in Capacity building leads to a similar positive variation in the Customs valuation process at the of Port Mombasa. The level of training determines the skills available in the workforce. Moreover, the employee is motivated once their skills are heightened and can manage tasks that are more difficult.

5.2.3 Enforcement procedures

Inferential statistics on enforcement procedures clearly indicate that there is a significant and positive correlation between this variable and the Customs valuation process. The data analysis process has established that there is mild positive correlation ($r=0.359$) between enforcement procedures and Customs valuation.

5.3 Conclusions

The main objective of the current research is to investigate the factors affecting Customs valuation at the port of Mombasa. Subsequently, the researcher embarked on a process of data collection and analysis to achieve the set objectives. Consequently, the research objective of the study has been established. The independent variables of valuation database, training of valuation officers and understaffing of valuation department have a positive impact on the Customs valuation.

Subsequently, the first specific objective of the study was to determine the effects of Valuation database on the Customs valuation at the port of Mombasa. The study concludes that there is a strong positive correlation between Valuation database and Customs valuation. The second specific objective was to examine the effects of Training of valuation officers on Customs valuation at Mombasa port. The study concludes that there is a strong positive correlation between Training of valuation officers and Customs valuation. Similarly, the third specific objective was to assess the effects of understaffing of valuation department on Customs valuation at the port of Mombasa. It was established that there is a mild positive correlation between understaffing of valuation department and Customs valuation. In conclusion, the study concludes that there is positive effect of Valuation database, Training of Valuation officers and understaffing of valuation department on the Customs valuation at Mombasa Port.

5.4 Recommendations

Following completion of the study, the recommendations by the researcher are as provided:

1. KRA should endeavour to heighten the use of information technology in the process of customs valuation.

2. The employees in the customs valuation department should be given regular training to improve their skills and competencies. Mutual assistance from World Customs Organization and other international bodies should be sought.
3. Finally, Customs enforcement procedures should be heightened but simplified so as not to affect for customs valuation process negatively in terms of trade facilitation.

5.5 Areas for Further Research

The study general objective was to investigate the factors that affect Customs valuation at Mombasa port. This study focused on only three factors valuation database, capacity building and enforcement procedures which accounted for only 34% variation in the Customs valuation process. Therefore, the study recommends future studies to be undertaken in taking into account others factors such as disruptive technologies among others.

REFERENCES

- Abdelfattah, & Ali. (2016). Customs Valuation Issues and Research Methodologies.
- Adams, J., Khan, T., Raeside, R., & White, D. (2007). *Research methods for graduate business and social science students*. London, United Kingdom: SAGE Publications Ltd.
- Baldwin, R. &. (2009). *Multilateralizing regionalism: challenges for the Global Trading System*. Cambridge University Press.
- Bhala, R. (2012). *International trade law: Interdisciplinary theory and practice* (3rd ed.). U.S.A. Matthew Bender & Company Inc.
- Bryman, A. &. (2015). *Business research methods*. Oxford University Press.
- Burns, R. P. (2012). *Business research methods and statistics using SPSS*. Sage.
- Carter, B., Andy D., Debra H., Helen R., Andrew S., & Phil T. (2011). All they lack is a chain': lean and the new performance management in the British civil service. *New Technology, Work and Employment* 26(2): 83-97.
- Chow, T. C. (2010-11). *International trade law: Documents Supplement*. Wolters Kluwer. Aspen publishers.
- Dash, S., & Mahapatra, J. (2016). Adopting Training Practices for the Effectiveness of Employee's Attitude and Motivation: An Explorative Study on Indian Industries. *Jindal Journal of Business Research*, 5(2), 104–130. <https://doi.org/10.1177/2278682116680923>

- Dalton, S. (2016). The impact of training on operational performance: The case of the customs service at Nikola Tesla airport in Belgrade. *Serbian Journal of Management* 12 (1).
- De Pagter, H. &. (2011). The transaction value of identical goods. In *The valuation of goods for Customs purposes*. Springer Science + Business Media New York.
- De Wulf, L. &. (2015). *Customs modernization handbook*. World Bank Publications.
- Duval, Y. Z. (2008). *Trade Facilitation beyond the Multilateral Trade Negotiations: Regional Practices, Customs Valuation and other Emerging Issues*.
- EAC. (2015). Illicit trade, economic growth and the role of Customs. *World Customs Journal*, 38-50.
- EEC. (2015). *Customs manual on valuation*. Commission Regulation (EEC), 2454/93.
- Emory, C. &. (2016). *Business research methods*. 5th ed. The McGraw-Hill Companies, Inc.
- Geary, W., Kutcher, E. J., & Porco, B. M. (2010). Partnering with practice: Staffing to achieve excellence in accounting education. *Issues in Accounting Education*, 25(2), 199-213.
- Grainger, A. (2008). Customs and trade facilitation: from concept to implementation. *World Customs Journal*, 17-30.
- Hoda, A. (2011). *Tariff Negotiations and Renegotiations under the GATT and the WTO: Procedures and Practices*. Cambridge University Press.
- Hoglund, M. (2016). The importance of staff to the efficiency of the tax agency. *Nordic Tax Journal* 16 (2).

