FACTORS INFLUENCING REVENUE COLLECTION IN CUSTOMS AND BORDER CONTROL IN KENYA: A CASE OF INLAND CONTAINER DEPOT EMBAKASI, NAIROBI.

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

2020

DECLARATION

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

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Signature Date

DENNIS NYAGAH MWANIKI

HDB335 - C016 – 5042/2016

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

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DEDICATION

I humbly dedicate this research project with gratitude to our Almighty God for enabling and guiding me through my academic period. I secondly dedicate this research project to my parents Mr. Patrick Mwaniki & Mrs. Jane Mwaniki, It is also dedicated to my siblings Joseph, Jacqueline and June, for their endless support and love. Surely without their continued support and counsel I could not have accomplished this project.

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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
CAF	Clearing and Forwarding
DPC	Document Processing Centre
EAC	East Africa Community
GOK	Government of Kenya
ICD	Inland Container Depot
IMF	International Monetary Fund
ITMS	Integrated Tax Management System
KESRA	Kenya School of Revenue Administration
KPA	Kenya Ports Authority
KRA	Kenya Revenue Authority
TBL	Through Bill of lading
TMP	Tax Modernization Programme
VAT	Value Added Tax
WB	World Bank

DEFINITION OF TERMS

Customs clearance: Involves preparation and submission of documentations required in facilitating export or imports into the country, representing client during customs examination, assessment and payment of duties (Abiolo & Asiweh, 2013).

Information Technology: Computerization of taxes or duties by use of information communication technology (ICT) so as to improve effectiveness and efficiency on the revenue collection (Kihumba, 2014).

Post Clearance Audit: Defined by the Revised Kyoto Convention as measures by which the customs satisfy as to the accuracy of the declarations through the examination of the relevant books, records, business systems and commercial data (RKC, 2015).

Revenue Collection: the income of a government from taxation, excise duties, customs, or other sources, appropriate to the payment of the public expenses (Mutisya, 2014).

ABSTRACT

Revenue collection is very crucial for the growth of any economy. Most countries undertake revenue collections to meet their budgetary obligations. The ever rising economic and financial needs of Kenya and the budget constraints that constantly exist threaten the sustainability and growth of the Kenyan economy. The purpose of this study will be to determine the factors influencing revenue collection in Kenya with a case of ICD Nairobi. More specifically, it will focus on the effects of the customs clearance, information technology and post clearance audit. The objective of this study was to determine factors influencing container dwell time in Kenya with the case of Inland Container Depot Embakasi, Nairobi. This study will be guided by three specific objectives: to determine the effects of customs clearance on the revenue collection in Kenya; to find out the effects of information technology on the revenue collection in Kenya; to examine the effects of post clearance audit on revenue collection in Kenya. This study will be based on four theories: portfolio theory; resource based view theory; optimal taxation theory and modern stakeholder theory. The target population of the study will be 340 people which included Kenya Revenue Authority, Kenya Port Authority and clearing and forwarding agents. Questionnaire will be the major instrument to obtain primary data from the respondents while the secondary data will be obtained from existing empirical literature relevant to the study. The study will be using a descriptive survey design. The questionnaire will be designed using Likert scale type. A sample of 182 respondents will be obtained through a stratified sampling technique. The data will be analyzed using descriptive technique, regression model and appropriate tests was conducted with the use of Analysis of variance (ANOVA).

CHAPTER ONE
INTRODUCTION

1.1 Background of the study

From the start of civilization, with an example from the ancient Roman Empire, taxes have been collected for the purpose of running the state departments, from military, to agriculture, to infrastructure and construction. From a global perspective, Franklin (1706-1790) an American statesman states that there is nothing certain in the world, except for death and taxes. 90% of the world's states except for the counties like Saudi Arabia, tax their citizens for the sole purpose of financing their expenditure. It is usually done on annual bases, with a target or budget set to guide the collection focus. The issue of tax collection is so serious that laws have been set that lead to imprisonment and even death sentence for its tax offending citizens, especially in a state like the North Korea.

Governments have even created departments and organizations to ensure maximized collection of legislated taxes. The USA has the Federal Bureau of Investigations, FBI while in Kenya we have the Kenya Revenue Authority department in charge of collection and investigation of tax frauds. Tax is a compulsory contribution to state revenue, levied by the government on workers' income and business profits, or added to the cost of some goods, services, or transactions. Fjeldstad & Rakner (2015) defined tax as a compulsory contribution of the wealth of an individual, or that of legal persons, towards the service of the public. Taxation is not voluntary. Adams (2016) noted that, it was the lack of consent to taxation that led to the war in Holland in the 16th century and the American War of Independence.

Advanced or developed countries in regions like Europe and the Americas have a revenue online network that is linked to your social security pin number that entails details of your transactions and duties owed to the government. They have access to your bank accounts and credit systems. On a focus on revenue collection regionally, with a view on Africa, the process of collecting taxes and revenue is uneven as different states have different collection systems. Some collect manually while others collect use new improved electronic systems. Taxation is the means by which governments raise money to fund their expenditure. Required revenue is to be raised by proportionate taxes on some or all uses of income (Nyanumba, 2016).

Different countries levy different rates of tax on their peoples' incomes, goods and services. Adams (2016) observed that, sooner or later, in one way or another, taxes affect us all, young or old, be it as employers, or businessmen building the nation, or as faithful employees, or consumers of goods and services, there is a tax obligation for every person, legal or natural. Since the 1980s, a large number of developing countries have been in the process of making reforms in their financial sectors and government sectors (Odoyo et al, 2013). The African business economy on imports and exports has been growing. The African region has been encouraging the growth and support of business among themselves with a view to promote local industrial growth and relations.

They have done this through the formation of trading blocs like COMESA, EAC and SADC. They have also created an inter bloc systems like the single window system that ensures check on transit or transshipments from nonmember countries through member countries to the final designated member country. For example, cars imported from Britain, into the port of Mombasa Kenya through the border to Uganda. This helps track the car to ensure it has arrived and duties have been collected for the member state. Without this, in the past, the cars were being diverted into local markets which lead to loosing of revenue for both member countries and unfair competition for the local industry.

Nationally, with a view on Kenya, Osebe (2013) quotes that, before the reforms, tax revenues in Kenya were a result of heavy taxation of a limited tax-base, that is, a small group of people were charged large amounts; as well as high taxation of imports and exports. Reforms were introduced because of the increasing need to raise more revenue on behalf of the government through tax. Abiola & Asiweh (2013) observed that many developing countries urgently needed to mobilize resources to service their growing public debt. The purpose for these reforms was to improve tax collection and reduce revenue leaks as well as to rationalize government spending and streamline the national budget in terms of aligning the budget with the development needs of the country that should be catered to.

Fjeldstad & Rakner (2013) noted that, despite important differences in their economic and cultural background, developing countries tended to modify their tax systems towards roughly the same direction. The trends noted in the modification of tax systems in different countries were: Introduction of the value-added tax (VAT) on consumables; lower personal and corporate income taxes; simplification of the tax bands and broadening of the brackets for personal and corporate income taxes; reduction of import duties and simplification of the rate structure; simplification of the excise duty structure; and abolition of export taxes. Mutisya (2014) noted that, the tax modernization program was introduced in Kenya in 1986 with the hope of, among other things, enhancing revenue collection.

The Kenya Revenue Authority (KRA) was established by an Act of Parliament, chapter 469 of the laws of Kenya in July 1995 as the only tax collecting agency mandated to collect tax on behalf of the government of Kenya (Laws of Kenya, 2012). The purpose of KRA is assessment and collection of tax, as well as administration and enforcement of laws relating to revenue. This is clearly put across in the KRA mission, which is; to enhance trade, and ensure border policies and regulations are followed by promoting the standards set out in the Taxpayer's Charter (Kenya Revenue Authority, 2000), to promote and improve compliance with Kenya's tax payers, to employ responsible enforcement measures through professional and motivated staff to maximize revenue collection with minimal cost for the socio-economic wellbeing of Kenyans.

Before the enactment of KRA, the task of revenue collection was shared between at least 5 government ministries. This led to high levels of revenue leakage, replication of roles, high collection and administration costs as well as lack of accountability from the respective revenue collecting ministries (Adams, 2013). Its enactment increased revenue collection drastically, and currently about 90 percent of the national budget is funded by tax revenue. The tax reforms adopted were similar to those that had been taking place in other African nations in that, VAT was introduced, personal and corporate taxes were reduced, there was simplification of tax bands and reduction of import duties as well as abolishment of export duties (Fjeldstad & Rakner, 2013). The constant increase in the national budget and continuous need for further development and crisis management creates a need for collecting higher revenues.

According to Wagner's law of Increasing State Activity, the demand for government services is income-elastic, that is, the share of goods and services provided by the government is expected to raise with higher income levels (Abiola & Asiweh, 2013). As long as taxation has existed, there has been resistance to it and with that, legal and illegal ways of avoidance, planning and evading tax keep being formulated. Resistance to tax was first noted by the poet, Pope in the Benjamin Franklin era, that is, 1706 - 1790. Fjeldstad & Rakner (2013) stated that, most sub-Saharan countries are faced with a dilemma with respect to taxation: First, there is an urgent and dire need for more revenue to enable the countries to provide even the most basic of public services and maintain government resources as well as resolving of crises that arise;

Second, those economically able are few, and they do not want to pay taxes, in-fact, they spend a lot of their money to acquire tax planning and avoidance services; and Third, those without economic ability, who are the majority, have almost nothing to tax and resist paying taxes anyway. In Kenya, there has been no real change in tax as a proportion of government revenue or as a proportion of GDP (Egidijus & Emile, 2013). Fjeldstad & Rakner (2013) added that in spite of recent reforms, the central government tax systems in many African countries are characterized by an excessive number of different taxes.

In ICD Embakasi, Nairobi, there are three main stake holders who ensure the business area functions day and night. The first is the KPA who receive the containers at ICD Nairobi and arrange them systematically for ease of location. This is done in a yard which also acts as a verification area and storage. By doing this the clearing agent is enabled to locate their containers and verify and exit for delivery at a fee paid to KPA. Also, the KRA is able to physically verify the container's contents for value assessment in conjunction with other governmental stake holders like the KEBS and Port health and Poisons board. The clearing agent assures that the container is verified and successfully released.

