



**ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
SCHOOL OF COMMERCE**

**THE EFFECT OF CUSTOM CLEARING PROCEDURES ON  
SALES PERFORMANCE: THE CASE OF COFFEE EXPORTER  
COMPANIES**

**BY  
SAMUEL TAFESE**

**JUNE 2022  
ADDIS ABABA**

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PERFORMANCE: THE CASE OF COFFEE EXPORTER COMPANIES**

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**GSD-6601-12**

**A THESIS TO BE SUBMITTED TO THE SCHOOL OF GRADUATE  
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MASTERS OF ART IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT**

**ADVISOR: BUSHA TEMESEGEN (PHD)**

**JUNE 2022  
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**APPROVAL SHEET**

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## **CERTIFICATION**

This is to certify that Mr. Samuel Tafese has completed his thesis work entitled “THE EFFECT OF CUSTOM CLEARING PROCEDURES ON SALES PERFORMANCE: THE CASE OF COFFEE EXPORTER COMPANIES”. As I have evaluated, his research is original work and appropriate to be submitted as a partial fulfillment requirement for the Award of masters Degree in Logistics and Supply chain management.

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## DECLARATION

I, Samuel Tafese, hereby declare that the thesis entitled “THE EFFECT OF CUSTOM CLEARING PROCEDURES ON SALES PERFORMANCE: THE CASE OF COFFEE EXPORTER COMPANIES” is my original work and submitted by me for the award of the Degree of Master of Logistics and Supply chain Management of Addis Ababa University at Addis Ababa and it hasn’t been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution and that all sources of material used for the study have been appropriately acknowledged.

SAMUEL TAFESE

Student

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Signature

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## **ACRONYMS AND ABBREVIATIONS**

ECC	Ethiopian Customs Commission
ERCA	Ethiopian Revenue and Customs Authority
GAAP	Generally Accepted Accounting Principles
ICT	Information Technology Commission
NBE	National Bank of Ethiopia
RKC	Revised Kyoto Convention
UNCTAD	United Nations Culture and Trade
VAT	Value Added Tax
WCO	World Customs Organization
WTO	World Trade Organization

## ABSTRACT

*This study aimed to understand the effect of customs clearance on sales performance of export companies in the case of coffee export companies in Addis Ababa. The quantitative & description research approach was adopted along with explanatory research design. The owners, sales & marketing staff, agents, and transistors working with the selected export companies were considered the target study population. A sample size of 237 elements were selected by using mixed multistage sampling techniques. Data were collected from the primary source with a self-administered questionnaire. Of which, a total of 185 respondents valid and usable responses were collected. The descriptive and inferential statistics were conducted with the help od SPSS 22.0 statistical software. The results of the findings revealed that the four dimensions of customs clearance namely documentation, customs valuation, physical inspection and risk level assessment had positive and significant effect on sales performance of the coffee exporter companies. Specifically, documentation and risk level had the highest effect, while valuation and physical inspection showed less contribution to the model. It can be concluded that the customs clearance activities of the Ethiopian Customs Commission have direct relationship with prediction of sales performance. To improve the quality of the customs clearance, management of the commission are advised to train more staff and adopt modern information technology software to their systems would facilitate the mitigation of the exaggerated customs clearance bureaucratic procedures. It is also vital to have better communication with different governmental stakeholders to provide a single-window service.*

**Keywords:** Customs Clearance, Valuation, Documentation, Physical Inspection, Risk Level Assessment, Coffee Export, Sales Performance

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

Countries rarely succeed in the absence of state institutions capable of establishing and enforcing rules, collecting revenue, and providing public services. In terms of the design and implementation of state policies, developing-country public institutions are still characterized as underperforming and fragile. Bureaucracy and the issuance of unnecessary rules and laws in business operations adversely affect the economies of a country. These obstacles are more pronounced for large enterprises like export companies operating in countries whose economies are established mainly in their agricultural sector (Hashi, 2018). One of the biggest barriers for agricultural product export in these countries is the low level of institutional development in the area of business laws and tax systems (Aidis, 2015).

Failure in acquiring up to the standard custom cleaning system plays a destructive role in the performance of large companies that affect their regular functioning due to the issuance of a considerable number of unnecessary rules and laws (Rau, 2013; Bartlett, 2014). The excessive and inadequate overload of these formal rules increases nepotism and corruption in the long run (Tesfaye, 2016). According to Djankov (2015), customs clearance practices is the process of taking goods through the customs authority to facilitate the movement of import or export cargo into or outside of the country. It involves preparing and submitting documentation required for inspection, duty payment, and cargo delivery to facilitate cargo movement. Thus, smooth and less bureaucratic customer clearing, rules, policies, and procedures are the basis for the development of a country whose economy is mainly established on the export of agricultural products.

The role of agricultural product exporters is a key factor in social and economic development. Most of the export companies are large business enterprises that are considered a generator of substantial economic growth (Audretsch, 2017; Storey, 2014; McMillan, 2012). The industry creates employment and supports competitive market formation, technical innovation, and other aspects of national development (Johnson and Loveman, 2015; Storey, 2014). Creating a supportive business environment in which the industry builds efficient entrepreneurship remains one of the biggest challenges for the countries in transition. Several studies have examined the numerous problems that exporters face, particularly those that develop in transition countries. According to Estrin (2015),

Aidis and Estrin (2016), and Smallbone (2012), the obstacles are largely preventable and result from a faulty institutional architecture. Uncertainty about tariff and tax legislation, as well as access to banking systems and other bottlenecks that develop during the early stages of change, are among these impediments.

The transition discussion explores the functioning of entrepreneurship and the cost of hurdles that develop in this regard, with a focus on challenges of entrepreneurship in the export business (Smallbone and Welter, 2016). Customs' traditional position as a state organization is defined by obligations such as collecting tariffs on globally traded commodities, which is a frequent extension of the collection of other types of taxes such as VAT and excise charges. However, the customs administration's role varies each country. While import tariffs are primarily collected as money for the national budget in underdeveloped nations, the major job of customs authorities in rich countries is to protect the economy and enforce the law (Widdowson, 2007).

Customs procedures, particularly for export businesses in agriculture-based countries, are undeniably a significant source of economic barriers. As a result, there are strong reasons to look into the impact of customs procedures on Ethiopian exporter performance. Small and micro companies dominate the private sector in this country, while public-owned cooperatives in the final stages of privatization struggled to keep up (Ethiopian Privatization Agency, 2017). In Ethiopia, small and micro-enterprises account for 85% of all businesses, with export firms accounts for roughly 13% (Simachew, 2018).

Given the country's size, participation in international trade is critical, even for relatively tiny businesses. In addition, the country's recent economic developments make it an intriguing case study. As a result, all of the country's customs legislation relating to foreign trade must conform with the requirements of international and regional intergovernmental organizations, as well as the requirements of the economic community. Although the Ethiopian Customs Commission has adopted major legislation, proclamations, and tax changes to modernize the import/export tax clearance system by embracing certain information technology, it remains a gatekeeper for operational inefficiencies for the export business.

Thus, the purpose of this study was to thoroughly understand the effect of customs clearance on exporter companies' sales performance. It targets the owners, managers, sales & marketing staff of coffee exporters in Addis Ababa along with agents and transistors working with the aforementioned coffee export companies.

## **1.2. Statement of the Problem**

Every country's customs administration applies its own laws and regulations for the import and export process. Customs' goal is to make it easier to move foreign commodities and to regulate them without jeopardizing trade facilitation and control. To meet the demands of both importers/exporters and the government, customs must prioritize both trade facilitation and control. This can be accomplished through adhering to customs authorities' rules and regulations, as well as the requirement to reduce the time it takes to clear products (Kormych, 2018). It has a significant impact on global trade facilitation the fact that trade operations are especially difficult when controlling systems are stronger than their facilitation.

Ethiopia, as a country in transition, is beset by a slew of obstacles inherited from an ineffective management system, as well as a high level of uncertainty (Zewdu, 2019). Ethiopia, as a developing country, is beginning a new phase of development by shifting its economic development strategy from agriculture to manufacturing. However, various issues arising from the political and institutional framework, including tax valuation and clearing policies followed by bureaucratic procedures, have hampered economic transformation. The country is ranked 166th out of 189 countries in the globe due to a significant set of problems in cross-border trade (World Bank Trading Across Borders, 2019). While Sub-Saharan African customs delays are the longest in the world, the average delay in the region is 12 days, compared to 7 days in Latin America; the region's biggest waits occur in Ethiopia, where the typical merchant must wait more than 30 days for customs clearance (World Bank Logistics Performance Index, 2019).

Following concerns of pervasive corruption and inefficient administrative practices, the government launched a trade facilitation reform effort to alleviate bottlenecks in the export business (Ethiopian Chamber of Commerce, 2014). Implementing a single-point clearing mechanism, introducing risk assessment procedures, and publishing customs rights and obligations in export clearance were all part of the reform program. The exporters/transistors/agents were hired to implement the ICT software components for risk analysis, intelligence gathering, and data processing. Between 2015 and 2019, customs revenue increased by 120 percent as a result of these actions (Ethiopian Customs Commission – ECC, 2020). Because of the country's overall economic influence, the government places a high priority on facilitating trade while maintaining a tight grip on customs regulations.

Previous research (Edris, 2016; Jared, 2018; and Minwagaw, 2016) shown that customs clearance paperwork and allotted time delays had statistically significant implications on organizational performance. According to Peterson and Eric (2017), the risk level of items exported, as well as the physical inspection procedure, impact the competitiveness of export enterprises. According to Bahru (2019), among the primary issues of trade facilitation processes, the bureaucratic tax clearing system and valuation play a significant role in exacerbating clearance delays and negatively impacting corporate performance. He further contends that Ethiopia's customs valuation system does not give a fair, neutral, and uniform valuation, and that it does not safeguard businessmen from customs officers' arbitrary valuation. However, to the best of the student researcher's knowledge, there is a paucity of literature on the impact of customs clearing methods on exporters' overall sales success in Ethiopia.

The study, thus, aimed to investigate the effect of customs clearance practices on the sales performance of coffee exporters in Addis Ababa as a case. Given the aforementioned concerns, this study may contribute to the body of knowledge by examining how customs procedures affect exporter sales performance. The instance of coffee exporters, located in a country with significant agricultural export potential and reliant on foreign trade, could serve as a case study of general interest, yielding new insights into the significance of compliance costs in general. This was accomplished by responding to the following study questions.

1. How does customs clearance documentation affect the sales performance of coffee export companies in Addis Ababa?
2. What is the effect of customs valuation practice on the sales performance of coffee export companies in Addis Ababa?
3. What is the effect of the physical inspection procedures on the sales performance of coffee export companies in Addis Ababa?
4. How does the risk level of the exported coffee affect the sales performance of coffee export companies in Addis Ababa?

### **1.3. Objectives of the Study**

#### **1.3.1. General Objective**

The general objective of the study was to investigate the effect of customs clearance practices on the sales performance of coffee exporter companies in Addis Ababa.

