# EFFECT OF NON-TARIFF BARRIERS ON PERFORMANCE OF REGISTERED SMALL- SCALE IMPORTERS IN GIKOMBA MARKET, NAIROBI CITY COUNTY, KENYA

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## DECLARATION

This project is my original work and has not been presented for a degree award in any other University.

Signed  04/12/2023

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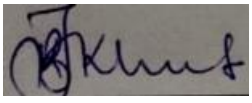
Reg no: MU/KESRA105/0026/2017

**DECLARATION BY THE SUPERVISORS:**

This project has been submitted with our approval for submission as University Supervisors.

Signed  05/12/2023.

Dr. Doris Gitonga

Signed  04/12/2023.

Dr Yusuf Kibet

## DEDICATION

With incredible love, I dedicated this project to my family the greatest gift that God has given to me.

## ACKNOWLEDGEMENT

I am grateful to the omnipotent God for bestowing wisdom, knowledge, and strength upon me. I would also like to express my gratitude to my supervisors, Dr. Doris Gitonga, and Dr Yusuf Kibet for their leadership, commitment, insightful recommendations, and philosophical perspectives throughout this work. The accomplishment of this study would not have been possible without their tremendous assistance. I want to convey my appreciation to Moi University for its efforts to create an environment that encourages all students to achieve high academic standards. They have made it possible for me to successfully complete my studies and research thanks to their flexibility, provision of necessary resources, and experienced team.

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## LIST OF ABBREVIATIONS AND ACRONYMS

**AfCFTA:** African Continental Free Trade Area

**BSC** Balanced Scorecard

**CATI** Computer Assisted Telephone Interviewing

**CEO** Chief Executive Officer

**CMA:** Capital Market Authority

**COMESA:** Common Market for Eastern and Southern Africa

**EABC** East African Business Council

**EAC** East African Community

**EU** European Union

**GDP:** Gross Domestic Product

**ILO:** International Labor Organization

**KNBS:** Kenya National Bureau of Statistics

**NACOSTI:** National Commission for Science, Technology & Innovation

**NAICS** North American Industry Classification System

**NISTA** Nairobi Importers and Small Traders Association

**NTMs:** Nontariff measures

**OECD:** Organisation for Economic Cooperation Development

**PVoC:** Pre-Shipment Verification of Conformity

**PWC** Price Waterhouse and Coopers

**RECEP:** Regional Comprehensive Economic Partnership

**SMES:** Small and Medium Enterprise

**SPSS:** Statistical Package for Social Sciences

**SSCBT** Small-scale cross-border trade

**US** United States

**USA** United States of America

**VIF** Variance Inflation Factor

**WHO:** World Health Organization

**WTO:** World Trade Organization

## OPERATIONAL DEFINITION OF TERMS

**Documentation and procedures-** lay out all the steps for particular tasks that need to be undertaken and repeated consistently. In import business, documentation and procedures are critical in the identification and recording to goods (Ghodsi, et al., 2017).

**Import licenses-** administrative procedures requiring the submission of an application or other documentation other than those required for customs purposes to the relevant administrative body as a prior condition for importation of goods (Khouilid & Echaoui, 2017).

**Non-tariff barriers-** measures by the government, other than duties and taxes, which confine or misshape global trade among local and imported merchandise and services (Bowen, 2018).

**Performance of Small-Scale importers-** the healthy, continual, and accelerated expansion of enterprise business overtime. A performing small-scale business can maintain a balanced and stable operational environment resulting to higher performance level in terms of sales turnover, profitability, and operational sustenance (Liu et al., 2020).

**Quality control-** deliberate and planned activity having for its object the determination of quality of a product with a view to accepting it as such in case it satisfies stipulated requirements, or if it does not, take necessary measures to correct the quality appropriately (Kollerath, 2022).

**Registered SMEs** refer to businesses with annual sales lower than Ksh. 1 million and that have 1-99 employees, and which have been registered with the registrar of companies via the Business Registration Service (KIPPRA, 2016).

## ABSTRACT

The performance of small-scale importers has been greatly affected by the non-tariff barriers. The government of Kenya has therefore been making several efforts to minimize the non-tariff barriers that prevent small scale traders from benefiting from trading opportunities. Small scale importers in Gikomba market have been closing operations owing to volatile business environment featured by high licensing levies and rising competitions from Chinese traders. Numerous small-scale importers have closed shops since 2019 due to unfavorable import procedures and unfair competition. According to the Nairobi Importers and Small Traders Association (NISTA), about 5,000 small-scale traders in Gikomba have closed shops in the past one year. The proposed study sought to determine the effect of non-tariff barriers on performance of small- scale importers in Gikomba Market, Nairobi County, Kenya. The specific objectives were to determine the effect of import licenses, quality control, documentation and procedures on performance of small-scale importers in Gikomba Market, Nairobi County. Import licenses were measured using number of licenses, procedures to acquire licenses, and kinds of licenses. Quality control was measured in terms of availability of quality control equipment, time taken to perform quality controls, and quality control guidelines. The dependent variable was performance of small- scale importers, which was measured in terms of sales revenue, profit margins and customer base. The study was anchored on Customs Union Theory, Ricardian theory of Free trade and the Balanced scorecard theory. This study employed explanatory research design. The study population was 3692 registered small- scale importers in Gikomba market as registered in the Nairobi City County Government. The respondents were the owners of the small-scale importers. The sample population was 360 small- scale importers who were selected using stratified random sampling technique. The questionnaires were administered through the drop and pick later method. The data was summarized using descriptive statistics such as frequencies, percentages, mean, and standard deviation. Multiple regression technique was employed to determine the effect of import licenses, quality control, documentation and procedures on performance of small-scale importers. Regression coefficients showed that import licenses had a positive and significant effect on performance of small- scale importers ($r=0.127$, $p=0.017$). Further, results showed that quality control had a positive and significant effect on the performance of small- scale importers ($r=0.696$, $p=0.000$). In addition, results showed that documentation & procedures had a positive and significant effect on the performance of small- scale importers ($r=0.130$, $p=0.016$). The study concluded that the requirement of licenses while carrying out import business facilitates trade performance. Availability of quality control equipment during importation of goods was key to the performance of the small-scale importers. In addition, documentation and procedures are critical in the identification and recording of goods. Taking reasonable time during documentation process enhanced performance of small-scale importers. The government should ensure the small-scale importers have all the necessary licenses. The government should also make sure that the process of applying for the licenses is not tedious so as not to cause delay in the import of business product for the small-scale traders The government through the ministry of industrialization, trade and enterprise development should ensure quality control equipment are always available every time there is importation of goods. The government should also make sure the importing businesses have import documents with them at the import-export entry points. The importing businesses should have a manual of procedures for documentation in their imports departments. Further

studies can focus on other markets in Kenya such as city market, Muthurwa market, Ngara market. Further study should also be done on other non-tariff barriers such as quotas, embargoes that were not covered in this study.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Performance is a measure of how well an organization can use assets from its primary mode of business and generate revenue. Operational performance is the esteemed productive yield of a system in goods or services form (Kinyua, 2016). Good performance impacts the continuance and success of the firm (Ruiter et al., 2017). The performance of small-scale traders entails percentage increase in profitability comparative to the previous year as well as perceived return and regular clientele. Joo and Lee (2021) indicate that the performance of small-scale traders is influenced by the no tariff barriers.

Small scale businesses make up more than 90% of the business enterprises. The small-scale businesses remain major contributors of global economies, generating employment and value added and contributing to innovation. In developed countries, small scale businesses contribute more than 50% of GDP (ILO, 2019), and 60-70% of employment opportunities (Arnold, 2019). In developing countries, small scale businesses contribute to over 60% of the gross domestic product and over 70% of employment opportunities (OECD, 2020).

Many small scale businesses remain stagnated and unable to grow into large and competitive firms (Savrul, Incekara & Sener, 2014). In some cases, the small scale businesses are unable to survive to their third birthday and often collapse at tender age (Carter, 2021). In global scale, 40% of small-scale businesses survive till the 5$^{th}$ birthday in indication of high rate of small-scale businesses' attrition. In Kenya, over 400,000 (46.3%) of small-scale businesses die annually according to KNBS report of (2017). Douglas, et al. (2017), an estimated 70 percent of small-scale businesses

fail within the first 3 years after inception. The high rate of small-scale businesses collapse leads to questioning the operational performance of small-scale businesses and possible factors that trigger the high attrition rates.

Globally, small scale businesses play an important role as a source of economic activity in creating jobs employing around 60 to 70% (OECD (2022). Stronger participation by small scale businesses in global markets creates opportunities to scale up and enhance productivity, by accelerating innovation, facilitating spillovers of technology and managerial know-how, and by broadening and deepening the skillset (OECD, 2018).

In Europe, small scale businesses are the backbone of the economy and represent 99% of all businesses in Europe (European Commission, 2020). They employ around 100 million people, account for more than half of Europe's GDP and play a key role in adding value in every sector of the economy. Latest statistics indicated that SMEs accounted for 99% of the number of importing enterprises in the European Union (EU) every year from 2017 to 2021. In 2021, the vast majority of importers and exporters of goods were SMEs and within the group of SMEs the majority were micro enterprises, followed by small and then by medium-sized enterprises. The shares for the number of importing enterprises and value of imports by enterprise size showed that the shares for the number of small and medium-sized enterprises did not vary much across countries in the EU. In the share for the micro enterprises, there was more variation and was lowest in Czechia (56 %), and Luxembourg (49 %) but considerably higher in Belgium (93 %). SMEs, although making up 78.4 % of the number of enterprises in intra-EU imports, had a share in the value of imports of only 11.8 % in 2021. The share of SMEs in the number of intra-EU importers was above 99 % in Austria, the Netherlands, Slovenia, Estonia, Slovakia, Portugal, Italy, Cyprus and Belgium and lowest in Czechia (90.3 %), France (94.6 %) and Croatia (94.7 %) (Eurostat, 2021).

In the United States (US), small scale businesses are the lifeblood of the US economy and creates 2/3 of net new jobs and drive US innovation and competitiveness (Dore, 2019). According to Office of Advocacy (2018), A new report shows that small scale businesses account for 44 percent of US economic strength. Identified U.S. importers accounted for a known import value of $2,440 billion, or 86.2 percent of the total value of imported goods in 2021 ($2,831 billion) which was an increase of 20.5 percent from the 2020 known import value of $2,025 billion. However, SME importers only accounted for a third of the import value. Of the top five 3-digit North American Industry Classification System (NAICS) subsectors for known import value, SME importers accounted for 98.9 percent of identified importers within NAICS 541 (Merchant Wholesalers, Durable Goods) and 99.0 percent of 424 (Merchant Wholesalers, Nondurable Goods) (The U.S. Census Bureau, Department of Commerce, 2021).

In China, small scale businesses are an important impetus to the economic development in China. As for 2022, small scale businesses represent more than 90 percent of the enterprises in the country (Statista, 2022) contributing over 60 percent to the GDP. However, the operations of small-scale businesses in China are often impeded by rising costs, financing difficulties, limited innovation capacity and stringent operational trade policies that include high taxation tariffs. In India, almost half of India's total exports these days come from small scale businesses. 35% of the total exports account for direct exports, while indirect exports amount to 15% (Toppr, 2022). The trade facilitation processes that exist in China seems comparatively efficient. The number of documents involved is large but given information technology and the frequency of these procedures, this does not seem to be of concern to firms. However, the number of documents increases the probability of errors and so the rejection of an application. Reducing the number of documents could encourage firms to handle inspection and customs clearance on their own, which may make

the services of the broker redundant. Although previous studies (Wilson, 2007) showed that a 10% reduction in trade documents can increase trade by more than 11%, in the case of China however, diminishing returns would surely apply. Thus, there is no guarantee that reducing the number of documents will speed up trade facilitation (Ramasamy, 2010). In Malaysia, small scale businesses contribute 40% to Malaysia's economic transformation process (Tahir et al., 2018) and make up 95% of the total businesses in the country.

In Africa, small scale businesses accounts for more than 90% of businesses and contribute about 50% of Gross National Product (Muriithi, 2017). In Ghana, over 85% of small-scale businesses contribute about 70% of the country's GDP (Mupotola, 2021). In Nigeria, SMEs contribute 48% of national GDP, account for 96% of businesses and 84% of employment (PWC, 2021) but face problems related to financing and taxation issues. In Uganda, small scale businesses are significant contributor of economy of over 70%. However, trade restrictions related to taxation tariffs hinder their growth (Ministry of Trade, Industry and Cooperatives, 2020). Small-scale cross-border trade (SSCBT) is of substantial importance in African countries. While individual transactions are small, SSCBT volumes add up to sizeable amounts that sometimes exceed official customs-recorded trade across entire categories of goods particularly in agriculture. Despite the importance of SSCBT, small-scale trade is rarely captured by customs, nor recorded in official trade statistics, and, hence, is generally not taken into consideration by policymakers and investors (World Bank, 2020).

In Kenya, small scale businesses contribute over 40% of national GDP and creating jobs for more than 60% of Kenya's population (KNBS, 2020). Despite the significance of small-scale businesses to the economy, small scale businesses continue to face challenges related to inadequate operational capital, unfavorable trade policies relating to taxation and import related restrictions

and tariff barriers. Kenya has an open economy along with other EAC countries. Importation of goods and services are not restricted except specifically defined in the Trade Policy-2017 however, in view of development of domestic industry and providing space to nascent and underdeveloped sectors, various Non-Tariff and Technical barriers are in place to discourage importation into Kenya. Under the recently envisaged slogan of 'Buy Kenya, Build Kenya' has come into play to rely mostly on domestic production rather using of foreign goods (Import Profile Report Kenya, 2021).

The nature of non-tariff barriers in Kenya are similar as that of whole African continent and are mostly associated with the regulatory requirements and slow implementation of trade facilitation measures. Such barriers result in weak trade facilitation regime leading to lack of transparency, trust and less access to information. The often changing and inconsistent government policies serve as stumbling blocks which devoid predictability in the system. The most notable NTBs include multiple customs documentation requirements, lengthy registration and certification of goods processes prior to importation, existence of multiple agencies at the port, cumbersome formalities and procedures, limited testing capacity, lengthy pre and post inspections and sampling methods, un-standardized weighbridges, lack of recognition of individual country's standards and the existence of several unharmonized sanitary and phyto-sanitary measures and standards (Import Profile Report Kenya, 2021).

### 1.1.1 Non-Tariff Barriers

Non-tariff barriers refer to measures by the government, other than duties and taxes, which confine or misshape global trade among local and imported merchandise and services. Non-tariff barriers include import quotas, restrains on voluntary exports, prohibitive nation trading intercessions, export endowments, countervailing obligations, technical trade barriers, policies that are sterile,

origin rules, and local substance necessity plans (Bowen, 2018). Ruiter et al. (2017) characterized non-tariff barriers to be any approach by a government or practice except a tariff which specifically obstructs the passage of imported products and services into a nation, and which oppresses imports without making a difference with equivalent power on local distribution or production.

Non-tariff measures have become a more prominent trade policy tool. Governments typically use these measures to achieve desirable non-trade objectives, such as protection of consumers' health and safety. Some non-tariff measures appear to be protectionist in nature, and hence their impact is potentially more akin to import tariffs (Cali, Le Moglie, et al., 2021). However, according to Okute (2017) non-tariff barriers prevent small-scale traders from fully benefiting economically from increased trading opportunities in the East African Community (EAC) region. Generally, NTBs are detrimental to regional trade. These barriers diminish the potential benefits of trade preferences such as regional trading arrangements. Moreover, NTBs are a serious impediment to the growth of intraregional trade and their associated benefits. The existence of NTBs increases the cost of doing business, which ultimately leads to huge welfare losses (Karugia et al., 2019).