These taxes have rate structures that are difficult for taxpayers to understand; this goes to show that, although the reforms have led to tremendous improvement in collection efficiency, there are still numerous hurdles that KRA faces in terms of collection of the much needed tax revenue. Resistance from taxpayers and prospective taxpayers as well as high levels of ignorance has also brought about difficulty in the collection of revenue for the government as stated by (Egidijus & Emile, 2013).

1.2 Statement of the problem.

The process of revenue collection in Kenya mainly from imports starts from declaration of the items by registration of the commercial information got from the invoice and waybill or bill of lading. The information is usually about the importer the exporter, the clearing agent authorized to handle the consignment, the country of origin and the value of the bought items and description. The information is fed into the legal KRA customs system and a legal document called a customs entry is generated with declared duties to be collected against the consignment. Compliance comes as a result of the probability of audit, coupled with the probability of accruing penalties from underpayment of taxes (Egidijus & Emile, 2013).

This implies that, it is scarcely voluntary. As a result, taxpayers only honor their obligations because there are repercussions to noncompliance. The level of efficiency in revenue collection is affected by various factors, which include: - taxpayer ignorance, lack of sufficient workforce to enhance compliance of the entire taxable population, communication barriers and low levels of information penetration, high levels of illiteracy among other causes. These hindrances to revenue collection result in: - indebtedness of taxpayers, high costs of collection which include taxpayer education, at times high risks for the tax collecting officers, deficits in meeting of targets from treasury, which in the long run leads to unavailability of funds to pay the country's debts or to finance the national budget (Adams, 2016).

Secondly, despite the challenges, there are the benefits observed by the use of automation system. The use of technology has improved the process of revenue collection. The time used in processing documents to have collection of duties approved has reduced exponentially from the time of Boffin manual system to the Simba system and now the ICMS integrated systems. The collection of information from all government agencies with examples like, KEBS, KEPHIS and Port Health has improved processing speed and verification process. The use of the system has also reduced the number of occurrence of fraud and loss of revenue. The data collected can now be saved and referred to by other officers and agencies for future comparison and verification.

The data can also be used as evidence and benchmark for future cargo within the stipulated time frame by law i.e. EACMA. The use of technology has increased the speed of cargo clearance at border points thus increased the ease of importation and exportation process at ICD-N. This has lead to increase in tax collection per day. Once taxes have been paid, it automatically reflects on the system thus the officers are able to see if the consignment will be processed or not. This leads to ease of prioritization of the paid consignments verses the unpaid consignments. Over the past eight years, there have been surveys and reports carried out in Kenya for the purpose of exposing weaknesses in service delivery as well as enhancement of revenue collection due to the need to increase revenue raised (Egidijus & Emile, 2013).

The National Business Agenda released by members of the private sector pointed out that despite improved services, taxpayers still face difficulties from the complexities of ever changing processes and statutory procedures as well as the forms and paperwork that are required to be filled for service requests. As a result, the Taxpayer Program was developed so as to improve service delivery and enhance service options to taxpayers, deliver focused education outreach and alternate services as well as enhance information penetration levels and ensure strict adherence to the provisions of the Taxpayer Charter; and revamp the customer care desks as well as the call Centre program (Kenya Revenue Authority, 2000).

These initiatives have improved service delivery a great deal; however, there still exists factors that hinder effective collection of revenue for KRA (Fjeldstad & Rakner, 2013). There exist valuable empirical literatures that study the revenue collection strategies. These include Egidijus & Emile, 2013; however, not much literature investigates actual factors that influence revenue collection in Kenya especially at ICD Nairobi. This study therefore seeks to fill the literature gap in the country specific study by exploring the factors influencing revenue collection in Customs & border control in Kenya’s inland container depot Embakasi, Nairobi.

1.3 Research Objectives

1.3.1 General Objectives

The general objective of this study will be to determine factors influencing revenue collection in Customs & border control in Kenya: A case of inland container depot Embakasi, Nairobi.

1.3.2 Specific Objectives

i. To determine the effects of Customs Clearance in imports on the revenue collection’s Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi.

ii. To find out the effects of Customs Automated Systems on the revenue collection’s Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi.

iii. To examine the effects of Customs Post clearance Audit on revenue collection's Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi.

1.4 Research Questions

In order to address the objectives outlined above, this research paper focussed on answering the following questions:

i. How does Customs Clearance in imports influence revenue collection's Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi?
ii. How does of Customs Automated Systems influence revenue collection's Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi?
iii. How does Customs Post clearance Audit influence revenue collection's Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi?

1.5 Justification of the Study

The study is of high importance to: -

1.5.1 Customs and Border Control Department

The research findings would enhance the KRA's revenue collection levels as a result of policies put in place by the government as well as helping in meeting of revenue targets for the purpose of funding the government expenditure. The Customs and border control department has increased revenue collection at border points around the Kenya entry and exit points. Kenya being a major importing state, it has a 90 percent of its local consumption from being imported items and this items are taxed which contribute to the country's budget being on taxes.

1.5.2 Government

The research findings would give guidelines to the Kenya Government in the formulation of appropriate laws and policies that would seal the loopholes that create hindrances to efficient and effective revenue collection.

1.5.3 Taxpayers

This research would help to improve literacy in matters regarding taxes and tax obligations and increase information penetration to the tax payers. It would also lead to a reduction in the effect of penalties imposed on them, and as a result, create a tax compliance culture.

1.5.4 Scholars and Academicians

This research will extend the existing knowledge on the means of revenue collection as well as the factors that promote or hinder efficient revenue collection.

1.6 Scope of the Study

As stated by (Kothari, 2014), the scope of the study explains the boundaries of the research and this is based on the fact that the researcher cannot study everything and everywhere. This helps the researcher to keep focused on the task in order to make decisions about the changes required during the research process that contribute to obtaining of both valid and reliable information (Egidijus & Emile, 2013). The study will be limited to Inland Container Depots (ICD) Embakasi, Nairobi. The target population will include: Customs officers, KRA officers and clearing and forwarding agents. This study will target 30 people out of the 300 professional at ICD-N.

This is because it is a highly professional and most of the activities are straight forward and repetitive and similar. Questionnaire will be used as the major instrument to obtain primary data from the respondents while the secondary data was obtained from existing empirical literature relevant to the study. A sample of 25 respondents was obtained through a stratified sampling technique

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

Literature review basically involves identification, location reading and evaluation of various relevant documents related to the problem under investigation and refer to the works the researcher has consulted in order to understand and investigate the research problem (Kothari, 2014). This chapter presents a review of some of the existing literature on the studies on factors influencing revenue collection by Customs and border control department in Kenya by critically examining their objectives, methodology applied and the findings. It gives a review of the existing literature on the factors influencing container dwell time at various ports. The literature review is meant to exemplify the key concepts of the topic of discussion. It provides the basis of critical review and a clear understanding of the problem (Mugenda & Mugenda, 2013).

2.2 Theoretical Review

A theory is an explanation which helps to understand and make predictions about a given situation (Creswell & Daly, 2015). A theory in revenue collection is important since most of the governments in the world rely on taxation to enables it acquire assets which are not liable to debt and which the government uses to develop its economy. However, revenue collection in Kenya has not always been as effective and smooth as it is supposed to be. The ineffectiveness is attributable to many factors. The application of different sources of revenues ensures the predictability and stability of sources of revenue in public finance. It as well gives the implication that no one source of finance has control or is relied upon at the expense of other sources of finance.

This ensures that there is a continuation of the service delivery in the public sector as income flow is consistent (Mwichiro, 2013). This study is based on four theories of revenue collection established to explain why the revenue collection is critical in the growth of economy:

2.2.1 Resource Based View Theory

Resource Based-View (RBV) was brought about by Penrose (1959) who recommended that an association ought to be considered as a collection of physical and HR bound together in an authoritative structure. Egidijus & Emile (2013), viewed resources as physical resources and intellectual resources; Physical resources, for example, plant and hardware are effectively recognizable because of their substantial presence (Maina, 2013). Administration Control, or simply "Control", is characterized as, formal, data based schedules; frameworks and structures that administration uses to keep or change designs in the different exercises of the of the association, fundamentally those exercises that bolster administration choice procedures and activities while actualizing business strategy (Kihumba, 2013).

As per Egidijus & Emile (2013), also calls for further empirical support for resource construct view in light of association strategy; suggestions from a resource (and ability) point of view on associations value creation and aggressiveness through value processing, innovations, control systems, organizing resources and compensation policies. Dominant part of SMEs in developing economy can't contend in a successful route because of their inner resource gap UNIDO (2003). In this case resource based view theory could be used in this study in that government institutions require adequate resources in tax administration.

2.2.2 Portfolio Theory.

As indicated by portfolio theory, diversification lessens risk or variability, given that different stocks in an investment portfolio don't move in the very same direction or the price changes of different stocks are not exactly flawlessly related Jonathan (2014). This theory has been linked with the second variable which is Customs automated systems. There are two sorts of risks we have to recognize: unique (unsystematic risk) and market risk (systematic risk). The unique risk comes from the antagonistic conditions that encompass a specific organization or industry. With an example to ICD-N, the customs officer can input an alert focusing on a targeted entry, from the DPC or NTC Centre in times tower or Upper-hill offices Joyce & Francis (2014).

The said entry with the message is prone to a risk of message being manipulated by any customs officer from the same office. The message can also be deleted by the said officer. This risk can be wiped out by diversification where several officers can view the same message at once with the said entry having an alert color coding scheme thus enforcement marks the entry for enjoined verification. Also scanning the new rules for scanning all containers with emphasis to 40 feet containers has improved monitoring thus this theory works with diversification in customs ICD-N. The scanning process and department has assisted this theory process by marking containers with suspicious images for easy flagging due to suspect marked images of the imported content.

