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EFFECT OF MANUFACTURING UNDER BOND ON CUSTOMS DUTY COMPLIANCE AMONG AUTOMOBILE EXPORTERS ON SELECTED COUNTIES IN KENYA

Karugo, Joseph Kamau[1], Dr. Bruce Ogaga[2]

[1,2]Department of Accounting and Finance, School of Business, Economics and Tourism, Kenyatta University, Kenya

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Abstract: **The strong performance of exports is frequently regarded as a vital catalyst for economic growth. Effective domestic export compliance typically depends on the existence of competitive industries capable of producing goods and services that align with international standards and consumer demands. In order to cultivate a competitive sector, Kenya has implemented several duty relief programs aimed at supporting the sustainability of automobile companies. Therefore, this study investigated the effect of manufacturing under bond on customs duty compliance among automobile exporters on selected counties in Kenya. This research utilized an explanatory research design. The study population consisted of 48 assembling and manufacturing industries located in Nairobi City County, Kiambu County, Machakos County, and Nakuru County in Kenya. The target respondent group comprised 288 individuals, which corresponded to the number of questionnaires distributed. Out of these, 220 questionnaires were accurately completed and returned, yielding a response rate of 76%. A structured questionnaire was employed to gather primary data from finance managers and senior managers within the finance and accounts departments. Descriptive statistics, including mean and standard deviation, were utilized, while inferential statistics encompassed correlation and regression analyses. The results were illustrated using graphs and pie charts. The study revealed that manufacturing under bond had a positive and significant effect on customs duty compliance, with a coefficient of β= 0.457 and a p-value of less than 0.05. The study concludes that the rise in manufacturing under bond has led to a significant enhancement in customs duty compliance among automobile exporters, demonstrating the success of this strategy in fostering regulatory adherence within the automotive export sector. The research recommends that the Kenya Revenue Authority, along with the Government, should develop policies that promote manufacturing aimed at exportation.**

Keywords: **Manufacturing under Bond, Custom duty compliance.**

1. INTRODUCTION

It is imperative for every government to ensure the economic, political, social, cultural, and general welfare of its citizenry. To effectively address these multifaceted challenges, governments engage in developmental initiatives, which are anticipated to culminate in robust economic growth (OECD 2019). The progressive dismantling of obstacles to the movement of global capital and trade, along with the heightened mobility of international corporations, has incited competition among nations for foreign direct investment, frequently facilitated through the provision of tax incentives (Morisset, 2021).

Tax incentives have been adopted by numerous nations primarily due to their comparatively minimal impact on fiscal revenues relative to general tax deductions; they also specifically target certain organizations that can yield enhanced value addition to the national economy (Jacques & Neda, 2019). Governments across the globe implement a plethora of tax incentives for diverse purposes. Less developed nations proffer tax incentives as a countermeasure to the adverse consequences arising from ineffective tax systems (Holland & Vann, 2022).

On a global scale, both China and Germany have astutely utilized governmental support and industrial policies to establish themselves as dominant global exporters across various sectors, encompassing manufacturing and technology (Krammer et al., 2019). Furthermore, a recent evaluation conducted by the World Trade Organization (WTO), as referenced by Beverelli, Neumueller, and Teh (2016), regarding the implications of the implementation of the WTO Trade Facilitation Agreement (TFA), reveals a favorable impact on a country's customs policy execution, with the most significant potential benefits anticipated for African enterprises (Beverelli et al., 2023). This phenomenon can be attributed to the fact that Africa exhibits the most rapidly growing economy concerning the formulation and implementation of policies that promote trade. Unquestionably, the WTO (2019) assesses that the foundation of trade assistance claims is expected to facilitate an increase of up to 16.7% in the volume of goods exported by sub-Saharan African nations and a rise of up to 14.1% in the number of export destinations per product. Consequently, tax relief enhances bilateral trade among business entities and simplifies the process for firms to expand their export activities (Alaamshani et al., 2020).

China's export sector has emerged as a crucial catalyst for its economic advancement, contributing significantly to job creation, technological progress, and foreign exchange earnings (Morrison, 2019). Governmental policies, including export promotion strategies, tax incentives, and infrastructure development, have been instrumental in cultivating a favorable environment for export-oriented industries to flourish. China's entry into the World Trade Organization (WTO) in 2001 further streamlined its integration into the global economy, allowing it to capitalize on its competitive advantages in manufacturing and to access international markets with greater efficacy.

