



**THE EFFECT OF CUSTOMS REGULATIONS AND CUSTOMS
CLEARANCE PROCESS ON COMPANY PERFORMANCE:
THE CASE OF NESTLE WATERS ETHIOPIA S.CO.**

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DECLARATION

I, the undersigned declare that the thesis comprises of my own work. In compliance with internationally accepted practices, I have duly acknowledged and referenced all materials used in this work. I understand that nonadherence to the principles of academic honesty and integrity, misrepresentation (fabrication of any idea/data/fact source will constitute enough ground for disciplinary action by the university and can evoke penal action from the source which have not been properly cited or acknowledged.

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**The Effect of Customs Regulations and Customs Clearance Process on
Company Performance: The Case of Nestle Waters Ethiopia S.Co.**

A Thesis Submitted to School of Commerce of the Addis Ababa University for the
Partial Fulfillment for the Requirement of Master of Art Degree in Logistics and
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ABSTRACT

The main purpose of the study was to examine the effect of customs regulations and customs clearance process on Nestle Waters Ethiopia s.co. company performance. This paper has tried to discuss the Effect of Customs laws (rules and regulations), Effect of Customs Valuation, Effect of Customs Clearance, Challenging /problematic/ area in conducting clearing process and the cost implication factors to Nestle Waters due to customs regulation and delay in customs clearance process. Purposive sampling technic was used, and total target population are taken as a sample size, data were collected from all operation staff of four customs clearing agents and Nestle waters employees. The questionnaires were distributed to 52 respondents. Out of this only 49 respondents returned the questionnaires and from this 3 of the questionnaires are not returned. These data were tabulated into SPSS software for statistical analysis. The output was analyzed by mean, frequency, correlation and Regression. Descriptive and Inferential statistics were used to analyze the data collected from the respondents. The major finding found out from the survey result was that the existing Proclamation No. 859/2014 and the revised customs proclamations No. 1160/2019 are still unclear, not harmonized and didn't simplify the customs procedures to meet the international convention of WCO, customs valuation have a huge effect on company performance and according to this study most customs duties and taxes are calculated and paid based on Transaction value of identical or similar merchandise, the risk profiling software is not updated time to time and there is no adequately staffed skilled customs officers to deliver fast and quality services, over all the customs clearance and risk profiling system is not efficient, the customs valuation, risk level given to imported items have effect on company procurement, production, sales and distribution activity and have effect on distributors, customers and employees satisfaction and also have a very huge impact on over all country's economy. Based on these, recommendation was made in such a way that the customs proclamation must be reviewed, discussed with all stakeholders and updated, customs need to support importers specially manufacturing companies, the customs valuation officers must get enough training and also customs must recruit experts in every department, the risk profiling system must be updated to international standards and customs need to focus on trade facilitation than controlling.

Key Words: *Customs regulation, customs clearance, company performance, Customs valuation, stake holders, manufacturing companies, experts, international standard, Proclamation*

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List of Acronyms

ASYCUDA++:	Automated System for Custom Data Base
CCC:	Customs cooperation council
DA:	Disagree
ECC:	Ethiopian Customs Commission
ERCA:	Ethiopian Revenue and Customs Authority
FX:	Foreign Exchange
ICT:	Information Communication Technology
N:	Neutral
NBE:	National Bank of Ethiopia
PCA:	Post Clearance Audit
UN:	United Nations
RKC	Revised Kyoto Convention
SA:	Strongly Agree
SDA:	Strongly Disagree
SPSS:	Statistical Package for the Social Science
WCO	World Customs Organization
WTO	World Trade Organization

Chapter One

Introduction

The main purpose of this study is to assess the effect of the customs regulations and customs clearance process on the company performance. This chapter presents the background of the study, statement of the problem, research question, objective of the study, significance of the study, scope of the study, limitation of the study, definition of terms and organization of the study.

1.1. Background of the study

As stated in world reference, Customs is an authority or agency in a country responsible for collecting tariffs and for controlling the flow of goods in and out of a country. Traditionally customs have been considered as the fiscal subject that charges customs duties and other taxes on import or export. In recent decades, the views on the functions of customs have considerably expanded and now covers three basic issues: taxation, security and trade facilitation (Kormych, Borys, 2018). The trade facilitation ideas were introduced into routine of customs authorities in order to reduce trade transaction costs. “Facilitation includes formalities, procedures, documents and operations related to international trade transactions. Its goals are simplification, harmonization and standardization, so that transactions become easier, faster and more economical than before” (UN/CEFACT). Every country has its own rules and regulations for the import and export process, which its customs authority enforces. The objective of customs is to facilitate and govern the movement of the international goods without compromising trade facilitation and control. Customs need to give optimum attention for both trade facilitation and control to fulfill the demand of both the importers/exporter and government by ensuring the compliance of the rules and regulation set by customs and need to minimize the time to process clearance of goods. Custom

has tremendous effect on trade facilitation all over the world. Specially, when customs controlling systems is stronger than its facilitation, trade activities become in great challenge. Ethiopia is also a member state of few international and regional intergovernmental organizations and economic communities. Among these, the World Customs Organization (WCO) in 1973 and the Common Market for Eastern and Southern Africa (COMESA) as a founding member in 1994 are the major ones. Ethiopia is also trying to be a member of World Trade Organization (WTO) and resume the membership application process after six years in 2019. As such, all customs regulations of the country related to international trade are required to comply with those international and regional intergovernmental organizations and economic community requirements.

Although ECC has undergone important regulations, proclamations and tax reforms, and has started using certain ICT mechanisms to modernize the import/export clearance system and tax collection system, it is so encouraging and help business a lot.

1.2 Statement of the problem

According to Customs Commission (the former ERCA) the objective of the commission is to collect duties and tax on goods imported or exported, implement laws and international conventions related to its objectives and control the importation and exportation of prohibited or restricted goods.

According to Tsegaye T. and Endris N. (2011), a study conducted on ECC (former ERCA), indirect taxes contribute 66.85% of the total tax revenue. Of this, 40.23% comes from import and export tax revenue, the revenue from import duty being the highest source of revenue. Due to the overall economic impact on the country ECC (former ERCA) and the government gives huge emphasis and want to create a very strict control on the customs regulation.

According to the preliminary interview done with the Nestle management team, there are some customs regulation greatly impact the import practice in Ethiopia, According to the Customs proclamation No. 859/2014 Article 51 (1-11), which details the requirements for declaring goods to Customs, products need to be cleared from customs stations within 30 to 60 days depending on whether they are imported using air transport or sea or land transport., Beyond that, it is stipulated that ECC(ERCA) shall dispose off the cargo as abandoned, few month ago this regulation is amended by the new Customs proclamation No. 1160/2019 and the days is reduced to 10 - 15 days and because of so many reasons specially companies can't clear the imported item on those allowed time and face a great risk of losing their imported items. Goods abandoned by the owner in writing before the expiry of the period stipulated under sub-article (1), (2) or (3) of Article 51 of this Proclamation and not related to a contravention of customs law shall be disposed by the Authority, Sale of goods in accordance with Article 61 or 62 of this Proclamation shall follow auction or open tender procedures or sale through a public enterprise.

The other problem the research wants to address is the customs valuation system in Ethiopia, According to the research conducted on challenges of customs clearing and their implication on international trade in Ethiopia by Bahru Muktar (2019) The researcher concludes that the customs valuation system in Ethiopia does not provide fair, neutral and uniform valuation and does not protect traders from risk of arbitrary valuation by the customs officers. If the customs value of the imported goods cannot be determined by the transaction value, the customs value shall be the transaction value of identical goods sold for export to the same country of importation and exported at or about the same time as the goods being valued. This regulation gives all the right to customs officers and many manufacturing and huge industries paying huge additional customs duty due to

this regulation and this study want to see the effect of these two regulations on their company performance.

Ethiopia is one of the countries with the highest set of challenges in cross border trade. The World Bank study of trading across borders ranking puts the country at 166th in the world. World Bank Trading Across Borders (2013), while, on average, sub-Saharan African customs delays are the longest in the world, the average delay is 12 days in the region compared with 7 days in Latin America; the longest delays in the region are in Ethiopia, where the average trader has to wait more than 30 days for customs to clear goods.(World Bank Logistics Performance Index)

World Bank (2016) report showed that in big cities of Ethiopia small and medium sized enterprises spent a long time to process their customs clearance due to the inefficiency of the customs procedures of the country. One of the difficulties for customs clearing process in Ethiopia is the risk level given to the imported items i.e. The new Customs Code sets a maximum share of shipments subject to physical control. A system of risk assessments provides the basis for selectivity in physical inspections. Risk criteria typically include the origin of goods, importer track record, type of goods, trade patterns, misclassification incentives, and shipment value. The system chooses shipments for one of the three established color-coded channels. Green (low risk imported goods), yellow (medium risk goods), Red channel (are subject to 100 % document and physical examination). Most of the items imported need to pass by red channel and this study needs to study the effect of this delay on the company performance.

There are studies conducted in Customs and customs clearance, but most of the studies are only focused on the efficiency and effectiveness of the customs clearance process. Therefore, the main purpose of this study will try to show the effect of some customs regulations and customs clearance process on company performance in the case of Nestle Waters Ethiopia S.co..

1.3 Research Questions

- ✓ To what extent article 51 of the Ethiopian customs proclamation of declaring and clearing goods from Customs stations within 10 to 15 days depending on whether they are imported using air transport or sea or land transport had effect on company performance?
- ✓ To what extent the customs valuation system of imported items had effect on company performance?
- ✓ To what extent the customs clearing process delay had effect on company performance?
- ✓ To what extent the risk level given to the imported items had effect on company performance?

1.4 Objective of the Study

1.4.1 General Objective

The main objective of this study was to assess the effect of customs regulations and customs clearance process on nestle waters Ethiopia s.co. company performance

1.4.2 Specific Objective

- ✓ To assess how the new regulation of article 51 of the Ethiopian customs proclamation of declaring and clearing goods from Customs stations within 10 to 15 days depending on whether they are imported using air transport or sea or land transport, affect the company performance
- ✓ To assess how customs valuation system on imported items, affect the company performance
- ✓ To assess how customs clearing process delay, affect the company performance
- ✓ To assess how risk level given to the imported items, affect the company performance

1.5 Significance of the study

There are several studies conducted on customs clearing process but most of them are concentrated on import clearance. However, the researcher is unaware of any research on the effect of customs regulation and customs clearance process on company performance. Hence, the finding of this paper assumed to assess the effect of some customs regulations, the lengthy customs clearing procedure and effect of customs valuation system and suggest forwarded suitable remedial actions in order to alleviate the problems. The outcome of this research project would hopefully provide substantial information to Customs commission (former ERCA) to see how the customs regulation, valuation system and customs clearance delay effect on company performance and help ECC to alleviate the observed problems. In addition, the finding would help other stakeholders and academicians who have an interest to assess others area of customs administration.

1.6 Scope of the study

The study focused and delimited on identifying and assessing the effect of customs regulations and customs clearance process on Nestle waters Ethiopia company performance. So, this study collects data from company departments related with the job and customs clearing agents to understand the effect of import customs regulations and customs clearing process. There by to assess the effect and to show how the customs regulations and customs clearance process effect on over all company performance and to suggest possible recommendation.

The research title is limited with two variables of customs regulation and customs clearance process and the study areal scope of the study is limited in one company Nestle waters Ethiopia S.co. in which the data was collected from operational employees of four department staff of the company Finance, procurement, Manufacturing, sales and marketing and four customs clearing agents using purposive sampling.

1.7 Limitation of the study

Although all studies are not free from limitation, therefore, this study have some limitation as well. The main limitation was the Covid-19 situation in the country and it was very hard to collect questions and to make interviews, there is insufficiency of related literatures and Lack of well-organized secondary data in the areas, like lack of reference materials and previously conducted research in effect of customs regulation and custom clearance process on company performance which could help the researcher to see the existing research gaps were the major limitations are.

1.8 Definition of Terms

The definitions of the following terms are as per World Trade Organization (WTO) and as per Ethiopian custom proclamation no.859/2014.