In any case, the market risk can't be disposed of through diversification and it originates from the vast hazards which influence all organizations. For a very much broadened portfolio, the main thing that matters is the risk that financial specialists can't dispose of, the no diversifiable ones Jonathan (2014). Since a solitary security's commitment to the (market) risk of the entire portfolio relies on upon how touchy the security is to the market developments (measured by beta), the risk of an all-around expanded portfolio equals the average beta of the securities included in the portfolio” Joyce & Francis (2014). On the other hand, market risk may come from misdeclared consignment, by the importer and agent.

This is done by twisting the documents like invoice value from the beginning. This can be overcome by using the documented valuation processes, like fall back method where you refer to previous importation data of the same item by same or different importer. There is also, use of data from similar and identical items imported within 90 days. This is according to EACCMA and customs valuation rules. In the event that the portfolio risk is driven by the betas of each different security, it suggests that diversification can't just wipe out the stand-alone risk, additionally adjust the market risk of the portfolio by changing the mix of different securities.

With regards to government finance, the possibility of revenue diversification is like investment diversification. We may consider the different revenue sources or tax bases as an administration's investment portfolio and every tax as one of the securities in the Portfolio.

2.2.3 Optimal Taxation Theory.

The literature on optimal taxation commonly regards the social planner as utilitarian: that is, the social welfare capacity depends on the utilities of people in the general public. The standard theory of optimal taxation argues that a tax framework ought to be chosen based on a social welfare capacity subject to an arrangement of requirements. In this theory, post clearance audit should be allowed to operate depending on suspect files and zones of target like the border exit and entry point. In focus to this project, the PCA need to focus on most miss declared items in ICD-N. According to social welfare, capacity need to collect data from the social systems like eternal auditors and focus on most red flagged imported and exported items at ICD-N.

The process can face challenges as not everyone in the clearing social welfare will be open to the process of PCA thus a challenge to performance at 100 percent. Using the four principles, the PCA should ensure that the data collected assists the tax payer needs while making the payments. Issues like ease of payment and ease of access to payment options should be availed to make the process enjoyable and bearable to the tax payer. The payments should also reflect in the system in a timely manner. The process doesn't cost the importer time and money when parking payments as a set account and banks are open to receive payments using a generated F147 a proof of payment. By having the banks set on Customs and Kenya's border points, brings convenience to both Customs and the importer as ease of access to payments utilities.

In its most broad investigation, this literature utilizes a social welfare work that is a nonlinear capacity of individual utilities. Nonlinearity takes into consideration a social planner who inclines toward, for instance, more equivalent circulations of utility. The social planner thinks exclusively about normal utility, suggesting a social welfare work that is straight in individual utilities (Yan, 2014). If the social planner is permitted to be unconstrained in picking a tax framework, then the issue of optimal taxation turns out to be too simple: the optimal tax is just a singular amount tax. All things considered, if the economy is portrayed by a representative purchaser, that buyer is going to pay the whole tax bill of the administration in some structure.

Missing any market defect, for example, a prior externality, it is best not to misshape the decisions of that purchaser by any stretch of the imagination. A singular amount tax achieves precisely what the social planner needs (Egidijus & Emile, 2013). As indicated by Yan (2014) the social planner needs to grasp heterogeneity in taxpayers' capacity to pay. In the event that the planner could watch contrasts among taxpayers in inherent capacity, the planner could again depend on single amount taxes, however now those singular amount taxes would be dependent upon capacity. These taxes would not rely on upon any decision an individual makes, so it would not misshape motivating forces, and the planner could accomplish balance with no proficiency costs.

Fjeldstad & Rakner (2013) noted that Adam smith wealth of nation discusses what taxation should be all about. He discussed four principle of optimal taxation which are: Equity aspect- which means that the time manner and quantity of tax payment should be clearly defined; tax should be paid in the proportion of the tax payers ability; that tax should be collected in a time and manner that is most convenient to both the tax payer and the collector and that administrative cost should be kept as low as possible.

2.3 Conceptual Framework

As stated by Sekaran (2013), the conceptual framework is a diagrammatic presentation of the independent and dependent variables of the study and their relationship between them. It also shows other factors, know as moderating variables that can affect both independent and dependent variables in this study. The research was therefore guided by a Conceptual Framework that is indicated by the independent which is Customs clearance in imports and customs automated systems, and customs post clearance audit and the dependent variables is revenue collection.

Independent Variables **Dependent**

Variable

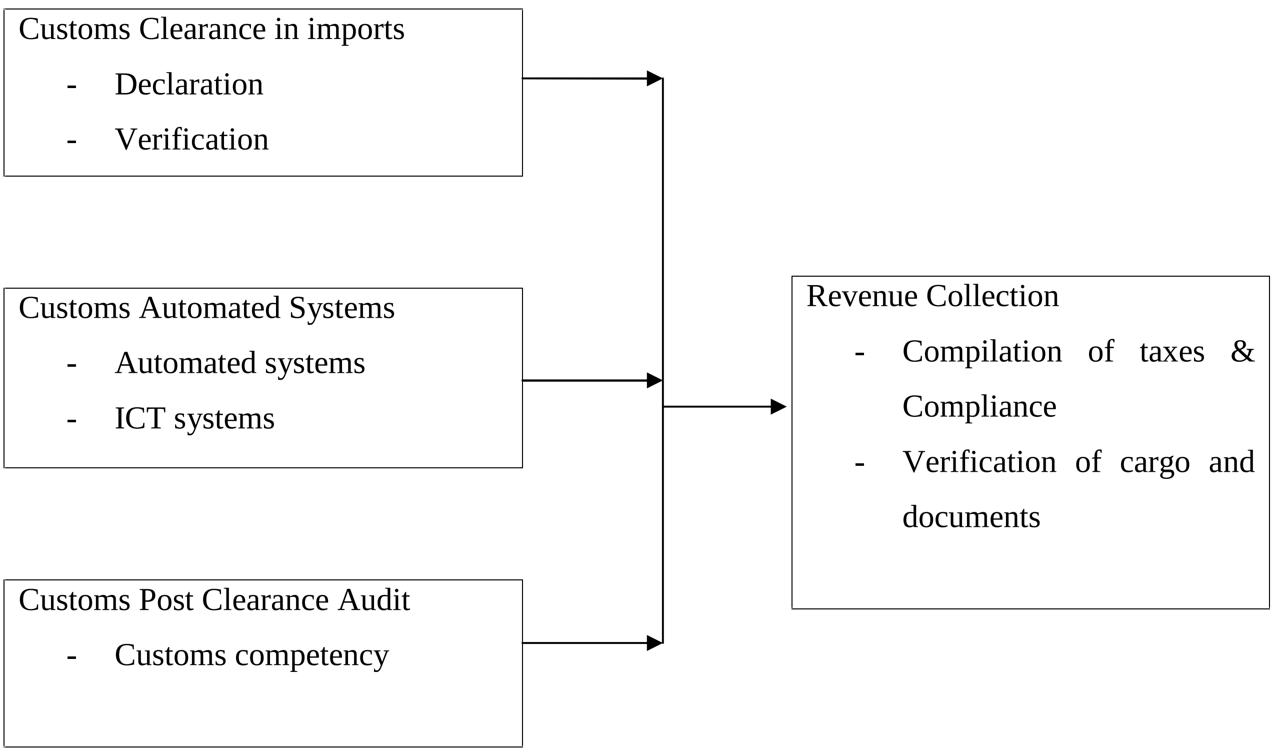

Figure 2.1: Conceptual Framework

2.3.1 Customs Clearance

In customs clearance in imports there are three stages. The first one is Declaration process. This is the process that shipping and commercial data of a consignment imported or exported is collected from the importer or exporter and input into the Customs Simba system. The details from the invoices, which are either proforma or commercial, enable exact quantity and size details and value of the items and the whole consignment to be collected. A legal document called the customs entry or form C-17B is generated. This data helps in collection of duties and taxes which Kenya heavily relies on for the development and running of its economy.

Secondly, there is verification, which is a process that the declared consignment is then presented to the customs officer for physical examination and verification to ascertain that the items are as declared in description, quantity and quality. During verification, the allocated customs officer authorizes for the container at ICD-N to be opened and then both with other government agencies the consignment is opened for verification. Example is the KEBS and Port health, and KEPHIS and Radiation departments. If the items are misdeclared, relevant charges and duties are addressed and where need be for collection an offence file is drafted and F147 is processes for payment of extra taxes or collection.

Finally, the third step is release which is an authorization by all agencies to exit the consignment from ICD-N for consumption in the Kenya market. This is usually done after KEBS and Port health and KEPHIS and Radiation and Dairy board have approved the release. Then the customs HVO enters into his or her profile and clears the consignment by giving it a final release order. Customs clearance may affect revenue collection. Fjeldstad & Rakner (2013) states that modernization of Customs procedures so as to expedite the clearance and release are trade facilitation tools as they positively influence revenue collection. A delay in customs clearance encourages fraud, it encourages tax avoidance, and causes under declaration of taxes hence reduce revenue collection.

As stated in IJSR (2015), with effective customs clearance, importers will clear their goods within a short period of time thus saving time, facilitating trade and leads to a high revenue collection, prepares the audit to avoid only the necessary documents and information, shortens the time required to clear goods and helps to identify high risk cargo prior to arrival ensuring through verification of the same as stated by (Mutisya, 2014). Improved customs clearance maximizes revenue collection, enables customs to plan on budget and revenue estimates for the period, improves revenue collection and also gives the government an overview of expected revenue and promotes correct declaration since officers have adequate time to research the document and ensure correct taxes are paid.

In addition, customs clearance ensures proper profiling and targeting, gives pointers to high risk cargo and passengers, cuts down on time for processing documents and ensures compliance. Customs clearance is easy to identify credible importers; there is more time for document analysis to enhance revenue collection. Modernization of customs clearance leads to an easy collection of revenue and quick turnover for importation as stated by (Egidijus & Emile, 2013).