Nigeria, recognized as the largest economy within the African continent, possesses substantial potential for exports, particularly within the oil and gas industry, which has consistently served as the cornerstone of its export-driven economy. Nonetheless, the excessive dependence on oil exports has rendered Nigeria susceptible to the volatility of international oil prices, highlighting the imperative for diversification strategies to enhance domestic export efficacy (Adeyemi, & Ogunrinola, 2020). In spite of this, the nation confronts a multitude of challenges that impede its export competitiveness, including insufficient infrastructure, bureaucratic impediments, trade restrictions, and security dilemmas. These barriers have significantly restricted the advancement of non-oil export sectors, thereby limiting Nigeria's capacity to fully leverage its export potential and attain sustainable economic development (Adegbite & Adegbite, 2021).

The South African government instituted the Motor Industry Development Program (MIDP) with the primary objective of augmenting the international competitiveness of entities within the South African automobile sector, fostering growth through exports, and stabilizing employment rates. To accomplish these objectives, a suite of export-oriented tax incentives was established, in conjunction with a reduction in import tariffs from 1995 to 2002. The MIDP is regarded by certain economists as a notable success in terms of export and industrial policy; however, it has also been contested in global trade discussions. Originally, the program was intended to operate for five years, yet it has been extended on three occasions and is now projected to conclude in 2035.

In Kenya, tax incentives manifest in several distinct forms, including investment allowances, tax holidays, tax credits, special economic zones, accelerated depreciation, tax exemptions, indirect tax incentives, and reductions in tax rates (IEA, 2012). The contemporary manufacturing sector has emerged as a conduit through which less developed nations can capitalize on globalization and thereby diminish the income disparity with developed nations. Nonetheless, manufacturing enterprises in Kenya have encountered performance-related challenges, which are evident in their reported year-end profits and the subsequent decline in their contributions to the nation’s GDP. Data from the Kenya National Bureau of Statistics (KNBS) indicates that the manufacturing sector's contribution to GDP diminished from 11.8% in 2011 to 8.4% in 2017 (KNBS, 2018).

Recent years have seen Kenya's customs duty performance exhibit promising growth, particularly in sectors such as horticulture, tea, coffee, and increasingly, the automotive industry. According to the Kenya National Bureau of Statistics (KNBS), the nation's export revenues have consistently risen, propelled by a diverse array of products and markets (Ruttoh, 2019). For instance, the automotive sector has emerged as a vital contributor to Kenya's export landscape, with government policies implemented to foster local production and enhance export levels. Initiatives such as the Automotive Industry Development Policy (AIDP) and investments in manufacturing infrastructure have been designed to bolster the sector's competitiveness and augment its share in global markets. Furthermore, Kenya's involvement in regional trade agreements, such as the East African Community (EAC) and the African Continental Free Trade Area (AfCFTA), provides additional avenues for the expansion of export endeavors (Naiguta, 2021).

The report by the United Nations Conference on Trade and Development (2016) underscores the lamentable state of trade levels among African nations in juxtaposition with global trade metrics. The UN agency reported that the execution of duty relief measures constituted 13% of the continent's total export revenue as of 2015, which starkly contrasts with an average of 45% in Europe and 32% in Asia. Anyanwu (2015) emphasizes the critical nature of duty reliefs to facilitate increased intra-African commerce, thereby enabling countries to engage in trade with greater frequency and improved profit margins. Nonetheless, Heckman and Shepherd (2015) observe that a significant volume of cross-border trade transpires between African nations at a micro scale, which remains unquantified in official statistics, advocating for the legalization of this informal cross-border trade (ICBT) through the establishment of economically liberal tariffs and duty reliefs to flourish and gradually integrate into the formal economy. This approach, over the long term, would bolster trade and enhance the private sector's viability in the future. Cadot, Iacovone, and Rauch (2013) identify that one of the principal barriers to organizational growth is the proliferation of numerous restrictive policies enacted by various nations. Consequently, it is imperative for the government to devise efficient duty relief strategies aimed at improving the performance of the automotive sector within the country. These national policies must operate in conjunction with regional frameworks, particularly the Continental Free Trade Area advocated by the African Union.

Presently, Kenya is regarded as an exemplary hub for the regional East African market. According to Hannigtone (2012), the prolonged lead time for order fulfillment has rendered it strategically vital for automobile manufacturers to establish a robust presence in Kenya. This positions Kenya as a notably appealing investment destination within the East African market (Kung'u, Kahuthia, & Kinyua, 2020).