Bowen (2018) added that NTBs are dangerous to territorial exchange. These obstructions decrease the potential advantages of preferences of trade. In addition, NTBs are a genuine obstacle to the development of intraregional exchange and their related advantages. The presence of NTBs hinders working together, which at last prompts immense welfare misfortunes (EABC 2015). There is therefore needed to determine the effect of non-tariff barriers on performance of small-scale trades in Gikomba Market, Nairobi County. In this study, three NTBs including import licenses, quality control, and documentation & procedures. The choice of these NTBs was informed by previous similar studies (Mutwiri, 202; Karugia, et al., 2019; Tsyokor & Madara, 2022).

### 1.1.2 Performance of small-scale importers

Firm performance comprises the actual output or results of an enterprise measured against its intended outputs. The performance of small-scale businesses entails the healthy, continual, and accelerated expansion of enterprise business overtime. According to Liu, et al. (2020), a performing small-scale business is able to maintain a balanced and stable operational environment resulting to higher performance level in terms of sales turnover, profitability, and operational sustenance. Through performance, an enterprise able to evaluate, control and improve its operational processes, as they move toward realizing their goals and targets.

Measuring performance of an enterprise can take two major perspectives, firm and customer performance (Taouab & Issor, 2019). Customer perspective focuses on return rates of customers on the principal invested. It focuses on efficiency and effectiveness in meeting customers' requirements, which gives it a clear service orientation, but also a sense of striving for financial growth (Otto, et al., 2020). Customers play an important role in co-creating a service experience and influencing financial output of a firm. In terms of firm perspective, performance measures the aggregate output generated by a firm against costs and expected output (Leonidou, et al., 2022). Firm performance is usually measured using financial indicators. Financial performance is evaluated in three dimensions and includes firm's productivity, profitability, and market premium (Al-Matari et al., 2014; Tudose et al., 2022). Productivity describes the efficient processing of inputs into outputs in a firm (Chashmi & Fadaee, 2016). Profitability indicates level of which earnings generated in a firm surpasses operations expenses. Market premium indicates the market value of a firm in relation to book value (Gartenberg et al.,2019).

In this study, the performance of small-scale importers in Gikomba market was measured using both firm and customer performance indicators. In terms of firm performance, the small-scale

importers were measured in terms of sales and profitability. In the perspective of customer performance, it was in terms of customer satisfaction and intention to buy from these small-scale import enterprises. Dhliwayo (2016) employed sales and profitability to measure the financial performance of small and medium enterprises import and export businesses. Similarly, Nyatwongi (2015) employed sales, market share and customer satisfaction to measure the performance of importing and exporting small and medium enterprises in Mombasa County.

### 1.1.3 Small Scale Importers

There is no country in the world today which produces all the commodities it needs (Holmlund, et al., 2007). As such, every country produces those commodities in which it has comparative advantage and engages in importing what it lacks through import business (Alessandria & Choi, 2017). Imports business refers to the activities of buying goods from a foreign country and ships them to the local country for local consumption of further reselling to other countries. Small scale importers refer to small business enterprises that are engaged in buying products outside the country and reselling them to local market including the wholesalers and retailers. An import business facilitates trades of goods and commodities between domestic and foreign companies by buying goods internationally and ships them in for domestic purchases.

Gikomba market is the largest destination for import of second-hand products particularly clothing and garment. The market is characterized by small scale business importers who buy secondhand goods from international markets particularly Asia, Europe and South America and resells them to the local market. The products are also further sold to East and central African countries. Despite the significance of this trade, the sector dominated by small scale business are faced with numerous challenges related to import business regulations. The regulations include quota, import licenses, quality control, documentation and procedures and verification of transit cargo.

## 1.2 Statement of the Problem

Small scale businesses contribute over 40% of national GDP, accounts 98 per cent of all businesses and creates jobs for more than 60% of Kenya's population (KNBS, 2020). Despite the government efforts to enhance the small-scale enterprises performance, 60% of small-scale enterprises fail annually (Capital Market Authority [CMA], 2019). According to KNBS (2022), about 400,000 small scale businesses collapse within the first year of inception raising concern over sustainability of this critical sector.

Gikomba Market is a major source of income for thousands of Kenyans who import second-hand goods—from clothing to household items and logistic services. According to the Nairobi Importers and Small Traders Association (NISTA), about 5,000 small-scale traders in Gikomba have closed shops in the past one year. Small scale importers in Gikomba Market have been closing operations owing to volatile business environment featured by high licensing levies and rising competitions from Chinese traders (Njiru, 2021). In the past, small-scale businesses in Gikomba Market imported goods directly from China and other Asian countries. However, the entry of Chinese importers who are not subjected to stringent import tariff measures in by their Chinese government because they are nationals. Visa restrictions, along with government import policies that have failed to protect small and medium-sized businesses, have crippled what was once a promising source of income, one that employed scores of Kenyans while supporting hundreds indirectly.

Despite the numerous operating challenges facing small- scale importers in Gikomba Market, limited empirical studies have focused on non-tariff barriers and performance of small- scale importers in Gikomba Market, Nairobi County. Wanjiru (2020) further established that in every five small business that are established in Kenya three of them will fail within the first six months of operations and about eighty percent will fail before they reach their fifth year. In 2020, more

than 50% of the small-scale businesses that were started in Gikomba failed in their first year. Further, 30% of the businesses in Gikomba recorded declining profits in the year 2010 while 12% of the businesses made losses. The failures of these small businesses were associated with the non-tariff barriers. Akinyi (2018) further indicated that the small traders regularly operate under challenging conditions due to the lack of reliable, accessible, and accurate trade and market information; the prevalence of corruption among security and customs officials at the border; frequent harassment and other personal safety risks. Little is known on the effect of non-tariff barriers on performance of small- scale trades in Gikomba Market, Nairobi County. The proposed study focused on the effect of non-tariff barriers on performance of registered small- scale importers in Gikomba Market, Nairobi City County.

### 1.3 Objectives of the Study

The general objective of the study was to determine the effect of non-tariff barriers on performance of small- scale importers in Gikomba Market, Nairobi City County.

#### 1.3.1 Specific Objectives

i. To determine the effect of import licenses on performance of small-scale importers in Gikomba Market, Nairobi City County
ii. To examine the effect of quality control on performance of small-scale importers in Gikomba Market, Nairobi City Country
iii. To investigate the effect of documentation and procedures on performance of small-scale importers in Gikomba Market, Nairobi City County

## 1.4 Research Hypotheses

i. $H_{01}$: Import licenses have no significant effect on performance of small- scale importers in Gikomba Market, Nairobi City County.

ii. $H_{02}$: Quality control has no significant effect on performance of small- scale importers in Gikomba Market, Nairobi City Country

iii. $H_{03}$: Documentation and procedures have no significant effect on performance of small-scale importers in Gikomba Market, Nairobi City County

## 1.5 Significance of the Study

The study will be useful to small scale importers in Gikomba Market. The import traders can understand how the various non-tariff barriers affect their businesses. They can thus try to comply with these non-tariff barriers. The small-scale importers in Gikomba Market might also use the study findings to come up with measures to improve their performance in line with the study findings and proposed recommendations.

The study will also be beneficial to the Kenya Bureau of Standards who might understand how the quality control affect the performance of small-scale importers in Gikomba Market. They therefore be able to come up with policies and better and improved guidelines that might see that the small-scale importers in Gikomba Market get it easy in complying. The county government of Nairobi might also benefit from the study since they might understand how the non-tariff barriers affect the performance of small-scale importers in Gikomba Market. The government may therefore be able to come up with measures to streamline the non-tariff barriers for the betterment of the small-scale importers in Gikomba Market.

They will further benefit future scholars and researchers. Few studies focused on the effect of non-tariff barriers on performance of small- scale trades. Thus, the findings of this study acted as references for future scholars and researchers. The study offered insights on how non-tariff barriers affected performance of small-scale importers and therefore might be useful for the theoretical framework for future researchers.

### 1.6 Scope of the Study

The study sought to determine the effect of non-tariff barriers on performance of small- scale importers in Gikomba Market, Nairobi County. From conceptual scope, the study sought to determine the effect of import licenses, quality control, documentation and procedures on performance of small- scale importers in Gikomba Market. The study narrowed down to small scale import business in Gikomba Market, Nairobi County presenting geographical scope which totaled 3692. The sample size was 360 small- scale importers. The data analysis methods that were applied were descriptive, correlation and regression analysis. In terms of theoretical scope, the study was guided by the Customs Union Theory and Ricardian theory of Free trade. The study was conducted from September 2022 to November 2023 which was the time scheduled to complete the project as per the academic timelines.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.0 Introduction

This chapter presented the review of literature that anchors the study. It covered the concepts of the study, the theoretical framework, empirical literature review and critique of the studies that revealed the research gaps. The presentation of this section was guided by the research objectives.

## 2.1 Review of the study Concepts

The review and further assessment of the study concepts was presented in this section.

### 2.1.1 Performance of small-scale importers

Firm performance comprises the actual output or results of an enterprise measured against its intended outputs. The performance of small-scale businesses entails the healthy, continual, and accelerated expansion of enterprise business overtime. According to Liu et al. (2020), a performing small-scale business can maintain a balanced and stable operational environment resulting to higher performance level in terms of sales turnover, profitability, and operational sustenance. Through performance, an enterprise is able to evaluate, control and improve its operational processes, as they move toward realizing their goals and targets.

Measuring performance of an enterprise can take two major perspectives, firm and customer performance (Taouab & Issor, 2019). Customer perspective focuses on return rates of customers on the principal invested. It focuses on efficiency and effectiveness in meeting customers' requirements, which gives it a clear service orientation, but also a sense of striving for financial growth (Otto, et al., 2020). Customers play an important role in co-creating a service experience and influencing the financial output of a firm. In terms of firm perspective, performance measures

the aggregate output generated by a firm against costs and expected output (Leonidou, et al., 2022). Firm performance is usually measured using financial indicators. Financial performance is evaluated in three dimensions and includes a firm's productivity, profitability, and market premium (Al-Matari, et al., 2014; Tudose et al., 2022). Productivity describes the efficient processing of inputs into outputs in a firm (Chashmi & Fadaee, 2016). Profitability indicates the level of which earnings generated in a firm surpasses operations expenses. Market premium indicates the market value of a firm in relation to book value (Gartenberg et al., 2019).

In the traditional context, small companies' operations were simple, and the most important performance measurement focused on cash flow. Some scholars shifted their attention to the performance measurement of the whole business unit (typically plant level and division level) and endeavored to investigate the standards, criteria, and measures of performance. However, several remarkable changes have occurred in the corporate world in the past few decades in terms of the introduction of national and international awards, improvement initiatives, organizational roles, work maturity, external demands, increased competition, and advanced technology. These changes have resulted in companies encountering impressive competition resulting from the improvements occurring in product quality, development of flexibility and reliability, the expansion of product variety, and its importance on innovation (Taouab & Issor, 2019).

The common models of firm performance measurement include the Balanced Scorecard, the performance prism, the Malcolm Baldrige Model and the Performance Pyramid. The Balanced Scorecard model shows organizational performance through four perspectives: financial, customer, innovation and learning, and internal processes (Kaplan & Norton, 1992). The performance prism consists of five interrelated perspectives: stakeholder satisfaction, capabilities, processes, strategies, and stakeholder contribution (Neely, Adams, & Kennerley, 2002). Malcolm

Baldrige model is a set of interrelated fundamental values and concepts found in high performing organizations, which are illustrated by seven linked categories; leadership, strategic planning, customer focus, measurement, analysis and knowledge management, workforce focus, operations focus and results (Kedem & Benshalom, 2014). The main aim of the performance pyramid is to link the strategy of the organization with its operations by translating objectives from the top down (based on customer priorities) and measures from the bottom up (Tangen, 2004). This study adopted the financial and customer perspective of the balanced scorecard model which included profits, sales revenue, and customer base.

### 2.1.2 Import licenses

Import licenses refers to the administrative procedures requiring the submission of an application or other documentation (WTO, 2015), other than those required for customs purposes to the relevant administrative body as a prior condition for importation of goods. The agreement requires governments to publish sufficient information for traders to know how and why the licenses are granted (Khouilid & Echaoui, 2017). It also describes how countries should notify the World Trade Organization (WTO) when they introduce new import licensing procedures or change existing procedures.

There are many import licenses and vary from country to country which makes the whole process tedious. The import licenses should be simple, transparent, and predictable so as not to become an obstacle to trade (WTO, 2020). However, this is not always the case as the import licenses tend to be complicated and too restrictive which results in many delays in undertaking import business (Maziku & Mashenene, 2020). In Kenya, the various import licenses that must be fulfilled include Import Declaration Forms, Customs declaration (Entry), import standards mark when applicable, a Certificate of Conformity from the Pre-Shipment Verification of Conformity (PVoC) agent for

regulated products, valid Commercial invoices from the exporting firm and valid pro forma invoices from the exporting firm. Import licenses in this study were measured by the number of licenses, procedures to acquire licenses and kinds of licenses.

According to Jørgensen and Schröder (2006), import licenses may be deployed as a means of limiting the market access of foreign firms. If protection focuses predominantly on the number of foreign firms accessing the domestic market, an import license may dominate a tariff (tariff and a technical barrier) in terms of consumer welfare, even when tariff revenues are fully redistributed. However, if protection pays sufficient focus on limiting the total import volume, then tariffs are the preferred means of protection. Within the model, reductions in technical barriers and tariffs, the removal of licensing schemes, and a harmonization of standards are all welfare-improving policies.

Bernini and Garcia Lembergman (2022) studied the consequences of import licenses to imports on firms' behavior in export markets in Argentina. It was established that import licenses reduce imports for those firms that are more exposed to the policy. This, in turn, yields to a considerable decline in their exports. A firm at the fifty percentile of exposure to import licenses reduces its total imports by 7.5%. While larger firms can attenuate the impact by changing the bundle of inputs, smaller firms experience higher declines in the number of imports. The negative effect of import licenses on imports yields to a considerably decline in firms' total exports. A firm at the fifty percentile of exposure to import licenses reduce its exports in 5.5%. This implies that the elasticity of exports with respect to imports is 0.75. The negative impact of import licenses is relatively higher for exporters of differentiated goods and for smaller firms.

### 2.1.3 Quality control

Quality control is a procedure or set of procedures intended to ensure that a product or performed service adheres to a defined set of quality criteria or meets the requirements of the client or customer. Kollerath (2022) defined quality control as a deliberate and planned activity having for its object the determination of quality of a product with a view to accepting it as such in case it satisfies stipulated requirements, or if it does not, take necessary measures to correct the quality appropriately. According to Sinha (2015), quality is the performance of the product as per the commitment made by the producer to the consumer. Under quality control, certain product characteristics such as shape, dimensions, composition, finish, colour, weight, taste, safety requirements among other aspects are tested in a product.

Import business activities are heavily guided quality control exercise. The country of import destination must ensure that the product to be imported meets the accredited quality standards (Schuenemann et al., 2019). The quality of the product is determined with reference to the requirements of the buyer. It should be understood in the relative sense but not in absolute sense of the term (Beghin, et al., 2015). It is immaterial whether the quality of the product is high or low. What is important, the quality should meet the requirements of the buyer. The inspection and certification systems are fundamentally important and very widely used in quality control (WHO, 2007).

Quality control is a vital aspect of the import-export business. It ensures that the products being imported or exported meet the required standards and specifications, thus ensuring customer satisfaction and protecting the reputation of the business (Beshah, Gidey & Leta, 2017). Implementing quality control in the import-export business starts with creating a quality control plan. This plan should include the specific standards and specifications that the products need to

meet, as well as the methods and techniques that will be used to ensure that these standards are met. Inspection is a crucial step in the quality control process. There are various types of inspections that can be conducted, such as pre-shipment inspections, during production inspections, and final random inspections. These inspections help to identify and address any issues before the products are shipped. It's also essential to have a process in place for managing quality control issues. This includes identifying the root cause of the issue, implementing corrective actions, and taking preventative measures to avoid similar issues in the future. Quality control was measured by availability of quality control equipment, time taken to perform quality controls and quality control guidelines (Stella, 2006).

