# Trade Facilitation: Do The Custom Administration Procedures Matter?

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**ABSTRACT:** This paper seeks to address the effect of customs administration procedures on trade facilitation in Kenya. The study employs an explanatory research design and administered questionnaires as the data instrument to gather data from 200 customs officials in Kenya. The study findings indicated that declaration of goods, documentation and verification of goods had a positive and significant effect on trade facilitation. From the results, the study concluded that customs administration procedures have a significant influence on trade facilitation in Kenya. This study was anchored on Resource-Based View (RBV) Theory. This research study adds to the existing knowledge and improves understanding to the building of a solid framework. The ultimate objective of enhancing trade facilitation is evaluated against significant custom procedures such as declaration of goods, documentation completeness and verification of goods. Kenya Revenue Authority should enhance declaration of goods by ensuring that declaration of goods follows the international standards; should ensure accurate completion of required export documentation, comply with import/export documentation requirements and produce documents such as invoice for the goods; and should ensure thorough inspection of the goods, conduct complete inventory inspection and application of scanners in verification of goods.

**KEYWORDS:** Trade Facilitation, Customs Administration Procedures

## I. INTRODUCTION

Trade facilitation is defined by the World Trade Organization (WTO) as the streamlining and harmonization of international trade procedures. Part of the international customs community's commitment to trade facilitation is the Kyoto Convention on the Simplification and Harmonization of Customs Procedures. Time Release Study, Framework of Standards to Secure and Facilitate Global Trade, Risk Management Guidelines, World Customs Organization (WCO), Data Model (TRS) Information and telecommunications technology, as well as other legal instruments and best practices are used.

Trade facilitation, according to the International Chamber of Commerce, is defined as improving the effectiveness of administrative and logistical measures connected to international trade in products (Grainger, 2016). To condense the list of instances, it's worth noting that there are a variety of definitions for lowering the time and cost of completing trade transactions (Wolffgang & Kafeero, 2014). The traditional World Customs Organization (WCO) definition of trade facilitation is "simplification and harmonization of international trade procedures; where trade procedures are the activities, practices and formalities associated with the collection, presentation, transmission and processing of data necessary for the movement of goods in international trade" (Taneja et al, 2018). The new realities of the global trading system and the increase in trade in services have made logistics and other trade facilitation measures increasingly important in regional and international trade. The research available in this area focuses on the needs and priorities for trade and transport facilitation for developing countries (Africa) and how they can be better implemented to contribute to sustainability and economic development (Hoekman & Shepherd, 2017). The World Trade Organization trade facilitation agreement entered into force in early 2017 and could have major implications for poor countries seeking to integrate into the global economy (Moïsé & Sorescu, 2019).

The globalization of trade has put considerable and sometimes conflicting demands on Customs (Mangan & Lalwani, 2016). On the one hand, there is a pressing need for security and effective supervision of international supply chains, while on the other hand, there are growing calls to make lawful trade more accessible. Customs administrations throughout the world are aware of their obligation to generate new strategic perspectives and policies that will determine customs' function in the twenty-first century.

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There are numerous opportunities for bold, proactive, and innovative responses: a global customs network; better border management; a strategic framework with globally applicable objectives; a deeper understanding of supply chains and how to manage them; the use of new technologies; and strengthened customs partnerships with trade, border, law enforcement, and other relevant government agencies. Reduced compliance costs for legitimate merchants, more efficient and effective targeting of high-risk movements, and enhanced trust and mutual recognition of each other's programs and controls are just a few of the many advantages of an adaptive and strategically coordinated customs administration.

Customs administrations exist in every country to support trade, including lowering trade obstacles between countries. In some countries, the customs administration is independent, while in others, the customs function is integrated with other government departments such as security, domestic affairs, immigration, and finance (Peterson & Ketners, 2013). This is due to the fact that the customs administration's role is viewed differently in different countries. Customs' position in industrialized countries can be considered as more of a guardian and facilitator of trade (Ismail & Mahyideen, 2015). Tariffs for producing income, for example, are claimed to have a substantial impact on the collection of state revenues in Romania, and this impact has a multiplier effect on government revenues. In developing countries, including coastal Kenya and Tanzania, where import taxes are an important part of budget funds (Cherono, Omar & Nsavyimana, 2019), the function of customs authority is to collect revenue through means such as duties and taxes, and therefore Customs duties Excise is extended to the fiscal sector.

