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College of Business and Economics

**Factors Affecting the Efficiency of Import Customs Clearing Process in
Ethiopia, The Case of Customs Commission Addis Ababa Kality Customs
Branch Office**

By

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A thesis submitted to Department of Management, MSc in International
Business Import & Export Specialization

Submitted to: Dr. Demeke Chimdessa


June 15, 2024

DECLARATION

I declare that on the project entitled “Factors Affecting the Efficiency of Import Customs Clearing Process in Ethiopia, The Case of Customs Commission Addis Ababa Kality Customs Branch Office” is my original work and has not been presented (submitted) by anybody for any degree or diploma in any University and all material used for the project work have been acknowledge.

Declared by:

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This thesis has been submitting for examination with my approval as university supervisor.

Name of Advisor: Dr. Demeke Chimdessa  **Signature ...** _____ **Date**

CERTIFICATION

This to certify that Alemnesh Sebsibe has carried out this research work on the topic “Factors Affecting the Efficiency of Import Customs Clearing Process in Ethiopia, the Case of Customs Commission Addis Ababa Kality Customs Branch Office.” This work is original in nature and has not been presented for a degree in any University. It is submitted for the partial fulfilment of the requirements for the award of Master of Art in international business under my guidance and supervision.

Name and Designation of Advisor ----- Dr. Demeke Chimdesa -----

Signature of Advisor -----

Date of Submission ----- June 15, 2024 -----

Place: Addis Ababa University ----- College of Business & Economics -----

Abbreviations

AW-ASYCUDA World

CPO-Cash Payment Order

CR-Critical Ratio

ERCA-Ethiopian Revenue and Customs Authority

FGD-Focus Group Discussions

KII-Key Informant Interview

OECD-Organization for Cooperation and Development

RM-Risk Management

SPSS-Software Package for Social Sciences

TIN-Tax Identification Number

TRS-Time Release Study

VAT-Value Added Tax

VDD-Value Declaration Document

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ABSTRACT

The main objective of this research was to examine the factors that influence the efficiency of import customs clearance process. Descriptive research design and mixed research approach were followed. Stratified sampling followed by systematic sampling were used. Both secondary and primary data were employed. 291 samples were considered for the purpose of fulfilling the objective of this study. Survey questionnaires and interviews were used to collect the required data. Both descriptive and inferential data analysis tools were used. The finding showed that knowledge of the procedure and valuation are the two fundamental factors significantly affecting the efficiency of import customs clearance process. Kality customs branch office need to enhance the knowledge of employees by adopting different employee development and engagement programs on different policies, procedures and guidelines related to customs clearance processes..

Keywords: *Valuation, Tariff classification, Documentation, Knowledge of the procedure*

Chapter 1

1. Introduction

1.1. Background of the study

Customs clearance is a critical process that facilitates international trade by ensuring the smooth movement of goods across borders. In Ethiopia, the Customs Commission plays a key role in overseeing import and export activities. However, the efficiency of the customs clearing process remains a significant concern. Delays in customs clearance can lead to increased costs, supply chain disruptions, and hinder economic growth.

In addition to that, cross-border trade has experienced a significant surge due to the effects of globalization. This has led to a growing demand on customs operations, as highlighted by (Lane, 1998; cited in DeWolf and Sokol, 2005). Consequently, there has been an increased emphasis on improving trade and regulatory processes at the border, as noted by DeWolf and Sokol (2005), in order to streamline trade-related procedures when necessary. Therefore, the focus has shifted towards trade facilitation as a key objective for customs authorities and other international bodies. The primary goal was to ensure the swift movement and clearance of goods across borders at the lowest possible cost, as pointed out by Dominca et al. (2012).

African border crossings are often blocked due to inefficient customs operations, which also have a negative impact on Africa's global trade. Hotspots cause delays, long transit times, congestion and illegal trade at some border crossings (Glenday, 1997). Despite efforts to improve Africa's trade competitiveness and the continent's participation in the global trading system, the continent remains a marginal player due to these and other challenges.

Buyonge and Kireeva (2008), is the simplification and harmonization of international trade procedures. This includes the activities, practices, and formalities involved in collecting, presenting, communicating, and processing data required for the movement of goods in international trade. The goal of trade facilitation is to improve procedures and controls governing the movement of goods across national borders in order to reduce costs, increase efficiency, and uphold legitimate regulatory objectives (Grainger, 2007).

The duration of time it takes for customs clearance can have a significant impact, either positive or negative, on trade facilitation. A quick customs clearance process helps prevent bottlenecks that hinder the flow of trade. Conversely, a lengthy clearance time

suggests that the customs office lacks the necessary human resources and technology, leading to inefficiencies in handling imports and exports.

The efficiency of trade facilitation considerably slows down or speeds up the flow of goods across borders. Countries that made an effort to enhance the conditions for trade facilitation benefited greatly from the flow of goods across borders (Wilson, Mann & Otsuki, 2005).

1.2. Statement of the problem

Import customs clearance process poses significant challenges in many African nations, resulting in delays and increased transaction costs (Buyonge & Kireeva, 2008). The customs administrations in these countries are marked by excessive paperwork, outdated processes, limited automation and utilization of information technology, lack of transparency, predictability, and consistency, as well as inadequate collaboration with other government entities. The same is true in the case of the context of current study, Ethiopia.

Previous research conducted on the obstacles of customs clearance process particular to Ethiopia (e.g., Tweldeberhan, 2011) has provided insight into the average delay time at a national level during clearance and the specific areas within Ethiopia where delays commonly occur though failed to empirically substantiate. Moreover, empirical evidence by Addis Ababa Chamber of Commerce (2011) concluded that the weighted average customs clearance time for imported goods in Ethiopia was 13.8 days. This shows that there is a long delay in clearing imports at the border and a very large delay compared to top performers such as Japan (0.6 days), Australia (one day), Korea (one day) and Ghana (2.5 days); this time shows that it takes a long time to clear import cargo in Ethiopia.

Though the preliminary investigation made by the researcher shows the reasons for the inefficiencies import custom clearance process in Ethiopia are because of document requirements of many regulatory agencies, restrictions at transit and customs stations, valuation issues, risk assessment and human power capability issues, the effect of these factors on import clearance process were not empirically substantiated. Hence, this particular study aimed at bridging this research gap revolving around the factors affecting the efficiency of import customs clearance process in the context of current study.

1.3. Research questions

- How does tariff classification accuracy impact the efficiency of import customs clearance process?
- What role does valuation play in the efficiency of import customs clearance process?
- How does the availability and competence of human resources affect the efficiency of import customs clearance process?
- To what extent does risk assessment influence the efficiency of import customs clearance process?
- How knowledgeable are stakeholders about customs procedures, and how does it impact the efficiency of import customs clearance process?
- What is the effect of documentation on the efficiency of import customs clearance process?
- What challenges exist in handling documentation during the import customs clearance process?

1.4. Research Objectives:

1.4.1. General Objective

The primary objective of the study is to investigate and understand the factors influencing the efficiency of import customs clearance in Ethiopia, with a specific focus on the Customs Commission Addis Ababa Kality Customs Branch Office. By identifying these factors, the study aims to contribute to more efficient trade facilitation processes and enhance the overall effectiveness of customs clearance procedures in the country.

1.4.2. Specific objectives

- To determine the effect of tariff classification accuracy on the efficiency of import customs clearance process.
- To assess the role of valuation in the efficiency of import customs clearance process.
- To examine the availability and competence of human resources and its effect on the efficiency of import customs clearance process.
- To determine the effect of risk assessment on the efficiency of import customs clearance process.
- To determine knowledgeable level of stakeholders about customs procedures, and how does it impact the efficiency of import customs clearance process.

- To examine the effect of documentation on the efficiency of import customs clearance process.
- To determine the existing challenges in handling documentation during import customs clearance process.

1.5. Significance of the study

The significance of the study on Factors Affecting the Efficiency of Import Customs Clearance in Ethiopia lies in its potential impact on various stakeholders and the broader trade system. Specifically, importers, freight forwarders, and the concerned staff of the customs office itself will efficiently & successfully perform their future custom clearing process.

The research is important because it will help in handling delays associated with customs clearance that importers encounter and the proposed solution of this study will Efficiency up this process in return, it will contribute to minimizing costs. The research will indicate that the time delay in customs clearance is the only variable that substantially affects the cost of the clearance. Due to time delays, clearance costs increase for each additional hour, while other factors stay the same. The potential impact of the research will lie in the following trade networks:

Trade Facilitation and Economic Growth:

- Efficient customs clearance processes directly contribute to smooth trade flows. By identifying and addressing bottlenecks, this study can enhance trade facilitation in Ethiopia.
- Streamlined customs procedures lead to reduced transaction costs, benefiting importers, exporters, and consumers.
- Improved trade facilitation ultimately supports economic growth by promoting international commerce.

Government Revenue Collection:

- Customs duties and taxes constitute a significant portion of government revenue. Enhancing customs clearance efficiency ensures timely collection of these revenues.
- By minimizing delays, the government can optimize revenue collection without hindering trade.

Business Competitiveness and Investor Confidence:

- A predictable and efficient customs clearance process enhances Ethiopia's business competitiveness.
- Investors and businesses prefer countries with streamlined procedures, as it reduces uncertainty and encourages investment.