#### **1.3.2. Specific Objectives**

- i. To examine the effect of customs clearance documentation on the sales performance of coffee export companies in Addis Ababa.
- ii. To analyze the influence of customs valuation practices on the sales performance of coffee export companies in Addis Ababa.
- iii. To examine the effect of the physical inspection procedures on the sales performance of coffee export companies in Addis Ababa.
- iv. To analyze the effect of the risk level of the exported goods on the sales performance of coffee export companies in Addis Ababa.

### **1.4. Significance of the Study**

The study sought to assess the effect of customs clearance practices in terms of documentation, valuation, inspection, and risk level affecting the sales performance of coffee exporters in Addis Ababa. It would have the following significance:

- This study may add to the literature by analyzing how customs procedures affect exporter's sales performance. The case of coffee exporters, within a country of great agricultural product's export potential and dependent on foreign trade, could yield new insights relevant for the generic understanding of the role of customs compliance and tax valuation costs.
- The outcome of this research project would hopefully provide substantial information to the Ethiopian Customs Commission (ECC - former ERCA) to see how the customs regulation, valuation system, and customs clearance delay affect company performance and help the commission to alleviate the observed problems.
- In addition, the finding would help other stakeholders and academicians who have an interest to assess other areas of customs administration.

## **1.5. Scope of the Study**

The scope of this study was limited conceptually, methodologically, and geographically.

Geographically, the scope is delimited to Addis Ababa for the reason that the head offices of most coffee export companies are located in the capital city. Other coffee exporters out of Addis Ababa and other agricultural goods exporters will be intentionally disregarded as they are out of scope.

Conceptually, it focused on investigating the relationship between customs clearance practices on sales performance. The sales performance is intended to be explained by dimensions of customs clearance practices in terms of documentation, tax valuation, physical inspection, and risk level of exported goods. But other factors like quality of product, price, customs policies of the recipient country, etc. could affect sales performance of exporters but also be intentionally excluded as they are beyond the scope of the study.

Methodologically, the survey targeted the permanent employee at sales and marketing departments of the respected coffee export companies. Sales and marketing staff are believed to have better or more information and knowledge regarding the sales and related performance of the companies. A convenient sampling technique will be adopted for the fact that HR and other concerned managements might be hesitant to disclose their staff's employment status.

## **1.6. Limitations**

This study focused only investigating the cause-effect relationship between customs clearance and sales performance with quantitative research approach. But had it been qualitative data are included, it would have been able to see the big picture of their relationship. Thus, future research on this issue is suggested. Besides, it also considered the influence of customs clearance requirements on sales performance from the context of coffee exporters in Addis Ababa. Therefore, inclusion of other agricultural product exporters in other regional states would also give a clear picture so as to design and implement appropriate customs policy.

## **1.7. Operational Definitions of Key Terms**

The operational definitions of key terms are presented below:

**Customs** - Customs is the authority or agency in charge of collecting taxes and controlling the movement of commodities into and out of a country, including animals, transportation, personal, and hazardous items. (Edris, 2016).

**Customs Clearance** - Customs clearance is defined as the completion of the Customs formalities necessary to allow goods to enter home use, to be exported, or to be placed under another Customs procedure. It encompassing three core issues: taxation, security, and trade facilitation (Edris, 2016).

**Documentation** - Customs clearance job entails preparing and submitting papers required to facilitate export or imports into the country, representing the customer during customs examination, assessment, and duty payment, and co-taking delivery of cargo and documents from customs after clearance (Jared, 2013).

**Physical Inspection** - The exported commodities are subjected to a physical assessment to guarantee that they are not dangerous to the public. The imported/exported products will also be evaluated to ensure that their origin, export country, nature, condition, quality, quantity, tariff classification, and value correspond to the information provided in the goods declaration. (WTO, 2014).

**Customs Valuation** - The customs value of imported commodities is determined primarily for the purpose of applying ad valorem rates of customs charges, according to the WCO. It serves as the customs duty's chargeable base. (WTO, 2014).

**Risk Level Assessment** - Customs clearance channels such as Green, Yellow, and Red.

**Sales Performance** - Performance can be measured using a balanced collection of parameters that describe the outcomes and techniques used to obtain them. In this case, non-financial parameters or indicators of sales performance are sales volume, sales target and sales growth. (Kaplan, 2012).

## **1.8. Organization of the Study**

This research paper was organized into five chapters. The first chapter dealt with an introductory part of the work that included background information, statement of the problem, research questions, objectives of the study, significance of the study, scope, and limitations of the study. The second chapter also dealt with a review of the literature to build up the work on the existing theories and come up with supporting facts for constructing the conceptual framework of the research. Chapter three presented the methodology employed in undertaking the research. Analysis of primary data collected through the appropriate tools were analyzed and given meaning in the fourth chapter along with the interpretation of the analyzed data in this part. Chapter five presented the major findings, conclusions, and recommendations of the study.

## **CHAPTER TWO**

### **REVIEW OF THE RELATED LITERATURE**

This chapter is a literature overview of the customs clearance, sales performance and the relationship between the customs clearance and sales performance. Accordingly, it comprises three parts namely theoretical literature, empirical literature and conceptual framework of the study along with the proposed hypotheses.

#### **2.1. Theoretical Review**

##### **2.1.1. Concept of Customs**

Customs is the authority or agency in charge of collecting taxes and controlling the movement of commodities into and out of a country, including animals, transportation, personal, and hazardous items. Customs has always been thought of as the fiscal entity that collects customs duties and other taxes on imports and exports. In recent decades, public perceptions of customs' functions have broadened significantly, now encompassing three core issues: taxation, security, and trade facilitation (Edris, 2016). Customs administrations' tasks differ from country to country, and they are frequently reviewed and modified to ensure their continued relevance in an ever-changing world.

Customs has traditionally been in charge of enforcing a wide range of government policies, including tax collection, trade compliance, and facilitation, the prohibition of restricted commodities, the protection of cultural heritage, and the enforcement of intellectual property laws. This level of authority demonstrates that customs officials have long been entrusted with administering issues that are the responsibility of other government ministries and agencies, such as health, agriculture, the environment, trade statistics, and, in some cases, immigration. Nevertheless, the existing trade towards global free trade and the recent increase of global terrorism concerns have seen border security emerge as a priority across all economies (Widdowson, 2007).

##### **2.1.2. Customs and International Trade**

The trading environment is complicated, opening up a wide range of opportunities for trade facilitation. It's simple to enumerate 60 or more different trade procedures aimed at commodities, their transport vehicles, or their operators (Grainger 2007). Revenue collection, security, the environment and health, consumer protection, and trade policy are all control objects. Customs or customs supervision will execute a considerable portion of these restrictions in the majority of

countries. Offloading, storage, release from the port and customs clearance, delivery to the buyer, unpacking, after-sales services (such as assembly, warranties and guarantees), and more are all procedures that take place once goods arrive at the destination port. Contractual duties for operations can be assigned to one or both parties depending on the trade conditions between buyer and seller, or they can be separated anywhere along the line depending on the Incoterms utilized (International Customs Commission, 2009). Various sorts of data are generated at each stage of the movement, and various forms of information (often containing the same or comparable data) are submitted to customs and other government authorities.

When one of the supply chain's players is required to provide information to government entities, trade transaction expenses are incurred. Both direct and indirect methods may be used. The costs of obtaining, creating, transferring, posting, faxing, and processing data to prepare and submit papers are known as direct transaction costs (paper or electronic). Direct transaction expenses can include charges and fees for establishing and funding customs bonds and guarantees, laboratory testing and utilization, inspections, and document stamping. Fees and charges are imposed by many of the intermediaries. The port loader, for example, is likely to charge for delivering a container to the customs yard. Agents who are hired to make customs declarations will be paid for their work (Grainger 2007).

### **2.1.3. Principles of Customs Clearance**

Many countries are attempting to streamline customs clearance procedures in order to reduce the cost of doing business for importers and exporters, ultimately boosting national economies. These countries follow the World Customs Organization's guidelines when conducting time-release studies (WCO). The Revised Kyoto Convention (RKC) provides standards and encourages acceptable customs practices for importation, exportation, temporary admission, and special procedures, according to the Ethiopian customs handbook (2017). Customs clearance is defined as "the completion of the Customs formalities necessary to allow goods to enter home use, to be exported, or to be placed under another Customs procedure" by the RKC, while release is defined as "the action taken by Customs to allow goods undergoing clearance to be placed at the disposal of the persons concerned." Trade facilitation is one of the most important components in a country's economic development, and it is directly linked to national agendas on social well-being, poverty reduction, and country and citizen economic development.

Customs plays a key role in international trade, not only in expediting clearance processes but also in imposing effective controls that secure income, maintain compliance with national laws, and assure society's security and protection. Customs processes' efficiency and efficacy have a considerable impact on a country's economic competitiveness, as well as the expansion of international trade and the evolution of the global marketplace. In the context of the WCO, trade facilitation refers to the avoidance of needless trade restrictions. This can be accomplished by employing cutting-edge procedures and technology while also improving the quality of controls in a globally standardized manner (WCO, 2017).

#### **2.1.4. Customs Regulations**

Customs law refers to the laws and regulations administered and enforced by a Party's Customs Administration concerning the importation, exportation, and transit/transshipment of goods, as they relate to customs duties, other taxes, and other charges, or prohibitions, restrictions, and other similar controls with respect to the movement of controlled items across the border of a Party's customs territory; Tax and Customs laws, regulations, administrative guidance. Corruption thrives in complex regulations, procedures, and administrative standards, which have a negative impact on import and export clearance procedures in the process of supporting legitimate trade. The reduction of red tape comprises time-consuming operations that may include duplication of effort or processing procedures that are unnecessary. Hence, to make customs laws and regulations predictable, simple, transparent, and harmonized adoption of internationally agreed standards including Generally Accepted Accounting Principles (GAAP); HS Tariff Convention; WTO Valuation Agreement; and WCO Revised Kyoto Convention on the Harmonization and Simplification of Customs is an important strategy (WCO, 2005).

#### **2.1.5. Customs Regulations in Ethiopia**

Under the current Ethiopian Legal System, there are several laws pertaining to customs regulation in Ethiopia. These laws include: The Customs Amended Proclamation No. 1160/2019, The Customs Proclamation No. 859/2014, Investment Proclamation No. 769/2012 (as amended in 2014) and Regulation No. 270, Council of Ministers Regulation No. 88/2003, The various tax proclamations (Income, VAT, Surtax, and Excise tax), The Revised Regulation on the Importation of Goods on Franco- Valuta Basis, Customs Clearing Agents Council of Ministers Regulation No.108/2004, Customs Tariffs Council of Ministers Regulation No. 122/1993, Customs Tariffs Amendment

Regulation No. 89/2003, Tariff Book (ERCA, 2017) Among these laws, the Customs Proclamation No. 1160/2019 and 859/2014 (hereinafter the Proclamation) lays the general framework for Customs Regulation in Ethiopia.

#### **2.1.6. Customs Clearance Practices**

Customs clearance will be defined broadly as the set of functions performed by a national customs authority, which includes, but is not limited to, the processing of import, export, and transit declarations, the assessment of origin, value, and classification of goods, the collection and processing of duties and fees, physical inspection, examination, and release of cargo, post-clearance audits, processing of urgent consignments, and administration of waivers and exempt goods. (McLinden, sat on Mesay, 2017, McLinden, 2005).