## 2. LITERATURE REVIEW
### 2.1 THEORETICAL LITERATURE REVIEW

This study was anchored on Resource-Based View (RBV) Theory. First proposed by Wernerfelt in 1984 and later extended by Helfat 2003, RBV theory focuses on organizational resources as an important determinant of efficiency. According to the theory, to achieve high productivity, organizations must find, develop, and use their resources in a sustainable manner. The theory makes two assumptions in analyzing the sources of competitive advantage (Barney, 1991). First, it is believed that firms in an industry can be heterogeneous in terms of the pool of resources they control. Second, it is believed that the heterogeneity of resources can be sustained over time because the resources used to implement the firm's strategy do not exhibit perfect mobility between firms. Heterogeneity (or uniqueness) of resources is considered a prerequisite for a resource package to contribute to competitive advantage (Bridoux, 2004).

The theory is applicable as it brings out the role of customs administration procedures to this study as critical resources that customs officer can utilize to enhance trade facilitation performance. Declaration of goods, documentation and verification of goods particularly stand out as essential organization resources that custom officers can take advantage off in their daily operations. The purpose of this research was to determine how different types of customs administration effected trade facilitation. The RBV theory therefore, supported the independent variable in the study, which constitutes of the following customs administration procedures: verification of goods, documentation and declaration of goods.

### 2.2  EMPIRICAL LITERATURE REVIEW

The simplification and harmonization of international trade procedures is known as trade facilitation (Grainger, 2008). The many activities, practices, and formalities connected with the gathering, presentation, transmission, and processing of data necessary for the movement of goods in international trade are included in this description. Improving transportation infrastructure, modernizing customs administration, reducing non-tariff trade barriers, and increasing exports are among them. Trade facilitation is a concept aimed at reducing the complexity and cost of completing trade transactions, as well as ensuring that all of these activities are completed in a timely, transparent, and predictable manner. It encompasses a wide range of topics and activities, including government regulation and control, business efficiency, transportation, ICT, and payment systems.

The importance of customs has changed dramatically in the twentieth and twenty-first centuries. As a result of the development of Regional Trade Agreements (RTAs), the function of tariffs in trade facilitation has become more prominent in most regional trade agendas, whose major goal is to enhance trade between nations by removing tariff and non-tariff barriers to trade (Shayanowako, 2015). This is mostly owing to the fact that customs is responsible for carrying out the RTA's duty liberalization promises. Equally essential is the incontrovertible reality that one of the most significant non-tariff barriers (NTBs) is onerous customs processes (Sibangilizwe & Jeffrey, 2019). Reduce the quantity of paperwork required for international trade and replace paper forms with electronic forms that are easier to deliver to simplify customs and trade procedures. Tariff reform is more beneficial to industry than tariffs negotiated in multilateral discussions. Increasing national government income by reducing the time necessary for physical conferences and transporting imported items. This approach can be made easier by more efficient business tax collecting (Hoekman & Shepherd, 2015).

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Tariff changes are frequently related with so-called "hard infrastructure reforms" in Sub-Saharan Africa (SSA), such as the building or upgrade of roads, trains, airports, and ports, as well as information and communication technology (ICT) networks... and reliable energy sources (Gnangnon, 2017). Examples of "soft infrastructure changes" do include the restructuring and matching customs and border procedures, integrating ICT-enabled operations, and eradicating corruption at border crossings (Peterson, 2017). Customs delays in Africa are exacerbated by the use of manual methods for customs documentation or the use of electronic devices with insufficient power or repair capability (Hansen & Nygaard, 2019). As a result of the delay, traders are more likely to pay 'kickbacks' (bribes) to customs authorities in order to get their goods through border checkpoints faster (Barka, 2012). Furthermore, customs charges in Africa are anticipated to require up to 30 different entities, 40 different documents, and 200 different data pieces, with 60 to 70% of them requiring re-entry at least once (Hansen & Nygard, 2019).

In accordance with the requirements of the SADC Trade Protocol (STP), the South African Development Community (SADC) introduced a Free Trade Area (FTA) in 2008 (Muntschick, 2018). This was the culmination of a long process of cutting tariffs on originating commodities that began in 2000. Simultaneously, all existing types of NTB should be phased out without the introduction of new ones. Despite significant progress in reducing tariff and non-tariff trade barriers, Dabrowski and Myachenkova (2018) found that most developing country economic blocs have achieved minimal progress. The constant occurrence of NTBs is a direct affront to efforts in regions across African continent to facilitate intraregional trade in fulfilment of their respective regional integration agenda (Bünder, 2018).

Customs, like in many other places, plays a major role in international trade in the East African Community's (EAC) Customs Union (CU) (Shinyekwa & Othieno, 2016). The foundation of the EAC CU, which advocates for trade facilitation, was prompted by Article 75 of the EAC Treaty (1999). Article 6 of the EAC Protocol, which establishes the EAC CU, calls for initiatives to reduce the amount and volume of trade documentation, adopt common standards and documentation, coordinate trade facilitation and intra-community transportation, review procedures on a regular basis, disseminate trade information, and adopt joint external tariffs (Bunder, 2018). The 1999 Agreement, the Customs Union Protocol, 2004, the Customs Administration Act, 2004, various legal instruments related to trade in goods, such as the Standardization, Quality Assurance, Measurement and Testing (SQMT) Act 2008, and instruments to address supply bottlenecks, such as the Tripartite Road Transport Agreement, 2001, are all examples of instruments to facilitate intra-Community trade. According to Kafeero (2008), this program enhances commercial efficiency. Theoretically, a growth in the volume and/or value of exports leads to an increase in exports, a rise in foreign exchange, and a rise in the economy of the country (Cooper, Hartley & Harvey, 2018).

