FACTORS AFFECTING THE SPEED OF IMPORT CUSTOMS CLEARANCE IN ETHIOPIA, THE CASE OF CUSTOMS COMMISSION ADDIS ABABA KALITY CUSTOMS BRANCH OFFICE

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Statement of Certification

This is to certify that Sefieneh Mulat has carried out his research work on the topic entitled **"*Factors affecting the speed of import customs clearance in Ethiopia, the case of Customs Commission Addis Ababa Kality customs branch office*"**.

The work is original in nature and is suitable for submission for the award of Degree of Master of Arts in Logistics and Supply Chain Management.

Busha Temesgen (PhD)	_____	_____
Advisor	**Signature**	**Date**

DECLARATION

I, the undersigned, declare that this study is my original work and has not been presented for a degree or diploma at any university or other institution of tertiary education, and that all sources of materials used for the study have been duly acknowledged.

Researcher's Full Name: Sefieneh Mulat Ejjigu

Signature _____

Date _____

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Acronyms

ASYCUDA- Automated System for Customs Data

ECD- Ethiopia Customs Declaration

ECVS-Ethiopian Customs Valuation System

ECMS-Ethiopian Customs Management System.

ERCA–Ethiopian Revenue and Customs Authority- now renamed Customs Commission

ESLSE-Ethiopian Shipping and Logistics Services Enterprise

ETB-Ethiopian Birr

FMHACA-Food, Medicine & Health Administration and Control Authority of Ethiopia

HS- Harmonized System

NGO-Non-Governmental organization

SPSS-Statistical Package for Social Science

UNCTAD-United Nations Conference on Trade and Development

USAID-United States Agency for International Development

VDD-Value Detail Declaration

WCO- World Customs Organization

WTO-World Trade Organization

Abstract

The main objective of the research was to explain the factors that affect the speed of import customs clearance in Ethiopia, the case of Customs Commission Addis Ababa Kality customs branch office. In order to achieve the objectives of the study, the researcher used quantitative research approach. Explanatory & descriptive research designs have been implemented. Systematic random sampling technique and disproportionate stratified sampling technique have been used to select samples from clearing agents and customs officers respectively. Primary data has been collected from 126 respondents through questionnaire. The data has been analyzed using descriptive statistics, correlation analysis and regression analysis through SPSS 20 software. The findings of the study have indicated that tariff classification, valuation, human resource, risk assessment, documentation and knowledge on customs procedures influences customs clearance speed. The speed of customs clearance depended on the above factors. In order to achieve a very good customs clearance speed, it has been recommended that clearing agents must take training and Customs Commission must replace manual processing with full automation.

***Key words**: customs clearance, customs clearance speed, import customs clearance*

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Customs is a government body responsible for the administration of customs laws, collection of import & export associated duties and taxes and it has the responsibility of applying other customs rules and regulations associated with the movement (import and export) and storage of goods (Revised Kyoto Convention, 1999). It was considered as a 'gate keeper' but nowadays customs administration plays a leading role and regarded as a key border agency responsible for all transactions related to issues arising from border crossings (Widdowson, 2005). The need to control the clearance process at border negatively affects the speed.

Customs clearance is the process of accomplishing customs formalities compulsory to allow goods to enter to a country for homes use, to be exported to another country, or for another internal customs procedure (Revised Kyoto Convention, 1999). It is practiced around the world with set of principles ranging from general proclamation to specific directive/guiding procedure in respect to international customs law, WCO & WTO. Customs law is the system of rules and principles that govern the levying of duties and other related charges in connection with importation or exportation, movement or storage of goods (Kafeero, 2009). The basis for each customs procedure or practice is therefor, customs law either national or international.

Now a days completing customs clearance in short time has been given a big attention by many importers and clearing agents. If clearance is completed in time the importer will get the cargo for the intended purpose in time without unnecessary additional costs. According to Debebe & Teklu（2016）, Kality customs has shown a huge clearance delay. Whatever the reason is, many issues are arising as a result of the delay. First, there are warehouse fees for goods stored in temporary customs storage from the date of deposit until release according custom proclamation 859/2014. Second, delay in the delivery of imported goods entails lack of just-in-time delivery. Third, delay time results 0.8% ad-valorem tariff per day, welfare loss to consumers of imported goods as they are forced to

pay higher prices as a result of the delays and loss of welfare and competitiveness to producers which use imported inputs for export production

According to Ethiopia Customs Commission proclamation (859/2014), although the major objective of customs in Ethiopia is to collect necessary duties and taxes from import/export of goods, it is also used (1) to monitor legal transactions between importers & exporters on the behalf of commercial banks and NBE, (2) to control illegal/prohibited goods such as armaments and drug trafficking, (3) to control standard/quality together with other regulatory organizations. Therefore, there is no doubt that customs clearance formality is vital for the security & healthy development of Ethiopian economy.

To facilitate customs clearance activities and to standardize tax collection system Customs Commission adopts ASYCUDA 2.7 and then ASYCUDA^{++} technology. According to Henok (2014), this system has increased the service delivery in terms of reduced cargo clearance delay times and increased revenue collection. It also enables fast data retrieval and reporting mechanism.

According to Minwagaw (2016) Addis Ababa Kality customs branch office is one of the 22 Customs Commission branch offices in Ethiopia and it is one of the biggest import goods clearance office in the country in terms of both import volume of cargo and the annual revenue generated from. It is also the second highest authoritative office, next to Customs Commission head office, which gives high level decisions in most controversial issues with high level of experience and procedural understanding.

Although Ethiopian customs commission has been undertaking various reforms, Addis Ababa Kality customs branch office import customs clearance is still characterized by excessive documentary requirements and lack of automation (Minwagaw, 2016). The purpose of this study was to explain the factors that affect import customs clearance speed focusing on documentation, tariff classification, valuation, risk assessment, human resource and knowledge on customs procedures in order to make sure timely delivery of import items.

According to Tilahun (2011), Ethiopia is one of the countries with highest customs clearance delays. The average customs clearance delay in sub-Saharan African is 12 days. The longest customs clearance delay in the region is in Ethiopia where importers have to wait more than 30 days for customs to clear imported goods.

1.2 Statement of the problem

Nowadays the effect of import customs clearance delay in Kality customs becomes a hot issue among importers and clearing agents. The main criteria importers used to evaluate the performance of their clearing agents is that whether they can deliver the imported cargo within the agreed standard time or not. Importers are paying extra storage charges at Kality temporary warehouse, truck detention charges for the transporter and container demurrage for the carrier/shipping agent which is increasing from time to time mainly because of the lengthy clearance time. These unnecessary charges incurred will lead the importer to be less competitive and economically weak in the current highly competitive business environment. This is because, all the above costs will be added up to determine the selling price of an item or final product.

According to a research conducted by Teweldebirhan (2011), although Customs Commission makes many procedural reforms to facilitate customs clearance activities such as online submission of declaration and standard risk analysis system, the research suggests that there is unacceptable lengthy clearance time at Addis Ababa Kality customs branch office. The import volume or number of import declarations are increasing from time to time. The available human resource is not enough to handle the business. Unless Customs Commission changes the manual working procedure high import volume with less human resource is highly affecting the speed of customs clearance. Once the Declarant or Transitor submits the declaration with supporting documents, the process starting from face-vet takes longer time as there are too many documents in the waiting line. Customs Assessors are many times too busy to handle too many documents with hundreds' or thousands heterogeneous items/spare parts as they must evaluate one by one. So, the Trasitor has no other choice but to wait for for his/her turn to what it takes.

According to Tsegaye and Endris (2011), the entire clearance procedure in Ethiopia takes 26.86 days. This is much longer than the clearance times required in East Africa region in

general which is 4.20 days. Here the researcher wants to question why the average clearance time takes so long. Clearance delay of a single day is equivalent to 0.8% ad-valorem tariff. That means when the storage per day is estimated in terms of cost importers, are paying additional storage equivalent to 0.8% of duty and tax every single day of the delay. In addition to this extra charge, urgent cargos are not cleared quickly while they are needed for production urgently. The above researchers concluded that the average 'actual' customs clearance after the cargo has arrived takes 13.8 days which is not close to the standard time Kality customs planned to clear import shipments which is 10 minute for Green , 2-3 hours for Yellow and 6- 8 hours for Red risk category as stated by Debebe & Teklu (2016). The factors responsible for this lengthy clearance time must be explained in order to solve the problem.

An empirical study conducted by Debebe & Teklu (2016), identified that clearance delay time at Kality customs branch office is 4 days and it may even extend up to months if there is a disagreement on some factors that affect the duty amount. The time delay in customs clearance has a huge impact on clearance cost. Thus, time delay increases clearance cost by birr 42.165 in every hour; holding other factors constant. The clearance time delay not only affects clearing agents and importers, but it also affects Customs Commission in many ways. For instance, the revenue collection plan will be affected unless the cargo is inspected and additional duty (if applicable) is paid in time. On the other hand, there will be a shortage of temporary storage/warehouse space unless the already unloaded shipments are inspected and cleared out timely.

Although many researchers study 'lengthy customs clearance time' related issues at different customs stations including Kality, they neither substantially explain the factors that affect the speed of customs clearance, nor they come up with vigorous solutions to alleviate the problem. Those researchers have confirmed that there is a clearance delay, but they are not sure of why the delay has happened as the research they conducted were merely descriptive. Therefore, the variables responsible for the delay are clearly identified and researched in order to explain why customs clearance is taking too long time at Kality customs, which the author of this research has done most. This clearly requires extensive research intervention to make sure cargos cleared within the standard clearance time/8 hours.

1.3 Research questions

After getting a research topic, the next most important point is formulating answerable research questions (Geoffrey et al, 2005). Here answerable means the research questions must not be overlooked, ambiguous or unattainable. Therefore, in order to achieve the objective of the study the researcher has developed the following answerable research questions.

1. How documentation affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office?
2. How tariff classification affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office?
3. How valuation affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office?
4. How human resource affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office?
5. How risk assessment affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office?
6. How Knowledge on customs procedures affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office?

1.4 Objective of the study

To achieve the research objective the researcher has developed both general and specific objectives.

1.4.1 General objective

The general objective of the study was to explain the factors that affect the speed of import customs clearance in Ethiopia, the case of Customs Commission Addis Ababa Kality customs branch office.

1.4.2 Specific objectives

The specific objectives of the research were:

- To explain how documentation affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office

- To explain how tariff classification affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office
- To explain how valuation affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office
- To explain how human resource affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office
- To explain how risk assessment affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office
- To explain how knowledge on customs procedures affects import customs clearance speed in Customs Commission Addis Ababa Kality customs branch office

1.5 Significance of the study

According to G/walid (2011), the highest source of Ethiopian government revenue is generated from the duties & taxes collected from imported goods. So, if duties and taxes levied from import goods are that much high contribution to the country's economic development, one must make sure that those duty & tax payers/importers are getting their cargo within the standard clearance time without any delay so that they can sale/distribute the products to the customers/consumers timely and those manufacturing inputs or raw materials are also delivered in factory when urgently needed. Customs clearance delay is directly related to trade facilitation. When clearance is delayed trade facilitation will be slowing down, not to mention the costs incurred to the importer because of the delay.

The significance of the research is to attract the attention of both Customs Commission officers on one hand and clearing agents and importers on the other hand to work together to facilitate the clearance activities based up on mutual understanding and trust, through dealing the root cause of clearance delay which this research has come up with. This helps to build a better clearance process. It is also significant to wake up other applied researchers to conduct a research on the problem in different dimensions which the author of this research has not seen.

1.6 Scope of the study

Due to the large volume of import-export activity at different Customs Commission clearance offices following the existence of many importers in the country, the researcher

has forced to limit the study coverage to Customs Commission Addis Ababa Kality customs branch office import goods customs clearance office only. Even though Bole Lemi, Eastern industry zone (EIZ) & Gellan customs stations are under the administration of Kality customs, this research has not included these offices. Therefore, the research hadn't included any activity related to export even at Kality branch office and any import-export activity that takes place in any other customs branches such as Modjo dry port clearance office. Instead Kality customs officers and clearing agents were the subjects of the study.

