`

FACTORS AFFECTING CUSTOMS CLEARANCE OF TRANSSHIPMENT CARGO AT THE PORT OF MOMBASA

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RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF CUSTOMS IN THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF POSTGRADUATE DIPLOMA IN CUSTOMS ADMINISTRATION AT JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY.

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DECLARATION

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

Signed……... Date ……..

Marieanne Mbale
HDB335-C016-7300/2016

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

Signed……... Date ……

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DEDICATION

I dedicate this research project to my God and my beloved family for their greatest sacrifice made in one way or another and endless encouragements received from them.

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ACKNOWLEDGEMENT

First I acknowledge God Almighty, the provider of knowledge for enabling me to complete my research study in the right spirit. I also wish to acknowledge the support from my supervisor, Mr. Simon Mumu, whom without his guidance and support I could not have gone this far with my project work. I am thankful to KESRA administration, past and present for their kind support throughout the period of this proposal. Thank you all for your continuous, unwavering presence, guidance, patience throughout the path for academic endeavors.

I can't overlook the positive impact of the respondents all through my investigation and for helping me in sourcing for data and materials for this project. To you all, God bless you abundantly.

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LIST OF ACRONYMS/ABBREVIATIONS

GDF	Global Development Finance
H&S	Hub-and-Spoke
KIFWA	Kenya International Freight and Warehousing Association
KRA	Kenya Revenue Authority
KSAA	Kenya Shipper Agents Association
PAC	Public Accounts Committee
PwC	Price Water House Coopers
SGR	Standard Gauge Rail
TCE	Transaction Cost Economies
TEU	Twenty Feet Equivalent Unit
WDI	World Development Indicator

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DEFINITION OF TERMS

Transshipment: Is the shipment of goods from one country to an 'intermediate destination' before being transferred to the final destination (Caves, 2011).

Infrastructure: It's the fundamental physical and organizational structures and facilities required for the activities or operations of the general public or enterprise (Ashar, 2012.

Technology: The branch of knowledge that deals with the creation and utilization of specialized methods and their interrelation with life, society, and the environment, drawing upon such subjects as industrial arts, engineering, applied science, and pure science (Coase, 2009).

Customs clearance: refers to a documented permission to pass cargo: that customs authority grants to imported goods so that they can enter the country or to exported cargo so that they can leave the country (Hoang, 2012).

Port cargo volume: refers to cargo that the port is equipped for handling net tons within a year and is oftenly expressed as a throughput in tons for each unit length of a wharf per year multiplied by the accessible berth length (Ducruet *et al.*, 2011).

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ABSTRACT

Since the advent of shipping and maritime trade, it has been an instance of fascination to find the most viable alternative transportation for providing overall effectiveness to the concerned trade. Numerous influential factors and research methods or techniques were identified and developed by researchers throughout world for the process of choosing suitable ports and their benefits and bad marks. Worldwide ocean payload is a US$46 billion yearly business and is relied upon to dramatically multiply by 2021. Trans-shipment includes the shipment of merchandise or compartments to a moderate goal before being conveyed to the last goal. Further it permits the difference in the methods for transport amid the voyage, for example, from ship to street transport or to another vessel. It also permits consolidation and deconsolidation of shipments. This study therefore, was set to establish the factors affecting customs clearance of transshipment cargo at port of Mombasa. Explicitly the study examined the effect of infrastructure, institutional costs and transshipment procedures of customs clearance at customs department of KRA at the port of Mombasa. The study was moored on institutional theory, resource based view theory and systems theory. The study adopted descriptive research design focusing on 120 respondents drawn from customs department operating in the port of Mombasa, KPA staff and a few shipping lines. This study employed stratified random sampling technique to choose the respondents from the objectified population. The sample size of this study was 60 respondents. Closed ended structured questionnaires were used to collect essential primary data. Statistical Package for Social Sciences (SPSS version 25) was the data analysis tool, using inferential and descriptive statistics. Findings were exhibited in form of frequency tables. In relation to inferential statistics, the study also used Pearson correlation analysis to establish the relationship between the independent and the dependent variables. The study established that handling costs for transshipment cargo is high. The study concludes that the cost of handling transshipment cargo is high. The study concludes that the high shipping costs has caused transshipment cargo through the port of Mombasa to decline. Further, the study concludes that transshipment cargo clearance costs are high compared to returns and customs clearance of transshipment cargo is cost efficient. The study recommends that the customs management should ensure that the technologies available are effective in clearing transshipment cargo. Also the study recommends that the decision making should be delegated so as to remove unnecessary bureaucracies which cause unnecessary delays in transhipment clearance.

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CHAPTER ONE

INTRODUCTION

1.1 Background

There's been a steady increase in globalization and inter-border economic rivalry in the international market. Worldwide container shipment passing through Asian seaports is estimated to be 50%. This makes competition for transshipment (hub) port among world ports to be stronger. There is an aggressive marketing strategy by world ports to attract the transshipment cargo (Song, 2011). The transformational morphology of the networks that connects world ports has led to a spread of container shipment across maritime ranges of the world. This has forced maritime shipping lines to conceive a worldwide network purely modeled on the hub and spoke system. The system necessitated the reorganization of ports afresh including those on the lakes and rivers which serve the local markets thus creating trans-shipment ports. A number of different shipping lines operate from the ports. The concentration and the operation of the shipping lines form the basis of this network across the globe (Ducruet *et al.* 2011).

Hoang (2010) asserts that in spite of global sea cargo been worth US$46 billion in a yearly business; by 2021 it is anticipated to triple. From the outset it is imperative to grasp an understanding of transshipment. Transshipment is defined as the shipment of goods from one country to an 'intermediate destination' before being transferred to the final destination. Transshipment involves change in transportation mode in which goods transfer process that is from road transport to ship or it may be vessel to vessel. Direct transshipment is a process of transferring cargo that is destined to another country from one ship to another while indirect transshipment is the where cargo is from one country destined to another country is discharged and placed in transshipment port awaiting another ship heading to its country of final destination.

Transshipment enables consolidation and deconsolidation of shipments. Veldman (2010) carried out a study to determine the factors that determine the competitiveness of the ports of transshipment and built up that feeder costs, mainline port access costs and mooring influences the competitiveness of transshipment ports. Network morphology and change in the functions of the port from serving the markets to perform transshipment goes concurrently with globalization

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(Gouvernal *et al.*, 2009) .This calls for corporate affairs. Network morphology is a major trend and its main goal is the transformation of ports to become interconnected terminals operating within a wider network globally guided by strategic international operators. Many global capitalists are fleeing China as a result of high operating costs and are instead setting up operations in Africa thus making Africa an emerging economy. The shift of focus from China to Africa has provided African countries and in particular Kenya with an opportunity to prove themselves as cost-effective transshipment hubs. As reported by World Bank Group (2011), there is expectation of brain drain from China this decade as industries scramble for cheaper investment hubs. An estimated 80 million jobs are likely to leave South East countries this decade (Wang, 2014). In the African region a lot of infrastructural developments are undergoing. Djibouti port expansion is ongoing in the Gulf of Aden. Further, there is a railway line connecting Djibouti port and Addis Ababa in Ethiopia all through to Southern Sudan.