In a globalized world, where intermediate goods and end products frequently cross borders, trade facilitation helps reduce the overall costs of trade and increase economic prosperity (Hornok & Koren, 2015; Arvis, et al., 2016). economy. Trade facilitation measures aim to improve the trading environment by reducing transaction costs and thereby increasing trading profits. Trade facilitation focuses on using measures that have a positive impact on trade. Trade facilitation. According to Fessehaie and Morris (2018), entails multiple parties putting in place a set of laws, policies, and processes that support rather than inhibit trade. Different writers and organizations utilize different meanings of trade facilitation. For example, the United Nations Economic Commission for Europe (UNECE) defines it as "a comprehensive and integrated approach to reducing the complexity and costs of the trade transaction process and ensuring that all of these activities can be carried out in an efficient, transparent, and predictable manner based on norms" (UNECE, 2006).

Although the use of trade facilitation measures to address trade bottlenecks in East Africa has recently gained popularity, aspects of customs administration remain largely unexplored. The Organization for Economic Cooperation and Development (OECD) has established a set of trade facilitation indicators that highlight areas for change and assess the potential impact of reforms (Mosé & Sorescu, 2019). These metrics include the entire range of border operations, from initial decisions to transit guarantees, for 133 nations, broken down by income level, geographic area, and development stage. Governments can use indicator-based assessments to prioritize trade facilitation and mobilize more targeted technical assistance and capacity building for developing nations (Hynes & Lammersen, 2017).

Logistics performance is important to facilitate trade. Effective logistics is critical to meeting many trade facilitation indicators (Shepherd, 2016). The Logistics Performance Indicator (LPI) is an interactive benchmarking tool that aims to help countries discover the issues and possibilities they have in retail logistics, as well as what they can do to improve their results. While the OECD and World Bank measures can be used to evaluate trade facilitation performance, they can also be used to measure overall performance. The World Bank's Logistics Performance Index, on the other hand, is regarded beneficial for evaluating the performance of day-to-day logistics operations.

According to the recent report by Tralac (2019) developing countries were expected to implement Trade Facilitation Agreements (FTA) by 2017 and Less Developed Countries (LDCs) by 2018. However, as it stands out, few countries from Africa have

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implemented the same (Hoekman, 2016; Odularu & Alege, 2019). Trade facilitation performance by regional economic communities (RECs) comprise of logistics performance, customs and border control, FTA, as well as postage performance.

In many countries, customs provide services that are primarily concerned with collecting taxes, which are not in the interest of economic actors. The tax collection services offered by customs authorities also play an important role in the economies of various countries, which may explain why some countries avoid Trade Facilitation (TF) measures: the fear of losing revenue. It seems that the opening of borders to facilitate the international flow of goods must be accompanied by a weakening of border protection. Due to excessive concerns about customs restrictions, customs administrations in some nations can lead to increasing uncertainty in international supply chains. The government, according to (Mosé & Sorescu, 2019)), is a major provider of regulatory services, many of which are optional. According to Liu and Yue (2013), speeding up customs procedures can affect a country's economic structure and hence boost international transactions. They created a model to illustrate the growth of each country's customs agency, beginning with physical controls over commodities. The details of all arriving commodities are normally examined at this early stage. Before the goods are delivered, the information is double-checked. Importer internal control and follow-up audits are included in the third stage of TF.

According to Chimilila, Soapani, and Benjamin (2014), they are at the intersection of trade, economy, tax and financial difficulties, criminal prevention, environmental protection, and transportation, to name a few. Customs officers all across the world are accustomed to dealing with people from different countries, so they are often the first to learn about new products, activities, and even ideas. Customs administrations collaborate with their overseas counterparts far more effectively than other border agencies, and they have regular and unrestricted access to critical commercial data (Liu, 2012). Trade facilitation is carried out in Kenya by several institutions carrying out different functions (Bienen, 2015; Nkoroi, 2015). The responsibilities of a trade promotion agency include collecting revenue, providing facilities for carriers to load and unload cargo, and verifying the goods comply with certain health standards and regulations. Another function that is part of trade facilitation is the transportation of goods to their destination (Beverelli, Neumueller & Teh, 2015).