Reduced Corruption and Informal Practices:

- Delays in customs clearance often lead to informal practices and corruption.
- By addressing factors affecting efficiency, the study contributes to transparency and reduces opportunities for corrupt practices.

Policy Formulation and Implementation:

- The research findings can guide policymakers in policy formulation related to customs procedures.
- Recommendations based on empirical evidence can lead to effective policy implementation.

Capacity Building and Training:

- Understanding the impact of human resource capacity on clearance Efficiency informs targeted training programs for customs officers.
- Investing in capacity building improves overall customs administration.

International Trade Relations:

- Efficient customs processes enhance Ethiopia's reputation in international trade circles.
- The study's recommendations can align with international best practices, fostering positive trade relations.

Overall, this research has also practical implications for trade efficiency, revenue collection, and overall economic development in Ethiopia. The study's findings can guide policy improvements, training programs, and technological advancements to enhance customs clearance Efficiency by addressing the needs of these stakeholders, Ethiopia can promote smoother trade flows and economic development.

The study will also help other researchers to identify the gap in knowledge of efficiency up the custom clearing process and how those researchers can fill that gap in their further studies.

1.6. Scope of the study

The following were some of the elements that are presented as the scopes of this study:

Geographical Scope:

- The study focuses specifically on the Customs Commission Addis Ababa Kality Customs Branch Office.

Time Scope:

- The study considered data and observations from a specific time frame (e.g., a particular year or period from the selected companies).

Stakeholder Scope:

- The research involved stakeholders such as customs officers, importers, and clearing agents.
- It aimed to understand stakeholders roles and perspectives in the customs clearance process.

Thematic area:

- The study covered various aspects of customs clearance, including tariff classification, valuation, documentation handling, risk assessment, and human resource capacity and its effects on custom clearance efficiency.

Methodological Scope: Descriptive research design and mixed research approach was used for this study

7. Limitation of the study

Sample Size and Representativeness:

- The study's findings were based on data collected from a specific customs branch office. Generalizing these findings to all customs offices in Ethiopia may be limited.
- The sample size of participants (customs officers, freight forwarders, etc.) may also impact the study's representativeness.

Data Availability and Accuracy:

- The availability and accuracy of data can be a limitation. Some information may not be readily accessible or may be incomplete.
- Reliance on existing records or self-reported data may introduce biases.

Contextual Factors:

- Customs clearance processes are influenced by broader economic, political, and legal contexts. These external factors may not be fully captured in the study.
- Regional variations within Ethiopia could impact customs practices.

Dynamic Nature of Customs Procedures:

- Customs regulations and procedures are subject to change due to legal reforms, technological advancements, or administrative decisions.
- The study's findings may become outdated if not regularly updated.

Qualitative vs. Quantitative Approach:

- While the study aims to explore both qualitative (interviews, surveys) and quantitative (data analysis) aspects, the depth of qualitative insights may vary.
- Balancing both approaches is essential for a comprehensive understanding.

External Factors Beyond Customs Control:

- Delays in customs clearance can also result from external factors such as transportation infrastructure, port congestion, or security checks.
- These factors are beyond the direct control of customs authorities.

Chapter 2

Literature Review

2.1. Introduction

Customs clearance streamlines the seamless transfer of goods from one point to another point across international borders. It includes different managerial processes, verification of documents, and evaluation of duties and taxes. Effective customs clearance is imperative for economic growth, trade facilitation, and revenue generation.

It also functions as a crucial connection, linking exporters, importers, government entities, and regulatory authorities. In this advanced network of regulations and processes, customs clearance plays a vital role. It guarantees commitment to statutory needs, thus reducing trading hindrances. Furthermore, it serves as a champion for companies during customs inspections and manages the organization and filing of import and export documents.

The Ethiopian Customs Regulation No. 859/2014, as amended by proclamation No.1160/2019 establishes the overall structure for Customs Regulation in Ethiopia. The customs procedures enable approved importers to complete customs processes with minimal documentation and greatly reduced time. Customs processing time has been decreased to an average of under 21 days. The utmost count of days provided to pick up goods from a dry port is days. Otherwise, of the tax amount will be imposed as a fine. (Ethiopian Customs Law, 2019).

However, challenges persist, leading to delays, increased costs, and potential disruptions in supply chains. Understanding the factors influencing customs clearance Efficiency is crucial for improving trade efficiency in Ethiopia.

2.2. Theoretical Framework

- **Import customs clearance procedures**

Customs clearance is an important system for global change. It entails several steps, making sure compliance with guidelines and fending off fines. custom clearance idea refers to how companies respond to client orders and the approaches they comply with to make sure products or services attain customers. It emphasizes green, streamlined processes.

Customs clearance of goods imported from Ethiopia usually consists of several steps. The first step of the customs process is to declare the imported, exported or exported goods. Unless otherwise provided by law, Article 12 provides that everything imported, exported or

transported must be subject to customs declaration. The customs procedure allows importers to complete customs procedures with fewer documents and in a shorter time (ERCA, 2017).

According to Ethiopian Customs Administration (2017), ERCA first determines whether to accept the declaration and informs the importer, based on the initial conformity review after the submission of the customs declaration, including the completion of the documents provided. If goods are accepted, the customs management system is used to determine the export level.

ERCA divides products into three risk categories: Green (automatic release without further inspection), Yellow (only declarations can be checked), Red (both declarations can be checked and imported goods can be physically checked) and Blue (all can be checked). . (Automatic release of products without the need for additional steps).

In addition, live mammals like Dogs and different mammals must have a veterinarian's best condition affidavit before being admitted access into the country. Visitors to Ethiopia must enlarge a duties proclamation form if they are getting big sums of cash. Imports to Ethiopia demand a tax unique identifying number (TIN) guarantee. (Ethiopian Duties Guide, 2017).

- **Transaction cost**

Custom approval also includes undertaking costs related to filing, delays, and agreement that minimizing these costs leads to more effective work. In the context of significance duties clearance, undertaking costs encompass differing bills, charges, and administrative expenses guide importing merchandise. These costs can contain customs charges, income fees, proof charges, and management fees.

High transaction costs can slow down the customs clearance process. Cumbersome paperwork, delays in payment processing, and complex procedures contribute to increased transaction costs, ultimately affecting the efficiency of customs clearance.

François and Patricio (2003) contend that in the last 40 age, computers have enhance an essential form in duties administration. They Efficiency up data conversion, guarantee correct tariff regulation understanding, control labor costs, and help data status and opportuneness. However, machine control is insufficient for reaching productive up-to-date customs presidency. Instead, it concede possibility be joined into a comprehensive renovation exertion that includes corresponding changes in an arranging and allure processes.

2.3. Trade Facilitation Models

According to the World Trade Report from (2015), making trade procedures easier helps to lower trade costs and impacts the way trade is done, how resources are used, and the economic advantages. Trade facilitation focuses on cutting down on all expenses, except for production costs, that come with getting goods from the people making them to the people buying them.

- **Bureaucracy**

Customs authorities work within bureaucratic structures in the import custom context. Importers, exporters, and clearing agents need to go through these structures to follow regulations, submit required documents, and get clearance. But too much bureaucracy can cause delays and long approval processes, unnecessary paperwork, and inflexible workflows that slow down the movement of goods through customs. It is important to streamline bureaucratic procedures to speed up customs clearance.

- **Efficiency**

Efficiency means getting the most work done using the least amount of resources. When it comes to import customs clearance, being efficient means getting import transactions processed quickly and effectively. Efficient customs clearance helps to avoid delays, save money, and make trade easier. This includes improving processes, using technology, and making sure everyone involved, like customs officers, clearing agents, and importers, work together smoothly.

2.4. Conceptual Framework on Customs Clearance Efficiency & Influencing Factors

1. **Tariff Classification: Impact on Efficiency:** Accurate tariff classification ensures streamlined processing by customs officials. Misclassification can lead to delays.
2. **Valuation: Impact on Efficiency:** Proper valuation prevents disputes and facilitates quicker clearance. Errors in valuation can cause delays.
3. **Human Resources: Impact on Efficiency:** Adequate staffing and well-trained officers enhance efficiency. Staff shortages or lack of expertise can slow down clearance.
4. **Risk Assessment: Impact on Efficiency:** Effective risk assessment expedites low-risk consignments while focusing scrutiny on high-risk ones.
5. **Documentation: Impact on Efficiency:** Complete and accurate documentation reduces processing time. Missing or incorrect documents cause delays.
6. **Knowledge of Customs Procedures: Impact on Efficiency:** Informed importers navigate procedures efficiently. Lack of knowledge leads to errors and delays.

2.5. Customs Clearance

Customs Clearance is the ability the accomplishment of the Customs formalities essential to allow items to enter home use, to be exported or to be placed beneath any other Customs procedure. The key measures proposed intention to expedite the clearance and launch of goods at the borders. These measures include, inter alia, pre-arrival clearance, separate release from clearance, authorized dealer schemes, hazard management, and post-clearance audit. Customs modernization thru automation and ICT use is a beneficial step in implementing such methods (UNCTAD, 2008).

2.6. Customs Clearance Procedure of Ethiopia

According to ERCA(2010) customs clearance procedure in Ethiopia goes through the following procedures.