- Hsiu-Li, L., Su-Houn, L., & Shih-Ming, P. (2011). Modeling Motivations For Blogging: An Expectancy Theory Analysis. *Social Behavior & Personality: An International Journal*, 39(2), 251-264. doi:10.2224/sbp.2011.39.2.251
- Ibert J., B. P. (2011). Doing management research: A comprehensive guide. London: SAGE publications Ltd.
- Ikechukwu, I.O., & Madubuko, U.C. (2016). Effect of Value Added Tax and Excise Duties on Nigeria Economic Growth. *International Journal of Managerial Studies and Research*, 4 (10), pp.53-62.
- Jovanovich, J. M. (2012). Customs Valuation and Transfer Pricing. Series on international taxation, Kluwer Law International, London.
- Kassahun, T. E. (2015). Trade Facilitation in Ethiopia: The Role of WTO Accession in Domestic Reform. *Mizan Law Review*, 145-189.
- Kanyi, P. (2014). The Effects of Tax Policy Reforms on Tax Revenue in Kenya. *Strategic Journal of Business and Change Management*, 1 (2).
- Keen, M. (2013). Changing Customs: Challenges and strategies for the reform of Customs administration. Retrieved from International Monetary Fund. Kenya Revenue Authority.: <http://www.kra.go.ke/index.php/about-kra/customer-service-directory/Customs-services>
- Key, C. (2014). Principles of Valuation: Export and Import. Canada: Trafford Publishing.
- Kim, S., & Kim D. (2020). ICT implementation and its effect on public organizations: The case of digital customs and risk management in Korea. *Sustainability*, 12 (8).

- Kothari, C. R. (2008). *Research methodology: Methods and techniques*. New Age International.
- Krishnaswamy, K. N. (2009). *Management research methodology: integration of principles, methods and techniques*. Pearson Education India.
- Le, D. H., Nayyar, A., & Rots, N. L. (2018). *Implementation of the WTO Agreement on Customs Valuation in Vietnam: Trade Integration and Local Compliance at Da Nang Port*. *Indian Journal of Finance*.
- Lewis, P. T. (2007). *Research methods for business students*. Pearson Education UK.
- Manual, E. A. (2010). *A Guide to the Customs Valuation of Imported Goods in the East African Community*. Arusha, Tanzania.
- Munene, R., & Nduru, D. (2016). *Effect of Tax reforms on Revenue Collection at Customs and Border Control Department of KRA*. *Journal of Business and Management*, 18 (4).
- Mwongela, D. (2016). *The Effects of Tax Reforms on Customs Tax Productivity in Kenya*. University of Nairobi.
- Milhem, W., Abushamsieh, K., & Perez, M. (2014). *Training Strategies, Theories and Types*. *Journal of Accounting- Business & Management* 21 (1), pp.12-26.
- Lubick, N. (2012). *Shifting Mountains of Electronic Waste*. *Environmental Health Perspectives*, 120(4), 483. <https://doi.org/10.1289/ehp.120-a148>
- Mooring, T. J. (2019). *Customs valuation. Washington, DC: Changing Customs challenges and strategies for the reform of Customs administration*. International Monetary Fund.

- Mshomba, R. E. (2009). Africa and the World Trade Organization. Cambridge University Press.
- Mugenda, O. M. (2008). Research Methods: Quantitative and Qualitative Approaches. Nairobi, Kenya: Acts Press.
- Mutema, G. (2013). Customer service delivery at the Customs and border protection: Implications and Policy Recommendations. Africa Economic Brief, African Development Bank, 1-13.
- Nakagawa, J. (2011). International harmonization of economic regulation. United Kingdom: Oxford University Press.
- Nyberg, F. &. (2010). Agency Theory: managerial behavior, agency cost and ownership structure. Journal of financial economics, 305-360.
- Organization, W. C. (2015). Guide to Customs valuation and transfer pricing. World Custom Organization.
- Organization., W. T. (2015). Informal Cross Border Trade in Africa: Implications and Policy Recommendations, Africa Economic Brief. African Development Bank, 1-13.
- Prasad, B. C. (2012). VII. Trade Facilitation and Customs Valuation in Fiji: A Comparative Analysis of Needs and Priorities. Trade Facilitation Beyond the Multilateral Trade Negotiations: Regional Practices, Customs Valuation and Other Emerging Issues.
- Seifu, T. (2009). Custom valuation system in Ethiopia. Department of Accounting and Finance Faculty of Business and Economics. MSc thesis, Addis Ababa University.

