EVALUATING THE PERFORMANCE OF CUSTOMS CLEARING AGENTS IN ETHIOPIA: THE CASE OF AIR CARGO CUSTOMS CLEARING AGENTS

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Declaration

I, the under signed, declare that this thesis entitled "*Evaluating the performance of customs clearing agents in Ethiopia: the case of air cargo customs clearing agents*", is my original work and to the best of my knowledge has not been presented for a degree by any other person, and that all the sources of material used for the thesis have been duly acknowledged.

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Date & Signature

Statement of Certification

This is to certify that the thesis carried out by Seyoum W/Yohannes H/Mariam on the topic entitled: "*Evaluating the performance of customs clearing agents in Ethiopia: the case of air cargo customs clearing agents*" is his original work and is suitable for submission for the award of Masters of Art Degree in Logistics and Supply Chain Management.

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This is to certify that the thesis carried out by Seyoum W/Yohannes H/Mariam on the topic entitled: "*Evaluating the performance of customs clearing agents in Ethiopia: the case of air cargo customs clearing agents*" and submitted in partial fulfillment of the requirements of the Degree of Master of Art in Logistics and Supply Chain Management with the regulations of the University and meets the accepted standards with respect to originality and quality.

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ABBREVIATIONS

3PL	Third Party logistics
CC	Customs Clearing
CCAs	Customs Clearing Agents
CHA	Customs House Agents
EAL	Ethiopian Airlines
ERCA	Ethiopian Revenues and Customs Authority
ESLSE	Ethiopian Shipping and Logistics Service Enterprise
GDP	Gross Domestic Product
ICT	Information Communication Technology
LPI	Logistics Performance Index
LPIN	Logistics Performance Indicator
UNDP	United Nations Development Programme
WCO	World customs Organization
WTO	World trade Organization

ABSTRACT

This research evaluated the performance of customs clearing agents in Ethiopia by focusing air cargo customs clearing agents to determine their impact on the overall customs clearing processes. The major problem observed in ***customs clearing process*** *is* ***delay****. Explanatory and quantitative methods of research were used. Primary data were collected by questionnaires. Secondary data from ERCA data base also used to determine the transaction performed by the clearing agents and Import/Export status. Data analysis was conducted using descriptive statistics, correlation and regression analysis. The findings of the study suggested that customs clearing agents had significant impact on the customs clearing process. As the SPSS output shows* ***Customs clearing operation, customer service, Information accuracy and relationship with stakeholders*** *had positive significant impact on* ***the performance of the customs clearing agents.*** *Information accuracy had more impact than the others variables. From the survey conducted and filled by customers, it was found also that the delay on customs clearing process is confirmed. The study concluded the improvement on the above four will improve the customs clearing process and this will lead to minimize the delay. The research recommended the customs clearing process should supported by ICT and stakeholders specially ERCA should support and give due attention for customs clearing agents.*

Key words: Customs clearing agents, Customs clearing process, Performance

CHAPTER ONE: INTRODUCTION

This introduction chapter is aims to describe the background of customs clearing Agents (CCAs) in Ethiopia and their practice specifically at air cargo customs clearing process. The impact of their activity on the customs clearing process is discussed. The problems related with clearing process is also explained, research questions are specified to facilitate solving the problem, scope and limitations of this thesis is clarified. The organization of the study is also discussed in this chapter.

1.1. Background of the study

Customs clearing process is one of the major areas most countries collect revenue and also control the import and export process of goods transited from/to the country. Ethiopia also collects its major income from customs duties & taxes.

(Horvat , 2011) Customs was always part of country‘s history and custom‘s history is identified in special way through political, economic, social and cultural events. It is also a reflection of country’s development with influences deriving from economical, legal and social development. In its traditional role, Custom is seen as a keeper of the gates on country’s borders. On top of that customs was also serving country for collecting customs duties and taxes.

As customs representatives confirmed the Ethiopian revenue and customs Authority regulation every items imported from abroad should pass through the customs procedure. The customs procedure include declaring the goods and made inspection, for the purpose of imposing duty & taxes and to protect restricted or prohibited goods pass in or pass out of the country respectively.

Different literatures explain the activates of third party logistic (3PL) service providers have significant role on the companies supply chain management, provided that improvement on customs clearing agents increase the efficiency of the overall supply chain.

(FDR Ethiopia Council of Ministers, 2004)The customs clearing agents are logistic service providers engaged in facilitating and processing the clearing process on behalf of importers and exporters. After the re-establishment of customs Authority by Proclamation No. 60/1997 the council of ministers regulation no.1 08/2004 customs clearing agent’s council of ministers regulation was issued. The regulation described the customs Authority have the right to give training, issuance of certificate of qualification, suspension and cancelation of the certificate for the customs clearing agents (CCAs).The regulation declares the customs clearing agent shall have

the obligation to act on behalf of clients. (ERCA, 2009 E.C.) According to ERCA record there are around one thousand customs clearing agents found in Ethiopia, of which more than 57 percent of them were involved in air cargo clearing process.

In the clearing process, in addition to the customs Authority, there are many stakeholders involved. The mains are the customers (Importers or exporters), transporters, shipping companies, government regulatory bodies, warehouse administrators and clearing and forwarding Agents. The coordination and smooth communication of the stakeholders facilitate the customs clearing procedure. If there is smooth flow, the clearing process is completed in less time, therefore all the stakeholders is benefited. However as practically seen the clearing process faced delayed in one or another stakeholder's poor performance. Because of the delay every stakeholders loss time, money and material resources. It had negative impact on the overall countries economy. In practices goods were stocked in the customs warehouse for more than a month even if it is enough 6 days on average for customs clearing process at airport customs clearing office. Every additional hours provide higher storage cost, excess demurrage charge, exchange rate increment charge, occupy customs storage space, delay production, lost potential sale, affect service, deterioration on product quality, etc.

As the CCAs informed the main activities of customs clearing Agents are: Advice clients about customs formalities, fill declaration form and declare the goods details, identify the tariff code (HS code) of each items and calculate customs duties & taxes, facilitate inspection & get release certificate for the goods from customs office and Handover the goods to the clients. In addition to the above activities their might be another activities can be performed depend on the type of the goods, nature of the transaction, customs office procedure and the client demand.

According to ERCA officer's response Goods can be classified as Trading goods, investment goods, personnel goods, Government goods, NGO/Embassy goods etc. The nature of the transaction, it can be import, Export, Transit, Temporary in/out etc. The customs offices are Airport customs, Djibouti port (for unimodel goods) customs, dray ports customs and post office customs. And clients are trading companies, manufacturers, government originations, NGOs, service providers, individuals etc.

The customs clearing agents used as a bridge among stakeholders to facilities the smooth and fast flow of customs clearing process. So that the researcher strongly believes the performance of the

CCA has significant impact on the time taken for customs formalities. In this regard time is an important factor that measures the performance of the clearing agents. Therefore this study is made to evaluate the performance of the customs clearing agents and to define their impact on the customs clearing process. The study is focused on air cargo customs clearance service.

(ERCA, 2009 E.C.) Ethiopian revenue and customs Authority (ERCA) airport branch office is the main air cargo clearing office of the country for import/export goods. From 2007 to 2009 E.C. on average 34% of the operations were managed by Airport customs branch office. In the same years on average 554 clearing Agents processes 95,931 operations. More than 50% of the clearing agents gave the services at airport branch. That is why this study focuses on air cargo clearing process.

1.2. Statement of the problem

(Tsegaye & Endris , 2011) The researchers identified sources of clearance delay problems associated with air-borne cargo are related with consignments, Clearing Agents, Airport Customs office and Ethiopian Airlines. The focus of this study is on the variables that affect the performance of Clearing Agents involved in Air cargo clearing process.

(Rupin, 2012) The researchers on their article stated that customs house agents (CHA) are very important person whenever you are importing or exporting any goods. By definition he/she is a person who has acquired a license to act as an agent for transaction of any business related to departure or entry of transportations or the exporting or importing goods at any custom station. Generally the business that imports or exports goods don't have knowledge about the rules and regulations of the government neither does they have any time to look into these matters. Hence they appoint an agent to act on their behalf. However all the duties performed by the customs house agents(CHA) are administered by a government body known as Custom House Agent Licensing Regulations.

Likewise in Ethiopia, customs clearing agents are assigned to facilitate the clearing process on behalf of Importers/exporters. They are licensed and regulated by Ethiopian revenue and customs Authority to perform customs formalities on behalf of importers/exporters. (FDR Ethiopia Council of Ministers, 2004)However customers are not happy by CCAs service.

Most of the time customers are complaining about the delay of customs clearing process. Delay might occurred by different factors. It can be from the Customs Authority performance, the nature of the goods, customers' response time, the clearing agents' performance, legal issues etc. As the customs clearing agents are professionals assigned to facilitate and expedite the customs process, they have a great role to expediting or de-expediting the customs clearing process whatever the reason of the delay is. However the assumption should be proved by research. The objective of this research is to study and prove or disprove the mentioned problem and the courses of the problem.

(Tsegaye & Endris , 2011) Study the average time take to clear goods at each customs clearing offices. According to the study, the weighted average clearance time at Air cargo station in 2010 was six days. However as practically seen, most of the clearing transactions took more than six days even a month or more even if Importers/Exporters want to clear and receive the goods as early as possible.

Importers/Exporters declare not satisfied by the performance of the clearing agents because of the delay. Same customers and stakeholders believed that if the clearing agents are perform well, the clearing time minimized even under the above mentioned average time. However it is not clear how the clearing agent performs affect the clearing time and what is their degree of affection on the delay of the clearing process. This study is made to identify the variables that determine the performance of CCA and determine the impact.

1.3. Research Question

The study generally answers the questions: is the performance of customs clearing agents affects the customs clearing process? And what measures associated with clearing agents to be taken to improve the performance?

Specifically the study will answer the following questions:

- Are customers and other stakeholders satisfied by the service given by customs clearing Agents'?
- Is the delay of air cargo customs clearing process directly affected by the clearing agents' performance?
- What are the main variables affecting clearing agents performance? And what is the degree of affect?

- What measures to be taken to improve the performance of the clearing agents to minimize the delay of the air cargo clearing process?

1.4. Research Objective

In general the objective of this study was investigates how the performance of customs clearing agents affect the customs clearing process as well as the overall logistic activities, in the case of air cargo clearing process, by evaluating the performance of customs clearing agents based on the determinant variables depend on the data collected and related literatures reviewed; identify major findings and indicate actionable recommendations help to improve the customs clearing service.

Specifically the objective of the study focuses on:

- To determine the satisfaction level of customers by the customs clearing agents' performance.
- To identify the impact of the performance of customs clearing agents on the air cargo customs clearing process.
- To identify the determinant variables affecting the performance of customs clearing agents' and to measure the impact of the variables.
- Recommend possible solution to improve the performance of clearing Agents to minimize delay.

1.5. Significance of the study

The study about the performance of clearing agents will have significant role to minimize the delay and to maximize the efficiency of the customs clearing process. And also it will have some contributed to the logistic service in Ethiopia. It will be an input for researchers who want to make farther study on the topic and decision makers to develop policy.

1.6. Scope of the study

Since the research problem was a multifactor, very broad and complicated which requires much resource to undertake rigorous research of the entire factors, the scope of the study is on the performance of the clearing agents involved in air cargo customs clearing process.

The geographical scope of the study is Addis Ababa Airport customs office, even if there are many branches of customs clearing offices in different part of Ethiopia. Thus the study is focus on the

customs clearing Agents involved in Air cargo customs clearing. The topic scope is evaluation the performance of third logistic service providers, using performance measuring variables. The questionnaire and interview were only covered few selected Clearing Agents, customers, customs officers and EAL cargo officers.

The performance of customs office, EAL Cargo office and other stake holders involved in the clearing process were out of the scope of this research.

1.7. Limitation of the study

The study faced challenge to get sufficient number of response to make the analysis. The other limitation was not to get enough literatures written on the topic. Past data collection from the regulatory and other concerned bodies was also a challenge.

1.8. Definition of Terms

- **Customs clearing process (CCP)**: is a process applied for the imported or exported goods pass in or pass out through customs borders of the country.
- **Customs clearing agents (CCAs)**: -/Some literatures says customs Brokers other say customs house agents/ are natural or legal person who is certified by customs authority to act on behalf of client for the purpose of facilitating customs clearing formalities.
- **Customs Border**: - customs station or office used for process customs formalities.
- **Customs formality**: - the requirement to be full filed for the goods to pass through customs borders.
- **Ethiopian revenue and customs Authority** (**ERCA**): is the Ethiopian government organ established to regulate customs goods for the purpose of collect duties and taxes and controlling.
- **Air cargo: -** are imported or exported good freighted by air transport.
- **A.A. Bole Airport customs office**: - One of the customs offices located at Addis Ababa Airport. That is the only customs clearing office for air cargo shipments in Ethiopia.
- **EAL Cargo Section:-**is an office of Ethiopian Airlines Enterprise, it is responsible for the unloading, handling and storage of air cargo items passes through customs procedure.
- **Client/Customer: -**a natural or legal person who owns cargo items and delegate customs clearing agents to handle their items through customs clearing process. It can be Importer or Exporter.