At this juncture, the Kenyan automobile sector is predominantly concentrated on the retail and distribution of both new and pre-owned vehicles. Established dealerships are encountering fierce competition from imported second-hand vehicles, primarily from Japan and the United Arab Emirates, which collectively represent 70% of the Kenyan market, alongside Chinese dealers who have secured contracts to provide vehicles to government agencies. The decline in the sales volume of new automobiles is attributed to the heightened competition posed by second-hand vehicles and a sluggish automotive industry. This dynamic has resulted in the Kenyan market becoming saturated with vehicles from independent dealers, raising concerns regarding the quality and safety of services rendered by certain automobile dealers (Muthoni & Kinyua, 2020).

The government's emphasis on enhancing the overall trade balance through regulatory measures, currency interventions, taxation frameworks, and the costs associated with labor and materials may influence industries at the periphery; however, it is insufficiently robust to decisively shape the enduring competitive advantage within the automobile sector (Kung'u, Kahuthia, & Kinyua, 2020). At the lower spectrum of the automobile market, Kenyan consumers are particularly motivated to derive optimal value from their limited and often modest financial investments. To thoroughly comprehend the challenges associated with business competitiveness, it is imperative to conduct a study aimed at identifying the factors that influence domestic exports in Kenya's automobile industry.

The introduction of duty exemptions and tariffs within commercial operations, among other mechanisms, is contingent upon the volume of exports and imports of goods and services between various nations. Consequently, it is essential to devise strategies and policies that will expedite trade across national borders. The implementation of trade tariffs and facilitation initiatives designed to enhance trade flows among countries constitutes one of the commendable strategies employed to bolster organizational performance within enterprises (Anyanwu, 2015). While duty exemptions foster a broad economic duty of collaboration among nations, trade assistance measures ensure success concerning improved trade flows (Djankov, Freund & Pham, 2010).

According to Dennis and Shepherd (2011), modifications in trade policies, such as reductions in customs duties, have contributed to enhanced organizational financial performance by significantly simplifying the process for firms to export larger quantities of products that are currently not traded (Türkcan & Saygılı, 2024).

The automotive sector in Kenya primarily engages in the assembly, retailing, and distribution of motor vehicles. A multitude of motor vehicle dealerships operate within the nation. Kenya's automotive sector is comparatively well-established relative to its counterparts in the East African Community region. The history of the industry can be traced back to 1960 when Volkswagen commenced the assembly of the Beetle in Kenya. In 1974, Leyland Kenya Ltd was formed as a joint venture between the Kenyan government and Leyland UK, subsequently rebranding as Kenya Vehicle Manufacturers (KVM) Ltd in 1989.

In 1975, General Motors Kenya (GMK) was established as a collaboration between General Motors and the Kenyan government for the assembly of GM vehicles, commencing production after 1977. In 2003, GMK rebranded itself as General Motors East Africa (GMEA), which was later renamed Isuzu East Africa (IEA) in April 2017. The Associated Vehicle Assemblers Ltd (AVA) was founded in 1975 and began assembly operations in 1977. During the 1980s, the original Kenyan automobile, the Nyayo, was developed, and by 1986, it became the first vehicle independently conceived and produced in Africa.

In 1990, the Nyayo Motor Corporation was established and later rebranded as the Numerical Machining Complex Limited to produce metallic components for various local industries. In 2009, Mobius Motor was founded and has since assembled a total of 53 units. In 2016, Volkswagen re-entered the Kenyan market and initiated the assembly of the Polo Vivo in collaboration with DT Dobie using the facilities of KVM.

2. STATEMENT OF THE PROBLEM

The significance of exports in fostering economic advancement has been extensively recognized. Nations such as China and Germany have adeptly capitalized on governmental assistance and industrial policies to establish themselves as dominant players in global exports across diverse sectors, including manufacturing and technology (Krammer et al., 2018).

The phenomenon of globalization has engendered an expansive market for domestic manufacturing enterprises. Moreover, the deepening and expansion of the East Africa Community (EAC) have broadened the spectrum of trade prospects for Kenyan enterprises over the past decade. Nevertheless, Kenya has yet to fully capitalize on the advantages provided by the integrated market of the EAC, a situation that is increasingly linked to institutional and regulatory impediments to trade within the region (Kimeu, 2020). The duty relief initiatives were primarily designed to enhance manufactured exports and thus harness the prospects offered by the integrated market of the EAC. However, despite these deliberate endeavors to bolster Kenya's domestic exports, the rate and volume of such exports have experienced a decline (Ong'oyi, 2021).