Lodgement of entry- the importer /agents are required to entire the customs declarations. Beginning from the reorganization of the authority, it is the responsibility of importers and/or dealers to make sure that the statement is thoroughly and accurately done and all helping files are produced and submitted to the customs workplace.

Checking of Declaration- the face vet officer obtain and check the goods of declaration against the file produced whether it is as per the training or not, then take delivery of or reject.

Identifying Risk Level- The hazard stage of the files recognized using the ASYCUDA++ system to make risk primarily based cure or control.

An Examination of Goods- This endeavour is undertaken by means of the examiner to assure that the goods and stipulations of the declaration are the same with the nature, origin, extent and value of the goods.

Release of Goods-This is the action taken by the customs to permit items undergoing clearance to be placed at the disposal of the humans concerned, after the fulfilments of all the formalities Moreover, import customs clearance procedures in Ethiopia are:

1. Customs Declaration:

- Upon arrival, importers are required to submit a customs declaration form that provides details about the imported goods, their value, and other relevant information.

2. Documentation:

- Proper documentation is crucial for clearing customs. The following are the types of documents which are useful in import customs clearing process in all places all over the world.
 - Agency Agreement
 - Bank Permit
 - Bill of Lading or Airway Bill
 - Certificate of Origin
 - Commercial Invoices
 - Customs Import Declaration
 - Foreign Exchange Authorization

3. Customs Valuation:

- Importers must accurately declare the value of their goods, which is used to calculate customs duties.

4. Tariff Classification:

- Understand the tariff classification of your goods. This helps determine the applicable customs duties.

5. Origin of Goods:

- Know the origin of your goods (whether they are domestically produced or imported). Different rules apply based on origin.

6. Payment of Customs Duties, Taxes, and Service Charges:

- Importers are obligated to pay customs duties, taxes, and any applicable service charges.

7. Post-Clearance Audit and Deferred Payment:

- Customs may conduct post-clearance audits to verify compliance.

- Deferred payment options may be available for certain transactions. (Ethiopian Custom Guide, 2017)

2.7. Factors Affecting the Efficiency of Customs Clearance Process

Tariff Classification: The method of assigning a specific number to a product based on its description and characteristics is known as tariff classification. Proper classification of goods based on their tariff codes significantly impacts customs clearance Efficiency. Accurate classification ensures that the correct duties and taxes are applied, expediting the process.

Valuation Methods: The valuation of imported goods plays a crucial role. Delays can occur if there are discrepancies in the declared value or if valuation methods are not followed correctly. The classification and valuation of tariffs as well as variable rating are crucial steps in the customs clearance procedure. Valuation is the process of determining the value of products for customs purposes, and the value for duty is used to determine the amount of duty and taxes that must be paid on the product. However, for some reasons the rating, classification and valuation of tariff might be varied for similar items. And such conditions will make a specific process to be delayed and create dissatisfaction of customers.

Human Resource Capacity: Human resource is the single most essential problems affecting the capacity of customs to attain its assigned targets efficiently and efficiently (USAID, 2004). Moreover, effective development of a human useful resource administration gadget which helps the fulfilment of the customs administration's goals is a vital duty of top and middle degree administration and the machine need to explicitly recognize that people are the organization's most treasured useful resource (EC, 2007).

The availability and competence of customs officers and clearing agents affect the clearance process. Well-trained personnel can expedite procedures. Continuous education for customs officers and clearing agents ensures they continue to be up to date on procedures, tariff changes, and technology. Well-trained personnel can deal with tactics more efficiently. In addition to this the imbalanced manpower can have an effect on customs clearance procedure in a quantity of ways. For instance, delays and backlogs may additionally end result if there are inadequate customs officers to control the cumbersome quantity of goods passing thru a port or border crossing. Businesses that depend on well timed delivery of products may additionally ride troubles as a result, which ought to price them money and damage their relationships with customers.

Insufficient customs officers can also increase the risk of smuggling and other illegal activities with the aid of failing to precise study goods. For nations with stringent

import/export laws or these attempting to cease the unfold of unique illnesses or pests, this can be specifically challenging.

Assessment Models: Effective threat evaluation helps perceive high-risk shipments, allowing customs authorities to focus resources appropriately. Timely threat evaluation contributes to faster clearance. Customs need to focal point assets on high-risk shipments while expediting low-risk ones. Efficient danger assessment prevents needless inspections and efficiencies up clearance.

Documentation Handling: According to Sefineh(2020), desirable documentation, which includes accurate and entire paperwork, is essential. Incomplete or flawed documents can lead to delays. When a cargo arrives, the importer or their agent collects transport files from the issuing bank. These archives are quintessential for customs clearance. The principal assisting archives include: Bill of Lading: A receipt issued by way of the carrier (shipping company) confirming the shipment's receipt and details. The different files are Commercial Invoice which will be certified via the neighborhood chamber of commerce at the port of loading, this bill specifies the cost of the goods. Certificate of Origin, Packing List, and Certificate of Analysis are other essential archives which will be despatched from the supplier's financial institution to the importer's bank. Bank Permit and Insurance are the archives the importer obtains a financial institution permit and arranges insurance plan locally. The financial institution allow allows them to proceed with customs clearance. There are additionally different documents like Draft Declaration Preparation that the clearing agent prepares an estimated announcement (draft declaration) based on the policies and rules for responsibility and tax calculation. This step involves assessing the relevant responsibilities and taxes based totally on the goods' cost and classification.

The importer or their agent prepares obligation and tax payments. These can be made the usage of various methods, such as Cash Payment Orders (CPO) or financial institution transfers. Ensuring well timed fee is crucial for easy clearance. The clearing agent submits the statement and the Value Declaration Document (VDD) on-line simultaneously, they make the vital fee for responsibilities and taxes. Importers can facilitate a smoother customs clearance system by means of following these steps and making sure correct documentation.

There are a number of motives why customs officers may make inappropriate decision when clearing products for import. One of the most common motives is wrong paperwork. If the paperwork that ships with the consignment incorporates inaccurate or incomplete information, it can result in problems with customs clearance. Another reason should be if the

code or a variety given to a particular item is wrong. Inappropriate decision-making may want to additionally be prompted with the aid of the consignment's valuation. Another factor that ought to motivate items to get stuck in customs is missing import paperwork.

There are additional normal issues with customs processing that can end result in delays; the complexity of the documentation, delays resulting from a range of tests, unsuitable tariff classification of codes, and incorrect product valuation, are a few of these problems.

A journal article written on the subject matter of customs clearance processing time analysis says that the essential purpose of the time-release find out about used to be to determine the common time wished for consignments to be cleared from entrance to exit in the customs location and to suggest viable options to the relevant agencies(Ashok & Abhishek, 2020).

The affectivity of customs clearance processes extensively impacts the well timed and secure transportation of items across borders. Therefore, expediting this method is crucial. To avoid needless delays, correct and whole bureaucracy performs a pivotal role. When trucking businesses collaborate with customs brokers or immediately engage with importers' agents, the chances of smooth clearance increase. Moreover, expert preparation in the course of the customs inspection and file contrast in addition streamlines the import process. In essence, meticulous attention to forms and professional help are integral for successful customs clearance.

Awareness of Procedures: Both clearing agents and customs officers need to be well-versed in customs procedures. Lack of knowledge can hinder the process. Goods are examined to see if they adhere to laws, follow quality standards, and adhere to any applicable product safety standards. Inspections can be carried out to look examine the product's specifications, quantity, dimensions, packing needs, and shipping marks. Any on-site testing can be done during this examination, or samples can be taken for independent testing. Inspection can also be done to verify whether the products meet the quality requirements, to see whether they are in compliance with regulations, and meet any relevant product safety standards. Another reason is to detect prohibited or restricted items or smuggled goods.

The physical examination that is not standardised refers to inspection methods that are not uniform. It is a technique for searching for defects or imperfections while using standard inspection tools. Physical inspection that isn't done according to protocol can produce unreliable findings. It may also result in inconsistent examination techniques so that the delay in customs clearing process will become an issue here.

If import customs clearing protocols are not followed, it may delay the shipment and result in high payments and severe penalties. It will permit to get in touch with customs broker or an agent of theirs to see if the issue can be fixed quickly. If so, the cargo will be released, and it will be able to get back on the road right away. If not, probably need to transport the shipment to a secured sufferance warehouse to wait for clearance so that this will result in delays of the process.

Risk Management

According to AON(2009) Risk administration is a approach for the scientific identification, evaluation and implementation of crucial measures to restriction the probability of threat occurring or lowering the consequences. Customs chance management help to gain facilitating worldwide alternate and manage the flow of goods efficaciously via concentrated on the excessive hazard shipments'/traders. Customs chance administration in Ethiopia is supported through felony report proclamation wide variety 622/2009 below sub article 4(1) and proclamation 859/2014 article 6(1-4) and ERCA hazard administration coverage document.

In regular the hazard administration manner in Ethiopian customs commission follows steps of risk management to tackle risks and it has also development in practice. For concentrated on of excessive hazard and facilitate low threat shipments of the worldwide trade in the commission the RM implementation has its very own model of functioning. The risk management procedure and exercise in Ethiopian customs fee is done by means of following the process and steps of risk administration and it is exact in phrases of its progress, however it is no longer wonderful and efficient as expected which wishes extra improvement.