- Sekaran, U. (2016). *Research methods for business: A skill building approach*. John Wiley & Sons.
- Shirsavar, H.A., & Shirinpour, M. (2017). The effect of electronic customs administration on facilitating the export activities of export companies based in Gilan, Iran. *Intellectual Economics*, 10 (2), pp.114-121.
- Smulders, S., Stiglingh, M., Franzsen, R., & Fletcher, L. (2016). Determinants of internal tax compliance costs: Evidence from south africa. *Journal of Economic and Financial Sciences*, 9(3), 714-729. doi:<http://dx.doi.org/10.4102/jef.v9i3.67>
- Stamm, M. (2015). Cynthia B. Meyers. A Word from Our Sponsor: Admen, Advertising, and the Golden Age of Radio. *American Historical Review*, 120(1), 278–279. <https://doi.org/10.1093/ahr/120.1.278>
- Sreevidya, U., & Sunitha, K. (2011). *Business research methods*.
- UN. (2012). Trade facilitation beyond the multilateral tradenegotiations: regional practices,Customsvaluation and other emerging issue. A study bythe Asia-pacific research and trainingnetwork on trade. United nation publication.
- WCO. (2015). Brief guide to the Customs valuation agreement (3rded). World Custom Organization publication.
- Williams, P. J. (2014). *AHandbook on Accession to the WTO* (pp 26-29). Cambridge University Press.
- Yang, J. B. (2007). Theory of Constraints: managerial behavior,agency cost and ownership structure. *Journal of financialeconomics*, 305-360.
- Zee, a. e. (2012). *Doing management research: acomprehensive guide*. London: SAGE.

APPENDICES

APPENDIX I: LETTER OF INTRODUCTION



ISO 9001:2015 CERTIFIED

KRA/KESRA/MSA/106

5th October 2020

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: REQUEST TO COLLECT RESEARCH DATA

This is to certify that the following is bona fide student of the Kenya School of Revenue Administration Mombasa Campus undertaking Post Graduate Diploma in Customs Administration.

Name	Admission Number
REUBEN FELIX OCHIENG	HDB336-C016-4456/2016

The above mentioned student is in his final year of study at the school and currently conducting research on the **Factors affecting Customs valuation of goods at the port of Mombasa**. The student is in the process of gathering data and thereafter, compile a report that will strictly be used for academic purposes only. The School would therefore like to seek your permission to allow him/her collect information that relates to his research from your organization.
Thank you in advance for your support and cooperation.

Yours sincerely,

Mumia B.J.
Associate Head of Research KESRA, Mombasa Campus



Tulipe Ushuru Tujitegeme!



APPENDIX II: DATA COLLECTION INSTRUMENT

This research work is intended to study the **FACTORS AFFECTING CUSTOMS**

VALUATION AT THE PORT OF MOMBASA. Please provide answers to the following questions against the most suitable alternative. (Responses will be treated with utmost confidentiality).

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender of the respondent

Male Female

1. Highest level of Education and training attained?

Certificate Diploma Bachelor’s Degree Master’s Degree

2. Number of years worked in the position

0-4 years 5-9 years

10-14 years above 15 years

SECTION B. VALUATION DATABASE

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

	STATEMENTS	1	2	3	4	5
B1	Information technology is well utilised in the valuation of goods					
B2	The availability of valuation database has improved customs valuation.					
B3	Valuation rulings are obtained easily from the database					
B4	Valuation rulings have facilitated dispute resolution in a timely manner					

SECTION C. CAPACITY BUILDING

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

	STATEMENTS	1	2	3	4	5
C1	The training of officers is regular					
C2	Training heightens the skills and competencies of officers.					
C3	Mutual assistance from regional economic blocs has enhanced capacity in valuation					
C4	Mutual assistance from international bodies has simplified and enhanced the customs valuation process					

SECTION C. ENFORCEMENT PROCEDURES

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

	STATEMENTS	1	2	3	4	5
D1	Tools are available to conduct risk profiling					
D2	Risk profiling and targeting is conducted on the valuation process					
D3	A framework exists for dealing with valuation malpractices					
D4	Stiff penalties are meted out on valuation offenders					

SECTION E. CUSTOMS VALUATION

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

	STATEMENTS	1	2	3	4	5
E1	Customs valuation process is a significant feature of contemporary Customs systems					
E2	Customs valuation process follows the provisions of the WTO Agreement					
E3	The Customs valuation process is fair and transparent					
E4	Valuation dispute resolution is timely					

APPENDIX III: WORK PLAN

Activity PERIOD	Data Collection & Analysis	Project Defence	Corrections & Submission	Black book binding	Graduation
JUNE 2021					
JULY 2021					
AUGUST 2021					
OCTOBER 2021					
NOVEMBER 2021					
DECEMBER 2021					

APPENDIX III: BUDGET

Activity	Cost (Kshs)
Research Resources (Internet etc)	15,000
Library services	3,000
Binding	10,000
Typing and Printing	6,000
Photocopy	3,000
Traveling	14,000
Miscellaneous	30,000
TOTAL	81,000