As there might be many factors that affect customs clearance speed, the researcher might not control all of them which may also be taken as a limitation of the study. Therefore, the researcher has examined the below six factors that affect the speed of import customs clearance; (1) documentation (2) tariff classification, (3) valuation, (4) human resource, (5) risk assessment and (6) knowledge on customs procedures.

1.7 Limitation of the study

The main limitation of this study was faced on the data collection stage. As many offices restrict/limit the number of visitors due to the novel COVID 19, there were clearing agents who refused to let the data collector to enter their office or accept the questionnaire. As the virus is proved to live longer on paper, it was very difficult to get filled questionnaire in addition to the already existed unimproved Ethiopian questionnaire response culture. The second limitation was in accessing reading materials/literature from the university library which was closed following the outbreak of the virus. There were many literatures the researcher needed to read but couldn't have access due to the above problem.

1.8 Definition of terms

ASYCUDA^{++}- automated system for customs data- a system Customs Commission uses to facilitate its activities such as controlling the movement of goods, issuance of duties and taxes payment receipt and online submission of declaration by Declarants.

Clearing agent- a licensed person or organization including its employs that fulfills customs formalities on the behalf of importers/exporters (ERCA)

Customs declaration- statement or electronically prepared summary of shipping documents with applicable customs procedures (ERCA)

Declarant- a person who makes goods declaration (ERCA)

Duty & taxes- charges or payments levied in accordance with existing tariff laws (ERCA)

Import customs clearance- the process of fulfilling customs formalities to get release of imported goods

Inland transport- the movement of goods from border to specified customs station

Multi-modal- a mode of shipment by which an importer and the exporter agreed with the shipping line to deliver the container to the named dry port with a single contract between the shipper & the shipping line. In Ethiopian case, ESLSE is the sole operator of multi-modal cargo

Uni-modal- a mode of shipment by which the seller and buyer agreed to discharge the goods at port of Djibouti and port clearance and inland transport will be the responsibility of the importer or its agent.

1.9 Organization of the paper

This research paper is organized in five chapters. The first chapter includes introduction part which constitutes of background of the study, statement of the problem, significance of the study, objective of the study, research questions, scope of the study, limitation of the study and definition of terms. The second chapter is about literature review which includes both theoretical and empirical studies which was concluded by conceptual framework. The third chapter contains research design & methodology which includes description of study area, research approach, research design, data collection methods, population and sample design, validity & reliability, ethical considerations and data analysis instrument. The fourth chapter mainly contains data presentation and analysis. The last chapter includes summary of findings, conclusion and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature

2.1.1 Overview of customs clearance

According to Poul & Liliana (2008), it is a common practice that customs do not release goods for free circulation unless necessary customs formalities have been fulfilled including payment of duties and taxes. Import duties and taxes are usually associated with customs clearance requirements especially for commercial cargos. In other words, diplomatic shipments and privileged investment machineries are not subject to duties and taxes requirements but are still required to complete legal customs declaration and documentation compliance. So, any individual or organization planning to import personal effects or commercial items must make sure to hire a professional Declarant or comply with the existing Ethiopian customs rules and regulations in order to avoid penalties or cargo confiscation.

When goods are moved across border customs clearance is always involved. Oldest government bureaucracy and irritating delays are now being outdated. Nowadays fundamental changes are taking place in the area of customs clearance using innovative technologies to enhance cross border management (Appels & Henry, 1998). Therefore, Customs is not just known by its control but also known by its facilitation, management and innovation. Customs is not the only governmental body that has an interest in trade related control. Many other bodies involved in control of national and international borders and the movement of goods from one country to another country (Andrew,2008)

According to Kyoto convention (2009), customs clearance is generally the process of accomplishing customs formalities for entering in to the country or outgoing to another country. From the above statement we can understand that customs formalities indicate that there are predetermined set of procedures which must be followed by importers, exporters, clearing agents and even customs officers.

Although the primary purpose of customs clearance is to collect duties and taxes from imported or exported goods, it is also used to control international financial transaction (legal flaw of foreign currency on the behalf of commercial and national banks), to control quality/standard of goods together with other regulatory government institutions, to control contraband goods imported without payment of duties & taxes and to control prohibited and restricted goods such as armaments and drug trafficking to health development of its nation. That is why customs clearance is usually associated with physical examination and verification of imported goods or goods ready for export with the presence of customs declarations with supporting clearance documents.

2.1.2 Import customs clearance procedure in Ethiopia

In Ethiopia the formalities to be followed during clearance are clearly stated in proclamation 1160/2019 which is subject to amendment when deemed necessary. Further details about each procedure or activities breakdown are usually communicated through 'Customs Directive' not in contrary to the proclamation. According to customs guide (2017), import customs clearance may generally divided in to two groups. The first one is unimodal customs clearance. In this case customs declaration and supporting documents including duty & tax settlements should be completed while the cargo is at Djibouti. In this method the cargo is not allowed to enter to Ethiopian border before Ethiopian customs issue a transit permit.

The second one is multimodal customs clearance. The sole operator to handle transport of the cargo under this method is Ethiopian Shipping & Logistics Services Enterprise (ESLSE). In this method an import cargo will enter to Ethiopia and unloaded to destined dry port assigned by importers preference or just by ESLSE interest. Therefore, in this case, submission of customs declaration with supporting documents and payment of duties and taxes comes after the arrival of the cargo to Kality dry port. That means there is no transit permit required for the cargo to cross the Ethio-Djibouti border.

According to Minwagaw (2016), import customs clearance process, after the arrival of the goods at Kality multimodal customs station, can be summarized as collecting valid documents from bank, filling customs declaration & completing valuation detail declaration (VDD), payment of duties and taxes, submission customs declaration with supporting documents to face-vet, risk assessment by face-vet officers, print release order if the risk is green, physical inspection of the cargo (when risk is red) or document checking if the risk is yellow, valuation & tariff classification checking, duty and

tax revision, additional duty settlement (when applicable), goods release and securing final declaration.

For yellow and red risks valuation will be applied. Therefore, customs officer will issue a price query to officially notify the importer or the clearing agent that the price on the commercial invoice is not accepted by customs and instead a new price is issued. The clearing agent will notify the importer about the query. If the importer agreed, he/she will just prepare the additional duty and tax usually in the form of CPO. If the importer is not agreed on the new price, he/she can submit to appeal, and the case will be revised although the result may not be successful.

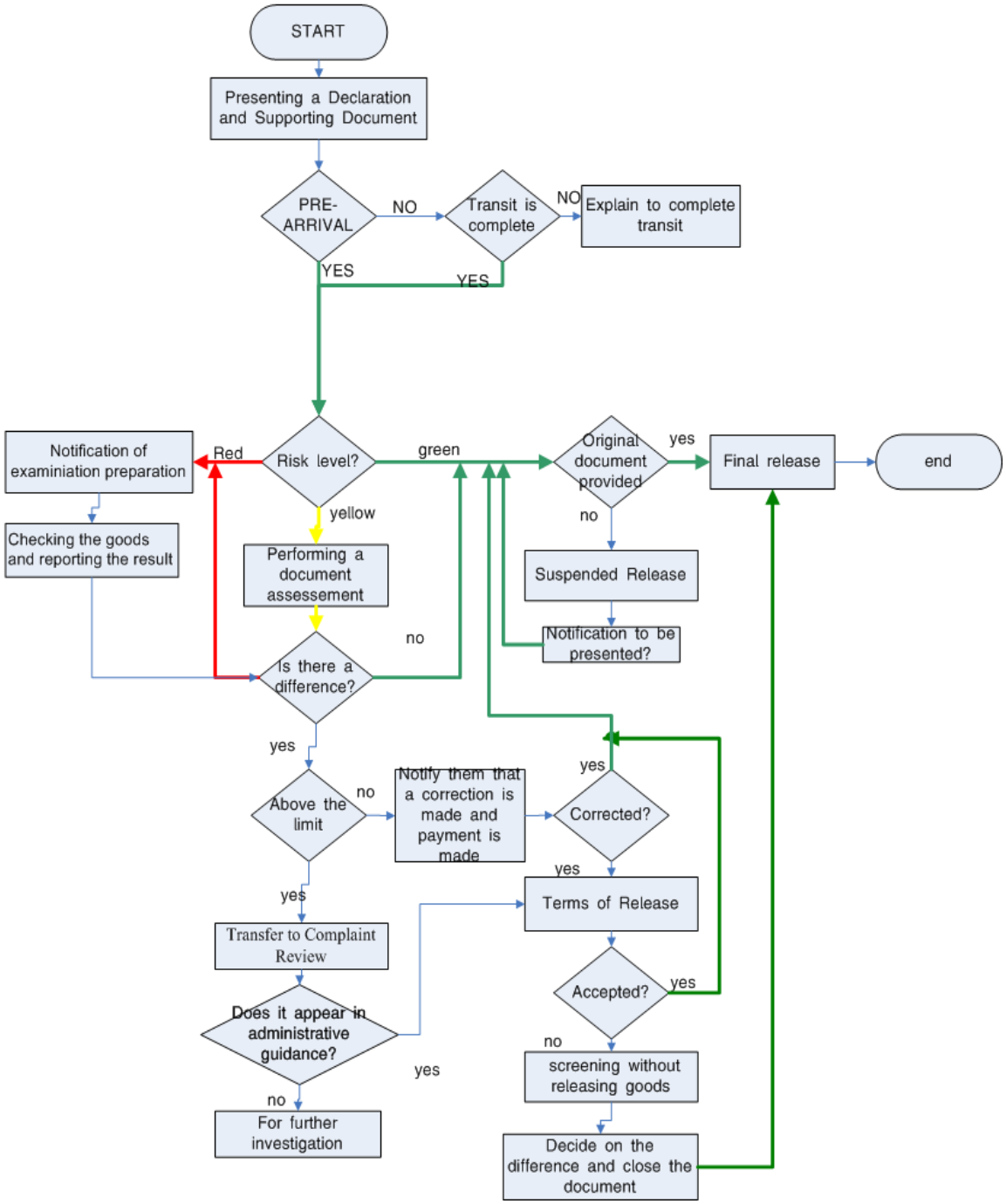
However, for some goods, such as food items, the inspection result of regulatory offices (FMHACA & standard authority) must be obtained first in order to get cargo release. As discussed above, in uni-modal mode of shipment it is mandatory to complete and submit declaration with returnable original documents and nonreturnable copies in order to get ECD or transit permit while the goods are at Djibouti. Once the cargo has arrived to Kality, the clearing agent will close the manifest by submitting road paper and all original required documents with declaration and start clearance.

Either multimodal or unimodal, once additional/revised duty (when applicable) is settled, the customs Assessor will issue a release order which allows the Declarant to deliver the goods to the client or importer after settling storage. But here intelligence team must approve the release order in case the cargo is subject to any suspension yet unknown to the Assessor based on the information the team has got from different sources including Ethio-Djibouti customs and Gallaffi customs station.

The clearance process is summarized in the below diagram.

Fig 2.1 Import customs clearance workflow

Pre-arrival Clearance



Source: Ethiopian Civil service University Training Module, (2019)

2.1.3 Factors affecting import customs clearance speed

Customs clearance procedure is treatment of goods by customs administration based on the stated customs law. There are always formalities/procedures to be followed while we do customs clearance. These procedures are seen affecting the clearance process in many ways. For instance, one of the formalities to be fulfilled is that presentation of customs declaration with all original supporting documents. However, the required documents to clear an import cargo vary from item to item. For example, the required documents to clear an imported automobile & imported food are not the same.

In processing customs clearance, there are several factors that affect the speed of customs clearance that lead to lengthy clearance times. The six main factors are discussed below in detail.

2.1.3.1 Documentation

As every shipment is accompanied with shipping documents, an importer or his agent will collect shipping documents from its issuing bank. The main supporting documents for an import cargo are bill of loading, commercial invoice (chamberized/certified by the nearby chamber of commerce at port of loading), certificate of origin issued from chamber of commerce, COMESSA certificate for goods originated from COMESA member states, packing list, MSDS (material safety data sheet) for dangerous goods, certificate of Analysis for food processing raw materials, phytosanitary certificate & fumigation certificate for products of plant origin, etc. the above documents has to send from suppliers bank to importers bank. The importer will also get bank permit & insurance from local. Once the documents are at hand the clearing agent must prepare estimated duties and taxes (called draft declaration) based on the rules and regulations of duty and tax calculation. The importer or its agent will prepare duty & tax payment in the form of CPO or other payment methods such as bank transfer. The clearing agent submits declaration and VDD online and makes payment of the duty and tax.