- **Logistics performance objectives:** There are five performance objectives used to measurement the dependent variable (performance of CCAs) in this study namely Quality, Speed, Dependability, Flexibility and Cost.
- **Logistics Performance indicators (LPIN):** There are four independent variables (CC operation, Customer service, Information accuracy & relationship with suppliers) used as the LPIN to determine the performance of CCAs in this study.

1.9. Organization of the study

The research was organized with five chapters. The first chapter was the introduction part that includes background of the study, statement of the problem, research questions, and objective of the study, significant of the study, scope of the study, limitation of the study and definition of terms.

Chapter two was about literature review, it includes the theoretical literatures related to the topic and also empirical previous studies similar with the topic were discussed. Different books, journals and web-sites related to the topic were used to make the study scientific. Conceptual framework of the study was included in the chapter.

Chapter three was about the methodology of the research. It includes type & design of the research, data collection tools, sampling techniques, procedure of data collection and data analyzing mechanism.

Chapter four was about data presentation, analysis and interpretation. Detail discussion and interpretation was made based on result.

The last part was chapter five, that was major findings, conclusion and recommendation of the study. Based on the major findings conclusion was made. The study also had recommendations that will be applicable to the real practice and can be an input for policy makers.

CHAPTER TWO: RELATED LITERATURE REVIEW

The study was supported by literatures and concepts related to the topic. The literatures were related with logistics services, international customs clearing practices and logistics service performance measurement. In additions to that, literatures on Import-Export procedures, the impact of logistic service on global trade, Customs clearing practices, the role of customs clearing agents were discussed. This chapter has two parts. The first one is theoretical literature and the second is conceptual framework. The details are discussed as follows:

2.1. Theoretical Literature

2.1.1. Logistics Management

Logistic is a supply chain activity that has great impact on competitive advantage of Business Company. Therefore it is important to have effective and efficient logistics performance to be successful in business.

(McGrath, 1992)Logistics' role is to provide **time** and **place utilities**. Time and place Utilities facilitate the creation of global scale and scope economies while enhancing a firm's ability to provide high levels of seamless **customer satisfaction**.

(Donald, David, & M., 2002)He said that Logistics is**,** in contrast to supply chain management, the ***work required to move and position inventory throughout a supply chain.*** As such, logistics is a subset of and occurs within the broader framework of a supply chain. It is the process that creates value by **timing and positioning inventory**; it is the combination of a firm's order management, inventory, transportation, warehousing, materials handling, and packaging as integrated throughout a facility network. Integrated logistics serves to link and synchronize the overall supply chain as a continuous process and is essential for effective supply chain connectivity. While the purpose of logistical work has remained essentially the same over the decades, the way the work is performed continues to radically change.

(Ensermu, 2015)In the 1950s and 60s the military was the only organization using the term logistics. Logistic is growth phase by phase. The five phases of logistics development are workplace logistics, facility logistics, corporate logistics, supply chain logistics and **global logistics**. He said, Global logistics is the flow of materials, information and money between countries. Global logistics is much more complex than domestic logistics, due to the multiplicity of handoffs, players, languages, documents, currencies, time zones, and cultures that are inherent to international business.

(Luchen, 2011)The scope of logistics practices has been extended beyond its traditional coverage of transportation and warehousing to include packaging, labeling, assembly, purchasing, distribution, manufacturing, finance, **customs clearance**, and other forms of customer service.
(Nigatu, 2016)Logistics management plays an important role of adding competitive advantage to a firm in customer support and business excellence (Buyukozkan et al., 2008). Effective logistics management provides the right product at the right place at the right time. It involves control of product and information flow to create value-added activities such that delivery is accomplished through suitable distribution channels (Narasimhan& Kim, 2001). It is managed to yield minimize cost and time but maximize service level, for example, on time delivery, minimum stock level, high quality or non-damage products (Celebi et al., 2010; Lai et al., 2010; Murthy et al, 2004). Thus, logistics management is a one of the contributing operations that encompasses activities ranging from customer service, order processing, inventory management, transportation, warehouse management, packaging, demand and forecasting, production planning, purchasing and procurement, facility location, and distribution. All of these are supported by enormous information flows (Celebi et al., 2010; De Haan et al., 2007).

2.1.2. The impact of Logistics in a Global Economy

A study shows, Global operations increase logistics cost and complexity. Estimated 1997 logistics cost for industrialized nations exceeded $5 trillion, or 13.4 percent of estimated global Gross Domestic Product (GDP). In terms of complexity global operations, in contrast to domestic, are characterized by increased uncertainty and decreased ability to control. Uncertainty results from greater distances, longer lead times, and decreased market knowledge, Decreased ability to control results from the extensive use of international service firms coupled with potential government intervention in such areas as **customs requirements** trade restrictions. These unique challenges complicate development of an efficient and effective global supply chain strategy. Fortunately, there are forces that both drive and facilitate globalization and necessitate borderless logistics operations.
(pinar, 2015)Developments in growing global economy and increased competitiveness make logistics a sector which has strategic importance. Accordingly, developments in logistics sector have become a propellant force related with growth of countries. Increasing investments in this area and forming of logistics networks has provided advantages for countries. Consequently,

countries have currently increased their investments in this area and logistics sector has become prominent as a segment which grows rapidly.

Figure 2.1: The impact of logistics on economic growth

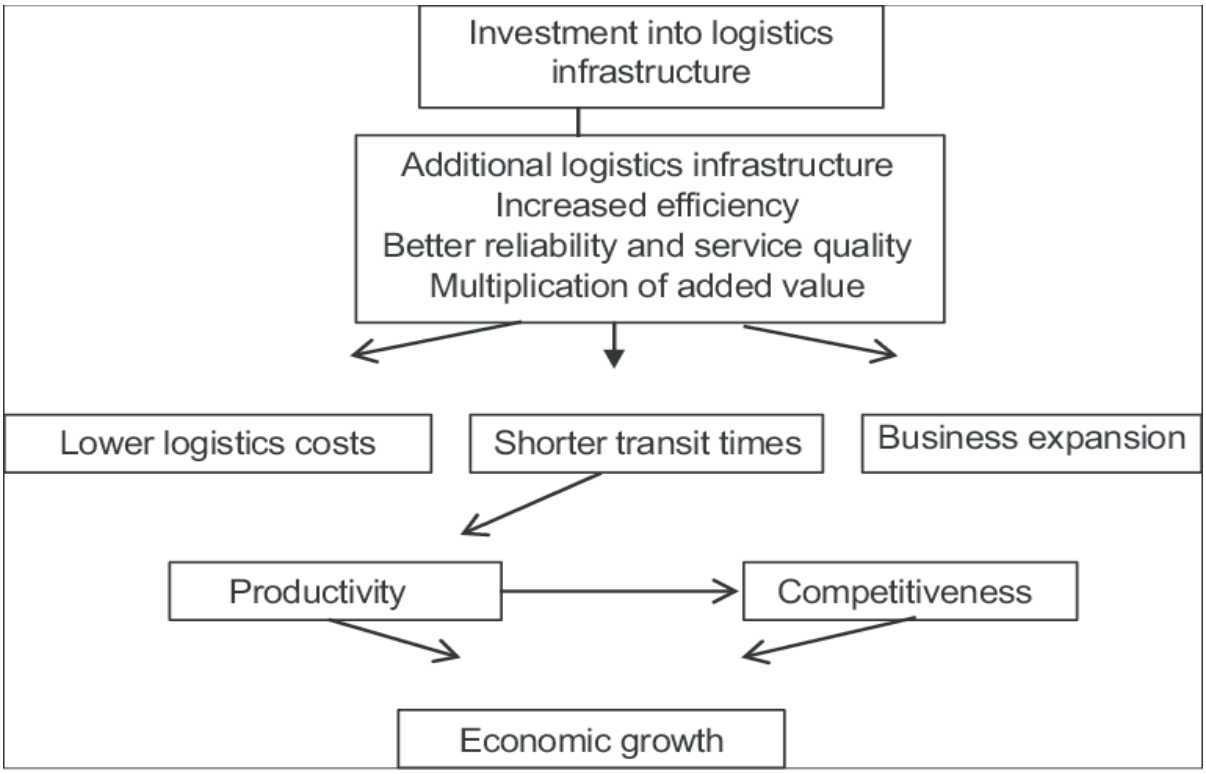


Figure 2.1.demonstrates impact mechanism of logistic investments on economic growth. Accordingly, investments on logistics infrastructure have increased logistics capacity, has provided rise of efficiency, has improved the quality of service creating a secure domain, and has provided an increase in added value. So this situation has allowed low logistics costs, short transportation time, and creating of work enlargement opportunities. As a result, this process has increased efficiency and competitiveness force for countries and so it has allowed to economic growth.

In this regard improvement on the performance of logistic service benefits not only the economy of the country but also the global economy at large. Therefore logistic service is a very important study area need to be improved for the growth of our country economy. That is why World Bank studies the logistics performance of countries. It is called Logistics performance index (LPI)

The international score uses six key dimensions to benchmark countries' performance and also displays the derived overall LPI. The scorecard allows comparisons with the world (with the option to display world's best performer) and with the region or income group (with the option to display the region's or income group's best performer) on the six indicators and the overall LPI.

The logistics performance index (LPI) is the weighted average of the country scores on the six key dimensions:

1) Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs;

2) Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology);

3) Ease of arranging competitively priced shipments;

4) Competence and quality of logistics services (e.g., transport operators, customs brokers);

5) Ability to track and trace consignments;

6) Timeliness of shipments in reaching destination within the scheduled or expected delivery time.

The scorecards demonstrate comparative performance of all countries (world), region and income groups. Logistics Performance Index overall score reflects perceptions of a country's logistics based on efficiency of customs clearance process, quality of trade and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time. The index ranges from 1 to 5, with a higher score representing better performance.

Table 2.01: Logistics performance index of Ethiopia (World Bank, 2016)

S/No.	Evaluation Criteria	LPI Rating (1=worst to 5=best)	World rank out of 160 countries
1	Efficiency of the clearance process	2.60	80
2	Quality of trade and transport related infrastructure	2.12	133
3	Ease of arranging competitively priced shipments	2.56	102
4	Competence and quality of logistics services (e.g., transport operators, **customs brokers**);	**2.37**	**117**
5	Ability to track and trace consignments	2.18	133
6	Timeliness of shipments (expected delivery time)	2.37	149
7	Overall logistics performance index (Quality of trade	**2.38**	**126**

Source: World Bank LPI report 2016

As shown on the above table the Logistics performance index of Ethiopia was 2.38 in 2016, and ranks 126 out of 160 countries in the world. Specifically the logistics service providers' (like customs brokers) quality was 2.37 and ranks 117. These figures implied that improvement on the logistic service of Ethiopia is very important for the development of the country economy.

2.1.3. Import-Export Trade

Import /Export trade is the major economic activity of the nation transacting large amount of goods with another country for the purpose of economic benefit.

(Gopal, 2008) Foreign trade is recognized as the most significant determinants of economic development of a country, all over the world. For providing, regulating and creating necessary environment for its orderly growth, several acts have been put in place. The foreign trade of a country consists of inward and outward movement of goods and services, which results into outflow and inflow of foreign exchange. Developmental pace of foreign trade is dependent on the Export-Import Policy adopted by the country too.

Today's international trade is not only highly competitive but also dynamic. Necessary responsive framework to make exports compete globally is essential. In order to harness these gains from trade, the transaction costs, in turn dependent on the framework support, involved need to be low for trading within the country and for international trade. International trade is a vital part of development strategy and it can be an effective instrument of economic growth, employment generation and poverty alleviation. Market conditions change, almost daily, requiring quick

response and more importantly, anticipation of the future requirements is the need of the hour. To gear with the changing requirements, it is essential that the framework has to remain in pace and change in anticipation, accordingly, and then only international trade can pick up the speed envisaged.

(Donald, David, & M., 2002)The initial stage of international trade is characterized by exporting and importing. A participating organization typically is focused on internal operations and views international transactions in terms of what they will do for domestic business. Typically, when firms are committed to an export/import strategy they use service providers to conduct and manage operations in other countries.

Therefore, Logistic service providers are an important organ of import export business in a country. Accordingly customs clearing agents are one of the main logistics service providers in import/export business.

2.1.4. Third party logistics (3PL) service providers

Third Party logistics (3PL) is providing outsourced logistic services related with the movement and storage of goods as per the requirement of customers. There are different types of third party logistics services: the majors are transportation, storage, packaging, distribution, forwarding and customs clearing.

(Fikadu, 2013)Third Party logistics (3PL) service providers in Ethiopia do a very important job of organizing safe, efficient and cost effective transportation of goods from origin to destination as an intermediaries between the shipper (importer, exporter, trader and other clients) and the carrier. They also provide auxiliary services such as packaging, documentation, consolidation, group age, transit, warehousing and cargo clearing services.

Customs clearing service is one of the third party logistics (3PL) activities outsourced by importers and exporters to the customs clearing agents.