2.8. Empirical Review

Sefineh, (2020), in his study, said that there is an unacceptable lengthy clearance time at the Addis Ababa Kality customs branch office due to the disproportion between the large volume of import declarations which is increasing from time to time and the insufficient number of human resources assigned by the customs clearing office to handle the clearing process.

Most of the problems which are affecting international trade are related to the process of customs clearance. According to Andrew, some of these problems are not always found in one organization at the same time. These issues include classification of tariff, estimation or valuation of tariff, lack of making timely & accurate decisions, not using fair & standardized

physical inspection of goods to all clients, and not investigative goods according to the agreed procedures. (Grainger, 2007 as cited Lemlem, 2018).

The reasons for the delay in the clearance of goods in Ethiopia include excessive document requirements of many governing bodies, restrictions during shipment, unrealistic customs clearance time, lack of customs automation, variable customs valuation and classification, insufficient human resource, as well as the absence of cooperation and coordination among customs and other government agencies(Mesfin, 2017).

The other issue that needs to be raised in relation to the delay of the customs clearing process according to Onogwuis that organizations have been exposed to paying a lot of money due to corruption through the customs clearing process. The more well-organized this process is, the higher the number of appropriately cleared goods and consequently the greater the revenue generated from the procedure. However, due to poorly designed trade policies, so many restrictions and prohibitions and the complexity of the related rules and regulations in the process helps corrupted officials to violate the law(Onogwu, 2018).

Government intervention in the work of custom service mostly in African countries is another issue that can be a pushy factor to corruption. The intervention is in the form of the appointment of political friends to top management positions. And the position holders most probably are loyal to the administration at the core point (Onogwu, 2018). This researcher has worked his research paper on a related topic to my potential research but practically he has examined the theory of how corruption affects the customs clearance process in some African countries. If a study were made on his topic concerning the condition in Ethiopia, I agree with him that many more issues would be investigated and disclosed to the public.

I have reviewed research made on the same topic from Kenya by Brillian and Felix and their research paper stated that the delay in custom clearing procedure is due to unnecessary documents required to enable the clearance and forwarding system in Kenya(KRA, 2005) as cited by Brillian & Felix 2022). The system in the country is still largely paper-based and produced many documents usually with plenty of copies for each process. And such documents with many copies again need to be stamped and signed by many series of officers and concerned government agencies in the country. In addition to this, there was unsatisfactory use of the IT system by some of the users. Mostly these users replace the automated system with the manual one and this situation creates delays in the process. Besides, most of the agencies and authorities are based at different locations and unlike

Ethiopia, they have different operational hours so those issues are resulting in additional delays to the process(Brillian & Felix, 2022).

While disputes are arising, there are always delays in resolving the disputes and in making decisions similar to all. Like Ethiopia, custom clearing procedures are often unclear and vary from person to person in the company and this makes the process to be uncertain and unpredictable. According to Brillian and Felix(2022), the researchers, due to a lack of skilled personnel in the office of custom clearing who can handle the large volume of work in the process, staff productivity is reducing from time to time and thus results in unexpected delays in the clearance process of both imports and exports. (Mwangi, 2006 as cited by Brillian & Felix, 2022).

Many researchers have made their study on the poor Efficiency of the customs clearing process and among these studies, the best example will be, the research which has been made on the Inland Container Depot of Embakasi in Kenya. The researcher has shown a number of aspects that are associated with the Efficiency of the inland container Depot at the Embakasi dry port. There are many factors that can be taken as the major problems for the negative Efficiency of the custom service itself. Issues like the infrastructure of the area like road transport, railway, the system of receiving & releasing containers, experts employed, and machinery deployed are some of the major influencing factors of the process of custom service at the stated dry port. (Cannon, 2018 as cited by (Emmaculate, 2019)

Academic research made on 2011 described that the sources of custom clearance delays that are associated with air-born cargo are correlated with consignments, Clearing Agents, Airport Customs offices, and Ethiopian Airlines. (Tsegaye & Endris, 2011 as cited by Seyoum, 2018)

W/Yohannes(2018) had explained that customers who participated in the customs clearing process are complaining about the delay that occurred by different concerned bodies. It is mostly happening due to the Efficiency of custom authority, the nature of the goods, the customer's response time, and due to the Efficiency of clearing agents. If the assigned custom clearing agent is professional in facilitating and expediting the customs process, the expediting work will be done in an advanced manner and the process will be accelerated. That means the opposite will be happening if the work is managed by untrained personnel of the customs clearing agent. According to this researcher, if the clearing agents are performing well, there will be a result of minimized clearing time. The researcher's study

was focusing on recognizing the variables that regulate the Efficiency of custom clearing agents and trying to determine the impact. (W/Yohannes, 2018)

This study of the journal was made for a place called Nepal- the eastern portion, Mechi Customs. Which is located next to the Indian border, and the other one is Biratnagar Customs which is located next to Joghani Customs on the Indian side. Both customs areas used the software called ASYCUDA World (AW) software. According to the authors, this software is a centralized system that completely utilizes the web-based platform based on the selectivity criteria inputted in the system and it has been used to choose which declarations should go into which lane for clearance. Green, Yellow, and red lanes made up the declarant option. The declarations chosen for Green and Yellow Lane clearance were released without physical verification, but for Red Lane, customs and other government agencies had to perform detailed exams(Abhishek , 2020).

As authors said, the Time-Release Study (TRS) is now generally accepted as one of the most efficient methods for locating blockages that might still exist in trade movement and clearance. The World Customs Organization created the TRS to assess the efficiency of operational practices used by customs, other regulatory bodies, and private stakeholders in the routine processing of import, export, cross-border, and transit movements.

2.9. Research Gap

As a topic for this research, Ethiopian Revenue and Customs Authority focusing on the case of Kality Customs Branch office was the focus area.

Minwagaw explained that the main reason customs clearance takes a long time is because customs officers and clearing agents have to keep going back and forth when incomplete documents are submitted. Sefineh mentioned in Minwagaw(2019) that the customs clearance process also takes longer because the customs clearing office has many procedures to follow. The clearing agents begin their work when the customs officers instruct them to do so. Therefore, the customs office itself should work on improving the lengthy process, instead of always relying on the clearing agents or others outside of the office.

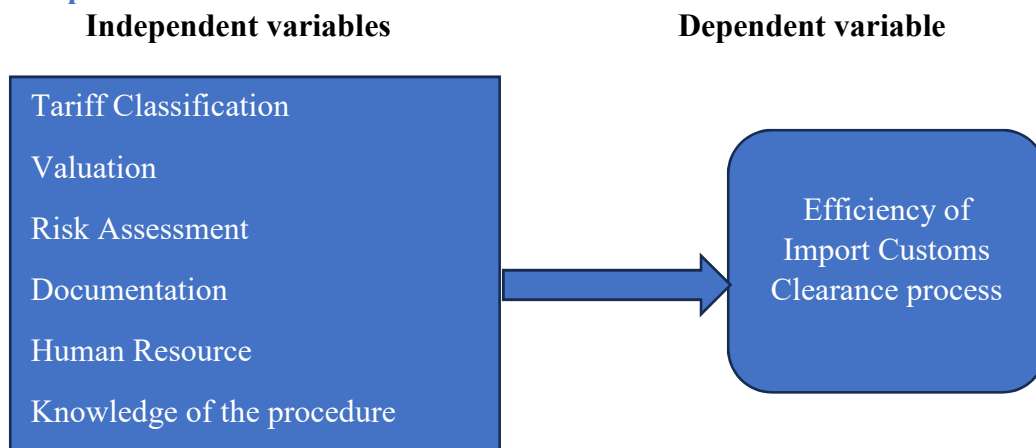
The customs officers are now taking charge of their responsibilities by instructing the clearing agents. Therefore, the customs office should enhance the lengthy process themselves instead of relying on the clearing agents or others.

Mesfin mentioned that numerous surveys have been carried out worldwide on the issue of import customs clearance procedures. However, there are only a few research papers focusing

on this topic in Ethiopia.(Mesfin, 2017). Yet, the research papers did not offer any solutions to consistently address the current issues. Therefore, this study has developed a reliable solution to reduce the existing problem and permanently remove those obstacles over time. Customs clearance is a necessary step that all businesses must take before goods can be sent overseas. When a shipment is cleared, the sender will give the necessary paperwork to show that customs fees have been paid, and the goods can move forward. This process should be simple, fast, and free from unnecessary rules to keep customers happy.

The government organization ERCA is in charge of gathering money from Customs duties and Domestic taxes, as per their website. Their main focus is on collecting funds from their customers, without showing much concern for the issues customers may encounter because of the numerous rules, regulations, and restrictions set by the responsible bodies.

2.10. Conceptual Framework



Source: Developed from literature

Chapter 3: Research Methodology

3. Introduction

The primary objective of this study was to explore the factors that impact the Efficiency of import customs clearance at the Addis Ababa Customs Branch Office. The study had investigated the major factors affecting efficiency of the customs clearance costs. It also explored the key variables which were influencing the efficiency of import customs clearing process.

3.1. Research Design

A lookup format is a method for answering lookup query the use of empirical data. Creating a research design capability making selections about: The usual primary goals and approach. Whether relying on fundamental primary or secondary research. As the objective of this study was not to establish cause and effect relationship rather discussing the existing relationship and magnitude of effects between independent and dependent variables, descriptive research design was adopted and used for this study.