However, according to Minwagaw (2016), one of the major causes of lengthy customs clearance time is back and forth between customs and clearing agents due to submitting incomplete clearance documents to customs face-vet officers. This might happen because of the type of documents required for import cargo clearance depends on the type of goods under import. Despite the above statement, most documents required for import customs clearance are the same for many different goods. According to this research the most common documents required for import customs clearance are transport documents (bill of loading, track way bill and Airway bill), invoice (manufacturer, commercial or

gift/free of sale), packing list, bank permit, certificate of origin, local insurance receipt, business licenses or investment license, etc. These documents will be submitted together with customs declaration.

Another problem in relation to documentation is the information required to fulfil VDD is mostly an available. If the clearing agent can't fulfil VDD, customs will not accept the document. Then the clearing agent or the importer will spend more time in finding the information from the supplier in order to complete VDD. In relation to documentation the above research finds out that 43% of importers/clearing agents submit incomplete documents due to lack of knowledge and 35% of the respondents says due to negligence and system abuse. One must note that any incomplete document will be rejected at face-vet level and further clearance process will not be continued unless the required/missed document is fulfilled.

2.1.3.2 Tariff classification

WCO (1983) has developed universal HS tariff coding system that determines the percentage/rate of duties and taxes to be paid for an item. The code is however subject to amendment when it is needed. This coding system is also essential to standardize international trade between countries. However, a research by Minwagaw (2016) finds out that 75% of his respondents believed that import goods in Ethiopia are classified to a higher tariff rate, wrong HS code; due to lack of knowledge about HS code. This research also concluded that 50% of the respondents believed that the reason to select higher tariff rate is that customs officers are in favor of the government/customs that wants higher tariff rates. Here the importer will not accept the higher tariff rates and will go for appeal. This could lead to lengthy clearance times as the appeal response time is also too long. The classification/error will be from the clearing agent or from the customs Assessor. Whatever the root cause of the error is, the speed of customs clearance for that item is being affected as far as the cargo is not released.

According to Customs Commission directive (94/2006), the bases for duty and taxes calculation are FOB value of goods, freight (ocean or air transport cost), loading and unloading costs outside Ethiopia, local insurance premium and other costs other than above. Then the percentage of duty and tax depends on the HS code or tariff the item is classified. The combination of tariff and above costs will provide payable duty & tax amount.

The customs Assessor will raise anything unacceptable to him/her according to customs directives and his/her own understanding. If the price is under the ECVS value the importer will be requested

to accept the ECVS value and to pay the additional duty and tax amount. Like that if the HS (tariff classification) code filled by the Declarant is wrong the customs officer will make amendment to the correct tariff which usually raises disagreements between the Declarant and the customs Assessor. If the Declarant is not convinced with the HS code provided by the customs Assessor, the Declarant has the right to appeal which usually leads to lengthy clearance times.

2.1.3.3 Valuation

Customs duty and taxes on import or export duties and other charges of equivalent effect is levied on goods due to importation or exportation. Valuation is the method that customs use to determine the value of imported goods so that the duties and taxes will be calculated based up on it. This process is, however, not necessary when the goods are imported on duty free basis. Ethiopian Customs Commission uses a system of price data base called ECVS (Ethiopian customs valuation system) in order to compare the price of an item mentioned at the commercial invoice with the previously imported items data.

Minwagaw (2016) has found out that the valuation process in Kality customs is too long following the absence of automation. According to Buyonge & Kireeva (2008), automated system in customs provides substantial advantage for the facilitation of trade and related customs procedures. If there is a high level of automation in customs, there is a more chance of avoiding lengthy clearance times. However, the valuation process at Kality customs is still manual. Customs officers will determine the price of an imported item using one of the six goods value determination methods for each item manually. The value determination methods are discussed below.

According to WTO (Art 1-6), the determination of goods value is based on six major dimensions: transaction value, transaction value of identical goods, transaction value of similar goods, computed value, deductive value and fall back methods. These methods applied respectively if the method prior to them is not possible to apply. According to Ethiopian proclamation (ERCA, 2014) the conditions to apply transaction value method are; buyer & seller should not be related, there should transaction or the price should be actually paid and there should not be restriction imposed by the buyer. That means if is not possible to apply the transaction value, when conditions not fulfilled, then it is mandatory to apply transaction value of identical goods. If the conditions are not fulfilled to apply this method, then it is possible to proceed to the next method.

2.1.3.4 Human resource

According to USAID (2012), as quoted in Bahru (2019), human resource management is the most important aspect affecting the ability of customs to achieve its objectives effectively and efficiently. That means customs clearance activities requires skilled and adequate human resource like any other business. The more skilled human resource the more effective the organization will be.

In Ethiopia the import volume is increasing from time to time. Hundreds and thousands of items or spare parts are imported even with a single document or shipment. The more import volume the more documentation which requires more substantial skilled human resource in order to complete every activity in the standard time. Even the available human resource has no skill and capability as a result of absence of adequate training (Bahru, 2019).

The above researcher has also found out that the available human resource has lack of confidence resulted from the fear of losing job and demotion. The transfer of officers from one position or department to another is creating clearance delays as it takes time to adopt the new position or work. Unless customs have increased the skill of its officers, there is no way to complete customs clearance within the standard clearance time. Therefore, the speed of customs clearance at Kality customs is affected by lack of skilled and adequate human resource.

According to Mclinden (2005,) as quoted in Essete (2019), customs must organize itself to facilitate its activities as it supposed to. However, it is not seen simple for customs to have skilled and substantial human resource to meet the existing workload. Customs usually do not hire experienced officers, but fresh graduates and it tries to develop their skill through training although the training has seen insufficient.

2.1.3.5 Risk assessment

According to Widowson (2007) effective risk management system facilitates customs clearance process without violating customs clearance procedures. Due to the large volume of import goods & to save time and human resource that might be deployed during goods inspection, Ethiopian Customs Commission uses standard system-based risk assessment method. According to Buyonge & Kireeva (2008), most African customs administrations don't have robust risk management system. According to Ethiopian customs guide (2017), this system basically provides three types of risk levels. The 1st one is Green risk. It is totally risk free. Normally this channel includes diplomatic

cargos, privileged government institutions such as Sugar Corporation, international NGOs such as USAID. So, if the risk is green there is no need to inspect the cargo & therefor it will get release at face vet level.

The 2nd one is Yellow risk. It means less risky & inspection is not necessary. Customs Assessors will evaluate duties and taxes calculations together with fulfillment necessary documents & they will order release if everything is in order. Normally this risk includes goods for manufacturing companies, project cargos and so on. The 3rd one is Red risk. This is characterized by high level of risk & therefore is subject to careful inspection and document evaluation. Relatively goods under this risk level take longer time than the above two. This risk usually includes commercial cargos such as electronics and textiles.

Before analyzing its risk level, the face-vet officers will carefully look at the documents and cross check major information against declaration and regulations. Even though the system decides the risk level the customs face-fat officers can change the risk level from one another. According to Buyonge & Kireeva (2008), those who oversee risk management in Kenya customs routinely override electronic green, channel to red and prefer to make verification/inspection of the physical cargo. The same case applies to Ethiopia. For example, even when the system shows yellow risk level the officer can change it to red in order to inspect the cargo which will delay the clearance time for more additional days. Changing of one clearance level to another might happen due to many factors including ambiguous cargo description. The face-vet officers will assign an Assessor and inspector for every declaration/document using the system. As a result of this, importers or clearing agents are usually complaining.

Any shipment where its risk level is red or changed to red for whatever reason the cargo is subject to inspection. This process might take days depending on the type of cargo. For example, electronics and spare parts take more inspection time than bulk shipment such as galvanized steel sheet. Whenever the cargo is subject to inspection by regulatory organizations (for example soap) the result might take additional days and so is customs release. The customs inspector will submit a report of his/her observation to the assigned Assessor in order to precede the next clearance process.

2.1.3.6 Knowledge of customs officers & clearing agents on clearance procedures

The time takes to complete customs clearance of an imported item depends on the knowledge and experience of the customs officers and the clearing agent. When the clearing agent clearly knows the

clearance procedure and has the detail of the item, he/she can explain the item briefly to the customs Examiner or Assessor. A research conducted by Minwagaw (2016) on the clearing agents' knowledge of customs procedures, the research found out that only 27% of the respondents believed that they have a good knowledge of customs rules and regulation. From this point of view, we can draw a conclusion that there is in fact knowledge gab among clearing agents in understanding and implementing customs laws and procedures which might be resulted due to the absence of formal training about customs law. According to Getaneh (2011), importers also have less knowledge of import duties and taxes rate as well as clearance procedures. So, it is advised to use professional clearing agents to save time and cost.

A research by Debebe & Teklu (2016) pointed out that fear of decision makings by customs employees along with lack of knowledge often created problems in the timely delivery of clearance service. The knowledge gap could be solved with training & consultation. However according to Tilahun (2014), who assess the availability of consultation service at Customs Commission and other regulatory government agencies about customs clearance and international trade and concluded that Customs Commission has a consultation department which is very limited while other regulatory agencies do not have such department at all. He concluded that Ethiopia in general doesn't have a modern consultation service to business stakeholders on customs clearance related issues.

2.1.4 Import Customs clearance speed

One of the principal issues in international trade is the performance of customs and its efficiency in completing clearance of goods in fast and predictable manner by reducing complex customs clearance procedures (WCO, 2009). Currently many countries are motivated to shorten clearance procedures of its customs administration to speed up customs clearances process. However, this has not seen in Ethiopia customs commission as the clearance procedures are even tighten from day to day in order to have a more control of import duties & taxes instead of facilitation. For example, making errors such as B/L was taken as simple errors and was possible to amend with just ETB 300 penalty (ERCA, 64/2003) but as per the new directive such errors are considered as serious mistakes & it will lead to receive a warning letter that will lead to suspension (ERCA, 153/2011).

Minimizing the time required for clearance of goods at customs station accounts to trade requirements where operators prepare in order to meet tight production timetables and just in time

systems (Tsegaye & Endris, 2011). Australian time release study (2009) indicates that more than 60% of the cargo imported through sea is always cleared within 24 hours of arrival on all weekdays. However, complex documentary requirements and other customs procedures including absence of automation severely affect customs clearance speed in Ethiopia.

A research finding by Buyonge and Kireeva (2008) shows that import customs clearance takes 30 and 12 days in Ethiopia and Africa, respectively. This is much longer than clearance time taken in other developing countries such as Estonia and Lithonia which is one day. Improving customs clearance speed boosts for trade facilitation. But lengthy clearance times leads to have reduced trade facilitation.

World Bank (2008), as quoted in Minwagaw (2016), concluded that the clearance time in Ethiopia takes 45 days. Here the researcher questions the validity of the research and in one way or another negatively affects foreign investment attraction of this country when foreign investors read the paper. In fact, the process of customs in 2008 and today is totally different since it clearly undergoes different business reforms, but it still needs substantial improvement.

Speedy customs clearance means completing the clearance process shorter than the standard clearance time. According to ERCA (2014), as quoted in Debebe & Teklu (2016), the standard clearance time is divided in to three dimensions based on its risk level. Thus, the standard clearance time given for Green, Yellow and Red is 10 minutes, 2-3 hours and 6-8 hours, respectively. So, if clearance is taking longer than the standard clearance time then it is possible to say the clearance speed is being affected.

The government of Ethiopia makes duty and tax reforms against outdated tariff and tax laws, loose tax administration, inability to attract foreign investment and failure to cover its expenditure (Yohannes & Sisay, 2009). This improves the tax collection process but doesn't improve the clearance process. The above factors together with others forced Customs Commission to launch modern systems such as the new ECMS and continuously asses the existing systems in order to facilitate customs clearance process. Yet, import customs clearance speed is being affected by documentation, tariff classification, valuation, human resource, risk assessment and knowledge on customs procedures which the author of this researched has found out how these factors affect import customs clearance speed.