##### **2.1.6.1. Documentation**

Customs clearance job entails preparing and submitting papers required to facilitate export or imports into the country, representing the customer during customs examination, assessment, and duty payment, and co-taking delivery of cargo and documents from customs after clearance (Jared, 2013). Traditionally, customs authorities do not release goods until all concerns relating to the transaction have been settled and duties have been paid, such as issues with goods classifications and valuation, missing documentation, or an appeal procedure against a decision. Because the items are detained in a customs-controlled facility and are not available to the trader, such delays have a detrimental impact on the trader's supply chain (UNCTAD, 2006).

According to the UNCTAD (2008), it is still common practice in many countries not to deliver products until all difficulties have been settled and all duties and taxes have been paid. These delays in obtaining goods caused by Customs clearance procedures are a major source of concern for businesses, particularly SMEs, who are dealing with rising demand pressures in today's marketplaces. Delays can occur for a variety of reasons, including valuation issues, but also for reasons that are currently unregulated by WTO rules, such as classification issues, tariff heading determination, missing documents, a lack of certificates of origin, or lengthy payment procedures.

Many countries have overcome this problem by allowing products to be released before payment is made, and collecting customs and taxes in distinct procedures from final clearance. Proposals for goods release in the event of an appeal aim to avoid delays in cases where an appeal is pending. They

propose allowing traders to leave cash assurances with Customs for the payment of customs until a contested issue under appeal is settled. These assurances could take the shape of a surety bond or a monetary payment. They would make it possible for Customs to settle any claims if the trader failed to meet his duties. Thus, Customs would no longer need to hold back the goods themselves, and delays in their release and delivery would be avoided.

Other regulatory agencies will be involved in the clearance of some exported items in addition to the Customs Commission's (ECC) clearance actions (depending on the physical examination done above). This applies to all items for which pre-import licenses are obtained, as well as those for which merely a clearance permit is provided. At the time of clearance, the exporter or his/her agent is responsible for securing the relevant approvals from regulatory agencies. For example, in order to achieve clearance, a person importing medicine must obtain a pre-license before beginning the import procedure and an import permit at the time of entrance. Following the physical inspection and receipt of the required license, the importer will be issued a goods release charge in exchange for the payment of services fees.

The goods will then be released, and the importer/exporter takes possession of them. In addition, the Customs Commission (ECC) will issue a final declaration for the importer/exporter as a certificate of completing the import/export procedures and importation/exportation of goods. Any importer/exporter who obtained a foreign currency permit should present the final import customs declaration to the National Bank of Ethiopia (NBE). This is a requirement for importing (or exporting) goods in the future. Note that an importer should keep all records and documents related to the import for five years from the date of the Customs Commission (ERCA's) acceptance of the goods declaration. During this period, Customs Commission (ERCA) may perform a post-clearance audit of the export. The purpose of such audits, which may cover traders' commercial data, business systems, records, and books, is to verify the accuracy and authenticity of declarations and information provided by the importer/exporter.

#### **2.1.6.2. Physical Inspection**

The commodities will also be subjected to a physical assessment to guarantee that they are not dangerous to the public. The imported/exported products will also be evaluated to ensure that their origin, export country, nature, condition, quality, quantity, tariff classification, and value correspond to the information provided in the goods declaration.

### **2.1.6.3. Customs Valuation**

The customs value of imported commodities is determined primarily for the purpose of applying ad valorem rates of customs charges, according to the WCO. It serves as the customs duty's chargeable base. It is also required for the compilation of trade statistics, the monitoring of quantitative constraints, the application of tariff preferences, and the collection of national taxes. Almost all of the current 161 WTO members' customs administrations value imported and exported commodities in accordance with the provisions of the WTO Agreement on Customs Valuation (WTO, 2014). This Agreement provides a customs valuation system based on the transaction value of the commodities, which is the amount paid or payable for imported goods when sold for export to the nation of importation, plus certain costs and levies.

More than 90% of the customs value in global trade is now calculated using the transaction value technique, which gives businesses more confidence, consistency, and transparency. The agreement is regarded as a major contributor to the facilitation of international trade while guaranteeing conformity with national rules and regulations since it gives more predictability, stability, and transparency for the trading community (Global Facilitation Partnership for Transportation and Trade).

### **2.1.6.4. Risk Level Assessment**

The Philippine Customs Authority agreed to use ASYCUDA ++ for payment, risk assessment, clearance processing, and shipment release from customs control in 1995. The initiative was launched in reaction to customs fraud and excessively long clearance waits caused by highly bureaucratic control procedures. One of the objectives was to increase government revenue, and the initiative cost around USD 27 million. The findings were encouraging: customs clearance times were decreased from an average of 8 days prior to automation to 4 hours – 2 days after it was implemented. During the implementation phase, the Philippine Customs Authority had substantial issues, and the Asian financial crisis had an impact on trade in the country. However, the net present value of increased revenue was significantly more than the investment, and customs met revenue expectations in three of the six years. Imports increased by 160 percent between 1990 and 1996, while revenue increased by 60 percent.

Following allegations of pervasive corruption and bad administrative methods, the Jamaican government launched a reform initiative in 1993. Implementing a single-point clearance mechanism, introducing risk assessment methods, and publishing a customs manual of procedures outlining all

customs rights and responsibilities in export clearance were all part of the reform program. Crown Agents was hired to install software components for risk analysis, intelligence collecting, and data processing for valuation reasons when a customs automation service was launched. Despite little or no economic development in the country, these approaches resulted in a steady and large increase in income collection. Customs income climbed by 110 percent between 1998 and 2001.

Debebe (2016)'s study, *Effects of Procrastination on Customs Clearance Cost: The Case of Kality Customs Branch in Ethiopia*, found that custom clearance time delays, which are caused by a variety of factors, differ across customs clearance channels such as Green, Yellow, and Red at Kality Branch Office. It also exceeds ECC's aim of an 8-hour maximum approval time for export/import commodities. As a result, targeted trade facilitation on the Red-channel import clearance procedure offers a direct cost-cutting impact. The study also looked at the effects of several variables on the cost of customs clearance, and the findings suggest that clearance time delays have a major impact on costs. Therefore, to mitigate this impact there should be the separation of the release of goods from clearance of goods as it could reduce customs warehouse costs as well.

#### **2.1.7. Sales Performance Measurement**

Many definitions of performance tended to place a premium on efficiency, with financial results serving as the primary metric. Following that, the definitions of this idea have changed, particularly with the introduction of the Balanced Scorecard (Kaplan, 2012), which incorporates not only the financial perspective, but also the internal perspective, consumer perspective, and innovation, as well as the learning perspective. Performance can be measured using a balanced collection of parameters that describe the outcomes and techniques used to obtain them.

In today's world, any economy's performance entails guaranteeing the firm's viability in terms of domestic and worldwide competition while adhering to the constraints imposed by sustainable development (Albu, 2013). A detailed study of the work, sales, and financial performance is required to run a successful business. It can't be done without keeping track of important company KPIs. There are hundreds of various indicators for gauging corporate performance, yet measuring them all is pointless. Companies should track business indicators that truly demonstrate how their business is going, depending on their individual business goals. While there are many other essential business measures that firms can and should use to evaluate their success, the following are a few that will

have a direct impact on bottled water manufacturers: The total money from client purchases is subtracted from the cost of returned or undeliverable products to arrive at sales revenue.

The net profit margin is a useful tool for predicting long-term business growth and determining whether your revenue surpasses your operating expenditures. The simplest approach to achieve this is to increase the price of your products/services and sell more of them. Another strategy is to reduce your sales and production costs while remaining competitive. Gross margin is a measure of how well procedures and output have improved. It's basically a numerical representation of a company's productivity. Gross margin can be increased by improving the efficiency of both the sales and production processes (Karola, 2014).

Having a loyal customer base is advantageous in a variety of ways. It aids in increasing sales and spreading awareness of your goods. Providing exceptional customer service and offering high-quality products can improve client loyalty over time. The net promoter score measures the quality of your product and how satisfied your customers are with it. It indicates how many individuals are inclined to tell a friend about your product or service. Deliver exceptional client care and high-quality service. Maintaining a high level of satisfaction leads to a long-term commitment to the team and company. As a result, it's critical to check in on your staff on a frequent basis to see if they're pleased and satisfied with their work. Companies that have a strong sense of mission inspire their employees, making them more motivated (Karlson, 2018). Customer satisfaction is important for a business since satisfied customers are more likely to do business with the company again. (2020, Karola and Scorio).

#### **2.1.8. Relationship Between Customs Clearance on Sales Performance**

Today's economy is more competitive than it has ever been. One of the most important duties for every company is to maintain competitiveness at all levels of the market: local, regional, national, and worldwide. As a result, organizations operating in today's global market employ a variety of tactics, tools, and actions in order to obtain and maintain a competitive advantage. They are attempting to utilize all available opportunities within their organization as well as other activities in their surroundings. Harsh government policies are seen as a threat to business growth in both established and developing economies. This includes ineffective taxation and numerous biased legal pronouncements, as well as cumbersome laws, rules, and regulations that control the running of businesses (Bartlett and Bukvi, 2011).

It is critical to recognize that organizational overcontrol will lead to entrepreneur evasion of regulation and, as a result, an increase in the grey economy, as well as their decisions to devote resources to influence the regulatory situation in their favor, thereby encouraging so-called "unproductive entrepreneurship" (Baumol, 2010). As a result, customs regulations such as the number of days products can stay in customs, customs value, the risk rating assigned to imported items, and the time it takes to pass customs have a direct impact on firm performance. According to ERCA's Proclamation 859/2014, there are storage payments for items stored in temporary customs storage or bonded customs warehouses constructed for rental use from the date of deposit until release (Tsegaye and Endris, 2011).

On the other hand, delay in the prompt delivery of imported goods/cargo entails a lack of just-in-time delivery and tying of money in the form of insurance bonds, and escalation in the cost of money or interest rate. Tsegaye and Endris (2011) added the effects of delay time on Ethiopia as: 'Delay time brings effects on delay in the clearance of imported goods for many days, implying a) 0.8% ad-valorem tariff per day, because the goods cannot be inspected unless they are unloaded; b) Welfare loss to consumers of imported goods as they are forced to pay higher prices as a result of the delays; c) Loss of welfare and competitiveness to producers which use imported inputs for export production. d) a total loss to the importer, if cargo is disposed of by Customs.' Therefore, according to Tsegaye and Endris's (2011) interview, time delay in the clearance process exposes importers to costs and this in turn transferred to end-users. In general, it seems delays entail a series of costs to importers and to the national economy.

## **2.2. Empirical Literature Review**

In the example of the ECC Addis Ababa Kality branch, Lemlem and Dsta (2018) analyzed the challenges of import customs procedures in connection to trade facilitation and control. Risk management in the import clearance procedure is considered a major challenge for import/export clearance procedures in the branch office, according to this study, due to a lack of an organized and up-to-date risk database, a lack of proper information flow for risk profiling purposes, a lack of cooperation with other departments in the Branch Office, and a lack of coordination with the national intelligence unit for third-party information sharing for risk profiling. Even though the Proclamation No. 859/2014 article 6/1 states that the customs procedures prescribed in the Proclamation shall be applied to effect customs control in a manner assuring transparency and accountability based on

appropriate information and the principles of risk management to conducive conditions for trade facilitation, the risk management process in the Branch Office is highly decentralized.