West African ports experience lower transshipment intensity as compared to those in East Africa. According to Ducruet *et al.* (2011), recent statistics indicates consolidation Asian ports systems with West African port system which are primarily serving domestic markets. The transshipment traffic in West Africa is low because operators connect the ports to serve their local markets as opposed to the international trade routes (Hartmann, 2011). The port of St Louis in Mauritius serves as a transshipment hub for several small island states. It therefore serves a major sea route between Maputo and Durban which are major ports in the Asian transshipment trade routes

In the East African region, the authorities have embraced global policies of integration that are oriented towards developing the region into global logistics hub. The construction of standard gauge railway connecting Kenya and Uganda together with Lamu port development to serve Ethiopia and South Sudan is clear indication that the region has opened up as a global logistics hub. The aforesaid developments are crucial in attracting carriers and sea cargo traffic, particularly transshipment and if successful can make the region the preferred transport and logistics hub. However, presently the Mombasa port only attracts smaller container ships as contrasted with other ports in West and Southern Africa. According to PWC report (2017) (Julian Smith, 2017), the East African Coast attracts 3000 to 5000 TEUs relative to West Africa ports which attract an average container capacity of 5500 TEUs

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East African Review (2018) asserts that in the seaports along the East African ports are courting the latest expansions in infrastructure to gain competitive advantage. The key drivers of regional ports will be based on efficiency in cargo clearance and the costs of transshipment operations as this will attract cargo traffic. Currently, the port tariffs for dry cargo per ton at Mombasa port are higher by $2 as compared to Dar es Salaam port. This makes port of Dar es Salaam cost effective thus attracting cargo traffic from Mombasa port to Tanzania ports. Further, both ports charge $6 per ton for transshipment cargo and Mombasa port charges $6.6 for dangerous cargo while Dar charges $7.

The increase in trade between East African nations and Asia in particular China, has improved the economic growth of operating regional transshipment ports. Seychelles, which is composed of an archipelago, offers convenient routes to major Asian ports. The ports of Kenya and Tanzania are evolving. Seychelles offers a pivotal location for a transshipment of cargo since it is located in the sea route to major global shipping hubs in Asia. The ports of Kenya, Djibouti and Tanzania serve as major transshipment hubs for port of Colombo in Sri Lanka. The development of the Port of Lamu in Kenya will also attract cargo traffic to the East African region (KPA, 2016). Subsequently, the Government of Tanzania plans to construct a mega-port to the north of Dar es Salaam port which will attract sea cargo volume and transshipment cargo. However the project has faced fiscal constraints thus forcing the government of Tanzania to first expand the Port of Dar es Salaam.

Growth in trans-shipment traffic in Kenya can be attributed to intense lobbying carried out by an inter-agency committee on trans-shipment. The committee was established in 2016 and is under the mandate of the Kenya Ports Authority. The transshipment agency of Kenya comprises of the International Freight and Warehousing Association, the Revenue Authority and the Association of Ship Agents. Since its inception, the committee has eased the process of cargo transfer by removing trans-shipment bond and permit. The committee has also developed a centralized system where shipping line agents can access trans-shipment entries. With the new developed window, the shipping lines can sub-contract clearing and forwarding agent to process trans-shipment entries on their behalf (East African Review, 2018).

Ships from developed economies frequently dot the regional ports to offload their cargo to smaller vessels to ferry the cargo to other ports in the region. This has made the region a hub of

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transshipment for large cargo ships. According to East African Review (2017) there has been an increase in transshipment cargo volumes by 87% in the first two months of 2017 which translates to 19,225 twenty-foot equivalent unit (TEUs) as compared to cargo handled in 2015 and 2016 where trans-shipment volumes grew from 42,690 TEUs to 48,031 TEUS, an increase of 5,341 TEUS or 12.5 per cent. The improvement of Mombasa port has benefited Mogadishu, Pemba, Dar-es-Salaam, and Mauritius (East African Review, 2017).

Transshipped cargo in the port of Mombasa has posted 621,000 tons in 2014 which is slightly above 100,374 tons handled in 2013. As reported by the Kenya Ports Authority management annual report (2014), the port of Mombasa has posted a 309.2 per cent growth in transshipment cargo. This has contributed to one million container throughput handled by the port in 2013. This forms the first time the port of Mombasa has managed one million twenty foot equivalent units (TEU's) and 24 million tons of total cargo throughput in a year. With this new development, the port of Mombasa will have to create sufficient capacity and upgrade supportive infrastructure such as railway and roads which are prerequisites for transshipment cargo appeal.

1.1.1 Customs clearance of at Mombasa Port

Kenya Ports Authority was created in 1978 by an Act of Parliament under the Ministry of Transport. KPA maintains, operates and regulates seaports along the coastline of Kenya (KPA, 2008). The Kenya Ports Authority has a vision of becoming a globally recognized port of call. Its mission is to facilitate and promote competitive global trade by provision of quality services.

On the other hand, KRAs main responsibility is to collect duties and levies on behalf of the government of Kenya.

Kenya Revenue Authority has customs and border control which is mandated to collection customs duty, regulation of cross border trade and control of movement of goods. In the recent past, customs and border control has implemented various measures like electronic cargo tracking in an attempt to improve revenue collection performance (KRA, 2017).

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1.2 Statement of the Problem

The Port of Mombasa is a global transshipment hub. Its growth is determined by several factors. Such factors include but are not limited to in traffic flow patterns, modern infrastructure, linkages with regional and intercontinental port networks, competitive docking rates and provision of quality services. Globally, several existing studies have provided theoretical discourse on transshipment factors (Caves, 2011). Subsequently, extant literature has focused on trans-shipment in developed economies. Ashar (2012) conducted a study on the containerized traffic in Western Europe, North American mid-west and southern Ontario. The study established that price and intermodal connectivity rank high for transshipment activities. Lirn *et al.* (2012) carried out a study on factors which affect the selection of ports. The study concluded that costs incurred, route accessibility and time are crucial issues in the choice of transshipment hubs.

In Kenya there have been several studies undertaken to determine factors which may affect the customs clearance. For instance, Muthama (2013) sought to find how modernization of systems affects revenue collection at the port of Mombasa. However, the reviewed empirical literature has focused on other factors affecting customs clearance and none of the local literatures has focused on transshipment cargo in the port of Mombasa.

Port of Mombasa in 2016 posted 19. 6 million tons of cargo, out of which approximately 4 million tons were imports and 5 million tons, were in transit to neighboring countries. KPA port originally designed to handle 25000 TEUs per year. The demand for stacking space of containers in the port approaches its capacity. The capacity to handle cargo has been stretched it's beyond its original capacity. The port was designed to handle up to 800,000 TEUs. The traffic through the port of Mombasa has grown over the last decade, In 2000 the port handled 9.1 million tons and by 2011 it was handling 19.6 million tons per year an increase of 7.4 per cent annually. However, despite the infrastructural expansions in the port, Mombasa is underperforming its potential as trans-shipment hub in East and Central Africa (PwC, 2017). To enhance the port of Mombasa and customs management to fulfill its potential in transshipment trade, it is described later in the paper, there is little of any study on transshipment at the port of Mombasa therefore this study provides further information and literature on transshipment studies.

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This study sought to fill the identified literature gaps by investigating the factors affecting customs clearance of trans-shipment cargo at the port of Mombasa.