Correctional Study: A cross-sectional survey collects information at one point in time, while a longitudinal survey collects data over a period of time(Creswell & Creswell, 2018). In longitudinal surveys, independent variables are measured before dependent variables, while in cross-sectional surveys, both are measured at the same time(Bhattacharjee, 2012). This research project uses a cross-sectional approach due to limited time constraints that prevent a longitudinal study.

3.2. Research Approach

This study has used mixed research designs broadly categorized as quantitative and qualitative designs. In other words, a combination of research designs was used. Such combinations of different research designs enabled to capture a comprehensive picture of study related to the effects of custom clearance processes on custom clearance efficiency. These were:

Quantitative Survey Designs: Under this major design, temporally, the study period was very short. Hence, cross-sectional research design was used because it enabled us to measure the outcomes and the exposures of the study participants at the same time. Furthermore, because using descriptive statistics this study established the "descriptive profile" of the study in

terms of need for capacity building training programs, the descriptive research design was another quantitative survey design used for the same.

Qualitative Study Design: Indeed, qualitative study design enabled to conduct the training need assessment by approaching the study participants inductively within their natural settings. That is, such design involves collecting and analysing non-numerical data to understand concepts, opinions, or experiences related to the training topics about banking industry. It can be used to gather in-depth insights into a problem (performance) or generate new ideas for the study.

3.3. Target Population

Kality customs branch office has a total of 1100 staff. From this 495 employees are back office employees and the remaining (i.e.,605 employees are custom clearance related employees). Moreover, our target population also includes 495 transit workers and 95 workers of the freight forwarder. Therefore, 1,195 people were our target population.

3.4. Data Source

There are various data sources required for the purpose of fulfilling the objective of this study. Both primary and secondary data sources were also used for this study.

3.5. Sample Size and Sampling Methods

3.5.1. Sample Size

To scientifically compute sample, there are different sample size determination formula. These include Yemane (1967), Cochran (1977), Kothari (2004), and Krejcie & Morgan (1970) formulae. The latter sample size determination formula was proposed and used to determine the total sample size of this study using survey because the ever increasing demand for research has created a need for an efficient method of determining the representative sample size of a given heterogeneous population. Krejcie & Morgan (1970) sample size formula is equal to:

$$S = \frac{X^2NP(1-P)}{d^2(N-1)+X^2P(1-P)} \dots\dots\dots(\text{Equation 1})$$

Where,

✓ S ----- Sample size,

✓ X_2 ----- Table value of chi-square for 1 degree of freedom at the desired confidence

level: 1.96, when squared equals to (3.841),

✓ N ----- Population size $\approx 1,195$.

✓ P ----- Population proportion (assumed to be .50 since this would provide the maximum sample size), and

✓ d^2 ----- degree of accuracy expressed as a proportion (.05) (Krejcie & Morgan, 1970:1).

$$3.841 * 1195 * 0.5 * 0.5 / 0.0025 * 1194 + 3.841 * 0.5 * 0.5 = 291$$

By using the Krejcie & Morgan (1970) formula, the total sample size (n) of this study was calculated and $n = 291$.

3.5.2. Sample Size and Sampling Technique

Stratified sampling: Stratified sampling method was used that it is superior to random sampling because it reduces sampling error.

A stratum is a subset of the population that shares at least one common characteristic. The surveyors identify the relevant strata and their actual representation in the population. Stratified sampling is often used when one or more of the strata in the population have a low incidence relative to the other strata. For this stratified sampling approach was applied.

Furthermore, the proportionate stratified sampling formula was used to compute strata samples. The proportional sampling formula is presented as follows:

$$St = \left(\frac{Ni}{N}\right)n \dots\dots\dots \text{(Equation 2.2)}$$

Where,

- ✓ S_t ----- Sample size, to be involved in quantitative Survey
- ✓ N_i ----- Total targeted population of the strata
- ✓ N ----- Total population (the summation of staff related to customs clearance process, freight forwarders-MACCFAs, and transit workers)
- ✓ n ----- Total number of samples

Table 1:Stratum Sample Size

S.No	Categories	Sample Size(n)
1	Kality Customs Branch office employees excluding back office employees	148
2	Transit workers	120
3	Freight Forwarders	23
Total		291

3.6. Data Collection Methods and Reliability and Validity of Instruments

Data collection and analysis are essential parts of any study. Studies are more optimized when a combination of data collection methods is used to analyse quantitative and qualitative data. The main methods for studying people’s opinions, skills, attitudes and behaviours are interviews, questionnaires and observations. Regardless of which methods are used to collect and analyse data, it is important to consider the reliability, validity and trustworthiness of the data.

A questionnaire is a survey instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. They are often designed for statistical analysis of the responses. Self-assessment forms in shape of questionnaires were used as quantitative information. Questionnaires are a time efficient way of obtaining quantitative data and the method is particularly useful when the respondents are geographically wide spread. Questionnaires are often carried out to validate information from interviews or observations and to collect quantitative data on attitudes or knowledge of trainees, for example to determine how many employees have knowledge on a specific topic. It may prove helpful to not only ask about the respondent’s own experiences but also ask about skills, behaviours and attitudes of colleagues.

Key Informant Interviews (KII)

The KII tool was effectively used by involving the management of the custom clearance office. An interview was held with key management staff representing specific job roles in order to consolidate management views/perception on challenges of customs clearance. These interviews provided qualitative insights into documentation challenges, and suggestions for improvement.

Instruments Reliability and Validity

Reliability Check: Creswell and Creswell (2018) measure how consistent a scale is using a number called Cronbach's alpha (ρ), which falls between 0 and 1, with the best values falling above 0.6. We used Cronbach's alpha (ρ) to assess the reliability of variables.

Content Validity: Content validity is the measurement of how well a set of scale items fits with the pertinent content domain of the construct that it is supposed to measure. Though it may be difficult to examine content validity, the construct should be measured with detailed descriptions of the whole content (Bhattacharjee, 2012). Measurement of the constructs is based on earlier developed instruments, so that content validity is guaranteed.

3.7. Data Analysis

To transfer the collected data into valuable information the data has to be analyzed. There are many ways to analyze data, but the analysis should be as simple as possible and limited to what is necessary to draw the required conclusions from the data. For instance, to facilitate the analysis of quantitative data the results can be compiled in a table format.

3.7.1. Descriptive Statistics

Research that aims to give a picture of the present situation is known as descriptive research. It is analytical in character, and it needs thorough studies aid in gathering data while conducting the research. On the other hand, correlation research seeks to uncover relationships between variables and to enable the prediction of future events based on current knowledge. When using a correlation research design, no factors are under the researcher's direct control or manipulation. (Jim Brown 2021)

The descriptive statistics calculate the means, frequencies, and percentages for each factor and in case of this study the factors were tariff classification, valuation, awareness of procedures, risk assessment models, documentation handling, and human resource capacity. Therefore, descriptive statistics calculated the mean value, the frequency and percentage of the above factors affecting the Efficiency of custom clearance. Graphs were also used.

3.7.2. Correlation Analysis

This study also applied correlation research designs and investigated the relationship between the dependent and independent variables. The dependent variable was the efficiency of the custom clearing process and the independent variables are the factors affecting the efficiency.

For this study the correlation analysis has examined the relationships between the seven factors that influence the efficiency of custom clearance.

3.7.3. Regression Analysis

Here the regression analysis was used to identify factors that significantly predict custom clearance efficiency and it assessed the strength and direction of these relationships. This study analysed the data using SPSS software.

Chapter Four: Data Analysis, Results and Discussion

4.1. Introduction

After the data was collected using the appropriate methodologies, the data analysis and interpretation phase is essential to every research project. Consequently, this chapter presents and analyses the data that was collected from the participants together with the required statistical analysis to address the research questions. The findings about the relationships and the Effects of Factors on the efficiency of import customs clearance process: The Case of Addis Ababa Kality Customs Branch Office.

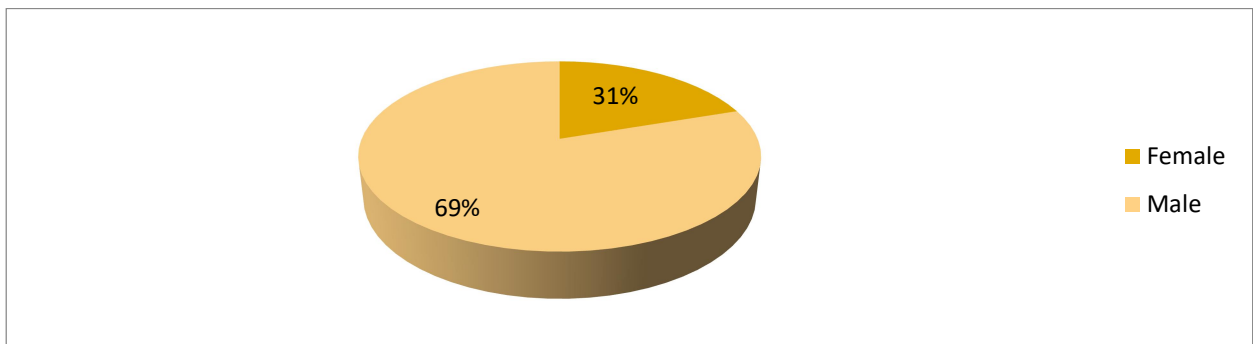


Figure 1: Gender of the respondents

Gender: The result of the study with respect to gender of the respondents indicated that 69% were male while 31% were female.