Bahru did study on the issues of customs clearing and their impact on international trade in Ethiopia (2019) Because customs charges and other taxes are computed and paid based on the customs value of products, valuation is regarded one of the most important labor parts. The problems with valuation may have an impact not only on the number of duties and taxes that must be paid, but also on the amount of time it takes to complete the clearance procedure. One of the causes of the valuation issue could be a lack of trust in putting the correct value and tariff in place, which is also caused by a lack of work-related expertise. This was evidenced by checking respondents' confirmation about the existence of high price by considering 43.59 % and 25.21 % of the respondents agreed and strongly agreed on the availability of high price charges by officials at customs offices.

Minwagaw's research on the Import Customs Clearance Challenges in Ethiopian Revenue and Customs Authority (2016), One of the reasons the Customs Administration has not completely implemented invoice-based customs valuation is to reduce the impact of such intrigues on genuine trade. As a result, import items and accompanying commercial documentation are thoroughly reviewed. Such monitoring contributes to customs clearance delays at customs stations, resulting in the victimization of legitimate businessmen. This finding is similar to Tewoldebirhan's (2011) finding that the Tax Authority does not trust the value of commodities produced by importers.

In the example of Ethiopia, Tsegaye and Endris (2011) investigated the influence of customs clearance procedures on foreign trade. According to this study, the Ethiopian Revenues and Customs Authority (ERCApractical )'s strategy has aided in the introduction of several policy measures that have not only streamlined the role of the customs department, but have also aided the economy in a significant way without jeopardizing the collection of essential government revenue. Various private sector polls in Ethiopia, however, have revealed that customs value remains a major source of concern.

Effects of Procrastination on Customs Clearance Cost: A Study was undertaken. Debebe (2016) found that custom clearance time delays differ between customs clearance channels like Green, Yellow, and Red at the Kality Branch Office, and that these delays are caused by a variety of causes. It also exceeds ERCA's aim of an 8-hour maximum approval time for export/import items. As a result, targeted trade facilitation on the Red Channel's import clearance process provides a direct cost-cutting impact. The study also looked at the effects of several variables on the cost of customs clearance, and the findings

suggest that clearance time delays have a major impact on costs. To limit this impact, the discharge of products should be separated from the clearance of goods, since this could lower customs warehouse expenditures.

### 2.3. Conceptual Framework and Proposed Hypotheses

Based on the reviewed literature the conceptual framework for the effect of the customs clearance process on company sales performance is adopted. The framework comprises the four dimensions required for the examination of customs effects of the customs clearance process on the company sales performance namely customs valuation system, physical inspection, documentation, and risk level given to exported items. As Figure -1. Illustrates customs clearance practices are considered as independent variables while sales performance is the dependent variable in this study. It shows the direct relationship between customs valuation, documentation, physical inspection, risk level, and sales performance.

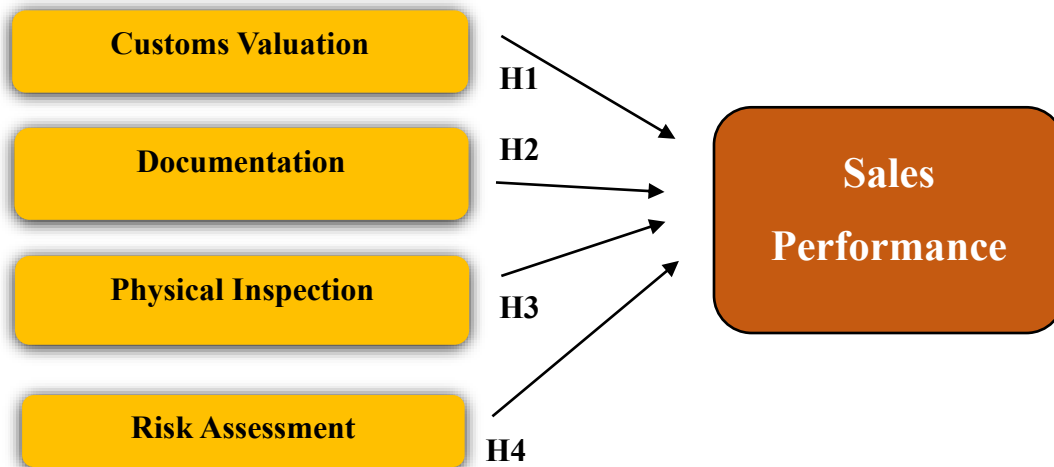


Figure 1. Conceptual Framework of the Study [Source: Mario and Florin, 2010]

Based on the theoretical and empirical literature review, the following alternate hypotheses are proposed as follows:

*H1 – Customs Valuation has a positive and significant effect on sales performance*

*H1 – Customs documentation has a positive and significant effect on sales performance*

*H1 – Customs physical inspection has a positive and significant effect on sales performance*

*H1 – Customs risk level assessment has a positive and significant effect on sales performance*

## CHAPTER THREE

### RESEARCH METHODOLOGY

This chapter presented the research methodology that was adopted to undertake the research. It comprises the research approach, research design, study population, sampling techniques, data source, data analysis and ethical considerations.

#### **3.1. Research Approach**

This study adopted a quantitative approach. Quantitative research explains phenomena by collecting numerical data that are analyzed using mathematically based methods to analyze the data and identify the relationship between dependent and independent variables so as to test hypothesis forwarded as well as test the correlation between independent variables (Aliaga and Gunderson, 2010). Thus, the adoption of a quantitative research approach was appropriate as it described the relationship between customs clearance and sales performance. The quantitative approach was, thus, suitable for investigating the effects of customs clearance practices on sales performance through examining with facts and figures assists in making the relationship between the variables.

#### **3.2. Research Design**

This study applied an explanatory and research design. Explanatory research design is an attempt to collect data from members of a population in order to investigate the cause-effect relationship of the study variables based on the perception of the targeted respondents (Saunders, 2010). Since it is a sort of cause-effect research design, thus, the explanatory research design was necessary to gauge the relation amongst the stated variables as it relates to customs clearance and sales performance.

#### **3.3. Population, Sample Size, and Sampling Technique**

##### **3.3.1. Target Population**

The population can be defined as all people or items that one wishes to understand while sampling is the process of selecting a segment of the population for investigation (Kothari, 2003). This study investigated the relationship between customs clearance and sales performance focusing on the perception of the staff of the selected coffee exporter companies in Addis Ababa. According to the ECX customer database (2020), the total population of Ethiopian coffee exporters who have currently enrolled in the Exchange is about 215 exporter companies.

As the entire population was relatively large to cover within a limited period of time, representing the total population in a reasonable number of respondents makes the research reliable. Thus, this study considered a total of 50 coffee exporter companies, whose offices are located in the capital city, are entitled to participate in the survey. Therefore, the study population comprises owners' (agents) of the exporter companies, general managers, sales and marketing staff, and transistors who are working with the export companies. According to ECC database (2022), there are 583 staff (owner/agent/managers, marketing and salespersons, and transistors) are currently enrolled in the 50 coffee export companies. The sampling frame of the study constituted a total of 583 respondents from 50 coffee export companies in Addis Ababa.

### 3.3.2. Sample Size

Determination of representative sample size is a critical and important issue as a larger sample size may waste time and other vital resources unnecessarily. While samples that are too small may lead to inaccurate results. According to Saunders (2007) researchers normally work to a 95% level of certainty. Sampling is the process of selecting a number of study units from a defined study population (Zikmund, 2010). It is economical to take a representative sample for the intended investigation when conducting a census is unrealistic. Since the number of the population is known, the simplified formula for proportion sample size is determined employing the following formula as it stated by Yamane (1967). Therefore, the formula to determine the sample size is:

$$n = \frac{N}{1+N(e^2)} = \frac{583}{1+(583*0.05^2)} = 237$$

Where: N -Designates total number of sales and marketing staff; e - designates maximum variability or margin of error 5% (0.05); and n- designates computed sample size.

Table 12. Distribution of Sample Proportion

<i>Stratum</i>	<b>Population</b>	<b>Sample Taken</b>
<i>Manager/Owner</i>	31	31
<i>Agent</i>	19	19
<i>Salesperson</i>	336	87
<i>Marketing</i>	147	50
<i>Transistor</i>	50	50

Source: ECC Database, 2022

Therefore, the targeted sample size was a total of 237 respondents were contacted to collect the required data accordingly. Here, the stratum whose population size is less than 50 elements was taken all its elements to assure their representation. The share of each stratum is presented in Table -1.

### **3.3.3. Sampling Technique**

A multi-stage mixed sampling technique was applied to select the calculated sample size from the sampling frame. Mixed sampling is a composition of both probability and non-probability sampling technique while multistage sampling refers to selection of elements from different groups with different sampling techniques. In this case, first, out of 215 export companies, 50 exporters were selected randomly. Then, a total of 237 sample respondents from the randomly selected 50 companies by using convenience sampling technique. The sampling technique that was used to draw a sample from the target population is the non-probability sampling technique. The reason for taking non-probability sampling was the difficulty to get the list of sales and marketing staff of each coffee export companies as the sensitivity of the case. Based on this fact, utilizing random sampling would be unrealistic however, adopting the convenience sampling technique is more appropriate.

### **3.4. Source of Data**

There are two sources of data namely primary and secondary data which could be used for research analysis. In this study, basically, only primary data are used for analysis. Depending on the objective and the research questions, the primary data source was used for this study. Primary data consists of all data obtained during the study that may be specifically relevant to the purpose of the study. The primary data were derived from the responses of targeted respondents given in the self-administered questionnaire prepared. Since there are no secondary sources (directly or indirectly related to the purpose), no secondary data were considered for analysis.

### **3.5. Data Collection Instrument**

A survey questionnaire was used to collect the primary data. As suggested by (Creswell, 2009), administering questionnaires allows the researcher to collect data at a low cost even when the universe is large and is widely spread geographically. Respondents who are not easily approachable can also be reached conveniently and large samples can be taken.

The survey questionnaire contained two parts. The first part describes the demographic profile of the respondents. The second part of the questionnaires is designed to collect data relating to the study

variables namely customs clearance practices and sales performance. The questionnaire is adapted from a previous study by Mario and Florin (2010) but was customized to some extent without modifying the basic concepts. The questionnaire is designed in such a way that customs clearance is considered as the independent variables which comprises customs valuation, documentation, physical inspection, and risk level assessment. While sales performance dimension is taken as dependent variable. The questionnaire is prepared on five-point Likert Scales ranging from strongly disagree to strongly agree. The value assigned are 1 =strongly disagree, 2 = disagree, 3 = neither agreed nor disagreed, 4 = agree, 5 = strongly agree.

### **3.6. Data Collection Procedure**

After having developed the data collection instrument, the next step was distributing the questionnaires and collecting the data back in accordance with the sampling procedure and technique stated in the previous part. The data collection was taken place in such a way that first a consent form was sent to each targeted respondents at the selected coffee export companies to assure whether they were willing to participate in this study. Then, for those who were willing only, the student researcher contacted them by forwarding the questionnaire to be filled in person. The data collection process was carried out by the student researcher himself to mitigate the expected non-responses to the acceptable level (more than 75%). Some of the respondents were also contacted through their respective emails and the student researcher personally contacted and remind them to administer the questionnaires accordingly.

### **3.7. Methods of Data Analysis and Presentation**

Both descriptive and inferential statistics were adopted to analyze the quantitative data gathered through a structured questionnaire. After having carried out data screening and cleaning, all the variables were coded and entered into the SPSS to analyze data obtained through questionnaires. Descriptive statistics is used to describe the usefulness of the data set and examine relationships between variables. To describe the data, preliminary descriptive statistics such as frequency, percentages, mean scores, and standard deviation are computed. Regarding the inferential statistics, multiple linear regression analysis is performed using the four dimensions of customs clearance (independent) and sales performance (dependent) variables.

Regression analysis is a statistical method to deal with the formulation of a mathematical model depicting relationships amongst variables which can be used for the purpose of prediction of the value of a dependent variable, given the value of the independent (Kothari, 2004). The basic aim is to evaluate the extent to which the customs clearance practice affects the sales performance in terms of coefficient of determination ( $r^2$  value), the regression (beta) coefficient, and the p-values (ANOVA Test) for the significance of each relationship.

Before conducting the regression analysis, assumption tests for the regression model (multi-collinearity, homoscedasticity, linearity, and normality) were carried out; and correlation coefficients were used to quantitatively describe the strength and direction of the association between the variables. According to Hair (2016), the Pearson correlation coefficient measures the degree of linear association between two variables. It varies between -1.00 to +1.00, with 0(zero) - representing absolutely no association between the two variables.

Regarding the model specification, a mathematical model is applied in this study. The multi-regression model is set for regressing each independent (predictor) variables on the dependent (outcome) variable. To do so, the relationships between the study variables will be established as:

- *The effects of customs clearance practices on sales performance*

$$PERF = \beta_0 + \beta_1 CVAL + \beta_2 CDOC + \beta_3 PHY + \beta_4 RISK + e$$

Where: PERF = Sales Performance; CVAL = Customs Valuation; CDOC = Documentation; PHY = Physical Inspection; RISK = Risk Level of Exported Items; e = error term,  $\beta_0$  = constant, term  $\beta_1, 2, 3, 4, 5$  = coefficients of predictors

### **3.8. Validity**

The survey was conducted in person for the fulfillment of the academic requirement. A total of 30 questionnaires were first distributed for pretesting the reliability and validity of the scale. The content and construct validity were checked to ensure the quality of the research design. The validity of the scale was confirmed by involving marketing scholars to review the content of the questionnaire for inclusion of relevant information, absence of jargon, and appealing face validity. It was also evaluated by the assigned advisor and other experts in the field. Then, some amendments were made accordingly. Besides, the student researcher established the questionnaire in its final version, after highlighting some previous studies related to the subject of this study.

### 3.9. Reliability

To evaluate the data collection instrument, reliability is one of the major criteria. Reliability estimates the consistency of the measurement or simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects (John, 2007). In this research, Cronbach's alpha is used to test the reliability of the measures. Cronbach's alpha is an index of reliability associated with the variation accounted for by the true score of the underlying construct. Construct is the hypothetical variable that is being measured (Hatcher, 1994).

Table 13. Reliability Test

<i>Attributes</i>	<b>Cronbach's Alpha</b>	<b>No. of Item</b>
<i>Customs Valuation</i>	.832	8
<i>Documentation</i>	.891	8
<i>Physical Inspection</i>	.703	6
<i>Risk Level Assessment</i>	.894	6
<i>Sales Performance</i>	.702	5
<i>All Items</i>	.893	33

Source: SPSS Output, 2022

As shown in Table -2, the results of the Cronbach's Alpha illustrated that all the five study variables are above the threshold value ( $\alpha = .70$ ). Alpha coefficient ranges in value from 0 to 1, may be used to describe the reliability of factors extracted from dichotomous (that is, questions with two possible answers) and/ or multi point formatted questionnaires or scales (that is, rating scale: 1= poor, 5=excellent). The higher the score, the more reliable the generated scale is. Nunnaly (1978) suggests 0.7 to be an acceptable reliability coefficient. Thus, it can be concluded that the scale is reliable to collect the required data as the overall alpha value was found to be  $\alpha = .893$ .

### 3.10. Ethical Considerations

In order to keep the confidentiality of the data given by the respondents, they weren't required to write their name and assured that their responses would be treated in strict confidentiality. The purpose of the study was disclosed in the introductory part of the questionnaire. Furthermore, the researcher tried to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were delivered in person only to voluntary participants after having their full consents, those who didn't have willingness, were excluded.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSES AND INTERPRETATIONS

The results provided detailed analyses of the data collected through self-administered questionnaires conducted on the marketing and salespersons staff of 50 selected coffee export companies in Addis Ababa along with the transistors and agents working with them. The questionnaire encompassed two sections, the first part was all about respondents' demographic characteristics such as gender, age, education, ownership, tenure, and average time taken for customs clearance. The second section contains the attributes of the study variables namely customs valuation, documentation, physical inspection, risk level assessment, and sales performance.

After having distributed a total of 237 questionnaires for sales & marketing staff, owners, agents and transistors of 50 coffee exporter PLCs in Addis Ababa. Of which a total of 213 questionnaires were filled and returned, which accounted for 89.9% of the total distributed questionnaires. However, after having screened the collected questionnaires for missing data and other discrepancies, it was found readily availed 185 valid and usable questionnaires for statistical analysis. Then, the collected data were transposed to SPSS 21.0 and went through coding as well as error correction to make them suitable for the proposed technique of data analysis. Once the preparation was completed, the required analyses were carried out and the results are presented below.

#### 4.1. Demographic Profiles

In the descriptive statistics, the demographic section sought to capture respondents' personal information such as gender, age, education, department, position, tenure, and salary. Such information is critical in the validation of the research. Using SPSS, frequency, percentage, mean scores, and standard deviation as computed by the descriptive statistics for individual items were drawn from distributed questionnaires and presented in the table below.

Table 3 shows that out of 185 respondents, male respondents comprised 111(60.0%) and the rest 74(40.0%) were their female counterparts. The proportion of male participants is almost one-third of their female counterparts. It reflects female respondents are more in number but with the scope and the size (number) of the respondents in this study, it would be premature to make conclusive remarks as to what gender discrepancy means over gender diversity. Perhaps, further endeavors with a specific focus on gender might explore this venue from a gender-related perspective.

Table 14. General Information of the Respondents

Category	Freq.	Percent (%)
<b>Sex</b>		
Female	74	40.0
Male	111	60.0
<b>Total</b>	<b>185</b>	
<b>Age</b>		
21 - 30	61	33.0
31 - 40	74	40.0
41 - 50	38	20.5
>50	12	6.5
<b>Total</b>	<b>185</b>	
<b>Education</b>		
High School	14	7.6
Certificate	36	19.5
Diploma	47	25.4
Degree	67	36.2
Postgraduates	15	8.1
Others	6	3.2
<b>Total</b>	<b>185</b>	
<b>Participants</b>		
Owner	28	15.1
Agent	10	5.4
Transistor	38	20.5
Salesperson	73	39.5
Marketer	36	19.5
<b>Total</b>	<b>185</b>	
<b>Tenure</b>		
1 – 5 years	30	16.2
6 – 10 years	69	37.3
11 – 15 years	59	31.9
> 15 years	27	14.6
<b>Total</b>	<b>185</b>	

Source: Own SPSS Output, 2022

As far as the age range of the respondents is concerned, 74(40.0%) of the respondents were found to be within the age range of 31 – 40 years followed by 61(33.0%) and 38(20.5%) within 21 – 30 years and 41 – 50 years respectively. The rest 12(6.5%) was found above the age of 50 years. This finding

is positive in its indication that export companies engaged in the industry were from all age groups from adults all the way to the elderly. It is noteworthy to acknowledge that this phenomenon is largely due to the nature of the business as its attractive opportunity is a necessity for survival and sustainability, appealing to people regardless of age. But it would be interesting to cross-reference this finding with findings regarding other variables and see if there's valuable insight to arrive at.

Their educational background reflects 67(36.2%) and 47(25.4%) of the respondents were first degree and diploma holders from Technic and vocational Education Training – (TVET) respectively. Certificate holders shared 36(19.5%). The rest high school certified and postgraduates shared the rest 14(7.6%) and 15(8.1%) respectively. This implies that the respondents were educated at different levels of academic qualifications hence reliable responses could be expected as they have a relatively better understanding. It could be taken as an opportunity to see the influence of educated workforce in the export companies on sales performance.

Regarding the role of the respondents, 28(15.1%) owners, 10(5.4%) agents, 38(20.5%) transistors, 73(39.5%), and 36(19.5%) were participated in the survey. This indicates that their perception regarding the customs clearance practices of the country could be taken as good opportunity to get reliable data that might assure the credibility of the analysis.

Regarding their tenure in coffee export business, it revealed that those who have been engaged in this business from 6 – 10 years took relatively the highest share 69(37.3%), followed by 30(16.2%), 59(31.9%), and 27(14.6%) with service years ranging 1 – 5 years, 11 – 15 years, and Above 15 years respectively. Almost one-fourth of the respondents have relatively long service years, implying that they would have more information and experience regarding the compensation schemes of the company.

Referring the process time taken by the customs clearance authorities, the results in Figure 2 illustrates that 87(47.0%) of the respondents admitted the clearance took 3 – 4 weeks, while 56(30.3%) witnessed that it did from 1 – 2 weeks. Besides, the rest 26(14.1%) and 16(8.6%) also believed that the clearance usually takes over 4 weeks or less than a week respectively. This implies that the majority agreed the process takes relatively more delays that adversely affect the respondents' perception.

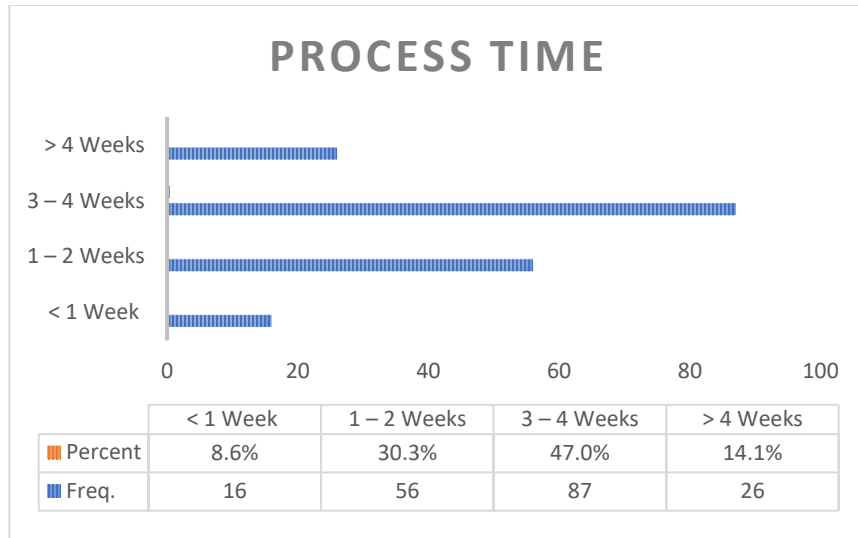


Figure 2. Process Time Taken for Clearance

Similarly, the country that the Ethiopian coffee is exported, Asia took the highest share (74, 40.0%), followed by Europe (50, 27.0), North America (42, 22.7%), and Africa (15, 8.1%). But South America took the least share (4, 2.2.%). This indicates Asia and Europe countries were the major importers of Ethiopian Coffee. This can be taken as a good marketing opportunity for coffee exporters the fact that these continents are the place where countries with large number of coffee consumers are resided.