1.3 Research Objectives

1.3.1 General objective

The general objective of the study is to explore the factors affecting customs clearance of transshipment cargo at the port of Mombasa.

1.3.2 Specific objectives

i. To establish effect of various institutional procedures on customs clearance at the port of Mombasa
ii. To determine effect of various institutional costs on customs clearance at the port of Mombasa
iii. To investigate effect of port infrastructure on customs clearance at the port of Mombasa

1.4 Research Questions

The study sought to answer the following research questions;

i. What is the effect of various institutional procedures on customs clearance in the port of Mombasa?
ii. What is the effect of various institutional costs on customs clearance the port of Mombasa?
iii. What is the effect of port infrastructure on customs clearance in the port of Mombasa?

1.5 Significance of the Study

The study findings would benefit both Kenya Revenue Authority and KPA management on how to remain competitive so as to attract sea cargo traffic and transshipment cargo hence improving performance of the customs department.

It would also benefit the policy makers in shipping industry in arrangement and transportation of transshipment cargo from the country where cargo originate to the country of destination via a transshipment hub.

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Further, Academicians and other scholars would benefit with the research findings to make reference and to identify the relationship between transshipment and customs performance. This study would shed more light on this unsolved issue and increase knowledge that would form basis for further studies.

1.6 Scope of the Study

The study was conducted at the Kenya Revenue Authority, Customs and Border Control department and it focused on customs officers, either directly or indirectly, working at the port of Mombasa. It was conducted at the Kenya Ports Authority where the transshipment operations are carried out and also at various shipping lines which prepare transportation arrangements of transshipment cargo. The study examined the trans-shipment cargo records for the last five years.

1.7 Limitations of the Study

The researcher faced financial and time constraints in the process of undertaking the study.

Time constraint and the challenge of response rate because most of the respondents may not fill the questionnaires at the time required.

The researcher dealt with this challenge by following the respondents physically through several visits and through the use of phone calls. Further some respondents did not understand the role of academic research and they had reservations about the questionnaire as they felt that their privacy was being interfered with. This was solved by taking time to explain the aim of academic research to them.

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CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focused on summarizing other researchers' relevant information related to transshipment and customs performance. The chapter specifically covers the theoretical review, conceptual framework, empirical review, to critique existing literature and identify research gaps.

2.2 Theoretical Framework

A theoretical framework, according to Sekaran (2011) consists of concepts and their definitions together with existing theories used for the particular study. The study was anchored on the following theories; institutional theory, resource based view theory and systems theory.

2.2.1 Institutional Theory

Institutional Theory was propounded by Meyer and Rowan in 1976 and it posits that environment of the institution influences formal structures development in an organization even greater than market pressures. With a view to enhance organization's efficiency, there is legitimacy of innovative structures. This implies that firms must keep certain procedures and structures with a view to maintain legitimacy in the institutional environment. Institutional theory impacts customs clearance since it highlights that procedures should be strictly followed so as to ensure that all the stakeholders involved in the transshipment process get fair treatment. In case the institution observes procedures then the transshipment cargo clearance will be effective and successful (De monie, 2010).

2.2.2 Resource-Based View Theory

The success of a firm as well as its competitive advantage is a result of the company's capability to exploit its available resources (Gillis, Combs, and Ketchen, 2014). For the firm to change a short-term competitive advantage into a long-term competitiveness, it must fulfill certain requirements. The assumption of the theory is that resources are heterogeneous and are not considered to be perfectly mobile. Further, resources need not be perfectly imitable or have a

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close substitute for a firm to maintain strategic fit. The resources cannot be imitated without great effort which makes it costly for the competitor to copy. The stated assumptions and conditions when met then make a firm to realize high returns in the long run (Fleming, 2011).

Resource based view theory supports the current study in that the institutional costs can be minimized by efficient utilization of resources. The firm can achieve cost leadership alternative strategy. The customs department should strive to minimize operations cost so as to achieve higher returns in the long run.

2.2.3 Systems Theory

Systems theory is the trans-disciplinary study of the theoretical association of phenomena, independent of their substance, type or spatial or fleeting size of existence. It researches both the standards basic to every single complex substance and the models which can be utilized to depict them. This theory was proposed during the 1940s by the scientist Ludwig and encouraged by Ross Ashby (1956).They emphasized that genuine frameworks are available to, and interact with their surroundings, and they can procure subjectively new properties through emergence, resulting in persistent advancement. As opposed to diminishing an entity the properties of its parts or elements, systems theory centers around the game plan of and relations between the parts which interface them into whole (Ducruet, 2010). Systems analysis grew autonomously of frameworks hypothesis, applies systems standards to help a leader with issues of recognizing, remaking, advancing, and controlling a framework while considering various goals, requirements and assets. It intends to specify conceivable game-plans, together with their risks, costs and benefits.

Systems theory as an interdisciplinary theory about the nature of complex systems it provides a framework by tripartite (KRA, KPA and shipping line) can work together to enable efficient customs clearance of transshipment cargo.

2.3 Conceptual Framework

It is the position of the researcher regarding the study (Mugenda & Mugenda, 2012). Conceptual framework provided the researcher with the tools to clearly show the direction and relationship between study variables being investigated.

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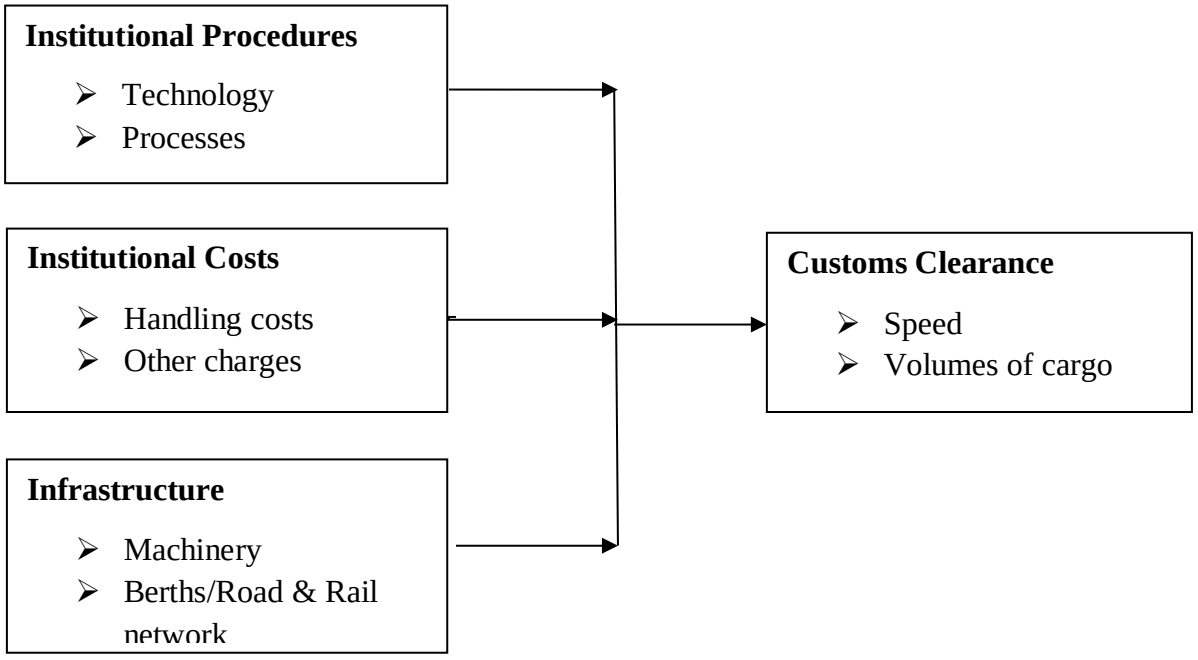

Figure 2.1 Conceptual framework

2.4 Review of Variables

This section discusses the literature review of study variables. The variables include institutional procedures, institutional costs, infrastructure, and customs clearance.