2.2 Empirical studies on factors affecting the speed of import customs clearance

Tsegaye and Endriss (2011) conducted a research on the impact of customs clearance procedure on international trade in the case of Ethiopia. They divide the entire clearing procedure in to three categories: document preparation, transportation from Djibouti to Addis Ababa and the 'actual' customs clearance stage and it finds out that the process takes 8.06 days, 5 days and 13.8 days, respectively. Therefore, the entire clearance procedure takes 26.86 days. This is much longer than the clearance times required in East Africa region in general which was 4.20 days.

The researcher wants to question that why the average clearance time takes so long. There must be explaining factors which my research will come up with. And, the researcher has a reservation that 'the transportation from Djibouti to Addis Ababa takes 5 days. Because the maximum allowed transit time from Djibouti to Addis Ababa, according to Customs Commission transit root code, is 3 days otherwise there will be a punishment of ETB 5,000.00, according to Customs Commission directive (64/2003) for transit delay unless strong evidence for the delay such as accident has been reported. So, it is highly unlikely that the average transit time takes 5 days because, by definition, it leads to the conclusion that the average transporters are getting punished for not been able to arrive customs station within 3 days. According to Asaminew (2013), the annual Ethiopian government revenue is usually less than its expenditure. This might be caused by either taxpayers, mainly importers, are not properly paying duties and taxes or customs officials are not properly executing tax laws which is related to human resource inefficiency.

An empirical study conducted by Debebe & Teklu (2016) on the effects of procrastination on customs clearance cost in the case of Kality customs branch has identified that clearance delay time at Kality customs branch office is 4 days. The average clearance time, according to the above researchers, was between 2-5 days, while the maximum standard clearance time is 8 hours/1 day for red risk import items. They also found out that fear of decision making in combination with lack of knowledge has increase customs clearance delay times.

Teweldebirhan (2011) has conducted am empirical research on challenges of customs on trade facilitation in Ethiopia in the case of customs clearance in ERCA. He found out that although Customs Commission makes many procedural reforms to facilitate customs clearance activities such

as online submission of declaration and standard risk analysis system, the research suggests that there is unacceptable lengthy clearance time at Addis Ababa Kality customs branch office.

A research conducted by Minwagaw (2016) on the challenges of import customs clearance in Customs Commission showed that customs clearance delay usually happens at customs valuation and tariff classification workflows of the customs clearance procedures with other factors. This is mainly associated with the absence of automation in relation to valuation. It has also found out that customs duties and taxes collected from imported goods is one of the major sources of government revenue in Ethiopia. That is why Customs Commission makes continuous service improvements or reforms to meet its annual revenue collection goal. To mention some reforms, proclamation 622/2009 has been replaced by 859/2014 mainly to address previous customs clearance procedure gabs, duty and tax related problems and to facilitate customs clearing activities.

Another important empirical research finding by Minwagaw (2016) is that, proclamation number 859/2014 doesn't bring positive change on customs clearance speed while it must. About 66% of clearing agents believed that the proclamation doesn't improve the existing customs clearance problems as it was planned to. Another empirical data has been collected and analyzed by the above researcher whether customs clearance delay is common at Kality customs or not and it concluded that about 83% of the respondents confirmed that there is indeed a delay. But the researcher would like to question the author of this research that it doesn't say anything about standard clearance time. Because the clearance time taken for commercial cargos cannot be the same as diplomatic cargoes since the former is subject to inspection while the latter is not.

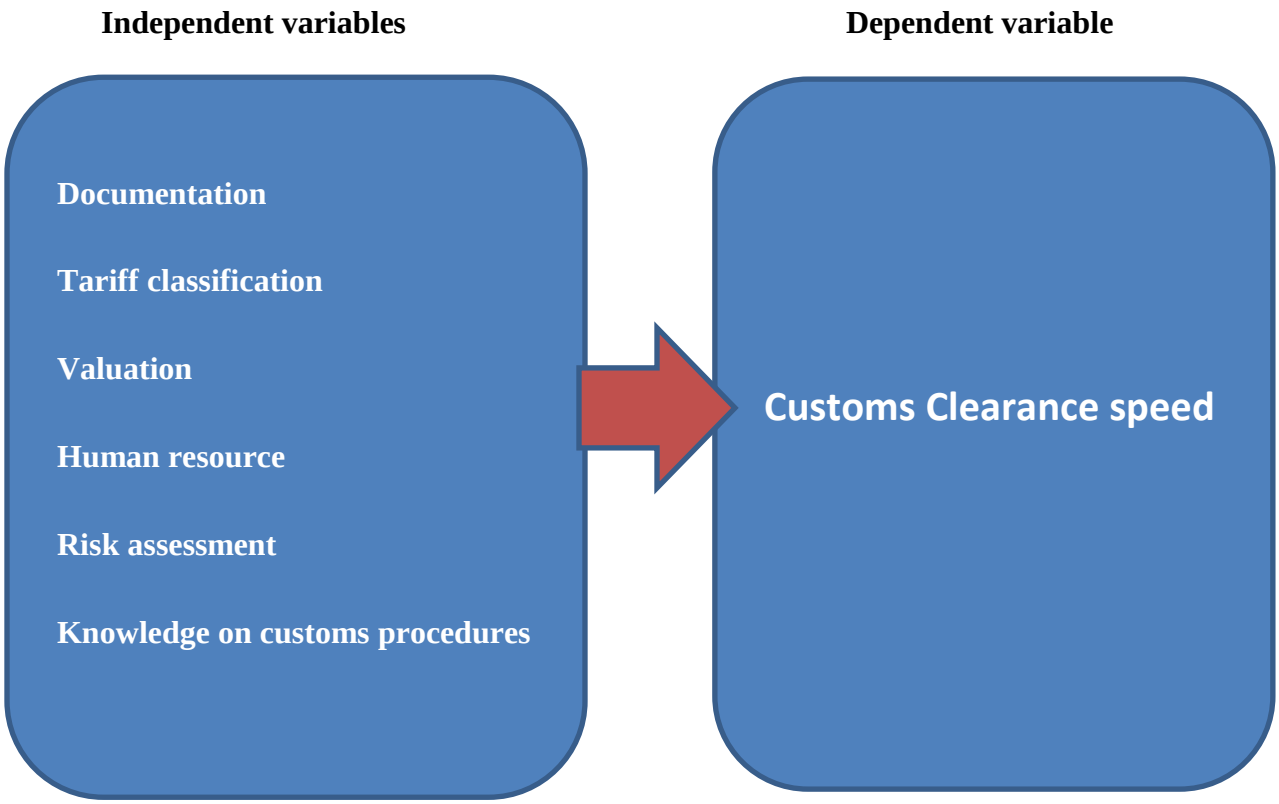
A research conducted by Essete (2019) on the effect of customs clearance process on the performance of clearing agents has found out that Kality customs human resource management is negatively affecting the performance of clearing agents. The available human resource is not good enough to handle the available work. As a result, the performance of clearing agents is not good. The lower performance of clearing agents indicates that there is a lengthy clearance time

Although the above researches focus on customs clearance delay related issues, they neither substantially explain the factors that affect the speed of customs clearance nor they come up with vivid solutions to alleviate the problem which the author of this research has done most.

2.3 Conceptual framework

After reviewing available literature, the researcher has developed the below conceptual framework. Many factors/independent variables seem responsible for a single/dependent variable which the author of this research has explained the association of each explanatory variable with the dependent variable through regression analysis in chapter four.

Fig 2.2: Conceptual framework



Source: the researcher, (2020)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter summarizes the master plan of the entire research. It specifies how, where and from whom the data was collected and how sample was selected. It also specifies the nature of research design and research approach, how reliability and validity were assured and how the data was analyzed. This is the key part of the research that helped the researcher to answer its research questions.

3.2 Description of study area

Geographically speaking, the study area is located in Addis Ababa, Ethiopia. Customs Commission Addis Ababa Kality customs branch office is located in Nifas Silk Lafto sub city, near Addis Ababa city administration driver and vehicle licensing and control authority. Clearing agents are also located in different sub cities and Woreda's within Addis Ababa city limit.

3.3 Research approach

The student researcher has used quantitative approach. Because in quantitative data there is a more chance of making relatively objective decision compared to qualitative data. In qualitative data, the researcher will make subjective interpretations and decisions based on his/her understanding from the interview for example because of the fact that qualitative data can't be measured quantitatively. But, in quantitative data decisions are usually, exactly as per quantitative data implications or aggregates. Therefore, this helps to avoid speculative generalization (Barney, 2006).

3.4 Research design

Research design is the main plan that guides the researcher how to approach a specific research area as there is no one right way of conducting a research (Geoffrey etal, 2005). The type of research design to use depends on the nature of the research tittle, population

under study, data & resource availability, purpose of the research and so on. A research design helped the researcher to plan and implement the study in order to obtain intended outcome. In other words, it is a framework intended to find answers to the research questions. The research designs used were explanatory & descriptive. Explanatory research design has been used because the main objective of this research was to explain the factors that affect the speed of import customs clearance. Descriptive research design has been used to describe the basic features of the data using percentage, frequency, mean and standard deviation.

3.5 Target population, sample design & sample size

Since it is time taking and costly to involve the entire target population (customs officers & clearing agents) under study it is necessary to select representatives/samples from the population.

The researcher used systematic random sampling technique to select 105 clearing agents from a total population of 1044 clearing agents (MOTI, 2019). The main reason systematic random sampling is selected is that this method best fits for the population under study which gives all clearing agents an equal chance of selection. In order to determine the sample size, the researcher used the formula [$n=z^2*p*q*N/e^2$ (N-1) $+z^2*p*q$] (Daniel, 1999).

Where

n= required sample size

z=confidence level (90%) with critical value of 1.64

Margin of error (7%) =0.07

P=population variability=0.7

Q=1-p=1-0.7=0.3

N=total population=1044

Then, $n=1.64^2 *0.7*0.3*1044/0.07^2* (1044-1) + 1.64^{2*}0.7*0.3$

n=105

Using the formula of systematic sampling, sampling interval (K) is determined as below.

Total Population (N)=1044

Sample size (n) = 105

$$K = \frac{\text{Total population}}{\text{Sample size}} = \frac{N}{n} = \frac{1044}{105} \approx 10$$

So, the researchers then randomly picked the first one between 1 & 10. The fourth clearing agent from the population has been chosen randomly and continued every 10^{th} unit like 4, 14, 24….1044.

The main reason the researcher didn't choose importers, as a respondent, is that importers are legally represented by clearing agents and they have no direct involvement with customs in the clearance process.

The researcher used disproportionate stratified sampling technique to select a total of 50 respondents using the above sample determination formula from a population of 231 customs clearance officers (Customs Commission, 2019).

$[n=z^2*p*q*N/e^2\ (N-1) +z^2*p*q]$

Where

n= required sample size

z=confidence level (90%) with critical value of 1.64

Margin of error (7%) =0.07

P=population variability=0.87

Q=1-p=1-0.87=0.13

N=total population=231

Then, $n=1.64^2 *0.87*0.13*231/0.07^{2*} (231-1) + 1.64^{2*}0.87*0.13$

n=50,

Then, five officers have been chosen from each unit using disproportionate stratified sampling technique to select a total of 50 respondents (5 respondents X 10 clearance units=50 respondents). The main reason stratified sampling has been chosen was that; Kality customs establish 10 clearance units with different number of officers and with its own face-vet each. The researcher provided equal chance of representation for all clearance units. The clearing agent will get clearance service from one of the ten units depending on the type of import item and the nature of business an importer involved such as electronics or textile import. Thus, each unit has been represented fairly, as 5 respondents have been chosen from each unit. The 10 clearance units are listed below (Customs Commission, 2019).

- ✓ GT-Garment and Textile clearance unit,
- ✓ IP- Investment and Project clearance unit,

- ✓ AM-Automotive and Machinery clearance unit
- ✓ MEF-Medical Equipment & Food clearance unit
- ✓ MF-Manufacturing clearance unit
- ✓ ME-Manufacturing and export clearance unit
- ✓ PEF-Personal Effects clearance unit
- ✓ GN-Governmental & NGO clearance unit
- ✓ BC-Building and Chemical clearance unit
- ✓ EOG- Electronics & Others Goods clearance unit.