2.1.5. Customs clearing process

(Thomas , Robert , & Patricia , 2014)As WCO descried that the objective of Customs clearing process is **revenue collection** and **trade facilitation**. The importers who are likely to benefit from Customs facilitation benefits are often large companies whose departments in charge of “transit” are small. As a consequence, these companies make little effort to improve their handling of

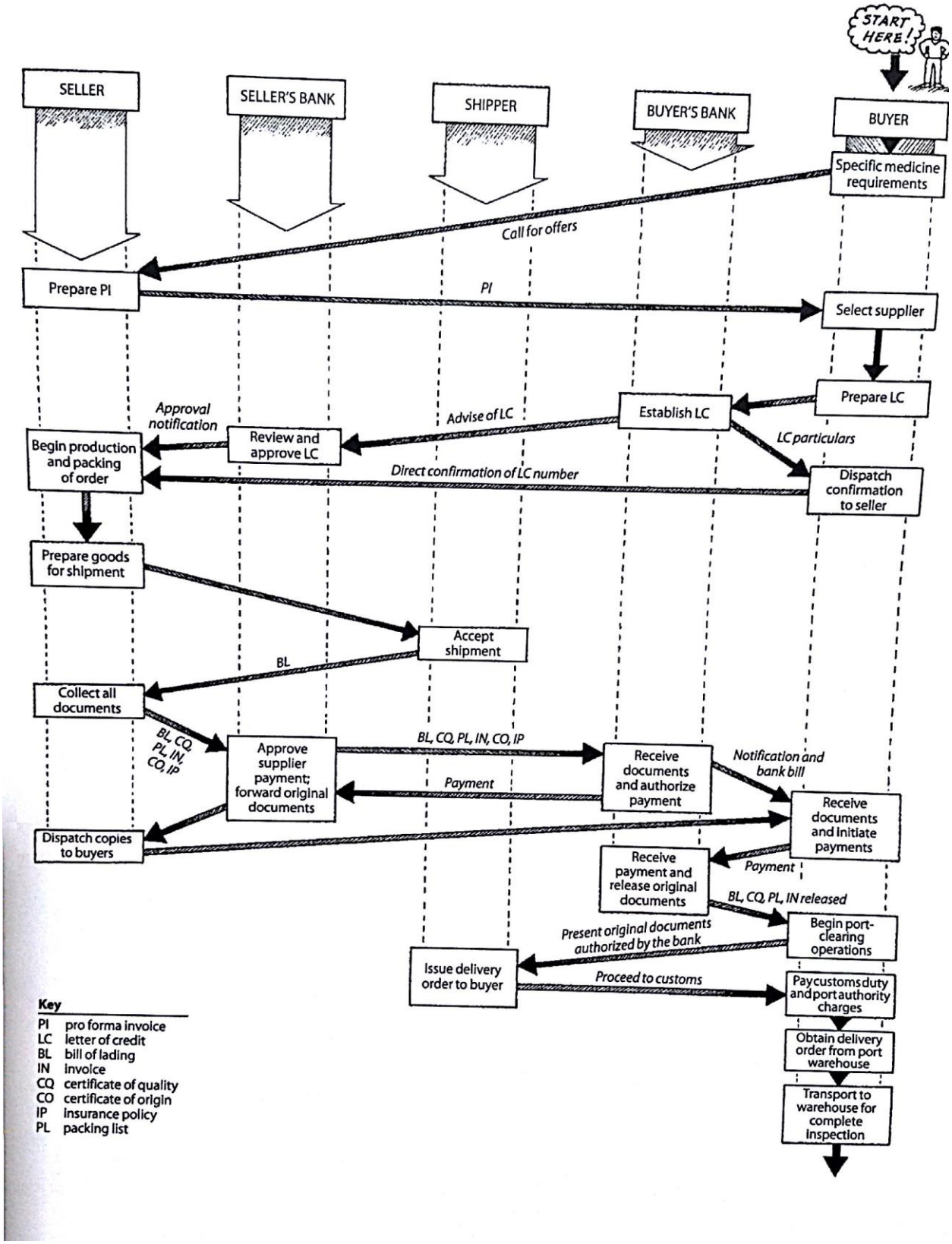
Customs declarations, and this phenomenon is exacerbated when they entrust their entire clearance process to a single Customs broker.

As shown on figure 2.2 below customs clearing process is one of the key import process required different documents. Customs clearing process is activity of verifying the document with physical goods.

The Main documents required for customs clearing process in the Ethiopian customs clearing process are:-

1. Commercial Invoice
2. Packing List
3. Bill of Loading/Air way Bill
4. Certificate of Origin
5. Bank permit
6. Freight receipt
7. Insurance Certificate
8. Certificate of quality (optional)
9. Trade License
10. TIN Certificate
11. Customs clearing Agents' delegation form

Figure 2.2: Processing of import documents



(Patykewich , O'Hearn, & Bates, 2007)The purpose of an effective and efficient importation and port-clearing process is to ensure that imported supplies are cleared from land, sea, airport, with the least possible delay after their arrival.

Port delays can have costly consequences, such as:-

- Reduced shelf life or, for other very temperature-sensitive items, loss of potency
- Deterioration of product
- Damage to product cartons and packaging or damage to outer identification
- Increase chance of theft
- Storage fee (demurrage), which can result in prohibitively high costs.
- Stock outs, resulting in emergency purchases made at higher unit cost and with the potential for unassured quality
- Cash flow problem caused by products being tied up for indefinite periods in port.

(Durgavich, 2009)Customs clearance procedures, regulated by recipient country governments, change over time and can be quite complex. Failure by importers to master local customs clearance procedures or customs procedures that are themselves prone to breakdowns, may cause long delivery delays, stock shortages, and even stock outs.

(Fasika, Klaus, & Marcus, 2014) The research on the 12 types of industries, in developing countries, found that long delays in customs and port handling as well as complex tariff for imported items are becoming the challenge for logistics and supply chain processes. They also found that the major supply challenges are inconsistency of quality raw material during bidding time and final delivery, unavailability of local suppliers for imported items and long processing and delivery time due to lengthy bureaucratic procedure involved in the purchase of the imported raw material.

(Managment science for Health, 2012)Expediting port clearing is an important function, required either a well-organized, paper-based activity monitoring system or computerized information, as well as suitably trained human resources.

Port clearing be slowed by government customs and import regulations, and information inefficiencies within agencies that import goods. Private companies are sometimes able to achieve more rapid port clearance than government agencies. Two private-sector choices are available: either the supplier can be made responsible for the port clearing process and delivering goods to a nominated warehouse, or the task can be contracted out to a clearing and forwarding agent. Retaining the service of experienced and well-trained staff can significantly improve the port

clearing process. A cost/benefit analysis should be carried out to establish the most suitable method for managing port clearance either in house or outsource to the private sector.

(Tsegaye & Endris , 2011) The study identified that there were delays at all stages of clearance processes administered by Customs, cargo handlers, intervening operations and clearing and forwarding agents.

(Ethiopia, 2017)Studies shows the Ethiopian Air cargo customs clearing process is facing delays because of different factors. The UNDP study on 2017 mentioned about: Air cargo terminal suffers from delays in the removal of goods, which causes congestion and low productivity in the terminal. Causes include companies that import goods before securing hard currency, have insufficient cash when approval is received, have missing documents or intentionally store goods due to the low storage fees for the air cargo terminal. Statistics show that about 2/3 of users intend to release their cargo in an average of 1 week, however, 1/3 are not prepared to collect their cargo quickly and some many intend to use the terminal for storage. This is a problem that urgently needs to be addressed.

In general to minimize the clearing time and to avoid unnecessary delays, the customs clearing service provided by the customs clearing agents needs to be studied to find the week points that should be improved.

2.1.6. Customs clearing Agents

Customs clearing agents are third party logistic service providers assigned by importers and exporters to perform customs formality. They have significant roll on the customs clearing process.

(Gopal, 2008)Customs clearing agents are also known as customs brokers in some countries. They are also known as Customs House Agents or Freight Forwarders or Shipping agents. Their basic function is to provide different range of services to exporters to ensure smooth and timely shipment of goods. Clearing and Forwarding agents play a pivotal role in the selection of mode and route of transport. They are the specialized people to guide in the selection of the shipping line/airline. Every exporter is concerned with distribution logistics to ensure that the goods reach the final buyer, in specified time and at minimal cost, in the condition they are sent. The essence of distribution logistics is the decision in respect of mode of transport to be used. Clearing agent advises exporter about the availability of alternative modes of transport and guides exporter in decision-making about the final choice of transport to achieve optimal cost in transporting the

goods, well within the delivery schedule. In addition to these activities, he undertakes most of the functions connected with exports such as marking, labeling, packing of goods, advising on trade laws, arranging local transportation as well as apprising developments on transportation and claiming duty drawback claims on behalf of the exporter. An efficient clearing and forwarding agent, indeed, goes a long way to the exporter in the journey of exports to make the matters easier, comfortable and may be cheaper too. Above all, the agents act trouble-shooters for the exports, in case of movement problems. It is well said a real clearing agent can perform all the functions except selling the goods.

(Gopal, 2008) Distribution logistics refer to the process of physical flow of goods from the place of exporter to the location of importer, at right time, with minimal cost. In this significant area, clearing and Forwarding Agents are a link between the owners of goods and owners of means of transport. They help cargo owners in efficient movement of goods to the buyers by completing a number of procedural and documentary formalities. They are experts and knowledgeable in laws and regulations governing shipment of goods through the customs authorities.

(Managment science for Health, 2012)Importation and customs clearance is a specialized area of work. Unless the company already has an experienced team clearing and forwarding skill, contracting with specialized clearing and forwarding agent is strongly recommended.

If a private-sector agent is used, tenders for these services should be obtained from several companies, particularly if a large volume of business is involved. Any tender must clearly specify the service levels required and request handling experience and references from current and previous clients. Tenders should be asked to specify all charges and rates and to clearly identify the duties they will perform. Before an agent is appointed, it is important to obtain satisfactory business references from other clients and verify documents that have been submitted with the tender offers. The agent's offices and warehouses should also be inspected to ensure that good business and materials-handling practices are observed.

The import agency must have a broad understanding of the regulations and procedures related to customs and port clearance, whereas the clearing agent must be familiar with key local officials and understand local rules, practices, and culture to help the recipient through the routines required. For example, differences in standard work weeks because of cultural or religious customs could make clearance and delivery procedures unfeasible on particular days of the week (for instance, arrivals should not be scheduled in Muslim countries on Fridays). The agent should obtain documentation from the import agency in advance of the arrival of goods in port to avoid storage

charges, and should also assist in obtaining relevant permits, waivers, or bonds. The agent must also be up-to-date with current legislation and promptly notify the principals of any changes.

The agent must take full responsibility for ensuring that the cargo is cleared and delivered with minimal delay, in a secure and appropriate way, and at the lowest cost (or at a cost consistent with the contracted rate). Even if this system is in place, it is critically important for the recipient to understand all the stages of the importation and port-clearing process.

A UNDP 2017 study on Ethiopia Logistic strategy state that Ethiopia has three types of freight-forwarding service providers namely a) Forwarding and shipping agency service providers, b) Forwarding service providers and c) Customs cleaning agents. Foreign participation in the sector is not permitted under the investment law. **Forwarding and shipping agency service providers:** The state-owned Ethiopian Shipping and Logistics Services Enterprise (ESLSE) provide freight forwarding and clearing, shipping, as well as trucking and stevedoring services. ESLSE provides Multi-modal and Uni-modal transport operations. About 8% of these services are provided by the private sector. **Forwarding service** providers represent 17% of the service providers and the majority lacks strong financial bases and faces some problems in management and organization. **Customs clearing agents** consists of informal operators and represent about 75% of the services providers and focus on individual consignments in which they provide cheaper services based on personal contacts. The majority lacks strong financial backing, management and organization.

Accordingly improving the skill, financial and other capacity of customs clearing agents minimized the clearing time and reduce logistics cost.

2.1.7. Performance Measurement

(Nigatu, 2016)***Performance*** refers to the way in which work is done. There can be a good performance or a poor one. But what is ***performance measurement***? Neely et al. (1995: 86 – 146) defined it as the process of quantifying the efficiency and effectiveness of an action or activity. The purpose of performance measurement is to find out whether things are going the right way and, if not, to find what the causes that generated a poor performance were. After this step, there have to be found solutions for improving performance. There are several reasons for measuring performance: for improving performance, for avoiding inconveniences before it‘s too late, for monitoring customer relations, for process and cost control and for maintaining quality

(Ackerman, 2003: 1)., The main instruments for assessing performance are performance indicators, also named key performance indicators (KPIN). They are specific characteristics of the process, which are measured in order to describe if the process is realized according to pre-established standards. The best way to use indicators is to compare process values with normal, standard values. If there are poor results, poor performance, in reality, improvements for the process have to be made. Indicators are used for comparison with expected values. They are the control system of the studied process.

(Nigatu, 2016)Logistics Performance measurement is usually carried out in financial and non-financial terms, focusing on planning and controlling to monitor and improve logistics management (Garcia et al., 2011). Nevertheless, financial measures are not sufficient for decision making in strategic and policy planning. Additional non-financial measures such as quality, reliability, flexibility, and delivery performance (Laitinen, 2002) must be incorporated to complement the decision. Further analysis of the relationship between logistics activities and logistics performance are carried out.

