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ABSTRACT

Regulations on logistics are not transparent to the service providers and often times spread across multiple sectors. In Kenya for instance, regulation of the logistic service sector falls both under the ministry of Finance through the Kenya Revenue Authority and the Ministry of Transport through the National Transport and Safety Authority. As a result of this institutional fragmentation seen in different agencies and ministries, there is less transparency especially on compliance terms and regulations which make it difficult for the team on logistics to offer door-to-door services that are integrated in such control circumstances. The study objectives were to determine the effect of self-regulation on logistics service delivery industry in Kenya and establish the effect of compliance with the code of conduct on logistics service delivery industry in Kenya. The study was conducted in Kenya's clearing and forwarding industry on a sample population of 950 staff. The study used descriptive research design. Research instruments were subjected for test of validity by use of pilot test, review and judgement from experts. The test-retest method was adopted to determine reliability. Use of semi-structured questionnaires was employed for data collection and analysis done through qualitative and quantitative means. Measures of percentages and frequencies analysis captured quantitative data. For qualitative data, thematic analysis was considered. Results demonstrated that the frequency of logistics service industry training is undertaken more than once annually. It was noted that a majority of respondents believed that lack of uniform regulations for all the government agencies causes delays in the logistics service industry. The study concluded that self-regulation and accreditation are sustainable models of regulation and best alternatives to revive and develop the industry because it will ease compliance enforcement and monitoring. The study recommended the implementation of self-regulation and a defined frequency and quality of training of key stakeholders and agents in the logistics service industry in Kenya to keep them up to date and improve the know-how of its work force.

Key Words: Logistic Service Delivery, Self-regulation and Regulatory Practices

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INTRODUCTION

Globally, self-regulation in the logistics services industry is not a new concept. In Singapore for instance, there is a voluntary self-regulatory body known as the Singapore Logistics Association (SLA) that draws its membership from organizations that fulfil its membership criteria. The SLA contributes to making logistic sector more professional within the logistics industry by adopting manuals that define best practices for the logistics industry. On its part, the body mandated to ensure quality standards in the industry is the SLA (Quindimil, 2017).

For quite some time, despite the European profession being regulated by a uniform European Customs Brokers Code of Conduct which was instituted by CONFIAD not all custom brokers have adopted it (Gwardzińska, 2014). CONFIAD Pan European Network was founded with the main purpose of coordination of professional interests and defence of members' interests, harmonizing the legislation and regulating the customs professional regulations at European level. In its Preamble, the Code sets its aim as setting "business ethics" procedures for customs brokers, coming up with values, rules and principles of behaviour in order to attain high professional conducts and perform their duties well while protecting the rights of customers and the financial interests of the state and revenues.

In Kenya, The Economic Pillar as set out in the Vision 2030 remains pivotal to the attainment of county's goal of 10% Gross Domestic Product (GDP) growth. Critically, the Economic Pillar considers manufacturing as a great sector among the six priority areas which jointly account for 57% of the country's GDP. However, according to the Vision 2030, the greatest challenge to the manufacturing industry in Kenya is the inefficient flow of goods and services compounded by challenges experienced in logistical and local transport section (Kenya Vision, 2030). The Kenya Association of Manufacturers (KAM) identifies logistics as a cross-cutting challenge in the Textile and Apparel Sector; Timber, Wood and Furniture Sector; Energy, Electrical and

Electronics Sector; Chemical and Allied Sector and the Small and Medium Enterprise Sector (KAM, 2018).

Statement of the Problem

Regulations on logistics are not transparent to the service providers and often times spread across multiple sectors. In Kenya for instance, regulation of the logistic service sector falls both under the ministry of Finance through the Kenya Revenue Authority and the Ministry of Transport through the National Transport and Safety Authority. As a result of this institutional fragmentation seen in different agencies and ministries, there is less transparency especially on compliance terms and regulations which make it difficult for the team on logistics to offer door-to-door services that are integrated in such control circumstances (Kunaka et al. (2013).

Away from the multi-sectoral problems, national prioritization is key in implementing domestic policies and international transport agreements that includes regimes on transit. Taxes obtained from the movement of goods internationally create a good share of national revenue especially in developing countries thus these countries are keen on regulating international transport services. There are several options used by policy makers using their political power to decide on agreements that relate to transport. In case of high political turnover in governments this affects the priorities on policy in some countries (Watanuki, 2015). Kenya's clearing and forwarding industry much like the other East African Community member states is characterised by fragmentation of the legal and regulatory environment. Despite the introduction of the Common External Tariff, little has been done by way of harmonisation of law and practice across the region. This has meant that practitioners in the industry have been required to understand how each country's law are applied to importation or exportation of cargo (Business Daily, 2017).