Customs Commission (former ERCA): are the Ethiopian government organ established to regulate customs goods for the purpose of collect duties and taxes and controlling. (Ethiopian custom proclamation no.859/2014)

Impact: to have an influence on something. (Oxford dictionary)

Customs Clearance: The capability of the Customs procedures required to allow goods to enter for home use, to be exported or to be placed under another Customs process. (Ethiopian custom proclamation no.859/2014)

Customs procedures: Overall customs operations which shall carried out by a concerned person and by the authority in order to fulfill with customs law. (Ethiopian custom proclamation no.859/2014)

Clearing agent: a person issued with customs clearing agent license in accordance with the regulation issued hereunder and includes an employee of a declarant issued, by the Authority, with

a certificate of professional competence in respect of customs clearance. (Ethiopian custom proclamation no.859/2014)

Disposal of goods: transferring of goods through sale, donation or by any other means or the act of destroying goods by way of burning or otherwise. (Ethiopian custom proclamation no.859/2014)

Identical goods: items which are the same in all aspect including physical features, quality, characters and country of origin. (Ethiopian custom proclamation no.859/2014)

Similar goods: items which, although not alike in all aspects, have like features, and component materials, the same purposes and to be commercially substitutable; and the quality, origin, character and the trademark of which are among the factors to be considered determining their similarity. (Ethiopian custom proclamation no.859/2014)

Valuation: is a customs formality applied to determine the customs value of imported/exported items. (WTO)

Ad valorem tax: - any tax imposed based on the monetary value of the taxed item. (WTO)

1.9 Organization of the study

This study has five chapters. Chapter one covers introduction, background of the study, a statement of the problem with research questions, objectives of the study, significance of the study, scope and Limitation of the study. The second chapter presented the review of theoretical and empirical literatures. Research design and methodology of the study was presented in the third chapter. The Fourth chapter explained data analysis and presentation. Finally, the fifth chapter of this paper contained the findings, conclusion and recommendations.

Chapter Two

Related Literature Review

2.1. Introduction

In this section theoretical and empirical literature review is discussed and under theoretical literature review, knowledge of customs, the role of customs, customs regulations, customs regulations in Ethiopia, customs clearance, import customs procedure in Ethiopia, customs valuation, methods of determining customs value, what is performance, relationship between customs regulation and customs clearance on company performance and under empirical literature review, review of empirical Studies on customs regulation and valuation systems and review of empirical studies on customs clearance systems, literature gap and finally conceptual frame work is discussed.

2.2 Theoretical Literature Review

2.2.1 Knowledge of Customs

In 1952, the Customs cooperation council formally established and came into force. The Council is the governing body of the CCC and the inaugural Session of the Council was held in Brussels on 26 January 1953, Representatives of seventeen European countries attended the first Council Session of the CCC. After years of membership growth, in 1994 the Council adopted the working name World Customs Organization, to more clearly reflect its transition to a truly global intergovernmental institution. It is now the voice of 183 Customs administrations which operate on all continents and represent all stages of economic development. Today, WCO Members are responsible for processing more than 98% of all international trade (WCO, 2011). The World Customs Organization mission is to develop international standards, fosters cooperation and builds

capacity to facilitate legitimate trade, to secure a fair revenue collection and to protect society, providing leadership, guidance and support to Customs administrations.

2.2.2. The Role of Customs

The responsibilities of customs administrations vary from country to country and are often the subject of regular review and modification to ensure their ongoing relevance in a constantly changing world. Traditionally, customs have been responsible for executing a wide range of government policies, covers wide range of activities as revenue collection, trade compliance and facilitation, banning of restricted materials, protection of cultural heritage and enforcement of intellectual property laws. This extent of responsibility shows that customs authorities have long been entrusted with administering matters for which other government ministries and agencies have policy responsibility, such as health, agriculture, environment, trade statistics and in some cases, immigration. Nevertheless, the existing trade towards global free trade and the recent increasing of global terrorism concerns have seen border security emerge as a priority across all economies (Widdowson, 2007).

2.2.3 Customs Regulations

Customs law means such laws and regulations administered and enforced by the Customs Administration of a Party concerning the importation, exportation, and transit/transshipment of goods, as they relate to customs duties, other taxes and other charges, or to prohibitions, restrictions and other similar controls with respect to the movement of controlled items across the boundary of the customs territory of a Party; Tax and Customs laws, regulations, administrative guidelines and procedures should be harmonized and simplified to the greatest extent possible, so that Tax and Customs administration formalities can proceed without undue burden. Complex regulations, procedures or administrative guidelines allow corrupt practices to develop and flourish and those

create negative impact on import and export clearance procedures in the process of facilitating legitimate trade. The elimination of red tape includes cumbersome processes that may involve duplication of effort or unnecessary processing procedures. 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).

2.2.3.1 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, Sur tax, 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 (herein after the Proclamation) lays the general framework for Customs Regulation in Ethiopia.

2.2.4 Customs Clearance

Customs clearance work involves preparation and submission of documentations required to facilitate export or imports into the country, representing client during customs examination, assessment, payment of duty and co taking delivery of cargo from customs after clearance along with documents (Jared, 2013). Traditionally, customs authority does not release goods until all

issues related to the transactions are resolved and duties are paid; thus, as problems with goods classifications and valuation, missing documents, or appeal process against decision. Such delays have a negative impact on trader's supply chain as the goods are uphold in a customs-controlled facility are not at the disposal for the trader (UNCTAD ,2006).

As per the UNCTAD (2008), in many countries it is still normal not to release goods unless all issues 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 companies especially SMEs faced with increasing demand pressures in today's markets. Delays can have various reasons such as e.g. valuation problems but also others which currently are not regulated by WTO rules including classification problems, tariff heading determination, missing documents, lack of certificates of origin or health certificates, or cumbersome payment procedures. A lot of countries have resolved this problem by allowing the release of goods prior to the actual payment and are collecting duties and taxes in separate procedures, independent of the final clearance. Proposals on the release of goods in the event of appeal intend to avoid delays in situations where an appeal is pending. They propose that traders 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. They would allow Customs to satisfy any claims in case the trader does not meet his obligations. Thus, Customs would no longer need to hold back the goods themselves, and delays in their release and delivery would be avoided.

2.2.5 Import Customs Procedure in Ethiopia

An importer with an import license/investment permit must follow certain procedures for importing goods. A person undergoes several customs procedures in order to import goods, export

goods, or transit. The major proceedings as stipulated under the Customs Proclamation No. 859/2014 and now in the amended Customs Proclamation Mo. 1160/2019

I. Customs Declaration

An importer should first prepare a customs declaration (goods declaration) and submit such declaration to the Customs Commission (the former ERCA). The custom declaration must include the contract of sale; goods description; tariff classification, valuation and payment of duties and taxes, and other supporting data (such as the name and address of the trade operator and, the mode of transportation to be used). After the submission, the Customs Commission will examine the declaration by verifying the correctness of data information, tariff classification, valuation and payment of duties and taxes registered and supporting documents attached to declaration. The verification process may also include the fulfillment of legislative requirements administered by other regulatory agencies, such as veterinary, health and/or phytosanitary issues.

II. Payment of Customs Duty and Taxes

The importer is required to pay duties and taxes on the imported goods which include customs duty at 0-35% based on the type of good imported, VAT at 15%, withholding tax at 3% on the CIF (Cost + Insurance + Freight), Surtax at 10% and excise tax for few selected goods at 10%-100%.

III. Inspection

There is also a physical examination that will be conducted on the goods in order to ensure that the imported goods are not harmful to the public. Further, the imported goods will be examined so that their origin, country of export, nature, condition, quality, quantity, tariff classification and value of the goods are in accordance with the information furnished in the goods declaration.

IV. Clearance and Goods Release

In addition to the Customs Commission's (ERCA's) clearance activities (based on the physical examination conducted above), other regulatory bodies will also be involved in the clearance of certain imported goods. This applies to all goods for which pre-import permits are issued, as well as the ones for which an import permit is issued only at the time of clearance. The importer or his/her agent is responsible for obtaining the necessary permits from the regulatory agencies at the time of clearance. For instance, a person importing medicine is required to obtain a pre-license, before the starting of the import procedure and an import permit at the time of entry in order to obtain clearance. After the physical examination and obtaining the necessary license, the importer will obtain a goods release charges upon the payment of services charges. The goods will then be released, and the importer takes possession of them. In addition, the Customs Commission (ERCA) will issue a final declaration for the importer as a certificate of completing the import procedures and importation of goods.

Any importer who obtained a foreign currency permit should present the final import customs declaration to the 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 Customs Commission (ERCA's) acceptance of the goods declaration. During this period, Customs Commission (ERCA) may perform a post clearance audit of the import. 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.

2.2.6 Customs Valuation

According to WCO, the customs value of imported goods is determined mainly for the purposes of applying ad valorem rates of customs duties. It constitutes the taxable basis for customs duties. It is also an essential element for compiling trade statistics, monitoring quantitative restrictions, applying tariff preferences, and collecting national taxes. Today, almost all customs administrations of the current 161 WTO Members value imported goods in terms of the provisions of the WTO Agreement on Customs Valuation (adopted in 1994). This Agreement establishes a customs valuation system determine the customs value by their transaction value of the goods, which is the price actually paid or payable for the imported goods when sold for export to the country of importation, plus, certain adjustments of costs and charges. Now more than 90% of the customs value in the world trade is valued based on the transaction value method which provides more certainty, consistency and transparency for the business community.

As the agreement provides more predictability, stability and transparency for the trading community, it is regarded as a major contributor towards the facilitation of international trade while ensuring compliance with national laws and regulation (Global facilitation partnership for Transportation and Trade).

2.2.7 Methods of Determining Customs Value

The WTO Agreement provides a customs valuation system determine the customs value by their transaction value of the goods, which is the price actually paid or payable for the imported goods when sold for export to the country of importation with certain adjustments As stated by Minwagaw (2016) these days, most international trade involving import and export of goods and services is guided by the WTO Customs Valuation Agreement (CVA). This Customs Valuation Agreement comprises of six hierarchical/sequential alternative valuation methods. These are:

Transaction Value (Article 1), Transaction Value of Identical Goods (Article 2), Transaction Value of Similar Goods (Article 3), Deductive Value (Article 4), Computed Value (Article 5) and Residual or Fallback Method (Article 6)

2.2.8 Company Performance Measurement

Many definitions of performance tended to focus on the size of efficiency, showing financial results as a primary measure of performance. Subsequently, this concept's definitions have evolved, especially with the emergence of the Balanced Scorecard (Kaplan, Norton, 1992) which includes not only the financial perspective, but also the internal perspective, customer perspective and innovation and learning perspective. Performance can be expressed through a balanced set of parameters describing the results and processes to achieve these results.

In the present context, the performance of any economy in the world involves "ensuring the feasibility of the firm in terms of domestic and international competition, while respecting the restrictions imposed by sustainable development."(Albu N., Albu C., 2003).

Running a successful business requires a thorough analysis on the work, sales, and financial results. And it can't be done without tracking relevant business metrics. There are hundreds of different company performance measurement indicators but there's no use in measuring all of it. Depending on the business goals of the specific company, companies should track business metrics that really show how their business is doing.

While there are many more important businesses metrics that companies can and should measure their company performance, some of them that will have close relationship with bottled waters manufactures are: Sales revenue is calculated by summing up all the income from client purchases, minus the cost associated with returned or undeliverable products.

The Net profit margin is a good way to predict long-term business growth, and see whether your income exceeds the costs of running the business. The easiest way to do this is by raising the price of your products/services and selling more. Another method is to lower your sales and production costs while keeping up with the competition.

Gross margin: it reflects on improved processes and production. It's like the equivalent of your company's productivity, translated into numbers. Gross Margin can be improved by making both your sales and production processes more efficient.

Having loyal customers is beneficial in many ways. It helps to grow your sales and spread the word about your product. Customer loyalty can be increased over time by providing excellent customer care and delivering high-quality products.

Net promoter score reflects on the quality of your product and the level of customer satisfaction. It shows how many people are likely to recommend your product/service to a friend. Provide the very best customer service and deliver high-quality service.

Keeping the satisfaction level high leads to a long-term commitment to the team and company. That's why it's important to regularly check whether your employees are happy and feel rewarded for their work. Companies with a strong sense of mission project on their team, making everyone more motivated.

Maintaining high customer satisfaction is critical for a business because satisfied customers are likely to do business with the company in the future. (Karola Karlson, Scoro, 2020)

2.2.9 Relationship Between Customs Regulation and Customs Clearance on Company Performance

Today's economy is marked with higher competition than it ever was. Competitiveness on every level of market local, regional, national and international is one of the major tasks of every company. Therefore, companies that are present on today's global market are using different strategies, tools and activities in order to gain their competitive advantage and to remain competitive. They are trying to find all possible opportunities inside their organization and as well to use different activities in their environment.

In both, developed and underdeveloped economies, a harsh government policy are considered as risk for business growth. This includes the inappropriate tax system and various biased legal proclamations, complicated laws, rules and regulations that govern the operation of organizations (Bartlett and Bukvić, 2001). It is vital to note that the over control of organizations which will leads to the evasion of regulation by entrepreneurs and, subsequently, to an increase of the grey economy, as well as to their decisions to devote resources to influence the regulatory situation in their own favor, thereby encouraging so-called 'unproductive entrepreneurship' (Baumol, 1990). Therefore, Customs regulation of allowed days goods stays in customs and customs valuation, risk level given to imported items and delay in customs clearance process have direct impact on company performance. Tsegaye and Endris (2011) described, there are storage payments for items stored in temporary customs storage or bonded customs warehouse, established for rental use, from the date of deposit until release according ERCA's Proclamation 859/2014. On the other hand, delay in the prompt delivery of imported good/cargo, as, entails lack of just-in-time delivery and tying of money in the form of insurance bond, 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 a cargo is disposed of by Customs.’ Therefore, according to Tsegaye and Endris (2011) interview time delay in clearance process expose 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.