2.3.2 Customs Automated Systems

The Customs Automated systems have offered opportunities for KRA by substantially amplifying its productivity and effectiveness at its work stations and especially with a focus on ICD-N. It has also assisted to cut the cost of production and enhancing efficiency, effectiveness and accountability in the processes. However, this may be hindered by users' unwillingness to embrace change and to utilize the available systems, as well as insufficient training of the users, as well as shortage of funds available to conduct user training on new and current systems Fjeldstad & Rakner (2013). With the world evolving into a global village and everything being 'technologified', it is important to accept change and adapt to the technological changes taking place in-order to enhance efficiency in revenue collection (Maina, 2013).

He also noted that, new technologies have brought about new tools to help businesses work more efficiently, this in turn translates into higher taxes from the businesses. The revenue collecting agency therefore has to keep up with the technological advancements in-order to exploit the new avenues created in enhancing revenue collection. Maina (2013) pointed out that the massive numbers of taxpayers bring about complexities in efficient collection of revenue; however, many different information technology systems have been put in place for the purpose of assisting in the tax collectors to carry out their duties. The KRA Customs was initially operating on Boffin system. The Boffin system was a manual process where lodgment of the documents was done manually by filling a form then taking it to the respective entry or exit station.

The document was then allocated to an officer and lodged by typing on a type writer the relevant details on a paper. The typed document was then processed for verification by the customs VO and finally evaluated and released by the HVO for entry or exit. This process had a lot of time wasting and loss of data was rampant. Also, loss of revenues was very common and there was no way of following up on the lost revenues and cargo. There was also no communication between the relevant government agencies. After Boffin, in 2005, KRA Custom welcomed its first step towards embracing of technology. The Simba systems was born and welcomed. It was fast and saved the officers energy on verification and identification of the verified cargo.

With the Simba system, the agent representing the importer lodges the details in an allocated document. The lodged documents have a regime code which include; first the C400 for a normal import where all duties and vat apply. Secondly a C403 for exempted cargo like medicaments, W700 for warehouse cargo and T11 for transit cargo. The documents are then allocated at the area of verification for the officer to see the reflecting duties online and the identical of similar cargo online before physically viewing the cargo. After satisfactory verification, the VO checks for any new information that may have been commented or marked for suspect by other departments from either the DPC or valuation or tariff or I&E.

If the consignment satisfies the required criteria and accurate duties have been collected, then it's the VO input an online message which serves as data collected and also assist in the clearance of the cargo to exit point. Due to challenges and changing dynamic trends of the clearing process, in 2015 the ICMS system was created. This system integrates communication and verification of the consignment from various governmental organizations. All the relevant agencies work on done consignment simultaneously to find the items relevant and acceptable for the society and also collects required relevant duties. With the ICMS, departments have evolved and emerged like, the scanning department, the BCO, tracking and I&E. Within each of the six projects started up as part of implementation of the RARMP, Information Technology has been a big part of the reforms implemented.

This has been in the form of: establishment of an online portal as a means of enabling taxpayers to access KRA online services; integration of KRA business systems into a single view for taxpayers across all functions; implementation of IT best practice and ensuring compliance with ISO complaint quality management system (Kenya Revenue Authority, 2000). This has brought about higher levels of compliance due to: easier access to documentation and taxpayers' records; empowerment of taxpayer through introduction of do-it-yourself processes, this ensures that the taxpayer can keep track of their records and transactions and obligations; reductions of corruption as digital records are quite hard to alter or eliminate; reduction of errors in data inputted, as the systems detects some forms of errors wile inputting data.

A computerized tax system may also reduce the operational costs of revenue collections and as a result, a reduction in expenditures, a probable residual budget may be invested in means to enhance the citizens' welfare prioritizing the society's needs (Maina, 2013). Kihumba (2013), the former Commissioner General of KRA noted that, the use of information technology in support of tax administration had boosted the tax administration in countries as diverse and multi-cultural as Spain, Mexico, Canada, Singapore and New Zealand. He pointed out that there was a need to use technology to support tax administration and although it is an expensive venture, it would enable the government to address the problems of transfer pricing, taxation of e-commerce and tax evasion by some tax planning techniques. It was his vision and dream to have a KRA that was completely computerized.

2.3.3 Post Clearance Audit

As stated in IJSR (2015), the Revised Kyoto Convention (RKC) is an international agreement that provides a set of comprehensive Customs procedures to facilitate legitimate international trade while effecting customs controls including the protection of Customs revenue and society. As stated by Kuvera C. (2016) it deals with key principles of simplified and harmonized Customs procedures, such as predictability, transparency, due process, maximum use of information technology, and modern Customs techniques. The examples are; risk management, pre-arrival information, and post-clearance audit. As documented in the Customs Act, PCA section 131A, the owner or importer of goods keep records with insistence on.

It states that, A person who imports or exports goods shall keep sufficient records to enable an authorized officer to inspect, audit, examine the documents, property or processes of that person to obtain or verify the information on which a determination of the amount of the duties paid, payable, deferred or relieved was made, and shall retain these records for a period of 5-years after the completion of the transactions, acts or operations to which they relate. As stated in IJSR (2015), Japan Customs is formulating and implementing the appropriate and fair tax policies. This is to realize a healthy national economy and robust public finance. In the financial year 2006, it has collected customs duties and consumption tax totaling about 5.4 trillion yen (approximately $US47 billion).

This is 10% of the total national tax revenue, indicating that its Customs is after implementing Post Clearance Audit. Post clearance audit allows reduction of control activities at a border and at the time of arrival of goods to only those necessary to determine the admissibility of the goods. This can lead to a significant increase in revenue collection, as PCA allows a more comprehensive and holistic evaluation of the particulars necessary for the calculation of duties and taxes. In Japan, for example, the increased use of PCA generated more revenue in 2009, than in 1999. As stated by APEC (2013), PCA can have the form of supporting transaction based controls at the border by verifying the classification, valuation and origin of the goods after release through an audit of the supporting commercial documentation such as an invoice.

In this way, goods can be released upon arrival usually against security or guarantee and clearance be completed and duties paid after the PCA. This segregation of release and clearance is a very important measure to accelerate the movement of goods across borders.

2.4 Empirical review

The word empirical describes any information gained by experience, observation, or experiment. One of the central tenets of the scientific method is that evidence must be empirical, i.e. based on evidence observable to the senses (Kothari, 2014). As stated by Lyndsay T Wilson (2009), empirical review is based on observed and measured phenomena and derives knowledge from actual experience rather than from theory or belief. Empirical review is the collection and analysis of primary data based on direct observation or experiences in the field as stated by (Mugenda & Mugenda, 2013). Philosophically, empiricism defines a way of gathering knowledge by direct observation and experience rather than through logic or reason alone (in other words, by rationality). As stated by Lyndsay T Wilson (2009), in the scientific paradigm the term refers to the use of hypotheses that can be tested using observation and experiment. In other words, it is the practical application of experience via formalized experiments.

Empirical data is produced by experiment and observation, and can be either quantitative or qualitative as stated by (Creswell & Daly, 2015). Objectives of Empirical Research Empirical research is informed by observation, but goes far beyond it. Observations alone are merely observations

2.4.1 Customs Clearance

Developed countries perceive that Customs procedures in developing countries have not adjusted enough to the rapidly growing volume of trade of the last decade. There are various studies that have been conducted in relation to revenue collection and Kenya Revenue Authority. For instance, a study was conducted on customer service as a competitive strategy for enhancing performance in the Customs Services Department, Kenya revenue Authority. The respondents for the study were eight (8) senior managers, two (2) customer service desk staff and ten (10) customs officers drawn from various divisions of Customs Services Department and twenty (20) clearing agents drawn from various clearing and forwarding companies.

Secondary data was obtained from review of Kenya Revenue Authority documented publications such as corporate plans, Tax payer charter internal memos among others. Other publications state that; their complaints are echoed by service providers, such as Express mail couriers which handle a substantial proportion of all Customs entries (more than 30 per cent in their largest markets). The ability of such firms to provide their services depends heavily on efficient Customs systems and procedures, for example a guaranteed electronic lodgment system on delivery time for parcel (UNCTAD, 2006). There are several studies that have been conducted on the response to the challenges experienced by the clearing and forwarding firms with a view on the Customs reforms and modernization at the Kenya Revenue Authority.

Kosgei (2008) conducted a study on the responses by clearing and forwarding firms in Mombasa to changes in environment. Aliet (2008) undertook a research on responses by the KRA to the challenges in the implementation of the Customs reforms and modernization. Awitta (2010) conducted a study on the effectiveness of revenue collection strategies of KRA in Nairobi. This clearly depicts that no particular study has been conducted on the adoption of Customs electronic procedures by Clearing and Forwarding agents in Nairobi.

The study found that the main tasks of customer service in the Customs department, involved the processing of declarations made by importer and exporters, release of cargo to resolve public complaints and enhanced taxpayer education. Further, findings indicate that service delivery in Customs has not been satisfactory because of poor working conditions and unfriendly customer attitudes.

2.4.2 Customs Automated Systems.

The study also found out that customer service in the department can be improved through improvement in the work environment in addition to staff motivation through training, promotions, rewards and recognition. This will enhance faster clearance of cargo and cost savings leading to increased revenue collection and minimizes corruption thus enhancing a positive image of the department. However, the study did not look at how post clearance tax audit influences revenue collection. On the other hand, a study was conducted on the impact of automation as a structural change strategy on customs clearing procedures at Kenya Revenue Authority.

There appears to be significant agreement among traders and Customs agents' with regard to the expected positive impact of the automation process. As stated by (IJSR, 2015), it is believed that the initiative will result, for example, in the reduction in lodgment clearance time and costs and corruption; an increase in number of clients for the Customs agents and freedom for agents and traders to work outside Customs normal working hours. It is also interesting to note that the majority of the Customs agents and traders are ready to set up new offices or install new equipment (such as computers, fax machines and internet connection) to gain access to the service automation process (Schware and Kimberley, 1995).