Marital Status of the Respondents

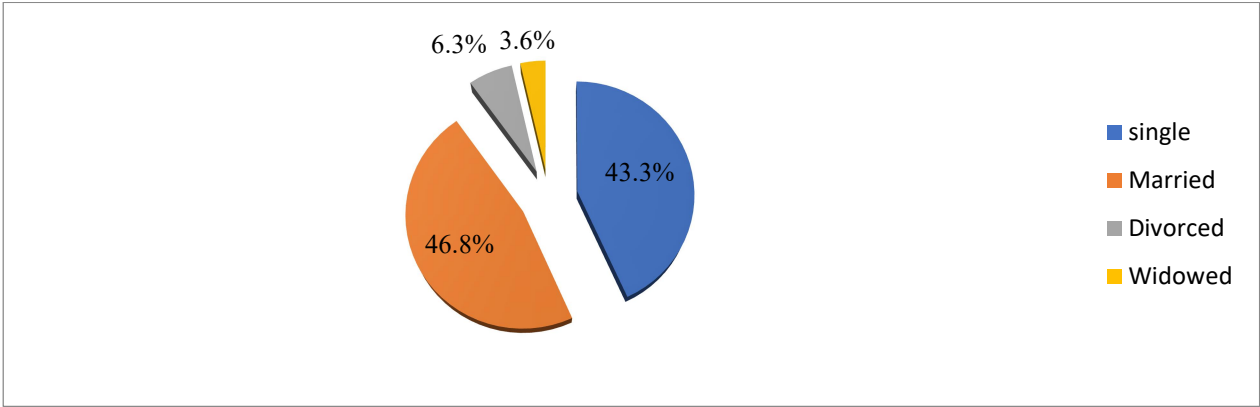


Figure 2: Marital Status of the respondents

The study also found that 46.8% of the respondents were married, 43.3% were single, 6.3% were divorced and 3.6% were widowed.

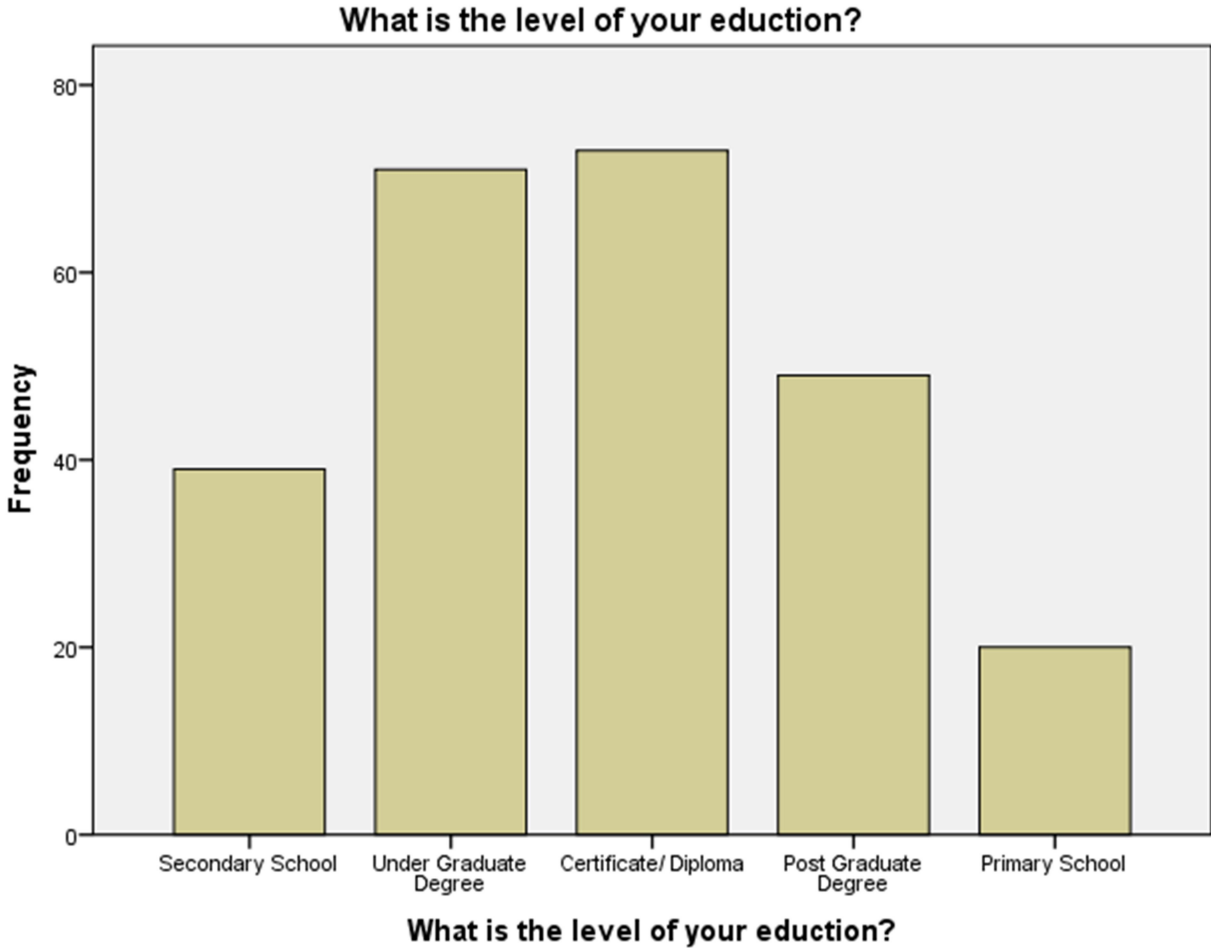


Figure 3: Educational Level of the Respondents

The study also found that most of the respondents had certificate/diploma, under graduate degree and post graduate degree.

Table 2: Experience in the company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-2 years	63	25.0	25.0	25.0
	3-5 years	75	29.8	29.8	54.8
	6-10 years	72	28.6	28.6	83.3
	More than 10 years	11	4.4	4.4	87.7
	5	31	12.3	12.3	100.0
	Total	252	100.0	100.0	

Respondents' experience: The respondents were asked to indicate the number of years of their own experience. Accordingly, 138 of the respondents had less than 5 years and 83 of the respondents had more than six years of experience.

Table 3: Cronbach's Value

S.No	Variables	Cronbach's Alpha	N of Items
1	Tariff Classification	0.76	5
2	Valuation	0.67	6
3	Human Resource	0.64	5
4	Documentation	0.62	4
5	Risk Assessment	0.76	5
6	Knowledge on custom procedures	0.66	3
7	Efficiency of Custom Clearance Process	0.65	3

A general accepted rule is that α of **0.6-0.7** indicates an acceptable level of reliability, and 0.8 or greater a very good level. The reliability tests as measured by cronbach's alpha were performed for the items of relevant variables and presented in table 3. Cronbach's alpha with value of 0.62 or above was considered adequate in measuring the internal consistency of an instrument. Since all alpha values were 0.6, reliabilities of the measurement instruments are considered adequate.

Table 4: Mean and Standard Deviation for Tariff Classification

	Clearing agents have a good knowledge of (HS) tariff classification	Customs officers have a good knowledge (HS) of tariff classification	Import items are simple to classify	Lower tariff rates are accepted by customs officers	The HS book is simple & clear to understand
Mean	2.97	2.76	2.95	2.73	2.91
Std. Deviation	1.287	1.236	1.258	1.298	1.069

The group of questions (see table 4) were intended to measure the level of Tariff classification practices. Average level of practices had become common with regards to **Tariff classification with a mean of around 2.9**. This implies that strong work will be required to enhance the effectiveness of Tariff classification so that it plays a significant role in streamlining the customs clearance processes. The standard deviations could give an insight as to the consistency of the responses among all the respondents. A higher standard deviation indicates less consistency in the responses; meaning the responses are quite varied; and a small standard deviation indicates more consistency in the responses; meaning the responses of the respondents were more or less similar. As one can see, less consistent scoring was found from the respondents regarding Tariff classification with somewhat larger standard deviation ranging between 1.069 and 1.298.

Table 5: Mean and Standard Deviation for Valuation

	Customs officers have a good knowledge of Valuation	Customs Commission has automated valuation system	Valuation methods are simple to understand	Importers simply accept the price given from customs database	There is usually no overvaluation	The valuation process is fast
Mean	3.17	3.00	3.60	3.07	2.83	2.94
Std. Deviation	1.195	1.159	1.098	1.182	1.161	1.060

The group of questions (see table 5) were intended to measure the level of valuation practices. The highest average practice was related to the simplicity of valuation method with mean value to 3.60 while the poor practice was overvaluation with a mean value of 2,83. This implies also that strong work will be required one some practices to enhance the effectiveness

of valuation so that it pays a significant role in streamlining the customs clearance processes. As one can see, less consistent scoring was found from the respondents regarding valuation with somewhat larger standard deviation ranging between 1.060 and 1.182.