2.3 Empirical Literature Review

2.3.1 Review of Empirical Studies on Customs Regulation and Valuation systems

World customs organization (WCO, 2011) indicated that the effectiveness of the operational procedures of customs have a great influence in the movement of border crossing goods across the globe. So that customs must be in position to revise their operational procedures to optimize trade facilitation and control.

Lemlem Desta (2018) have assessed of challenges on import customs procedure in relation to trade facilitation and control in the case of ERCA Addis Ababa Kality branch, According to this study, Risk management in import clearance procedure considered as a major challenge for import clearance procedures in the branch office due to lack of organized and up-to-date risk database, lack of proper information flow for risk profiling purposes, lack of cooperation with other departments in the Branch Office as well as lack of coordination with the national intelligence unit for third party information sharing for risk profiling. Even the principles of risk management in customs procedures properly stated on the Proclamation No. 859/2014 article 6/1 indicates 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 condition for trade facilitation, but practically risk management process in the Branch Office highly depend on manual process rather than automation based and highly focused on regulatory control.

The research conducted on challenges of customs clearing and their implication on international trade in Ethiopia by Bahru Muktar (2019) Valuation is considered as one of the most critical work elements because; customs duties and other taxes are calculated and paid based on customs value of goods. Valuation problem may not affect only the amount of duties and taxes payable but also the time required to complete clearance process. One of the reasons for valuation problem could be lack of confidence to put correct value and tariff which also emanates from lack of work-related knowledge. This was evidenced by checking respondent's confirmation about existence of high price by considering 43.59 % and 25.21 % of the respondents agreed and strongly agreed on the availability of high price charge by officials at customs offices.

The research conducted on the Challenges of Import Customs Clearance in Ethiopian Revenue and Customs Authority by Minwagaw Erkie(2016), One of the reasons for the Customs Administration not to fully implement customs valuation based on invoice value is to minimize the impact of such kinds of intrigues on legitimate trade. As a result of this, import goods and related commercial documents are scrutinized meticulously. Such scrutiny contributes for customs clearance delay at customs stations in which genuine traders are victimized. This finding, to a certain extent, is similar to the finding of Tewoldebirhan (2011) in which he mentioned that the Tax Authority do not trust the value of goods produced by importers.

2.3.2 Review of Empirical Studies on Customs Clearance system

Tsegaye and Endris (2011) have studied the impact of customs clearance procedures on international trade in the case of Ethiopia. According to this study, the practical strategy adopted by the Ethiopian Revenues and Customs Authority (ERCA) has helped in introducing several policy measures which have not only streamlined the role of the customs department but has also helped the economy in a major way without compromising the collection of essential government revenue. However, various private sector surveys in Ethiopia have been able to identify that customs valuation is still an issue of particular concern.

The research conducted on Effects of Procrastination on Customs Clearance Cost: The Case of Kality Customs Branch in Ethiopia by (Debebe, 2016) generalized that, custom clearance time delays, which driven by different factors, differs across customs clearance channels like Green, Yellow and Red at Kality Branch Office. It is also greater than ERCA's targets of maximum 8 hours of clearance of imports. Thus, targeted trade facilitation on import clearance process of Red channel has a direct cost reducing benefit. Study also examined impacts of some predictors on customs clearance cost and result imply that, clearance time delay has significant impact on costs. Therefore, to mitigate this impact there should be the separation of release of goods from clearance of goods since this practice could reduce customs warehouse costs.

2.3 Literature Gap

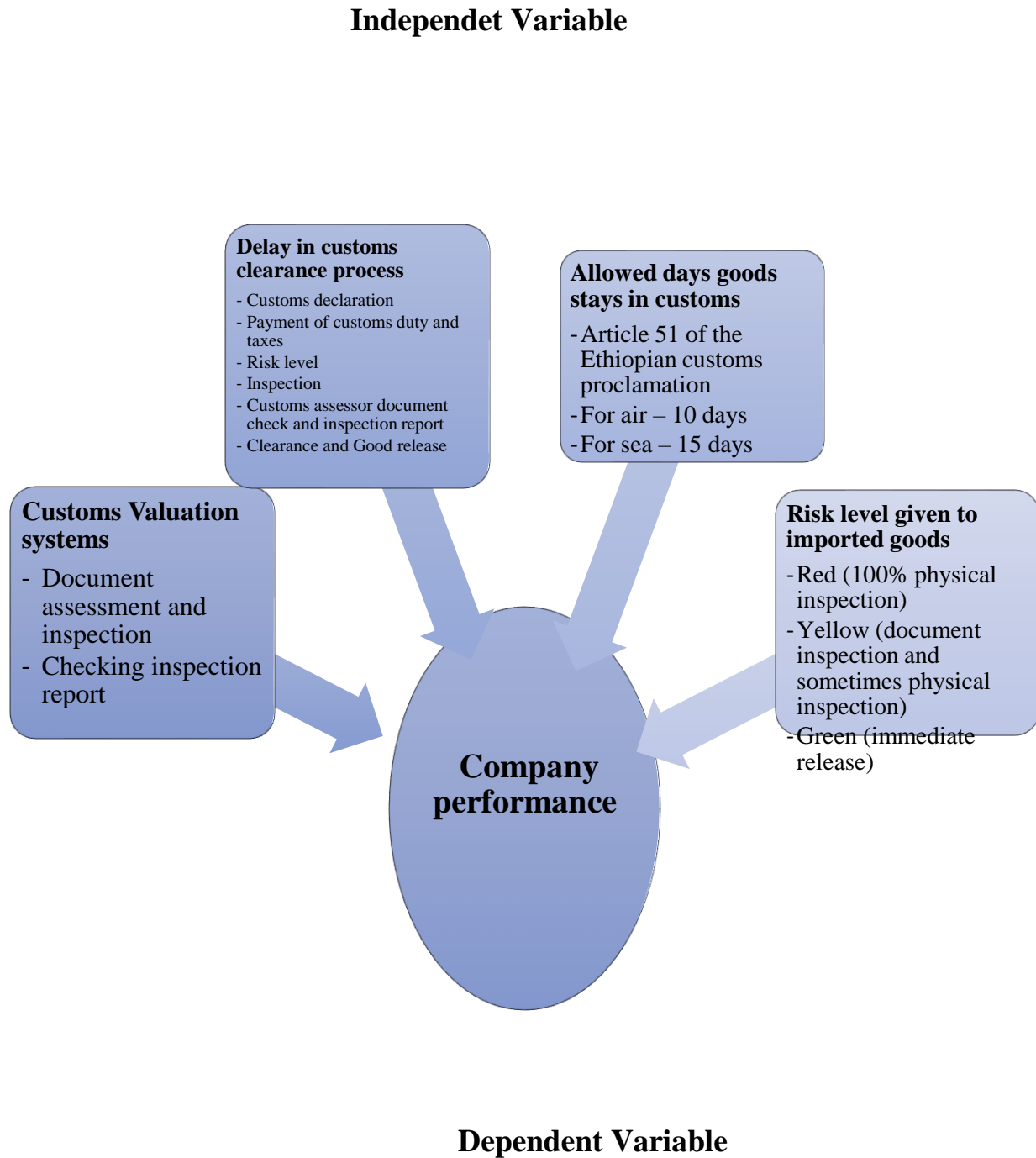
The research tries to see different Books, Journals, Research papers, internet, unpublished research's and book and different secondary sources data but the researcher didn't find the research which show the effect of the some of the customs regulation on business company performance and delay in customs clearance and valuation system how it's affect business. Therefore, in this

study, the researcher wants to show how some of the customs regulations, valuation system and delay in customs clearance affect the company performance.

2.4 Conceptual Framework

Based on the reviewed literatures the conceptual framework for the effect of customs regulations and customs clearance process on company performance is developed. The framework comprises the four criteria required for the examination of customs effect of customs regulations and customs clearance process on company performance: allowed days items stay in customs in customs regulation, customs valuation system, delay in customs clearance process and risk level given to imported items. These criteria were used in the analysis and discussion of the research findings. It is illustrated in figure 2.1.

Figure 2.1 Conceptual Framework



Source: Researcher 2020

Chapter Three

Research Methodology

3.1 Introduction

The main purpose of this chapter is to present the research approach, research design, population and sample, data source and types, data collection procedure, reliability and validity test of instrument, ethical consideration and method of data analysis.

3.2 Description of the Study Area

This study was conducted in Nestle Waters Ethiopia and Nestle Waters Ethiopia is a manufacturing company engaged in the bottling of water producing 75 million liters per year. The company has a factory located in Sululta, near the capital Addis Ababa in an area with an average annual rainfall of 1250mm. Nestlé Waters is a division of the Nestlé Group and the leading global bottled water company with 93 producing facilities in 33 countries globally and employing over 31,740 employees. As a part of the group strategy of investing in Africa and emerging markets, Nestlé Waters invested in the Ethiopian market through a Joint Venture with Great Abyssinia and formed a company Nestle Waters Ethiopia SC which is a legally established company under Commercial code of Ethiopia. The Joint venture is to carry out bottle water producing activities in Ethiopia under the brand name of Abyssinia water and later introduce its flagship brand Nestle Pure Life. Nestle have majority stake in the joint venture with 51% and now we are also in an expansion of the factory with modern current technology machineries.

3.3 Research Approach

The researcher uses both qualitative and quantitative (mixed) research approach. This mixed approach is suitable if one of the methods is inadequate to understand and assess the research problem. To address the general objective of the study, adequate data from both approaches was

used, and data was collected from both sources at the same time to get a complete analysis of the research problem and interpret the overall result. Therefore, the researcher was used quantitative approach because documents must be reviewed, and questionnaire was used as a data collection technique. In addition, qualitative approach was used for interview and primary source of data analysis to get the full effect of customs regulations and customs clearance process on the company performance.

3.4 Research Design

The research design is the framework of research methods and techniques chosen by a researcher. The design allows researchers to develop the research methods that are suitable for the subject matter and set up their studies up for success. (Adi, 2020). Descriptive studies may ask ‘what’ kinds of questions, explanatory studies seek to ask ‘why’ and ‘how’ questions (Grey, 2014). Descriptive research design is employed in those studies which are concerned with describing the characteristics of a particular individual or of a group. It describes the nature of situation as it exists at the time of study as well as to explore the cause of particular phenomena (Kothari, 2004). Explanatory research focus on explaining the aspects of your study in a detailed manner (Muhammad, 2019). Therefore, the researcher adopted both descriptive and explanatory research design. The main objective of the study is to assess how customs regulations and customs clearance process affect company performance. To achieve this, it draws statistical, quantitative results and further seeks to provide justifications on the established relationship with qualitative study. Therefore, the appropriate research design is explanatory type that responds to both the how and why aspect of the fundamental research question and to show the existing problem of the customs regulation, valuation and customs clearance delay, the researcher uses descriptive research design.

3.5 Population and sample

The target population of the study includes two target sets of units from which the sample unit is selected. The first set of sampling unit was the clearing and forwarding agents. the target population is 4 Customs Clearing Agents, These customs clearing agents are companies handling Nestle waters customs clearing processes and all the customs clearance agents of Nestle waters are taken and questioner was collected from 32 employees of the customs clearing agents from different department and employees from operation manager, general manager, assessors and clearing officers and the second set of samples was collected from 20 nestle waters Ethiopia and total number operational employees currently working at the four departments of the company are taken. In this study purposive sampling technique is used. Purposive sampling (also known as judgment, selective or subjective sampling) is a sampling technique in which researcher relies on his or her own judgment when choosing members of population and study areas to participate in the study. (Black, K. 2010), the researcher chooses purposive sampling technique because the research questions address a specify company and the respondents must know the exact knowledge about the problems the researcher wants to address. Therefore, from the different purposive sampling techniques the research chooses homogenous purposive sampling, to have the interest of a particular group of interest which is subsequently examined in detail and expert purposive sampling, to have the needed glean knowledge from the individuals that have particular expertise (Kuzel, 1999). This research was taken sample size of 52 from the four customs clearing agents of different department and four department of nestle waters employees.