### 2.1.4 Documentation and procedures

Documentation and procedures refer to laying out all the steps for particular tasks that need to be undertaken and repeated consistently. In import business, documentation and procedures are critical in the identification and recording of goods (Ghodsi, et al., 2017). The documentation and procedures begin right from the pre-shipment documentation stage to post shipment documentation, formalities involved in realization of import proceeds, procedures relating to letter of credit consignment (Karim, et al., 2019). Import procedures and documentation serves as an invaluable guide to international trade operations and contains a sample of virtually every relevant document used in import and export trade (Johnson & Bade, 2010).

It is often very helpful for import businesses to have a manual of procedures and documentation for their export and import departments (Santeramo & Lamonaca, 2019). Through documentation and procedure, each import business is expected to maintain a procedures manual to ensure compliance with all customs laws and record-keeping requirements (Bai & Liu, 2019). There are several documents required during the import process. The documentation includes cargo release

order, bill of lading, certificate of conformity, commercial invoice, declaration of customs value, import declaration form, proof of payments of customs duties, packing list and terminal handling receipts (Shewaye, 2021; Tsyokor & Madara, 2022). The demand for all these documents might be tedious for small import business which impacts their operational performance.

The physical transfer of goods in international trade has traditionally been associated with a number of documents (Howse, Eliason & Trebilcock, 2005). Over the years, however, the number of documents and related procedures has multiplied making international trade complex and cumbersome. The need for documentation arises primarily because of certain peculiarities of international trade transactions. Unlike domestic trade, buyers and sellers are separated by long distances in overseas trade transactions. This necessitates concluding a formal contract laying down the duties and responsibilities of buyers and sellers respectively. Moreover, some intermediation becomes inevitable. No international trade transactions canoe completed. Without the assistance of at least three intermediaries - a carrier, who undertakes to deliver the goods to the buyer on behalf of seller, an insurance company that covers the risks arising out of hazards of long voyage and finally a banker who collects the sale proceeds from the buyer and hands over the same to the exporter. Besides, other intermediaries are freight forwarders, freight brokers, chambers of commerce etc. Documentation and attendant formalities become necessary to ensure compliance of contract obligations of the concerned parties i.e., the exporter, importer and intermediaries. Documentation and procedures were measured by clear documentation steps, efficiency of documentation personnel and time taken to process documentation requirements (Addison, 2019).

## 2.2. Theoretical Review

### 2.2.1 Customs Union Theory

The earliest theory of Customs Union was put forward by an economist Jacob Viner in 1950 in the book called “Custom Union issues”. The simple model of Customs Union, according to Viner was elimination of tariffs on imports from member countries, the adoption of a common external tariff on imports from the rest of the world, apportionment of customs revenue according to an agreed formula, pure competition in commodity and factor markets, factor mobility within countries but not between them, and no transportation costs. Others include the following tariffs are the only form of trade restrictions, prices reflect the opportunity costs of production, trade is balanced, and resources are fully employed. However, the ground-stones of Viner's theory of customs unions are concepts of trade diversion and trade creation effects of different arrangements of regional integration. Viners’ definition of these concepts was formulated in terms of trade flows. Trade diversion means a switch in trade from less expensive to more expensive producers. Trade creation means a switch in trade from more expensive to less expensive producers (Strielkowski, 2013).

The main ingredients of regional economic integration, as indicated by the theory, include the removal of tariff and non-tariff barriers among member states, having a common external trade policy which initiates common external trade restrictions against non-members, initiating free movement of goods and services, as well as free movement of factors of production across national borders, harmonization of policies, unification of national monetary policies, and acceptance of a common currency. These happen in stages which include free trade area, customs union, common market, economic union and complete regional integration (Madyo, 2008).

However, as summarized by Rathumbu (2008), the rationale behind the establishment of regional integration agreements is that both the consumers and producers will benefit from such a union.

The consumers have the choice of goods at lower prices which will have been brought about by economies of scale. In the absence of a regional integration agreement, tariffs are imposed on imports, and this means that the consumers are forced to consume the goods and services at higher than the prevailing world prices. Within regional economic communities, the removal of tariffs and non-tariff barriers enhances consumer welfare. The producers, on the other hand, would benefit through intra-industry trade in terms of which input costs of their production become cheaper. Customs Union Theory is relevant in this study since it links removal of non-tariff barriers to enhanced consumer welfare. In this study, the study will seek to determine the effect of non-tariff barriers (import licenses, quality control, documentation, and procedures) on performance of small-scale importers. Therefore, Customs Union Theory anchors the relationship between the independent variables and dependent variables hence serves as the main theory that anchored the study.

### 2.2.2 Ricardian theory of Free trade

The Ricardian model of international trade explains the reasons why trade is happening across boundaries and its contribution to economic development. This elaborates the importance of trade in facilitating economic integration between nations that can improve the wellbeing of their people (Stigler, 1952). According to David Ricardo, the concept of free trade country focuses on producing and exporting goods and services that have a comparative advantage (Ruffin, 2017). When a given nation can produce goods at a lower cost than another country and import those goods with the least comparative advantage. Free trade policy is one of the tools of economic integration.

The Ricardian theory of comparative advantage provides a basis for comparative advantage (Freni, et al., 2019). When trade begins each country exports commodities that use the relatively abundant

factors of production and imports those that use scarce factors of production more intensively (Montani, 2011). Under competitive free market conditions, trade maximizes potential economic welfare internationally, by creating a situation where no country could be made better off without another being made worse off.

The Ricardian theory of comparative advantage is relevant to the study. Import business is supported by the fact that every country is endowed in producing what it can compared to other countries. This promotes international trade through import and export activities. Trade barriers such as long customs procedures drastically impair free trade among nations. This theory helps to understand why countries apply protectionist policy through tariff and non-tariff measures in international trade.

### 2.2.3 The Balanced Scorecard (BSC)

Kaplan and Norton (1992) created the Balanced Scorecard (BSC), a performance measurement method, to solve the drawbacks of using the conventional financial performance measuring tools (Kaplan & Norton, 1992). The Balanced Scorecard advises managers to evaluate an organization's performance from four perspectives: the internal perspective, the perspective of the customer, the perspective of innovation and learning, and the perspective of the finances (Kaplan & Norton 1996). BSC uses a single measurement methodology that combines financial and non-financial metrics. The vision and strategy of a company provide the foundation for the BSC goals and metrics. Executives have access to a thorough framework through the Balanced Scorecard that converts a company's vision and strategy into a logical set of performance metrics.

Traditional financial metrics are included in the financial perspective, which also includes consumer and internal business processes. The financial perspective also includes traditional financial metrics; the consumer perspective reflects the relationship that the organization has built

with its current customers; the internal business processes perspective concentrates on the analysis of practices and methods used in the organization during the value creation process, as well as ways in which they can be improved; and the learning and growth perspective p (Mehralian, Nazari, Nooriparto & Rasekh, 2017). The company's long-term objectives are reflected in the first two viewpoints, while the other two support the accomplishment of the strategic goals. The two main aspects of the BSC idea are thus the financial and the customer perspectives (Jolovi & Jolovi, 2020).

The balanced scorecard, according to Kaplan and Norton (1996), not only enables the monitoring of current performance but also aims to gather data regarding how well the business is positioned to succeed in the future. In addition, the Balanced Scorecard has developed into a fundamental management tool since it aids CEOs in managing strategy as well as in clarifying and communicating it. The BSC approach is used by businesses to complete four essential management tasks: clarifying and translating vision and strategy; communicating and linking strategic objectives and measures; planning, setting targets and aligning strategic initiatives; and enhancing strategic feedback and learning.

The performance variable, where the financial and customer perspectives will be measured and evaluated, will be addressed by this theory. The study adopts the financial measures as well as the customer perspective to measure the performance of small-scale importers by determining their profits, sales growth and customer satisfaction. This means that small scale importers should adopt the use of both the financial and non-financial measures of performance to measure their performances.

## 2.3 Empirical Review

This section presented literature review of the effect of import licenses, quality control, documentation and procedures on performance of small- scale importers.

### 2.3.1 Import licenses on performance of small- scale importers

Bowen (2018) determined the impact of non-tariff barriers on trade in the East African Community with focus to Kenyan exporters to Tanzania. The quantitative data were analyzed using descriptive while qualitative data analyzed content analysis. From the analysis, license for goods in transit was identified as one of non-tariff barriers that hindered trade with Tanzania with regards to Kenyan exporters. However, the study focused on exporters unlike current study that focuses on small scale importers, where requirements for the two businesses may slightly differ presenting contextual gap.

Employing quantitative approach, Karugia, et al. (2019) investigated the impact of non-tariff barriers on maize and beef trade in East Africa. It was established that administrative requirements (mainly licenses, municipal and council permits) and customs clearance delayed hindered the operational efficiency of maize trade in East African countries. However, the study did not highlight the significance of other non-tariff barriers like verification of transits goods and quality control checks presenting conceptual gap.

Penda (2021) analyzed the legal framework on non-tariff barriers in the Africa continental free trade area agreement. It was noted that while the African Continental Free Trade Area (AfCFTA) makes some important strides in reducing Non-Tariff Barriers (NTBs) in intra-African trade, there are still some significant gaps in the AfCFTA's provisions on NTBs that need to be addressed. Some of these gaps include lack of a comprehensive legal framework that adequately addresses all

the categories of NTBs and the lack of clear guidelines on how to promote harmonization among conflicting measures among Regional Trade Agreement. However, the study did not indicate the impact of these NTBs barriers on the growth of import business presenting conceptual gap.

Adapting exploratory research, Anyonya (2018) conducted a study on non-tariff barriers in the East African Community and free trade between Kenya and Tanzania, 1999 to 2016. Data was collected from 25 key informants. The findings have indicated that delays in licensing and permit issuance, administrative requirements, conflicting policies, and regulations hindered trade within the East African community. However, the study employed exploratory research a design which is limited in terms of proper methods to be followed in conducting study presenting methodology gap. The proposed study will employ explanatory research design to determine the impact of NTBs barriers on the growth of import business.

By employing review-based approach of past studies, Khouilid and Echaoui (2017) determined the impact of Non-Tariff Measures on Moroccan foreign trade by comparing developed and developing countries. A total of 28 countries were included in the study from 2005-2015. Further, the study empirically determined the impact of non-tariff measures on Moroccan foreign trade. The results show that non-tariff measures negatively affect Moroccan foreign trade.

### 2.3.2 Quality control and performance of small- scale importers

Kareem (2018) conducted a study Non–Tariff Barriers and Exports by investigating Africa–EU and Africa–USA Trade Relations. According to the study, most of Africa's exports do not meet the required standards set by these countries for any product coming to their markets. This is because Africa does not have sufficient technical wherewithal in terms of advanced technology and sciences to produce products of quality standards that will meet international product standard requirements. However, the study did not indicate the extent lack of quality controls impacted

African trade with EU and US. The proposed study seeks to determine the impact of NTBs barriers on the growth of small-scale import business.

Baghdadi, et al. (2016) determined the impact of Non-Tariff Measures on SMEs in Tunisia. Data was collected from the Tunisian SMEs for the period 2000-2010, collected by the National Institute of Statistics in Tunisia. Results show a positive impact of quality inspection process on imports, productivity, labor costs and profitability. However, the study focused on Tunisian SMEs contrasting current study that focuses on small scale import business in Kenya. Import regulations may differ from country to country presenting contextual gaps.

Nontariff measures and standards impact trade and global value chains (Beghin, et al., 2015). This study focused on their effects on welfare, trade, industrial organization, and labor markets in North-South context. The study found that complex quality standards processes was impediment against trade and development. Nonetheless, the study did not indicate how other non-tariff barriers like import license and verification of cargo procedures impact trade.

Focusing on Zimbabwe and Zambia, Sibangilizwe and Jeffrey (2019) investigated the implications of non-tariff barriers to trade on COMESA Free Trade Area. This was a case study design based on qualitative research methodology. The research concluded that NTBs in COMESA free trade area are used on health issues as well as to protect the infant industries in the region. However, the study did not indicate how other non-tariff barriers like import license and verification of cargo procedures impact trade.

Min (2019) determined the effect of non-tariff measures on international trade. It was established that conformity with product quality standards, as well as licensing related to drugs, registration of importers, and provisions of product constituents. However, the study did not indicate how

quality check impacted performance of international trade. The proposed study seeks to determine the impact on non-tariff barriers on performance of smalls scale importers in Kenya.

### 2.3.3 Documentation and procedures and performance of small- scale importers

Shewaye (2021) investigated the impact of non-tariff trade barriers on economic Integration between Kenya and Ethiopia. The questionnaires were administered to collect first-hand information from respondents. The study finds that non-Tariff trade barriers contribute to the poor performance of economic integration and poor border clearance procedure management which causes delays in exchange of goods and services and hence affects import-export relations between Kenya and Ethiopia. The proposed study seeks to determine the impact on non-tariff barriers on performance of smalls scale importers in Kenya presenting both conceptual and contextual gaps.

Employing explanatory research design, Okute (2017) conducted a study on non-tariff barriers to trade in East Africa Community with focus on exporters in Kenya. The study showed that documentation and procedures, too many agencies involved in overall export inspection and certification in the region, escort of all sensitive and hazardous products through the territory of each East Africa Community transit country, and verification of transit cargo were a challenge. The study focused on only exporters from Kenya to East African countries. However, the proposed study narrows down to small scale importers.

Focusing on Ghanaian SMEs, Tsyokor and Madara (2022) explored the non-tariff barriers inhibiting indigenous African SMEs' intra-African trade and internationalization within Sub-Saharan Africa. Qualitative data from nine owners of indigenous Ghanaian SMEs was collected using interview guide and analyzed thematically. The result of the study has revealed that long administrative custom procedures requiring long list of documents, congestion at the ports as a result of inefficient bureaucracies undermined trade growth in the region. The study focused at

SMEs in Ghana. Tarde policies particularly import may differ across countries. The proposed study narrows down to small scale importers in Kenya.

Akinyi (2019) conducted a study on the regulation and impact of non-tariff barriers in the East African community customs union. One of the Non-Tariff Barriers highlighted was customs procedures and administrative requirements and technical standards are impediments to trade in East African region.

### 2.3.4 Performance of small- scale importers

The aim of the study by Nyatwongi (2015) was to determine the factors affecting the performance of importing and exporting small and medium enterprises in Mombasa County, Kenya. The research looked at various factors cited as regulatory and policy framework, technology, marketing information, finances, high tax costs and management skills. The research adopted descriptive survey design to collect quantitative by use of primary data questionnaires. The population was 50 firms, and the response rate was 64% of the small and Medium Enterprises. The findings indicated factors affecting the performance of SMEs are policy and legal framework and market information are most influential, followed by high tax costs, technology, finances, and management skills.

Safari and Saleh (2020) assessed the key determinants of SMEs' export performance. The study used primary data collected via extensive surveys from active SMEs in three main industrial regions in Vietnam to undertake confirmatory factor analysis and structural equation modeling for quantitative analysis. The study found that both internal and external factors have positive and indirect impacts on export performance.

By using a cross-firms time-series data of 135 SMEs for the years 2009 and 2016, Gnounfougou and Niu (2021) determined factors of SMEs' sales' performance-case of Togo. The sample was

clustered on SMEs. Results, following the regression using random effects model – pointed out five variables with high significant impact on SMEs development. We found that in practice, firms with experienced top managers have a direct impact on their annual sales. Similarly, banks loans to working capital, manufacturing as well as firms that use internet and sell whole or part of their products to foreign markets enjoy significant positive margin as compared with the rest. On the downside, taxation appeared as one of major obstacles that hamper SMEs growth.

Waśniewski (2021) conducted a study on the informal performance measurement in small enterprises. The basis for the assessment were CATI surveys conducted on 100 Polish small enterprises (employing 10-50 people) in 2019 in solutions used in performance measurement. Analysis was accomplished by the chosen statistical tests and measures. As a result of the research, it was found that most small businesses measured their performance, especially from a non-financial perspective. However, this measurement was informal and often not supported using appropriate measures.