The performance of the Customs Department has not met the expectations of the treasury. On multiple occasions, the Customs Department has failed to achieve its revenue collection targets. For example, in the fiscal year 2021/2022, the Kenya Revenue Authority (KRA) collected 443.5 billion out of a targeted 462 billion. In the subsequent fiscal year 2022/2023, KRA again fell short of its target, collecting 469.97 billion against a goal of 484.97 billion (KRA, 2023). The shortfall in revenue collection over these two fiscal years alone could potentially finance various governmental initiatives.

It is indisputable that Kenya continues to encounter a plethora of challenges in its endeavors to enhance customs compliance. Data from the Kenya National Bureau of Statistics (KNBS) (2018; 2022) indicates that exports of transport equipment declined by 23.9 percent to Ksh. 4.4 billion, comprising only 0.84 percent of total exports in 2017. This decline was primarily ascribed to a reduction in the number of assembled vehicles, which fell by 25.4 percent, coupled with a 4.9 percent decrease in the production of trailer and semi-trailer bodies during the same period. Exports of trailers and semi-trailers constituted the majority of exports within this category, accounting for 47.4 percent during the review period. Kenya's share in global merchandise trade remains markedly low at 2.7% in 2021; furthermore, over the past five years, Kenya's participation in world exports has diminished from 3.5% in 2018 to 2.5% in 2022, marking the lowest regional share. In 2022, a staggering 79% of individuals who imported goods reported experiencing delays in facilitation.

3. LITERATURE REVIEW

Theoretical Literature Review

Transaction Cost Theory

As articulated by Williamson (1985), the Transaction Cost Theory posits that the expenses associated with the establishment, negotiation, and supervision of potential partners' actions significantly influence the import and export dynamics of goods within a nation. Transaction Cost Theory asserts that the presence of trade tariffs and incentives enables firms to leverage economies of scale that arise from the execution of duty relief mechanisms. In alignment with this perspective, Mclvor (2005) asserts that when a firm encounters elevated costs in forming or negotiating a market-based agreement due to the complexities in anticipating all contingencies within the agreement or due to challenges in obtaining a fair price resulting from custom duties, such circumstances become detrimental. Freund and Rocha (2011) elucidate that within the overarching governance frameworks, transactions and associated transaction costs exhibit variability across business relationships, which can be categorized into four distinct classifications: search costs, contracting costs, monitoring costs, and enforcement costs within the business transaction context.

This theoretical framework is pertinent to this inquiry as the magnitude of custom duty relief initiatives within a nation will dictate the degree of export activity between that nation and its trading partners. Nations that have successfully instituted effective custom relief frameworks with other countries will encounter diminished barriers that impede trade volume between the two nations, thereby resulting in the harmonization of transaction costs associated with trade. Teece (2014) observes that Transaction Cost Theory empowers firms exposed to the opportunistic behavior of their exchange partners to devise essential strategies aimed at minimizing operational costs. Consequently, within the framework of duty relief, various nations adhere to differing trading policies that may incorporate diverse protectionist measures, necessitating the formulation of suitable duty relief strategies.

Hoekman (2014), acknowledging the potential mistrust that may arise between nations regarding their trading policies, suggests that fostering trust among trading nations mitigates transaction costs by alleviating certain risks and uncertainties linked to such economic exchanges. Sauve and Zampetti (2010) propose that the transaction costs associated with regional duty relief strategies are realized when the most prominent stakeholders engage in such provisions, indicating the necessity to address coordination and capacity deficiencies, which may arise when sovereign governments independently confront regional duty relief challenges. Therefore, there exists a compelling need to develop a viable duty relief alternative approach to facilitate the execution of a regional operational trade agenda. This theory, consequently, advocates for the regional coordination of custom relief tariffs and the harmonization of regional trade policies to ensure a favorable outcome for domestic exports in the automobile sector. This theoretical framework elucidates the significance of devising various duty relief strategies to stimulate an increase in domestic export levels.