Although various studies document the challenges in the logistics services industry, the proposals forwarded to address these challenges centre on improvement of infrastructure and simplification of

procedural complexities. There is however, limited material documenting the effect of the regulatory framework with regard to improving service delivery within the industry. This study, amongst other objectives, aimed at highlighting how changes to the regulatory framework could play a significant part in achieving not only the Big Four Agenda, but also a timely delivery of the Vision 2030.

LITERATURE REVIEW

Empirical Review

Self-regulation and logistics service delivery

According to Watanuki (2015), there are countries such as China and Indonesia where the industry is state regulated and others such as Singapore and India that are self-regulated. From Singapore, rules and regulations has fronted low requirement for market entry. As per Buhari (2014), companies and citizens daily lives in Europe's markets are centrally dependent on logistics. The policy on logistics in Europe allows for an environment where the companies that deal with transport are able to conduct their businesses in an efficient manner for them to grow and be innovative for Europe to be competitive in the global arena and also the adoption of legal and regulatory framework by the clearing and forwarding industry

Buhari et al. (2017), economic interests create opportunity for policy makers to take account when they allow foreigners to spur investment in their economy. Regulators try to protect certain sectors from the invasion by investors from foreign countries. Involving foreign countries in the operations of a country leads to economic development however, local business operators can be at a risk of losing their businesses. As per Watanuki, (2015) KRA has fulfilled the requirement for each member to publish information on: procedures, rates, fees, rules, laws and regulations, restrictions, penalties, procedure for appeal or review in a manner that is accessed easily which does not discriminate to allow traders, the government and other parties that are interested to be made familiar to them

Compliance with the code of conduct and logistics service delivery

Muthaka et.al (2004), opines that a breach in policies and codes of conduct may lead to punishment through suspension from practice or payment of fines. This has been the practise as far as regulation of professionals such as lawyers, doctors and nurses, engineers, accountants and others, is concerned. According to Watanuki (2015), constitutional regulations provide a basis to establish rules or orders to be enforced by governments. For an industry, it is the voluntary will of the association partners and firms to make sure measures that benefit other members of the association to grow the industry at large is seen as industry self-regulation. Government regulation as well entails the registration of an entity to enable it to conduct business and granting of license against the suitability of an applicant (UNESCAP, 2011).

According to Shen et. al (2014), examining Article 7 of the Agreement on Trade Facilitation which provides for the Release and Clearance of Goods is critical in assessing the international framework in regulation of the logistics industry. Paragraph 7 of the Article elaborates on the Facilitation Measures for Authorized Operators. There are various parameters that allow one to be considered an authorized operator, these includes, having a record of compliance with laws and regulations at the customs; having a system that enables internal record controls to be done; providing enough security and guarantee thus achieving financial solvency; and having security in the supply chain.

In Kenya, the challenge of inefficiency continues to plague the logistics services industry. A report by the World Bank in 2005 highlighted the following challenges: manual customs operations; not keeping pace with shipping and trading community needs at Mombasa port; collapse of Kenyan Railways leaving the freight market to the road sector; backlog in road infrastructure; and border transit and crossing procedures having a constrain. Today, these challenges still persist in one form or

another despite efforts to address them (Watanuki, 2015).

Theoretical Review

Stakeholder Theory

The Stakeholder Theory of overall organisational management and business principles, which addresses values and morals in managing the organization, was first documented by R. Edward Freeman in 1984. His award-winning book *Strategic Management: A Stakeholder Approach* recognises and designs the groups a company's stakeholders, as well as describing and recommending methodologies for management to consider those groups' interests.

Stakeholder Theory is a way of looking at capitalist system that emphasizes the interrelated correlations between a business and its consumers, suppliers, employees, investors, communities, and other stakeholders. According to the theory, a company could perhaps generate value for all

stakeholders, not just shareholders. Numerous scholars have used the theory as a foundation for further research and development in their research and authored work, and it has become a key consideration in the study of business ethics.