### 2.4 Critique of Literature Review

Bowen (2018) determined the impact of non-tariff barriers on trade in the East African Community with focus to Kenyan exporters to Tanzania. However, the study focused on exporters unlike current study that focuses on small scale importers, where requirements for the two businesses may slightly differ presenting contextual gap. Employing quantitative approach, Karugia, et al. (2019) investigated the impact of non-tariff barriers on maize and beef trade in East Africa. However, the study did not highlight the significance of other non-tariff barriers like verification of transits goods and quality control checks presenting conceptual gap. Penda (2021) analyzed the legal framework on non-tariff barriers in the Africa continental free trade area

agreement. However, the study did not indicate the impact of these NTBs barriers on the growth of import business presenting conceptual gap.

Adapting exploratory research, Anyonya (2018) conducted a study on non-tariff barriers in the East African Community and free trade between Kenya and Tanzania, 1999 to 2016. However, the study employed exploratory research a design which is limited in terms of proper methods to be followed in conducting study presenting methodology gap. The proposed study will employ explanatory research design to determine the impact of NTBs barriers on the growth of import business. Kareem (2018) conducted a study Non–Tariff Barriers and Exports by investigating Africa–EU and Africa–USA Trade Relations. However, the study did not indicate the extent lack of quality controls impacted African trade with EU and US. The proposed study seeks to determine the impact of NTBs barriers on the growth of small-scale import business.

Baghdadi, et al. (2016) determined the impact of Non-Tariff Measures on SMEs in Tunisia. The study focused on Tunisian SMEs contrasting current study that focuses on small scale import business in Kenya. Import regulations may differ from country to country presenting contextual gaps. Focusing on Zimbabwe and Zambia, Sibangilizwe and Jeffrey (2019) investigated the implications of non-tariff barriers to trade on COMESA Free Trade Area However, the study did not indicate how other non-tariff barriers like import license and verification of cargo procedures impact trade. Min (2019) determined the effect of non-tariff measures on international trade. Nonetheless, the study did not indicate how quality check impacted performance of international trade. The proposed study seeks to determine the impact on non-tariff barriers on performance of smalls scale importers in Kenya.

Employing explanatory research design, Okute (2017) conducted a study on non-tariff barriers to trade in East Africa Community with focus on exporters in Kenya. The study focused on only

exporters from Kenya to East African countries. However, the proposed study narrows down to small scale importers. Tsyokor and Madara (2022) explored the non-tariff barriers inhibiting indigenous Ghana's SMEs' intra-African trade. The study focused on SMEs in Ghana. Tarde policies particularly import may differ across countries. The proposed study narrows down to small scale importers in Kenya.

### 2.5 Summary of the Previous Studies and Gaps

The review of various studies to determine the effect of non-tariff barriers on performance of small- scale trades in Gikomba Market, Nairobi County has elicited several research gaps. The research gaps included conceptual, contextual, and methodological gaps.

**Table 2.1 Research Gaps**

| Author &Year | The focus of the study | Research Gap | Focus on the current study |
|---|---|---|---|
| Bowen (2018) | Impact of non-tariff barriers on trade in the East African Community with focus to Kenyan exporters to Tanzania | However, the study focused to exporters | current study that focuses on small scale importers, where requirements for the two businesses may slightly differ presenting contextual gap. |
| Karugia, et al. (2019) | Impact of non-tariff barriers on maize and beef trade in East Africa | Did not highlight the significance of other non-tariff barriers like verification of transits goods and quality control checks presenting conceptual gap | Include verification of transits goods and quality control checks in the study |
| Anyonya (2018) | Non-tariff barriers in the East African Community and free trade between Kenya and Tanzania, 1999 to 2016 | The study employed exploratory research a design which is limited in terms of proper methods to be followed in conducting study | The proposed study employed explanatory research design to determine the impact of NTBs barriers on the growth of import business. |

| | | | |
|---|---|---|---|
| | | presenting methodology gap | |
| Kareem (2018) | Non–Tariff Barriers and Exports by investigating from Africa–EU and Africa–USA Trade Relations | Did not indicate the extent lack of quality controls impacted African trade with EU and US | The proposed study sought to determine the impact of NTBs barriers on the growth of small-scale import business. |
| Baghdadi, et al. (2016) | Impact of Non-Tariff Measures on SMEs in Tunisia | The study focused on Tunisian SMEs contrasting current study that focuses on small scale import business in Kenya | Import regulations may differ from country to country presenting contextual gaps. |
| Sibangilizwe and Jeffrey (2019) | Implications of non-tariff barriers to trade on COMESA Free Trade Area | The study did not indicate how other non-tariff barriers like import license and verification of cargo procedures impact trade. | Include verification of transits goods and quality control checks in the study |
| Okute (2017) | Non-tariff barriers to trade in East Africa Community with focus on exporters in Kenya. | The study focused on only exporters from Kenya to East African countries. | The proposed study narrows down to small scale importers. |
| Ruiter, et al. (2017) | Impact of Non-Tariff Barriers for Women Small Scale Cross-Border Traders on the Kenya-Uganda Border | The study adopted qualitative approach. | The proposed study sought to determine the impact of non-tariff barriers on the performance of small-scale import business using explanatory research design thus methodological gap. |
| Nyatwongi (2015) | factors affecting the performance of importing and exporting small and medium enterprises in Mombasa County, Kenya | Focused on Exporting SMEs | Focused on importing small scale traders |
| Safari and Saleh (2020) | key determinants of SMEs' export performance | Focused primarily on SME exporters | Focused on SME importers |

| | | | |
|---|---|---|---|
| Gnounfougou and Niu (2021) | factors of smes' sales' performance-case of Togo | The context of the study was on the general population of SMEs without specifying the ones doing imports | The current study focused on small scale importers. |
| Waśniewski (2021) | informal performance measurement in small enterprises | The focus was on all SMEs | The focus was on small scale importers |

### 2.6 Conceptual Framework

The variables in the conceptual framework were discussed under this section. It presented how variables are related in the study. The conceptual framework shows the link between independent variables and dependent variables. The independent variables included import licenses, quality control, and documentation and procedures. Import licenses were measured using the number of licenses, procedures to acquire licenses, and kinds of licenses. Quality control was measured in terms of availability of quality control equipment, time taken to perform quality controls, and quality control guidelines. The dependent variable was the performance of small- scale importers, which was measured in terms of sales revenue, profit margins and customer base.

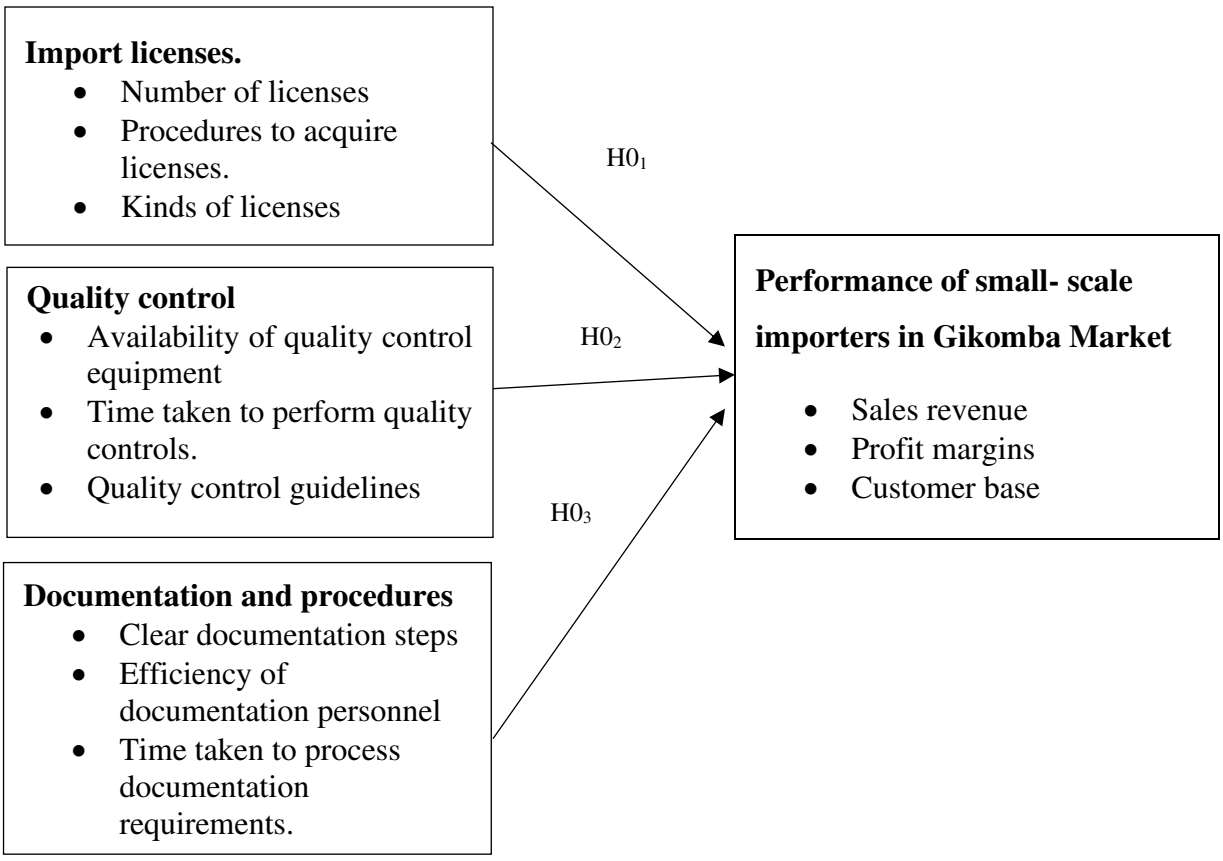


**Figure 2.1: Conceptual Framework**

**Source; Researcher (2022)**

# CHAPTER THREE

# REASEARCH METHODOLOGY

## 3.1 Introduction

This chapter presented the research methodology to be adapted to determine the effect of non-tariff barriers on performance of small-scale importers in Gikomba Market, Nairobi County. The section outlined the research design, the target population, sample design, sample size, the sampling technique, he data collection research instruments, the data collection procedures, the pilot test procedures, the validity and the reliability of the research instruments, the data analysis and presentation, the diagnostic tests, the operationalization and measurement of variables and the ethical considerations.

## 3.2 Research Design

Research design refers to a blueprint containing the specific methods and procedure of collecting and analyzing the relevant information (Flick, 2015). Research design guides the study specifically how the research problem outlined will be answered. According to Akhtar, (2016) there are various types of research designs. This study employed explanatory research design.

Explanatory research design is appropriate in determining how one aspect influences another aspect (Bell et al, 2018). The design is useful in answering what, who, where and how questions (Akhtar, 2016). Thus, explanatory research design was suitable in determining the effect of non-tariff barriers on performance of small- scale trades in Gikomba Market, Nairobi County. An explanatory research design was used to show how variables relate to each other. The explanatory research design was the most appropriate design for this study since the study aimed at determining a relationship among the variables.

### 3.3 Target Population

Population is the total collection of elements where inference is made to all possible cases that are of interest in the study. The unit of observation was the small- scale importers in Gikomba Market, Nairobi County. This was a representation of the scope of the study as informed by the problem being addressed. There were 3692 registered small- scale importers in Gikomba Market (Nairobi City County Government, 2021). The target population was tabulated in Table 3.1.

**Table 3.1: Target Population**

| Category | Target Population | Percentage |
|---|---|---|
| Cloth vendors (Mitumba) | 1230 | 33 |
| Hardware shops | 308 | 8 |
| Shoe shops | 615 | 17 |
| Cereal vendors | 308 | 8 |
| Fruits and vegetable vendors | 308 | 8 |
| Toys vendors | 308 | 8 |
| Kitchen ware shops | 615 | 17 |
| Total | 3692 | 100 |

**Source: Nairobi City County Government (2021)**

### 3.4 Sample Design

Etikan and Bala, (2017) argue that a sampling design is the plan with which units or elements within a population are picked to form part of the study. The sampling design comprises the sampling frame for the analysis, the sampling methodology that was used, and the sample size that was employed in the study. The sampling frame, sampling procedure, and sample size were all part of the sampling design.

### 3.4.1 Sampling size

Blumberg et al, (2014) define a sample size as a small portion of a larger population. The sample size of this study was calculated using Yamane (1967) formula to estimate the sample size (Israel, 1992).

$$n = \frac{N}{1 + N(e)^2}$$

Where:

***n*** = sample size

***N*** = population size

***e*** = the level of precision

1 = Constant

$n$ = 3692 / 1+ 3692 $(0.05)^2$

= 360 small- scale importers

**Table 3.2: Sample Size**

| Category | Target Population | Sample size |
|---|---|---|
| Cloth vendors (Mitumba) | 1230 | 120 |
| Hardware shops | 308 | 8 |
| Shoe shops | 615 | 17 |
| Cereal vendors | 308 | 8 |
| Fruits and vegetable vendors | 308 | 8 |
| Toys vendors | 308 | 8 |
| Kitchen ware shops | 615 | 17 |
| Total | 3692 | 360 |

### 3.4.2 Sampling Technique

The sampling technique for this study was stratified random sampling. Stratified random sampling was appropriate since the target population is classified into several categories (strata). The use of stratified random sampling technique gave respondents in each stratum equal opportunity of being selected. The small-scale importers were categorized based on the type of products they imported.

## 3.5 Research Instrument

This research focused on and used primary data for analysis. Questionnaire was used in this study. The questionnaire is appropriate as it can be used to collect data from large population in a more effective and easy way. According to Roberts (2015), a questionnaire is a cheaper and reliable way of collecting data from a large population.

The questionnaire contained five sections: the first section detailed the demographic data of the small-scale importers; the second section consisted of the questions on import licenses., third section captured information on quality control and performance of small-scale importers, the fourth section captured information documentation and procedures and performance of small-scale importers, while fifth section capture information on performance of small-scale importers in Gikomba Market.

The questionnaire contains closed ended questions. The close ended questions were categorical. The questionnaires were distributed through the drop and pick method by use of well-trained research assistants to the small-scale importers in Gikomba Market. Ample time was provided to the respondents to adequately fill in the questionnaires. The filled in questionnaires were collected immediately upon completion. To mitigate against low response, the researcher used simple understandable language in the questionnaire.

A five-point Likert scale was employed to ensure the responses are standardized. The respondents identified the scale of agreement with items in the questionnaire. There were five degrees of agreement: 1-strongly disagree, 2-strongly disagree, 3-neutral, 4-agree, and 5-strongly agree. The scaling approach of standardizing responses is advantageous in that it allows the measurement of the respondents' answers intensity in comparison to multiple choices response (Ikart, 2019). The scale responses include numbers that can apply as codes directly in the research. The questionnaire was chosen because of its ability to reveal important data as each item was developed to address a specific objective.

### 3.6 Data Collection Procedure

A structured questionnaire was developed in line with research objectives. The researcher also sought approval from the Institutional Review Board followed by a research permit from the National Commission for Science, Technology & Innovation before distributing questionnaires. The permit is helpful in legitimizing the data collection process, objective, and purposes of the study.

A pilot study was conducted to establish any challenges that may be encountered during actual study. The pilot test was conducted on 10% of the small-scale importers in Muthurwa Market, Nairobi County. Thus, 38 small-scale importers in Muthurwa Market, Nairobi County participated in the pilot study. These participants were not participating in the actual study as they had already had access to the questionnaires. Prior to the actual study, the pre-testing ensured that essential adjustments and modifications to the questionnaires were implemented.

The consent of the participants was sought before distributing the questionnaires. Research assistants were recruited, trained, and oriented on the use of the questionnaire and the expected

general presentation during the actual data collection process. The questionnaires will be administered through the drop and pick later method. This will give the respondents adequate time to respond to the questions owing to their busy schedules. To ensure a high response rate, the research assistants physically distributed the questionnaires to the users in person and given ample time to fill the questionnaire. Properly filled in questionnaires were collected immediately. Data collection took a period of 2 weeks.

### 3.7 Piloting Test

A pilot is a small-scale research project that collects data from respondents similar to those that will be used in the future survey. It assists the research in determining if there are flaws, limitations or other weaknesses within the questionnaire design and allows the researcher to make necessary revisions to the questionnaire prior to the implementation of the study. Pilot tests are conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample (Majid, et al., 2017). In ascertaining reliability test, a pilot test will be conducted. The pilot test was conducted among 36 small scale importers in Muthurwa Market which was similar to Gikomba market and has a close proximity and which are in the same county.