3.6 Data Source and Types

In order to achieve the objectives of this study, the researcher uses both Primary and secondary data source concurrently. Primary data was collected using both open-ended and closed-ended

questions and semi-structured interviews questions completed by target respondents from customs clearing agents and Nestle employee's and Nestle department managers. The secondary data on the other hand, obtained from company profile, financial report, company audit report, procurement documents, published documents and literature, books from library and the internet (e-books) those are relevant to this study. The questionnaires were distributed to the respondents through 'drop and pick later' method and face to face interview. Additionally, semi-structured interviews were used to interview key department of the company and questionnaires helps to best understand the problem and to achieve the research objective. the researcher adopted most of the research instrument from three related researchers (Lemlem Desta, 2018; Bahru Muktar, 2019; Tenkir Seifu, 2009) and developed additional research instrument.

3.7 Data Collection Procedures

For this study, both quantitative and qualitative research approaches employ interview and questionnaire as data collection techniques. The interview method as a verbal method is quite significant in securing data about person's past and private behavior, future actions, attitudes, perceptions, faiths, beliefs thought processes, motivations etc. In this method the researcher or an interviewer can interact with his respondents and know their inner feelings and reactions. the researcher has selected semi structured interview for the qualitative data collection, and questionnaire for the quantitative data collection. According to Goode and Hatt "questionnaire is a device for securing answers to questions by using a form which the respondent fills in himself. the questionnaire is sent to a selected number of individuals, its scope is rather limited but within its limited scope it can prove to be the most effective means of eliciting information, provided that it is well formulated, and the respondent fills it properly. A properly constructed and administered questionnaire may serve as the most appropriate and useful data gathering device.

3.8 Data Analysis

Data analysis means a process of cleaning, transforming and modeling data to discover useful information for business decision-making. The data collected through the questionnaire processed and analyzed by using statistical software called Statistical Package for the Social Science/SPSS/. Descriptive and Inferential statistics method are used to analyze the data. Descriptive statistics involves the use of absolute and relative (percentages) frequencies, measures of tendency and dispersion (mean and standard deviation respectively) and used alongside the frequencies for Likert items. Inferential statistics use a random sample data taken from a population to describe and make inferences about the population. Linear regression model was adopted to predict the dependent variable from all other variables by means of a multiple regression analysis. Pearson test was used to test effect of such relationship of the dependent variable from independent variables. Then the data was analyzed, and the results are interpreted. The researcher organizes and present the data by using different tools such as percentages, tables, chart, and figures in an easily understandable way. Then use the results of the data analysis process to decide the best course of action.

3.9 Reliability and Validity Test of instrument

3.9.1 Reliability Test of instrument

A. Field (2009) explained reliability as “a means that measure (in this case questionnaire) should constantly reflect the construct that it is measuring”. “Reliability refers to the consistency and stability of findings that enables findings to be replicated” (Burns, 2008). “Cronbach’s Alpha is very useful in developing attitude scales and questionnaires as the alpha level (or reliability) indicates if the items are measuring the same construct. Coefficient alpha ranges in value from 0, meaning no consistency, to 1, meaning complete consistency (all items yield corresponding

values). Scales with a coefficient alpha reliability α between 0.80 and 0.95 are very good reliability. coefficient alpha α between 0.70 and 0.80 are good reliability, and coefficient alpha α between 0.60 and 0.70 shows fair reliability, If the coefficient alpha α is below 0.6, the reliability will be poor and if the coefficient alpha α is below 0.5, it's unacceptable. Most statistical software packages, such as SPSS, will easily compute coefficient (Zikmund et al, 2010). Therefore, the study uses Chronbach alpha test to check the reliability of the study.

Table 3.1 Reliability Statistics

Factors	Cronbach's Alpha	No. of Items
Effect Customs laws and regulations	0.87	5
Effect of Customs Valuation	0.87	9
Effect of Customs Clearance	0.84	7
The effect of customs regulation and customs clearance process on company performance	0.65	3
Overall	0.75	24

Source: Own Survey and SPSS Output, 2020

According to the above summarized reliability statistics table result; the overall Cronbach's Alpha for this study was 0.75 Therefore, this study has good reliability.

3.9.2 Validity Test of instrument

Validity is often defined as the extent to which an instrument measures what it declares to measure (Blumberg et al., 2005). Validity of a research instrument assesses the extent to which the instrument measures what it is designed to measure (Robson, 2011). It is the degree to which the results are truthful. So that it requires research instrument (questionnaire) to correctly measure the concepts under the study (Pallant 2011). In quantitative research validity is the extent to which any measuring instrument measures what it is intended to measure (Thatcher, 2010). But, in qualitative research it is when a researcher uses certain procedures to check for the accuracy of the research

findings (Creswell, 2014). In order to ensure validity of the instrument the researcher consult subject matter experts to check content validity for an existing test to rate each question as to whether it is “essential,” “useful, but not essential,” or “not necessary” to the performance of what is being measured, SPSS lecturers, users and some Nestle Waters Ethiopia S.co. employees requested to examine it and judge the validity.

3.10 Ethical Consideration

The respondents are informed that their responses would be kept confidential and the information uses only for academic purpose, the respondent’s rights to privacy, confidentiality, and anonymity was addressed individually.. Respondent’s name and other identifying information will not use in the study. Finally, the several works of other authors used in this research will get appropriate acknowledgement.

Chapter Four

Data Presentation and Analysis

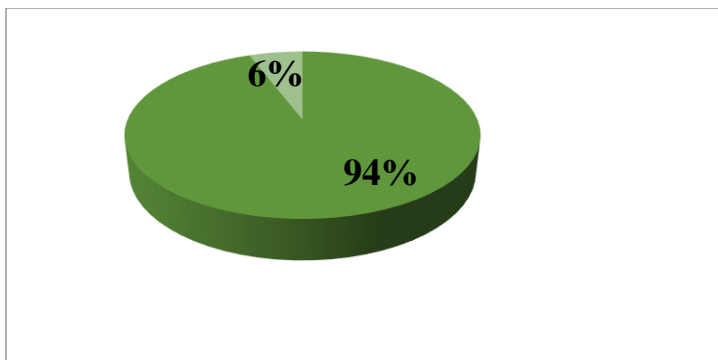
4.1 Introduction

This chapter deals with the content of data analyzing, organizing and presenting of the result based on effect of customs regulation and customs clearing process on company performance. The data distribute and collected using questionnaires; the respondents are categorized in to two which are nestle employee and clearing agent. The questioners collected were analyzed data and running statistical test and present by using SPSS software. The data also organized and presented using different tools such as chart, figure, table and percentages are easily understandable way.

4.2 Response Rate

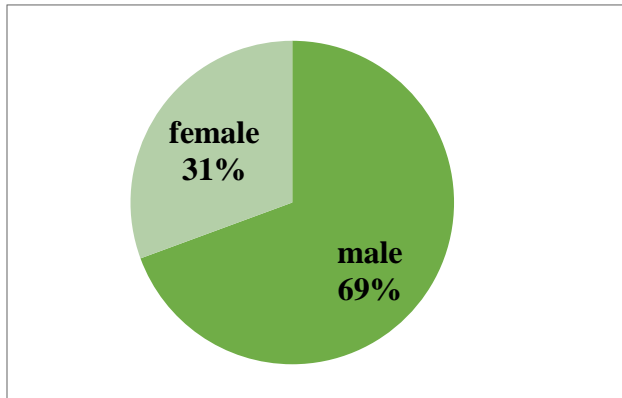
To collect required data about effect of customs regulations and customs clearing process on company performance 52 questioners were distribute from this 49 (94.2%) were collected and 3 (5.8%) not returned. Hence, the analysis and interpretation of the respondent were carried out based on 49 (94.2%) of the collected questioner which is enough.

Figure 4.1 Response Rate of the Respondents



Source: Own Survey and SPSS Output, 2020

Figure 4.2 Gender Distribution of the Respondent



Source: Own Survey and SPSS Output, 2020

4.2.1 Gender Distribution of the Respondents

As figure 4.2 above shown as a total of 49 respondents were participated in this study. According to most of the respondents were male which is 34 (69.4%) were male and 15(30.6%) were female.

This is implying that males are more engaged in the customs clearing process

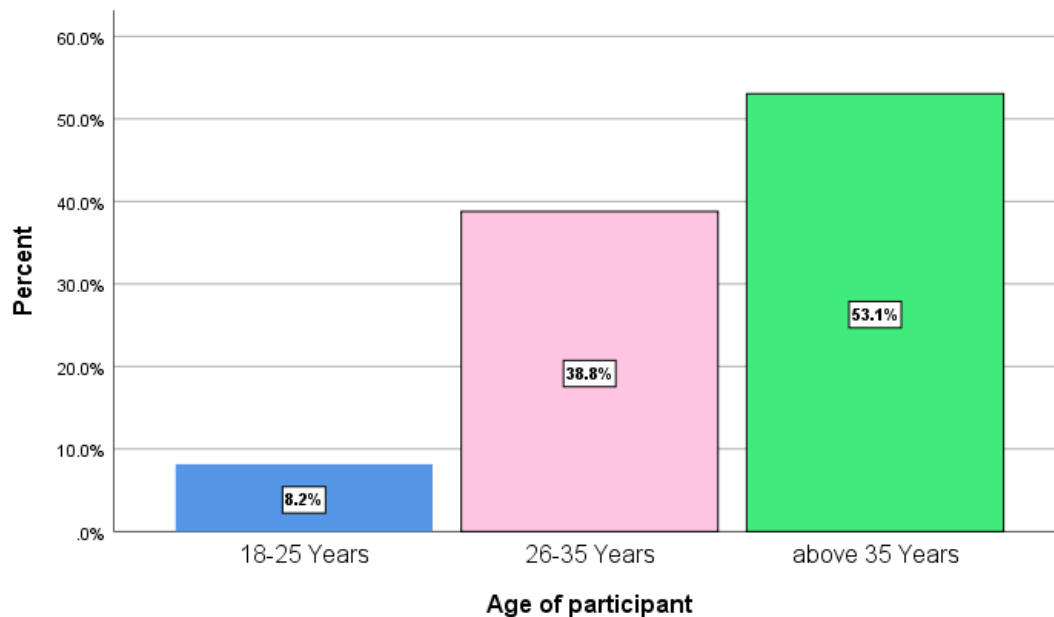
4.2.2 Age Group of the Respondents

Table 4.1 Age Group of the Respondents

Age Group of the Respondents	Frequency	Percent	Valid Percent	Cumulative Percent
18-25 Years	4	8.2	8.2	8.2
26-35 Years	19	38.8	38.8	46.9
Above 35 Years	26	53.1	53.1	53.1
Total	49	100	100	100

Source: Own Survey and SPSS Output, 2020

Figure 4.3 Age Group of the Respondents



Source: Own Survey and SPSS Output, 2020

As Figure 4.3 and table 4.1 above shows, the respondents were categorized into different age groups. Age of majority of respondents were above 35 years which is 26 (53.1%), 19 (38.8%) of the respondents were between 25 to 35 years and 4 (8.2%) of the respondents were age between 18 to 25 years.

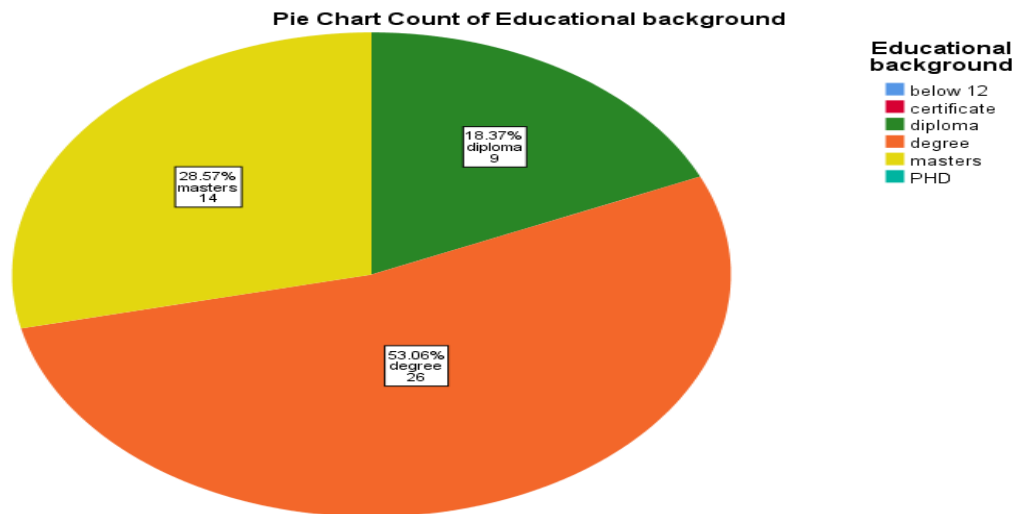
4.2.3 Education Level of the Respondents

Table 4.2 Educational Background of the respondents

Educational Level of the Respondent	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	9	18.4	18.4	18.4
Degree	26	53.1	53.1	53.1
Masters	14	28.6	28.6	28.6
Total	49	100	100	100

Source: Own Survey and SPSS Output, 2020

Figure 4.4 Education Backgrounds of the Respondents



Source: Own Survey and SPSS Output, 2020

Table 4.2 and Figure 4.4 above showed that the educational background of the respondents. According to most of the respondents 53.1% of them have bachelor’s degree. 28.6% of the respondents have master’s degree holders, and 18.4% of the respondents has college diploma. According to the study 53.1% of the respondents have first degree.