METHODOLOGY

The study used descriptive research design. The study was conducted in Kenya's clearing and forwarding industry on a sample population of 950 staff. Research instruments were subjected for test of validity by use of pilot test, review and judgement from experts. The test-retest method was adopted to determine reliability. Use of semi-structured questionnaires was employed for data collection and analysis done through qualitative and quantitative means. Measures of percentages and frequencies analysis captured quantitative data. For qualitative data, thematic analysis was considered. The study population was 950 and included trade organizations representing industry players.

Table 1: Target Population

Respondents	Frequency
KAA Officials	10
KRA Officials	30
KPA Officials	20
NTSA Officials	10
Clearing and Forwarding Agents	860
Industry Trade Unions	10
Total	950

For the right respondents to be picked for the study, the sample was chosen using purposive sampling. This sampling procedure is chosen to ensure that the participants of the study are individuals who have the necessary knowledge and expertise needed concerning the subject of study and are also willing to participate in the study. The purposive selection of respondents was on the basis that they are officials or employees of government authorities directly involved in the clearing and forwarding process, officials or employees of the companies involved in clearing and forwarding

industry and officials of industry trade unions. The respondents are deemed to have relevant experience in the logistics service industry hence they would provide information that was useful and reliable for the study purposes. A sample of 95 respondents was used by the researcher. This is a manageable number and present a fair representation of the entire study population. According to Mugenda and Mugenda (2003), a 10% of the targeted population is fair sample to represent a study population of a study.

Table 2: Sample Size

Respondents	Frequency	Ratio	Sample
KAA Handling Officials	10	0.1	1
KRA Customs Officials	30	0.1	3
KPA Handling Officials	20	0.1	2
NTSA Licensing Officials	20	0.1	2
Customs Agents	860	0.1	86
Industry Trade Union Officials	10	0.1	1
Total	950		95

Source: (KRA)

Data collection techniques

In this study, the researcher had an analysis of primary as well as secondary data. To allow for collection of primary data, the researcher used questionnaires and an interview guide for the same. The questionnaire generated contained open together with close-ended questions to help the researcher garner qualitative data at the same time that of quantitative nature. A high degree of data standardization is possible when using questionnaires, since they are faster and affordable to administer. According to (Kombo & Tromp, 2006), the best way to get a self-report on the opinions people have, their attitudes, values and beliefs is using a self-administered questionnaire. The use of face to face interviews was used for officials as they have various responsibilities in the clearing and forwarding process.

To supplement the data collected using questionnaires and interviews, the researcher used publicly available data from websites and

institutional publications documenting information on logistics services.

Data garnered of quantitative nature was programmed and analysed using Statistical Program for Social Sciences (SPSS) Version 26. A research design descriptive in approach was adopted to describe phenomenon of interest at a specific point in time. SPSS analysed frequencies of variables and their descriptive statistics were presented as percentages by use of graphs and pie charts.

FINDINGS AND DISCUSSION

Self-regulation and logistics service delivery

Of the sample population interviewed, 64.7% strongly agreed that with self-regulation compliance was easier to monitor and enforce, 23.5% agreed while 11.8% disagreed as shown in Figure 1.

With self-regulation compliance will be easier to monitor and enforce

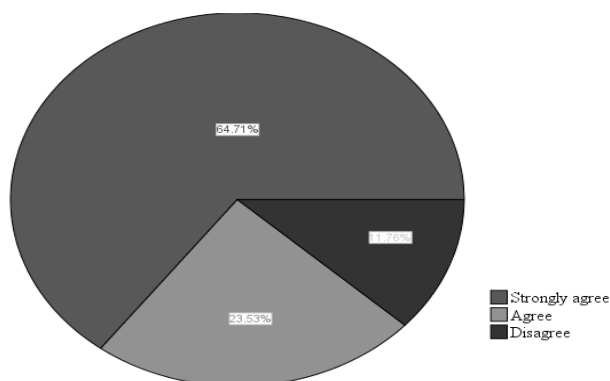


Figure 1: With self-regulation compliance will be easier to monitor and enforce

Self-regulatory, legally ethical binding codes and professional conduct are effective. It was noted that respondents who strongly agreed that self-regulatory, legally ethical binding codes and

professional conduct are effective were 67.6%, while respondents who agreed were 20.6%, respondents who disagreed and unsure were 8.8% and 2.9% respectively as shown in Figure 2.

Self regulatory, legally ethical binding codes and professional conduct are effective

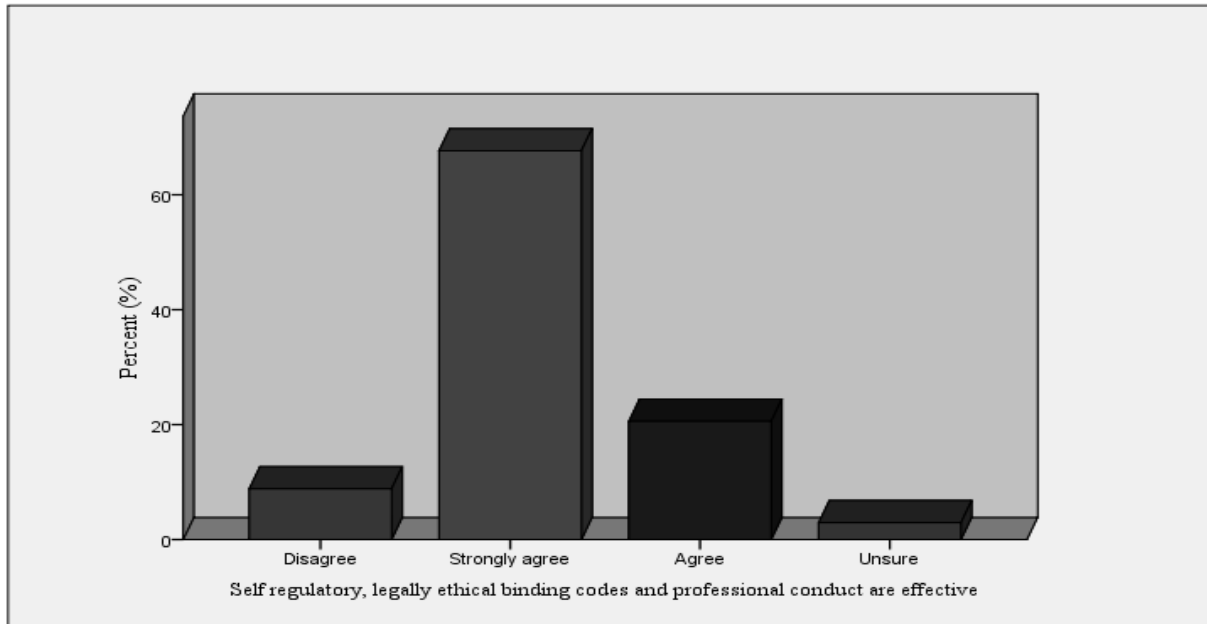


Figure 2: Self-regulatory, legally ethical binding codes and professional conduct are effective

The findings on investigation of self-regulation as a sustainable model of regulating the clearing and forwarding industry in Kenya show that 76.5% of

the respondents strongly agreed, 17.6% agreed while 5.9% disagreed as evident in Figure 3.

Self regulation is a sustainable model of regulating the clearing and forwarding industry in Kenya

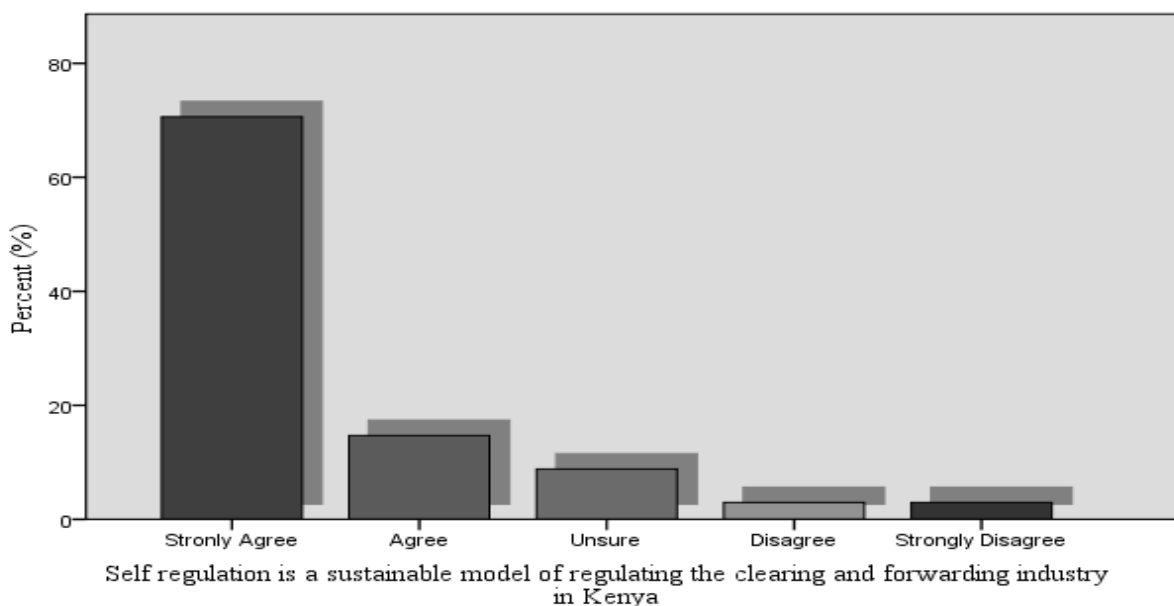


Figure 3: Self-regulation is a sustainable model of regulating the clearing and forwarding industry in Kenya

The study endeavored to establish the benefits of self-regulation. The findings show that majority of respondents in the logistics service industry at

88.2% agreed that self-regulation will enhance professionalism while a small percentage at 11.8% negated as shown in Figure 4.

Self regulation will enhance professionalism

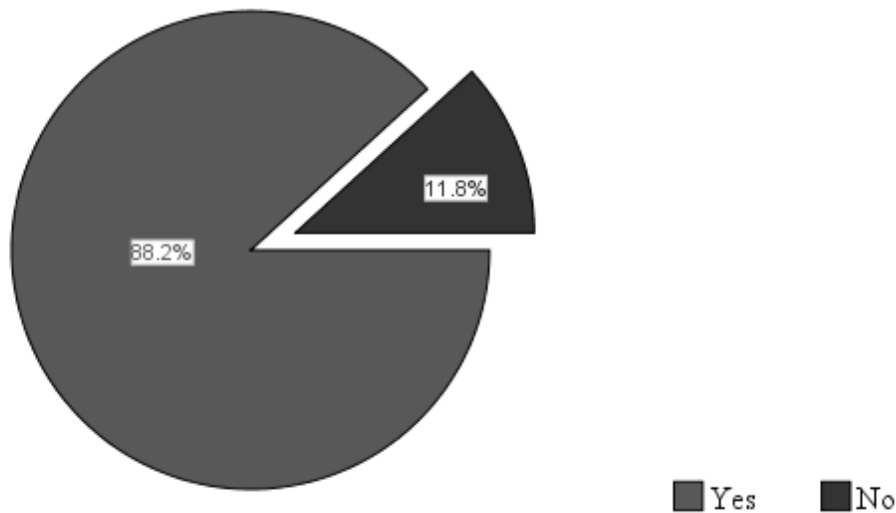


Figure 4: Self-regulation will enhance Professionalism

It was evidenced that self-regulation will enhance compliance hence boosting revenues for both customs and agents. Respondents who agreed that self-regulation will enhance compliance hence boosting revenues for both customs and agents

stood at 91.2% while those with contrary opinion stood at 8.8% as shown in Figure 5. The findings depict that majority of respondents agree that the current regulatory framework has enhanced revenue collection for both of customs and agents.

Compliance with the code of conduct and logistics service delivery

Self regulatory, legally ethical binding codes and professional conduct are effective