#### 3.7.1 Validity of Research Instrument

Validity refers to the extent to which an instrument measures what is supposed to measure (Remenyi, 2015). This study used both construct and content validity. For construct validity, the questionnaire was divided into different sections as per the objectives. To enhance content validity, the supervisors in charge of the proposal development thoroughly scrutinized the questionnaire. The supervisors' comments were used to enhance the content validity of the data instrument.

### 3.7.2 Reliability of Research Instrument

Reliability is the extent to which a test in the research is internally consistent and yields consistent results upon testing and retesting (Orodho, 2009). To test the reliability of the measures in the questionnaire, the study employed Cronbach's alpha coefficient. Reliability tests were undertaken on 10 percent of the sample size. The alpha coefficient ranges in value from 0 to 1. The closer Cronbach's alpha coefficient is to 1 the greater the internal consistency of the items in the scale (Taber, 2018). Thus, 36 small-scale importers in Muthurwa Market participated in the pilot study. Cronbach's alpha value of 0.7 is used as a cut mark for reliability. Cronbach's alpha of 0.7 and above implied the instrument was reliable.

## 3.8 Data Analysis and Presentation

Data obtained using questionnaires was checked for completeness and consistency. The data was cleaned and exported to the Statistical Package for Social Sciences (SPSS) version 24.0 for analysis. Quantitative data was analyzed using descriptive and inferential statistics. The descriptive statistics included frequencies, percentages, means and standard deviations. The inferential statistics included correlation and regression analysis. Inferential statistics were used to determine the relationship between independent variables and dependent variables. Results were presented in tables, charts, and graphs.

### 3.8.1 Analysis Model

The following model was used:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where;

Y = Performance of small-scale importers

$X_1$ = Import licenses

$X_2$ = Quality control

$X_3$ = Documentation and procedures

$\beta_0$ = Constant

$\beta_1$ $\beta_2$ and $\beta_3$ = regression coefficients

$\varepsilon$ = error term

### 3.9 Diagnostic Tests

The diagnostic tests that were conducted in this study were normality tests, multicollinearity tests, homoscedasticity tests and linearity tests.

#### 3.9.1 Normality Tests

Normality was tested using Kolmogorov Smirnov test where predictor- variables that indicate p-values less than 0.05 are deemed non-normal thus a violation of the assumption. Kolmogorov Smirnov test for normality is appropriate when the sample size of the study is more than 100 observations (Hanusz & Tarasińska, 2015).

#### 3.9.2 Linearity Tests

Linearity was tested using scatter plots. Linearity is used to show whether there is a linear relationship between two variables. It is expected that the relationship between two variables should be fairly linear before the regression models are applied. Linearity was determined by inserting a line fit, which illustrates whether the relationship between two variables is linear or not.

### 3.9.3 Homoscedasticity Test

Homoscedasticity was tested using Levene's test for equity of change (Novikov & Novikov, 2013). The null hypothesis is that the variance of error term is constant. A probability value greater than 0.05 led to acceptance of the null hypothesis, implying a constant variance of the error term.

### 3.9.4 Multicollinearity Tests

Multicollinearity was tested using Variance Inflation Factor (VIF). Non-multicollinearity is present if VIF of the variables is less than 10 and Tolerance values greater than 0.1.

## 3.10 Test of hypotheses

This study sought to test three null hypotheses: Import licenses had no significant effect on performance of small- scale importers; quality control has no significant effect on performance of small- scale importers; and documentation and procedures had no significant effect on performance of small- scale importers. A threshold of 0.05 was used such that probability values greater than 0.05 resulted in rejection of the null hypothesis and vice versa.

## 3.11 Operationalization and Measurement of Variables

Table 3.3 showed the operationalization and measurement of the study variables.

**Table 3.3: Operationalization & Measurement of Variables**

| Variable | Type of variable | Indicators | Type of Questions | Tool of Analysis |
|---|---|---|---|---|
| Import licenses | Independent | ·Number of licenses<br>·Procedures to acquire licenses<br>·Kinds of licenses | Questionnaire-Likert scale | Descriptive, regression Analysis. |
| Quality control | Independent | ·Availability of quality control equipment<br>·Time taken to perform quality controls<br>·Quality control guidelines | Questionnaire-Likert scale | Descriptive, regression Analysis. |
| Documentation and procedures | Independent | ·Clear documentation steps<br>·Efficiency of documentation personnel<br>·Time taken to process documentation requirements | Questionnaire-Likert scale | Descriptive, regression Analysis. |
| Performance of small-scale importers | Dependent | ·Sales revenue<br>·Profit margins<br>·Customer base | Questionnaire-Likert scale | Descriptive, regression Analysis. |

### 3.12 Ethical consideration

A letter of introduction from Moi university was sought as well as a research permit from the National Commission for Science, Technology, and Innovation (NACOSTI) that was presented to the respondents to assure them that the data collected was used for academic purposes only. The researcher observed the standards of behavior in relation to the rights of the study subjects. In dealing with the respondents, all the respondents were informed of the objective of the study and the confidentiality of obtained information to enable them give information.

To this end, caution was taken to ensure that no participant is coerced into taking part in the study and the researcher seeks to use minimum time and resources in acquiring the information required. Privacy and confidentiality were observed as recommended by Houghton et al. (2010). The individual respondents' identities remained confidential, and the researcher did not collect any names or other identifying information during the survey. Moreover, the researcher did not offer any inducement to participants nor contact them at unreasonable hours and places.

# CHAPTER FOUR

# RESEARCH FINDINGS AND DISCUSSIONS

## 4.0 Introduction

This chapter comprised of data analysis, findings, and interpretation. Results are presented in tables, charts, and diagrams as well as prose discussions. The analyzed data was arranged under themes that reflect the research objectives.

## 4.1 Pilot Results

Pilot testing involved 36 respondents representing 10% of the sample size but did not form the target population. The 36 small-scale importers who participated in the pilot study were from Muthurwa Market. All the 36 questions were filled and returned. Reliability results are shown in Table 4.1.

**Table 4.1: Reliability Assessment**

| Variable | Cronbach's Alpha | Number of items | Comment |
|---|---|---|---|
| Import Licenses | 0.890 | 6 | Reliable |
| Quality control | 0.882 | 6 | Reliable |
| Documentation | 0.862 | 6 | Reliable |
| Performance | 0.883 | 5 | Reliable |

**Source: Research Data (2023)**

The findings on Table 4.1 designated that import licenses, quality control, documentation, performance of small-scale importers had reliability of 0.890, 0.882, 0.862,0.883 thus the study variables were reliable since they achieved a reliability threshold of 0.7 and above and therefore were considered adequate for this study.

### 4.2 Response Rate from the Questionnaire

The number of questionnaires that were administered to the small- scale importers in Gikomba Market, Nairobi County were 360. The response rate results were presented in Table 4.2.

**Table 4.2: Response Rate**

| Response | Frequency | Percentage |
|---|---|---|
| Returned | 281 | 78.06% |
| Unreturned | 79 | 21.94% |
| **Total** | **360** | **100%** |

**Source: Research Data (2023)**

In total 281 questionnaires were filled in and returned. Therefore, the total response rate was 78.06 %, which implies a successful response rate. Babbie (2004) asserted that a rate above 60% is a good response for the study.

### 4.3 Demographic Characteristics

The demographic characteristics include gender of the respondents, age, workforce, Ownership registration and estimated annual revenue of the import business.

#### 4.3.1 Gender of the Respondents

The respondents were asked to indicate their gender. Results were shown in Figure 4.1.

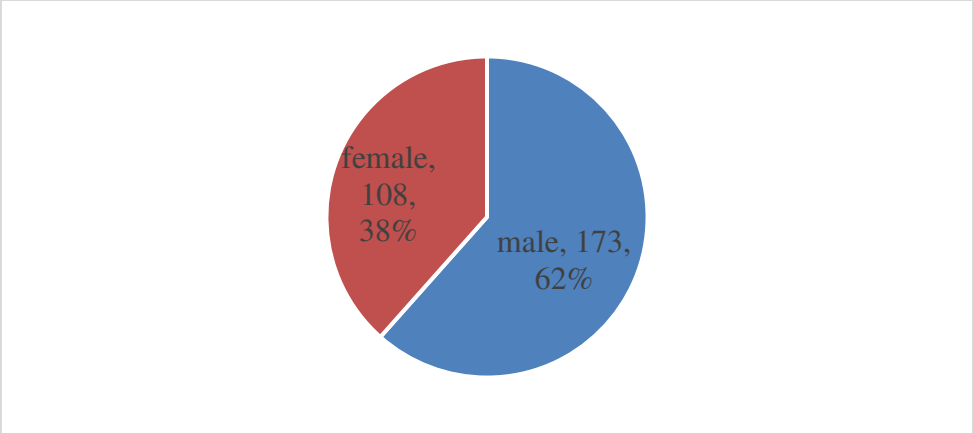


**Figure 4.1: Gender of the Respondents**

**Source: Research Data (2023)**

The results revealed that majority of the respondents who were 173(62%) were males while 108(38%) were females. This implied that most small- scale importers in Gikomba Market, Nairobi County were men.

### 4.3.2 Age of the Respondents

The respondents were asked to indicate their age. Results were shown in Figure 4.2.

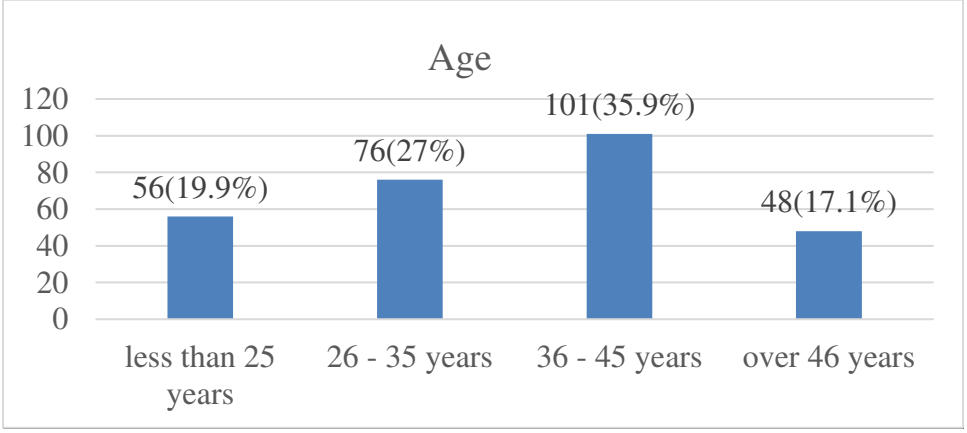


**Figure 4.2: Age of the Respondents**

**Source: Research Data (2023)**

The results showed that majority of the respondents who were 56(19.9%) were less than 25 years, 76(27%) were aged 26 – 35 years, 101(35.9%) were aged between 36 – 45 years, 48(17.1%) were aged above 46 years. This implied that most small- scale importers in Gikomba Market, Nairobi County were above 36 years.

### 4.3.3 Workforce

The respondents were asked to indicate their workforce. Results were shown in Figure 4.3.

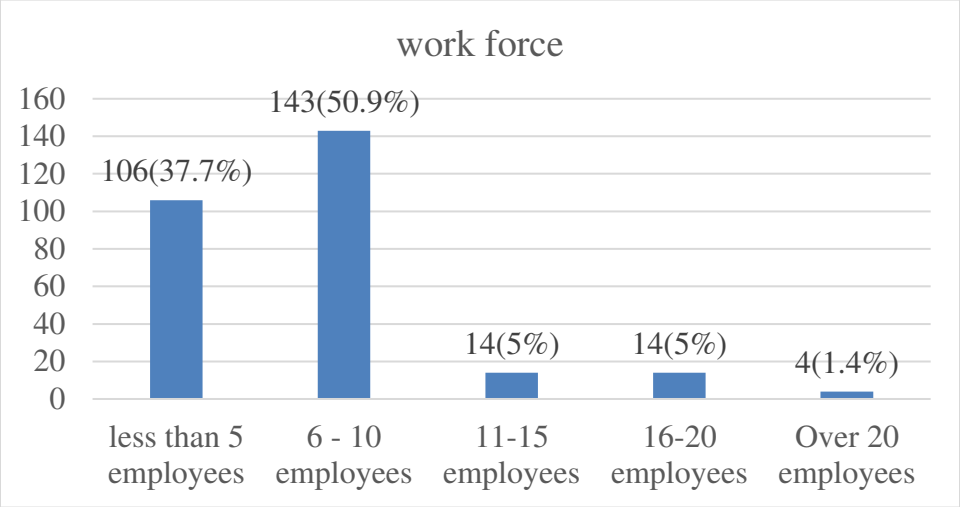


**Figure 4.3: Workforce**

**Source: Research Data (2023)**

The results showed that the majority of the respondents who were 143(50.9%) had 6-10 employees, 106(37.7%) had less than 5 employees, 14(5%) had 11-15 employees, 14(5%) had 16-20 employees, 4(1.4%) had over 20 employees. This implied that most small- scale importers in Gikomba Market, Nairobi County were small businesses with less than 10 employees.

### 4.3.4 Ownership Concentration

The respondents were asked to indicate their ownership registration. Results were shown in Figure 4.4.

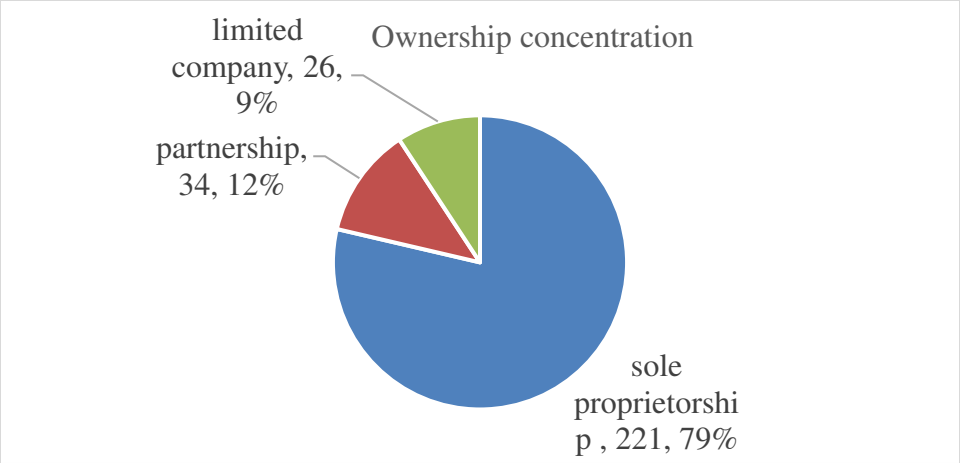


**Figure 4.4: Ownership Registration**

**Source: Research Data (2023)**

The results showed that the majority of the respondents who were 221(79%) were sole proprietors, 34(12%) had partnership business, 26(9%) had limited company. This implied that most small-scale importers in Gikomba Market, Nairobi County had sole proprietorship.

### 4.3.5 Estimated Revenue

The respondents were asked to indicate their estimated revenue. Results were shown in Figure 4.4.

**Table 4.3: Estimated Revenue**

| | Frequency | Percent |
|---|---|---|
| Less than 1 million | 141 | 50.20% |
| Ksh 1 - 2 million | 39 | 13.90% |
| 2 - 3 million | 62 | 22.10% |
| 3 - 4 million | 28 | 10.00% |
| 4 - 5 million | 6 | 2.10% |
| Over 5 million | 5 | 1.80% |
| **Total** | **281** | **100** |

**Source: Research Data (2023)**

The results showed that majority of the respondents who were 141(50.20%) had an estimated revenue of less than 1 million per year, 62(22.1%) had an estimated revenue of 2 – 3 million,

39(13.90%) had an estimated revenue of 1-2 million, 28(10%) had 3-4 million, 6(2.10%) had an estimated revenue of 4 – 5 million, 5(1.80%) had an estimated revenue of over 5 million. This implied that most small- scale importers in Gikomba Market, Nairobi County had an estimated revenue of less than 1 million.