Empirical Literature Review

A research investigation by Ngo and Nguyen (2020) examined the differential impacts of export transitions on firm productivity within various Vietnamese manufacturing sectors. The study employed a two-stage regression methodology, analyzing data from Vietnamese manufacturing enterprises spanning the years 2007 to 2014. Initially, the researchers assessed the influence of participation in the MUB program and the operation within a Special Economic Zone (SEZ) on firm compliance. Subsequently, they regressed the estimated performance against export outcomes. The findings indicated a significant and positive relationship between MUB participation and export performance (DEP). Furthermore, the analysis revealed that firms operating within SEZs and engaged in MUB experienced a more pronounced positive effect on their exports than those situated outside SEZs. The study concluded that both SEZs and MUB provide synergistic advantages for enhancing export activities.

A recent investigation by Wicaksono and Mangunsong (2023) examined the relationship between export promotion policies and firm performance. This research employed regression analysis, utilizing data from Jordanian manufacturing firms spanning the years 2005 to 2013. The authors assessed the influence of participation in MUB on export performance, while accounting for variables such as firm size, age, and industry sector. The results indicated a positive and statistically significant correlation between MUB participation and export performance among Jordanian firms. Engaging with MUB enabled these firms to navigate challenges such as elevated customs duties and intricate import procedures, thereby enhancing both export volume and value. Collectively, these studies offer important insights into the potential of MUB as an instrument for bolstering domestic export performance. The findings imply that MUB can foster export growth, although its effectiveness may differ based on contextual factors, industry characteristics, and the existence of supportive policies like Special Economic Zones (SEZs). Future research that incorporates longitudinal data and investigates the specific mechanisms by which MUB promotes export growth would further deepen our comprehension of the impact of this policy intervention.

The research conducted by Li et al. (2018) examines the effect of Manufacturing Under Bond (MUB) on Domestic Export Performance (DEP) within the context of China. Utilizing a panel data analysis that encompasses data from Chinese manufacturing enterprises between 2008 and 2014, the study implements a fixed-effects model to account for unobserved firm-specific factors, thereby enabling a clearer assessment of MUB's influence on export growth. In summary, the findings presented by Li et al. (2018) provide significant insights into the affirmative correlation between MUB and DEP in China. Nonetheless, the identified limitations underscore the necessity for additional research to assess the broader applicability of these results, investigate the long-term implications of MUB, and consider potential confounding factors.

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4. RESEARCH METHODOLOGY

This research utilized an explanatory research design. The study population consisted of 48 assembling and manufacturing industries located in Nairobi City County, Kiambu County, Machakos County, and Nakuru County in Kenya. The target respondent group comprised 288 individuals, which corresponded to the number of questionnaires distributed. Out of these, 220 questionnaires were accurately completed and returned, yielding a response rate of 76%. A structured questionnaire was employed to gather primary data from finance managers and senior managers within the finance and accounts departments. Descriptive statistics, including mean and standard deviation, were utilized, while inferential statistics encompassed correlation and regression analyses. The results were illustrated using graphs and pie charts.

5. FINDINGS

The results of the descriptive statistics concerning manufacturing under bond are displayed in Table 1.

Table 1: Manufacturing under Bond

Items	N	Mean	Std. Deviation	Skewness	Kurtosis
We prepare and submit customs declarations	220	4.15	.944	-.886	-.179
Manufacturing under bond impacts our export volumes		3.95	1.048	-.620	-.743
We get support from customs authorities on bonded manufacturing procedures		4.10	.923	-.983	.572
We process our bonded shipments on time		4.20	.938	-1.037	.172
Aggregate Mean		4.10			

The descriptive statistics involving Manufacturing Under Bond Each item was evaluated on a Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5). Responses for "We prepare and submit customs declarations" This item had a mean score of 4.15 (SD = .944), indicating that respondents generally agree with the statement. The negative skewness (-.886) suggests that more respondents leaned towards agreement, while the kurtosis (-.179) is close to zero, indicating a distribution similar to the normal distribution. "Manufacturing under bond impacts our export volumes" The mean score for this item was 3.95 (SD = 1.048), suggesting that respondents tend to agree with this statement, although with slightly more variability compared to other items. The skewness of -.620 implies a slight lean towards agreement, and the kurtosis of -.743 indicates a flatter distribution than normal, with fewer extreme responses. "We get support from customs authorities on bonded manufacturing procedures" Respondents generally agreed with this statement, as reflected by the mean score of 4.10 (SD = .923). The skewness of -.983 indicates a stronger tendency towards agreement, while the kurtosis (.572) suggests a distribution that is slightly more peaked than normal, indicating fewer responses in the extreme ends. "We process our bonded shipments on time" This item received the highest agreement with a mean score of 4.20 (SD = .938). The skewness of -1.037 indicates a notable lean towards agreement, and the kurtosis (.172) suggests a distribution close to normal but slightly peaked, indicating moderate variability around the mean. Overall, the mean score across all items was 4.10, indicating that respondents generally agree with the statements concerning Manufacturing Under Bond. The skewness values for all items are negative, indicating a general trend towards agreement. The kurtosis values suggest that while some distributions are slightly peaked or flat, they are relatively close to a normal distribution.