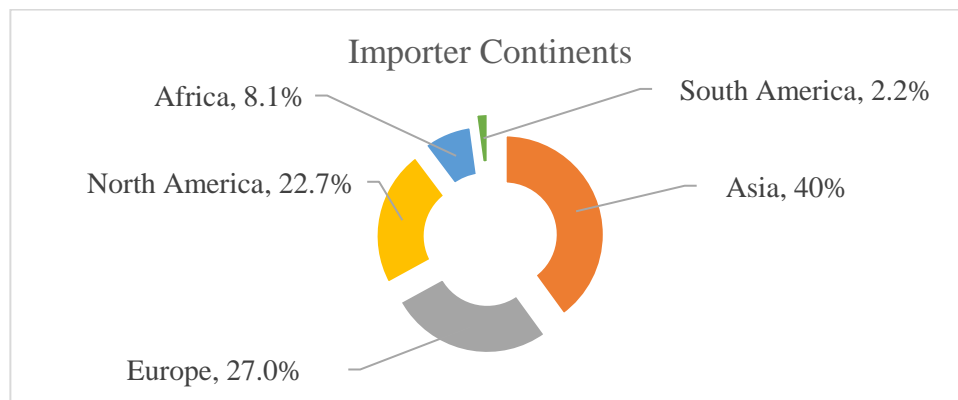


Figure 3. List of Ethiopian Coffee Importer Continents

#### 4.2. Descriptive Statistics of Study Variables

The descriptive analysis of the study variables constitutes five variables namely customs valuation, documentation, physical inspection, and risk level assessment. The grand mean and standard deviation descriptive stats are used to measure the central tendency and variation of respondents' perception toward the listed study variables.

To compare the respondents' perception of the variables, descriptive statistics of mean and standard deviation were used. The mean indicates to what extent the sample group averagely agrees or disagrees with the different statements. The scale is set in such a way that respondents strongly disagreed if the mean scored value is in the range of 1.00 – 1.80; disagreed within 1.81 – 2.60; neither agreed nor disagreed within 2.61 - 3.40; agreed if it is in the range of 3.41 – 4.20; while strongly agreed when it falls within 4.21 – 5.00. In addition, standard deviation shows the variability of an observed response. The summary of each dimension is presented below.

#### 4.2.1. Customs Valuation

Table 15. Description of Customs Valuation Practices

Attributes	N	Mean	Std.
The customs clearance system/procedures are transparent	185	4.05	1.540
The customs clearance system/procedures are consistent	185	4.31	1.358
The customs clearance system/procedures make exporters feel certain	185	3.79	1.681
The tax levied on coffee export is fair compared to other agricultural export items	185	4.22	1.424
The Customs valuation system is encouraging as it gives more tax incentive packages to value-added exported coffee (like roasted coffee)	185	3.53	1.865
The Customs valuation system discourages smuggling/ contraband/	185	3.63	1.673
The export custom functional units are adequately staffed with skilled personnel	185	3.51	1.691
Overall, the customs valuation system applied by customs authority is effective to promote coffee export	185	3.58	1.680
<b>Grand Mean - Customs Valuation</b>	185	3.83	1.223

Source: SPSS Output, 2022

Referring the results in figure 4, the descriptive statistics of the customs valuation variable illustrates the majority of the respondents strongly agreed with consistency of the customs clearance procedures (M = 4.31), and fairness (M = 4.22) of the tax value levied on export coffee. They also acknowledged that the customs clearance system/procedures are transparent (M = 4.05) which made exporters feel certain (M = 3.79) as well as discourages smuggling/ contraband (M = 3.63). But they had certain doubts on whether the tax policy was effective to promote coffee export (M = 3.58), more encouraging for value-added coffee products (M = 3.53) as well as the authority assigned skilled and experienced staff adequately (M = 3.51) to deliver fast and quality service procedures. In this regard, they had positive perception toward the overall customs valuation practices of the authority (M = 3.83,) but they had different stands in this regard (SD = 1.222) as the std. is over the threshold, Std < 1.000.

### 4.2.2. Customs Documentation

Table 16. Description of Customs Documentation Practices

Attributes	N	Mean	Std.
The commission works with different stakeholders (banks, insurances, inspection authorities, transistors, forwarders, etc.) to facilitate documentation-related issues.	185	3.50	1.720
Documents required by tax officers/departments are clear/ predictable	185	3.63	1.712
The required documents are in line with the requirement of the importing countries	185	3.44	1.919
The documents required for customs clearance are very specific	185	3.41	1.660
The commission adopts modern IT to facilitate/automate clearance procedures	185	3.45	1.668
The customs commission has competent staff to handle document clearance in time.	185	3.54	1.713
The tax authority provides training to the mass population or creates awareness	185	3.61	1.717
The export document clearance practices of the customs commission are in line with the trade facilitation policy of the country.	185	3.48	1.704
<b>Grand Mean - Customs Documentations</b>	<b>185</b>	<b>3.51</b>	<b>1.171</b>

Source: SPSS Output, 2022

Similarly, regarding documentations required for customs clearance for coffee exports, majority of the respondents had weak perception ( $M = 3.51$ ,  $SD = 1.171$ ). It is evidenced by their slight agreement with the authority worked with different stakeholders ( $M = 3.50$ ), specificity ( $M = 3.41$ ), and clarity and predictability of the required documents ( $M = 3.63$ ), compliance of the documents with importer countries' requirement ( $M = 3.44$ ). They also showed less agreement with adoption of modern information technologies ( $M = 3.45$ ), availability of competent staff ( $M = 3.54$ ), lack of training and awareness creation for exporters ( $M = 3.61$ ) and the reconciliation of the required documents with trade facilitation policy of the country ( $M = 3.48$ ). This implies that the bureaucratic nature of the customs authority's documentation procedures which are the area that requires immediate attention of the managements.

### 4.2.3. Customs Physical Inspection

As far as the physical inspection of the export coffee is concerned, majority of the respondents had neutral (neither agreed nor disagreed) stand on the overall physical inspection of the customs authority (Grand mean = 3.28, Std. 1.073). This is backed by their neutral stands in regards to taking proactive actions ( $M = 2.59$ ) if the inspection is failed when checked against pre-shipment requirements ( $M = 2.75$ ) as well as confirming the reconciliation of the inspection with the declaration

(M = 3.39). However, they acknowledged the adoption of modern equipment for physical inspection (M = 3.89), assignment of skilled inspectors (M = 3.55), and doesn't take longer inspection time (M = 3.50). This implies that the majority of the respondents had doubts on the proficiency of the physical inspection processes.

Table 17. Description of Customs Physical Inspection Practices

<b>Attributes</b>	<b>N</b>	<b>Mean</b>	<b>Std.</b>
The customs authority carries out the physical inspection promptly	185	2.59	1.606
The authority assigns well-experienced or technically competent staff for inspection	185	3.55	1.732
The customs authority takes prompt action if the inspection of the export coffee differs from the pre-shipment mandatory inspection by Ethiopian Tea & Coffee Development	185	2.75	1.533
The authority's physical inspection doesn't take a long time due to lengthy risk assessment	185	3.50	1.726
The authority carries out the physical inspection to confirm with the customs declaration	185	3.39	1.859
The customs authority adopts modern test equipment for inspection to shorten the lead time	185	3.89	1.666
<b>Grand Mean - Customs Physical Inspection</b>	<b>185</b>	<b>3.28</b>	<b>1.073</b>

Source: SPSS Output, 2022

#### 4.2.4. Customs Risk Level Assessment

Table 18. Description of Customs Risk Level Assessment Practices

<b>Attributes</b>	<b>N</b>	<b>Mean</b>	<b>Std.</b>
The customs commission has a clear policy to control non-complaints risk	185	4.12	1.475
The customs commission's risk management selectivity system is efficient in mitigating illegitimate trade transactions	185	3.60	1.602
The risk management of the customs commission works on creating awareness regarding the risk to pursue coffee exporters perceive the risk assessment positively	185	3.67	1.579
The risk management of the customs commission strictly discourages fraud by coffee exporters	185	3.58	1.712
The risk assessment techniques of the Ethiopian Customs Commission are bureaucratic	185	4.25	1.365
Overall, the customs commission risk assessment policy facilitates coffee export trade	185	3.49	1.812
<b>Grand Mean - Customs Physical Inspection</b>	<b>185</b>	<b>3.79</b>	<b>1.292</b>

Source: SPSS Output, 2022

On the other hand, the respondents agreed with the overall risk level assessment of the customs clearance managements as the grand mean value scored 3.79 with standard deviation of 1.292. They strongly agreed with the commission has clear policy to control non-compliance risks (M = 4.12)

despite it is bureaucratic (M = 4.25). Moreover, they also appreciated the commission exerted efforts on creating customer's awareness regarding the necessity of the risk level assessment (M = 3.67). But they showed their agreement regarding the efficiency of the commission's risk management selectivity system (M = 3.60), strictly discouraging frauds (M = 3.58) as well as facilitating coffee export trade (M = 3.49). This also implies the overall risk level assessment on coffee export was perceived positively but its bureaucratic and inefficient process adversely affect their perception towards the relevance of the risk mitigation.

#### 4.2.5. Sales Performance

Table 19. Description of Sales Performance

Attributes	N	Mean	Std.
The volume of coffee export increases for the last consecutive years	185	3.42	1.513
The company achieves the annual coffee export sales target most of the time	185	3.73	1.565
The company scores an increment in annual growth of the coffee export trade	185	3.46	.967
The profitability of the company increases as the number of customers increases over time.	185	3.51	1.681
Overall, the sales activities of the company enable us to retain our customers	185	3.43	1.271
<b>Grand Mean - Customs Physical Inspection</b>	<b>185</b>	<b>3.51</b>	<b>.961</b>

Source: SPSS Output, 2022

Finally, in regards to the overall performance of their coffee export sales, majority of the respondents were also slightly perceived it positively as the grand mean scored value was found to be 3.51 with standard deviation of .961. That means, they had relatively similar stand in this issue. They slightly agreed with the increment of the sales volumes (M = 3.42), number of customers (M = 3.51), and retention of the existing customers but isn't as expected (M = 3.43). However, they admitted that they achieved their annual sales target (M = 3.73) as well as annual sales growth (M = 3.46). This also has an implication that the overall sales performance of the company showed slight improvement for the last three consecutive years but not acknowledged its sufficiency as expected.

### 4.3. Inferential Analysis

The inferential statistics comprises three main analyses namely correlation test, assumption test and multiple linear regression analysis. A Pearson correlation test was carried out to check there is a relationship between the categorical variables. The regression assumptions were also checked for the

suitability of the collected data for linear regression model by testing multicollinearity, multivariate normality, linearity and homoscedasticity issues. While the multiple linear regression analysis was applied whether one or more predictive variables explain the dependent (criterion) variable.

#### 4.3.1. Correlation Test

To explore the relationship between customs clearance and sales performance dimensions, Pearson correlation was first investigated. The four dimensions of customs clearance were taken as independent variables, while overall sales performance is dependent variable.

Table 20. Strength of association based on the size of correlation

Degree of Correlation	R Values
Small correlation	$r = -0.1$ to $-0.29$ and $+0.10$ to $+0.29$
Medium correlation	$r = -0.3$ to $-0.49$ and $+0.3$ to $+0.49$
Large/Strong correlation	$r = -0.50$ to $-1.00$ and $+0.5$ to $+1.00$

Table 9 represents the interpretation of the correlation coefficient based on Cohen (1988). The interpretations of the correlation coefficient in Table 6 were used to understand the relationship between customs clearance and sales performance. It also was used to explain the relationship strength in terms of value of the Pearson correlation ( $r$ ) and the direction of the relationship of the variable that were used in this study.

Table 21. Correlation Analysis of Variables

Dimensions	CDOC	CVAL	PHY	RISK	PERF
Documentation – DOC	1.00				
Valuation – CVAL	.314**	1.00			
Physical Inspection – PHY	.214**	.145*	1.00		
Risk Level Assessment – RISK	.317**	.152*	.181*	1.00	
Sales performance – PERF	.690**	.426**	.302**	.487**	1.00

\*Correlation is significant at the 0.05 level

Source: Own Survey, 2022

The results on Table 10 showed that all the four dimensions of customs clearance namely valuation, documentation, inspection and risk level have positive and significant relationship with sales performance. Specifically, documentation had a positive and strong ( $r = .690$ ,  $p < 0.05$ ) relationship with

sales performance while valuation ( $r=.426$ ,  $p<0.05$ ), physical inspection ( $r=.302$ ,  $p<0.05$ ) and risk level ( $r=.487$ ,  $p<0.05$ ) had positive and moderate relationship. These imply that a variation in customs clearance would bring changes in sales performance. Thus, it can be concluded that customs clearance are good predictors of and sales performance in this case study.

#### 4.3.2. Assumption Test

Multiple linear regression is an analysis that assesses whether one or more predictive variables explain the dependent (criterion) variable. The regression assumptions are Multicollinearity, Multivariate Normality, Linearity and Homoscedasticity.

**Multicollinearity** - Multicollinearity refers to the situation in which the independent/predictor variables are highly correlated. When independent variables are Multicollinearity, there is “overlap” or sharing of predictive power. Thus, the impact of Multicollinearity is to reduce any individual independent variable’s predictive power by the extent to which it is associated with the other independent variables. “Tolerance” and “variance inflation factors” (VIF) values for each predictor is a means of checking for Multicollinearity. Tolerance value below 0.1 and VIF value above 10 percent indicate a Multicollinearity problem, (Robert, 2006).

Table 22. Multicollinearity

Variables	Collinearity Statistics	
	Tolerance	VIF
Documentation	.811	1.233
Customs Valuation	.893	1.120
Physical Inspection	.934	1.071
Risk Level Assessment	.884	1.132

Source: Survey Result, SPSS 2022

In this study, the results showed that the collinearity statistics analysis of variance inflation factors (VIF) value ranges from 1.071 to 1.223 which indicated there was no collinearity issue. It could be taken as a confirmation that there were no multicollinearity issues to proceed for regression analysis.

**Homoscedasticity and Linearity Test** - Testing for Homoscedasticity lies with an assumption in regression analysis that the residuals at each level of the predictor variable(s) have similar variances.

Using the plots of ZRESID against ZPRED, the distribution is checked whether the graph looks like a random array of dots evenly dispersed around zero. This is to mean that at each point along any predictor variable, the spread of residuals should be fairly constant.

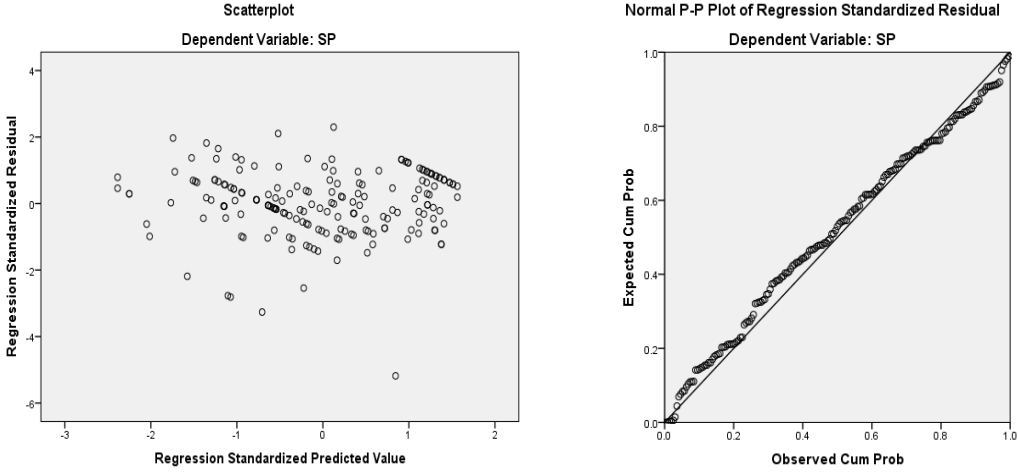


Figure 4. Scatter Plot of Homoscedasticity and Linearity Test

In Figure 5, it shows that each of the sales performance against the predictor variable of customs clearance and personality traits. The plot shows that how the points are randomly and evenly dispersed throughout the plot. And, these patterns are indicative of a situation in which the assumption of linearity and homoscedasticity have been met. The normal Q-Q chart plots the values one would expect to get if the distribution were normal against the values actually seen in the data set.

The expected values are a straight diagonal line, whereas the observed values are plotted as individual points. The values that have been observed on the diagram should be exactly along the straight line if the data is normally distributed (meaning that the observed values are the same as those which you would expect of a normally distributed data set). Any difference in the points from the line is an irregular one. So, the Q-Q plot of the all variable considered in this study looks like a straight line with dots wrapped around it then it showed little deviation from normality as clearly presented above.

**Multivariate Normality-** To check that a distribution of scores is normal, on top of the graphical presentation above, it also needs to look at the values of Kurtosis and Skewness. Both of which have an associated standard error. The values of skewness and kurtosis should be zero in a normal distribution. Positive skewness values suggest a piling of the distribution scores to the left, whereas

negative values suggest a flat dispensing. The more zero the value, the more likely the data will not be distributed normally. Both have a corresponding default. The actual importance of skewness and kurtosis is, however, not insightful in itself. Rather, the value must be taken and converted to a z value. The z-score is simply a standardize score from a distribution that has Mean of 0.0 and standard deviation of 1.0.

Table 23. Normality Test

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Documentation	185	-.286	.179	-1.327	.355
Customs Valuation	185	-.609	.179	-1.170	.355
Physical Inspection	185	-.428	.179	-.520	.355
Risk Level Assessment	185	-.691	.179	-.889	.355
Sales Performance	185	-.209	.179	-.141	.355
Valid N	185				

Source, Own Survey, 2022

As presented in Table 12, except clarity variable, all customs clearance dimensions' z-scores skewed to the right side but were found to be within acceptable range (skewness and Kurtosis within -2.0 to 2.0). Therefore, it is pretty clear then that the numeracy scores are negatively skewed, indicating a pile-up of scores on the right of the distribution.

### 4.3.3. Multiple Linear Regression Analysis

The effect of the independent variables on the dependent variable was examined. The outputs of the multiple linear regression analysis are model summary, ANOVA test and Beta Coefficients.

Table 24. Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.781 <sup>a</sup>	.610	.601	.60695

a. Predictors: (Constant), RISK, CDOC, PHY, CVAL

The R value: As indicated in Table 13, the  $R=.781^a$  indicates the linear combination of the independent variables (valuation, documentation, physical inspection, and risk level assessment) strongly predicted dependent variable (sales performance) i.e., strong correlation between predictors and observed variables. Likewise, the value ( $R^2=.610$ ) indicated that, the customs clearance variables explain 61% variance in the sales performance and the remaining 39.0% is explained by extraneous variables, which have not been included in the regression model.

Table 25. ANOVA Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	103.596	4	25.899	70.303	.000 <sup>b</sup>
	Residual	66.310	180	.368		
	Total	169.906	184			

a. Dependent Variable: PERF

b. Predictors: (Constant), RISK, CDOC, PHY, CVAL

The significance level/ the p-value for all variables in the model summary were statistically significant ( $p<.05$ ), meaning that customs clearance explained the sales performance is not by chance.

Table 26. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.312	.216		1.443	.151
	Documentation	.423	.042	.515	9.954	.000
	Customs Valuation	.163	.039	.207	4.202	.000
	Physical Inspection	.100	.043	.112	2.323	.021
	Risk Level Assessment	.202	.037	.272	5.490	.000

a. Dependent Variable: SP

Accordingly, the finding revealed that hypothesis 1, 2, 3, and 4, which states ‘valuation, documentation, physical inspection, and risk level assessment have the positive significant effect on the sales performance’ is supported by the data collected on this survey as the documentation (p-value  $< 0.05$ ;  $\beta=0.515$ ); valuation (p-value  $< 0.05$ ;  $\beta=0.207$ ); physical inspection (p-value  $< 0.05$ ;  $\beta=0.112$ );

and credibility ( $p\text{-value} < 0.05$ ;  $\beta=0.272$ ), hence, the first alternative hypothesis for all customs valuation are confirmed. This implies that, for instance, the relative contribution of customs documentation to the model is 51.5% while customs valuation contributes 20.7%. The same is true for the rest. Therefore, the regression equation for this study derived as:

$$PERF = .312 + .515 CDOC + .207 CVAL + .112 PHY + .272 RISK$$

Table 27. Summary of the Research Hypothesis Test Result

	Alternate Hypothesis	Result
<b>H1</b>	Documentation has significant and positive effect on Sales performance.	Supported
<b>H2</b>	Customs valuation has significant and positive effect on sales performance	Supported
<b>H3</b>	Physical Inspection has significant and positive effect on sales performance	Supported
<b>H4</b>	Risk Level Assessment has significant and positive effect on sales performance	Supported

Source: SPSS output, 2022

#### 4.4. Discussions

This study aimed to understand the relationship between customs clearance practices and export sales performance by taking selected coffee export companies in Addis Ababa as a case. Primary data collected from owners, agents, transistors and sales & marketing staffs of 50 coffee exporters. The influence of each customs clearance practices like customs valuation, documentation, physical inspection and risk level assessments have been examined. The results of the findings revealed that all the four variables of customs clearance had positive and significant effects on sales performance of the coffee exporters. The results are briefly discussed with comparing and contrasting the findings of similar empirical studies. The discussion is presented below.