4.2.4 Service Year or work Experience of the Respondent

Table 4.3 Service Year or work Experience of the Respondent

Service Year/Work Experience	Frequency	Percent	Valid Percent	Cumulative Percent
less than 5 Years	6	12.2	12.2	12.2
5-10 Years	20	40.8	40.8	59.2
above 10 Years	23	46.9	46.9	46.9
Total	49	100	100	100

Source: Own Survey and SPSS Output, 2020

Participants were asked to indicate their work experience and the study show that 23 (46.9%) have more than 10 Years, 20 (40.8%) of them have between 5 to 10 years custom work experience, 6 (12.2%) of the respondents have less than 5 years.

4.3 Descriptive Statistics

In this part of the study, it is tried to analyze the data that was collected from participants. To measure the effect of customs regulation and customs clearing process on company performance. By using SPSS software measure of the central tendency, like mean, frequency distribution and standard deviation. There are enabling factors such as effect of custom law rules and regulation, declaring and clearing goods, effect of custom valuation, and effect of custom clearance. To achieve these objective respondents were asked to indicate the Degree of effect on company performance. Using five points likert type scale 1=strongly disagree, 2=disagree, 3= neutral, 4=Agree, 5=strongly agree was used to collect data from the respondent. To calculated composite mean value that ranges from 1 to 1.80 implies strong disagreement, whereas the remaining ranges of 1.81 to 2.6, 2.61 to 3.4, 3.41 to 4.2 and 4.21 to 5.00 representing the respondents' perceptions of disagreement, neutrality, agreement and strong agreement respectively (saul,2019). and, a standard deviation of 1 implies a significant difference on the variable among the respondents. These composite mean scores and standard deviations were applied on Three independent and one dependent variable.

4.3.1 Customs laws (rules and regulations)

In this analysis customs laws (rules and regulations) was taken as one of the causes of the company performance drew on the five measurements in the questionnaires. The detail outcome is appeared in table 4.4

Table 4.4 Customs laws (rules and regulations)

	1	2	3	4	5	N	Mean	Std. Deviation
Existing directive contains detail explanation about import and export clearing procedure.	29 59.20%	16 32.70%	4 4.0%	- -	- -	49	1.49	0.649
Custom rules and regulations are clear to understand and implement in import and export clearance process.	31 63.30%	17 34.70%	1 2.00%	- -	- -	49	1.39	0.533
Customs law and regulations are harmonized and simplified with international convention of WCO	35 71.40%	13 26.50%	1 2.00%	- -	- -	49	1.31	0.508
Customs rule and regulations are consistent and predictable.	28 57.10%	19 38.80%	2 4.10%	- -	- -	49	1.47	0.581
Appeal processes against decisions at customs are clear and short.	27 55.10%	19 38.80%	3 6.10%	- -	- -	49	1.51	0.617

Source: Own Survey and SPSS Output, 2020

As stated by table 4.4, 59.2 and 32.7 percent of the respondents' strongly disagree and disagree that the existing directive of ECC didn't contains detail explanations about import and export clearing procedure whereas 4.0 percent of the them are neutral The mean score of their response on this matter is 1.49 and 0.649 standard deviations. This shows that the existing customs regulation didn't contain detailed explanation about import and export clearing procedure.

According to table 4.4 above the respondents were also asked customs rules and regulations are clear to understand and implement in import and export clearance process, on this point 63.3 and

34.7 percent of the respondents strongly disagree and disagree respectively. Whereas 2.0 percent of the respondents are neutral. The mean score of their response on issue is 1.39 and standard deviation value of 0.533 this implies that; majority of the participants agreed that the customs rules are not clear to understand and implement in import and export clearance process.

On Customs law and regulations are harmonized and simplified with international convention of WCO 71.4 percent and 26.5 percent of the respondent expressed as strongly disagree and disagree respectively. The mean score of 1.31 and standard deviations values of 0.508 which shows that almost all the respondent strongly disagree that the laws and regulations are not harmonized and simplified with international convention of WCO.

Regarding to rules and regulations are consistence and predictable 57.1 and 38.8 percent of the participants replied strongly disagreed and disagreed respectively, the remaining 4.1 percent of the participants are neutral. the mean value of 1.47 and score standard deviations value 0.581 this implies customs rules and regulations are not consistence and predictable.

As shown table 4.4 above, on the appeal process against decisions at customs are clear and short 55.1 and 38.8 percent of the participants returned strongly disagreed and disagreed whereas 6.1 percent of the respondents were neutral. The mean score of their response on such matter is 1.51 and standard deviations 0.617 this shows that the appeal process against decisions at customs are not clearly designed and very long.

The allowed day given for declaring and clearing goods is enough

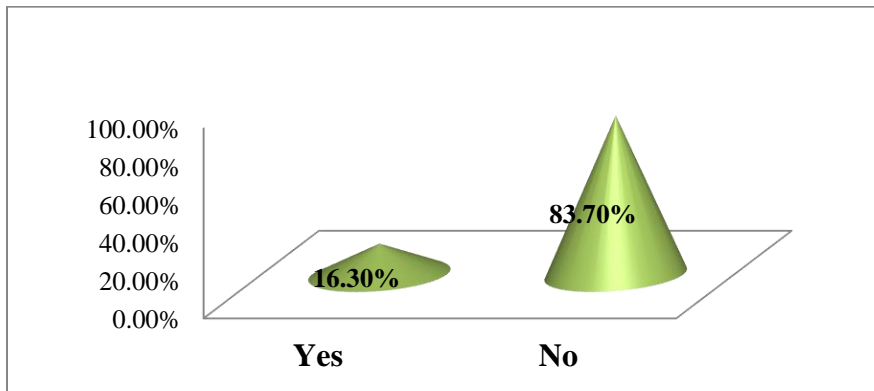
The allowed day given for declaring and clearing goods is one of the determinant factors of the performance on the company. The respondents were asked about the allowed day given for the declaring and clearing goods based on the yes no questions. The result found in the table 4.5 under.

Table 4.5: The allowed day given for declaring and clearing goods

	1(Yes)	2(No)	N	Mean	Std. Deviation
The allowed days given for declaring and clearing goods are enough.	8 16.30%	41 83.70%	49	1.84	0.373

Source: Own Survey and SPSS Output, 2020

Figure 4.5 The allowed day given for declaring and clearing goods



Source: Own Survey and SPSS Output, 2020

As shown in the above figure large number of the respondents’ 83.67 percent agreed that the allowed days given for declaring and clearing goods from customs is not enough, the participants discussed the following reason. The main problem they raised is a shortage of foreign currency in Ethiopia. The reason is that the approval of foreign currency take long time, banks approve lots of proforma invoices at one time, they give them limited time (15 days) to use the approved foreign currency and banks didn’t give them a long or installment payment, the buyers must deposit 100% of the approved foreign currency. Therefore, companies who get the foreign currency approval use the cash they have for the purchase of raw material, spare parts, etc.... because they will not get another approval soon, so they try to use the foreign currency approval. Then when the goods

shipped and arrive in the custom office, companies struggle to pay customs duty and tax on time because of shortage of cash on hand and the time given to clear the goods from customs will be too hard for them. If it is sea freight after 15 days companies need to pay 20% of the customs duty and after that the item will be disposed off.

The other reason the respondents reply that, due to the economic crises in the world most companies, especially manufacturing companies doesn't have cash on their account. Most manufacturing companies have a credit system to support and to have smooth relationship with their customers. However, some customers will not pay the credit they take on time. Therefore, it will be hard for the company to collect their goods from the custom office within the limited time frame set by the customs office.

The respondents express their opinion on what will be the effect on company performance if the goods are seized, they respond that companies will have bigger problems because all companies specially manufacturing companies have a monthly and year plan for all company's operation and manpower requirement. According to the plan companies recruit employees, order machinery set all the resources needed and also they sign agreements with customers, put distributors all over the country, and they give them target sales, according to that the distributors and customers hire workers, rent shops and warehouses and they invest on the business. Therefore, if the goods are confiscated by customs commission, overall operation of the company will be disrupted, and the plans fail to be executed. There will be not been any input or material for manufacturing products, Workers will become unemployed. The agreements made to supply the produced goods for the customers and distributors will be cancelled. Following the cancellation of the contracts both contracting parties will incur loss, the company then end up with bankruptcy, it will create dissatisfaction to the whole employers of the company because If the company is profitable then

the workers can get bonuses and will not have a risk of losing their job but if the company bankrupt, the outcome will be different. The relationship the company has with the customers and distributors will cease to exist. Finally, the company goes to the extent of reduction of works and if the level of the loss is Sevier, bankruptcy will be declared, and the company will be closed and cease to operate.

Also, the respondent mentioned if the company don't have raw materials in stock and the goods stay at the custom office, the company will fail to produce as planned. Following the failure to produce as required, companies will be obliged to pay salary for the workers without any work, apart from this, there will be customer dissatisfaction as the products will not be supplied for the customers when demanded.

Interview and secondary data analysis was done with nestle management and clearing agents managements: According to the interview with an interview with Nestle waters employee, their 4x40 container of raw material is sold for not clearing the container from customs on time, and they lost 4.5 million birr, and they advise us that they apply a letter to Modjo customs by explain the problem they are facing and to hold their container for some time but that didn't prevent from happening. Due to the loss of 4*40 container of raw material overall Nestle waters production, sales and resource plan was disrupted and the company is forced to be shut down for 2 months and record a loss of 7.25 million birr, that is 4.5 million the loss of the raw material, two month employees salary without working anything and also face a problem with distributors and loss so many loyal customers, the researcher sees the shipping documents, the letter of complaint, letter of customs commission and procurement tracking sheet and finally the audit report.

4.3.2 customs valuations

In the research questionnaires custom valuation was included the basic measurements of the company performance. In the questionnaire this variable contains nine questions

Table 4.6 Customs Valuations

								Std Deviation
Item	1	2	3	4	5	N	Mean	
In case of slight description difference, customs officials charge higher price to be safe side	2	2	4	29	12	49	3.96	0.935
	4.10%	4.10%	8.20%	59.20%	24.50%			
Customs valuation officers in Ethiopia are qualified enough to handle their duties	3	25	9	10	2	49	2.65	1.011
	6.10%	51.00%	18.40%	20.40%	4.10%			
customs valuation officers have adequate expertise on import transaction	4	21	13	10	1	49	2.65	0.969
	8.20%	42.90%	26.5	20.40%	2%			
Customs valuation system applied in Ethiopia has appropriate control mechanism	-	10	8	30	1	49	3.45	0.843
		20.40%	16.30%	61.20%	2%			
The documentation system used by ECC is effective in capturing import transactions	4	13	17	12	3	49	2.94	1.049
	8.20%	26.50%	34.70%	24.50%	6.10%			
Customs valuation system applied in Ethiopia creates fair playground among importers	5	34	4	5	1	49	2.24	0.855
	10.20%	69.40%	8.20%	10.20%	2.00%			
Customs valuation system applied in Ethiopia is less susceptible of undervaluation	2	17	7	22	1	49	3.06	1.029
	4.10%	34.70%	14.3%	44.90%	2%			
Customs valuation system applied in Ethiopia is based on built-in incentives for compliance by importers	3	20	12	11	3	49	2.82	1.054
	6.10%	40.80%	24.50%	22.40%	6.10%			

Overall, customs valuation system applied by ECC is effective	2	28	12	6	1	49	2.51	0.845
	4.10%	57.10%	24.50%	1%	2%			

Source: Own Survey and SPSS Output, 2020

The respondents were asked to express their degree of consent on the matter of in case of slight description difference customs officials charge higher price to be safe side 59.2 and 24.5 percent of the participants agreed and strongly agree. Whereas 8.2, 4.1 and 4.1 percent neutral, disagreed and strongly disagreed respectively. The mean score of their response is 3.96 and standard deviation value of 0.935 which shows most of the participants agreed on this matter.

On point of customs valuations officers in Ethiopia are qualified enough to handle their duties 51 and 6.1 percent replies disagree and strongly disagree. The remaining 18.4, 20.4, and 4.1 percent of participants neutral, agree, strongly agreed. The mean score of 2.65 and standard deviations value 1.011 which shows customs valuations officers in Ethiopia qualified not enough to handle their duties.

The respondents were also asked to express their degree of consent on the customs valuations officer have adequate expertise on import transactions 42.9 and 8.2 percent of the responds disagree and strongly disagree which indicates customs valuations officers have not enough expertise on import transactions. the mean score of their response is 2.65 and standard deviation 0.969.

On the other hand, Customs valuation system applied in Ethiopia has appropriate control mechanism, 61.2 percent and 2 percent of the respondent agree and strongly agreed respectively, this implies majority of the respondent were agreed. The mean score of 3.45 and score standard

deviation 0.843 which implies that custom valuation system applied in Ethiopia applied has appropriate control mechanism.

On the documentation system used by ECC is effective in capturing import transactions 34.7 percent of the respondents replies neutral, the rest are 8.2, 26.5 24.5 and 6.1 respondents are strongly disagreed, disagreed, agree and strongly agree respectively. The mean value of 2.94 and standard deviation 1.049 which implies majority of the respondent were neutral on the documentation system used by ECC is effective in capturing import transaction.

Concerning the issue of customs valuations system applied in Ethiopia creates fair playground among imports, 69.4 and 10.2 percent of the respondent were replied their opinion disagreed and strongly disagreed, whereas 8.2, 10.2 and 2 percent of the respondent neutral, agree and strongly agree on this matter. The mean value 2.24 and standard deviations score 0.855 which shows a greater number of participants assent customs valuations systems applied in Ethiopia does not create fair playground among importers.

In addition to the point customs valuations systems applied in Ethiopia is less susceptible of undervaluation 44.9 and 2 percent of the participants replied agree and strongly agree on this case. Whereas the remaining 34.7, 4.1and 14.3 of them disagreed, strongly disagree and neutral respectively. The mean value 3.06 and standard deviations 1.029 which shows customs valuations systems in Ethiopia is less susceptible of undervaluation.

On the matter of customs valuations systems applied in Ethiopia based on built in incentives for compliance by importers 24.5 of the participants replied neutral which implies majority of them neutral. whereas, 6.1, 22.4, 6.1 percent of the respondents disagreed, agreed and strongly agreed

respectively. The mean score of their respondents on this point 2.82 and standard deviation 1.054 which is system applied in Ethiopia based on built in motive for compliance by importer.

The participants were also answering the questions on overall, customs valuations system applied by ECC is effective, on this issue 57.1 and 4.1 percent of the respondent disagree and strongly disagree respectively, while, 24.5 percent of them neutral. Only 1 and 2 percent of respondent agree and strongly agree respectively. The mean score of their respondents on these issues is 2.51 and standard deviation value of .845 which shows overall customs valuations system applied by ECC is not effective

Table 4.7 how long does it take to complete the custom process

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 5 days	4	8.2	8.2	8.2
6-15 days	21	42.9	42.9	51
16-30 days	24	49	49	100
Total	49	100	100	

Source: Own Survey and SPSS Output, 2020

As can be seen from table 4.7 to evaluate how long does it takes to complete the custom clearance process 49.0 percent of respondents answered that, the import good clearance process takes 16 to 30 days, 42.9 of them said 6 to 15 days, 8.2 percent of them said less than 5 days. This implies that majority of the respondents' response it takes long time to take complete the clearance process.

Table 4.8 which method of customs valuations is mostly applicable

	Frequency	Percent	Valid Percent	Cumulative Percent
Transaction value method	2	4.1	4.1	4.1

Transaction value of identical merchandise	21	42.9	42.9	46.9
Transaction value of similar merchandise	26	53.1	53.1	53.1
Total	49	100	100	100

Source: Own Survey and SPSS Output, 2020

Table 4.8 above issues on method of custom valuation is predominantly applicable 53.1 percent of the respondent replies Transaction value of similar merchandise method of customs valuations is predominantly applicable in practical situation, where as 42.9 percent of them said Transaction value of identical merchandise largely applicable in practical situation, and 4.1 percent of the respondents expressed transaction value method customs valuation is principally applicable.

Table 4.9 which method is used by customs officers to declare value of imported goods

	Frequency	Percent	Valid Percent	Cumulative Percent
Transaction value of identical merchandise	15	30.6	30.6	30.6
Deductive value	1	2	2	32.7
Transaction value of similar merchandise	32	65.3	65.3	98
Computed value	1	2	2	2
Total	49	100	100	100

Source: Own Survey and SPSS Output, 2020

Table 4.9 shows, the respondents were asked method of valuation do the customs officer commonly apply 65.3 percent of respondents said transaction value of similar merchandise method of valuations do they often apply, whereas 30.6 percent of respondents said transaction value of identical merchandise do they frequently applied by customs officer in Ethiopia. The rest 2 and 2

percent of respondents said Deductive value and computed value respectively habitually officers applied.

Table 4.10 Which Continents are more susceptible for under invoicing

	Frequency	Percent	Valid Percent	Cumulative Percent
North America	3	6.1	6.1	6.1
Asia	46	93.9	93.9	93.9
Total	49	100	100	100

Source: Own Survey and SPSS Output, 2020

The result table 4.10 the respondent was asked to demonstrate their degree of the assent on Which Continents are more susceptible in under invoicing accordingly, 93.9 percent of the respondents said that on import from the Asia continents are more vulnerable for under invoicing of import value. And only 6.1 percent of the respondents are said North America continents are more susceptible.

Table 4.11 the most common way of under invoicing import Value

	Frequency	Percent	Valid Percent	Cumulative Percent
Using third country invoice	2	4.1	4.1	4.1
Adjusting invoice value	47	95.9	95.9	95.9
Total	49	100	100	100

Source: Own Survey and SPSS Output, 2020

On the matter of most common way of under invoicing import value in Ethiopia is table 4.11 above indicate that 95.9 percent of respondents replied adjusting invoice value is the most common

way of under invoicing import value in Ethiopia, only 4.1 percent of respondents said using third country invoice is common way of under invoicing import value.

4.3.3 Customs Clearance

In this research effect of customs clearing is get hold of as one of the performances indicates that affect the company performance. In the questionnaire this variable hold seven basic functioning questions related with basic operational activities. The response of respondents statistically reports under the below table.

Table 4.12 customs clearance

Item							Mean	Standard Deviation
	1	2	3	4	5	N		
The import clearance activity is properly supported by modern information technologies	22	26	1	-	-	49	1.57	0.54
	44.90%	53.10%	2.0%	-	-			
There is updated importer risk profiling data base system in the branch office	25	24	-	-	-	49	1.49	0.505
	51.0%	49.0%	-	-	-			
The criterion to obtain import clearance is reasonably attainable.	17	26	6	-	-	49	1.78	0.654
	34.70%	53.10%	12.20%	-	-			
The import custom procedures functional units are adequately staffed with skilled personnel to deliver fast and quality services.	19	28	2	-	-	49	1.65	0.561
	38.80%	57.10%	4.10%	-	-			
Suggestion boxes and other devices that customers can use for their comments are placed in a visible area.	17	29	3	-	-	49	1.71	0.577
	35%	59.2%	6.10%	-	-			
The /ASYCUDA++ system could precisely label the level of risk at submission of import documents	18	29	2	-	-	49	1.67	0.555
	36.70%	59.20%	4.10%	-	-			
	20	28	1	-	-	49	1.61	0.533

There is efficient information flow for risk profiling	41%	57.10%	2.0%	-	-			
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Source: Own Survey and SPSS Output, 2020

As shown the above table 4.12 the participants were asked on the issue of the import clearance activity is properly supported by modern information technologies accordingly, 44.9 and 53.1 percent of the respondents respectively strongly disagreed and disagreed that the import clearance process is not properly supported by modern information technology, whereas 2.0 of the respondents replied neutral on this case. The mean score of the participants 1.57 and standard deviation 0.54.

The participants were also replied about there is updated importer risk profiling dated base system in the branch office accordingly on this matter 51.0 and 49.0 percent of the participants were strongly disagreed and disagreed percent. The mean score of 1.49 and standard deviation 0.505 which manifest there is no updated importer risk profiling data base system in the branch office. Most of the goods are subject to red risk and they must go through an exhausting and long screening process. The process is time taking and the risk examination system at the custom office has many draw backs and problems.

Concerning on the issues the criteria to the criterion to obtain import clearance reasonably attainable 34.7 and 53.1 percent the respondents replied strongly disagree and disagree, whereas 12.2 percent of them are neutral. The mean score of their response replied on this point 1.78 and standard deviation 0.654 which implies that majority of them disagreed that it's difficult to obtain import clearance easily.

Participants replied on the issues the import custom procedure functional units are adequately staffed with skilled personnel accordingly, 57.1 and 38.8 percent of the respondents were disagreed and strongly disagreed, the remaining 4.1 percent of the participates replied neutral. The mean score of their response 1.65 and score standard deviations value 0.561. which shows import customs procedure functional units are not staffed with skilled personnel to deliver fast and quality service.

The respondents were also return on the point suggestion boxes and other device that customs can use for their comments accordingly, 35 and 59.2 percent of the respondents strongly disagreed and disagreed respectively, and 4.1 percent of the participants replied neutral on this matter. The mean score of the response on such matter 1.71 and standard deviation 0.577. which shows that there is no or the boxes or the devices are not visible the customers to give a comment on the service.

Regarding on the matter of the /ASYCUDA++ system precisely label the level of the risk at submission of import documents 59.2 percent of them are disagreed, 36.7 respondents were strongly disagreed, and the remaining 4.1 percent of the respondents are natural. The mean score is 1.67 and standard deviation 0.555 this indicates that the ASYCUDA++ system didn't properly label the level of the risks.

In addition, the participates asked about efficient information flow for risk profiling, on this case 57.1 and 41 percent of respondents disagreed and strongly disagreed respectively. Whereas 2. percent of them are neutral. The mean score is 1.61 and standard deviations 0.533 which shows there is inadequate information flows for risk profiling.

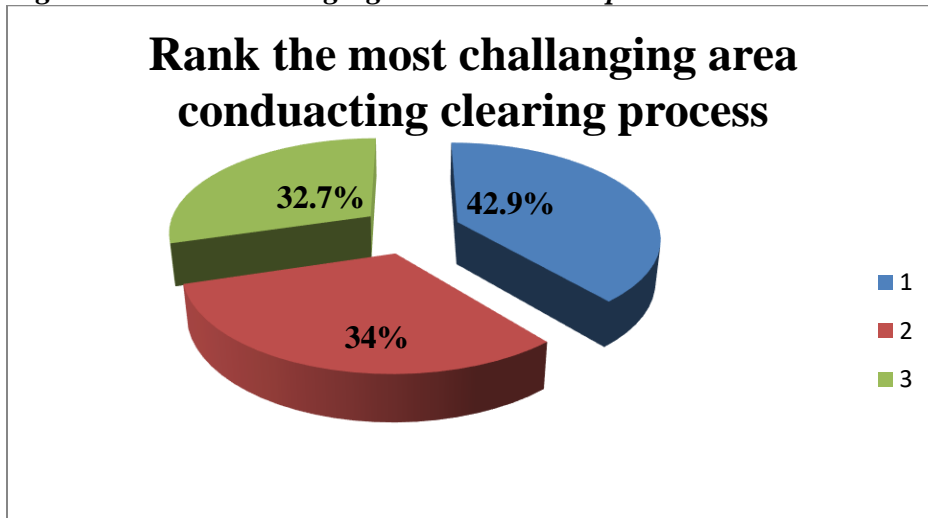
The interview with the clearing agent management staffs was mainly focus on the risk level given for imported items and they advise most goods are channeled through RED risk level and even if

the system make yellow or Green, the customs officer have the right to change the risk and this exposed to personal judgment rather than scientific risk management techniques due to inadequate technological and infrastructural support.

4.3.4 Most challenging area in custom procedure

The respondents were requested to rank the major challenge challenging factors of company performance. customs laws (rules and regulations), custom Procedure, customs valuations, custom automation, risk managements and custom clearance.

Figure 4.6 Most challenging areas in custom procedure



Source: Own Survey and SPSS Output, 2020

According to the figure above, 42.9 % the respondents use customs valuations as the most serious challenge for effect on company performance while 32.7 % of them customs laws, rules and regulations as the second serious challenge for company performance whereas 32% of the respondents rank custom automation as third challenge from the options.

4.3.5 Response on company performance

The effect on company performance is the dependent variable respondents were asked to express their degree of consent on customs regulations and customs clearance process effect on company performance. The responses of the participants result are as shown table and chart.

Table 4.13 company performance

	N	Mean	Standard
Increase purchase cost	49	1.00	0.000
Affect production, sales and promotion plans (Company's image)	49	1.02	0.143
Had effect on overall company financial status	49	1.04	0.200
Had effect on company profitability	49	1.06	0.242
Had effect on customer satisfaction and order fill rate	49	1.02	0.143
Had effect on Employees Satisfaction	49	1.06	0.242
Increase interest expense, if there is a loan.	49	1.00	0.000
Account receivable and cash flow	49	1.04	0.200
Customs-port costs (inspection, storage, clearance, etc.)	49	1.04	0.200

Source: Own Survey and SPSS Output, 2020

The above table 4.13 shows that almost all the respondents agreed to the same idea that effect of Customs laws and regulations, customs valuation and delay in customs clearance have effect on company performance by increasing purchase cost, affect production, sales and promotion plans (Company's image), had effect on overall companies financial status, had effect on company profitability, had effect on customer satisfaction and order fill rate, had effect on Employees Satisfaction, increase interest expense, if there is a loan, create account receivable and cash flow problem and customs-port costs (inspection, storage, clearance) with mean 1.00, 1.02, 1.04, 1.06,

1.02, 1.06, 1.00, 1.04, 1.04 and standard deviations 0.000, 0.143, 0.200, 0.242, 0.143, 0.242, 0.000, 0.200 and 0.200 respectively.

4.4 Correlation analysis

Correlation describes the strength of an association between two variables and is completed symmetrical. The degree of association is measured by a correlation coefficient, denoted by r . The correlation coefficient is measured on scale that carries from +1 thorough 0 to -1. If the absolute value of r 0-0.19 is regarded as very weak, 0.2 -0.39 as moderate, 0.40-0.59 as strong and 0.8 -1 as very strong correlation, but these are rather arbitrary limits and the context of the result should be considered (BMJ, 2020).

Table 4.14 Correlation analysis

		Company performance	Effect of Customs laws and Regulations	Effect of Customs Valuation	Effect of Customs Clearance
Company performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	49			
Customs laws and regulations	Pearson Correlation	.741**	1		
	Sig. (2-tailed)	0.000			
	N	49	49		
Customs Valuation	Pearson Correlation	.713**	.700**	1	
	Sig. (2-tailed)	0.000	0.000		
	N	49	49	49	
Customs Clearance total	Pearson Correlation	.691**	.603**	.581**	1
	Sig. (2-tailed)	0.000	0.000	0.000	

	N	49	49	49	49
*. Correlation is significant at the 0.05 level (2-tailed).					
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Own Survey and SPSS Output, 2020

The correlation between effect of customs laws and regulations, effect of customs valuation and Effect of Customs clearance with company performance was run as seen in the table 4.14 below. The result of correlation matrix between each independent variables and effect on company performance are examined as follows:

As it is indicated in the table 4.14 below, there is significant strong positive relationship between Customs laws and regulations and Company performance with Pearson correlation coefficient of 0.741** (r=0.741) and significance less than 0.001. This significance tells that there is positive strong relationship between customs laws and regulations and company performance.

Table 4.14 below also depicts that as there is strong positive relationship between effect of customs valuation and company performance with a Pearson correlation coefficient of 0.713** (r=0.731) and significance value is less than 0.001. This significance tells that there is strong positive relationship between customs valuation and company performance. As the conducted Pearson correlation test indicated in the table 4.14 below, also there is strong positive relationship between effect if customs clearance and company performance with Pearson correlation coefficient of 0.691** (r=0.691) and significance value is less than 0.001. This significance tells that there is strong positive relationship between customs clearance and company performance. This shows that there was positive correlation between the dependent variable and the independent variables.

4.5 Regression Analysis

Multiple linear regression (MLR) is a statistical techniques that uses several explanatory variables to predict the outcome of a response variable. (Will, 2019) The regression was conducted between Customs laws and regulations, Customs valuation and customs clearance as independent variables and company performance as dependent variable. The results of the regression analysis are presented as below.

4.5.1 Test for Regression Model Assumption

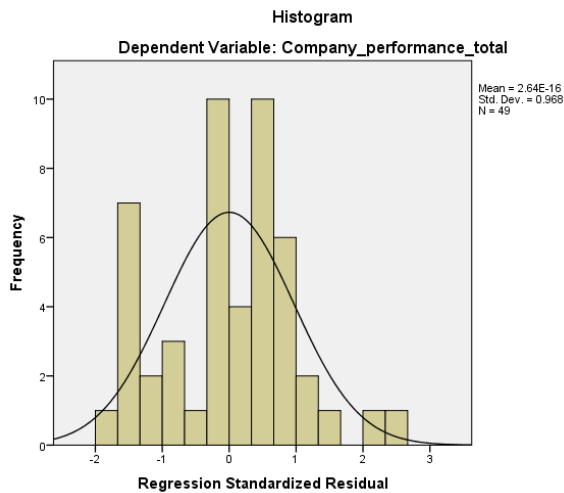
To check and to make sure that the data we want to analyze can be analyzed by using linear regression. There are several key assumptions: the three main assumptions of linear regression are normality, linearity and homoscedasticity.

The SPSS output indicating below shows that there is linear relationship between the independent and dependent variables, as it can see from figure 4.7 the residuals (errors) of the regression line are approximately normally distributed, there is no outlier as you can see from the histogram it is a superimposed normal curve and shows all variables were normal. Therefore, in this survey result the assumption of normality is satisfied.

The next assumption is the test of linearity, the easiest way to detect if this assumption is met is to create a scatter plot of independent variables vs dependent variable. This allows to see if there is a linear relationship between the two variables. If it looks like the points in the plot could fall along a straight line, then there exists some type of linear relationship between the two variables and this assumption is met. On the figure 4.8 below, there is linear relationship between independent variables and dependent variable.

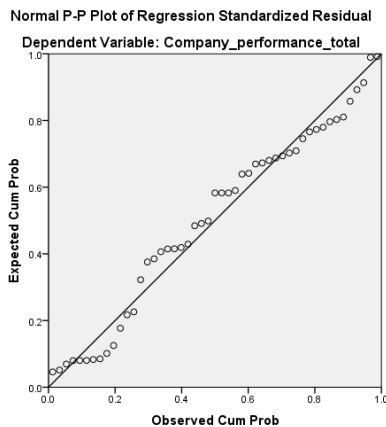
The other assumption is test of Homoscedasticity, Homoscedasticity assumption states that the variances of error terms are similar across the values of the independent variables. As you can see from figure 4.9, The scatter plot is good fit that is the error terms along the regression line are equal. Therefore the above model is good fit and appropriate which means that the model is acceptable.

Figure 4.7 Normality Distribution Histogram



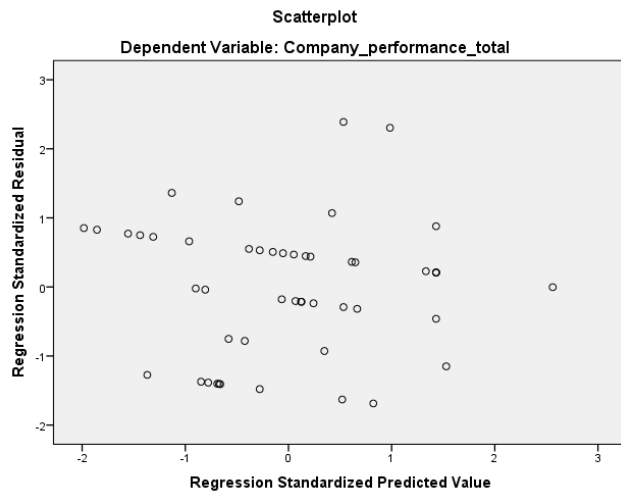
Source: Own Survey and SPSS Output, 2020

Figure 4.8 Model Assumptions of linearity



Source: Own Survey and SPSS Output, 2020

Figure 4.9 Homoscedasticity Variance



Source: Own Survey and SPSS Output, 2020

4.5.1.1 Model Summary

Table 4.15 Model Summary

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.851 ^a	0.725	0.714	0.50151	1.664
a. Predictors: (Constant), Effect of customs Valuation, Customs laws and regulations, customs clearance					
b. Dependent Variable: Company performance					

Source: Own Survey and SPSS Output, 2020

The above table 4.15 of the model summary shows that the model is fit or not. The Adjusted *R* square value indicates how much of the total variation in the dependent variable, can be explained by the independent variable, in this case, The Adjusted *R* square indicates that 71.4 percent of effect on company performance (dependent variable) is explained by the independent variables (customs laws and regulation, customs valuation and customs clearance), which is very good and

this suggested that the remaining 28.6 percent of company performance cannot be explained by the independent variables. The R value represents the simple correlation and is 0.851, which indicates a high degree of correlation between the variables, $R^2 = 0.725$. Therefore, the Adjusted R Square is greater than 0.50 and the model is fit to explain the dependent variables.

4.5.1.2 ANOVA Test

Table 4.16 ANOVA Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	102.682	3	17.31	68.823	.000 ^b
	Residual	38.364	46	0.252		
	Total	141.046	49			
a. Predictors: (Constant), Effect of customs Valuation, Customs laws and regulations, customs clearance						
b. Dependent Variable: Company performance						

Source: Own Survey and SPSS Output, 2020

ANOVA test shows the acceptability of the model from statistical perspective. Accordingly, On the table 4.16 above clearly indicated that significance level of 0.000, implying that the statistical fitness of the regression model is significant to the data.

Table 4.17 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.019	1.027		3.915	0.000		
	Customs laws and regulations	0.318	0.065	0.176	4.077	0.032	0.827	1.209
	Customs Valuation	0.138	0.077	0.126	1.24	0.000	0.356	6.396
	Customs Clearance	0.017	0.054	0.134	2.36	0.018	0.289	3.459
a. Dependent Variable: Company performance								

Source: Own Survey and SPSS Output, 2020

The regression model found is;

$$Y = 4.019 + 0.318CLR + 0.138CV + 0.017CC$$

Where; Y = Company Performance

CLR = Customs laws and Regulations

CV = Customs Valuation

CC = Customs Clearance

From the above table 4.17, Custom laws and Regulations have a positive relationship with company performance and the relationship is statistically significant at the 5% significance level ($\beta = 0.318$; $p = 0.032 < .05$). Customs valuation have a positive relationship with company performance and the relationship is statistically significant at the 5% significance level ($\beta = 0.138$; $p = 0.000 < .05$). Customs Clearance have a positive relationship with company performance which is statistically significant at the 5% significance level ($\beta = 0.017$; $p = .018 < .05$).

It is observed from the above finding, that all the coefficients are positive meaning that a change in any one of independent factors affects the company performance in the same direction. The consistency of regression coefficients on the selected customs laws and regulations, customs valuation and customs clearance are important factors influencing performance of the company at different degrees t and all the independent variables were significant predictors of company performance. According to the above table 4.17 that the collinearity coefficient of the independent variables. The coefficients of VIF less than 10 and the tolerance coefficients more than 0.2. Therefore, all the variables are in acceptable range. Based on this it is possible to conclude that there is no multicollinearity effect since all the variables met the criteria of Tolerance should be >0.2 or VIF (variance inflation factor) <10 .

Chapter Five

Summary of the Findings, Conclusions and Recommendation

Based on the Previous Chapter, the following Summary of the findings, Conclusions and Recommendations are drawn:

5.1 Summary of the Findings

The objective of the study was to assess the effect of customs regulations and customs clearance process on Nestle Waters Ethiopia s.co. company performance. Based on the reviewed literatures conceptual framework was prepared for the examination of the customs regulations and customs clearance process on company performance: allowed days items stay in customs, the customs regulation, customs valuation system, delay in customs clearance process and risk level given to imported items.

Data were collected from four customs clearing agents and Nestle waters employees. The questionnaires were distributed to 52 respondents. Out of this only 49 respondents returned the questionnaires and from this 3 of the questionnaires are not returned. Descriptive and Inferential statistics were used to analyze the data collected from the respondents.

Based on the discussion of data, the following summaries of findings were drawn:

- The participants agreed that the existing directive of ECC did not contain detail explanation of clearing procedure with mean of 1.49, Custom rules and regulations unclear and not harmonized and simplified with international convention of WCO with man of 1.39, Customs rule and regulations are inconsistent and unpredictable with mean of 1.31, and appeal process against decisions made by customs officials are too long and complicated.

Therefore, all the respondents agreed to the same idea that the customs laws and regulation have problems.

- 83.70% of the respondent agreed that article 51 of new custom proclamation No. 1160/2019 of declaring and clearing goods from Customs stations within 10 to 15 days depending on whether they are imported using air transport or sea or land transport are not enough with mean score of 1.84.
- Due to the loss of 4*40 container of raw material over all Nestle waters production, sales and resource plan was disrupted and the company is forced to be shut down for 2 months and record a loss of 7.25 million birr, that is 4.5 million the loss of the raw material, two month employees salary without working anything and also face a problem with distributors and loss so many loyal customers. The response receive from the clear agents was same and if the item is disposed of by customs, it has a very significant effect on company performance.
- The other issue relates to the Customs Proclamation is the effect of valuation, Customs officers charge highest price to be on the safe side and the respondent agreed to the same idea with mean score of 3.96 and customs officers 49% of the respondent agree that it take 16-30 days for customs clearance and 42.9% and 53.1% respectively agree that customs valuation mostly applicable by identical or similar merchandise price or the highest. There is also risk of revenue loss to the government due to under invoicing of imports by the traders since controlling mechanisms such as PCA are not adequately developed. 93.9% of the respondent agreed that under invoice are comes from Asia continent and 95.9% agreed that it is adjusted in invoice value.