2.4.1 Institutional Procedures

Current customs administrations have perceived that streamlining and simplifying clearance procedures are beneficial to importers, exporters and national economies. Institutional procedures incorporate the exercises, practices and formalities associated with gathering, showing, conveying and preparing information and other data required for the movement of goods in international trade" (Blyth, 2013).Some trade costs caused by Customs (and other border agencies) are inescapable as border regulations are mandated by government to aid the accomplishment of various public policy objectives. Hence, the more effective (facilitative) Customs can be in applying controls, the lower the transaction costs. Customs administrations are hence progressively acquainting procedures so as to put in place efficient and effective clearance procedures keeping up the conventional obligations of revenue collection and

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enforcement. The requirements of economic integration and administrative procedure reform have been having an impact on improving modern customs' institution.

One of the content that meets this requirement is to improve the law on post audit clearance inspection, to ensure clear customs procedures at the border, quick customs clearance for import and export goods and transfer, to expand the scope and objects of inspection once the goods have been finishes for export or import procedures. There appears to be significant agreement among traders and Customs agents' with respect to the normal positive effect of the automation process.

Mwangi (2012) carried out a study on factors influencing tax compliance in local authority. The study established that under payment and under reporting forms the most prevalent form of tax non-compliance. Tax procedures are complex citing multi-stages approvals, bureaucracy and red-tape in administrative, which creates room for corruption. He also recommended Discount rates for early payments and consideration of tax amnesty for those that have not been compliant so as to bring more of them into the Tax net. Customs Electronic procedures represent a major trend in management. The rise of worldwide systems has significantly impacted the manner in which people connect with one another, businesses/organizations conduct their affairs, and governments provide services to their citizens.

Developed countries perceive that Customs procedures in developing countries shave not sufficiently adjusted to the rapidly growing volume of trade of the most recent decade. Their complaints are reverberated by service providers, like Express mail couriers which handles a considerable extent of all Customs entries (more than 30 per cent in their largest markets). The capacity of such firms to provide their services depends intensely on effective Customs frameworks and procedures, for instance a guaranteed electronic lodgment system on delivery time for parcel (UNCTAD, 2012).

2.4.2 Institutional Costs

As of late, the main contemplations have been general transport costs and time. Transportation costs are controlled by numerous variables, including the proficiency of the port (Chang *et al.*, 2012), which is thusly dictated by the nature and status of the port's infrastructure and superstructure (Huybrechts *et al.*, 2012). Cost is a standout amongst the most essential aggressive variables, as port users are least concerned with the total cost associated with utilizing a particular port or terminal (Chang *et al.*, 2012). From this point of view, Yap and Lam (2011)

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found that lower handling fees and great administration quality at container terminals may attract or pull in more clients to utilize their facilities. Moreover, Huybrechts *et al.* (2012) found that those ports whose operations contributed most substantially to generally transportation cost reductions were destined to be favored by shipping companies, which appear to have become the principal player in determining the choice of port.

It is the desire of every nation to become a global center of logistics connecting major trading ports. Logistic cost is one of the major factors linked to global logistics center. Furthermore, logistics cost greatly affects international trade and it forms a primary cost driver of trade. A slight review of logistic costs directly affects international trade. If logistic costs are lower, the exports and imports become highly competitive. In the International maritime transport, many researchers have discussed cost and agreed that increase and decrease in logistics cost may affect development of the economy and patterns of international trade (Chang, 2012).

Global maritime networks rely immensely on container port nodes. According to Wilmsmeier *et al.* (2012), port costs are a major driver of the entire cost of doing business. These container port costs are directly charged from shippers and freight forwarders. The container port costs can be categorized in to vessel charges, container charges and service charges et cetera. In most cases cost is considered as a key determinant of efficiency in container ports.

2.4.3 Infrastructure

The development of shipping infrastructure has been motivated by accelerating demand in international supply chains. Increase in strings operated and vessel upsizing can attract cargo traffic. Changes in vessel size and liner service schedules can be attributed to increase cargo availability. Trade-off between customer requirements and operational costs has to be considered when designing their networks. Service segmentation demand has added to the growing complexity of the networks. The container feeder spokes is depended on the feeder ship features and characteristics as well as feeder ships ports, container demand and supply, volumes of the ports and bunker costs as well as the cost of operating the vessels.

Shippers and demand side have varying requirements. For instance, in the case for shippers, they prefer direct services from the preferred ports of loading directly to the preferred port of

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discharge. The shippers' preference adds intense pressure on feeder network linkages, service schedules and port rotations. Ship utilization and economies of scale benefits forms the bases for the design of liner services and networks by shippers. The shippers expect to maximize their cargo shipping linkages by exploitatively leveraging ports coverage, shipping routes and transit time (Lirn *et al.,* 2011).

2.4.4 Customs Clearance

Is a documented permission to pass cargo: that customs authority grants to imported goods so that they can enter the country or to exported cargo so that they can leave the country.

Customs clearance work involves preparation and submission of documentations required to facilitate export or imports into the country, representing client during customs examination, assessment, payment of duty and co taking delivery of cargo from customs after clearance along with documents.

Efficient procedures and processes leads to improvement in speed on clearing transshipment cargo. This also will result to large volumes of cargo to be cleared hence facilitating trade.

If the institutional costs and other fees charged on transshipment cargo are lowered, it may encourage more transshipment cargo through the port of Mombasa.

Port infrastructure has to be adequate enough to handle transshipment cargo. That is to say, the machineries like the ships, cranes, top loaders trucks and other must be efficient enough. The road and rail networks within the port should be convenient to transfer the transshipment cargo from one point to another.

2.5 Empirical Review

Veldman *et al.* (2011) carried out a study to determine the factors that determine the competitiveness of the ports of transshipment and built up that feeder costs, mainline port access costs and mooring influences the competitiveness of transshipment ports. Tongzon (2012) studied factors influencing port selection in Malaysia and Thailand. The study established that efficiency, frequency in shipping, infrastructure and location, are significant factors as compared

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to port charges. Further, it was established that the most influencing factors are frequency in shipping, efficiency, location.

Young-Tae, and Jinsoo, (2010) carried out a study on factors affecting port selection. The study analyzed export and import data from Chinese ports and non-Chinese ports and established that ocean distance, cost involved in inland transportation, distance of inland ocean transportation cost are significant factors to consider when selecting transshipment port.

Park, and Lim, (2010) carried out a study to develop a model to identify a suitable transshipment port and transshipment cargo volume. The study sought to compare Shanghai port and Busan port to feeder containers to the northern China region. The study established that cost reduction of mainline and feeders are significant factors for increasing transshipment.