With a view to maintaining a sound balance between the operational procedures and stakeholders' requirements, the global trading community has long been striving to move towards the concept of paperless trade. This implies a shift towards automation and the virtual abandonment of all paperwork (Schware and Kimberley, 1995). Automated Customs Operations System (ACOS), the first IT-based system that sought to automate the entire cargo clearance chain, was initiated in 1997. By 1998, almost all segments of cargo clearance were fully automated with the system running at all major ports in the world (Gulane, 2007). Electronic lodgment allows registered clients to use any computer with internet connectivity, making it easily accessible.

Prior to this, importers or brokers had to go to the ECC for lodgment or be EDI or DTI enabled. Electronic lodgment now makes it easier and cheaper for all importers or brokers, regardless of size to file entries. Since small importers account for over half of the 800,000 import entries lodged annually, the number benefiting from electronic lodgment is substantial (KIFWA, 2009). The target population of the study consisted of licensed customs clearing agents. Respondents of the study involved 101 licensed customs clearing agents based in Nairobi and Mombasa. Interview guides were used to collect data from the agents. Quantitative and qualitative analysis techniques were used to analyze the data. The findings emerging from the analysis were used to compile this report.

2.4.3 Post Clearance Audit

As defined by WCO PCA guidelines (2012), it is a means to measure and improve compliance. The PCA process is the structured examination of a business on relevant commercial systems, and financial records as explained by Korea Customs Service (2017). The research study established that with the introduction of the Trade X-Simba system in the customs department, there has been improved efficiency, improved effectiveness, improved staff skills, reduced costs and improved governance. This study only focused on only one aspect of the structure change in KRA and thus it did not look at how customs audit procedures, standards, and visits and customs pre-arrival clearance influence the rate and process of revenue collection.

A study was conducted on the effects of revenue system modernization on revenue collection at Kenya Revenue Authority. This study employed descriptive study design. The study used secondary data collection. The study utilized KRA Customs data for four financial years before and after Simba System. The period selected was from July 2001 to June 2009. The study established that that the number of transactions and the revenue collected increased after the implementation compared to the years before the implementation. The study findings also established that the revenue collected was directly related to number of transaction but inversely related to inflation, operating costs and exchange rates and that there was a strong relationship between system modernization and revenue collection at the Kenya Revenue Authority in Kenya with regard to the Simba System.

From the study it was evident that System modernization enhances Revenue Collection and thus it should be encouraged. Nevertheless, the study focused on only one aspect of customs services department and hence does not show whether post clearance audit influences revenue collection at the Custom Services Department. A study was conducted on the effects of tax audit on revenue collection with a case of Kenya Revenue Authority. From the t statistics results the parametric Pearson correlation or ‘r’ value is significant for tax paid before audit and tax paid after audit as it clearly indicates there is an increase in the tax paid after audit, this is clear for random tax audit, cut-off tax audit and conditional tax audit.

The study also found that tax collected from a certain firm two years prior to the audit and two years after the audit, there is an increase in tax collected after the audit. Thus it is right to say that tax audit is directly related to revenue collection. Therefore it is clear that the more tax audits conducted the more revenue collected in the audit and in the subsequent years as the companies are better informed. However, the study focused on general tax audit and hence did not outline how various components of post clearance audit influence revenue collection.

2.4.4 Revenue Collection

A study was conducted on the effects of internal controls on revenue collection with a case of Kenya revenue authority. The Government of Kenya raises most of its revenue through enhancing elasticity of the existing tax system that is, rationalizing and regulating expenditure through strict fiscal controls (Muriithi, and Moyi, 2003). The research was conducted using both qualitative and quantitative approaches. Karingi et al (2005) argues that in revenue collection, tax administration is crucial in the implementation of a properly designed tax. Tax administration consists of three interrelated activities. First there is the identification of tax liabilities based on existing tax laws. Second there is the assessment of taxes to determine if the taxes actually paid are smaller or large than the liabilities. Thirdly, there is the collection prosecution and penalty activities that impose sanctions on tax evaders and ensure that taxes and penalties due from tax payers are actually collected.

The tax structure generally consists of the direct and indirect taxes. Regarding direct taxes, the factors that produce the incomes are assumed to pay the taxes, while for the indirect taxes, households, families and firms that consume the taxed items pay the associated taxes (Chan, 2000). Raising revenue has traditionally been high on the agenda of governments, represented by the Ministry of Finance (MOF), because of the critical importance of import duties as a source of budget revenue for many developing countries. Revenues from import duties for a sample of African countries accounted for just under 30 percent of total tax revenue, on average (Ebril, Stotsky & Gropp, 1999).

Questionnaires were used on a population of 38 respondents in gathering primary data for the study. The data collected was then analyzed and findings have revealed that the five components of control environment, risk assessment, control activities, information and communication and monitoring must be available for internal controls to work. The study established that weak internal controls have encouraged collusion to fraud, loss of revenue and embezzlement of collected revenue. The study therefore concludes that internal controls do function although with hiccups and that there is a significant effect between internal controls and revenue collection in KRA. Nevertheless, the study did not outline how customs audit procedures, customs audit standards, and customs audit visits and customs pre-arrival clearance influence revenue collection.

2.5 Critique of the Literature Review.

From the Literature review, several researchers seem not to have delved their research into the revenue collection. The first is Customs clearance, where (UNCTAD, 2006), emphasizes that, the ability of organizations like KRA customs and clearing agents to provide their services depends heavily on efficient Customs systems and procedures, for example a guaranteed electronic lodgment system on delivery time for parcel. However this research will try to bring clearly the factors influencing revenue collection in Kenya with the case of ICD Nairobi. Developing effective ways in revenue collection has been an important matter in revenue collection.

Adams, (2013) argues that the advent of new instruments to help businesses work more efficiently affects the way taxes and revenues are collected. This means That KRA and the clearing agents have to invest in current or new infrastructure and technology. Thus, more training which may lead to more costs and finally into unwarranted expenditure. But due to foreseen and current positive changes that have occurred in the clearance sections. The expenditure may observe as a positive and necessary evil. Secondly, there is the customs automated system, that Schware and Kimberley, (1995) stated. They said that the majority of the Customs agents and traders are ready to set up new offices or install new equipment such as computers, fax machines and internet connection to gain access to the service automation process.

Meaning that the use of technology will enhance clearance and collection of taxes it will also increase safety of records. Third is post clearance audit. It was defined by WCO PCA guidelines (2012), as a means to measure and improve compliance. Although it is done after some goods have been consumed, thus making it hard to follow up on physical evidence. There is over reliance on achieves in the data base. If the information was entered wrongly, then the data is automatically misleading and physical evidence is required. This process may use less or more unwarranted time to follow up on a consumed commodity. However when done correctly, the follow up process is fast and direct connection is made.

Fourthly, as stated by (Ebril, Stotsky & Gropp, 1999), rising of revenue has traditionally been a high on the agenda of governments, represented by the Ministry of Finance (MOF), because of the critical importance of import duties as a source of budget revenue for many developing countries. Revenues from import duties for a sample of African countries accounted for just fewer than 30 percent of total tax revenue, on average. In case of a country like Kenya, which is an import consumption country, taxation is heavily relied on imports traffic at the border points. Thus this comment doesn't fully represent the true image of all African countries on the ground like Kenya. KRA Customs embarked on extensive implementation of various revenue collection strategies in its operations.

This was to significantly enhance revenue collection. Implementation of innovative revenue collection strategies was supposed to improve its organization structures, training, manpower planning, developing teamwork among management and staff, new approaches to reward management and adaptation of total quality management. The influences of various revenue collection strategies on revenue collection have not been investigated. The purpose of this study will be to examine factors influencing revenue collection in Kenya with a case of ICD Nairobi.

2.6 Summary of the Literature Review

Collection efficiency can only be achieved when the different factors affecting revenue collection are individually addressed. This implies that, there has to be proper policies in place and the taxpayer stakeholders and other have to be well informed of them; and there has to be a favorable political environment as well as functional information systems and well-motivated and trained personnel to facilitate efficiency in revenue collection. Muriithi, (2003). "Tax Reforms and Revenue Mobilization in Kenya." The findings suggest that the tax reforms had a positive impact on the overall tax structure and on the individual tax handles, even though the impact of the reforms was not always uniform.

The reforms had a bigger impact on direct taxes than on indirect taxes, suggesting that revenue leakage can be attributed to the relative effectiveness of reform in direct taxes which not only made the tax system simpler but also reduced avenues for evasion and corruption. Kieleko, (2003). “The Effects of Tax Reform on Tax Productivity.” The analysis showed that there had been considerable improvements of tax revenue productivity and that the reforms made in the period 1973-2003 had significant effect on the responsiveness of the tax system. Thus, the 1986 Tax Modernization and 1987 Budget rationalization programs had a positive impact on the Kenya’s tax productivity especially on income and import taxes.

The findings reveal that reforms had greater impact on the elasticity than buoyancy. This implies that the growth in tax revenue during the reform period was accounted for by the automatic changes rather than the discretionary policy. Reforms and modernization at KRA has been effective on revenue collection strategies. This has been enhanced due to improved clearance times and increased revenue collection. The reforms and modernization have also provided a greater reliance on information technology. On performance contracts the study found out that it have brought results based management in KRA and it have also increased revenue collection hence it should be embraced in all departments so as to maximize on productivity and performance.

It was also found out that staff trainings have enhanced employees’ skills, knowledge and professional capacity. However, employees have not fully applied their knowledge. Moreover, the staff trainings have not fully enhanced their level of understanding of various technical matters.

2.7 Research Gap

There is immense of literature on revenue collection in Kenya Revenue Authority. For instance, a study was conducted on the effectiveness of revenue collection strategies at Kenya Revenue Authority in Nairobi, a study was also done on the effect of Strategic Response on Revenue Collection in Kenya Revenue Authority, Nairobi County, Kenya, a study was also conducted on the effects of revenue system modernization on revenue collection at Kenya Revenue Authority and a study was conducted on the effects of tax audit on revenue collection with a case of Kenya Revenue Authority However, none of these studies outline factors influencing revenue collection in Kenya with the case of ICD Nairobi. In addition, none of these studies focused on the variables of this study: customs clearance, information technology and post clearance audit.

This study therefore sought to fill this research gap by looking at the factors influencing revenue collection in Kenya with a case of ICD Nairobi.

CHAPTER THREE
RESEARCH METHODOLOGY

This chapter presents the research methodology of the study. It describes the methods and procedures that will be used in order to collect data that answers the research questions.

3.1 Introduction

Research methodology refers to the way how a research problem can be solved in logical manner (Kothari, 2014). Research methodology is the process that will be used to collect information and data for the purpose of solving a research problem as stated by (Mugenda & Mugenda, 2013). The methodology may include publication research, interviews, surveys and other research techniques (Creswell & Daly, 2015). This chapter will involve presenting the choice of method of collecting and analyzing data, from practical point of view, comparing relative advantages and disadvantages of other alternative method that may be more or less appropriate to the context of this study with the aim of finding answers to the research questions.

3.2 Research Design

Research design is a sketch and the procedures for research that cover the decisions from broad assumptions to detailed methods of data collection and analysis as stated by (Mugenda & Mugenda, 2013). The study will use descriptive research design. A descriptive research gives a thorough and accurate description survey by determining the 'how' or 'why' the phenomena came into being, and also what is involved in the situation. This is achieved by portraying an accurate profile of the events and situations as stated by (Kothari, 2014), which considered as an extension of, or forerunner to an explanatory research. On the other hand, an explanatory study goes beyond description and attempts to explain the reasons for the phenomena that the descriptive study only observed by seeking to establish a causal relationship between variables (Craswell & Daly, 2015). Therefore, a descriptive study would look at what is going on, while an explanatory study seeks to explain why it is going on as stated by (Mugenda & Mugenda, 2013).

3.3 Target Population

The study will target population of 1950 participants with a sample size of 340 participants which will include: customs officers, KPA officers and clearing and forwarding agents. They were selected according to convenience.

Table 3.1: Target Population

Stakeholders	Target Population
Customs Officers	400
KPA Officers	665
Clearing and Forwarding Agents	850
Total	**1950**

3.4 Sampling Technique and Sample Size

Sampling is the process of selecting a number of individuals so that the selected individuals represent the large group from which they were selected. According to Mugenda & Mugenda (2013), total population sampling is a type of purposive sampling technique that involves examining the entire population (the total population) that have a particular set of characteristics. In total population sampling, researchers choose to study the entire population because the size of the population that has the particular set of characteristics that we are interest in is typically very small.

Table 3.2: Sample size

Stakeholders	Target Population	Percentage of sample	Sample size
Customs officers	400	20	80
KPA officers	665	20	133
Clearing and forwarding agents	850	20	170
Total	**1915**	**20**	**340**

3.5 Data Collection Instruments

In this study the researcher will employ a questionnaire as the instrument of data collection. A questionnaire is a collection of questions to which a research subject is expected to respond. Mugenda & Mugenda (2013) this instrument can be administered orally as the researcher records the responses to each item independently. The researcher will draft several questions in the questionnaires. These will further be given to respondents in the organization who thereafter gave back the necessary information and details. Advantage of using this method includes: its' inexpensiveness because once the questionnaires are given to willing respondents there is no further cost, the researcher simply waits for the respondents to give feedback at their own convenience.

Another advantage is that some respondents can give the feedback immediately. It will also enable the researcher to make extensive inquiry from the respondents who are not easily approachable being contacted through the questionnaire.

3.6 Data Collection Procedure

According to Creswell & Daly (2015), there are many methods of data collection. The choice of a tool and instrument depends mainly on the attributes of the subjects, research topic, problem question, objectives, design, expected data and results. Kothari (2014) notes that there are two major sources of data collection; primary and secondary data. Primary data will be collected by using questionnaire and the secondary data will be collected from existing literature relating to the study topic. According to Creswell & Daly (2015), a selfadministered questionnaire is the only way to elicit self-report on people's opinion, attitudes, beliefs and values.

3.7 Pilot Testing

It is important that all surveys are tested before the actual survey is conducted (Kothari, 2013). This is done to ensure that the questionnaire is clear to respondents and can be completed in the way the researcher wishes (Creswell & Daly, 2015). Pilot testing is an activity that will help this study in determining whether there are errors, limitations, or other weaknesses within the design and will allow the researcher to make necessary adjustments and corrections before embarking on the survey (Mugenda & Mugenda, 2013). A pilot study will be undertaken on approximately 10 customs officers, KPA staff, clearing agents and shipping lines agents since they are directly involved with operations of the port to test the reliability and validity of the questionnaire.

3.7.1 Validity Test

Validity of an instrument is the success of a scale in measuring what it sets out to measure so that differences in individual scores can be taken as representing true differences on the characteristics under study (Kothari, 2014). Content validity refers to the subjective agreement among professionals that a scale logically appears to reflect accuracy what it purports to measure. To determine the content validity of the questionnaire items, three experts from the University examined them and provide valuable suggestions and comments, which will be used as a basis to modify the research items and make them adaptable to the study. Based on the feedback offered by those who examined the questionnaire the wordings of the questionnaires were slightly modified and some items excluded completely.

3.7.2 Reliability Test

The reliability is consistency in measurement (Kothari, 2014). To check on reliability of the instrument, the questionnaires will be pre-tested through a pilot study to ascertain their effectiveness in soliciting the information intended. Pilot study will be carried out in order to determine the questionnaires internal consistency and to detect any difficulties that the respondents were likely to face when responding to the items. Test re-test method will be applied and necessary adjustments made to ensure the questionnaires quality was high and suitable for the study

3.8 Data Analysis and Presentation

Data will be analyzed using Analysis of variance (ANOVA). Both quantitative analysis and regression analysis will be used as data analysis technique. The data collected will be run through various models so as to clearly bring out the factors which determine container dwell time. The researcher will also use a multivariate regression analysis to determine the relationship between the independent variables and the dependent variable.

The regression equation was:

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

Where

Y = Dependent variable (Revenue collection)

β_0= constant

β_1, β_2 and β_3 = the regression co-efficient

X = Independent variable

X_1- Customs clearance

X_2- Information technology

$\mathbf{X}_3$ – Post clearance audit

ε = **Stochastic term or error term**, An **error term** is a variable in a statistical or mathematical model, which is created when the model does not fully represent the actual relationship between the independent variables and the dependent variables. The error term is also known as the residual, disturbance or remainder term (Sekaran, 2015).

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter discusses the manner in which the data collected from the field was presented and analyzed. Primary data was collected in this study through questionnaires. The data collected is presented in form of bar charts, tables and figures based on the response rate on the variables of study.

4.2 Analysis of the response rate

The researcher issued 340 questionnaires out of which he managed to receive back 182 dully filled questionnaires, this response gave a response rate of 53.5%.

	Response rate	**Percentage %**
Respondents	182	53.5%
Non-respondents	158	46.5%
Total	340	100%

4.3 Pilot Results

Scale	**Cronbach's Alpha**	**Items Tested**	**Comments**
Customs Clearance Procedures	0.808	4	Accepted
Customs Automated Systems	0.798	4	Accepted
Customs Post Clearance Audit	0.704	4	Accepted
Revenue Collection at ICDN	0.832	4	Accepted

The researcher conducted pilot study to determine the reliability and validity of the data collection instrument, which was a questionnaire. Validity was measures from the SPSS Cronbach's Alpha. Customs Clearance Procedures had 0.808, Customs Automated Systems had 0.798, had Customs Post Clearance Audit had 0.704 while Revenue Collection at ICDN 0.832.

4.4 Demographic Analysis

The researcher conducted demographic analysis of the respondents purposely to determine whether the respondents had requisite and adequate experience, knowledge and diversity in provision of their opinions to the study.

4.4.1 Highest level of Education and training

Education forms a basis of understanding between individuals, their analytical and problem solving skills which people acquire in classroom, from the table below, the researcher identified that Certificate holders were 48, Diploma holders were 62, Bachelor's Degree holders were 51 while Master's Degree holders were 21. This therefore meant that the respondents were of high Academic qualifications in their respective field of operation.

	frequency	**Percentage %**
Certificate	48	26.4%
Diploma	62	34.1%
Bachelor's Degree	51	28.0%
Master's Degree	21	11.5%
Total	182	100%

4.4.2 Cadre

The researcher had targeted three major groups as his population, to ensure each group provided their opinions. In order to ensure diversity from the respondents, the researcher requested to determine the cadres/ department each respondent was from, from the table below, Customs officers were 62 representing a 34.1%, while Kenya Ports Authority Workers were 43 representing a 23.6%, the Clearing and Forwarding Agents were 77 representing a 42.3% of the total response, this implied that all the cadres were adequately represented, noting diversity in the representation of their experience, opinions and feelings as they are the main stakeholders.

	Frequency	Percentage %
Customs officers	62	34.1%
KPA officers	43	23.6%
Clearing and forwarding agents	77	42.3%
Total	182	100%

4.4.3 Current Working position

Supervisors were 39 of the respondents from Operations were 88 while those from the Support Staff/ Clerks were 55.

	Frequency	Percentage %
Supervisors	39	21.4%
Operations	88	48.4%
Support Staff/ Clerks	55	30.2%
Total	182	100%

4.4.4 Duration of years worked in the position

Below 5 years were 31 being 17%, 5-10 years were 46 representing a 25.3%, 11-15 years were 58 being 31.9% while those above 15 years were 47 representing a 25.8%

	Frequency	Percentage %
Below 5 years	31	17.0%
5-10 years	46	25.3%
11-15 years	58	31.9%
above 15 years	47	25.8%
Total	340	100%

4.5 Descriptive Analysis

4.5.1 Descriptive Analysis on Customs Clearance

Statements	Mean	STD dev
The declaration procedures management through SIMBA has significantly helped in trade through Revenue Authority Digital Data Exchange (RADDEX)	4.222	.9401
The ability and willingness to share information among traders and KRA has positively improved cost of business operations.	3.769	1.0445
Customs Reforms Modernization program has ensured effectiveness of the customs verification procedures	4.262	.9856
The adoption and implementation of trade facilitation instruments such as The Revised Kyoto Convention has improved customs verification procedures at the ICDN	4.193	1.0232

The respondents were in agreement with the statement that the declaration procedures management through SIMBA has significantly helped in trade through Revenue Authority Digital Data Exchange (RADDEX) having a mean of 4.222 with a standard deviation of 0.9901. when asked to comment on the statement that the ability and willingness to share information among traders and KRA has positively improved cost of business operations, a mean of 3.769 with a standard deviation of 1.0445 was obtained indicating agreement to the statement and a high variance from the mean whereby diversity in the opinions was obtained. The statement that Customs Reforms Modernization program has ensured effectiveness of the customs verification procedures a mean of 4.262 with a standard deviation of 0.9856 was obtained, to infer a strong agreement to the statement from the respondents. When the respondents were asked to comment on the statement that the adoption and implementation of trade facilitation instruments such as The Revised Kyoto Convention has improved customs verification procedures at the ICDN, the researcher obtained a mean of 4.193 with a standard deviation of 1.0232 which also indicated a strong agreement to the statement.