The Kenya Revenue Authority (KRA) has long been associated solely with tax collection or what is popularly called tax collection. This is also pointed out by the media, which without exception refers to KRA as a "tax". However, KRA is not only a tax-collecting company, but also as a regional and world trade facilitator. This is based on the fact that the agency recognizes trade as a key factor in accelerating economic growth and reducing poverty (Joy, et al., 2018). In the customs sector, the Kenya Revenue Authority is taking initiative to enhance cohesive and all-inclusive approach to improve its system. According to Migot and Paul (2019), the transformation begins with ensuring that the challenges of handling import and export shipments are reduced in order to run local and international businesses efficiently. The integrated and comprehensive approach chosen should benefit governments, producers, traders and consumers. This approach focuses on infrastructure such as One-stop border crossing and information technology.

The Kenya Revenue Authority is the government agency mandated to enforce international law. In this case, most of the cargo destined for export through all ports is scanned. It builds trust because it makes it easier for taxpayers to promote compliance with tax and customs laws (Bett & Yudah, 2017). In addition, the Agency has put in place a framework for joint inter-agency coordination when investigating serious security and customs crimes. KRA considers inter-agency coordination to be very important in dealing with serious tax evasion, including those related to evasion, declaration errors and trafficking in prohibited goods (Kinyua, 2019).

## 2.3 PROBLEM STATEMENT

Trade facilitation has become one of the arduous tasks for customs administrations. For countries undertaking trade facilitation improvements in customs, ports, and other institutions, trade facilitation provides a comparative advantage (Hoekman, & Nicita, 2010). Improving customs and port administration, as well as lowering other non-tariff trade obstacles, facilitates the timely supply chain strategy expected by globally competitive enterprises. It is estimated that the delay in delivery time is around 0.8% of the price of finished goods per day (Uzzaman, & Yusuf, 2011). According to the Organization for Economic Cooperation and Development (OECD), the worldwide benefit per one percent reduction in transaction costs was US$43 billion (Sandford & Temby 2010).

According to Hoekman and Nicita (2010), a 10% reduction in the cost of imports (exports) will result in a 5% increase in imports (exports). Customs and administrative procedures have a major impact on international trade, according to OECD studies. Besides, exporting to developed and developing countries, difficult customs and administrative procedures have proven to be a challenge for developing countries (Marti, Puertas, & Garca, 2014).

From previous studies on customs administration and the effectiveness of trade facilitation, Chiukira (2019) investigates the role of customs administration in developing country trade facilitation. It acknowledges that interoperable trade is inescapable, and

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that the parties must comply with the provisions of the trade facilitation agreement. In Bangladesh, Uzzaman and Yusuf (2011) investigate the function of customs and other government institutions in facilitating commerce. The findings demonstrate that traders in Bangladesh endure delays in carrying out their operations due to excessive paperwork, inefficiencies, and arbitrary judgment. Morini, Sa Porto, and Inácio (2017) looked into whether trade facilitation (TF) could lead to a loss of customs control or revenue. The findings reveal that there is no direct relationship between the likelihood of complying with TPPT practices and the government's reliance on tariff income.

The impact of system automation on tax collection at the Kenya Revenue Agency was studied by Gitaru (2017). This research relies on secondary data. The results of the study revealed that the number of transactions increased significantly after the implementation process, which means that due to the automation of the revenue system, a large number of import shipments were processed and routed through the central document processing center (CSD). Kwalia (2012) assessed the extent to which clearing and freight forwarders in Nairobi have adopted electronic customs procedures. The study found that electronic customs procedures had a major impact on organizations. They are forced to have an IT system connected to the internet. It has been found that electronic customs procedures have drastically reduced the average time to file, as well as processing and filing costs. There are varied findings on trade facilitation and customs administrations in empirical studies, and the study's goal was to look into the impact of customs administration procedures on trade facilitation in Kenya.

## 2.4 OBJECTIVE AND STUDY HYPOTHESIS

The general objective of the study was to investigate effect of Customs administration procedures on trade facilitation in Kenya.
Research Hypotheses

H01: There is no significant relationship between declaration of goods and trade facilitation in Kenya.

H02: There is no significant relationship between documentation and trade facilitation in Kenya.

H03: There is no significant relationship between verification of goods and trade facilitation in Kenya.
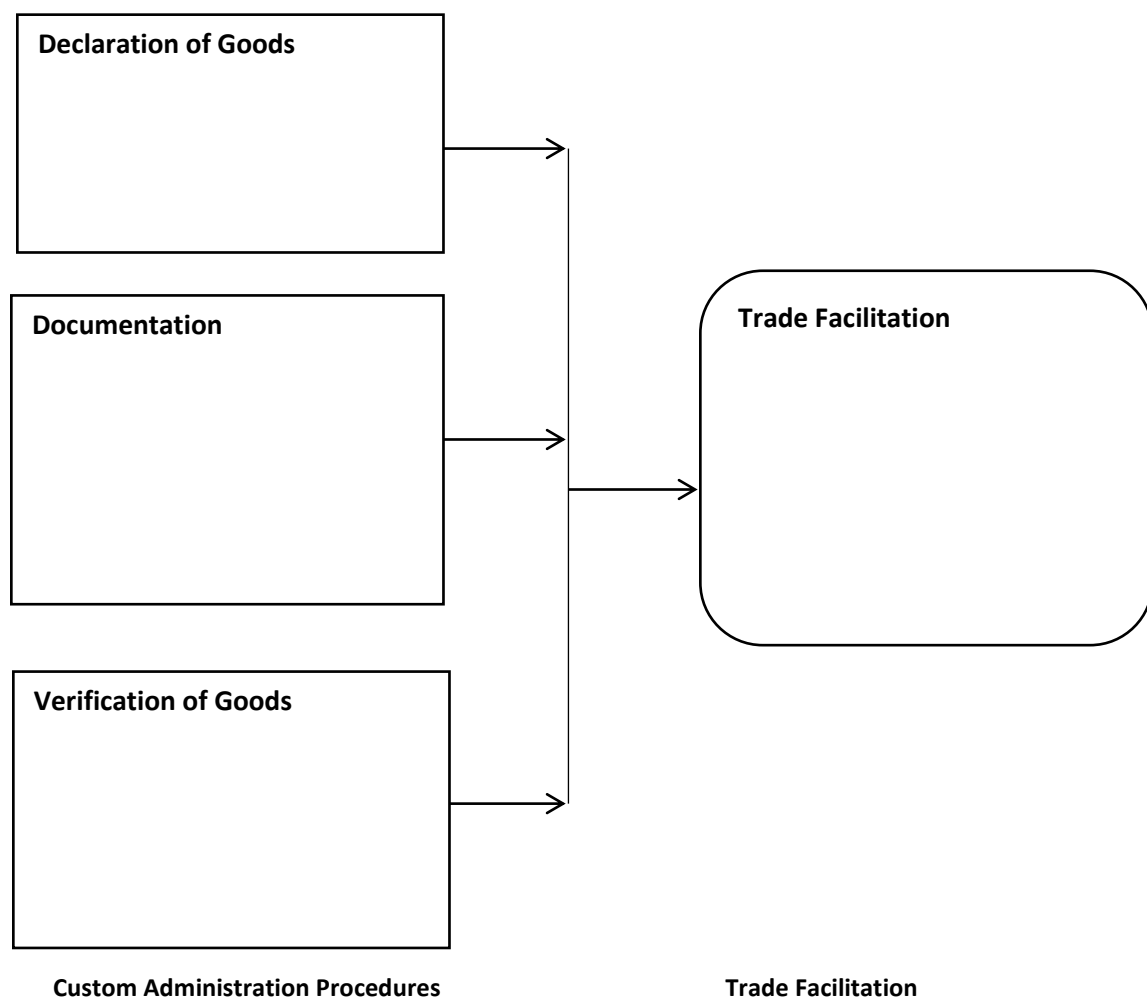


Custom Administration Procedures                  Trade Facilitation

**Figure 1 : Conceptual Framework**

**Source:** Author (2022)

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Declaration of Goods

Declaration of goods is made in the manner prescribed by customs in which the person concerned (importer/exporter or agent) indicates the customs regime applicable to the goods and provides data required by customs for its implementation ((Pappel, 2020). Cargo declaration is data provided (by the consignor or agent) before or at the arrival or departure of a commercial vehicle that contains data required by customs regarding the goods carried or taken over. from the customs area and may not contain more than the information necessary to identify the goods and mode of transport. For operationalization of this variable: cargo declaration was assessed against complying with required standards as evidenced in documentation..

Documentation

Customs delays in Africa are exacerbated by the use of manual methods for customs documentation or the use of electronic devices with insufficient power or repair capability (Hansen & Nygaard, 2019). The information for the goods and shipping declarations comes from business and transportation documentation for international freight traffic, such as invoices, bills of lading, packing lists, and so on. These documents are referred regarded as accompanying documents since they must be provided with the customs notification. A key decision to facilitate trade in goods and cargo declaration is to comply with international standards and harmonize data requirements. Dennis and Shepard (2011) look at how developing nations might improve trade facilitation and diversify their exports. In a sample of 118 developing nations, studies suggest that a 10% reduction in international transportation costs and local export costs (documentation, land transportation, ports, and customs) is related with a 4 and 3 percent increase in export diversification, respectively. The outcome is heavily influenced by customs clearance. For operationalization of this variable: completion of the following documents required documents was evaluated: commercial invoice, packing list and bill of lading.