(Nigel , Stuart , & Robert , 2010) They explained the **five basic 'performance objectives'** and they apply to all types of operation. Imagine that you are an operations manager in any kind of business – a hospital administrator, for example, or a production manager at a car plant. What kind of things are you likely to want to do in order to satisfy customers and contribute to competitiveness?

1. **Quality**: You would want to do things right; that is, you would not want to make mistakes, and would want to satisfy your customers by providing error-free goods and services which are 'fit for their purpose'. This is giving a **quality** advantage.
2. **Speed**: You would want to do things fast, minimizing the time between a customer asking for goods or services and the customer receiving them in full, thus increasing the availability of your goods and services and giving a **speed** advantage.
3. **Dependability**: You would want to do things on time, so as to keep the delivery promises you have made. If the operation can do this, it is giving a **dependability** advantage.
4. **Flexibility**: You would want to be able to change what you do; that is, being able to vary or adapt the operation's activities to cope with unexpected circumstances or to give customers individual treatment. Being able to change far enough and fast enough to meet customer requirements gives a **flexibility** advantage.

5. **Cost:** You would want to do things cheaply; that is, produce goods and services at a cost which enables them to be priced appropriately for the market while still allowing for a return to the organization; or, in a not-for-profit organization, give good value to the taxpayers or whoever is funding the operation. When the organization is managing to do this, it is giving a **cost** advantage.

This study was designed to measure the performance of customs clearing agents in Ethiopia based on the above mentioned five performance measuring objectives as a dependent variable.

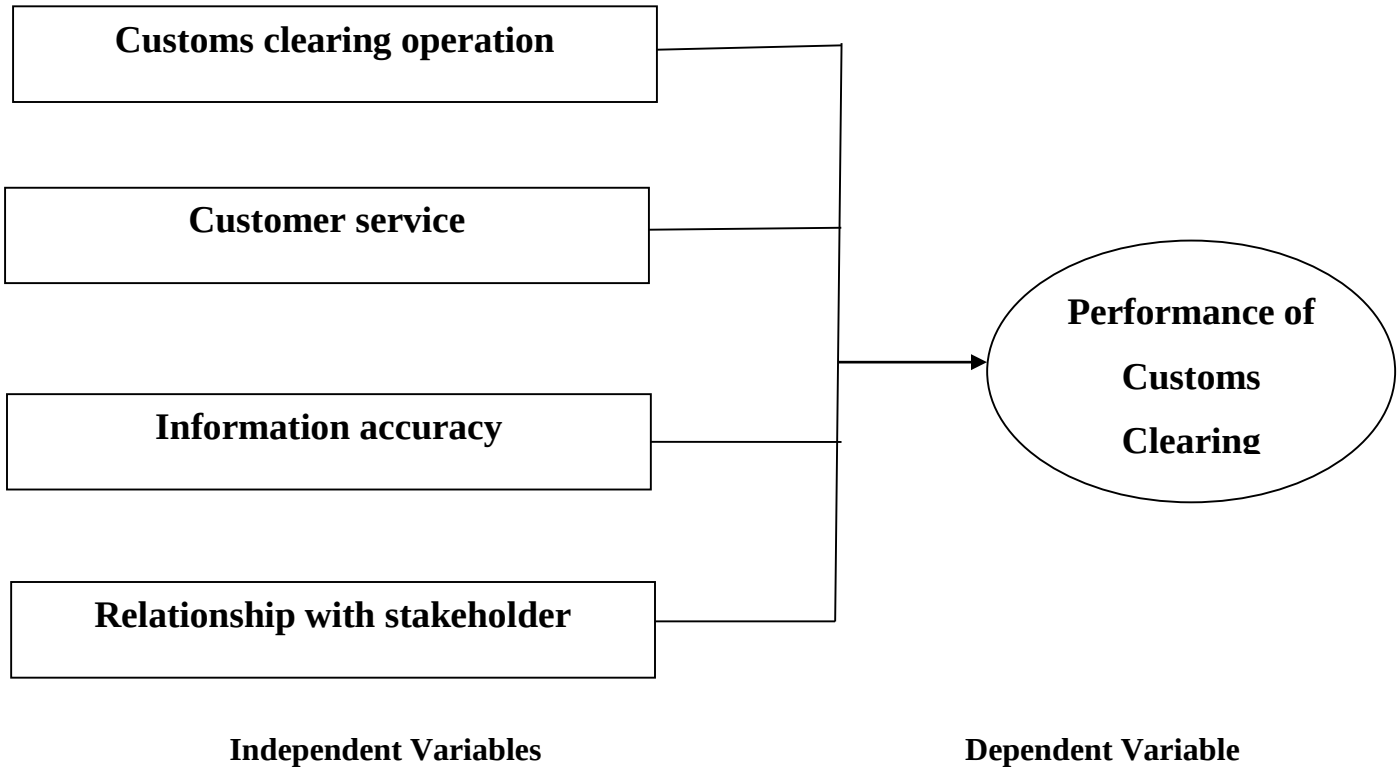
(Wang, Jie, & Abareshi, 2015) According to the literature review, the measures of logistics performance are drawn and developed from previous studies of logistics and transport industries. The indicators of logistics performance are measured by four aspects: customer service, delivery operations, freight safety, and information accuracy.

This study also adopted and modify the above mentioned logistics service providers performance measurement indicators as follows. The researcher developed four key performance indicators (KPIN) adopted to measure the performance of customs clearing agents. They are **Customs clearing operation, Customer service, information accuracy and relationship with stakeholders**.

2.2. Conceptual Frame work

The performance of customs clearing agents have significant effect on the overall customs clearing process and it will have an impact on satisfaction of customers as well as other stockholders. The concept of the study is evaluating the performance of the customs clearing agents based on the five performance objectives (Speed, cost, quality, reliability and flexibility) by Logistics performance indicators: operation efficiency, Customers service, Information accuracy and relationship with stakeholders.

Figure 2.3: Conceptual framework



Source: Conceptual frame work of the study modified and adopted from Business Logistics Performance Measurement in Third-Party Logistics: An Empirical Analysis of Australian Courier Firms article by Wang, *Jie, and Abareshi*, Volume 10, Number 3, September 2015 (PP. 323-336) and operational performance objective model by Nigel S., Stuart C. and Robert J., Operation Management, 6th edition, (2010: 54)

CHAPTER THREE: RESEARCH METHODOLOGY

In this chapter the strategy of the study and the methodology used were discussed. The type and the design of the study, the source of data, population and sampling, data collection tools, procedure of data collection and analysis methods will be discussed. The study was focused on evaluating performance of the customs clearing service providers. Performance measuring tools are identified and the reason why these tools are selected is explained.

3.1. Design of the research

This study was adopted the descriptive and explanatory research designs to evaluate the performance of customs clearing agents in Ethiopia. It describes the challenge of customs clearing process and the impact of the clearing agents in the sector. It also explains the cause and effect relationship between the variables.

The descriptive was considered to be the most suitable research methods for the study since the objective of the study was to seek answers for specific questions from a large number of respondents and also to identify the relationship among variables. (GITHINJI, 2010)A number of researchers have revealed that the survey method is the most appropriate in descriptive study.

3.2. Type of the research

As the study is problem solving type it reduce the complexity of problems, discover the relationship between seemingly unrelated events. Therefore the type of study is descriptive study. Because measuring performance need describing the terms of references to set standard for the service rendered. Explanation research is required to set logical relationship among different factors of the existing problem.

The objective of the study was identifying the impact of customs clearing agents on the customs clearing process by evaluating the performance of the agents based on logistics performance objective and capacity measurement variables. To do so first, the research identify clearing agents' performance measuring points, their impact on the clearing operation, the communication with stakeholders, the response of the customers on the service of the clearing agents, the capability and capacity of the clearing agents to perform the task. These were done depend on literatures, existing practices, and information collected.

3.3. Population and Sample

The research was focused on customs clearing agents, the population at large covers all customs clearing agents in Ethiopia. However the study was focused on the air cargo operation so that the population was also narrow dawn to customs clearing agents working at Addis Ababa Airport customs branch office.

(Sara , 2009) A purposive sample refers to selection of units based on personal judgement rather than randomization. This judgemental sampling is in some way "representative" of the population of interest without sampling at random. The logic behind this procedure is that if you deliberately select very different areas, the aggregate answers obtained from respondents in these areas will be close to the average. This study used judgemental sampling based on the respondents' nature and their participation in the business.

(ERCA, 2009 E.C.)According to ERCA data base records, in 2010 E.C. 997 customs clearing agents are registered in Ethiopia. Of which 530 were registered to give the service at Airport customs clearing office.

According to the past three years,(i.e. 2007 up to 2009 E.C.),ERCA data base recode shows us on average 82% of the clearing agents declared not more than 2 operations per week. This means in reality the majority of the clearing agents at Airport customs office were not active. The researcher asked the feedback of the clearing agents and customs officers to determine the minimum operation declared by active customs clearing agents. Most of the respondents confirmed that a clearing agent should declare two or more operations in a week to survive and stay in the business. For this research two declaration or more is taken as a cut point to determine the study group. Accordingly 95 active customs clearing agents were selected. The selected clearing agents were covered 91% of the total declaration and 95% of the total birr value.

Data also collected from CCAs', customers (Importers and Exporter) and major stockholders.

According to the ERCA data base for the last year on average5879 customers were declared at least one operation per year. However 96.89% of them declare less than 6 operations per month. For this study only 181 active importers and exporters were selected. From the total operations, 73% of the declaration is declared by those importers and exporters which cover 81% of the total birr value.

From the customs office, EAL cargo office and regulatory office around 40 respondents was randomly selected and included to participate in the study.

Table3.01: Summary of Respondent groups

Sr. No	Respondents group	Population	Judgemental Sample	Remark
1	Customs clearing agents	530	96	
2	Importers/Exporters	5879	181	
3	Stakeholders (customs officers, EAL cargo officers and others)	Unknown	30	
	Total number of respondent		**307**	

3.4. Source of the data

The source of the data were be from primary and secondary sources. Primary sources are ERCA electronics data base, employees of clearing agents, Airline cargo section, Airport customs office, clearing agent association and customers.

Secondary sources are electronic records, articles, journals and literatures written on the topic and from the scholars study on this sector.

Primary data was collected by questionnaire. It was distributed to respondents selected individuals from the groups.

Secondary data was collected from ERCA ACYCUDA data base past record.

Responses were collected from the following respondent groups: (1) Customs clearing agents located at airport customs branch office. (2) ERCA Airport branch employees, (3) EAL Cargo section employees and (4) customers import/export goods.

The participant involved in the study group were asked their consent to give the information required for the study. The information they give was kept as confidential and only used for this research work.

3.5. Data collection Tools/Instruments

This study used both quantitative and qualitative data. The study used numerical records of the customs clearing agents and importers/Exporters operational data past three years (2007 to 2009 E.C.). The data were be collected from the ERCA ACYCUDA system.

The study used questionnaire to gather information about the performance of customs clearing agents. The questionnaire was prepared on the five likert scale measurement.

The questionnaire had three parts. The first part was the general profile of the respondents and four basic question on the topic. The second part was about the dependent variable performance of customs clearing agents and the last part is about independent variables.

3.6. Procedure of data collection

The study used questionnaire data collecting techniques. The procedure of collecting data by questionnaire start from identifying questions to be answered by respondents. Then select data collection technique appropriate for the study. In this research likert scale technique were used. After preparing the questionnaire sample groups identified and distribute the questionnaire by asking the consent and cooperation of respondent. Finally collect all responses as much as possible. From the total questionnaires were planned to distributed, more than 68% were collected.

Quantitative data also collected from ERCA to determine the study group sample size.

3.7. Data Analysis Methods

In this study as discussed before both quantitative and qualitative data were collected. Therefore combined analysis method was appropriate for the study. The data collected were analyzed by descriptive and inferential statistics methods.

The data's were described by average or percentage to show the central tendency and also other descriptive statistics models. Inferential statistics also used to test the impact of customs clearing agents.

For this research quantitative data were analyzed using 'the Statistical Package for Social Sciences (SPSS) software program. This software is mostly applicable for such kind of study.

Measures of central tendencies like frequency distribution, means and standard deviation were also used; utilizing data captured in part 2 and 3 of the questionnaire. To establish the relationship between dependent and independent variables correlation and regression analysis were used.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

In this chapter as discussed earlier in chapter one collected data, based on the research objectives, are properly presented, analyzed and discussed. Two types of questionnaires were distributed and collected from customs clearing agents, Importers/Exporters and other customs clearing process stockholders. And also few key personnel from the sectors were interviewed. The questionnaires collected were analyzed by SSPS software and properly presented to give meaningful information about the research made on the performance of customs cleaning agents at airport customs branch office in Ethiopia.

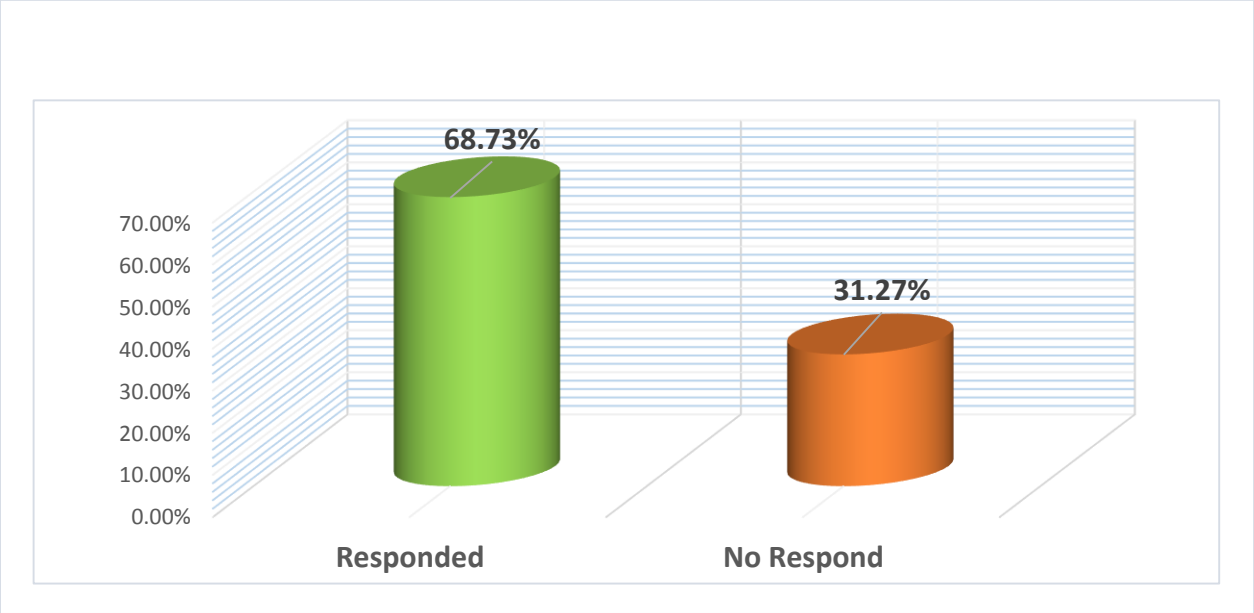
The questionnaire developed for this study had three parts. The first part is about the general profile of the respondents and four topic related questions. All the study groups requested to fill this part. The second part is the dependent variable question part that contains questions about the performance of customs clearing agents based on the five operation performance measurement objectives. The third part contains four major logistic performance indicators selected for this study.

4.1 General Information of the Respondents

In this part of the research report the profile of all respondents (part 1) discussed and also the responses for basic questions on customs clearing process are presented. All the study groups requested to fill this part.

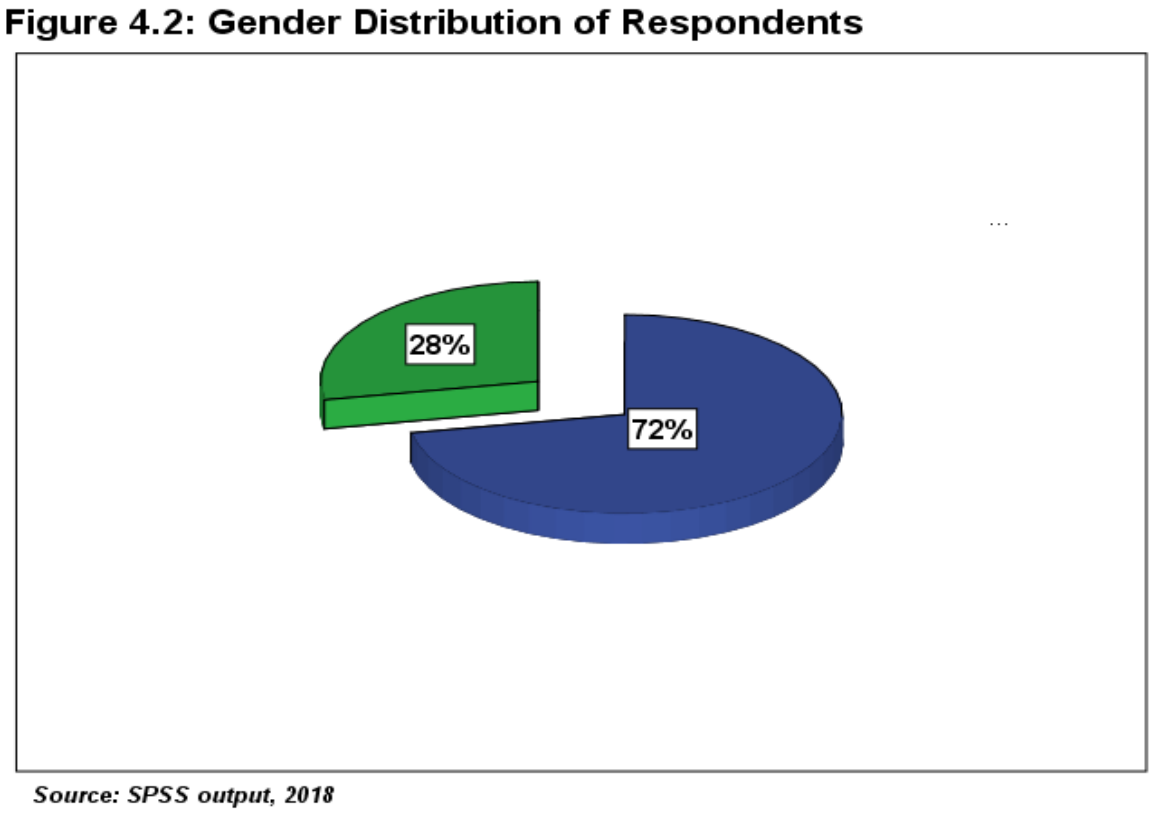
A total of 307 questionnaires were distributed to selected CCAs, importers/Exporters and stakeholders as targeted by this study. Out of these, 211 responded by completing the questionnaires. This gave the study a response rate of 68.73% which was adequate according to (Mugenda O., 1999).To ensure accurate data collection, the respondents were first notified about the study group and the questionnaire was administered on a drop and pick basis. See Figure 4.1 under about the questionnaire response rate.

Figure 4.1: Response Rate in percentage



Source: Owen Survey, 2018

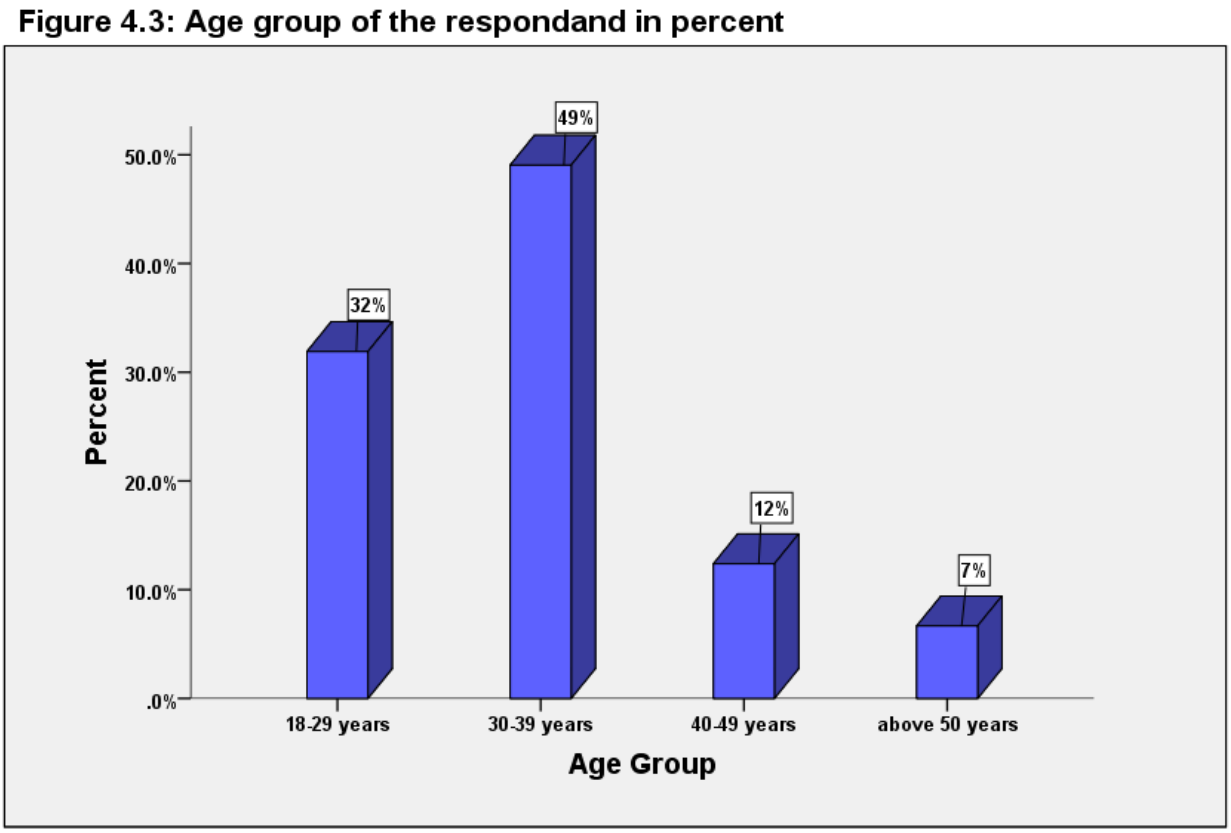
Figure 4.2: Gender Distribution of Respondents



Source: SPSS output, 2018

The researcher required the participants of the study to indicate their gender. According to the study findings, it was established that majority of the respondents were male as shown by 78 percent while the rest were female as shown by 28 percent respectively. This is an implication that male are mostly engaged in the in the customs clearing process (see Figure 4.2 above).

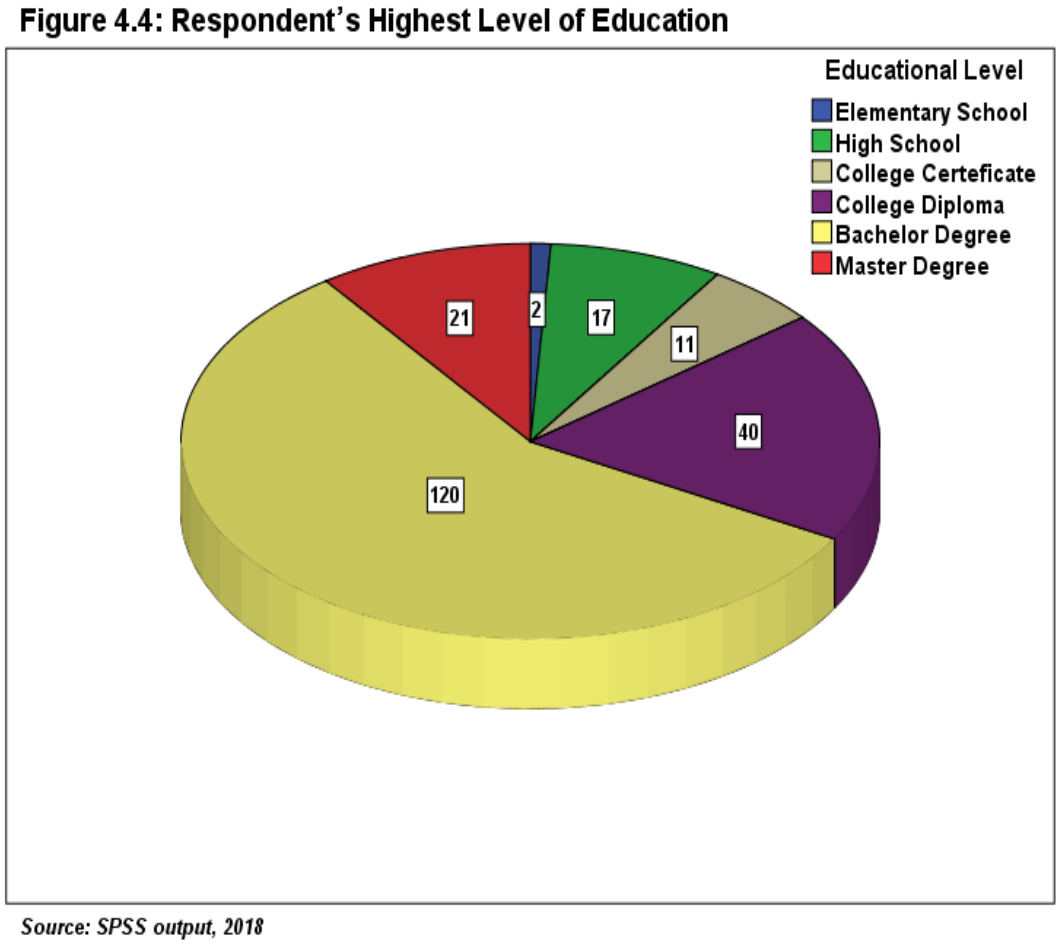
Figure 4.3: Age group of the Respondent



Source: SPSS output, 2018

As Figure 4.3 above shows, the study established that majority of the respondents were aged between 30 to 39 years as shown by 49 percent, 18 to 29 years as shown by 32 percent, 40-49 years as shown by 12 percent, 50 years and above shown by 7 percent respectively. This implied that all age brackets of the respondents participated in the study in giving divergent views on the study requirements. Generally speaking total of 81 percent of the respondents are young age group between 18 to 39 years.

Figure 4.4: Respondents' Highest level of Education



Source: SPSS output, 2018

Figure 4.4 above presents the results on the respondents' highest level of education. According to the results displayed, that majority of the respondents 120 of them had Bachelor degree. 21 of the respondents had Master's degree, 40 of the respondents had college diploma, and 11respondents had college level certificates while the rest of the respondents were not certified. Generally about 76 percent of the respondents' at least have first degree.

Table 4.1Duration Respondent working in the customs clearing service

Experience Group	Frequency	Percent	Valid Percent	Cumulative Percent
1-2 years	54	25.6	25.6	25.6
3-5 years	72	34.1	34.1	59.7
6-10 years	44	20.9	20.9	80.6
10+ years	41	19.4	19.4	100.0
Total	**211**	**100.0**	**100.0**	

Source: Own Survey, 2018

Respondents were asked to indicate the duration they had been in the customs clearing service. On this question, majority of the respondents said that they had been in the service for the duration of between 3 to 5 years as shown by 34.1 percent, whereas, 1 to 2 years as shown by 25.6 percent, 6 to 10 years as shown by 20.9 percent, more than 10 years as shown by 19.4 percent.

Table 4.2: Form of Company

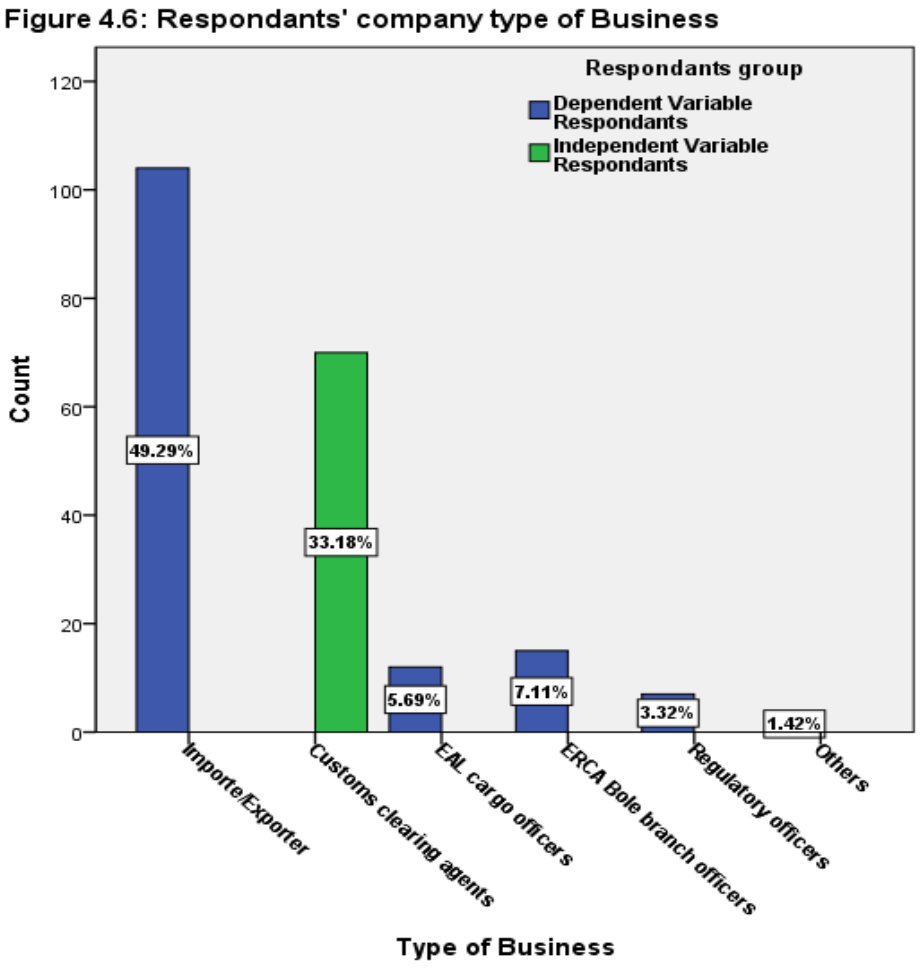
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	OTH	1	.5	.5	.5
	PART	4	1.9	1.9	2.4
	PLC	92	43.6	43.6	46.0
	PO	35	16.6	16.6	62.6
	PU	59	28.0	28.0	90.5
	SC	20	9.5	9.5	100.0
	Total	211	100.0	100.0	

Source: Own survey, 2018

In this study, see the company profile, majority of the respondents are, 43 percent of the total, establish as private limited company (PLC), while 28 percent established as public organizations (PU), 16.6 percent established as private owned (PO), 9.5 percent established as share company (SC) and1.9 percent established as partnership (PART). See the above figure 4.5

Regarding the respondents business type, from the total number of 211 respondents, the majorities 49.29 percent are Importers/Exporters actively participate in the air cargo customs clearing process. 33.18 percent are customs clearing against actively work the clearing process. 7.11 percent are ERCA Bole branch office officers, 5.69 percent are Ethiopian Airlines cargo officers and 3.32 percent are government regulatory office officers. See the below figure 4.6

Figure 4.5: Respondents' company type of Business

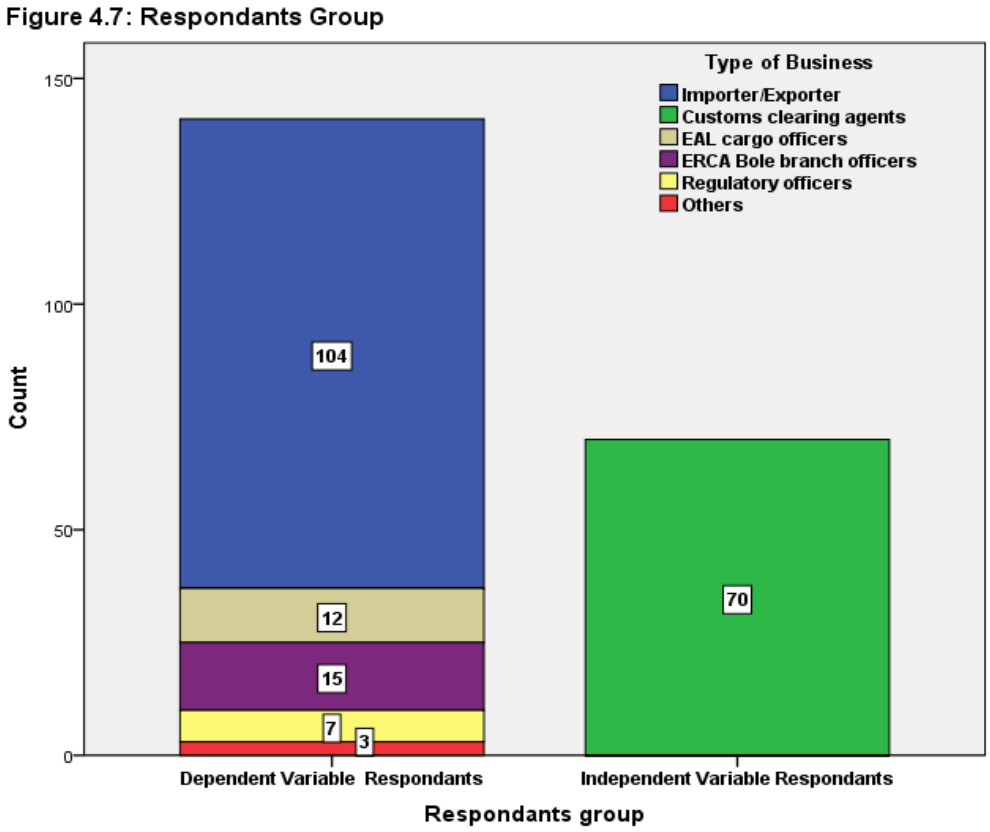


Source: SPSS Output, 2018

Own Survey, 2018

Earlier in this chapter explained the respondents were grouped in to dependent variable and Independent variable respondents. Dependent variables respondents were asked only to respond the performance of the clearing agents'. They are Importers/Exporters, EAL cargo officers, ERCA Bole branch officers, Regulatory officers and other. Independent variables respondents are customs clearing agents who were asked to respond the questions about their activities based on logistics performance indicators.

Figure 4.6: Respondents Group



Source: Own Survey, 2018

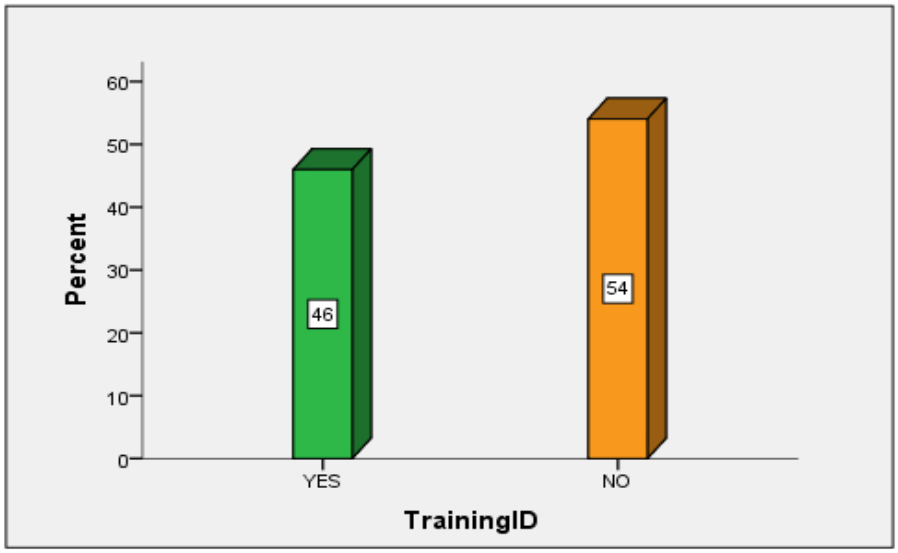
67 percent of the respondents were responding only the dependent variables part of the questionnaire whereas 33 percent of the respondents were asked to respond the independent variable part of the questionnaire. 141 respondents respond dependent variable part of the questionnaire, of which 104 respond by importers/Exporters, 15 respond by ERCA officers, 12

respond by EAL officers, 7 respond by regulatory officers and 3 respond by others. 70 customs clearing agents asked to respond the independent variables part of the questionnaire.

Respondents asked whether they took any customs clearing service related training or not. Accordingly the response, the majority of the respondents 54 percent didn't take training and the rest 46% of the respondent took training related to customs clearing. See the figure 4.8 under.

Figure 4.7: Respondents' Training taking Status

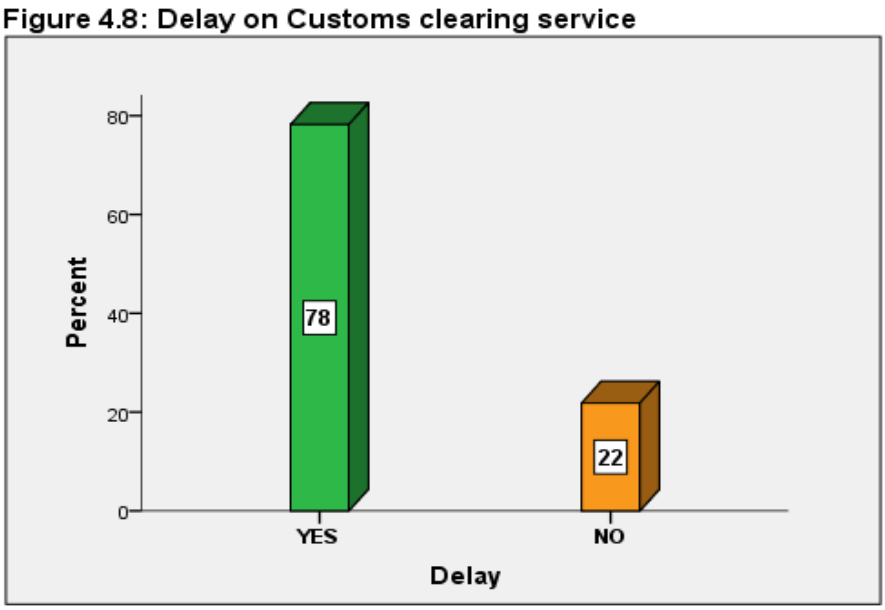
Figure 4.7: Respondents Took CC Training



Source: SPSS output, 2018

Respondents also were asked about the delay on customs clearing process, 78 percent of the respondents confirm the delay of customs clearing process and the rest 22 percent said there were no delay. See figure 4.8 below.

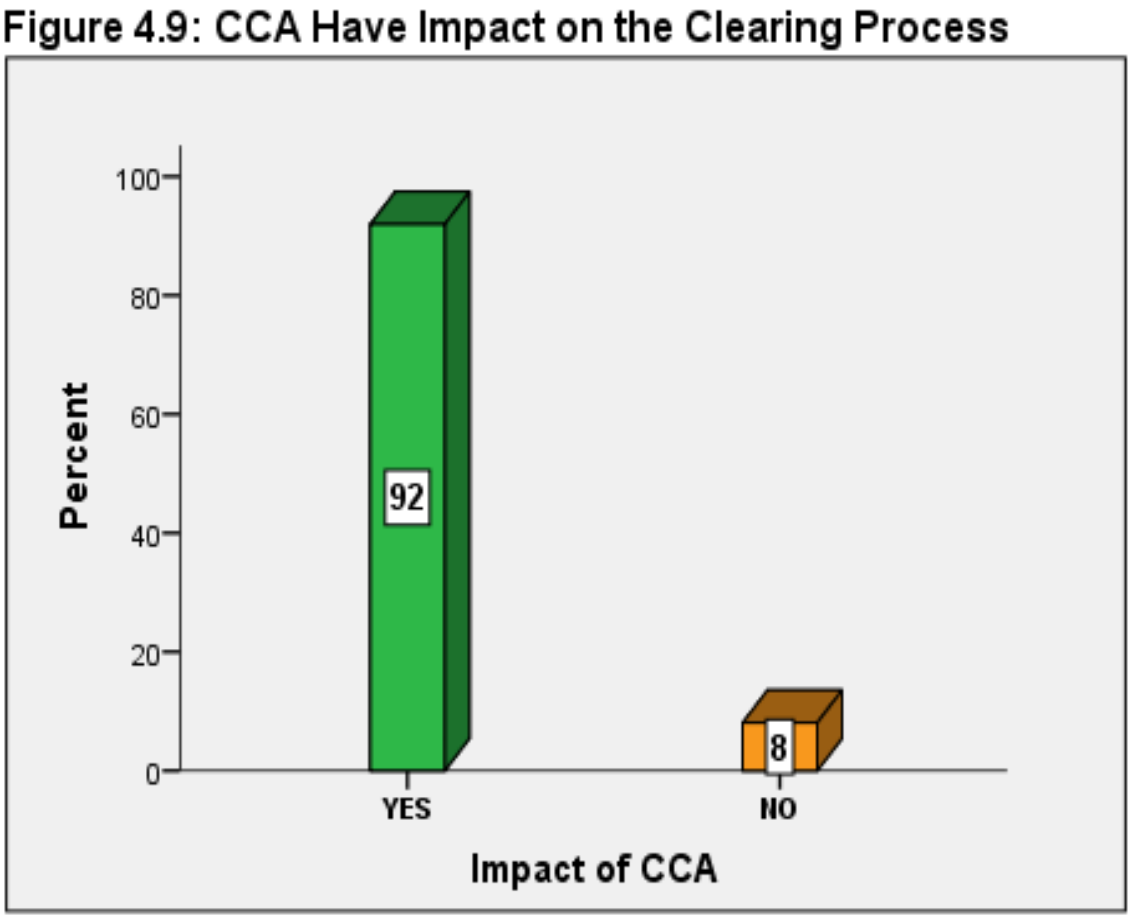
Figure 4.8: Delay on Customs clearing process



Source: SPSS output, 2018

The respondents asked to respond whether customs clearing agent have an impact on the clearing process or not. 92 percent of the respondents were confirmed the clearing agents have the impact. Whereas 8 percent said they have no impact. See figure 4.9 below.

Figure 4.9: CCAs Impact on the customs clearing process



Source: SPSS output, 2018

Respondents asked about their satisfaction about the customs clearing process. According to the response collected, 54 percent of the respondent satisfied by the customs clearing service they received or give. See Figure 4.10 below.

Figure 4.10: Customers Satisfaction on the customs clearing service

Source: SPSS output, 2018

4.2. Descriptive statistics

The mean is measure of central tendency which provides general picture of the data and the result of mean of respondents in each perspective of the measures suggest that the performance level of the customs clearing agents in the customs clearing process. In this case, the mean of each item together with their respective dimension overall was calculated in order to conclude the overall customs clearing agents performance.

The study sought to determine the performance of customs clearing agents in Ethiopia based on airport cargo customs clearing. In these regard respondents were asked to indicate the degree of customs clearing agents performance using a five point likert scale where 5 represents Strongly agreed, 4 represent agree, 3 represent Neutral, 2 represent disagreed and 1 represent Strongly disagreed.

4.2.1. Customs clearing Operation

In this research customs clearing operation is taken as one of the basic performance indicates that determine the performance of customs clearing agents. In the questionnaire this variable contains five basic operational questions related with basic operational activities. The response of respondents statistically described under.

Table 4.3: Descriptive Statistics of Customs clearing operation

	N	Minimum	Maximum	Mean	Std. Deviation
The company follows the most appropriate clearing procedure	70	1	5	4.03	1.076
Employees have knowledge, skill and capability	70	1	5	3.74	1.058
Have Capacity of handling special orders like very Urgent or very large orders.	70	1	5	4.07	.968
The average clearing time taken is acceptable	70	1	5	3.57	1.116
Products are delivered to the customers without damage & shortage	70	1	5	3.70	1.263
Customs clearing operation	**70**	**1.20**	**5.00**	**3.8225**	**.82734**
Valid N (listwise)	70				

Source: Own survey, 2018

Table 4.3 shows that customs clearing agents follow the most appropriate clearing procedure; employees have good knowledge about CC process, have good skill and capability; have capacity of handling special orders; acceptable clearing time and deliver products without damage and shortage were determine the overall customs clearing operation with means of 4.03, 3.74, 4.07, 3.57& 3.70 and standard deviations of 1.076, 1.058, 0.968, 1.116& 1.263 respectively.

4.2.2. Customer service

In the research questionnaire customer service was included as one of the determinants of the performance of customs clearing agents. Target group respondents were asked to rate the service delivered to customers. The overall customer service was determined based on the four questions in the questionnaire. The result is described under.

Table 4.4: Descriptive Statistics of Customer service

	N	Minimum	Maximum	Mean	Std. Deviation
Most of the time customers complain about the clearing service	70	1	5	2.99	1.346
The customer response time is minimum	70	1	5	3.03	1.049
Customers are satisfied by the clearing service	70	1	5	3.83	1.090
The company reputation is very good.	70	1	5	3.91	1.032
Customer service	**70**	**2**	**5**	**3.44**	**.692**
Valid N (listwise)	70				

Source: Own Survey, 2018

Table 4.4 shows about the customer service variables: customers complain about the clearing service, the customer response time is minimum, customers are satisfied by the clearing service and the company reputation is very good were determine the overall customer service with means of 2.99, 3.03, 3.83& 3.91 and standard deviations of 1.346, 1.049, 1.090& 1.032 respectively.

4.2.3. Information Accuracy

Information is an important thing to be effective in the logistics service. Accordingly the study includes information accuracy as one of the measurement points of the performance of customs clearing agents. Respondents were asked to rate the information accuracy of customs clearing agents based of three major questions in the questionnaire. The detail results are as shown in Table 4.5.

Table 4.5: Descriptive Statistics of Information Accuracy

	N	Minimum		Mean	Std. Deviation
Information delivered on time for customers	70	1	5	3.70	1.147
Proper information delivered to customers	70	1	5	3.84	1.058
Using IT equipment to perform the operation	70	1	5	3.75	1.122
Information Accuracy	**70**	**1**	**5**	**3.77**	**.892**
Valid N (listwise)	70				

Source: Own Survey, 2018

As shown in the above table 4.5 information delivered on time for customers, proper information delivered to customers, using IT equipment to perform the operation were determine the overall customer service performance with means of 3.70, 3.84, & 3.75 and standard deviations of 1.147, 1.058& 1.122 respectively.

4.2.4. Relationship with Stakeholder

There are many stakeholders involve in the customs clearing process. They are one of the determinant factors of the performance of the customs clearing agents. The respondents were asked about the relationship between CCA and other stakeholder based on the four basic questions. The result found in the table 4.6 under.

Table 4.6: Descriptive Statistics of CCAs' relationship with Stakeholders

	N	Minimum	Maximum	Mean	Std. Deviation
Good communication with stakeholders	70	1	5	3.84	1.211
Have good reputation by stakeholders	70	1	5	3.78	1.019
Have good understanding of stockholders interest on customs clearing process	70	1	5	3.64	1.129
Work jointly with stockholders to solve problems	70	1	5	3.69	1.170
Stakeholders relationship	**70**	**1**	**5**	**3.74**	**.966**
Valid N (listwise)	70				

Source: Own Survey, 2018

The above table 4.6 described about the relationship between stakeholders& CCAs based on the variables: good communication with stakeholders, good reputation by stakeholders, and understanding of stakeholders interest on customs clearing process, work jointly with stakeholders with means of 3.84, 3.78, 3.64 & 3.69 and standard deviations of 1.211, 1.019, 1.129 & 1.170 respectively.

4.2.5 Performance of customs clearing Agents

The performance of customs clearing agents is the dependent variable of the study. Respondents were asked to rate the points mentioned under the five operation performance objectives. The response of the respondents results are as seen in Table 4.7.

Table 4.7: Descriptive Statistics of Performance of CCAs

	N	Minimum	Maximum	Mean	Std. Deviation
Service Quality	70	1	5	3.51	.991
Speed	70	1	5	3.42	.976
Customers Dependability	70	1	5	3.33	.840
Flexibility	70	1	5	3.36	.932
Cost	70	1	5	3.48	.909
Performance of CCA	**70**	**1**	**5**	**3.42**	**.772**
Valid N (listwise)	70				

Source: Own Survey, 2018

Table 4.4 shows that the respondents indicated that the service quality, the speed of the service, the customer dependability, flexibility of the service and the cost of the service were determine the performance of the customs clearing agents with means of 3.51, 3.42, 3.33, 3.36 &3.48 and standard deviations of 0.991, 0.976, 0.576, 0.614 and 0.636 respectively.

4.3. Correlation Analysis

(SISAY, 2016) Correlation is the degree of correspondence between variables. This implies the relationship is mutual or reciprocating, but we do not include in our concept of correlation any proposition that one thing is the cause and the other the effect" (R. P. & R., 2008). Based on this definition, this study employs correlation analysis to investigate the strength of the relationship between the studied variables.

Coefficient of correlation of the variables lies between -1 and +1.Accordingly -1 means perfect negative correlation, increase from -1 to 0 negative correlation decrease, 0 implies there is no correlation, increase from 0 to +1 positive correlation increase and +1 means perfect positive correlation.

The result of correlation between variables of the study was presented under table 4.8.

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Table 4.8:Coefficient of Correlations (r)

		Performance of Customs clearing agents	Customs Clearing Operation	Customer Service	Information accuracy	Stakeholders
Performance of Customs clearing agents	Pearson Correlation	1	.610**	.512**	.659**	.643**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	70	70	70	70	70
Customs Clearing Operation	Pearson Correlation	**.610****	1	.601**	.668**	.761**
	Sig. (2-tailed)	**.000**		.000	.000	.000
	N	**70**	70	70	70	70
Customer Service	Pearson Correlation	**.512****	**.601****	1	.559**	.603**
	Sig. (2-tailed)	**.000**	**.000**		.000	.000
	N	**70**	**70**	70	70	70
Information accuracy	Pearson Correlation	**.659****	**.668****	**.559****	1	.747**
	Sig. (2-tailed)	**.000**	**.000**	**.000**		.000
	N	**70**	**70**	**70**	70	70
Stakeholders	Pearson Correlation	**.643****	**.761****	**.603****	**.747****	1
	Sig. (2-tailed)	**.000**	**.000**	**.000**	**.000**	
	N	**70**	**70**	**70**	**70**	70

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

Source: Own Survey, 2018

To quantify the strength of the relationship between the variables, the study used Pearson's coefficient of correlation (r) to study the correlation between the study variables and the findings were as shown in the table 4.8.

From the findings, it was clear that among all the variables there were **strong positive correlation**. Between performance of CCAs and CC operation shown by a correlation figure of 0.610, it was clear that there was a positive correlation between performance of CCAs and customer service with a correlation figure of 0.512, it was further evident that there was a positive correlation between performance of CCAs and information accuracy with a correlation value of 0.659 and a positive correlation between performance of CCAs and relationship with stakeholders with a value of 0.643. This shows that there was positive correlation between the dependent variable and (performance of CCAs) and the independent variables (CC operation, customer service, information accuracy relationship with stakeholders).

4.4. Regression analysis

(SISAY, 2016)The technique of regression allows the researcher to make predictions of the likely values of the dependent variable from known values of independent variable in a simple linear regression or multiple linear regression" (R. P. & R., 2008).

The study further conducted inferential analysis which involved a correlation analysis and a multiple regression analysis. The inferential analysis was intended to establish the relationship between the independent variables and the dependent variable of the study. In this study, the aspects that affect the performance of CCAs working at airport cargo terminal of Ethiopia include customs clearing operation, customer service, information accuracy and relationship with stakeholders. The results of the analysis were presented in this section.

The regression model presents how much of the dependent variable is explained by the independent variables.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1		Sig. F Change
1	.712[a]	.507	.477	.558	.507	16.735	4	65	.000

a. Predictors: (Constant), Stakeholders, Customer Service, Information accuracy, Customs Clearing Operation

Source: Own Survey, 2018

Model summary table 4.9 above is explains the significance as well as how much percent of variation in the performance of CCAs by independent variables. Multiple correlations R of +0.712 represent the combined correlation of all the independent variables. Adjusted R2 tells us that **47.7% of the variation in the performance of CCAs** can be explained by variation in the four independent variables taken together. This leaves 52.3% unexplained.

Table 4.10: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.857	4	5.214	16.735	.000[b]
	Residual	20.253	65	.312		
	Total	41.110	69			

a. Dependent Variable: Performance of Customs clearing agents

b. Predictors: (Constant), Stakeholders, Customer Service, Information accuracy, Customs Clearing Operation

Source: Own Survey, 2018

Table 4.10 shows the output of the ANOVA analysis and it is used to test if there is a significant difference to the performance of customs clearing agents. It is evident that the significant value is F(4,65) = 5.214, P= .000 is less than 0.05. Therefore, there is statistical substantial difference in the performance of customs clearing agents.

Table 4.11: Collinearity Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Customs clearing operation	.376	2.660
	Customer service	.575	1.740
	Information Accuracy	.409	2.447
	Stakeholders relationship	.308	3.248

a. Dependent Variable: performance of Customs clearing agents

Source: SPSS output, 2018

(SISAY, 2016)Variance inflation factor (VIF) should be less than 10 (Myers 1990) and tolerance should be more than 0.2 (Menard, 1995). Table 4.11 above display that the collinearity coefficient of the independent variables. The maximum coefficient of VIF was 3.248 (less than 10) and the minimum tolerance coefficient was 0.308 (more than 0.2). Therefore the variables are in acceptable range as above mentioned. Based on this it is possible to conclude that there is no multi-collinearity effect. See table 4.11 above.

CHAPTER FIVE: SUMMARY OF MJOR FINDING, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to establish the impact of Customs clearing agents in the customs clearing process at air cargo in Ethiopia by evaluating the performance of the clearing agents based of the four determinate factors.

5.2 Summary of Major Findings

This study adopted a survey design method in determining the performance of customs clearing agents working at air cargo terminal in Ethiopia. It sought answer to four main questions: are customs clearing agents has an impact on the customs clearing process? Is the delay of air cargo customs clearing process directly affected by the clearing agents' performance? Are customers satisfied by the performance of customs clearing agents? What are the main variables affecting clearing agents performance?

After evaluating several customs clearing agents, it was determined that customers are moderately satisfied by the service given in the clearing process as only 54 percent of the respond showed their satisfaction. From the survey report the majority of respondents were not satisfied. One of the reasons that customers were not satisfied is delay on the clearing process as 78 percent of the respondent confirmed. Respondents also believe that customs clearing agents have an impact on the customs clearing process as 92 percent of the respondents were confirmed.

The findings also revealed the independent variables; Customs clearing operation, Customer service, Information accuracy and Stakeholders relationship have significant impact on the performance of customs clearing agents on the customs clearing process.

5.2.1 Performance of customs clearing agents

The study sought to evaluate the performance of customs clearing agents in the customs clearing process.

This was conducted using inferential analysis with the intention to establish the relationship between the independent variables and the dependent variable of the study. In this respect, the aspects that affect the performance of customs clearing agents include customs clearing operation, customer service, information accuracy and relationship with stakeholder.

The correlation test shows that there exists a strong positive correlation between the performance of customs clearing agents and independent variables; customs clearing operation, customer service, information accuracy and relationship with stakeholder on the air cargo customs clearing service in Ethiopia as the correlation coefficients of the variables were more than 0.512.

Information accuracy was the most important variable to be focused to improve the performance of customs clearing agents as the correlation coefficient is 0.659 as shown on table 4.8

The regression analysis model summary show 47.7 percent of the performance of customs clearing agents was explained by the four independent variables as shown on table 4.9.

5.3 Conclusions

The find shows that the customs clearing process was challenged by delay. Customers believe that the customs clearing agents have significant impact on the customs clearing process. So improvement of the performance of the customs clearing agents will improve the service. Therefore, the study conclude:

- Improvement on the CC operation, customer service, using information technology and good communication with stakeholders will improve the customs clearing process and this will lead to minimize the delay.
- Improvement on the operation activities like clearing procedure followed by CCA, the skill and knowledge of operators, financial & technical capacity of CCAs, clearing time and delivery performance will provide improvement on the customs clearing process.

- Customer service is also have significant impact on the performance of the CCAs, therefore minimize complain, short response time, work for customers satisfaction and develop reputation should be developed by CCAs to improve CC service.
- The result of the research tells as the relationship with stakeholders is one of the major determinants of the performance of CCAs. The finding shows as information accuracy have significant impact on the performance of the CCAs. Therefore proper information should be delivered on time and information communication technology (ICT) should be used to handle and transmit correct & clear information.
- There are many stakeholders in the customs clearing process however the majors are ERCA, EAL, government regulatory bodies and importers/exporters. Therefore performance of CCAs improved by understanding of their interest, have good reputation by them and working jointly with them.

In general the output of the research implies that an improvement on the performance of customs clearing agents will have direct and positive impact on the customs clearing process. So this profession need due attention to improve the customs clearing process to minimize delay and satisfy customers.

5.4 Recommendations

Based on the research findings and conclusions the following points were recommended to make an improvement on the performance of customs clearing agents as well as the overall customs clearing process.

- ✓ The stakeholders specially ERCA should support and give due attention to improve the performance of customs clearing agents.
- ✓ Customs clearing agents should improve their performance by taking customer service and customs clearing related trainings to their employees.
- ✓ There should be jointly meeting among stakeholders like ERCA, CCA, EAL and regulatory bodies to have mutual understanding and to improve the customs clearing service.

- ✓ The licensing system of CCA by ERCA should be revised based on other countries experience. Professional graduated from related field of studies should be selected to give the service.
- ✓ CCAs should develop their capacity, with materials and finance, to be best player in the customs clearing process.
- ✓ CCAs should have ICT equipment to improve the service and to improve their customs clearing agents' performance.
- ✓ Government should establish specialized institution that give training on the international customs process at university or collage level.
- ✓ The Stakeholders especially ERCA, EAL, CCAs and Regulatory bodies should link through network by ICT to avoid unnecessary activities and to provide fast and easy customs clearing process.
- ✓ CCAs and ERCA should give awareness to customers (Importers/Exporters) regarding the customs clearings policies and procedures.
- ✓ CCAs learn to work with budget, plan and schedule to improve the customer service they provided.

5.5 Limitation of the Study

The major problem encountered during the study was deciding the sample size of the study group and the respondents' number. Because the population of CCAs and importers/Exporters in Ethiopia is very large however, more than 70% of them were not active in the service. The study was also limited in scope as it is only covered air cargo custom clearing agents in Ethiopia. Ideally in a study of this kind, one would wish to conduct survey of all CCA in Ethiopia but such a procedure was not possible owing to time and financial constraints.

5.6 Suggestions for Further Study

This study has a number of issues that can be addressed in future research first, the data used in this study limited only air cargo customs clearing office. The study can be done all over customs clearing offices in Ethiopia. Second, other variable that determine the performance of CCAs can be farther studied.

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APPENDIX

ADDIS ABABA UNIVERSTIY

SCHOOL OF COMMERCE

Dear Sir/ Madam,

RE: MA RESEARCH

Iam a student at Addis Ababa University school of commerce (AAUSOC), pursuing a Master of Art in logistics and supply chain management (MA-LSCM). I am undertaking a research project in partial fulfillment of the academic requirements. My study is on " **Evaluating the Performance of Customs Clearing Agents in Ethiopia: the case of air cargo customs clearing agents**".

Your company has been selected to form part of the study. I will be very grateful if you would spare sometime from your busy schedule, to respond to the questions listed on the attached questionnaire.

Your response will be treated with uttermost confidentiality. The findings of this research may be availed to you upon completion of the research if you so request.

Your assistance and co-operation will be highly appreciated.

Yours faithfully,

Seyoum W/Yohannes

AAU-SOC MA STUDENT

Questionnaire

Part 1- Profile of Respondent and company

For the following questions you are cordially invited to provide the most appropriate response of your choices by putting a thick mark in the box provided.

1. Sex of respondent

   Female ☐ Male ☐

2. Your current age in year's

   18-29 ☐ 30-39 ☐ 40-49 ☐ 50 and above☐

3. What was the highest level of education you completed? **Mark only one**

   Elementary school ☐High school ☐College certificate ☐ College Diploma ☐

   Bachelor degree ☐ Masters Degree ☐ PHD ☐ Other_____

4. How many years did you work in this company?

   1 – 2 years ☐ 3-5 years ☐ 6-10 years ☐ More than 10 years☐

5. Company form of establishment:

   Private Limited Company ☐ Share Company ☐ Partnership ☐

   Only Public ☐Only Private Ownership ☐Other_____

6. Company Type:

   Importer/Exporter ☐ Customs clearing Agent ☐ Airport Customs ☐ EAL Cargo office

   ☐Regulatory office ☐ Other _____

7. Did you take any training related to customs clearing process?

   Yes ☐ No ☐

8. Do you think there is delay on the clearing process?

   Yes ☐ No ☐

9. Do you think customs clearing agents have significant impact on the customs clearing process?

   Yes ☐ No ☐

10. Are you satisfied by the customs clearing service you give or take?

    Yes ☐ No ☐

Part 2-Performance of customs clearing agents(Dependent Variables)

Please rate Customs clearing agents' performance on the clearing process based on the five performance objective. Please circle your choice.

No	Measurement Variables	Strongly Disagreed	Disagreed	Neutral	Agreed	Strongly Agreed
1	**Service Quality**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
1.1	Customers receive the most appropriate clearing service	1	2	3	4	5
1.2	Error free clearing process is carried out	1	2	3	4	5
1.3	Customers are consulted and kept informed about customs cleaning process and customs regulations	1	2	3	4	5
1.4	Appropriate documents are used for the clearing process and keep operation records	1	2	3	4	5
1.5	The company hasProfessionaland experiencedemployees	1	2	3	4	5
2	**Speed**					
2.1	Quick decision making inside the customs clearing process	1	2	3	4	5
2.2	Fast movement of materials and information	1	2	3	4	5
2.3	Using working hours fully every day to minimize the clearing time	1	2	3	4	5
2.4	The time required between receiving clearing document and deliver the goods to customers is minimum	1	2	3	4	5
2.5	Using technology to make fast communication	1	2	3	4	5

No	Measurement Variables	Strongly Disagreed	Disagreed	Neutral	Agreed	Strongly Agreed
3	**Customers Dependability**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
3.1	Information delivered on time	1	2	3	4	5
3.2	Products are delivered on time	1	2	3	4	5
3.3	Products are delivered without defect or shortage	1	2	3	4	5
3.4	Goods are delivered as agreed	1	2	3	4	5
3.5	Availability of transportation and other additional facility	1	2	3	4	5
4	**Flexibility**					
4.1	Provide clearing service for unique customer request	1	2	3	4	5
4.2	Having wide range of services	1	2	3	4	5
4.3	Have ability to handle various number of customer at a time	1	2	3	4	5
4.4	Have the ability to rearrange the delivery depend on the situation	1	2	3	4	5
5	**Cost**					
5.1	Keeping minimum operation cost	1	2	3	4	5
5.2	Advice customers to minimum tariff rate and other operational cost	1	2	3	4	5
5.3	Wok to achieve minimum storage and demurrage cost	1	2	3	4	5
5.4	Keeping minimum labor cost	1	2	3	4	5
5.5	Avoid penalty and other unnecessary costs	1	2	3	4	5

Part 3-Logistics performance Indicators (Independent Variable)

Please rate your company performance based on the under mentioned logistics performance indicators (Variables). Circle your choice.

No	Measurement Variables	Strongly Disagreed	Disagreed	Neutral	Agreed	Strongly Agreed
1	**Customs clearing operation**	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**
1.1	The company follows the most appropriate clearing procedure	1	2	3	4	5
1.2	Employees have knowledge, skill and capability	1	2	3	4	5
1.3	Have Capacity of handling special orders like very Urgent or very large orders.	1	2	3	4	5
1.4	The average clearing time taken is acceptable	1	2	3	4	5
1.5	Products are delivered to the customers without damage & shortage	1	2	3	4	5
2	**Customer service**					
2.1	Most of the time customers complain about the clearing service	1	2	3	4	5
2.2	The customer response time is minimum	1	2	3	4	5
2.3	Customers are satisfied by the clearing service	1	2	3	4	5
2.4	The company reputation is very good.	1	2	3	4	5

No	Measurement Variables	Strongly Disagreed	Disagreed	Neutral	Agreed	Strongly Agreed
3	**Information accuracy**					
3.1	Information delivered on time for customers	1	2	3	4	5
3.2	Proper information delivered to customers	1	2	3	4	5
3.3	Using IT equipments to perform the operation	1	2	3	4	5
4	**Relationship with stockholders**					
4.1	Good communication with stockholders	1	2	3	4	5
4.2	Have good understanding of stockholders interest on customs clearing process	1	2	3	4	5
4.3	Have good reputation by stakeholders	1	2	3	4	5
4.4	Work jointly with stockholders to solve problems	1	2	3	4	5