The population only includes those Kality customs officers who are directly involved in import customs clearance related activities.

Table 3.1 sample and population summary

Research participants	**Sample**	**Target population**
Customs officers	50	231
Clearing agents	105	1044
Total	**155**	**1275**

Source of population: MOTI & Customs Commission (2019)

3.6 Data collection

The student researcher collected primary data from the selected respondents through questionnaire in both hard copy & mail. The questionnaire included both open ended and close ended types but mainly it was close ended type. Open ended questionnaires helped the researcher to understand the general view of the respondents about import customs clearance speed and closed ended part helped to understand statistical indications and clarify the degree or intensity of admitting or rejecting most common clearance associated practices and factors. By the time pilot test has been used to check the validity & ethics of each questionnaire. Secondary data has also been used from published and unpublished literatures across time.

3.7 Data analysis

Once adequate data is collected, the researcher has deployed regression model to analyze the data using Multiple Regression to explain the association between the dependent variable (customs clearance speed) and the independent variables. The model is presented as; [$Y = \beta0 + \beta1X1 + \beta2X2+ \beta3X3 + \beta4X4+ \beta5X5+ \beta6X6+\varepsilon$]

Where:

Y = Response variable (customs clearance speed)

β0 = Constant Term;

β1 = Beta coefficients (documentation)

β2 = Tariff classification

β3= Valuation

β4= Human resource

B5= Risk assessment

B6= Knowledge on custom procedures

X1, X2, X3, X4, X5&X6= predictor variables

ε = Error term

In order to make sure the data fit to the above model the researcher has used Likert type questionnaire for each predictor variable (Robert & Richard, 2008). The data has been properly coded and processed through SPSS software. SPSS is widely used computer software program for the analysis of quantitative data.

In addition to regression model the researcher has also used a Descriptive Statistic to describe demographic characteristics of the respondents and the basic features of the data using frequency, percentage, mean and standard deviation.

3.8 Reliability and validity

According to Bryman and Bell (2007), reliability is concerned with the question of whether a result is stable or consistent whereas validity is the integrity of the conclusions that are generated from a research. Validity is more concerned with measurements or instruments used in the data collection process. In order to get reliable result, the researcher has made sure that the data collection procedures and instruments/techniques are valid. Pilot test has been conducted to measure the validity of the questionnaire.

The researcher had compute reliability coefficients using Cronbach alpha using SPSS 20. According to Zikmund et al, (2010) coefficient alpha ranges from 0-1. If the value is close to 0 it means less consistent whereas the value close to 1 is more consistent or reliable. The below are a generally accepted standards of reliability.

i. A coefficient α between 0.80 & 0.95 is presumed to have very good reliability.
ii. A coefficient α between 0.70 and 0.80 is presumed to have good reliability,
iii. A value between 0.60 and 0.70 is presumed to have fair reliability.
iv. A coefficient below 0.6 is presumed to have poor reliability.

Table 3.2 reliability statics

Factors	**Cronbach's Alpha**	**No. of items**
Documentation	.766	6
Tariff classification	.732	7
Valuation	.715	7
Human resource	.743	6
Risk assessment	.714	7
Knowledge	.761	7
Clearance speed	.737	4
Total	**.738**	**44**

Source: computed by the researcher from the primary data, (2020)

As per table 3.2, the reliability coefficient or cronbach's alpha is .738 which falls under coefficient α between 0.70 & 0.80. Therefore, it is considered to have good reliability.

3.9 Ethical consideration

First, the researcher has granted proper authorization from Addis Ababa university school of commerce and Customs Commission to procced with the research. The researcher has applied viable codes of ethics at every level of the research. For example, respondent's responses will be kept confidential and there for has no influence/harm on them in any way. No personal details such as names or phone number has been requested, nor compensation has been paid for any of the participants. The ethical nature of the questionnaire itself has also been assessed through pilot test.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

As the tittle itself tells this chapter mainly contains presentation of the collected data in & analysis of data. It contains response rate, demography of respondents, descriptive statistics of variables and regression model. Data is presented in the form of tables.

4.1 Response rate

A total of 155 questionnaires has been targeted and out of which 126 has been responded. Therefore, it has a response rate of 81.3%. It was very difficult to collect such questionnaire in the current difficult situation. Considering the situation, the researcher has believed that the response rate is satisfactory.

4.2 Demographic characteristics of Respondents

This part summaries the age composition, the organization or institution, level of education, job position and level of experience of the respondents.

4.2.1 Age, organizational composition, level of education, job position and experience

As we can see from the below table the majority (63.5%) of the respondents were between 24 & 32 years old. It shows that most of the people who handle customs clearance activities fall under the above age category. 7.9 % of the respondents were below the age of 24, 24.6% of the respondents' falls between the age of 33-40 and only 4% of the respondents were above 40 years old.

Table 4.1 age category of respondents

Age	Frequency	Percent
below 24	10	7.9
24-32	80	63.5
33-40	31	24.6
above 40	5	4.0
Total	126	100.0

Source: computed by the researcher from the primary data, (2020)

Inters of organizational background both customs officers and clearing agents involved in the study. As shown in the below table 67.5% of the respondents were clearing agents and 32.5% of the respondents were customs officers.

Table 4.2 organizational composition of respondents

Organization	Frequency	Percent
Customs Commission	41	32.5
Clearing agent	85	67.5
Total	126	100.0

Source: computed by the researcher from the primary data, (2020)

The respondents were composed of Assessors, Transitors, & operation managers under clearing agents and face vet officers, customs Assessors & examiners under Customs Commission. As indicated in the below table 32% of the respondents were Assessors, 46% were Transitors, 10% were face vet officers, 21 % were customs Assessors,10% were examiners and 7 % of the respondents were operation managers.

Table 4.3 job position of respondents

Job position	Frequency	Percent
Assessor	32	25.4
Transitor	46	36.5
Face vet officer	10	7.9
Customs Assessor	21	16.7
Examiner	10	7.9
Operation manager	7	5.6
Total	126	100.0

Source: computed by the researcher from the primary data, (2020)

In terms of work experience 14.3% of the respondents have less than 2 years of experience, 31.7% of the respondents have 2-4 years of experience and 54% of the respondents have more than five years of experience. This indicates that most of the

respondents have many years of experience which in tells that the more the experience the more awareness of customs clearance associated practices.

Table 4.4 work experience of respondents

Experience	Frequency	Percent
less than 2 years	18	14.3
2-4 years	40	31.7
above 5 years	68	54.0
Total	126	100.0

Source: computed by the researcher from the primary data, (2020)

In terms of educational level, 1.6% of the respondents have certificate & working as transistors for a clearing agent, 16.7% have diploma and working for a clearing agent, 70.6% have BA/BSC and found in both Customs Commission & clearing agents and 11.1% have MA/MSC and found both institutions.

Therefore, we can conclude that most of the people who handle customs clearance activities have BA/BSC degree, while few have diploma & MA/MSC and very few transistors have certificate. The researcher has also found out that there are no certificate and diploma holders under Customs Commission in the above positions.

Table 4.5 educational level of respondents

Education	Frequency	Percent
Certificate	2	1.6
Diploma	21	16.7
BA/BSC	89	70.6
MA/MSC	14	11.1
Total	126	100.0

Source: computed by the researcher from the primary data, (2020)

4.3 Analysis of descriptive statistics

As indicated earlier, descriptive statistics is used to describe the basic feature of the data using mean and standard deviation as a measure of central tendency. A mean is an average score of observations while a standard deviation is a measure of variability

indicating the average amount that observations vary from the mean (Geoffrey et al, 2005). As the questionnaire were prepared in a 5-point Likert scale. Clearing agents as well as customs officers were asked to indicate from 1 to 5 for each question under each variable. 1 was used to represent strongly disagree to the question/statement, 2 represent disagree to the statement, 3 represent neutral, 4 represent agree to the statement and 5 was given for strongly agree. Therefore, the lower the mean value indicates that the more the respondents disagree on the question or statement and the higher the mean value indicates the more respondents are agree with the question or statement. A smaller standard deviation indicates that individual observations are close to the mean value of all observations.

4.3.1 Descriptive statistics of independent variables

Documentation, tariff classification, valuation, human resource, risk assessment & knowledge on customs procedures are the independent variables that affect the speed of customs clearance. The frequency report for each variable is presented below.

4.3.1.1 Documentation

Documentation is one of the major factors that affect the speed of customs clearance. Six items have been formulated in order to explain how documentation back and forth affects customs clearance. The mean and standard deviation of the respondents is presented as below.

Table 4.6 descriptive statistics of documentation

Items	N	Mean	Std. Deviation
Clearing agents clearly knows which documents are required for clearance depending on the type of goods under import	126	1.85	.653
Customs officers clearly knows which documents are required for clearance depending on the type of goods	126	2.85	.918
Customs directive identify which documents are required for which cargo	126	2.45	.796

Clearing agents submit complete clearance documents (no back & forth)	126	2.30	.731
Clearing agents submit a carefully filled declaration	126	2.16	.562
Clearing agents properly attaché documents on the online declaration submission system	126	2.07	.499

Source: computed by the researcher from the primary data, (2020)

As shown in table 4.6, respondents have been requested to indicate either clearing agents clearly knows which documents are required for clearance depending on the type of goods under import' and either customs officers clearly know which documents are required for clearance depending on the type of goods, the mean value was 1.85 & 2.85 with a standard deviation .653 & .918, respectively. Therefore, both the mean & standard deviation indicates that customs officers relatively know required documents better than clearing agents. Therefore, Transitors who present documents to customs lacks awareness and there is a back and forth in order to complete the missed documents. Clearing agents do not submit a carefully filled declaration. As per the above table the mean & standard deviation of submitting correct declaration is 2.16 &.562, respectively, which was disagree. It indicates that Declarants make errors either due to lack of knowledge or lack of attention.

Respondents has also been asked to respond on the statement 'customs directive identify which documents are required for which cargo' and the mean of their response was fall under disagree. The directive doesn't clearly state the documentation requirements. Therefore, both clearing agents and customs officers know the documentation requirements through experience only. For example, if one clears soap once, then it will be simple for that person to know the documents for that item when it is imported repeatedly.

As per the new customs management system clearing agents are required to submit the scan copy of all original supporting documents in the online declaration submission system. But as per the above table they are not properly attaching all documents and for that there is a back and forth in order to properly attach the documents to the system, as the mean value of both properly attaching documents on the system and absence of back

and forth is 2.07 & 2.30 with a standard deviation of .499 & .731, respectively. That means customs face vet officers will not provide acceptance of the declaration or transit permit will not be issued till the missed documents are fulfilled or properly attached to the system.

According to Minwagaw (2016), documentation back and forth is one of the major reasons for lengthy clearance times. The result of this research also supports Minwagaw's research. Clearing agents submit incomplete documents for clearance and they will be requested to fulfill the missed once. Clearing agents also submit incorrect declaration (a declaration with one or more errors) and the amendment of errors takes more time.

4.3.1.2 Tariff classification

As per WCO (1983), tariff/HS coding system is a universal coding system given for an item to determine duty & tax rate or percentage. It is also useful to compile statistical reports as the HS codes are standard. However due to the complexity or ambiguous structure of the HS coding system, many items in Kality customs are not classified to the right HS code. The descriptive statistics of tariff misclassification is presented below.

Table 4.7 descriptive statistics of tariff classification

Items	N	Mean	Std. Deviation
Clearing agents have a good knowledge of tariff (HS) classification	126	1.93	.616
Customs officers have a good knowledge of tariff (HS) classification	126	2.58	.751
Import items are simple to classify	126	2.30	.660
Lower tariff rates are accepted by customs officers	126	2.17	.633
The HS book is simple & clear to understand	126	2.10	.617
Clearing agents prepare net declaration with correct HS code	126	1.76	.612
Additional duties & taxes are usually not requested due to wrong HS/misclassification	126	2.00	.804

Source: computed by the researcher from the primary data, (2020)

As indicated table 4.7, respondents have been requested to indicate either 'clearing agents have a good knowledge of tariff (HS) classification' and customs officers have a good knowledge of tariff (HS) classification, the mean value was 1.93 & 2.58 with a standard deviation of .616 & .751. This indicates that clearing agents has relatively high lack of HS classification than customs officers. On the other hand, lack of knowledge on tariff classification is an indication for submitting a declaration with incorrect HS code. As indicated above, the mean value of clearing agent's knowledge of HS code and submitting correct declaration was 1.93 & 1.76 with a standard deviation of .616 & .612, respectively.

Therefore, the cause of submitting a declaration with wrong tariff code is lack of knowledge on HS code. Customs officers also do not accept lower tariff rates. As indicated above respondents have been requested to respond whether customs accept lower tariff rates and the mean & standard deviation of their response was 2.17 & .633. Clearing agents may fear to apply the right tariff code with lower rate even if they believe it should be classified in the lower rate. The result of this research agrees with the research conducted by Minwagaw (2016) who found out that 75% of the respondents believed that import items in Ethiopia are misclassified to a higher rate, wrong HS. According to that research the main reasons for misclassification are lack of knowledge and fear of being rejected by customs.

The current research has also found out that 65.9% of the respondents believed that import items are ambiguous to classify (with a mean value of 2.30) although the degree of ambiguity still depends on the knowledge of the Assessors. Therefore, difficulty of understanding the material will also lead to use wrong tariff code. This lead controversy between the Declarant and customs officers for tariff amendment and this is where the clearance speed is being affected. Additional duties and taxes are requested due incorrect HS usage as the respondents requested whether additional duties and taxes are not requested due to wrong HS and the mean value pf the response was 2.00 which imply that they disagree. That means, there are usually additional duties and taxes arising from wrong HS code usage as the mean value above also shows 2.00.

4.3.1.3 Valuation

Ethiopian Customs Commission has a price database called ECVS (Ethiopian customs valuation system) from which its officers usually compare the price of an imported item. As per the below result the valuation process it too long and it is affecting the clearance speed. The mean value of the respondents is summarized in the below table.

Table 4.8 descriptive statistics of valuation

Items	**N**	**Mean**	**Std. Deviation**
Customs officers have a good knowledge of Valuation	126	1.92	.621
Customs Commission has automated valuation system	126	1.65	.659
Valuation methods are simple to understand	126	2.20	.793
Importers simply accept the price given from customs database (ECVS)	126	2.29	.886
There is usually no overvaluation	126	2.50	.961
The valuation process is fast	126	2.38	.920
There is usually no appeal arising from price query	126	2.13	.793

Source: computed by the researcher from the primary data, (2020)

As indicated in table 4.8, respondents have been asked whether Customs Commission has automated valuation system, whether the valuation process is fast and its officers have a good knowledge of valuation, the result was disagree for all three questions with a mean value of 1.65, 1.92 & 2.38 with a standard deviation of .659 & .621 & .920 respectively. There are several valuation methods as discussed in chapter two of this research paper. The method to apply while other methods do not work requires experience. When valuation is not possible in the first method, then it is necessary to proceed with the next method. So, it is manual processing or comparison system. But if it was automated, it should provide the value of an item automatically as per user's request including what valuation method is applied.

Another important point observed in this research is that importers do not simply accept the price given by customs officers. The mean value of importer acceptance to the price,

absence of appeal and overvaluation is 2.29, 2.13 and 2.50 respectively. That means clearing agents on the behalf importers, submit an appeal referring overvaluation. That is where clearance speed is taking longer times. Until customs officers and the importer or his agent agree on the valuation the cargo will not be released. As a result, the storage and container demurrage costs are increase every day with increasing rate. So, the importance of minimizing of lengthy clearance times is not just for getting the cargo but also for minimizing associated costs.

4.3.1.4 Human resource

Human resource is one of the major factors that affect the speed of import customs clearance. The respondents believed that Kality customs doesn't have enough human resource to handle import customs clearance activities. The mean & standard deviation of human resource is presented in the below table.

Table 4.9 descriptive statistics of human resource

Items	N	Mean	Std. Deviation
Kality customs has enough human resource to handle the available work	126	1.86	.636
Kality customs officers have no workload	126	2.08	.810
Kality customs officers are skilled enough	126	2.73	.974
Kality customs officers have very good motivation towards their work/goal	126	2.53	.952
The available customs officers are handling each document timely without delay	126	2.26	.889
Assigned inspectors are doing the inspection timely	126	2.37	.961

Source: computed by the researcher from the primary data, (2020)

As shown in table 4.9, respondents have been requested whether Kality customs has enough human resource to handle the available work and their response was disagree with a mean value of 1.86 and standard deviation of .636. When enough human resource is not available, it is not possible to provide fast service. Therefore, the Transitor must wait for his/her turn no matter how long. Respondents have also been requested weather

Kality customs officers have no workload, the available customs officers are handling each document without delay their response was disagree with a mean of 2.08 & 2.26 respectively. Therefore, there is a workload at Kality customs office which leads to length clearance times.

Respondents have also been requested to indicate either Kality customs officers have very good motivation towards their work/goal and either assigned inspectors are doing the inspection timely, the mean value was 2.53 & 2.37 with a standard deviation of .961 & .952, respectively. That means there were delays in during inspection and there was no good motivation.

A research conducted by Essete (2019) on the effect of customs clearing process on the performance of customs clearing agents in Addis Ababa showed that customs officers do not have adequate knowledge to facilitate the clearance process (with a mean value of 2.06). But the result of the current research mismatches with that result. Respondents have been requested whether Kality customs officers are skilled enough and the mean value is 2.73 which is far from disagree. Therefore, the result of the current research doesn't have the same result with the above research.

4.3.1.5 Risk assessment

Risk assessment is also one of the major factors that affect customs clearance speed. According to Widowson (2007), risk management system normally facilitates customs clearance process. Normally Kality customs uses automated risk assessment system but for the system to decide the risk level (green, yellow, red) there are several details/online forms to be filled by the face-vet officer. So, it is not robust system. For a risk assessment system to be called fully automated it should have decided the risk level using declaration number only. Since the declaration itself contains all details the risk assessment system should have to trace all the information it needs to decide the risk level. There for it is not fully automated. The mean value of responses for of risk assessment is presented in the below table.

Table 4.10 descriptive statistics of risk assessment

Items	N	Mean	Std. Deviation
Customs face-vet officers have a good knowledge of risk assessment	126	2.41	.751
Kality customs uses automated risk assessment system	126	2.65	.751
The risk assessment system is too fast to respond/process	126	1.90	.637
Clearing agents will know the risk level of their document shortly	126	2.03	.611
There is no way yellow risk will be inspected	126	2.26	.650
The risk assessment criteria are simple and predictable	126	2.11	.750
Risk assessment process is facilitating the clearance process	126	2.20	.800

Source: computed by the researcher from the primary data, (2020)

As shown in table 4.10, respondents have been requested whether the risk assessment system is too fast to respond/process and the risk assessment is facilitating the clearance process, they responded that they disagree, with mean value of 1.90 & 2.20 with a standard deviation of .637 & .800, respectively. When the system is not fast, enough there might be many documents in the waiting line which leads the transistors to wait for their turn. That is why Transitors submit the documents to face vet officers and leave for another work and check back after hours. As shown in the above table yellow risks decided by the system can also be changed to red so that the cargo will be inspected, as the mean & standard deviation shows 2.26 & .650, respectively.

Respondents has also been requested on either clearing agents knows the risk level of their cargo shortly and either the risk assessment criteria are simple & predictable, the mean value shows 2.03 & 2.11 with a standard deviation .611 & .750, respectively. This also indicates that the risk assessment system not fast as it is not fully automated, and the criterion is not simple.

4.3.1.6 Knowledge on customs procedures

The way one does his/her work depends on how much he/she knows about that work. So, knowledge, among other things, is the basics for achieving work excellence. So, when there is a knowledge gap, the activity to be performed will take longer times. When we came to customs clearance, the activities require good level of understanding for doing the work timely. In order to have a good knowledge training is one way. However, this research finds out that clearing agents do not have access to training. As a result, there is a knowledge gap on customs procedures among clearing agents. The mean vale of the response has been summarized in the below table.

Table 4.11 descriptive statistics of knowledge on customs procedures

Items	**N**	**Mean**	**Std. Deviation**
Clearing agents have a good knowledge of import clearance procedures	126	2.04	.630
Customs officers have a good knowledge of import customs procedures	126	1.91	.632
Clearing agents mostly do not make mistakes due to lack of knowledge	126	1.96	.668
Kality customs provide training for its officers	126	2.50	.745
Clearing agents have access to training on customs procedures	126	1.64	.638
Customs officers usually do not make errors due to lack of knowledge	126	2.15	.693
Customs procedure is easy for understanding	126	2.18	.720

Source: computed by the researcher from the primary data, (2020)

As indicated in table 4.11, respondents have been requested whether clearing agents have access to training and either they have a good knowledge of import clearance procedures and they responded that they disagree, with the mean value of 1.64 & 2.04 with a standard deviation of .638 & .630, respectively. Among other factors knowledge gap leads a clearing agent to make errors repeatedly as they have been requested whether they do not make mistakes and the mean value shows 1.96 which was disagree. On the other hand, as obtained from open ended part of the response, decision making ability of Kality

customs officers is not good enough. This is associated with lack of knowledge or experience in handling cases. Officers do not make decisions by themselves while they should have. They transfer the case to their superiors/unit leaders and unit leaders will also transfer the case to their superior/branch manager. Most of them time the manager is busy with handling customer case. Therefor getting a solution within short time is not possible. But if clearing agents were knowledgably enough or customs officers can decide by themselves, the case will be solved shortly, and clearance could have been completed timely.

As indicated in table 4.11 respondents have also been requested whether customs procedure is easy for understanding and either clearing agents mostly do not make mistakes due to lack of knowledge, the mean value shows 2.18 & 1.96 with a standard deviation of .720 & .668, respectively. Therefore, the clearance procures is difficult to understand unless it is supported with training.

4.3.2 Response on customs clearance speed

As per ERCA (2014) quoted in Debebe & Teklu (2016), the standard clearance time for 'green risk, yellow risk and red risk is 10 minutes, 2-3 hours and 6-8 hours respectively. The questions are designed based on the standard clearance time stated above whether they meet the standard or not. The descriptive statistics of customs clearance speed is presented in the below table.

Table 4.12 response on customs clearance speed

Items	N	Mean	Std. Deviation
Imports with 'green risk' are getting custom release within 10 minutes	126	2.46	.653
Imports with 'yellow risk' are getting custom release within 3 hours	126	2.30	.525
Imports with 'red risk' are getting custom release within 8 hours	126	1.80	.579
Average clearance time takes less than two days	126	2.00	.464

Source: computed by the researcher from the primary data, (2020)

As indicated in table 4.12, import items with red risk are not getting release within 8 hours. The mean & standard deviation shows 1.80 & .579 respectively. Imports with yellow risk are also not getting released within the standard clearance time as the mean value above indicates 2.30 with a standard deviation of .525. Items with green risk are also not getting released within 10 minutes as the mean value is 2.46 with a standard deviation of .653. Items with green risk are not subject to inspection and valuation but still it was not cleared with in the standard clearance time

Respondents have been requested to indicate either the average customs clearance was less than 2 days and the mean & standard deviation was 2.00 & .464. That means the average clearance time takes 2 or more days. The result matches with the research conducted by Debebe & Teklu (2016) on 'effects of procrastination on customs clearance cost: the case of Kality customs branch in Ethiopia' who concluded that average clearance time takes 2-5 days.

4.4 Correlation Analysis

Correlation is the measure of degree of correspondence between variables. A correlation can be positive, negative or zero/random. A correlation close to +1 is a positive correlation while a correlation close to -1 is a negative correlation (Robert & Richard, 2008). According to the above authors the strength of the positive relationship between variables can be summarized as below.

- ✓ 0.9-1.00-very high correlation-which indicates that there is a very strong correlation
- ✓ 0.7-0.90-high correlation-which indicates that there is a very strong relationship
- ✓ 0.4-0.70-moderate correlation-which indicates that there is a moderate relationship
- ✓ 0.2-0.40-low correlation-which indicates that there is a weak relationship
- ✓ 0.00-0.20-slight correlation-which indicates that a relationship close to random.

The researcher has conducted a Pearson correlation analysis to understand the relationship between documentation, tariff classification, valuation, human resource, risk assessment, knowledge on customs procedures and customs clearance speed. The correlation analysis is presented in the below table.