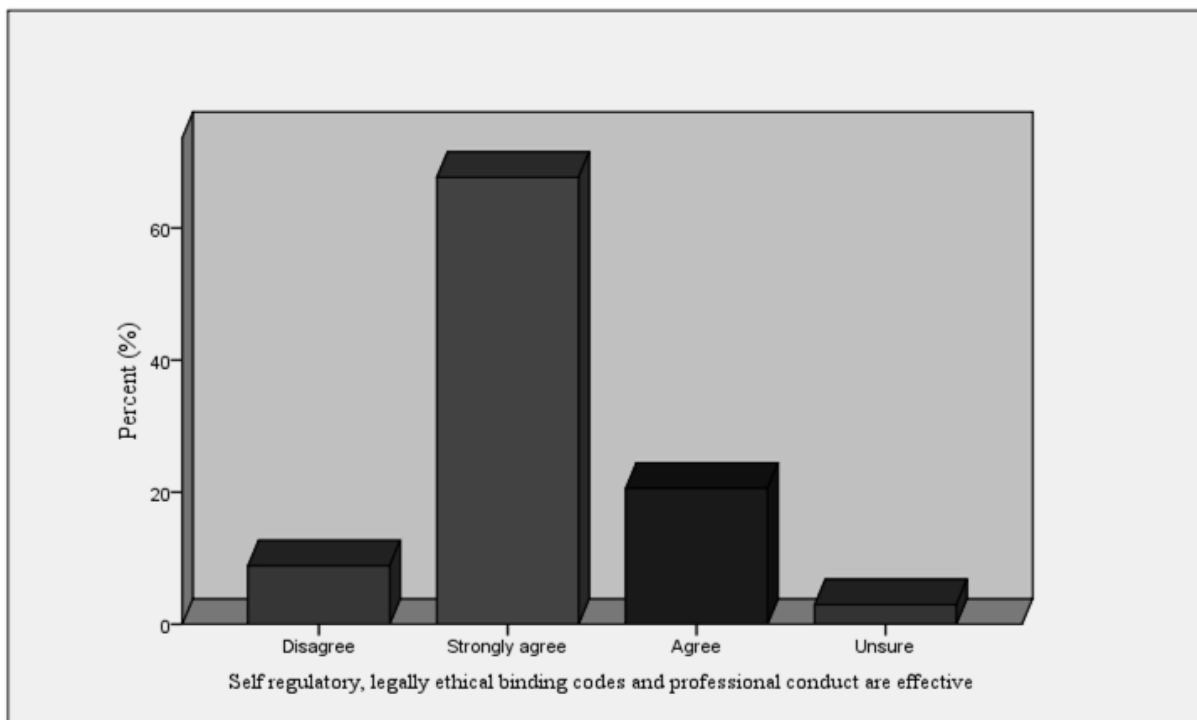


Figure 5: Compliance with the code of conduct and logistics service delivery

Self-regulatory, legally ethical binding codes and professional conduct are effective. It was noted that respondents who strongly agreed that self-regulatory, legally ethical binding codes and professional conduct are effective were 67.6%, while respondents who agreed were 20.6%, respondents who disagreed and unsure were 8.8% and 2.9% respectively. It was evidenced that self-regulation will enhance compliance hence boosting revenues for both customs and agents. Respondents who agreed that self-regulation will enhance compliance hence boosting revenues for both customs and agents stood at 91.2% while those with contrary opinion stood at 8.8%. The findings depict that majority of respondents agree that the current regulatory framework has enhanced revenue collection for both of customs and agents.

CONCLUSION AND RECOMMENDATIONS

This study examined the regulatory challenges within the clearing and forwarding industry and provides policy makers and other stakeholders in logistics services with useful information upon the decision on how to approach the regulatory puzzle. Existing regulatory practices in the Kenya's clearing and forwarding industry is fragmented and poses tough challenges with its shortcomings that render development stagnation in the industry. This in return lowers the economic growth of the country. There is neither development nor growth in the Kenya's clearing and forwarding industry due to inadequate trainings, lack of uniformity in regulations among all government agencies, lack of proper vetting of clearing agents, duplication and too many bureaucracies among partner government agencies and non-payment of customs.

Self-regulation and accreditation are sustainable models of regulation and best alternatives to revive

and develop the industry because it will ease compliance enforcement and monitoring, enhance efficiency by minimizing clearance time and make it easier to deal with rogue agents. Adopting international industry practice will result to more economic opening and growth, than each East African member community independently determining its own regulatory model to follow. The study results and findings evidently imply that it is beneficial for Kenya's clearing and forwarding industry, to implement self-regulation and accreditation and adopt international industry practice. Kenya should increase the frequency and quality of training to its agents to keep them up to date and improve the know-how of its work force.

Firstly, That Kenya's clearing and forwarding industry to adopt self-regulation to enhance professionalism, boost revenues collection for both customs and agents, make dealing with rogue agents will be easier, will harmonize the sectors regulations, proper vetting of the forwarding and clearing agents. Secondly, That the Government of Kenya to legislate Kenya's clearing and forwarding industry laws that avoid duplication and too many bureaucracies among partner government agencies. Lastly, Self-regulation and accreditation of Kenya's clearing and forwarding industry should be entrenched in law as the viable alternatives for addressing major breaches of conduct in the industry.

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