Verification of Goods

Verification of goods is the inspection of goods by customs, or more specifically by a clearance officer, to check their quantity, properties, or value (Drobot et al., 2017). Special reasons for customs verification can be in the form of allegations of customs notification, supervision or suspicion of smuggling or brand infringement. During customs inspection, your goods are inspected by customs, or rather by officials, for quantity, quality or value. During testing, either a random sample (partial test) or the entire inventory (full test) can be checked. In addition, disassembling certain items, sometimes resulting in damage to the item itself may be of necessity. For operationalization of this variable: verification of goods was gauged against customs officers reports on partial inspection, full inspection and manual inspections.

## 3 RESEARCH METHODOLOGY

### 3.1 STUDY DESIGN

The design adopted explanatory study design. Explanatory research design allows researchers to relate ideas to understand cause and effect between variables; Therefore, the researcher was able to understand the effect of the three separate variables studied on the effect of customs administration procedures on trade facilitation, making it the most appropriate research design for this particular study, thus the reason for its selection. The main purpose of explanatory research is to identify causal relationships between factors or variables related to the research problem.

### 3.2 TARGET POPULATION

The target population of the study included 200 customs officers from KRA headquarters and Internal Container Depot. The main reason for choosing this population was due to their direct involvement with customs procedures in the operation of their respective enterprise which directly affect the performance of their respective businesses. A census of all the 200 customs officers was done since the researcher could manage to collect data from all the respondents.

### 3.3 DATA INSTRUMENT AND DATA COLLECTION PROCEDURE

Primary data collection method was used in this study. Data was collected using a questionnaire. The questionnaires consisted of a structured (close-ended) questions and was administered through drop and pick method to the respondents. The data instrument was set on 5-point Likert scale. The choice of responses ranged from strongly disagree to strongly agree. The responses were transformed for conducting further inferential analysis.

### 3.4 PILOT TESTING

A pilot study was conducted, prior to the actual data collection phase. Twenty questionnaires were given to customs officials at JKIA's customs department for this study. The responses from the pilot were not included in the final study to avoid bias. Reliability of data instrument is presented in the study results.

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## 4. DATA ANALYSIS, RESULTS AND DISCUSSION OF KEY FINDINGS

The questionnaires were reviewed for completeness and consistency before being used to process the survey responses. Using SPSS software, statistical analysis, including correlation and regression analysis, were used to establish relationships between study variables.

The research used multiple regressions analysis which indicated the influence of custom administration on trade facilitation in Kenya. The model for this study was therefore represented by;

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

Where, $\beta_0$, $\beta_1$, $\beta_2$, and $\beta_3$, are coefficients,

Y= Trade Facilitation

X1 = Declaration of goods,

X2= Documentation,

X3= Verification of goods,

$\varepsilon$=error term for regression.

### 4.1  KEY RESULTS

A total of 200 questionnaires were distributed to customs officers from KRA headquarters and the ICD. The response rate is presented in Table 1.

**Table 2: Response Rate**

| Response | Frequency | Percent |
|---|---|---|
| Returned | 151 | 75.5% |
| Unreturned | 49 | 24.5% |
| Total | 200 | 100% |

**Source:** Research Data (2021)

A total of 151 surveys were completed and returned correctly. As a result, the total response rate was 75.5 percent, indicating a successful response rate, according to Babbie (2011), who stated that a response rate of more than 60% is considered a good response for a study.

### Reliability Results

A reliability test was used to analyze the internal consistency of the variables as determined by the five-point Likert scale. The reliability coefficients for each Likert scaled item were calculated, and the findings are reported in Table 2.

**Table 3: Reliability Test**

| Variable | Cronbach's Alpha | Number of items | Comment |
|---|---|---|---|
| Declaration of goods | 0.830 | 6 | Reliable |
| Documentation | 0.857 | 7 | Reliable |
| Verification of goods | 0.868 | 6 | Reliable |
| Trade facilitation | 0.911 | 7 | Reliable |

**Source:**  Data (2021)

Results showed Cronbach alpha of 0.830 for declaration of goods, 0.857 for documentation, 0.868 for verification of goods and 0.911 for trade facilitation. All the variables had Cronbach alpha greater than 0.7 implying that the items measuring the variables were reliable.

### Correlation Results

Correlation analysis was conducted to measure the connection between the independent variable and the dependent variable. Correlation measures the direction and strength of a linear relationship between two variables. The results are presented in Table 3.

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**Table 4 : Correlation Results**

| | | Trade facilitation | Declaration of Goods | Documentation | Verification of Goods |
|---|---|---|---|---|---|
| Trade facilitation | Pearson Correlation | 1.000 | | | |
| | Sig. (2-tailed) | | | | |
| Declaration of Goods | Pearson Correlation | .819** | 1.000 | | |
| | Sig. (2-tailed) | .000 | 0.00 | | |
| Documentation | Pearson Correlation | .766** | .794** | 1.000 | |
| | Sig. (2-tailed) | .000 | .000 | | |
| Verification of Goods | Pearson Correlation | .787** | .777** | .749** | 1.000 |
| | Sig. (2-tailed) | .000 | .000 | .000 | |

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

**Source:** Research Data (2021)

The results showed that declaration of goods had a strong positive linear association with trade facilitation ($r = 0.819$, $p = 0.000 < 0.05$). The finding agreed with Wanjala (2004) who indicated that declaration of goods has the effect of trade creation.