Table 6: Mean and Standard Deviation for Human Resource

	Kality customs has enough human resource to handle the available work	Kality customs officers have no workload	Kality customs officers are skilled enough	Kality customs officers have very good motivation towards their work/goal	The available customs officers are handling each document timely without delay
Mean	3.32	3.26	3.09	3.04	2.93
Std. Deviation	.983	.978	1.014	1.098	1.137

The group of questions (see table 6) were intended to measure the level of human resource practices. The highest average practice was related to the availability of human resource to handle the available work with a mean value of 3.32 while the poor practice was whether custom officers who are handling each document timely without delaying were available or not with a mean value of 2,93. This implies also that there are areas which requires improvement to enhance the effectiveness of human resource practices so that it pays a significant role in streamlining the customs clearance processes. As one can see, less consistent scoring was found from the respondents regarding human resource with somewhat larger standard deviation ranging between 0.97 and 1.137.

Table 7: Mean and Standard Deviation for Documentation

	Clearing agents clearly knows which documents are required for clearance depending on the type of goods under import	Customs officers clearly knows which documents are required for clearance depending on the type of goods	Customs directive identify which documents are required for which cargo	Clearing agents submit complete clearance documents (no back & forth)
Mean	2.52	2.88	3.41	3.15
Std. Deviation	1.027	1.145	1.102	1.000

The group of questions (see table 7) were intended to measure the level of documentation practices. The highest average practice was related to the identification of the required document with a mean value of 3.32 while the poor practice was whether clearing agents know which documents are required for clearance depending on the type of goods under import with a mean value of 2.52. This implies also that there are areas which requires improvement to enhance the effectiveness of documentation practices so that it pays a significant role in streamlining the customs clearance processes. As one can see, less consistent scoring was found from the respondents regarding documentation with somewhat larger standard deviation ranging between 1 and 1.145.

Table 8: Mean and Standard Deviation for Risk Assessment

	Customs face- vet officers have a good knowledge of risk assessment	Kality customs uses automated risk assessment system	The risk assessment system is too fast to respond/process	Clearing agents will know the risk level of their document shortly	There is no way yellow risk will be inspected
Mean	2.96	2.76	2.95	2.73	2.88
Std. Deviation	1.288	1.240	1.257	1.293	1.046

The group of questions (see table 8) were intended to measure the level of risk assessment practices. The highest average practice was related to the knowledge of the officers about risk assessment with a mean value of 2.96 while the poor practice was whether clearing agents know the risk level of the documents with a mean value of 2.73. This implies also that all areas requires improvement to enhance the effectiveness of risk assessment so that it pays a significant role in streamlining the customs clearance processes. As one can see, less consistent scoring was found from the respondents regarding documentation with somewhat larger standard deviation ranging between 1.046 and 1.293.

Table 9: Mean and Standard Deviation for the Knowledge of the procedure

	Clearing agents have a good knowledge of import clearance procedures	Customs officers have a good knowledge of import customs procedures	Clearing agents mostly do not make mistakes due to lack of knowledge	Kality customs provide training for its officers
Mean	3.15	3.10	3.31	3.31
Std. Deviation	1.000	.930	.935	.981

The group of questions (see table 9) were intended to measure the level of knowledge of the procedure practices. The highest average practice was related to whether clearing agents had good knowledge of import clearance procedures with a mean value of 3.31 while the poor practice was whether customs officers a good knowledge of import customs procedure with a mean value of 3.10. As one can see, less consistent scoring was found from the respondents regarding documentation with somewhat larger standard deviation ranging between 0.930 and 1.000.

Table 10: Mean and Standard Deviation for the efficiency of import customs process

Mean and standard deviation of the efficiency of import customs process			
	Speed	Simplicity	Predictability
Mean	3.15	3.09	3.04
Std. Deviation	.912	.917	.914

The group of questions (see table 10) were intended to measure the efficiency of import customs clearance process. The highest average practice was related to quality with a mean value of 3.15 while the poor practice was related to predictability with a mean value of 3.04. As one can see, less consistent scoring was found from the respondents regarding documentation with somewhat larger standard deviation ranging between 0.912 and .917.

4.2. Correlation Tests

Table 11: Correlations Among Study Variables

		T/Classification	Valuation	Risk Assessment	Human Resource	Documentation	Knowledge of the Procedure	Efficiency of the Customs
T/Classification	Pearson Correlation	1	.343**	.181**	.005	.160*	.183**	.217**
	Sig. (2-tailed)		.000	.004	.943	.011	.004	.001
	N	252	252	252	252	252	252	252
Valuation	Pearson Correlation	.343**	1	.310**	.091	-.002	.191**	.335**
	Sig. (2-tailed)	.000		.000	.152	.979	.002	.000
	N	252	252	252	252	252	252	252
Risk Assessment	Pearson Correlation	.181**	.310**	1	.009	.023	.173**	.260**
	Sig. (2-tailed)	.004	.000		.884	.718	.006	.000
	N	252	252	252	252	252	252	252
Human Resource	Pearson Correlation	.005	.091	.009	1	.221**	.249**	.092
	Sig. (2-tailed)	.943	.152	.884		.000	.000	.144
	N	252	252	252	252	252	252	252
Documentation	Pearson Correlation	.160*	-.002	.023	.221**	1	.318**	.070
	Sig. (2-tailed)	.011	.979	.718	.000		.000	.266
	N	252	252	252	252	252	252	252
Knowledge of the procedure	Pearson Correlation	.183**	.191**	.173**	.249**	.318**	1	.577**
	Sig. (2-tailed)	.004	.002	.006	.000	.000		.000
	N	252	252	252	252	252	252	252
Efficiency of the Customs	Pearson Correlation	.217**	.335**	.260**	.092	.070	.577**	1
	Sig. (2-tailed)	.001	.000	.000	.144	.266	.000	
	N	252	252	252	252	252	252	252

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

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

Table 4 shows factors influencing the efficiency of import customs clearance process at Kaliti Customs Branch Office. In this study, Tariff classification, valuation, risk assessment, and knowledge of the procedure and were found to have a positive significant relationship with efficiency of import customs clearance process while human resource and documentations were not. To be specific, Table 4 indicates that while Tariff classification ($r=0.22$), valuation ($r=0.34$), risk assessment ($r=0.26$) and knowledge of the procedure ($r=0.58$) were positively correlated with efficiency of import customs clearance process while human resource($r=0.092$) and documentations($r=0.07$) were not. Knowledge of the procedure had strong correlation with efficiency of import customs clearance process than other factors identified.

4.3. Regression Analysis

Regression analysis was then employed to examine the relationship the magnitude between independent and dependent variables. This was aimed at determining the highest factor/s influencing toward the efficiency of import customs clearance process and also at testing the study model.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.641 ^a	.410	.396	.54418

a. Predictors: (Constant), KP, Risk Assessment, T/Classification, Human Resource, Documentation, Valuation

Following the multiple linear regression analysis, the above table displayed summary results. Adjusted R-square shows us about 39.6% of the variation in dependent variable which is the efficiency of import customs clearance process in this case is explained by the explanatory variables included in the model. The rest 60.4% was left unexplained and accounted for the stochastic term. Thus, we could say the model was good. Generally, adjusted R-square for this model was 0.396, which indicates that 39.6% of the changes in the efficiency of import customs clearance process is explained by the independent variables. Altogether independent variables explained 39.6% of the variation.

Table 13:Coefficients of the variables

Coefficients

Table 12:ANOVA Result

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	50.496	6	8.416	28.420	.000 ^b
	Residual	72.551	245	.296		
	Total	123.048	251			

a. Dependent Variable: Efficiency of the Customs

Based on the ANOVA output which was about the overall significance of the multiple linear regression model, the fitted multiple linear regression model was found to be significant at $\alpha = 0.05$. Hence the overall model was significant.

b. Predictors: (Constant), Knowledge of the process, Risk Assessment, T/Classification, Human Resource, Documentation, Valuation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.459	.288		1.596	.112
	T/Classification	.041	.043	.051	.960	.338
	Valuation	.182	.055	.183	3.323	.001
	Risk Assessment	.110	.057	.100	1.917	.056
	Human Resource	-.042	.054	-.041	-.787	.432
	Documentation	-.105	.051	-.109	-2.055	.041
	Knowledge of the Procedure	.636	.062	.560	10.317	.000

a. Dependent Variable: Efficiency of the Customs

The model was tested based on the value of the critical ratio (CR), CR is known as the *t*-stat value. If *t*-stat values higher than 1.96 (sig. 5% two-tailed) and had a positive relationship. Valuation and knowledge of the procedure ($p < 0.05$) had a significant effect on the efficiency of import customs clearance process. In other words, the regression weight for Valuation and knowledge of the procedure in the prediction of the efficiency of import customs clearance process was significantly different from zero at the 0.05 level while the other factors were not statistically significant ($p > 0.05$). Adjusted R-square for this model was 0.396, which indicates that 39.6% of the changes in the dependent variable was explained by the

independent variables. Altogether independent variables explained 39.6% of the variation the efficiency of import customs clearance process.

Interview Analysis

According to the respondents a single mistake or lacking report can lead to widespread delays and potential penalties. Customs clearance strategies demand a big quantity of documentation in order to verify compliance with import/export laws and perceive the appropriate responsibilities and taxes. To avoid this challenge, traders need to set up environment friendly documentation administration systems, utilize technology solutions, and think about partnering with customs brokers or freight forwarders who specialize in customs clearance.

Moreover, according to the opinion of the interview, documentations, understanding of approaches and Tariff classification problems really have an effect on customs operations, customs compliance and change competitiveness. Their results on alternate facilitation are nicely documented and it is quintessential that they are urgently addressed. This will lead to a fit-for-purpose customs functionality which in flip allows the continent to begin making sizable beneficial properties related to regional exchange and develop its share of international trade.

Chapter 5: Major Findings, Conclusions and Recommendations

5.1. Major Findings

- About 69% of the employees were male
- More than 47% of the employees were married.
- Majority of the employees had diploma and above level of qualification. Level of education is also a determining factor to create efficient customs clearing procedure. In this regard, a minimum of years of international consulting experience in Trade Facilitation in least developed countries in subject matter related to this are needed.
- More than 58% of the employees had three and above years of experience in the custom clearance and related activities. Experience is a necessary requirement to effectively work. A minimum of years of professional experience in Customs, especially in Operations, Customs procedures, anti-smuggling, and border control are required.
- Tariff classification, valuation, risk assessment, and knowledge of the procedure were found to have a positive significant relationship with efficiency of import customs clearance process while human resource and documentations were not.
- The regression weight for Valuation and knowledge of the procedure in the prediction of the efficiency of import customs clearance process was significantly different from zero at the 0.05 level while the other factors were not statistically significant ($p>0.05$).
- Valuation and knowledge of the procedure determines majority of the variations in the efficiency of import customs clearance process. It means that valuation and knowledge of the procedure significantly influences efficiency of import customs clearance process.
- Documentation was also significantly affecting the efficiency of import customers clearance operation
- One of the strange finding of this study was that documentation had a negative significant effect on efficiency of import customs clearance process.

5.2. Conclusions

This study's objective was to determine factors affecting the efficiency of import customs clearance process at Kality Branch Office. In customs, custom clearance efficiency was greatly influenced by knowledge of the related procedures and valuations.

5.3. Recommendations

Recommendations-1: Valuation significantly influences the efficiency of import customs clearance processes.

Customs valuation might appear like a small factor when you are worried in global trade, but it's truly clearly vital for each people bringing in goods and human beings sending them out. It decides how a whole lot you have to pay in taxes and duties, which influences how tons cash the authorities makes and how high priced it is for companies to operate. In this weblog post, we'll speak about why customs valuation is such a big deal in international trade.

Customs valuation makes certain that importers and exporters comply with global trade legal guidelines and rules. A truthful valuation machine ensures that nations are no longer harmed by imports or exports. It additionally makes sure that importers and exporters cannot bypass trade agreements or make unfair profits. By following customs valuation, importers and exporters can keep away from prison and financial consequences.

Determining the duty and tax implications of a transaction is essential through customs valuation. The cost of goods is generally used to figure out the taxes that need to be paid, like customs duties, VAT, and excise duties. If goods are valued too low, the importer will end up paying less taxes but could face penalties from the government. On the different hand, if items are valued too high, the importer will have to pay greater taxes, making it tough and expensive for them.

Custom valuation is vital for gathering data on worldwide trade, which is fundamental for creating change statistics. Having particular data helps to spot trends and patterns in international trade, and to understand the monetary consequences of tariffs and different exchange actions. This statistics gives analysts with reliable important points about import and export trends, helping them to make clever enterprise choices.

Recommendation-2: Knowledge of the procedure significantly influences the efficiency of import customs clearance process.

- Develop and deliver coaching to the staff and collaborating organs in guide of more than one activities, together with the implementation and application of the built-in clearance procedures;
- Develop and supply workshops to the buying and selling community and different relevant stakeholders to socialize import associated things to do and to promote integrated working;

Studies all assert that the primary reasons for challenging compliance procedures are not just the complexity of customs codes, but also the constantly evolving structure of regulations. The varying interpretations of regulations by different customs officers highlight the issue at hand. Nevertheless, according to Celik (2016), the Ministry of Customs and Trade has been increasingly involved in numerous legal and administrative proceedings in recent years. The intricacy of customs codes and regulations is a significant indicator of their complexity. Consequently, elaborate customs procedures and frequent alterations in regulatory frameworks contribute to increased transaction costs associated with customs.

Therefore, we strongly suggest that any new developments on the area of policies, procedures, and guidelines to guide the customers operations need to be thought to the employees on continuous basis so that understanding might be created among the experts.

Recommendation 3:-Documentation had a significant effect on the efficiency of import customs processes.

Documentation plays a critical role in customs clearance. It is the process of ensuring that the goods being imported comply with all the rules and regulations of the respective countries. Customs clearance can be a time-consuming and complicated process, especially if not done correctly. Inaccurate or incomplete documentation can lead to delays, additional costs, and even seizure of the goods. Great attention has to be give by Kality customs branch office for the documentation issues.

Practical implications: This study had look at how well import customs are processed in Ethiopia. We were specifically focused on the Customs Commission Addis Ababa Kality Customs Branch Office. Our goal was to understand what factors impact the speed and effectiveness of customs clearance. We had identified six main factors came up with the result in this study.

So, this research create policy suggestions based on evidence to improve import customs clearance in Ethiopia. We want to make processes smoother, decrease delays, and encourage a positive trade atmosphere by dealing with the factors we have found.

This research had introduced a new idea of involving various private businesses in the customs process. These businesses will take part in and manage the tasks currently handled solely by the customs office. In this way, my study aims to address the challenges faced in the customs clearing process by setting up new private offices. These offices can help ease

the burden on the government office by dividing the workload among multiple private entities. The research had demonstrated how the solutions will speed up the custom clearing process in Kality customs branch office by having other companies help with the heavy workload. The addition of new offices will bring in different problem-solving methods. Each office might use its own automation system or decide to implement advanced clearance procedures to draw in more customers. By combining the expertise of various organizations and businesses, the process will develop effective strategies over time.

This empirical study brings significant implications for practice. The result of this study that knowledge of procedures and valuation positively affect efficiency of import customs clearing process. The aforementioned concept encourages leaders to focus on teaching on customs clearance policies, procedures and guidelines to bring down costs of operation and time of service delivery maintaining quality standards.

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Appendix: Questionnaire

Dear respondent:

I am a graduate student in Addis Ababa University Faculty of Business & Economics, department of Management for MSc in International Business on Import & Export Specialization. My study focusing on “Factors Affecting the Efficiency of Import Customs Clearing Process in Ethiopia: The Case of Customs Commission Addis Ababa Kality Customs Branch Office.”

As part of my academic study, I would like to cordially invite you to participate in a survey. Your valuable insights are greatly needed, and I sincerely appreciate your time in answering the questionnaire. I kindly assure that your responses will be used solely for academic purposes, and no individual answers will be analysed. Your confidentiality is guaranteed, as we will not collect any personal information.

The survey should take approximately 15-20 minutes to complete. Your assistance in providing this valuable information is highly appreciated.

Thank you in advance for your participation!

Section 1: Demographic Information

Profile of Respondent and company

You are cordially invited to provide the most appropriate response by placing a thick mark in provided box for the following questions:

1. Marital Status:

Single Married Divorced Widowed

2. Sex of respondent

Female Male

3. Your current age in year's

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

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

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

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

Primary School Secondary School Certificate/Diploma Undergraduate Degree Post Graduate Degree

S.N.	Measurement Variables	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		(1)	(2)	(3)	(4)	(5)
	Tariff Classification					
1	Clearing agents have a good knowledge of tariff (HS) classification					
2	Customs officers have a good knowledge of tariff (HS) classification					
3	Import items are simple to classify					
4	Lower tariff rates are accepted by customs officers					
5	The HS book is simple & clear to understand					
	Valuation					
1	Customs officers have a good knowledge of Valuation					
2	Customs Commission has automated valuation system					
3	Valuation methods are simple to understand					

4	Importers simply accept the price given from customs database					
5	There is usually no overvaluation					
6	The valuation process is fast					
	Human Resource					
1	Kality customs has enough human resource to handle the available work					
2	Kality customs officers have no workload					
3	Kality customs officers are skilled enough					
4	Kality customs officers have very good motivation towards their work/goal					
5	The available customs officers are handling each document timely without delay					
	Documentation					
1	Clearing agents clearly knows which documents are required for clearance depending on the type of goods under import					
2	Customs officers clearly knows which documents are required for clearance depending on the type of goods					
3	Customs directive identify which documents are required for which cargo					
4	Clearing agents submit complete clearance documents (no back &forth)					
	Risk Assessment					
1	Customs face-vet officers have a good knowledge of risk assessment					

2	Kality customs uses automated risk assessment system					
3	The risk assessment system is too fast to respond/process					
4	Clearing agents will know the risk level of their document shortly					
5	There is no way yellow risk will be inspected					
	Knowledge on custom procedures					
1	Clearing agents have a good knowledge of import clearance procedures					
2	Customs officers have a good knowledge of import customs procedures					
3	Clearing agents mostly do not make mistakes due to lack of knowledge					
4	Kality customs provide training for its officers					
S. No	Rate the efficiency of the custom clearance process	Very Poor	Below Average	Average	Above Average	Excellent
		1	2	3	4	5
1	Speed					
2	Simplicity					
3	Predictability					

Section 2: Interview Question

1. What challenges do you encounter during the customs clearance process?

2. How can customs procedures be improved to enhance efficiency?