### 4.4 Data Transformation

Data transformation in this study entailed use of composite indexes. The process involved summing the likert data for each variable and then computing the mean. The transformed data in the form of composite indexes was applied in running inferential statistics.

Import licenses: data for the six statements [IL1+ IL2+ IL3+ IL4 +IL 5+ IL6]/6 were added and then divided by six. The constituted composite index representing import licenses.

Quality control: data for the six statements [QC 1+ QC 2+ QC 3+ QC 4+ QC 5 + QC 6+]/6 were added and then divided by six. The constituted composite index represents quality control.

Documentation: data for the six statements [D 1+ D2+ D3+ D4+ D5+ D6 + D7]/7 were added and then divided by five. The constituted composite index represents documentation.

Performance of small-scale importers: data for the five statements (P1+ P2+ P3+ P4+ P 5]/5 were added and then divided by five. The constituted composite index representing Performance of small-scale importers.

### 4.5 Descriptive statistics Analysis

Descriptive analysis was done for all the independent, dependent variables as shown below. To interpret the study results objectively, 5 and 4 (strongly agree and agree) were grouped together as agree, 2 and 1 (disagree and strongly disagree) were grouped as disagree while 3 was neutral.

### 4.5.1 Descriptive Analysis for Import Licenses

To measure import licenses, six questions were posed to the respondents in which they were to show the extent of disagreement or otherwise to the statements. The results were presented in Table 4.4.

**Table 4.4: Import Licenses**

| Statement | Strongly disagree | disagree | neutral | agree | strongly agree | Mean | Std.Dev |
|---|---|---|---|---|---|---|---|
| There are many license requirements needed to engage in import business like Declaration Forms, Customs declaration | 32 (11.4%) | 7 (2.5%) | 19 (6.8%) | 86 (30.6%) | 137 (48.8%) | 4.03 | 1.30 |
| The procedures for applying import permits are tedious which delays the import of business product | 32 (11.4%) | 0.00% | 38 (13.5%) | 81 (28.8%) | 130 (46.3%) | 3.99 | 1.28 |
| The presence of varying license permits across countries makes it challenging to import business products from wide variety of countries | 27 (9.6%) | 10 (3.6%) | 72 (25.6%) | 73 (26%) | 99 (35.2%) | 3.74 | 1.25 |
| The types of import licenses required are often revised requiring us to reapply again | 33 (11.7%) | 41 (14.6%) | 44 (15.7%) | 91 (32.4%) | 72 (25.6%) | 3.46 | 1.33 |
| The cost of licenses is way high which limits the profitability margin of the import business. | 25 (8.9%) | 12 (4.3%) | 41 (14.6%) | 109 (38.8%) | 94 (33.5%) | 3.84 | 1.20 |
| The frequent delays in licensing import | 30 (10.7%) | 2 (0.7%) | 34 (12.1%) | 79 (28.1%) | 136 (48.4%) | 4.03 | 1.26 |

| | | | | | |
|---|---|---|---|---|---|
| documents results to extra unplanned charges. | | | | | |

**Source: Research Data (2023)**

The results showed that the majority of the respondents who were 223(79.4%) agreed with the statement that there were many license requirements needed to engage in import business like Declaration Forms, Customs declaration (mean=4.03, std.dev=1.30). This implied that importation businesses in Kenya required a lot licenses. The results further showed that the majority of the respondents who were 211(75.1%) agreed with the statement that the procedures for applying import permits were tedious which delays the import of business product (mean=3.99, std.dev=1.28). This implied that application of import permits in Kenya was not effective. Further results showed that majority of the respondents who were 172(61.2%) agreed with the statement that the presence of varying license permits across countries made it challenging to import business products from wide variety of countries (mean=3.74, std.dev=1.25). This implied that the application of license permits in most countries was not easy.

In addition, results showed that the majority of the respondents who were 163(58.0%) agreed with the statement that the types of import licenses required are often revised requiring us to reapply again (mean=3.46, std.dev=1.33). This implies that there was often change of licenses in Kenya which really affected the small-scale traders. Further results showed that the majority of the respondents who were 203(72.3%) agreed with the statement that the cost of licenses was way high which limits the profitability margin of the import business (mean=3.84, std.dev=1.20). This implied that the high cost of licenses affected the performance of the small-scale importers. Results also showed that majority of the respondents who were 215(76.5%) agreed with the statement that the frequent delays in licensing import documents results in extra unplanned charges (mean=4.03,

std.dev=1.26). This implied that there were delays in licensing import documents which costed the traders extra charge.

### 4.5.2 Descriptive Analysis for Quality Control

To measure quality control, six questions were posed to the respondents in which they were to show the extent of disagreement or otherwise to the statements. The results were presented in Table 4.5.

**Table 4.5: Quality Control**

| Statement | Strongly disagree | disagree | Neutral | agree | strongly agree | Mean | Std.dev |
|---|---|---|---|---|---|---|---|
| Quality control equipment is readily available every time I import goods | 16 (5.7%) | 28 (10%) | 44 (15.7%) | 123 (43.8%) | 70 (24.9%) | 3.72 | 1.12 |
| The time taken to undertake quality control of the import goods is reasonable. | 32 (11.4%) | 34 (12.1%) | 49 (17.4%) | 103 (36.7% | 63 (22.4%) | 3.47 | 1.28 |
| There are well laid quality control guidelines laid for checking quality of import goods. | 26 (9.3%) | 5 (1.8%) | 46 (16.4%) | 97 (34.5%) | 107 (38.1%) | 3.90 | 1.20 |
| The quality control personnel are efficient and thus the import goods are checked for quality and released within reasonable time | 32 (11.4%) | 5 (1.8%) | 70 (24.9%) | 98 (34.9%) | 76 (27%) | 3.64 | 1.22 |
| The quality checks results are released within reasonable time | 25 (8.9%) | 23 (8.2%) | 71 (25.3%) | 77 (27.4%) | 85 (30.2%) | 3.62 | 1.24 |
| The costs to undertake quality | 109 (38.8%) | 60 (21.4%) | 31 (11%) | 50 (17.8%) | 31 (11%) | 2.41 | 1.43 |

| | | | | | |
|---|---|---|---|---|---|
| checks of imported goods are affordable. | | | | | |

**Source: Research Data (2023)**

The results showed that most of the respondents who were 193(68.7%) agreed with the statement that quality control equipment was readily available every time they imported goods (mean=3.72, std.dev=1.12). This implied that the Kenyan government had invested in quality control equipment to check on imported goods. Further results showed that the majority of the respondents who were 166(59.1%) agreed with the statement that the time taken to undertake quality control of the import goods is reasonable (mean=3.47, std.dev=1.28). This implied that the process of quality control was effective in Kenya. In addition, results showed that the majority of the respondents who were 204(72.6%) agreed with the statement that there were well laid quality control guidelines laid for checking quality of import goods (mean=3.90, std.dev=1.20). This implied that the Kenyan government was able to check on quality of goods being imported.

Further results showed that majority of the respondents who were 174(61.9%) agreed with the statement that the quality control personnel are efficient and thus the import goods are checked for quality and released within reasonable time (mean=3.64, std.dev=1.22). This implied that the Kenyan government had hired quality personnel to handle quality checks for imports. In addition, results showed that the majority of the respondents who were 162(57.6%) agreed with the statement that the quality checks results were released within reasonable time (mean=3.62 std.dev=1.22). Further results showed that majority of the respondents who were 169(60.2%) disagreed with the statement that the costs to undertake quality checks of imported goods are affordable (mean=2.41, std.dev=1.43). This implied that the costs of undertaking quality checks of imported goods were not affordable.

### 4.5.3 Descriptive Analysis for Documentation

To measure documentation, six questions were posed to the respondents in which they were to show the extent of disagreement or otherwise to the statements. The results were presented in Table 4.6.

**Table 4.6: Documentation**

| Statement | Strongly disagree | disagree | neutral | agree | strongly agree | Mean | Std.dev |
|---|---|---|---|---|---|---|---|
| There exist clear documentation steps for import goods. | 30 (10.7%) | 39 (13.9%) | 16 (5.7%) | 92 (32.7%) | 104 (37%) | 3.72 | 1.37 |
| The import documentation personnel are efficient in documenting the import goods. | 11 (3.9%) | 36 (12.8%) | 11 (3.9%) | 87 (31%) | 136 (48.4%) | 4.07 | 1.18 |
| The time taken to document import goods is reasonable | 13 (4.6%) | 45 (16%) | 18 (6.4%) | 116 (41.3%) | 89 (31.7%) | 3.79 | 1.18 |
| The import documents are readily available at the import export entry points. | 26 (9.3%) | 11 (3.9%) | 75 (26.7%) | 111 (39.5%) | 58 (20.6%) | 3.58 | 1.14 |
| Through documentation and procedure, I'm able to maintain a procedures manual to ensure compliance with | 32 (11.4%) | 18 (6.4%) | 27 (9.6%) | 71 (25.3%) | 133 (47.3%) | 3.91 | 1.36 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| all customs laws and record-keeping requirements | | | | | | | |
| There are several import documents required during import process which makes the whole import trade tedious | 32 (11.4%) | 5 (1.8%) | 50 (17.8%) | 109 (38.8%) | 85 (30.2%) | 3.75 | 1.23 |

**Source: Research Data (2023)**

The results showed that majority of the respondents who were 196(69.7%) agreed with the statement that there exist clear documentation steps for import goods (mean=3.72, std.dev=1.37). This implied that documentation was required during importation of goods in Kenya. Further results showed that majority of the respondents who were 224(79.4%) agreed with the statement that import documentation personnel were efficient in documenting the import goods (mean=4.07, std.dev=1.18). This implied that the personnel for doing documentation of goods in Kenya efficient in conducting the process. In addition, results showed that the majority of the respondents who were 205(73.0%) agreed with the statement that the time taken to document import goods is reasonable (mean=3.79, std.dev=1.18). This implied that the there was no time wastage during the documentation process.

Further results showed that the majority of the respondents who were 169(60.1%) agreed with the statement that the import documents are readily available at the import export entry points (mean=3.58, std.dev=1.14). This implied that the documentation of import documents was done in an effective manner. In addition, results showed that majority of the respondents who were 204(72.6%) agreed with the statement that they were able to maintain a procedures manual to ensure compliance with all customs laws and record-keeping requirements (mean=3.91,

std.dev=1.36). This implied that the small-scale traders kept manual procedure of the documentation process. In addition, results showed that the majority of the respondents who were 194(69.0%) agreed with the statement that there are several import documents required during import process which makes the whole import trade tedious (mean=3.75, std.dev=1.23). This implied that they documentation process of imports was very tedious to the small-scale traders.

### 4.5.4 Descriptive Analysis for Performance

To measure documentation, five questions were posed to the respondents in which they were to show the extent of disagreement or otherwise to the statements. The results were presented in Table 4.7.

**Table 4.7: Performance**

| Statement | Strongly disagree | disagree | Neutral | agree | strongly agree | Mean | Std.dev |
|---|---|---|---|---|---|---|---|
| My sales revenue has been gradually increasing year on | 34 (12.1%) | 0.00% | 10 (3.6%) | 51 (18.1%) | 186 (66.2%) | 4.26 | 1.31 |
| My profit margin has been increasing each financial year | 60 (21.4%) | 93 (33.1%) | 14 (5%) | 35 (12.5%) | 79% (28.1%) | 2.93 | 1.56 |
| My customer base has been increasing gradually | 25 (8.9%) | 10 (3.6%) | 16 (5.7%) | 54 (19.2%) | 176 (62.6%) | 4.23 | 1.26 |
| I have a larger market share than it has been previously | 30 (10.7%) | 5 (1.8%) | 23 (8.2%) | 70 (24.9%) | 153 (54.4%) | 4.11 | 1.29 |
| I have been experienced | 25 (8.9%) | 0.00% | 18 (6.4%) | 83 (29.5%) | 155 (55.2%) | 4.22 | 1.17 |

| | |
|---|---|
| growth in my business | |

**Source: Research Data (2023)**

The results showed that majority of the respondents who were 237(84.3%) agreed with the statement that their sales revenue had been gradually increasing year on there exist clear documentation steps for import goods (mean=3.72, std.dev=1.37). This implied that the sales of the small-scale traders in Gikomba market were increasing. In addition, results showed that majority of the respondents who were 153(54.5%) disagreed with the statement that their profit margin had been increasing each financial year (mean=2.93, std.dev=1.56). This implied that the profits of the small-scale traders in Gikomba market were increasing. Further results showed majority of the respondents who were 230(81.8%) agreed with the statement that their customer base had been increasing gradually (mean=4.23, std.dev=1.26). This implied that the number of customers of the small-scale traders in Gikomba market was increasing. In addition, results showed that majority of the respondents who were 223(79.3%) agreed with the statement that they had a larger market share than it has been previously (mean=4.11, std.dev=1.29). This implied that the market share of the small-scale traders in Gikomba market was increasing. Further results showed majority of the respondents who were 230(81.8%) agreed with the statement that they had experienced growth in their business (mean=4.22, std.dev=1.17). This implied that the businesses of the small-scale traders in Gikomba market were expanding.

### 4.6 Correlation Analysis

Correlation analysis was conducted to determine the association between the independent variable (import licenses, quality control, documentation) and the dependent variable (performance). This was presented in Table 4.8.

**Table 4.8: Correlation Results**

| | | Performance | Import licenses | Quality control | Documentation |
|---|---|---|---|---|---|
| Performance | Pearson Correlation | 1 | | | |
| | Sig. (2-tailed) | | | | |
| Import licenses | Pearson Correlation | .766** | 1 | | |
| | Sig. (2-tailed) | 0.000 | | | |
| Quality control | Pearson Correlation | .791** | .758** | 1 | |
| | Sig. (2-tailed) | 0.000 | 0.000 | | |
| Documentation | Pearson Correlation | .770** | .760** | .763** | 1 |
| | Sig. (2-tailed) | 0.000 | 0.000 | 0.000 | |

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

**Source: Research Data (2023)**

Findings in Table 4.8 showed that import licenses had a positive and significant correlation with the performance of small- scale importers (r=0.766, p=0.000). This indicated that an increase in import licenses would also mean an increase in the performance of small scale importers as well. Further results showed that quality control had a positive and significant correlation with the performance of small- scale importers (r=0.791, p=0.000). Hence, if quality control goes up, the performance of small scale importers will also go up. In addition, results showed that documentation had a positive and significant correlation with the performance of small- scale importers (r=0.770, p=0.000). Therefore, with an increase in documentation and application of procedures, performance of small sale importers would similarly increase.

### 4.7 Regression Assumptions

The following regression assumptions were conducted.

#### 4.7.1 Normality

Kolmogorov-Smirnova was used in this study since the sample size was above 200.

**Table 4.9: Normality Test**

| | Kolmogorov-Smirnova | | |
|---|---|---|---|
| | **Statistic** | **df** | **Sig.** |
| Import licenses | 0.148 | 281 | 0.098 |
| Quality control | 0.194 | 281 | 0.089 |
| Documentation | 0.203 | 281 | 0.102 |
| Performance | 0.236 | 281 | 0.104 |

**Source: Research Data (2023)**

The results showed that import licenses, quality control, documentation and performance were normally distributed. This is because their p values were more than 0.05.

#### 4.7.2 Linearity Test

Linearity test was done using scatter plots. Linearity test for import license and performance of small- scale importers was presented in Figure 4.5 below.