- According to secondary data analysis and interview with clearing agents on risk management, Most goods are channeled through RED risk level and even if the system make yellow or Green, the customs officer have the right to change the risk and this exposed to personal judgment rather than scientific risk management techniques due to inadequate technological and infrastructural support. If more goods channeled to green the clearing time will reduce heavily. The import clearance activity is supported by modern IT.
- The respondent ranks the problematic/challenging area of conducting customs clearance are: 42.9% Customs Valuation, 32.7% Customs Laws/ Rules and Regulations and 32% Customs Automation respectively.
- we can understand that all the respondent are agreed that customs regulation and customs clearance process have effect on the company and increase the purchase cost, affect the company production, sales and company image for not delivering the goods on time, have a huge impact on companies employees satisfaction, distributors and loyal customer satisfaction, have impact on paying bank loan on time and due to this force to pay huge interest expense, demurrage, storage and clearance cost will be high and over all have a very serious and significant effect on overall company performance with mean 4.45, 4.31, 4.43, 4.39, 4.37, 4.53, 4.42, 4.37, 4.41 and standard deviations 0.614, 0.652, 0.577, 0.606, 0.602, 0.504, 0.544, 0.636 and 0.610 respectively.

Therefore, it would be considered that some customs regulations, delay in customs clearance process and risk level given to imported items has negative effect on company performance.

5.2 Conclusions

The following conclusions are discussed from the assessment made about the effect of customs regulations and customs clearance process in the case of Nestle Waters Ethiopia S.co.

As indicated in the summary part of this study the existing Proclamation No. 859/2014 and the revised customs proclamations No. 1160/2019 are still unclear, not harmonized and didn't simplify the customs procedures to meet the international convention of WCO. As both the clearing agents and Nestle employees agreed that the newly introduced revised proclamation of reducing the allowed days to clear items from customs is not enough and it put companies in very difficult situations and as nestle employees confirmed that the company is forced to close the factory for two months because of shortage of raw material the reason is that their imported raw material of 4*40 containers was sold and because of that they record a loss of 7.5 million birr. We can conclude that this revised proclamation creates overall problem in the country economy.

The other issues discussed in the chapter four in detail and in summary part is that customs valuation have a huge effect on company performance, Valuation is considered as one of the most critical work element because Customs didn't believe the importers commercial documents and companies are paying higher duty and tax because of the customs officers lack of knowledge about the products, according to this study most customs duties and taxes are calculated and paid based on Transaction value of identical or similar merchandise not by the actual price of the items put on the commercial invoice. Valuation problem is not only affecting companies by paying higher duty but also the time required to complete clearance process will be very long. The valuation system is highly exposed to subjective decision by customs officers. This was evidenced by checking respondent's confirmation that companies are paying high duty by considering 59.2 % and 24.5 % of the respondents agreed and strongly agreed on the availability of high price charge

by officials at customs officers. The ECC Customs valuation system applied mechanism are more focused on controlling than facilitation and the appeal process is too long and the officers or managers in appeal committee were fear each other to give solution for importers complains.

According to the questioner, secondary data analysis and interview with clearing agents and as discussed in summary part the risk profiling software in not updated time to time and there is no adequately staffed skilled customs officers to deliver fast and quality services, over all the customs clearance and risk profiling system is not efficient.

As indicated in the summary part of this study almost all the respondents agreed that the customs proclamation of Article 51 of new custom proclamation No. 1160/2019 and the customs valuation, risk level given to imported items and delay in customs clearance process have a huge effect in companies procurement, production, sales and distribution activity and also bank, distributors, customers and employees satisfaction and also have a very huge impact on over all countries economy.

5.3 Recommendations

The following recommendations have been drawn based on the research findings of the study.

- The customs proclamation and directives need to be examined, discussed with all stakeholders and need to be revised.
- Customs should create a system/mechanism to communicate with all stakeholder time to time on a regular basis to listen the problem they are facing and recommendation. customs should act on the problems and address immediately to avoid the problem for future transactions

- ECC need to create a coordination with other governmental organizations and need to create a single window service for the customers, it will improve the problem of customers to get pre import permit and import permits and it avoids delay due to coordination.
- ECC should recruit expert from different educational background in every department, this will create a problem of lack of knowledge and the customer can communicate with the expert professionally and can understand each other and also adequate and relevant training need be given for all the officers, management staff regularly about the customs proclamation, directives, manuals, etc...
- The risk profiling system should be updated, and the system need to be scientifically defined to avoid personal judgment out of it. The system needs to have a clearly and simplified way of assigning risk for imported items and better to reduce the physical inspection of items specially for manufacturing companies when they import raw materials, it will save the delay in customs clearance process
- The Appeal process against decision made by the customs officers need to be shortened and responsive and must solve the problem, when the customers appeal, they must feel that they will get a solution.
- ECC need to start supporting importers specially the manufacturing firms, when they have shortage of cash for duty and tax, customs should support them by allowing them to pay the customs duty in installment base or insurance bond before abandoning their raw materials and sell it by auction.

- The allowed days goods stay in customs warehouse 10 days for air and 15 days for sea is not enough and the 20% penalty fee from the duty and tax paid is too high. Therefore, the proclamation should be reassessed and amended.
- The customs valuation system needs to be updated by discussed the problem with all stakeholder to avoid the unnecessarily suspicion of all importers invoices and the system should be updated with international standard and need to create a way to get a current competitive market price.

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Appendix

Addis Ababa University
School of Commerce
Logistics and Supply chain management

Dear Respondents

The objective of this questionnaire is to secure the necessary and relevant first-hand information that may be useful to conduct a thesis regarding “*Effect of Customs Regulation and Customs Clearing Process on Company Performance*”: which will be used to prepare a Thesis required for my MA degree in **Logistics and supply chain management**. Therefore, your response in this regard helps a lot to undertake the study. The result of this survey will be treated with at most confidentiality and will be strictly used for academic purpose only. The researcher thus appreciates in advance your cooperation and sparing your valuable time in filling this questionnaire **(by Nestle Employees)**

Part 1 General Information

Put tick (√) mark in the appropriate answer box. (Bracket)

1. Gender

Male () Female ()

2. Age

18 -25 (), 26-35 (), above 35 ()

3. Educational background

Below 12 (), Certificate (), Diploma (), Degree (), Masters (), PhD ()

4. Service year

Less than 5 years (), 5-10 years (), >10 years ().

Part 2

Introduction: Please indicate your consent by using a tick mark (√) the number that best represent how you feel about the effect of customs regulations and customs clearance on company performance;

1. Customs laws (rules and regulations). Please put thick mark (√)

1	Customs laws (rules and regulations) Related Challenges	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
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		(1)	(2)	(3)	(4)	(5)
1.1	Existing directive contains detail explanation about import and export clearing procedure.					
1.2	Custom rules and regulations are clear to understand and implement in import and export clearance process.					
1.3	Customs law and regulations are harmonized and simplified with international convention of WCO					
1.4	Customs rule and regulations are consistent and predictable.					
1.5	Appeal process against decisions at customs are clear and short.					

1.6. The allowed days given for declaring and clearing goods from customs is enough?

Yes

No

1.7 If your answer for question no.1.6 is no, why??

1.8 What do you think if the item is disposed off by customs, what will be the impact of on the company's business activity?

2. Effect of Customs Valuation. Please put thick mark (√)

2	Effect of Customs Valuation	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
2.1	In case of slight description difference, customs officials charge higher price to be safe side					
2.2	Customs valuation officers in Ethiopia are qualified enough to handle their duties					

2.3	customs valuation officers have adequate expertise on import transaction					
2.4	Customs valuation system applied in Ethiopia has appropriate control mechanism					
2.5	The documentation system used by ECC is effective in capturing import transactions					
2.6	Customs valuation system applied in Ethiopia creates fair playground among importers					
2.7	Customs valuation system applied in Ethiopia is less susceptible of undervaluation					
2.8	Customs valuation system applied in Ethiopia is based on built-in incentives for compliance by importers					
2.9	Overall, customs valuation system applied by ECC is effective					

2.11 On average, how many days does it take to complete the customs clearance process for an importer?

Less than 5 days ¹ 6 – 15 days ² 16 – 30 days ³ More than 30 days ⁴

2.12 Which method of customs valuation is mostly applicable in practical situation for customs valuation?

Transaction value method ¹ Transaction value of identical merchandise ² Transaction value of similar merchandise ³ Deductive value ⁴ Computed value ⁵

2.13 When customs officers in Ethiopia doubt the declared value of imported goods, which method of valuation do they commonly apply?

Transaction value of identical merchandise ¹ Deductive value ²

Transaction value of similar merchandise ³ Computed value ⁴

Others ⁵ please specify _____

2.14 In your opinion, imports from which continent are more susceptible for under invoicing of import values?

Africa ¹ Europe ² South America ³
 North America ⁴ Asia ⁵ Australia ⁶

2.15 In your opinion, the most common way of under invoicing import value in Ethiopia is:

Using third country invoice ¹ Adjusting invoice value ² misrepresenting grades ³

Others ⁴ please specify _____

3. Effect of Customs Clearance. Please put thick mark (√)

No	statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
3.1	The import clearance activity is properly supported by modern information technologies					
3.2	There is updated importer risk profiling data base system in the branch office					
3.3	The criteria to obtain import clearance is reasonably attainable.					
3.4	The import custom procedures functional units are adequately staffed with skilled personnel to deliver fast and quality services.					
3.5	Suggestion boxes and other devices that customers can use for their comments are placed in a visible area.					
3.6	The /ASYCUDA++ system could precisely label the level of risk at submission of import documents					
3.7	There is efficient information flow for risk profiling					

4. Would you please rank, the following most Challenging /problematic/ area in conducting clearing process? Start with 1 for most problematic among the challenges.

Challenges	Rank
Risk Management Related Challenges	
Customs Automation Related Challenges	

Customs Valuation Related challenges	
Human resource management and development Related challenges	
Coordination and cooperation with customs and other concerned sectors for clearing Related challenges	
Customs Laws/ Rules and Regulations/ (international conventions) Related challenges	
Customs procedure Related challenges	

Part 3

Effect on company performance

Please identify the effect of customs regulation and customs clearance process on company performance

Issues and Effect			
No.	customs regulation and customs clearance process effects	Yes/No	Remarks, if any
1	Increase purchase cost		
2	Affect production, sales and promotion plans (Company's image)		
3	Impact on the sales, distribution, customer satisfaction and order fill rate		
4	Impact on company profitability		
5	Loosing loyal customers/Customers shift		
6	Impact on Employees Satisfaction		
7	Increase interest expense, if there is a loan.		
8	Account receivable and cash flow		
9	Customs-port costs (inspection, storage, clearance, etc.)		
10	Please add if any other issue or challenge		

8. What possible solutions do you recommend to resolve the above-mentioned problems?

9. If you have any comment, please mention it here.

Thank you very much!

Addis Ababa University
School of Commerce
Logistics and Supply chain management

Dear Respondents

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Part 1 General Information

Put tick (√) mark in the appropriate answer box. (Bracket)

3. Gender

Male () Female ()

4. Age

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Part 3

Effect on company performance

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7	Increase interest expense, if there is a loan.		
8	Account receivable and cash flow		
9	Customs-port costs (inspection, storage, clearance, etc.)		
10	Please add if any other issue or challenge		

8. What possible solutions do you recommend to resolve the above-mentioned problems?

9. If you have any comment, please mention it here.

Thank you very much!

Interview Guideline

1. Are Customs Regulations have effect on company performance? If yes, please, clarify
2. What is the effect of the new regulation declaring and clearing goods from Customs stations within 10 to 15 days depending on whether they are imported using air transport or sea or land transport on company performance? How? please, specify?
3. Are customs laws and regulations easy to understand and make practical on import?
4. Is the customs valuation system fair and neutral and help importers, specially manufacturing companies? Please, clarify
5. What is the effect of customs clearing process delay and the risk level given to the imported items on company performance?
6. Is Ethiopian Customs Commission applying efficient modern information technology on import procedure in all functional area to support importers.
7. Is the current import procedure simple, clear and short that helps to give fast import clearance service? (Does it align with law and regulation)?
8. Anything that you want to add about customs import regulation and clearance procedure effect on company business activity and company performance? Please, specify?