4.5.2 Descriptive Analysis on Customs Automated Systems

Statements	Mean	STD dev
The SIMBA system has helped in centralizing import declarations	3.906	1.0343
The establishment of SIMBA system has changed the culture of the customs service department during declarations	3.653	1.1245
The Customs officers are well equipped and trained in the use of Customs Automated Systems in use at the ICDN	4.032	.9086
The adoption of the information systems by customs and ports Authority has improved efficiency, the improved performance at the port has facilitated trade in the region	4.156	0.9671

The SIMBA system has helped in centralizing import declarations had a mean of 3.906 with a standard deviation of 1.0343. On the statement that The establishment of SIMBA system has changed the culture of the customs service department during declarations, the respondents were in agreement with a mean of 3.653 and a standard deviation of 1.1245. When further asked to provide their view on the statement that The Customs officers are well equipped and trained in the use of Customs Automated Systems in use at the ICDN, a mean of 4.032 with a standard deviation of 0.9086 was obtained inferring a strong agreement to the statement. The adoption of the information systems by customs and ports Authority has improved efficiency; the improved performance at the port has facilitated trade in the region with a mean of 4.156 and a standard deviation of 0.9671.

4.5.3 Descriptive Analysis on Post Clearance Audit

Statements	Mean	STD dev
Adoption of Post Clearance Auditing at the ICDN has greatly improved on the Clearance time at the ICDN	4.156	1.0956
Customs Department has adequate staff to conduct Post Clearance Auditing on the firms regularly.	3.569	.9745
Adequate measures are taken to Ensure Voluntary compliance by importers while declaring properly and payment of Taxes, Through Post Clearance Auditing and Follow up Procedures	3.943	.9458
There is a firm Framework where Post Clearance Auditing is based on to ensure proper compliance by importers	4.093	1.142

The respondents were in agreement with the statement that the Adoption of Post Clearance Auditing at the ICDN has greatly improved on the Clearance time at the ICDN by having a mean of 4.156 with a standard deviation of 1.0956. On the statement that Customs

Department has adequate staff to conduct Post Clearance Auditing on the firms regularly; a mean of 3.569 with a standard deviation of 0.9745 was obtained inferring neutrality to the statement. Adequate measures are taken to Ensure Voluntary compliance by importers while declaring properly and payment of Taxes, Through Post Clearance Auditing and Follow up Procedures having a mean of 3.943 with a standard deviation of 0.9458. They were in strong agreement with the statement that there is a firm Framework where Post Clearance Auditing is based on to ensure proper compliance by importers with a mean of 4.093 and a standard deviation of 1.142.

4.5.4 Descriptive Analysis on Revenue Collection at the ICDN

Statements	**Mean**	**STD dev**
The Customs Department has had a great improvement on Revenue collected over the past years.	4.231	.9801
The improvement in Revenue collection is attributed to Customs Automation and Post Clearance auditing activities at the ICDN	4.092	.9615
Most of the Revenue Collected from the ICDN is attributable to Voluntary Compliance by importers through Proper Declarations, rather than Fines and Penalties.	4.042	.8956
Revenue Collection at the ICDN can be improved with the improvement of frequent and conclusive Auditing of the importers	3.972	1.154

The researcher sought to investigate the respondents view on the current trend of customs Revenue Collection at the ICDN. With the use of a likert scaled questionnaire having a 1-5 scale where 1 was strongly disagree to 5 being a strong agreement. The respondents were in strong agreement that the Customs Department has had a great improvement on Revenue collected over the past years with a mean of 4.231 and a standard deviation of 0.980. on the statement that The improvement in Revenue collection is attributed to Customs Automation and Post Clearance auditing activities at the ICDN a mean of 4.092 with a standard deviation of 0.9615 therefore indicating a strong agreement to the statement. The respondents were also in agreement with the statement that Most of the Revenue Collected from the ICDN is attributable to Voluntary Compliance by importers through Proper Declarations, rather than Fines and Penalties with a mean of 4.042 and a standard deviation of 0.8956. finally, when asked to comment on the statement that Revenue Collection at the ICDN can be improved with the improvement of frequent and conclusive Auditing of the importers, a mean of 3.972

with a standard deviation of 1.154 was obtained therefore indicating an agreement to the statement.

4.6 Correlation Analysis

Correlations

		Customs_ Clearance_ Procedures	Customs_ Automated_ Systems	Customs_ Post_ Clearance_ Audit	Revenue_ Collection_ at_ ICDN
Customs_ Clearance_ Procedures	Pearson Correlation	1	.599	.524	.690
	Sig. (2-tailed)		.000	.000	.000
	N	182	182	182	182
Customs_ Automated_ Systems	Pearson Correlation	.599	1	.388	.587
	Sig. (2-tailed)	.000		.000	.000
	N	182	182	182	182
Customs_ Post_ Clearance_ Audit	Pearson Correlation	.524	.388	1	.670
	Sig. (2-tailed)	.000	.000		.000
	N	182	182	182	182
Revenue_ Collection_ at_ ICDN	Pearson Correlation	.690	.587	.670	1
	Sig. (2-tailed)	.000	.000	.000	
	N	182	182	182	182

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

Customs Clearance Procedures have a strong correlation with Revenue Collection at the Internal Container Depot in Nairobi, the Coefficient of Correlation r =0.690 therefore indicating a strong correlation between the customs clearance procedures and revenue collection at the ICDN. This further implies that Customs Clearance procedures are directly / positively improves revenue collection at the ICDN.

Customs Automated Systems were positively and directly correlated to the Revenue Collection at the internal Container Depot in Nairobi, the coefficient explaining correlation r was obtained being 0.587 indicating a strong and a positive correlation, this implies that improvement in Customs Automation at the ICDN will lead to a significant and direct improvement in the revenue collection at the ICDN.

There is a strong and positive relationship between the Post Clearance Auditing at the ICDN and revenue collection at the ICDN, the Karl Pearson's Correlation Coefficient r= 0.670. It indicated a strong and positive relationship with the Revenue Collection at the ICDN. Correlation is significant at the 0.01 level (2-tailed) therefore indicating that all the variables are valid in predicting the factors that affect the revenue collection at the ICDN.

4.7 Regression Analysis

4.7.1 Coefficient of Determination

The coefficient of determination was also used to further explain the relationship and statistical significance of the studied variables. The R Square explains the degree to which the variations or changes of the dependent variables are attributable to the interaction of the independent variables under study. From the Table below, R square being 0.639 indicated that the studied variables only explains the changes in Revenue Collection at the ICDN by 63.9%, that is, the interaction of Customs Clearance Procedures, Customs Automated Systems and Customs Post Clearance Audit explains the Revenue Collection at the ICDN by 63.9%, the remaining 36.1% of revenue collection at the ICDN is explained by other variables not in this study.

Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.800 [a]	**.639**	**.633**	1.416

a. Predictors: (Constant), Customs_ Post_ Clearance_ Audit, Customs_ Automated_ Systems, Customs_ Clearance_ Procedures

4.7.2 Analysis of Variance

ANOVA[a]

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	632.353	3	210.784	105.196	.000
	Residual	356.663	178	2.004		
	Total	989.016	181			

Dependent Variable: Revenue_ Collection_ at_ ICDN

Predictors: (Constant), Customs_ Post_ Clearance_ Audit, Customs_ Automated_ Systems, Customs_ Clearance_ Procedures

The researcher used the ANOVA –Analysis of Variance to determine the statistical significance of the regression models obtained in predicting the factors that affect the revenue collection at the ICDN. The table above presents the results of the Analysis of Variance, the significance level was 0.000, the F value is the ratio of regression mean square / mean square error whereby it was found to being 105.196. These levels are within the required statistical significance values of p value below the desired cutoff for statistical significance is set to 0.05

4.7.3 Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	4.412	.741		5.952	.000		
	Customs_ Clearance_ Procedures	.304	.054	.345	5.643	.000	.541	1.849
	Customs_ Automated_ Systems	.204	.052	.223	3.950	.000	.633	1.579
	Customs_ Post_ Clearance_ Audit	.331	.044	.403	7.575	.000	.717	1.395

Dependent Variable: Revenue_ Collection_ at_ ICDN

$Y= 4.412+0.302X_1+0.204\ X_2+0.331\ X_3$

Y is the performance in terms of revenue collection by customs at the Internal Container Depot in Nairobi, which is a function of the interaction of the studied variables; Clearance

Procedures X1, Customs Automated Procedures X2 and Customs Post Clearance Audit X3 with the Y intercept (Performance when all other factors are assumed to be at zero), and error term indicating other variables that affect the revenue collection at the ICDN but not included in the study.

The Y intercept explains the Performance in Customs Revenue Collection while all other variables are assumed to being at zero, from the model in the table above, the performance was obtained to be 4.412, therefore indicating that there is still Customs Revenue collection at the ICDN without any other variables (all variables assumed to be zero).

Clearance procedures have a significant effect on revenue collection at the ICDN, a unit improvement in the Clearance Procedures results to an improvement on revenue collection by 0.302 that is clearance procedures affects revenue collection at the ICDN by 30.2%.