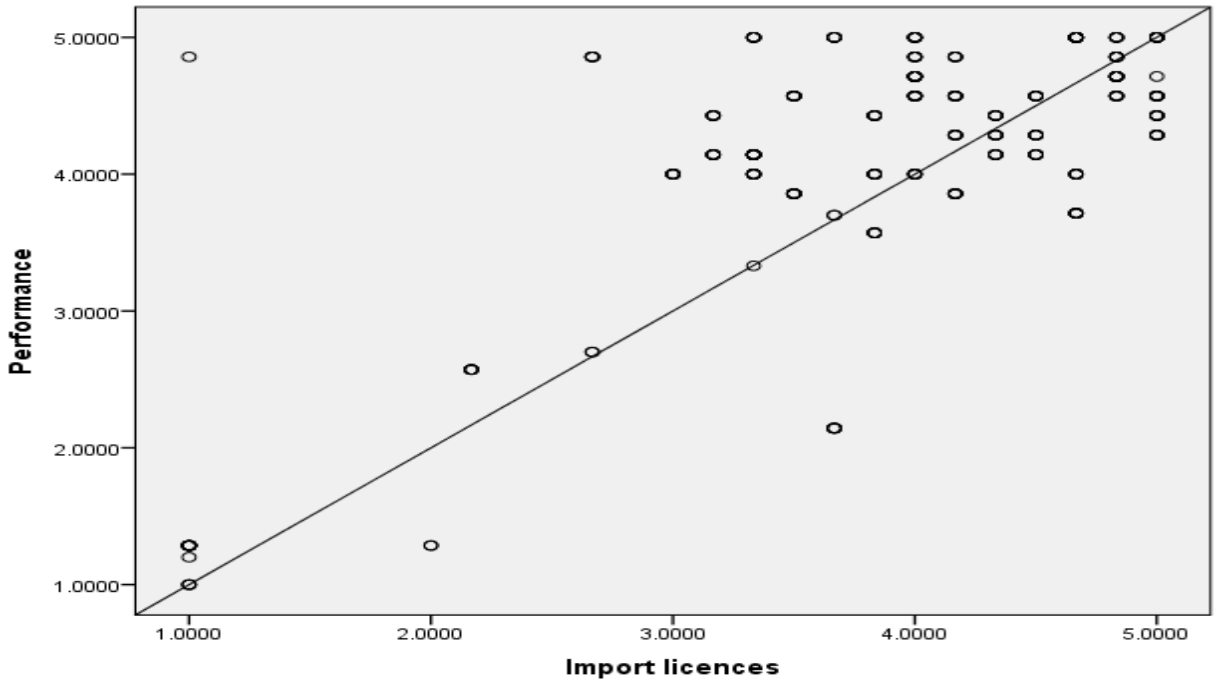


**Figure 4.5: Import licenses and Performance.**

**Source: Research Data (2023)**

Results showed that there was a positive linear relationship between import licenses and performance of small- scale importers.

Linearity test for quality control and performance of small- scale importers was presented in Figure 4.6 below.

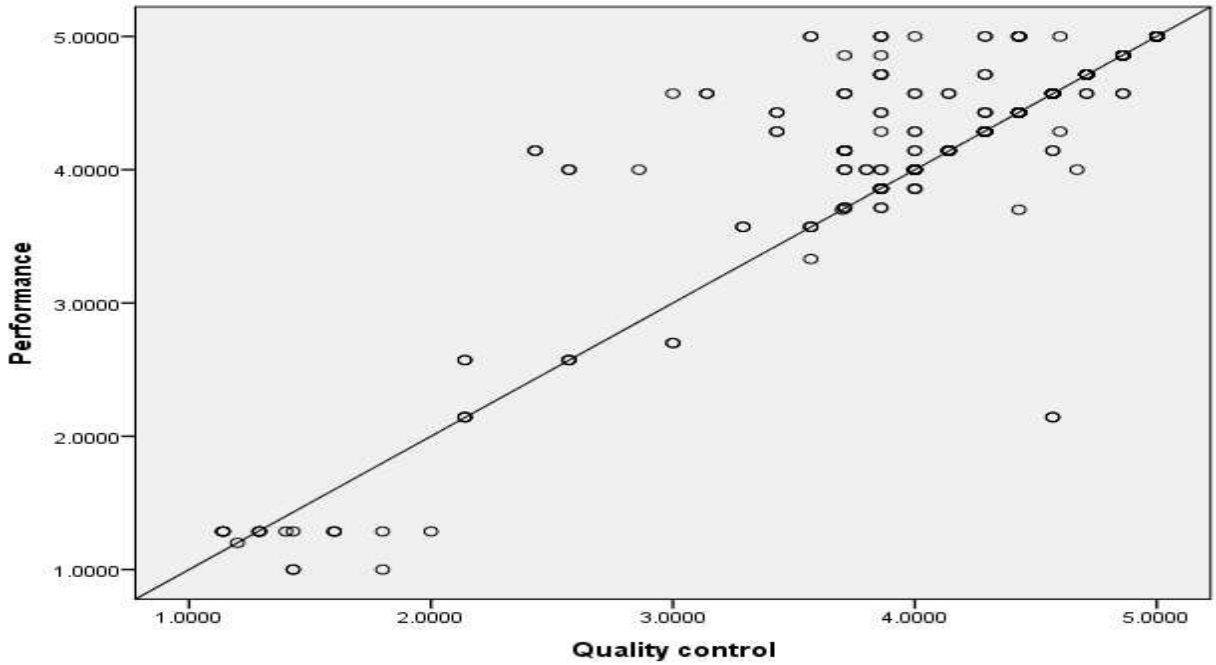


**Figure 4.6: Quality Control and Performance**

**Source: Research Data (2023)**

Results showed that there was a positive linear relationship between Quality Control and the performance of small- scale importers.

Linearity test for documentation and performance of small- scale importers was presented in Figure 4.7 below.

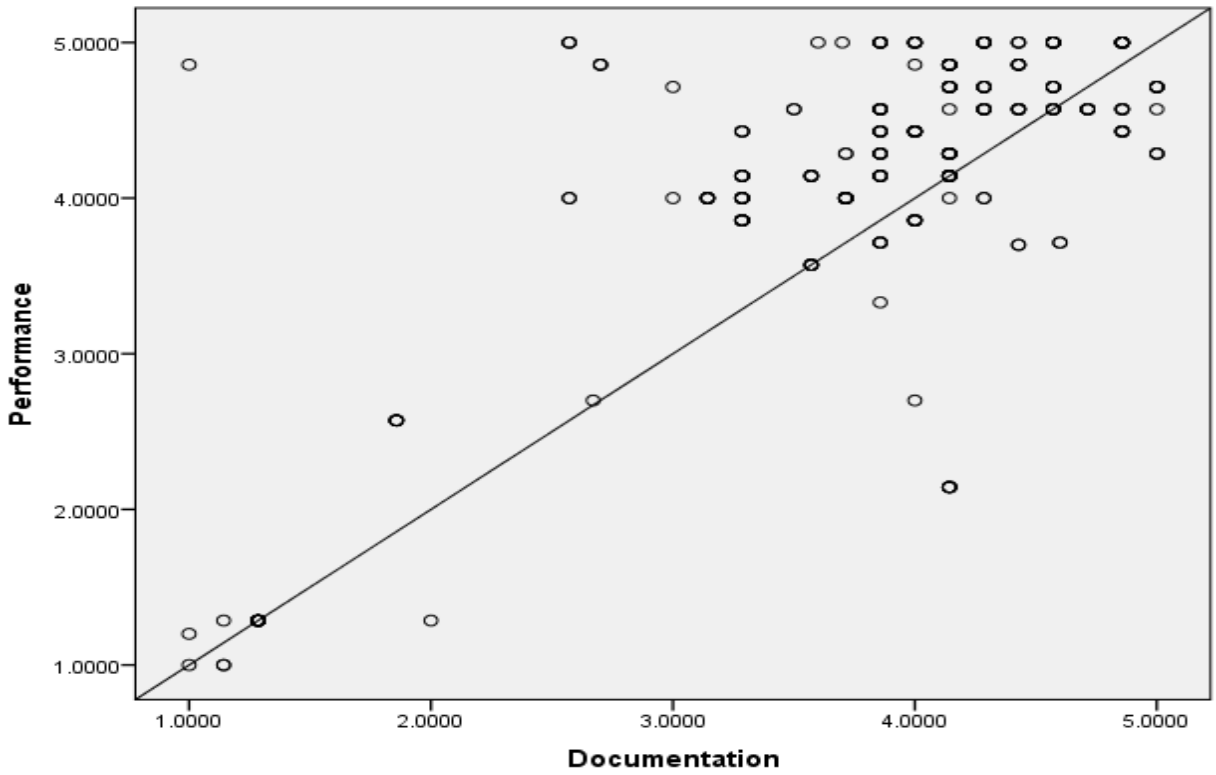


**Figure 4.7: Documentation and Performance**

**Source: Research Data (2023)**

Results showed that there was a positive linear relationship between documentation and performance of small- scale importers.

### 4.7.3 Multicollinearity Test

Multicollinearity assumptions states that independent variables should not be highly correlated to each other. Multicollinearity was tested in the study using variance inflation factor. results were presented in Table 4.12 below.

**Table 4.10: Multicollinearity Test**

| | Tolerance | VIF |
|---|---|---|
| Import licenses | 0.236 | 4.233 |
| Quality control | 0.378 | 2.649 |
| Documentation | 0.232 | 4.312 |
| | | 3.731 |

**Source: Research Data (2023)**

VIF values ranged from 2.649 (quality control) and 4.312 (documentation). The mean of the VIF was 3.731. This implied that there was no multicollinearity amongst the variables.

### 4.7.4 Heteroscedasticity Test

Leven test was used to conduct the heteroskedasticity. Results are shown in Table 4.11.

**Table 4.11: Test of Homogeneity of Variances**

| Variables | Levene's Statistic | df | df2 | Sig. | Comment |
|---|---|---|---|---|---|
| Import licenses | 15.194 | 16 | 264 | 0.076 | p>0.05 hence equal variance |
| Quality control | 16.379 | 30 | 250 | 0.051 | p>0.05 hence equal variance |
| Performance | 15.390 | 25 | 255 | 0.67 | p>0.05 hence equal variance |

**Source: Research Data (2023)**

From the results, P-values of Levene's test for homogeneity of variances were all greater than 0.05. The test therefore was not significant at $\alpha = 0.05$ confirming homogeneity.

## 4.8 Regression Analysis

Regression analysis was one of the inferential statistics used to show the relationship between independent and dependent variable. Regression results were presented in Table 4.12.

**Table 4.12: Model Fitness**

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|
| .904a | 0.817 | 0.815 | 0.42392 |

**Source: Research Data (2023)**

Results showed that the R was 0.904. This implies that non-tariff barriers had a strong correlation with performance of small- scale importers in Gikomba Market, Nairobi City County. In addition, the R square was 0.817. This infers that non-tariff barriers explain 81.7% of the variations in the dependent variable which was performance of small- scale importers. The remaining 18.3% variation in performance of small-scale importers could be explained by other barriers that were not estimated in this study. This may be studied in future studies.

To determine the non-tariff barriers as a predictor for performance of small- scale importers the ANOVA was computed. Table 4.13 provides the results on the analysis of the variance (ANOVA).

**Table 4.13: Analysis of Variance**

| | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 221.524 | 3 | 73.841 | 410.893 | .000b |
| Residual | 49.779 | 277 | 0.18 | | |
| Total | 271.303 | 280 | | | |

**Source: Research Data (2023)**

Table 4.13 indicated that non-tariff barriers were a good predictor of performance of small- scale importers as represented by an F statistic of 410.893 and the reported p value of 0.000, which was less than the conventional probability of 0.05 significance level. This implies that the non-tariff barriers have statistically significant effect on performance of small- scale importers at a 95% confidence level.

**Table 4.14: Regression of Coefficient**

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.24 | 0.115 | | 2.091 | 0.037 |
| Import licenses | 0.122 | 0.051 | 0.127 | 2.391 | 0.017 |
| Quality control | 0.725 | 0.044 | 0.696 | 16.609 | 0.000 |
| Documentation | 0.136 | 0.056 | 0.130 | 2.429 | 0.016 |

**Source: Research Data (2023)**

**Regression Equation**

$$Y = 0.24+0.127X_1 + 0.696X_2 + 0.130X_3+ \varepsilon$$

Y= Performance of small-scale importers

X1= Import licenses

X2= Quality control

X3= Documentation and procedures

ε = Error term

Results in Table 4.14 showed a constant coefficient of 0.24, and this implies that holding all independent variables at zero, performance of small-scale importers is 0.24.

Results indicated that import licenses had a positive and significant effect with performance of small- scale importers (r=0.127, p=0.017). This implied that if the application of import licenses is increased by ne unit, the performance of small-scale importers would also increase by 0.127 units. Further results showed that quality control had a positive and significant effect with performance of small- scale importers (r=0.696, p=0.000). This means that increase in quality control y one unit would lead to 0.696 units increase in the performance of small-scale importers.

In addition, results showed that documentation & procedures had a positive and significant effect with performance of small- scale importers (r=0.130, p=0.016). Therefore, increasing documentation and application of import procedures by one unit would lead to an increase in the performance of small-scale importers by 0.130 units.

### 4.9 Hypothesis Testing

The hypotheses were tested using multiple linear regressions Table 4.15

**Table 4.15: Summary of Research Findings**

| Research Objective | Hypothesis | Rule | p-value | Results of Hypothesis test |
|---|---|---|---|---|
| **Objective 1** To determine the effect of import licenses on performance of small-scale importers in Gikomba Market, Nairobi City County. | **Hypothesis 1** Import licenses has no significant effect on performance of small-scale importers in Gikomba Market, Nairobi City County. | Reject $H_0$ if p value <0.05 | P=0.017 | The null hypothesis was **rejected**. |
| **Objective 2** To examine the effect of quality control on performance of small-scale importers in Gikomba Market, Nairobi City Country | **Hypothesis 2** Quality control has no significant effect on performance of small-scale importers in Gikomba Market, Nairobi City Country | Reject $H_0$ if p value <0.05 | P=0.000 | The null hypothesis was **rejected.** |
| **Objective 3** To examine the effect of documentation and procedures on performance of small-scale importers in Gikomba Market, Nairobi City County | **Hypothesis 3** Documentation and procedures have no significant effect on performance of small-scale importers in Gikomba Market, Nairobi City County | Reject $H_0$ if p value <0.05 | P=0.016 | The null hypothesis was **rejected.** |

## 4.10 Discussion of Findings

### 4.10.1 Import Licenses and Performance of Small- Scale Importers

Correlation results showed that import licenses had a positive and significant correlation with the performance of small- scale importers (r=0.766, p=0.000). This implied that an improvement in import licensing would enhance performance of small- scale importers. Regression of coefficients showed that import licenses had a positive and significant effect with performance of small- scale importers (r=0.127, p=0.017). This implied that an improvement in import licensing by one unit would improve the performance of small- scale importers by 0.127 units. The study findings agreed with Anyonya (2018) whose findings indicated that delays in licensing and permit issuance, administrative requirements, conflicting policies, and regulations hindered trade within the East African community. The study findings also agreed with Min (2019) who established licensing related to drugs enhanced trade performance.

### 4.10.2 Quality Control and Performance of Small- Scale Importers

Correlation results showed that quality control had a positive and significant correlation with the performance of small- scale importers (r=0.891, p=0.000). This implied that an improvement in quality control would enhance the performance of small- scale importers. Regression results showed that quality control had a positive and significant effect on the performance of small- scale importers (r=0.696, p=0.000). This implied that an improvement in quality control by one unit would improve the performance of small- scale importers by 0.696 units. The study findings agreed with Min (2019) who established that conformity with product quality standards, as well as licensing related to drugs enhanced trade performance. The study findings further agreed with Baghdadi, et al. (2016) whose findings indicated a positive impact of quality inspection process on imports, productivity, labor costs and profitability.

### 4.10.3 Documentation and Performance of Small- Scale Importers

Correlation results showed that documentation & procedures had a positive and significant correlation with performance of small- scale importers (r=0.770, p=0.000). This implied that an improvement in documentation would enhance performance of small- scale importers. Regression results showed that documentation & procedures had a positive and significant effect with performance of small- scale importers (r=0.130, p=0.016). This implied that an improvement in documentation & procedures by one unit would improve performance of small- scale importers by 0.130 units. The study findings disagreed with Okute (2017) who found that documentation and procedures had a negative impact on performance of trade.