In addition, documentation had a strong positive linear association with trade facilitation in Kenya ($r = 0.766$, $p = 0.000 < 0.05$). The finding agreed with Dennis and Shepherd (2011) whose findings revealed that documentation is associated with export diversification gains.

Results further showed that verification of goods had a strong positive linear association with facilitation in Kenya ($r = 0.787$, $p = 0.000 < 0.05$). The finding agreed with Ackello-Ogutu and Echessah (1997) who concluded that policies aimed at promoting inspection of goods were found to be the prime determinants of the trade performance.

**Regression Results**

The influence of the independent factors (goods declaration, documentation, and verification) on the dependent variable was determined using regression analysis (trade facilitation).

**Table 5: Model Fitness**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .861a | 0.741 | 0.736 | 0.5251 | 2.267 |

**Source:** Research Data (2021)

Table 5 shows that the R was 0.861 while the R square was 0.741. This implies that customs administration procedures accounts for approximately 74.1% of the variation in trade facilitation. According to Engman (2005), streamlined and simplified customs procedures would have a major positive impact on trade flows.

The model in Table 4 was further examined for its significance using ANOVA. The results for ANOVA for customs administration procedures and trade facilitation are presented in Table 5.

**Table 6: ANOVA**

| | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 116.042 | 3 | 38.681 | 140.284 | .000 |
| Residual | 40.532 | 147 | 0.276 | | |
| Total | 156.575 | 150 | | | |

**Source:** Research Data (2021)

The F-statistic of 140. 284 and the related P value of 0.000 0.05 are shown in Table 6. This suggests that customs procedures have a statistically significant effect on trade facilitation at the 95% confidence level. These findings are in line with those of

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Bezabih (2018), who found a link between non-compliance with customs rules in SSA and tariffs, corruption, customs procedural efficacy, and trade facilitation aid.

**Table 6: Regression of Coefficient**

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.039 | 0.196 | | 0.201 | 0.841 |
| Declaration of Goods | 0.460 | 0.086 | 0.416 | 5.367 | 0.000 |
| Documentation | 0.222 | 0.082 | 0.200 | 2.715 | 0.007 |
| Verification of Goods | 0.333 | 0.075 | 0.314 | 4.422 | 0.000 |

**Source:** Research Data (2021)

The results of the regression coefficients in Table 7 show that the declaration of goods has a positive and significant effect on trade facilitation ($\beta = 0.416$, $p = 0.000 < 0.05$). This means that an increase of one unit of declaration of goods is likely to increase trade facilitation by 0.416 units. This result is in accordance with Wanjala (2004) which states that the declaration of goods has a trade promotion effect.

The results also show that documentation has a positive and significant effect on trade facilitation ($\beta = 0.200$, $p = 0.007 < 0.05$). This indicates that an increase of one unit in documentation is likely to increase trade facilitation by 0.2 units. These results are in accordance with Bilyan and Traikov (2012) who showed that the document simplification, standardization, and unification processes improve commercial performance.

Furthermore, the results showed that verification of goods had a positive and significant effect on trade facilitation ($\beta = 0.314$, $p = 0.000 < 0.05$). This means that a one-unit rise in goods control will likely result in a 0.314-unit increase in trade facilitation. This finding is consistent with that of de Sá Porto, Canuto, and Morini (2015), who concluded that having a commodity control program and a one-window program will improve the country's trade performance.

Model:

$Y = 0.416X_1 + 0.200X_2 + 0.314X_3$

Where:

Y= Trade Facilitation

$X_1$ = Declaration of goods,

$X_2$= Documentation,

$X_3$= Verification of goods

**4.2 HYPOTHESIS TESTING**

The hypothesis ($H_01$) stated that there is no significant relationship between declaration of goods and trade facilitation in Kenya. The results revealed p value less than 0.05 (Table 8). As a result, the study revealed that in Kenya, there is a significant association between products declaration and trade facilitation. These findings agreed with Wanjala (2004) who indicated that declaration of goods has the effect of trade creation

The hypothesis ($H_02$) stated that there is no significant relationship between documentation and trade facilitation in Kenya. The results revealed p value less than 0.05. As a result, the study came to the conclusion that there is a strong link between documentation and trade facilitation in Kenya. These findings agreed with Dennis and Shepherd (2011) whose findings revealed that documentation is associated with export diversification gains.

The hypothesis ($H_03$) stated that there is no significant relationship between verification of goods and trade facilitation in Kenya. The results revealed p value less than 0.05. As a result, the study revealed that in Kenya, there is a significant link between goods verification and trade facilitation. These findings agreed with Ackello-Ogutu and Echessah (1997) who concluded that policies aimed at promoting inspection of goods were found to be the prime determinants of the trade performance.

**Table 7: Summary of Hypothesis Testing**

| | | | P value | Verdict |
|---|---|---|---|---|
| $H_01$ | | There is no significant relationship between declaration of goods and trade facilitation in Kenya. | 0.000 <0.05 | Rejected |

| | | | |
|---|---|---|---|
| H$_{02}$ | There is no significant relationship between documentation and trade facilitation in Kenya. | 0.007<0.05 | Rejected |
| H$_{03}$ | There is no significant relationship between verification of goods and trade facilitation in Kenya. | 0.000<0.05 | Rejected |

**Source:** Research Data (2021)

## 4.3 DISCUSSION OF THE KEY FINDINGS

The first objective of the study was to determine the effect of declaration of goods on trade facilitation in Kenya. The correlation results indicated that declaration of goods had a strong positive linear association with trade facilitation (r = 0.819, p = 0.000<0.05). This means that a rise in the number of commodities declared is linked to an increase in trade facilitation. According to the model results, declaring products had a positive and substantial influence on trade facilitation (= 0.416, p = 0.000<0.05). This implies that declaration of goods contributes significantly to changes in trade facilitation. The finding concurred with Wanjala (2004) who indicated that declaration of goods has the effect of trade creation. Based on the regression results, the null hypothesis that there is no significant relationship between declaration of goods and trade facilitation in Kenya was rejected.

The second objective of the study was to determine the effect of documentation on trade facilitation in Kenya. The results further indicated that documentation had a strong positive linear association with trade facilitation in Kenya (r = 0.766, p = 0.000<0.05). This implies that an increase in documentation is significantly associated with increase in trade facilitation. Documentation had a positive and substantial effect on trade facilitation (= 0.200, p = 0.007<0.05), according to the regression results. This means that changes in trade facilitation are largely influenced by documentation. These findings corroborated Biljan and Trajkov's (2012) conclusions that document simplicity, standardization, and unification improve trade performance. The null hypothesis that there is no significant association between documentation and trade facilitation in Kenya was rejected based on the regression results.

The third objective of the study was to determine the effect of verification of goods on trade facilitation in Kenya. The findings indicated that verification of goods had a strong positive linear association with facilitation in Kenya (r = 0.787, p = 0.000<0.05). This implies that an increase in verification of goods is significantly associated with increase in trade facilitation. Verification of goods had a favorable and substantial influence on trade facilitation (= 0.314, p = 0.000<0.05), according to the regression results. This implies that products verification has a substantial impact on changes in trade facilitation. These findings corroborated those of de Sá Porto, Canuto, and Morini (2015), who stated that having a commodities verification program and a single-window program will improve a country's trade performance. Based on the regression results, the null hypothesis that there is no significant relationship between verification of goods and trade facilitation in Kenya was rejected.

## 5. CONCLUSIONS, MANAGERIAL IMPLICATIONS AND FURTHER RESEARCH

### 5.1 CONCLUSIONS

The study found that declaring commodities aided trade facilitation in a positive and significant way. The study recommended that the KRA should enhance declaration of goods as a customs administration procedure. In particular, KRA should ensure that declaration of goods follows the international standards. Documentation had a favourable and considerable impact on trade facilitation, according to the study. According to the research, the KRA should improve paperwork as a customs administration practice. KRA should, in particular, verify that required export documentation is completed accurately, that import/export documentation requirements are met, and that documents such as invoices for items are produced. The study further established that verification of goods had a positive and significant effect on trade facilitation. The study recommended that the KRA should enhance verification of goods as a customs administration procedure. In particular, KRA should ensure thorough inspection of the goods, conduct complete inventory inspection and application of scanners in verification of goods.

### 5.2 MANAGERIAL IMPLICATIONS

The study advises policy makers, especially KRA, on areas of improvement in relation to customs policy. The focus should be on declaration of goods, documentation and verification of goods that were found to have a significant predictive ability to influence trade facilitation. In practice, this study informs customs management on the best approaches to strengthen customs administration procedures in order to facilitate commerce.

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## 5.3 FURTHER RESEARCH

The current study investigated the effect of customs administration procedures on trade facilitation in Kenya. Other studies could focus on customs administration procedures and trade facilitation in within the EAC states for comparison purposes. Additionally, customs administration procedures - declaration of goods, documentation and verification of goods explained seventy four percent of changes in trade facilitation. Future studies could consider focusing on other factors that can explain the remaining twenty six percent.

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