Table 4.13 correlation analysis of variables

		DOC	TAR	VAL	HR	RSK	KNO	CCS
DOC	Pearson Correlation	1	.428**	.376**	.268**	.563**	.435**	.492**
	Sig. (2-tailed)		.000	.000	.002	.000	.000	.000
	N	126	126	126	126	126	126	126
TAR	Pearson Correlation	.428**	1	.620**	.432**	.468**	.591**	.575**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	126	126	126	126	126	126	126
VAL	Pearson Correlation	.376**	.620**	1	.532**	.486**	.602**	.556**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	126	126	126	126	126	126	126
HR	Pearson Correlation	.268**	.432**	.532**	1	.465**	.445**	.534**
	Sig. (2-tailed)	.002	.000	.000		.000	.000	.000
	N	126	126	126	126	126	126	126
RSK	Pearson Correlation	.563**	.468**	.486**	.465**	1	.595**	.587**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	126	126	126	126	126	126	126
KNO	Pearson Correlation	.435**	.591**	.602**	.445**	.595**	1	.563**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	126	126	126	126	126	126	126
CCS	Pearson Correlation	**.492****	**.575****	**.556****	**.534****	**.587****	**.563****	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	126	126	126	126	126	126	126

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

Source: computed by the researcher from the primary data, (2020)

DOC represent documentation, TAR represent tariff classification, VAL represent valuation, HR represent human resource, RSK represent risk assessment, KNO represent knowledge on customs procedures and CCS represent customs clearance speed.

As indicated in table 4.13, there is a positive correlation among all variables. The correlation coefficient of customs clearance speed with documentation is 0.492. The correlation coefficient of customs clearance speed with tariff classification was 0.575. The correlation coefficient of customs clearance speed with valuation was 0.556. The correlation coefficient of customs clearance speed with human resource was 0.534. The correlation coefficient of customs clearance speed with risk assessment was 0.587. The correlation coefficient of customs clearance speed with knowledge on customs procedures was 0.563. Therefore, all the six variables have moderate correlation as the range is between 0.4 & 0.7.

4.5 Regression Analysis

Regression is a technique used to estimate the score or value of the dependent variable based on the score or observation of the independent variable/s (Robert & Richard, 2008). Therefor it helps to estimate the value of Y based on the known values of X & Z. the regression analysis is presented in the below table.

Table 4.14 distribution of coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	.239	.167		1.429	.156
	Documentation	.136	.068	.156	2.006	.047
	Tariff classification	.199	.087	.199	2.290	.024
	Valuation	.086	.077	.102	1.123	.264
	Human resource	.155	.056	.215	2.772	.006
	Risk assessment	.188	.086	.194	2.178	.031
	Knowledge	.102	.087	.105	1.163	.247

Source: computed by the researcher from the primary data, (2020)

The regression model is as follows.

Y= .239+0.136DOC + 0.199TAR +0.086VAL + 0.155HR + 0.188RSK + 0.102KNO

As indicated in table 4.14, all the coefficients are positive. The change in any one of the independent variables affects the speed of customs clearance in the same direction. Documentation has a positive relationship with customs clearance speed, and the relationship is also statistically significant at the 5% significance level (β = .136; p = .047<.05). Tariff classification has a positive relationship with customs clearance speed and the relationship is also statistically significant at the 5% significance level (β = .199; p = .024 <.05). Human resource has a positive relationship with customs clearance speed, and the relationship is also statistically significant at the 5% significance level (β = .155; p = .006 < .05). Risk assessments has a positive relationship with customs clearance speed, and the relationship is also statistically significant at the 5% significance level (β = .188; p = .031 < .05). Valuation has a positive relationship with customs clearance speed, but the relationship is not statistically significant at the 5% significance level (β = .086; p = .264 > .05). Knowledge on customs procedures has a positive relationship with customs clearance speed, but the relationship is not statistically significant at the 5% significance level (β = .102; p = .247 > .05).

The relationship of valuation with customs clearance is not statistically significant at 5% significance level. This finding has the same result with a research conducted by Essete (2019) which shows that the relationship of valuation with the performance of clearing agents was positive but was not significant at 5% significance level. Therefore, valuation has a positive relationship with customs clearance speed, but the effect is not significant. Knowledge on customs procedures was also not significant at 5% significance level but this finding is different from a research finding by Minwagaw (2016) who concluded that knowledge gap was one of the major factors that lead to clearance delays.

A unit increase or decrease of documentation has an effect of .136 units increase or decrease in speed of customs clearance. A unit increase or decrease of tariff classification has an effect of .199 units increase or decrease in speed of customs clearance. A unit increase or decrease of human resource has an effect of .155 units increase or decrease in speed of customs clearance. A unit increase or decrease of risk assessment has an effect

of .188 units increase or decrease in speed of customs clearance. the above four factors has major effect on customs clearance speed.

A unit increase or decrease of valuation and knowledge on customs procedures has an effect of .086 units & .102 units increase or decrease in speed of customs clearance, respectively, but the effect is minimal as the relationship is not statistically significant at 5% significant level as discussed above.

The below table shows the collinearity coefficient of the independent variables

Table 4.15 collinearity statistics

Model		Collinearity statistics	
		Tolerance	**VIF**
1	Documentation	.643	1.556
	Tariff classification	.517	1.933
	Valuation	.477	2.095
	Human resource	.650	1.537
	Risk assessment	.493	2.027
	Knowledge	.476	2.102
a. Dependent Variable: Custom clearance speed			

Source: computed by the researcher from the primary data, (2020)

A very high relationship between independent variables is called multicollinearity (Robert & Richard, 2008). A variance inflation factor (VIF) measures the impact of collinearity among the independent variables in multiple regression. A VIF should be less than 10.0 and tolerance should be above 0.2. As indicated in table 4.15 the coefficients of VIF for all variables are less than 10 and the tolerance coefficients of all variables are more than 0.2. Therefore, there is no multicollinearity.

The below table shows the regression model summary

Table 4.16 model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.732[a]	.535	.512	.29256

a. Predictors: (Constant), Documentation, Tariff classification, Valuation, Human resource, Risk assessment, Knowledge on customs procedures

Source: computed by the researcher from the primary data, (2020)

From table 4.16, R square indicates the strength and percentage of variation in the speed of customs clearance by independent variables. The R square for this model is .535 which shows that 53.5% of the variance in the dependent variable is explained by the independent variables in the model.

Table 4.17 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.734	6	1.956	22.850	.000[b]
	Residual	10.185	119	.086		
	Total	21.919	125			

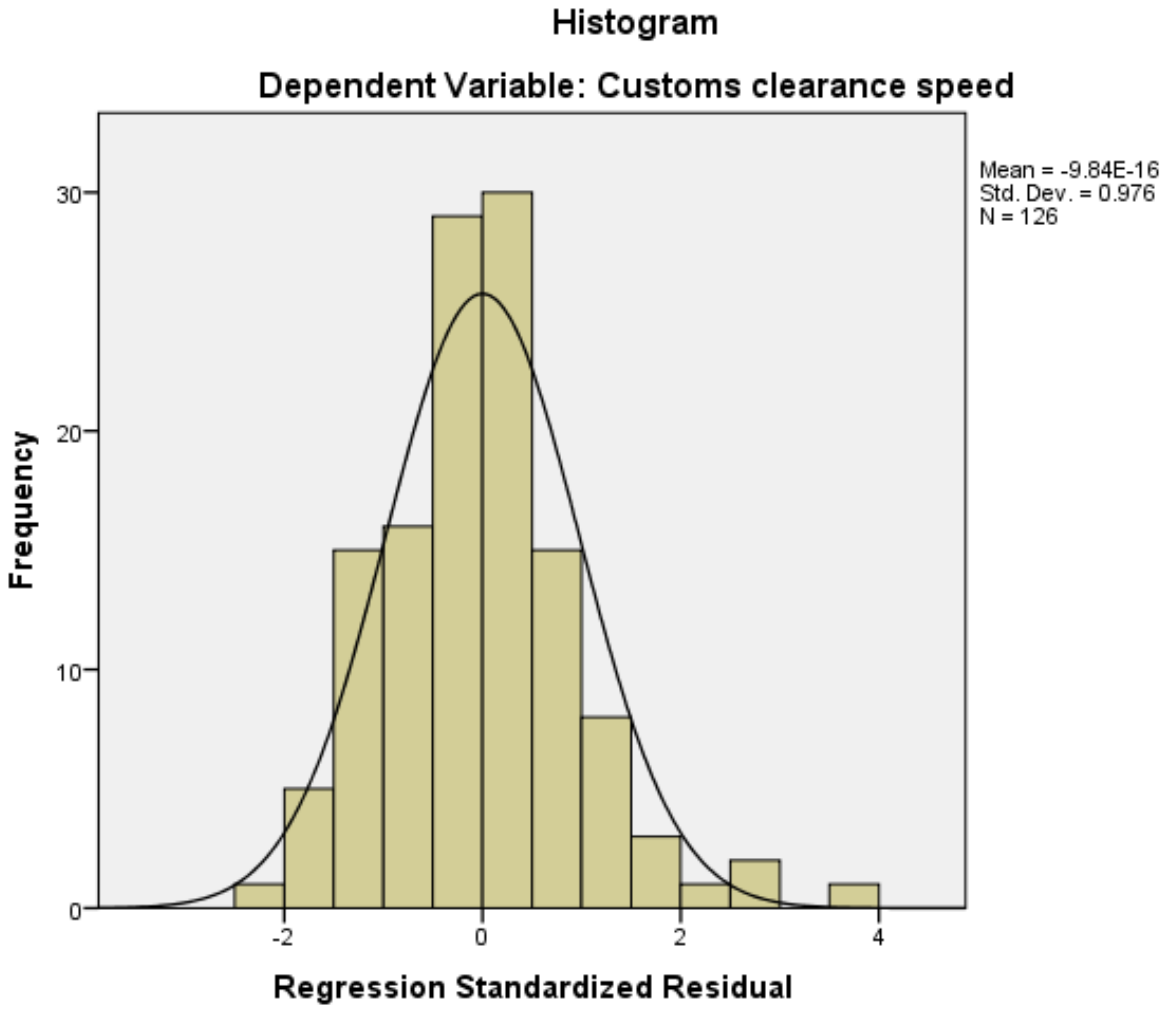
b. Predictors: (Constant), Documentation, Tariff classification, Valuation, Human resource, Risk assessment, Knowledge on customs procedures

Source: computed by the researcher from the primary data, (2020)

Table 4.17 shows analysis of variance (ANOVA). Significance labeled above as 'Sig' indicates the P value that tests whether the independent variables are statistically significant to predict the dependent variable. If p value is < 0.05 the model is statistically significant. The P value as per above ANOVA result is 0.000 which is < 0.05. Therefore, the regression model is a good fit of the data.

The below diagrams show that normality, linearity and homoscedasticity assumptions of regression are also meet.