Based on the coefficient analysis, documentation showed the highest effect on sales performance ( $B = .515$ ,  $p < .05$ ). this finding is in line with Jared's (2013) argument that states customs clearance work involves the preparation and submission of documentation required to facilitate export of the country, representing the client during customs examination, assessment, payment of duty, and co-taking delivery of cargo from customs after clearance along with documents (Jared, 2013). Thus, if delayed, it would have a negative impact on the trader's supply chain as the goods are upheld in a customs-controlled facility and are not at the disposal of the trader (UNCTAD, 2006).

Similarly, customs valuation levied on coffee export had relatively less effect on exporter's sales performance ( $B = .207, p < .05$ ). The customs valuation is more significant for import goods rather than exports for two reasons. First, according to Tewoldebirhan (2011), tax authority does not trust the value of goods as the import goods and related commercial documents are scrutinized meticulously. Second, the government highly encourages the export sector over the import as they are main sources of foreign hard currency. Thus, the impact of the tax and other related valuation are less influential due to their variation could end up with less variation on profitability.

Regarding the physical inspection, it also showed the least effect on sales performance ( $B = .112, p < .05$ ). This finding is also supported by ECC's annual report. According to the report, since the inspection of the exported coffee are subjected to different authorities' requirements, the physical inspection carried out by the customs authorities has less possibility of getting discrepancies (ECC, 2020). That means the physical inspection often take shorter time with minor findings resulting in mitigating the delays of coffee exportation. It might significantly affect the performance of each export company if delays are occurred due to bureaucratic procedures.

Finally, the risk level assessment had also higher effect on sales performance ( $B = .272, p < .05$ ). The category of the export product and the reputation of the company determine the level of the risk (ECC report, 2020). The 'Green-Level' of export coffee grains, as rated by ECC, has lower risk that encourages the importer country (Tewoldebirhan, 2011). Thus, the effect of risk level assessment of coffee export enhances the sales performance of the export companies.

Overall, in conclusion, the customs clearance procedures of ECC authority had the potential to affect the overall performance of the export trade either positively or adversely. Facilitation of trade in terms of designing and implementing a single-window service as well as coordination of the concerned stakeholders are mandatory factors that could mitigate the delays of issuing customer clearance.

## CHAPTER FIVE

### SUMMARY OF MAJOR FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

This chapter consists the summary of major findings, conclusions and recommendations of the study based on the descriptive and inferential analyses of the primary data collected through self-administered questionnaire.

#### **5.1. Summary of Major Findings**

Based on the analyses of this study, the following major findings are extracted below:

##### *Descriptive Analysis of the Study Variables*

- The majority of the respondents had certain doubts on whether the tax policy was more encouraging for value-added coffee products, and the authority assigned skilled/ experienced staff adequately to deliver quality service.
- Similarly, regarding documentations, the lack of the management's commitment to work with different stakeholders, adoption of modern information technologies, availability of competent staff is evidenced,
- As far as the physical inspection of the export coffee is concerned, majority of the respondents had neutral stands in regards to taking proactive actions if the inspection is failed when checked against pre-shipment requirements as well as confirming the reconciliation of the inspection with the declaration.
- On the other hand, the respondents strongly agreed with the custom commission has clear policy to control non-compliance risks despite it is bureaucratic. But they showed their disagreement regarding the efficiency of the commission's risk management with strictly discouraging frauds as well as facilitating coffee export trade.

##### *Inferential Analysis*

The Pearson correlation results of the study shows that all the four dimensions of customs clearance had positive and statistically significant relationship with sales performance. Specifically:

- Documentation had a positive and strong relationship ( $r = .690, p < .05$ )
- Valuation ( $r = .426, p < 0.05$ ), physical inspection ( $r = .302, p < 0.05$ ) and risk level ( $r = .487, p < 0.05$ ) had positive and moderate relationship.
- The inferential analysis also illustrated that:
  - The model summary of the regression analysis explains 61.0% ( $R^2 = .610, p < .05$ ) of the overall sales performance of the coffee exporters by using the four variables of customs clearance.
  - The multiple linear regression output also illustrated that all the four dimensions of customs clearance practices had positive and statistically significant effect on sales performance. Specifically:
    - Documentation had the highest contribution ( $B = .515, p < .05$ ),
    - Similarly, Risk level assessment had also strong effect ( $B = .272, p < .05$ ),
    - But customs valuation showed a positive and significant effect on sales performance ( $B = .207, p < .05$ ),
    - While physical inspection had least contribution to the model ( $B = .112, p < .05$ ),

## **5.2. Conclusions**

This study aimed to investigate the effect of customs clearance on the sales performance of coffee exporters in Addis Ababa. The survey was conducted on a total of 185 respondents which comprised the owners, agents, transistors and sales & marketing staff of the coffee export companies. The results of the major findings revealed that the customs clearance practices by the Ethiopian Customs Commission (aka ERCA previously) namely documentation, customs valuation, physical inspection and risk level assessment had positive and statistically significant effect on sales performance of the coffee export companies in Addis Ababa.

It can be concluded that customs clearance is a set of functions undertaken by a national customs authority that facilitates the processing of export, transit declarations, valuation and processing of duties and fees, physical inspection, and post-clearance audits. Effective implementation of these major functions had a significant contribution to the enhancement of the coffee exporter's sales performance in terms of increasing their sales volumes, achieving the target and attaining overall sales growth within the fiscal year. In this regard, documentation takes the highest share for the reason that it is still customary not to release goods unless all issues of required documentation are resolved, and duties and taxes are paid. These delays in receiving the goods which are caused by Customs clearance procedures are a great concern for the coffee export companies faced with increasing demand pressures in today's markets. Delays that can be emanated from lack of fast physical inspection, clear risk level assessment, and consistent duties and taxes' imposition had adverse effect on their sustainability in this competitive global market.

Valuation problems and risk level assessment rules including classification problems, tariff heading determination, missing documents, lack of certificates of origin or health certificates, or cumbersome payment procedures can be resolved by allowing the release of goods prior to the actual payment. Besides, collecting duties and taxes in separate procedures, independent of the final clearance can be taken as a part of the resolution. The release of the export goods in the event of appeal avoids delays in situations where an appeal is pending. Thus, the exporters could be allowed to leave with customs financial guarantees for the payment of customs duties until a disputed issue under appeal is resolved. These guarantees could be in the form of a surety or a financial deposit. Therefore, poor facilitation in customs clearance practices could adversely affect the performance of the coffee exporters.

### **5.3. Recommendations**

Based on the major findings and the conclusions, the following possible suggestions are forwarded:

- Documentation had relatively the highest contribution on sales performance. But lack of the management's commitment to work with different stakeholders, adoption of modern information technologies, and sufficiency of competent staff is evidenced. The management of the ECC authority are advised to adopt information technology software that could facilitate ease of communication and electronic file sharing among different concerned stakeholders.
- The customs valuation system's clarity and specificity affect the coffee exporters but certain doubts on whether the tax policy was more encouraging for value-added coffee products. Thus, it is advisable that the management focuses on encouraging value-added coffee exports.
- As far as the physical inspection of the export coffee is concerned, majority of the respondents had neutral stands in regards to taking proactive actions if the inspection is failed when checked against pre-shipment requirements as well as confirming the reconciliation of the inspection with the declaration. Thus, the management of ECC should set policy and procedures how to tackle reconciliation issues occurred.
- On the other hand, the custom commission has clear policy to control non-compliance risks despite it is bureaucratic. But the efficiency of the commission's risk management with strictly discouraging frauds is still in question. Management of the commission are also advised to conduct continuous assessment on identifying the everchanging fraud activities and take proactive actions to mitigate the issue.

#### **Limitations and Suggestions for Future Research**

This study focused only investigating the cause-effect relationship between customs clearance and sales performance with quantitative research approach. But had it been qualitative data are included, it would have been able to see the big picture of their relationship. Thus, future research on this issue is suggested. Besides, it also considered the influence of customs clearance requirements on sales performance from the context of coffee exporters in Addis Ababa. Therefore, inclusion of other agricultural product exporters in other regional states would also give a clear picture so as to design and implement appropriate customs policy.

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## Appendices

### Appendix -I



**ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
SCHOOL OF COMMERCE**

#### Survey Questionnaire to be filled by Exporters

#### **Dear Participant,**

My name is Samuel Tafese , a postgraduate student at Addis Ababa University, School of Commerce. I am conducting my research entitled “THE EFFECT OF CUSTOM CLEARING PROCEDURES ON SALES PERFORMANCE: THE CASE OF COFFEE EXPORTER COMPANIES.” The purpose of this questionnaire is to gather information about exporters’ perceptions regarding the effect of the existing custom clearance practices by the government on their export sales performance. The idea of this survey revolves around the custom valuation, documentation requirement, physical inspection, and the exported goods’ risk level. This helps analyze to what extent these factors affect the sales performance of the exporters in Addis Ababa.

Your honest and sincere responses to this questionnaire will play a great role in making the research successful. I assure you that all the responses will be treated confidentially and only be used for academic purposes. Participation is purely voluntary and no need to write your name.

I thank you in advance for offering your golden time and if you have any questions, please feel free to contact me at the below contact:

Samuel Tafese

Phone: +251911385290

Email: [Samuel\\_tafese@yahoo.com](mailto:Samuel_tafese@yahoo.com)

**Part I. General Information**

1. Gender  Female  Male
2. Age  21 - 30 years  31 - 40 years  41 – 50 years  > 60
3. Education  High School  Certificate  Diploma  Degree  
 Post Graduate  Other, please specify\_\_\_\_\_
4. Ownership of the export company  
 Owner  Agent  Transistor  Employee
5. Duration in the export sector  
 1 – 5 years  5 - 10  10 -15 years  >15 years
6. Time taken for custom clearance (in days)  
 < 1 day  1 – 2  3 - 4  > 4
7. Country of Export  
 Asia  Europe  North America  
 Africa  South America

**Part II. Questions related to Custom Clearance and Sales Performance**

Please read each statement carefully and show your level of agreement on the statements by putting “X” mark in the boxes using the following 5-scale Likert scales: Strongly agreed (SA)=5, Agreed (A)=4, Neutral (N)=3, Disagreed (DA)=2, and Strongly disagreed (SDA)=1

Description	Likert Scale				
<b>1. Custom Clearance</b>					
<i>Custom Valuation</i>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The customs clearance system/procedures are transparent					
The customs clearance system/procedures are consistent					
The customs clearance system/procedures make exporters feel certain					
The tax levied on coffee export is fair compared to other agricultural export items					



Overall, the customs commission risk assessment policy facilitates coffee export trade

<b>2. Sales Performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The volume of coffee export increases for the last consecutive years					
The company achieves the annual coffee export sales target most of the time					
The company scores an increment in annual growth of the coffee export trade					
The profitability of the company increases as the number of customers increases over time.					
Overall, the sales activities of the company enables to retain our customers					

**Many Thanks for Your Valued Time!!!**