Inferential Statistic Results

Correlation Analysis Results

Table 2: Correlation Analysis

		MUB	DIG
Manufacturing Under Bond	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	220	
Digitization	Pearson Correlation	.344**	1
	Sig. (2-tailed)	.000	
	N	220	220

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The correlation analysis presented in table 2 indicates a positive relationship between Manufacturing under bond and Customs duty compliance, with a correlation coefficient of 57.6% and a p-value of 0.000, which is less than 0.05. This suggests that an increase in manufacturing under bond leads to a notable enhancement in customs duty compliance.

Regression Analysis Results

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.664	0.441	0.433	0.921035

The R value of 0.664 signifies a moderate positive correlation between manufacturing under bond, duty remission, and duty drawback, with a custom duty compliance rate of 66.4%. The R^2 value, representing the coefficient of determination, is 0.441. This indicates that 44.1% of the variation in custom duty compliance can be attributed to the influences of manufacturing under bond. Conversely, the remaining 55.9% of the variation is attributable to factors that are not included in the model.

Table 4: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	144.602	1	144.602	172.038	.000
	Residual	183.234	218	.841		
	Total	327.836	219			

The analysis of variance presented in Table 4 indicates that the overall regression model is statistically significant, with $F(1, 219) = 172.038$ and $p < 0.05$. This suggests that the factors of manufacturing under bond, account for a substantial portion of the variance in customs duty compliance.

Table 5: Regression Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
	(Constant)	0.042	0.016		2.625	0.008741
	Manufacturing under bond	0.457	0.146	0.483	3.130	0.000992

The research indicated a positive correlation between Manufacturing under bond and compliance with customs duties, with a statistical significance of 57.6% (p-value = 0.000, which is less than 0.05). This suggests that an increase in manufacturing under bond is associated with a notable enhancement in customs duty compliance. Additionally, the findings revealed that manufacturing under bond exerts a positive and significant influence on customs duty compliance, with a coefficient of $\beta = 0.457$ and a p-value of 0.000992 (also less than 0.05). This indicates that the adoption of Manufacturing under bond practices results in improved adherence to customs duty regulations. The results align with a study by Ngo and Nguyen (2020), which examined the differential impacts of export transitions on firm productivity across various Vietnamese manufacturing sectors. This investigation employed a two-stage regression methodology, analyzing data from Vietnamese manufacturing firms spanning 2007 to 2014, and found a positive and significant effect of participation in Manufacturing under bond on export performance. Furthermore, the findings are consistent with another study by Wicaksono and Mangunsong (2023), which explored the relationship between export promotion policies and firm performance. Utilizing regression analysis on data from Jordanian manufacturing firms from 2005 to 2013, this study identified a positive and statistically significant association between Manufacturing under bond and export performance among Jordanian firms.

6. CONCLUSIONS

The results of this research emphasize the crucial impact of manufacturing under bond on improving customs duty compliance among automobile exporters in specific counties in Kenya. The beneficial effect of manufacturing under bond on customs duty adherence illustrates the necessity for companies to adopt such practices to enhance their compliance with

customs regulations. As the prevalence of manufacturing under bond rises, a significant enhancement in customs duty compliance among automobile exporters is observed, demonstrating the efficacy of this strategy in fostering regulatory compliance within the automotive export sector.

7. RECOMMENDATIONS

The research recommends that the Kenya Revenue Authority and the Government should formulate policies that promote manufacturing aimed at export. Furthermore, the KRA is encouraged to utilize digital technologies in its operations, as this is expected to enhance compliance with customs duties. The study also advises that the Government of Kenya provide exemptions for particular categories of exports, as well as investment credits or tax incentives for designated export activities.

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