Mwangi (2012) carried out a study on factors influencing tax compliance in local authority. The study established that under payment and under reporting forms the most prevalent form of tax non-compliance. Tax procedures are complex citing multi-stages approvals, bureaucracy and red-tape in administrative, which creates room for corruption. He also recommended Discount rates for early payments and consideration of tax amnesty for those that have not been compliant so as to bring more of them into the Tax net.

2.6 Critique of Existing Literature

Extant literature has been done on port efficiency but very few have been carried out on transshipment. For instance, a study by Tongzon (2012) conducted a study on primary influencing factors on port selection in Malaysia and Thailand. The study established that efficiency, frequency in shipping, infrastructure and location, are significant factors as compared to port charges. Further, it was established that the most influencing factors are frequency in shipping, efficiency, location. However, the study by Tongzon focused on port selection rather than transshipment. Further, the study was carried out in Malaysia and Thailand which is more developed than the port of Mombasa.

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Further, Park, and Lim, (2010) carried out a study to develop a model to identify a suitable transshipment port and transshipment cargo volume. The study sought to compare Shanghai port and Busan port to feeder containers to the northern China region. The study established that cost reduction of mainline and feeders are significant factors for increasing transshipment. However, the study focused on developed economies whose findings cannot be replicated in the emerging economies like Kenya.

2.7 Research Gaps

Tongzon (2012) conducted a study on primary factors influencing on port selection in Malaysia and Thailand and established that efficiency, frequency in shipping, infrastructure and location, are significant factors as compared to port charges. However, the study focused on port selection rather than customs clearance on transshipment cargo. The current study bridged the gap by holistically examining the factors affecting customs clearance of transshipment cargo.

A study by Veldman *et al.* (2011) sought to establish the factors affecting competitiveness of the ports of transshipment and established that feeder costs, mainline port access costs and mooring influences the competitiveness of transshipment ports. However, the study focused on factors affecting competitiveness rather than factors affecting customs clearance. The current study attempted to bridge the gap by focusing on customs clearance of transshipment cargo at the port of Mombasa.

2.8 Summary

This chapter has explored the theoretical literature pertinent to customs clearance of trans-shipment cargo. The chapter has also looked at the theoretical framework informing the study. Conceptual framework was also discussed and review of variables which included institutional procedures, institutional costs and infrastructure. The chapter also discussed the empirical literature review on trans-shipment from both global and local perspective. The chapter finally discussed critique of empirical literature and research gaps.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers study design, the study population, sample size, data sampling techniques, data collection instruments, pilot study and finally data analysis techniques.

3.2 Research Design

It is the structure of data collection and analysis with a view to achieve study objectives through empirical evidence (Cooper & Schindler, 2014). The study adopted descriptive research design which provides answers to questions of who, what, when, where, and how it is associated with a particular research problem (Mugenda & Mugenda, 2012). Descriptive research design is considered appropriate since it enables the researcher to reach many subjects within a limited time frame (Kothari, 2008).

3.3 Target Population

Target population comprises of the identified individuals, events or objects with similar characteristics that are observable and measurable (Yin, 2009). The population of interest in this study comprised of all 120 respondents in which 50 are KRA staff based at the port of Mombasa dealing with transshipment cargo, 40 KPA staff and 30 officials from various shipping companies among them Maersk shipping line, ECU line, Diamond shipping Company, PIL and Inchcape Shipping services .

Table 3.1 Target population

Category	Population	Percentage
Customs management	50	41.67%
KPA staff	40	33.33%
Shipping Lines staff	30	25.00%
Total	120	100%

Source: Author (2019)

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3.4 Sampling Frame

Sampling frame involves the description of target population cases by listing them so as to enable the researcher draw a sample (Saunders *et al.*, 2008). In this study the list consisted of 120 respondents 50 Kenya Revenue Authority officers stationed in the port of Mombasa who are directly involved in customs clearance at the port., 40 KPA staff and 30 shipping line staff.

3.5 Sample Size and Sampling Technique

3.5.1 Sampling technique

Sampling technique is a method of choosing a sample (Cooper and Schindler, 2014). This study adopted stratified sampling technique. This technique considers distinctive subgroups of individuals in the population to ensure that the sample drawn reasonably represents the population on specified characteristics (Saunders *et al.*, 2012). This was achieved by separating the population into categories of similar characteristic referred to as strata. In this situation, it includes the order of customs officers according to their rank.

3.5.2 Sample size

According to Cooper and Schindler (2014), sample size is a representation of the population. The researcher adopted Yamane (1973) statistical formula to select an appropriate sample size from a finite population. The formula determines the representative sample size from the target population as:

$$n=\frac{N}{1+N(a)^2} \quad =\frac{120}{1+120(0.05)^2} = 60$$

Where;

n = the size of sample,

N = the population size and

e = is the allowed margin of error (0.05)

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Table 3.2 Sample size

Category	Population	Sample size
Customs management	50	25
KPA staff	40	20
Shipping Lines staff	30	15
Total	120	60

Source: Author (2019)

3.6 Data Collection Methods

This alludes to gathering of data with a view to analyze the data and draw inferences from the analyzed data (Cooper & Schindler, 2014). The study utilized both secondary and primary data. Secondary data was obtained from the magazines, books and other published tax agency information relating to customs performance and publications relating to customs clearance and transshipment. This study adopted questionnaires that are structured as a method of collecting primary data. The questionnaires were based on closed-ended questions which were developed in tandem with the research questions. The closed-ended questions also incorporated a five point Likert scale.

3.7 Data Collection Procedure

The management of Kenya Revenue Authority was briefed on the study .The procedures of data collection involved getting authorization letter from Kenya School of Revenue Administration and from the relevant authorities. The questionnaires were administered through the drop and pick method. This gave respondents ample time to fill the questionnaires. Delivering questionnaires at hand enabled the researcher save time unlike sending by post that takes a longer period of time (Mugenda & Mugenda, 2012).

3.8 Pilot Study

Pilot test seeks to check whether the research instruments will work correctly in the real life scenario by administering it in a few samples drawn randomly (Polit *et al.*, 2010). The pilot test is to ensure that the questionnaire is understood by each participant. Four respondents were selected randomly to pilot test data collection tools. The choice of 4 participants is echoed by

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Riel (2010) who asserts that for pilot testing, 10% of the population can be used sufficiently. The findings won't be included in the actual study.

Validity is the ability of a data collection instrument to actually measure what is supposed to be measured (Babbie & Mouton, 2012). In this case, the questionnaire items were related to the research questions as they were constructed. Independent experts and statisticians were asked to evaluate the face and content validity of the items in the questionnaire

Reliability is the extent to which a particular procedure gives similar results of multiple trials (Kombo & Tromp, 2012). This study employed the Cronbach's alpha coefficient that measures the questionnaires internal consistency. The general rule states that, value of $\alpha > 0.7$ is determined by the researcher as reliable enough for each set of tested data.