Customs Automation affects the Revenue Collection by 20.4%, this indicates that a unit improvement on customs Automation would result to improvement in the Customs Revenue Collection at the ICDN by 20.4%, therefore Customs Automated Systems have a strong positive and significant influence on the Customs Revenue Collection at the ICDN.

Customs Post Clearance Auditing influences the Revenue Collection at the ICDN by 33.1%, therefore the Customs Post Clearance Audit have a positive and significant effect on the Revenue Collection at the Inland Container Depot Nairobi. The error term explains other variables that influence the Customs Revenue Collection at the ICDN but have not been included / studied in this study. All the variables are significant to the study and are accepted to explain the dependent variable.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND FINDINGS

5.1 Introduction

The chapter has highlighted the study summary of findings, conclusion and recommendations. Areas of further study and limitations of the study have also been highlighted in this chapter.

5.2 Summary of Findings

5.2.1 How does Customs Clearance Procedures influence revenue collection's Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi?

Customs Clearance Procedures have a strong correlation with Revenue Collection at the Internal Container Depot in Nairobi, the Coefficient of Correlation r =0.690 therefore indicating a strong correlation between the customs clearance procedures and revenue collection at the ICDN. This further implies that Customs Clearance procedures are directly / positively improves revenue collection at the ICDN.

Further analysis from the regression model provided similar results where Clearance procedures have a significant effect on revenue collection at the ICDN, which is clearance procedures affects revenue collection at the ICDN by 30.2%.

5.2.2 How does of Customs Automated Systems influence revenue collection's Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi?

Customs Automated Systems are positively and directly correlated to the Revenue Collection at the internal Container Depot in Nairobi, the coefficient explaining correlation r was obtained being 0.587 indicating a strong and a positive correlation, this implies that improvement in Customs Automation at the ICDN will lead to a significant and direct improvement in the revenue collection at the ICDN. From the regression model Customs Automation affects the Revenue Collection by 20.4%, therefore Customs Automated Systems have a strong positive and significant influence on the Customs Revenue Collection at the ICDN.

5.2.3 How does Customs Post Clearance Audit influence revenue collection’s Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi?

There is a strong and positive relationship between the Post Clearance Auditing at the ICDN and revenue collection at the ICDN, the Karl Pearson’s Correlation Coefficient r= 0.670. It indicated a strong and positive relationship with the Revenue Collection at the ICDN. Correlation is significant at the 0.01 level (2-tailed) therefore indicating that all the variables are valid in predicting the factors that affect the revenue collection at the ICDN. Customs Post Clearance Auditing influences the Revenue Collection at the ICDN by 33.1%, therefore the Customs Post Clearance Audit have a positive and significant effect on the Revenue Collection at the Inland Container Depot Nairobi.

5.3 Conclusions

The study was guided by a general objective to determine factors influencing revenue collection in Customs & border control in Kenya: A case of inland container depot Embakasi, Nairobi. The researcher identified three factors to study; the Customs Clearance Procedures, Customs Automated Systems and Customs Post Clearance Audit which have a significant influence on the Revenue Collection at the ICDN.

The first specific research objective sought to determine the effects of Customs Clearance Procedures on the revenue collection’s Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi. The researcher has established that Customs Clearance Procedures have a positive and significant effect on the revenue collection at the ICDN.

With a specific objective seeking to find out the effects of Customs Automated Systems on the revenue collection’s Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi. The researcher has found out that Customs Automated systems positively improves the revenue collection due to the adoption, every step in customs automation in the systems improves revenue collection at the ICDN.

The third specific objective sought to examine the effects of Customs Post Clearance Audit on revenue collection’s Customs & border control in Kenya with a case of Inland Container Depot Embakasi, Nairobi. The researcher concludes that the Post Clearance audit has a Significant and positive effect on the improvement of the Revenue Collection at the ICDN.

5.4 Recommendations

From the research findings, the researcher recommends on the following; the study established that some of the procedure standards at the customs department are outdated and need some review for better and improved revenue collection. The study established that Post clearance audit will lead to increased revenue collection due to finding of revenue that might had escaped the eyes of the first officer. The study established that pre-arrival clearance reduces the time taken during the process of clearance of but can sometimes increase the risk of smuggling of cargo. The study established that customs audit process will increase the probability of collecting the correct information on what is being imported or exported. Thus more policies should be formulated to support and govern customs audit.

5.5 Areas for Further studies

The researcher sought to investigate the factors that affect revenue collection at the ICDN, the researcher identified three factors; Customs Clearance Procedures, Customs Automated Systems and Customs Post Clearance Audits, of these factors from the models generated, it was established that the changes in Revenue Collection at the ICDN only 63.9% is attributed to the studied variables, the interaction of Customs Clearance Procedures, Customs Automated Systems and Customs Post Clearance Audit explains the Revenue Collection at the ICDN by 63.9%, the remaining 36.1% of revenue collection at the ICDN is explained by other variables not in this study. The researcher therefore recommends further studies to be conducted to establish other factors that affect revenue collection at the ICDN.

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APPENDICES

Appendix I: Introductory Letter to Respondents

RE: DATA COLLECTION

Dear Respondent,

I am a student pursuing Post Graduate Diploma (PGD) in Customs administration at the Kenya School of Revenue Administration (KESRA). Currently, I am undertaking a research study on **"FACTORS INFLUENCING REVENUE COLLECTION IN CUSTOMS & BORDER CONTROL IN KENYA:: A CASE OF INLAND CONTAINER DEPOT EMBAKASI, NAIROBI''**, in partial fulfillment of the requirements for the award of Post Graduate Diploma (PGD) in Customs administration. You have been selected to participate in the survey and the researcher would highly appreciate if you assist him by responding to all questions as completely, correctly and honestly as possible. It is solely for academic purposes. Your opinions, responses and views are very important to this study and will be completely confidential. No respondent will be identified.

Thank you very much for your participation, cooperation and understanding.

Yours Sincerely,

DENNIS MWANIKI

APPENDIX II: QUESTIONNAIRE

The research intends to determine FACTORS INFLUENCING REVENUE COLLECTION IN CUSTOMS & BORDER CONTROL IN KENYA: A CASE OF INLAND CONTAINER DEPOT EMBAKASI, NAIROBI. Please provide answers to the following questions against the most suitable alternative. (Responses will be treated with utmost confidentiality).

SECTION A: DEMOGRAPHIC INFORMATION

1. Highest level of Education and training attained?

   Certificate [ ] Diploma [ ] Bachelor's Degree [ ] Master's Degree [ ]

2. Cadre

   Customs officers [ ] KPA officers [ ] Clearing and forwarding agents [ ]

3. What is your current Working position?

   Top Management [ ] Middle Management [ ]
   Supervising Management [ ] Operations [ ]

4. Number of years worked in the position

   Below 5 years [ ] 5-10 years [ ] 11-15 years [ ] above 15 years [ ]

SECTION B: CUSTOMS CLEARANCE IN IMPORTS

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

	STATEMENTS	**1**	**2**	**3**	**4**	**5**
C1	The declaration procedures management through SIMBA has significantly helped in trade through Revenue Authority Digital Data Exchange (RADDEX)					
C2	The ability and willingness to share information among traders and KRA has positively improved cost of business operations.					
C3	Customs Reforms Modernization program has ensured effectiveness of the customs verification procedures					
C4	The adoption and implementation of trade facilitation instruments such as The Revised Kyoto Convention has improved customs verification procedures at the ICDN					

SECTION C: CUSTOMS AUTOMATED SYSTEMS.

Please Rank to the extent to which you agree on the effects of border clearance procedures on the cost of business operations at JKIA in Kenya. (1= Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree)

	STATEMENTS	**1**	**2**	**3**	**4**	**5**
B1	The SIMBA system has helped in centralizing import declarations					
B2	The establishment of SIMBA system has changed the culture of the customs service department during declarations					
B3	The Customs officers are well equipped and trained in the use of Customs Automated Systems in use at the ICDN					
B4	The adoption of the information systems by customs and ports Authority has improved efficiency, the improved performance at the port has facilitated trade in the region					

SECTION D: POST CLEARANCE AUDIT

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

	STATEMENTS	**1**	**2**	**3**	**4**	**5**
D1	Adoption of Post Clearance Auditing at the ICDN has greatly improved on the Clearance time at the ICDN					
D2	Customs Department has adequate staff to conduct Post Clearance Auditing on the firms regularly.					
D3	Adequate measures are taken to Ensure Voluntary compliance by importers while declaring properly and payment of Taxes, Through Post Clearance Auditing and Follow up Procedures					
D4	There is a firm Framework where Post Clearance Auditing is based on to ensure proper compliance by importers					

SECTION E REVENUE COLLECTION AT THE ICDN

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

	STATEMENTS	**1**	**2**	**3**	**4**	**5**
E1	The Customs Department has had a great improvement on Revenue collected over the past years.					
E2	The improvement in Revenue collection is attributed to Customs Automation and Post Clearance auditing activities at the ICDN					
E3	Most of the Revenue Collected from the ICDN is attributable to Voluntary Compliance by importers through Proper Declarations, rather than Fines and Penalties.					
E4	Revenue Collection at the ICDN can be improved with the improvement of frequent and conclusive Auditing of the importers					

END OF QUESTIONARE

Thank you very much for your cooperation

Appendix III: Work Plan

	FEBRUARY- JULY 2018	**AUGUST 2018**	**SEPTEMBER 2018**	**OCTOBER 2018**	**NOVEMBER 2018**
Research proposal topic presentation					
Proposal development					
Proposal submission					
Proposal presentation					
Data collection and analysis					
Submission of final project					
Presentation of final project					
Final project approval correction and supervisor approval					
Submission of golden copies					

Appendix IV: Budget Plan

ITEM	ACTIVITY	AMOUNT (Khs.)
1	TYPE SETTING	20, 000.00
2	PHOTOCOPYING	15, 000.00
3	BINDING	10, 000.00
4	PRINTING	25, 000.00
5	MISCELLENOUS	20, 000.00
	TOTAL	90, 000.00