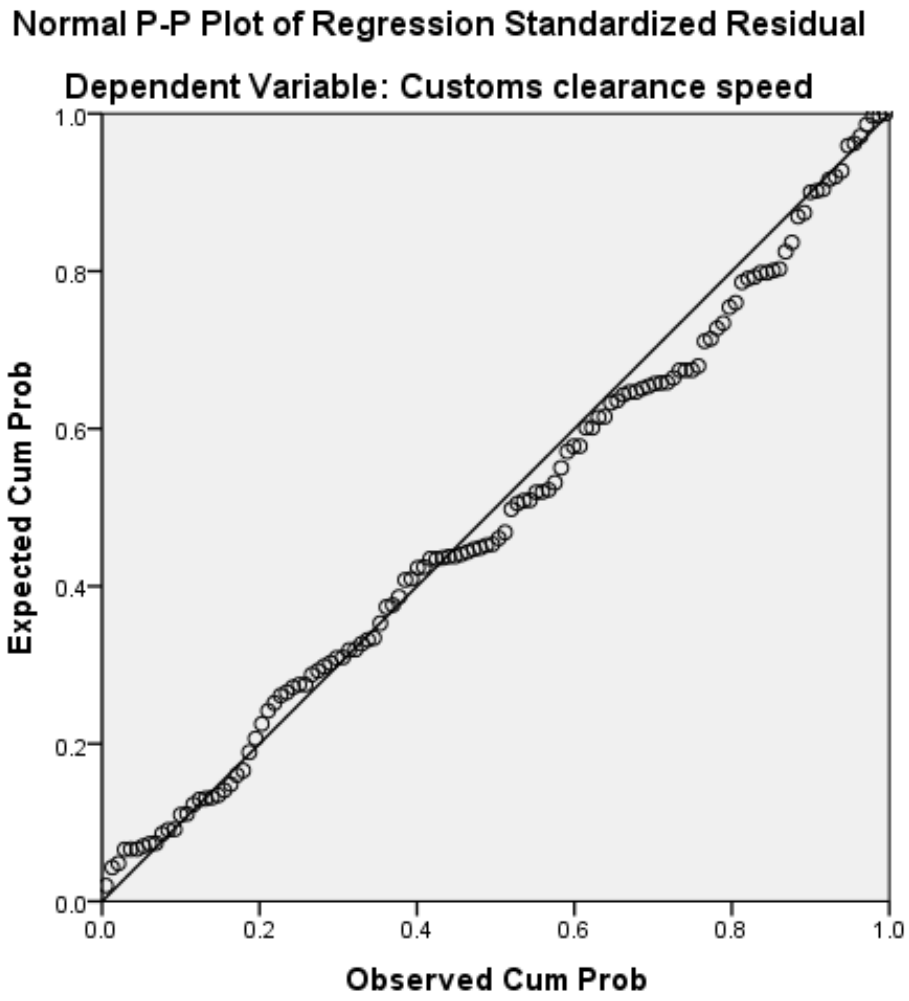
Fig 4.1 normality test



Source: computed by the researcher from the primary data, (2020)

As indicated in the above Fig 4.1 on the histogram, the residuals are symmetrical. Therefore, the data is normally distributed.

Fig 4.2 normal P-P plot of residuals



Source: computed by the researcher from the primary data, (2020)

As indicated in Fig 4.2, the P-P plot shows a good agreement with the ideal/diagonal line as the residuals are normally distributed and the scatters go along with the line. Therefore, the assumptions of normality, linearity and homoscedasticity are meet.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of findings

The main objective of the study was to explain the factors that affect the speed of import customs clearance. Based on the results from descriptive statistics, correlation and regression analysis presented in the previous chapter, the main findings are presented below.

Documentation has been one of the major factors that affect import customs clearance speed in Addis Ababa Kality customs with an overall mean value of 2.28. Clearing agents submit incomplete documents due to various reasons. As a result, clearance time takes longer than the normal processing time.

One of the major factors that affect the speed of import customs clearance at Kality customs is found to be tariff classification with an overall mean value of 2.12. A disagreement between clearing agents and customs officers on tariff code of an item is frequent. Many import items are found to be difficult to classify.

Valuation is also found to be one of the factors that affect the speed of import customs clearance with an overall mean value of 2.15. The valuation process at Addis Ababa Kality customs is found to be time taking following the absence of automation and lack of knowledge.

The researcher has also found out that the available human resource at Addis Ababa Kality customs branch office is inadequate with a mean value of 2.30. As a result, there is workload among customs officers which reduces quality of work efficiency. Inadequate human resource in combination with lack of skill and experience among customs officers leads to have lengthy clearance times.

Risk assessment has also found to be one of the major factors affecting the speed of customs clearance with a mean value of 2.22. Kality customs risk assessment system has taught to be automated but found to be partially automated. Clearing agents didn't

appreciate the risk assessment processing speed as they do not know the risk level of their shipment shortly.

The research has also found out that there is lack of knowledge on customs procedures among clearing agents and customs officers, with an overall mean value of 2.05. The main reason for lack of knowledge is found out to be inaccessibility of training. Customs procedures are also found difficult for understanding.

The regression analysis has indicated that documentation, tariff classification, human resource and risk assessment are statistically significant at p value < 0.05, with a regression coefficient of 0.136, 0.199, 0.155 & 0.188, respectively. While Valuation & knowledge on customs procedures are not statistically significant as p value is > 0.05 with regression coefficient of 0.086 & 0.102, respectively.

It has also indicated that 53.5% (with R square = .535) of the variation on customs clearance speed is explained by documentation, tariff classification, valuation, human resource, risk assessment and knowledge on customs procedures.

The correlation analysis has indicated that all the independent variables (documentation, tariff classification, valuation, human resource, risk assessment and knowledge on customs procedures) has a positive relationship with the dependent variable (customs clearance speed) with a correlation coefficient of 0.492^{**}, 0.575^{**}, 0.556^{**}, 0.534^{**}, 0.587^{**} & 0.563^{**}, respectively. A change in one of the independent variables affects the dependent variable in the same direction.

5.2 Conclusion

The main objective of the study was to explain the factors that affect the speed of import customs clearance in Ethiopia, the case of Customs Commission Addis Ababa Kality customs branch office. In order to explain those factors, the researcher has formulated specific research questions and explanatory research design. The researcher has collected the required data through questionnaire and analyzed it through descriptive statistics and multiple regression. Based on the findings of the study the following conclusions are drawn.

- ✓ Tariff classification is the dominant factor that has higher effect on customs clearance speed. As far as there is a problem in tariff classification, import customs clearance at Addis Ababa Kality customs branch office always takes longer times.
- ✓ Risk assessment is the second dominant factor that has a higher effect on customs clearance speed. The risk assessment system is not fully automated. The more delays in risk assessment process, the more time the import customs clearance takes.
- ✓ Inadequate human resource to that can't handle the available work downs import customs clearance speed at Addis Ababa Kality customs.
- ✓ Documentation back and forth has also a big effect on import customs clearance speed. As the required documents are not clear or not specified by the commission, documentation back & forth is frequent.
- ✓ The combination of the above problems makes customs clearance delays worse. As a result, clearing agents usually complain on the service provided by Customs Commission Addis Ababa Kality customs branch office.
- ✓ The correlation analysis indicated that all the independent variables has a positive relationship with the dependent variable. A change in any one of the independent variables shifts the dependent variable in the same direction although the effect.
- ✓ This research has found out that 53.5 % of the variation on customs clearance speed is explained by the six factors covered in this research. This contributed for the body of knowledge that any interested researcher or stakeholders who want to know or study further doesn't have to start from scratch.

5.3 Recommendation

The researcher has suggested the below recommendations based on the findings and conclusions of this empirical study.

- ✓ In order to reduce tariff classification problems, customs officers shall accept appropriate HS codes despites tariff rates. In that case declarants use the correct tariff code even if it has lower rates. It is better to take trainings and read additional materials on tariff classification technics such as 'HS classification handbook' published by WCO and it is available online for free at the below link.
  http://harmonizedsystem.wcoomdpublications.org/pdfs/WCOOMD_MSH_EN.pdf

- ✓ Customs Commission must replace manual processing and partial automation with full automation in order to avoid delays in relation to risk assessment in order to facilitate customs clearance process. Automation doesn't just save time rather it is also used to reduce subjective decisions.
- ✓ In order to reduce human resource related problems Customs Commission must hire adequate and skilled employs. When hiring skilled people is not possible providing frequent training of the already existed employs is highly advised.
- ✓ In order to avoided documentation back and forth Customs Commission must prepare a manual listing all document requirements for all items so that clearing agents will understand and prepare the required documents for any item before it arrives.
- ✓ Clearing agents must find ways to increase their skill and capacity towards customs clearance in order to reduce errors. Experience sharing from senior Transitors together with formal training can help avoiding errors. In addition, reading customs proclamation from end to end will also be helpful.
- ✓ Moreover, clearing agents and customs must cooperate and work friendly to solve whenever a problem exists in order to satisfy all stakeholders, specially importers who are paying import duties and taxes which are the major source of government revenue in Ethiopia.

Finally, as the study was limited to Customs Commission Addis Ababa Kality customs branch office and clearing agents who are getting clearance service from that office, the findings of this study may not be applicable for other organizational settings. Therefore, the author of this research would like to recommend for further study in the area of customs clearance including other customs stations with more variables.

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Appendix

Addis Ababa University

School of Graduate Studies

Logistics and Supply Chain Management

Survey Questionnaire for Customs Commission Addis Ababa Kality customs officers & clearing agents

Dear Respondents

I am a prospective graduate of Logistics and Supply Chain Management in Addis Ababa University School of Commerce. Currently I am conducting a thesis on factors affecting the speed of import customs clearance in the case of Addis Ababa Kality customs branch office. The objective of this questionnaire is to collect firsthand information about the factors that affect the speed of import customs clearance.

Please do not write your name or mobile number in any part of the questionnaire. Your responses will be kept confidential and therefor has no influence on you in any way. If you have any questions on the questionnaire or about anything, you can send me your comments through my email safem1376@gmail.com.

Your cooperation in this matter is highly appreciated in advance!

I. Demography of respondents

1 Please select the type of organization you are working for

□. Customs Commission □ Clearing agent

2. Current Position /Job title----------
3. Total related work experience----------
4. Age group □ below 24 □ 24 – 32 □ 33 - 40 □ above 40
5. Highest level of education

□ Certificate □ Diploma □ BA/BSc □ MA/MSc □ PhD

II. Factors affecting the speed of customs clearance

Please tick (✓) mark on the extent to which you agree with the following statements on the factors that affect the speed of customs clearance using the below degrees.

1- Strongly disagree
2- Disagree
3- Neutral
4- Agree
5- Strongly agree

1. Documentation	**Rating**				
	1	**2**	**3**	**4**	**5**
Clearing agents clearly knows which documents are required for clearance depending on the type of goods under import					
Customs officers clearly knows which documents are required for clearance depending on the type of goods					
Customs directive identify which documents are required for which cargo					
Clearing agents submit complete clearance documents (no back & forth)					
Clearing agents submit a carefully filled declaration					
Clearing agents properly attaché documents on the online declaration submission system					

2. Tariff classification	**Rating**				
	1	**2**	**3**	**4**	**5**
Clearing agents have a good knowledge of tariff (HS) classification					
Customs officers have a good knowledge of tariff (HS) classification					
Import items are simple to classify					
Lower tariff rates are accepted by customs officers					
The HS book is simple & clear to understand					
Clearing agents prepare net declaration with correct HS code					
Additional duties & taxes are not usually requested due to wrong HS/misclassification					

3. Valuation	Rating				
	1	2	3	4	5
Customs officers have a good knowledge of Valuation					
Customs Commission has automated valuation system					
Valuation methods are simple to understand					
Importers simply accept the price given from customs database (ECVS)					
There is usually no overvaluation					
The valuation process is fast					
There is usually no appeal arising from price query					

4. Human resource	Rating				
	1	2	3	4	5
Kality customs has enough human resource to handle the available work					
Kality customs officers have no workload					
Kality customs officers are skilled enough					
Kality customs officers have very good motivation towards their work/goal					
The available customs officers are handling each document timely without delay					
Assigned inspectors are doing the inspection timely					

5. Risk assessment	Rating				
	1	2	3	4	5
Customs face-vet officers have a good knowledge of risk assessment					
Kality customs uses automated risk assessment system					
The risk assessment system is too fast to respond/process					
Clearing agents will know the risk level of their document shortly					
There is no way yellow risk will be inspected					
The risk assessment criteria are simple and predictable					
Risk assessment process is facilitating the clearance process					

6. Knowledge on custom procedures	Rating				
	1	2	3	4	5
Clearing agents have a good knowledge of import clearance procedures					
Customs officers have a good knowledge of import customs procedures					
Clearing agents mostly do not make mistakes due to lack of knowledge					
Kality customs provide training for its officers					
Clearing agents have access to training on customs procedures					
Customs officers usually do not make errors due to lack of knowledge					
Customs procedure is easy for understanding					

Customs clearance speed	Rating				
	1	2	3	4	5
Imports with 'green risk' are getting custom release within 10 minutes					
Imports with 'yellow risk' are getting custom release within 3 hours					
Imports with 'red risk' are getting custom release within 8 hours					
Average clearance time is taking less than two days					

III. General comment

What do you think has to be done to speed up the clearance process?

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_____

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If you have anything to say, pleases comment below.

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