3.9 Data Analysis

Data analysis involves reduction and organization of data to give out findings that necessitate interpretation by the researcher (Burns & Grove, 2012). Collected questionnaires were reviewed and checked for completeness and consistencies. Analysis of data was done using Statistical Package for Social Science (SPSS) version 25. Descriptive analysis was carried out to determine frequency and percentage distributions, mean and standard deviation. This study also used descriptive and inferential statistics to analyze collected data. Statistical significance was tested using linear regression analysis.

$$Y=\alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i$$

Where;

Y= Customs clearance

X_1 = Institutional procedures

X_2 = Institutional costs

X_3 = Infrastructure

α = the regression constant

β_{1-3} =the regression coefficient for each independent variable

ε is the error term for other factors affecting customs clearance of transshipment cargo that have not been included in the study

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CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter comprises of analysis and interpretation prepared from coded data of research questionnaires gathered from the respondent. The various analysis done on the data included reliability analysis, descriptive statistics, correlation analysis and multiple regression analysis.

4.2 Response Rate

The researcher distributed 60 questionnaires and 53 were received back fully completed. This was 88.3 per cent rate of response. According to Mugenda and Mugenda (2012) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The return rate indicates that over whelming majority of the respondents cooperated with the researcher in the process of data gathering and also the high response rate was due to the mode of questionnaire administration by field assistant and the small population surveyed. Table 4.1 presents the rate of response.

Table 4.1 Response Rate

Respondents	Frequency	Percentage
Respondents	53	88.3
Non-respondents	7	11.7
Total	60	100

4.3 Pilot Results

4.3.1 Data Validity

To determine the scales content validity, experts and academicians in the field of finance were consulted and changes were made as advised, eliminating, including or rephrasing a portion of the items incorporated into that draft to improve the scope and validity of the tools.

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4.3.2 Reliability Analysis

The reliability of a measure is built up by testing for both consistency and stability solidness of research instrument. Cronbach's alpha is the most used coefficient in measuring the internal consistency of the constructs. It considers the average inter-correlation amongst the various constructs of a given measure. The reliability of this instrument was evaluated with the use of Cronbach's alpha which consists of estimates of how much variation in scores of different is attributable to chance or random error. Table 4.2 presents results on reliability.

Table 4.2 Reliability

Scale	Cronbach's Alpha	Items
Institutional procedures	0.777	4
Institutional costs	0.736	4
Infrastructure	0.704	4
Customs clearance	0.742	3

The overall Cronbach's alpha for the four categories is 0.7544. The findings of the pilot study shows that all five scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda & Mugenda, 2012).

4.4 Demographic Data

Demographic data are quantifiable characteristic of a given population. The analyzed results were based on the 53 out of 60 participants who successfully filled and returned questionnaires. The results are presented in the tables below. The general information for the study comprised of the experience of the respondents and position.

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4.4.1 Respondents length of time worked

The respondents were asked to indicate their working experience. Table 4.4 presents respondents experience.

Table 4.3 Length of time worked

	Frequency	Percent
2-4 years	17	32.1
4 years and above	36	67.9
Total	53	100.0

From the study findings it can be deduced that most of the respondents have worked with their company for more than 4 years (67.9%) followed by those who had worked for between 2 to 4 years (32.1%). It can be concluded that the sampled respondents had considerable experience in the company hence knowledgeable about the study locale.

4.4.2 Position of the Respondents

The respondents were asked to indicate their positions in the firms. The results are indicated in table 4.4 below.

Table 4.4 Position of Respondents

	Frequency	Percent
Customs management	22	41.5
KPA staff	18	34.0
Shipping line staff	13	24.5
Total	53	100.0

Results indicate that majority of the respondents in this study were drawn from customs management as represented by 41.5 per cent of the sampled respondents while 34.0 per cent of the sampled population were drawn from KPA staff and only 24.5 per cent were shipping line

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staff. The findings imply that majority of the respondents are involved in decision making hence knowledgeable about the customs clearance.

4.5 Descriptive Statistics

This study carried out the following descriptive statistics; mean, standard deviation of all the study variables.

4.5.1 Effect of institutional procedures on customs clearance

With a view to establish the effect of institutional procedures on customs clearance of transhipment cargo, the study sought the views of respondents on the extent to which the given aspects of institutional procedures as indicated by their level of agreement. A likert scale data was collected rating the extent of agreement in a scale of 1 to 5 where 1 is the strongly disagree whereas 5 is the strongly agree indicator. The mean score for each item was calculated and the findings are shown in Table 4.4.

Table 4.4 Institutional procedures

	Mean	Std. Deviation
Customs department has effective technologies to clear transshipment cargo	3.42	1.365
There is less bureaucracy in the customs management for effective clearance of transshipment cargo	3.55	1.264
The current customs procedures cause delay in clearance of transshipment cargo	2.49	.891
There is effective inter agency coordination in clearance of transshipment cargo	3.25	.979

From table 4.4, the respondents were not sure whether customs department has effective technologies to clear transshipment cargo as indicated by a mean of 3.42 and standard deviation of 1.365. The respondents agreed that there is less bureaucracy in the customs management for effective clearance of transshipment cargo as shown by a mean of 3.55 with a standard deviation

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of 1.264. Findings also showed that majority of respondents (mean = 2.49; std. dev. = .891) disagreed to the assertion that current customs procedures cause delay in clearance of transshipment cargo. Finally, majority of the respondents were not sure if there is effective inter agency coordination in clearance of transshipment cargo as indicated by a mean of 3.25 and a standard deviation of .3979. The study findings resonate with Mwangi (2012) who conducted a study on factors influencing tax compliance in local authority and found that tax procedures are complex citing multi-stages approvals, bureaucracy and red-tape in administrative, which creates room for corruption.

4.5.2 Effect of institutional costs on customs clearance

With regard to the effect of institutional costs the data that was collected through the likert scale measuring the level of agreement of the respondents with respect to the given aspects. The results are as presented in Table 4.5.

Table 4.5 Institutional costs

	Mean	Std. Deviation
Handling costs for transshipment cargo is high	1.62	.790
Transshipment cargo clearance has reduced due to high shipping costs	2.40	1.025
Transshipment cargo clearance costs are high compared to returns	2.02	1.352
There is cost efficiency in customs clearance of transshipment cargo	3.11	.776

As shown in the Table 4.5, the respondents disagreed to the statement that handling costs for transshipment cargo is high as indicated by a mean of 1.62 and standard deviation of 0.790. The respondents also disagreed that transshipment cargo clearance has reduced due to high shipping costs as shown by a mean of 2.40 and a standard deviation of 1.025. Further, the respondents disagreed to assertion that transshipment cargo clearance costs are high compared to returns (mean=2.02). Finally, the respondents were not sure on whether there is cost efficiency in customs clearance of transshipment cargo as indicated by a mean of 3.11 with a standard deviation of 0.776. The findings are supported by Young-Tae, and Jinsoo, (2010) who did a

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study on factors affecting port selection and established that costs involved in inland transportation, distance of inland ocean transportation cost are significant factors to consider when selecting transshipment port.

4.5.3 Effect of infrastructure on customs clearance

The study sought to determine the effect of infrastructure. The results are presented in Table 4.6.

Table 4.6 Infrastructure

	Mean	Std. Deviation
The port of Mombasa has sufficient machineries to handle transshipment cargo	3.96	1.427
The port has enough berths to efficiently handle transshipment cargo	4.09	1.213
The customs department has effective technologies to clear transshipment cargo	4.00	.961
The port infrastructure attracts transshipment cargo	3.38	1.096

As shown in the Table 4.6, the respondents agreed that the port of Mombasa has sufficient machineries to handle transshipment cargo as indicated by a mean of 3.96 with a standard deviation of 1.427. Further, respondents agreed that the port has enough berths to efficiently handle transshipment cargo as indicated by a mean of 4.09 with a standard deviation of 1.213. Respondents also agreed that the customs department has effective technologies to clear transshipment cargo as indicated by a mean of 4.00 and standard deviation of 0.961. Finally respondents were not sure whether the port infrastructure attracts transshipment cargo as indicated by a mean of 3.38 and standard deviation of 1.096. The findings agree with a study by Tongzon (2012) on factors influencing port selection in Malaysia and Thailand who concluded that infrastructure and location are significant factors as compared to port charges.

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4.5.4 Customs clearance

The study results on customs clearance are as presented in Table 4.7. The findings are on means and standard deviation showing the extent of the respondents' agreement on customs clearance aspects given.

Table 4.7 Customs clearance

	Mean	Std. Deviation
Customs clears transshipment cargo with speed	4.34	.478
The cost of clearing transshipment cargo has reduced	3.62	.527
Transshipment cargo traffic to the port of Mombasa has increased	4.34	.478

According to the findings in Table 4.7, majority of respondents agreed that customs clears transshipment cargo with speed as indicated by a mean of 4.34 and standard deviation of 0.478. The respondents were not sure whether the cost of clearing transshipment cargo has reduced as indicated by a mean of 3.62 and standard deviation of 0.527. Finally, majority of the respondents agreed that transshipment cargo clearance efficiency has increased as indicated by a mean of 4.34 and standard deviation of 0.478.

4.6 Correlation Analysis

Correlation analysis is significant for any econometric analysis; if the predictor variables are highly correlated then there is multicollinearity. In case the pair-wise correlation coefficient between two explanatory variables is in excess of 0.8, then there is multicollinearity (Gujarati, 2010). The study used Pearson correlation to identify the strength and direction of linear relationship between the study variables. The results are shown in Table 4.8.

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Table 4.8 Pearson correlation coefficient

		Institutional procedures	Institutional costs	Infrastructure	Customs clearance
Institutional procedures	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	53			
Institutional costs	Pearson Correlation	.302*	1		
	Sig. (2-tailed)	.020			
	N	53	53		
Infrastructure	Pearson Correlation	.326**	.497**	1	
	Sig. (2-tailed)	.000	.000		
	N	53	53	53	
Customs clearance	Pearson Correlation	.583**	.205	.472	1
	Sig. (2-tailed)	.000	.000	.003	
	N	53	53	53	53

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.8 indicates that there is a moderate positive correlation of (r=0.583, P=0.000) between institutional procedures and customs clearance. Further, the bivariate correlation analysis showed that there is a weak correlation of (r=0.205, P=0.000) between institutional costs and customs clearance of transshipment cargo. The study finally found out that there is a moderate correlation of (r=0.472, P=0.003) between infrastructure and customs clearance of transshipment cargo at the port of Mombasa.

4.7 Regression Analysis

The t-test was used to test the significance for all study variables at 95% confidence level. From the observation any p-value that is less than 0.05 was deemed to have significant relationship with the dependent variable, else the relationship was considered insignificant.

4.7.1 Model Summary

The results for the model summary are presented in Table 4.9.

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Table 4.9 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.666[a]	.444	.417	.1940

a. Predictors: (Constant), Infrastructure, Institutional costs, Institutional procedures

According to regression results in table 4.9, the regression equation between factors affecting customs clearance of transhipment cargo had a moderate regression. In the model summary, the R^2 is 0.444 indicating that explanatory variables (institutional procedures, institutional costs and infrastructure) cause 44.4 per cent variation in customs clearance, while the remaining 55.6% are attributable to other factors not considered in the study.

4.7.2 ANOVA and F-test Results

Analysis of variance was employed to test the overall significance of the regression model. The results are presented in table 4.10 below.

Table 4.10 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.606	3	9.202	13.052	.000[b]
	Residual	34.564	49	.705		
	Total	62.170	52			

a. Dependent Variable: Customs clearance

b. Predictors: (Constant), Infrastructure, Institutional costs, Institutional procedures

From table 4.10, the significance value in testing the reliability of the model for the relationship between the factors affecting customs clearance was obtained as 0.00 which is less than 0.05, the critical value at 95% significance level. Therefore the model is statistically significant in predicting the relationship between the factors affecting customs clearance of transshipment cargo. The F value calculated is 13.052 indicating a significant model for the relationship as given by the regression coefficients. This shows that the overall model was statistically significant and reliable in explaining the relationship between the study variables.

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4.7.3 Multiple Regression Coefficients

The multiple regression coefficients results are provided in the table 4.11 below:

Table 4.11 Regression coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.764	.893		3.095	.000
	Institutional procedures	.142	.050	.398	2.852	.006
	Institutional costs	.124	.045	.352	2.750	.008
	Infrastructure	.074	.034	.279	2.186	.034

a. Dependent Variable: Customs clearance

The estimates of the regression coefficients, t-statistics and the p-values for the relationship between the factors affecting customs clearance of transhipment cargo are presented in table 4.11. These coefficients answer the regression model relating the dependent and the independent variables. Based on the coefficients, the regression model $Y= \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3$ therefore becomes;

$Y=2.764 + 0.142X_1 + 0.124X_2 + 0.074X_3$ clearly shows a significant positive relationship between the predictor variables and customs clearance.

The researcher concludes that at the point where the independent variables are absent (all at zero), customs clearance shall be at a level of 2.764. Regression results further indicate that institutional procedures had a positive and significant relationship (beta=0.142, P-value 0.006). The findings imply that an increase in the level of institutional procedures by one unit would lead to increase in customs clearance by 0.142 units. Results further indicate that institutional costs had a weak positive and significant relationship with customs clearance (beta=0.124, P-value

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0.008). The findings imply that an increase in the institutional costs by one unit would lead to increase in customs clearance by 0.124 units.

Finally, the results indicated that infrastructure had a least effect of 7% and significant relationship with customs clearance (beta=0.074, P-value 0.034). The findings imply that an increase in infrastructure level by one unit would lead to increase in customs clearance by 0.074.

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CHAPTER FIVE

SUMMARY, CONCLUSSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is divided into three sections, summary of the findings, conclusions and recommendations including areas for further study.

5.2 Summary of Findings

The general objective of the study was to establish the factors affecting customs clearance of transshipment cargo at the port of Mombasa. For data analysis and presentation of results, both descriptive and inferential statistics were employed specifically using regression analysis and Analysis of variance to establish the significance of the model and also to establish the relationship between the study variables.

5.2.1 Effect of institutional procedures on customs clearance

The study findings established that the sampled respondents were unsure on whether customs department has effective technologies to clear transshipment cargo. However, the respondents agreed that there is less bureaucracy in the customs management for effective clearance of transshipment cargo further the respondents disagreed to the assertion that current customs procedures cause delay in clearance of transshipment cargo. Finally, majority of the respondents were not sure if there is effective inter-agency coordination in clearance of transshipment cargo. The study findings resonate with Mwangi (2012) who conducted a study on factors influencing tax compliance in local authority and found that tax procedures are complex citing multi-stages approvals, bureaucracy and red-tape in administrative, which creates room for corruption.

5.2.2 Effect of institutional costs on customs clearance

Further, the study established that handling costs for transshipment cargo is high. The respondents also agreed that transshipment cargo clearance has reduced due to high shipping costs. Further, the respondents disagreed to assertion that Transshipment cargo clearance costs are high compared to returns. Finally, the respondents agreed that there is cost efficiency in customs clearance of transshipment cargo. The findings are supported by Young-Tae, and

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Jinsoo, (2010) who did a study on factors affecting port selection and established that costs involved in inland transportation, distance of inland ocean transportation cost are significant factors to consider when selecting transshipment port.

5.2.3 Effect of infrastructure on customs clearance

The study also established that port of Mombasa has sufficient machineries to handle transshipment cargo. Further, respondents agreed that the port has enough berths to efficiently handle transshipment cargo. Respondents also agreed that the institutions have effective technologies to clear transshipment cargo. Finally respondents agreed that the port infrastructure attracts transshipment cargo. The findings agree with a study by Tongzon (2012) on factors influencing port selection in Malaysia and Thailand who concluded that infrastructure and location are significant factors as compared to port charges.

5.3 Conclusions

From the research findings, the study indicates that the technologies used by the named institutions to clear transshipment cargo are effective. The study also shows that the institutions have less bureaucracy hence effective clearance of transshipment cargo. The study also shows that the procedures for transshipment cargo clearance are not attributed to delays and the inter agency coordination in clearance of transshipment cargo is effective.

The study indicates that the cost of handling transshipment cargo is high. It shows that the high shipping costs has caused transshipment cargo through the port of Mombasa to decline. Further, the study concludes that transshipment cargo clearance costs are high compared to returns and customs clearance of transshipment cargo is cost efficient.

The study proves that the port of Mombasa has sufficient machineries to handle transshipment cargo. The berths at the port of Mombasa can efficiently handle transshipment cargo. The study finally concludes that the technologies available to customs department are effective to clear transshipment cargo and the port of Mombasa infrastructural expansion has attracted transshipment cargo.

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5.4 Recommendations

The study recommends that the customs management should ensure that the technologies available are effective in clearing transshipment cargo. Also the study recommends that the decision making should be delegated so as to remove unnecessary bureaucracies which cause unnecessary delays in transhipment clearance. The Kenya Revenue Authority management should work collaborative with Kenya Ports Authority and the shipping lines to clear transhipment cargo timely.

The study recommends that the KRA management and KPA management should devise ways to reduce the costs associated with transshipment cargo clearance. The study also recommends that the costs of operations should be reviewed downwards so as to attract transshipment cargo at the port of Mombasa which has been declining as a result of high costs.

Finally, the study recommends that the management of KPA should ensure that the port has enough and efficient handling machines to clear transshipment cargo. The size of berths should be enhanced so as to ensure speedy clearance of transshipment cargo. The management of KRA, KPA and of the shipping lines should embrace top notch technologies to effectively clear transshipment cargo at the port of Mombasa

5.5 Areas of Further Research

This study focused on the relationship between the factors affecting customs clearance of transhipment cargo. This study could be further developed by including more independent variables to the regression model and increasing the sample size. The variables would help improve the results of the study since it would include all the other factors that affect the customs clearance of transhipment cargo.

Nevertheless, this study has been confined to the port of Mombasa for analysis and comparison, and also three selection factors alone have been given, which are not enough for all kinds of transshipment ports. The remaining part for further research will be to apply the logit model to other ports in regional area in order to confirm the independent variables have effectiveness.

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APPENDICES

APPENDIX I: Letter of Introduction

MARIEANNE MBALE

POST GRADUATE DIPLOMA IN CUSTOMS ADMINISTRATION

KENYA SCHOOL OF REVENUE ADMINISTRATION

MOMBASA CAMPUS

P.O BOX 95707 - 80106

MOMBASA

28TH MAY 2019

Dear Sir/ Madam,

RE: POST GRADUATE DIPLOMA RESEARCH

I am a postgraduate student at Kenya School of Revenue Administration taking Post Graduate Diploma in Customs Administration. As per the course work assessment, I am supposed, as an academic requirement, to write and submit basic research project. My basic research is on the "factors affecting customs clearance of transshipment cargo at the port of Mombasa".

By this letter am kindly requesting you to authorize me to collect data from the Post Clearance Audit division. The collected information will be exclusively for the purposes of academic and extreme confidentiality will be treated to the obtained information.

Thanking you in advance.

Yours Faithfully,

Marieanne Mbale

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APPENDIX II: Questionnaire

The primary intention of this research questionnaire is to collect data on the factors affecting customs clearance of transshipment cargo in the port of Mombasa. The collected data will be accorded extreme confidentiality and it is purposely meant for academic only. Kindly mark "X" on the applicable provided space as an indication of your choice.

SECTION A: General Information

1. What is your position?

   Management ( )

   Subordinate ( )

2. What is the Length of time you have worked with the customs department?

   Less than 2 years ( )

   2 to 4 years ( )

   Above 4 years ( )

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SECTION B

a) Effect of institutional procedures on customs clearance

This section is based on scales of 1 to 5 where;

1 implies strongly disagree, 2 implies disagree, 3 implies neutral, 4 implies agree and finally 5 implies strongly agree. Give the effect of the following statements on institutional procedures.

	STATEMENT	1	2	3	4	5
a	Institution has effective technologies to clear transshipment cargo					
b	There is less bureaucracy in effective clearance of transshipment cargo					
c	The current procedures cause delay in clearance of transshipment cargo					
d	There is effective inter agency coordination in clearance of transshipment cargo					

`

b) Effect of institutional costs on customs clearance

This section is based on scales of 1 to 5 where;

1 implies strongly disagree, 2 implies disagree, 3 implies neutral, 4 implies agree and finally 5 implies strongly agree. Give the effect of the following statements on institutional costs.

	STATEMENT	1	2	3	4	5
a	Handling costs for transshipment cargo is high					
b	Transshipment cargo clearance has reduced due to high shipping costs					
c	Transshipment cargo clearance costs are high compared to customs levies on transshipment cargo					
d	There is cost efficiency in clearance of transshipment cargo					

`

c) Effect of infrastructure on customs clearance

This section is based on scales of 1 to 5 where;

1 implies strongly disagree, 2 implies disagree, 3 implies neutral, 4 implies agree and finally 5 implies strongly agree. Give the effect of the following statements on infrastructure.

	Statement	1	2	3	4	5
a	The port of Mombasa has sufficient machineries to handle transshipment cargo					
b	The port has enough berths to efficiently handle transshipment cargo					
c	The institutions have effective technologies to clear transshipment cargo					
d	Road network within the port is sufficient to transfer transshipment cargo					

`

d) Customs clearance of transshipment cargo

This section is based on scales of 1 to 5 where;

1 implies strongly disagree, 2 implies disagree, 3 implies neutral, 4 implies agree and finally 5 implies strongly agree. Give the effect of the following statements on customs clearance of transshipment cargo.

	STATEMENT	1	2	3	4	5
a	Customs clears transshipment cargo with speed					
b	The cost of clearing transshipment cargo has reduced					
c	Transshipment cargo clearance efficiency has increased					
d						

Thank you for your cooperation