# CHAPTER FIVE

# SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

The purpose of this study was to investigate the effect of non-tariff barriers on performance of small- scale importers in Gikomba Market, Nairobi City County. This section presents the summary of the findings of the research. It further provides the conclusions and recommendations.

## 5.2 Summary of Findings

### 5.2.1 Import Licenses and Performance of Small-Scale Importers

The first objective of the study was to determine the effect of import licenses on performance of small-scale importers in Gikomba Market, Nairobi City County. The results showed that there were many license requirements needed to engage in import business like Declaration Forms, Customs declaration in Gikomba Market. The results further showed that procedures for applying import permits were tedious which delayed the import of business product in Gikomba Market. Further results showed that the presence of varying license permits across countries made it challenging to import business products from a wide variety of countries. In addition, results showed the types of import licenses required were often revised requiring us to reapply again. Further results showed that cost of licenses was way high which limits the profitability margin of the import business. Results also showed that there were frequent delays in licensing import documents resulted to extra unplanned charges.

Correlation analysis results revealed that import licenses had a positive and significant correlation with the performance of small- scale importers ($r=0.766$, $p=0.000$). The regression analysis results

also established that import licenses had a positive and significant effect with performance of small- scale importers (r=0.127, p=0.017). Hypothesis results showed that import licenses had a significant effect on performance of small- scale importers in Gikomba Market, Nairobi City County.

### 5.2.2 Quality Control and Performance of Small-Scale Importers

The second objective of the study was to examine the effect of quality control on performance of small-scale importers in Gikomba Market, Nairobi City Country. The results showed that quality control equipment was readily available every time they imported goods. Further results showed that the time taken to undertake quality control of the import goods was reasonable. In addition, results showed that there were well laid quality control guidelines laid for checking quality of import goods. Further results showed that the time taken to undertake quality control of the imported goods is reasonable. In addition, results showed that the quality control personnel are efficient and thus the imported goods are checked for quality and released within a reasonable time. Further results showed that the costs to undertake quality checks of imported goods were not affordable.

Results of correlation indicated that that quality control had a positive and significant correlation with the performance of small- scale importers (r=0.791, p=0.000). The regression analysis similarly revealed that quality control had a positive and significant effect with performance of small- scale importers (r=0.696, p=0.000). Hypothesis results showed that quality control had a significant effect on performance of small- scale importers in Gikomba Market, Nairobi City County.

### 5.2.3 Documentation and Procedures and Performance of Small-Scale Importers

The third objective was to examine the effect of documentation and procedures on performance of small-scale importers in Gikomba Market, Nairobi City County. The results showed that there existed clear documentation steps for import goods in Kenya. Further results showed that the time taken to document import goods was reasonable. Further results showed that the import documents were readily available at the import export entry points. In addition, results showed traders were able to maintain a procedures manual to ensure compliance with all customs laws and record-keeping requirements. In addition, results showed that there were several import documents required during the import process which makes the whole import trade tedious.

Correlation analysis revealed that documentation had a positive and significant correlation with the performance of small- scale importers (r=0.770, p=0.000). The results of regression also indicated that documentation & procedures had a positive and significant effect with performance of small- scale importers (r=0.130, p=0.016). Hypothesis results showed that documentation had a significant effect on performance of small- scale importers in Gikomba Market, Nairobi City County.

## 5.3 Conclusions

The study concluded that of import licenses had a positive and significant effect on performance of small-scale importers. In addition, the requirement of licenses while carrying out import business facilitates trade performance. Delays in the acquirement of licenses by the small scale importer caused the traders to incur extra unplanned charges. Further the presence of varying license permits across countries made it challenging to import business products from a wide variety of countries.

The study further concluded that of quality control had a positive and significant effect on performance of small-scale importers. Availability of quality control equipment during importation of goods was key to performance of the small-scale importers. Reasonable quality checks enhanced trade performance. Enhancement of quality control personnel helps to ensure that imported goods are checked for quality and released within a reasonable time.

The study concluded that of documentation had a positive and significant effect on performance of small-scale importers. In addition, documentation and procedures are critical in the identification and recording to goods. Further, maintaining procedures manual is good for the small-scale traders to ensure compliance with all customs laws and record-keeping requirements. Taking reasonable time during documentation process enhanced performance of small-scale importers.

## 5.4 Recommendations

This section contains the recommendations of the study.

### 5.4.1 Recommendations on Study Results

The government should ensure the small scale importers have all the necessary licenses. The government should also make sure that the process of applying for the licenses is not tedious so as not to cause delay in the import of business products for the small scale traders. The ministry of industrialization, trade and enterprise development should avoid frequent changes of the licenses so as not to cause a lot of extra charges to the small scale importers in Kenya.

The government through the ministry of industrialization, trade and enterprise development should ensure quality control equipment is always available every time there is importation of goods. In addition, it must ensure that the product to be imported meet the accredited quality standards. The

quality checks of the imported goods should also be reasonable and not unrealistic. In addition, the costs to undertake quality checks of imported goods should be made affordable to the small scale importers.

The government should also make sure the importing businesses have import documents with them at the import export entry points. The importing businesses should have a manual of procedures for documentation in their imports departments. The ministry of industrialization, trade and enterprise development should ensure that the documentation process for the small scale traders is not tedious.

### 5.4.2 Implications on Policy and Practice

The policy makers should make sure that the licenses for import and export of goods are simple, transparent, and predictable so as not to become an obstacle to trade. Government should avoid the use of instruments that restrict trade and investment more than is needed to fulfil legitimate nontrade objectives either by design or in their implementation.

The government and policy makers in the trade ministry ought to ensure quality of conformity assessment procedures to make them trade facilitators as opposed to bureaucratic harassment. In addition, the government should avoid non-discrimination. Similar products and services should be charged the same importation fee.

The policymakers ought to ensure there are very clear documentation steps for the importation of goods. The government should also minimize paperwork and instead adopt ICT in the documentation process. This will minimize delays of the documentation process. The government also ought to create awareness to the small-scale traders on the documents that are required during importation and exportation of goods.

### 5.4.3 Contributions to Theory

The study adds to Customs Union Theory. Though the theory shows the need for non-tariff barriers, the theory is not clear on the specific non-tariff barriers that should be removed. In addition, this study adds to this theory by further outlining the link of the non-tariff barriers to the performance of trade which was ignored in this theory.

The theory also adds to Ricardian theory of Free trade. The study indicates how trade can be enhanced. Though the theory indicated the importance of trade it did not show how trade can be enhanced. From this study, enhancement of import licenses, quality control, documentation and procedures would improve trade performance.

The balance score card outlined the measures of performance. However, measures such as sales revenue and customer base were left out in the model. This study will therefore add to the measures of performance.

## 5.5 Recommendations for Further Research

This study investigated the effect of non-tariff barriers on performance of small- scale importers in Gikomba Market, Nairobi City County. The study therefore focused on Gikomba market only. Further studies can focus on other studies markets in Kenya such as city market, Muthurwa market, Ngara market. Further study should also be done on other non-tariff barriers such as quotas, embargoes that are not covered in this study.

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# APPENDICES

## Appendix I: Introduction Letter

……..

Moi University,

P.O……,

Eldoret.

Dear Sir/ Madam,

**Re: Request for Participation in Research**

I am a student at Moi University pursuing master's degree in tax and customs administration. I am currently conducting a research to determine the effect of non-tariff barriers on performance of small- scale importers in Gikomba Market, Nairobi County. The attached questionnaire is aimed at collecting information that will be useful in the above-mentioned research area as part of the MBA degree requirements. Please note that the information gathered is strictly for academic purposes only and will be treated with the utmost confidentiality.

Your cooperation will be highly appreciated.

Yours Sincerely,

……..

……..

**Appendix II: Questionnaire**

This questionnaire is aimed at collecting data to determine the effect of non-tariff barriers on performance of registered small- scale importers in Gikomba Market, Nairobi County. The data will be used for academic purposes only, and will be treated with strict confidence. You are requested to participate in the study by providing answers to the items in the sections as indicated.

**INSTRUCTIONS**

Kindly fill your response in the space provided or tick (√) as appropriate. All the information provided here will be considered private and confidential for the purpose of this research ONLY.

**SECTION A: DEMOGRAPHIC INFORMATION**

1. Gender;

Male [ ] Female[ ]

2. Age;

Less than 25 years [ ] 26 – 35 years [ ]

36 – 45 years [ ] Over 46 years [ ]

3. Size of the import enterprise in terms of workforce;

Less than 5 employees [ ] 6 – 10 employees [ ]

11 – 15 employees [ ] 16 – 20 employees [ ]

Over 20 employees [ ]

4. Ownership registration.

Sole proprietorship [ ] Partnership [ ]

Limited company [ ]

5. What is the approximated annual revenue from this import business?

Less than Ksh. 1 million [ ] Ksh.1-2 million [ ]

Ksh.2-3 million [ ] Ksh.3-4million [ ]

Ksh.4-5 million [ ] Over 5 million [ ]

**Section B: Import licenses**

By ticking (√) or marking in the box, indicate the level of agreement regarding the statements on import licences. Key: 1 as Strongly Disagree, 2 as Disagree, 3 as Neutral, 4 as Agree and 5 as Strongly Agree.

| No | Statement | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | There are many license requirements needed to engage in import business like Declaration Forms, Customs declaration | | | | | |
| 2 | The procedures for applying import permits is tedious which delays the import of business product | | | | | |
| 3 | The presence of varying license permits across countries makes it challenging to import business products from wide variety of countries | | | | | |
| 4 | The types of import licenses required are often revised requiring us to reapply again | | | | | |
| 5 | The cost of licenses are way high which limits the profitability margin of the import business. | | | | | |
| 6 | The frequent delays in licensing import documents results to extra unplanned charges. | | | | | |

**Section C: Quality control**

By ticking (√) or marking in the box, indicate the level of agreement regarding the statements on quality control. Key: 1 as Strongly Disagree, 2 as Disagree, 3 as Neutral, 4 as Agree and 5 as Strongly Agree.

| No | Statement | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | Quality control equipment are readily available every time I import goods | | | | | |
| 2 | The time taken to undertake quality control of the import goods is reasonable. | | | | | |
| 3 | There are well laid quality control guidelines laid for checking quality of import goods. | | | | | |
| 4 | The quality control personnel are efficient and thus the import goods are checked for quality and released within reasonable time | | | | | |
| 5 | The quality checks results are released within reasonable time | | | | | |
| 6 | The costs to undertake quality checks of imported goods are affordable. | | | | | |

**Section D: Documentation and Procedures**

By ticking (√) or marking in the box, indicate the level of agreement regarding the statements on documentation and procedures. Key: 1 as Strongly Disagree, 2 as Disagree, 3 as Neutral, 4 as Agree and 5 as Strongly Agree.

| No | Statement | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | There exist clear documentation steps for import goods. | | | | | |
| 2 | The import documentation personnel are efficient in documenting the import goods. | | | | | |
| 3 | The time taken to document import goods is reasonable | | | | | |
| 4 | The import documents are readily available at the import export entry points. | | | | | |
| 5 | Through documentation and procedure, I'm able to maintain a procedures manual to ensure compliance with all customs laws and record-keeping requirements | | | | | |
| 6 | There are several import documents required during import process which makes the whole import trade tedious | | | | | |

**Section E: Performance of small- scale importers**

By ticking (√) or marking in the box, indicate the level of agreement regarding the performance of small-scale importers. Key: 1 as very low, 2 as low, 3 as moderate, 4 as high and 5 as very high.

| No | Statement | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 | My sales revenue has been gradually increasing year on | | | | | |
| 2 | My profit margin has been increasing each financial year | | | | | |
| 3 | My customer base has been increasing gradually | | | | | |
| 4 | I have a larger market share than it has been previously | | | | | |

| No | Statement | Strongly disagree | Disagree | Neutral | Agree | Strongly agree |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| 5 | I have been experienced growth in my business | | | | | |

## Appendix III: Authorization Letter from Moi University

KENYA REVENUE AUTHORITY

ISO 9001:2015 CERTIFIED

PUBLIC

KENYA SCHOOL OF REVENUE ADMINISTRATION

REF: KESRA/NBI/036

18th January 2023

TO: WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: REQUEST FOR ASSISTANCE TO EDWIN KIPKORIR RONO OF REGISTRATION NO.: KESRA105/0026/2017 UNDERTAKING MASTERS AT KESRA

This is to confirm that the above named is a student at Kenya School of Revenue Administration (KESRA) Nairobi Campus pursuing Masters in Tax and Customs Administration.

The named student is undertaking Research on TOPIC: *"Effect of non tariff barriers on performance of registered small scale traders at Gikomba market."*

The purpose of this letter is to request for your kind facilitation in enabling the student progress in his research project by allowing access to any relevant information and/or conduct interviews, which are relevant to the project.

Your support to the student in this regard will be highly appreciated.

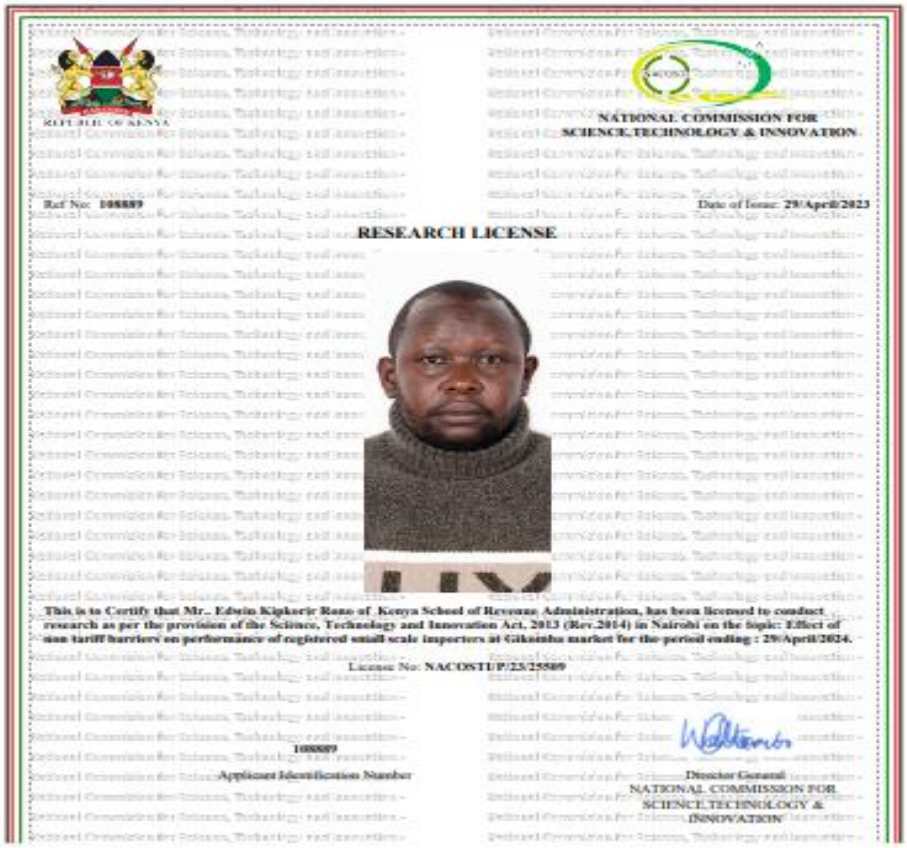
Thank you.

DEAN OF STUDIES
18 JAN 2023
ACADEMIC AFFAIRS

**Tomacrine Masira**
**Manager Academic Research,**
**KESRA**

*Tulipe Ushuru, Tujitegemee!*

## Appendix IV: Research Permit



REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 108889

Date of Issue: 29/April/2023

RESEARCH LICENSE

This is to Certify that Mr.. Edwin Kipkorir Rono of Kenya School of Revenue Administration, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Effect of non tariff barriers on performance of registered small scale importers at Gikomba market for the period ending : 29/April/2024.

License No: NACOSTI/P/23/25589

108889

Applicant Identification Number

Director General

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION