EFFECT OF TRADE FACILITATION PRACTICES ON FOREIGN MARKET COMPETITIVENESS OF SMALL AND MEDIUM ENTERPRISES IN INDUSTRIAL AREA, NAIROBI

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS ADMINISTRATION, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

2023

DECLARATION

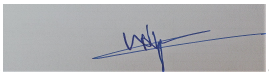
This research project is my original work and has not been submitted for examination in any other university.

Signature……..Date…29/11/2023…….....

Peter Mburu Nganga

D61/12167/2018

This research project has been submitted for examination with my approval as the university supervisor.

Signature……  ……Date 29/11/2023…….....

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DEDICATION

I dedicate this research project to my wife Lucy Nganga, my children Ray, Ryan and Mercy for their invaluable support in my academic journey, and my mother Regina Wambui for her immense sacrifice and prayers.

ACKNOWLEDGEMENTS

I glorify God for everything I have achieved. Special appreciation to my supervisor Dr. Winnie Njeru for her patience and guidance from the conceptualization to completion of this study. A special mention to the University faculty for the academic guidance and support. Finally, I thank the interviewees from the different SMEs in industrial area, Nairobi who made the process a success.

ABSTRACT

In the present-day contemporary era, the internationalization of businesses has become an ever increasing phenomenon and thus attracting the attention of many interested parties due to the influence it has to national economic growth and bringing together different countries. The purpose of the study was to evaluate the effect of trade facilitation practices on foreign market competitiveness of small and medium sized enterprises in Industrial Area, Nairobi. In order to understand the perspectives of the variables in question, the study was premised on two theories; The Technological, Organizational, and Environmental (TOE) framework and the network model. This research was a cross-sectional descriptive design where the population of the study was made up of registered SMEs in Industrial Area, in Nairobi as at December 2020. Data analysis delved on descriptive and inferential statistics. Notably, a significant portion of the surveyed businesses falls within the 201–300 employees category (44.8%), reflecting the predominance of medium-sized enterprises. The age distribution of businesses reveals a fairly balanced representation across different age categories, with the majority falling within the 10–20 years range (50.0%). Concerning annual sales from foreign markets, a considerable proportion of SMEs reported sales between 20 and 50 million Kenyan Shillings (40.5%). The majority of businesses are local enterprises (80.2%), underscoring the importance of understanding the dynamics of local SMEs in the context of global competitiveness. In automation and digitalization, businesses strongly adopt electronic documentation platforms (Mean = 4.59), indicating a technologically advanced approach. However, the use of automated freight booking and tracking systems shows some variability (Mean = 3.41). Improvement of infrastructure and services is generally positively perceived, with high scores for trade facilitation training (Mean = 4.22) but a slightly lower mean for border infrastructure enhancement (Mean = 3.85). Institutional and regulatory cooperation scores are consistently positive, indicating strong government and inter-agency coordination (Mean = 4.54). additionally, simplification and harmonization of trade procedures receive favorable scores, but with notable variability, particularly in areas like standardized documents (Mean = 3.17). The regression analysis further clarified the relationships between trade facilitation practices and foreign market competitiveness. The overall model was statistically significant (R = .704, R Square = .496), indicating that the predictors collectively explain a substantial portion of the variability in foreign market competitiveness. The R Square value of 0.496 indicates that approximately 49.6% of the variability in competitiveness can be attributed to the included predictors. Among the predictors, automation and digitalization (b = 0.511, sig. = 0.000), improvement of infrastructure and services (b = 0.204, sig. = 0.027), institutional and regulatory cooperation (b = 0.228, sig. = 0.005), and simplification and harmonization (b = 0.211, sig. = 0.001) exhibited positive and statistically significant coefficients, underlining their importance in shaping SMEs' competitiveness in foreign markets. The study suggests that efforts to bolster the competitiveness of SMEs in the industrial area of Nairobi should prioritize initiatives that enhance digital literacy and technology adoption. Policymakers and business support organizations ought to invest in comprehensive training programs that equip SMEs with the skills to effectively leverage electronic documentation platforms, automated customs clearance systems, and other digital tools.

TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATION AND ACRONYMS

AfCFTA	-	African Continental Free Trade Area
EAC	-	East African Community
GVC	-	Global Value Chains
MSE	-	Medium and Small Enterprises
NCA	-	North and Central Asia
SPSS	-	Statistical Package for Social Science
TFA	-	Trade Facilitation Agreement
TOE	-	Technological, Organizational and Environmental framework

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In the contemporary era, the internationalization of businesses has become an ever-increasing phenomenon and thus attracting the attention of many interested parties due to the undeniable influence it has to national economic growth and bringing together different countries (Kasem & Ibeh, 2010). As businesses trade across national borders, they are bound to face different challenges emanating from legal, social, political and economic systems that are unique across national boundaries and this necessitates that governments come up with trade appropriate facilitation measures aimed at expanding business across-the borders (Sabadash, Stauvermann, and Peleshchenko, 2019). The adoption of trade facilitation practices that include the reduction of customs processes, simplifying documentation requirements, and enhancement of logistical infrastructure, can improve the efficiency and speed of cross-border trade. This, in turn, promotes economic growth by increasing trade volumes, attracting foreign investment, and expanding market opportunities for businesses. Buckley and Buckley (2015) opines that trade facilitation can improve a country's competitiveness in the global market. Such steps enhance a country’s competitiveness in domestic and foreign markets.

The study was premised on two theories; The Technological, Organizational, and Environmental (TOE) framework (Tornatzky and Fleischer 1990) and the network model (Johanson and Mattsson 1988). TOE framework recognizes that technology adoption is a complex process influenced by a combination of technological, organizational, and environmental factors. By considering these three dimensions, the framework offers a holistic understanding of the factors that impact technology adoption within organizations and helps identify key drivers and barriers to successful implementation (Baker, 2012). The network model, as proposed by Johanson and Mattsson (1988), provides a more outside perspective on the process of corporate internationalization. This model

posits that the performance of a firm is contingent upon the network of relationships it maintains with other enterprises.

Vision 2030 by the Kenyan Government recognizes the SME sector as a key catalyst of industrialization towards the achievement of middle-income status by 2030, as well as improving the living standards of the population. The industry offers significant employment prospects for young people, women, and individuals with impairments. According to the 2016 MSMEs survey, while the young demographic (between the ages of 18 and 35) constituted approximately 39% of the total workforce employed by SMEs in Kenya, females comprised approximately 51% of the overall employment within these SMEs. This observation serves to underscore the significance of SMEs in the Kenyan economy, as well as the imperative to enhance their competitiveness as they expand into the global market. The Government sessional paper No 5 of 2020 recognizes the significance of SMEs in Kenya and proposes specific actions aimed at enhancing their performance in both domestic and global markets. Moreover, the 2012 sessional paper on Vision 2030 placed emphasis on the business environment at both the national level and business activity. It also advocated for the government to establish standardized facilitation practices in collaboration with neighboring countries, aiming to enhance their export capabilities. There is a need for the implementation of strategies aimed at providing assistance to SMEs operating within the industrial sector. These strategies should include the establishment of incubation centers and the creation of one-stop shops that offer comprehensive and improved services to SMEs.

1.1.1 Trade Facilitation Practices

Trade facilitation is the comprehensive set of procedures, rules, and infrastructure that exert an influence on the transportation of goods and services across national borders. Insufficient trade facilitation methods can result in operational inefficiencies, heightened transaction expenses,

delays, and non-tariff obstacles, eventually impeding the competitiveness of SMEs in global marketplaces. According to Sohn and Yoon (2001), any government-initiated initiatives targeted at lowering transaction costs that result from the elimination of excessively costly and intricate trade-related practices, procedures, and processes will be taken into consideration. This will boost efficiency and trade. Additionally, trade facilitation encompasses a range of operations that are designed to decrease the costs involved with enforcing, regulating, and administering trade rules. According to Sela, Yang, and Zawacki (2020), the primary objective of enhancing trading process is to decrease the expenses incurred in conducting business for all involved parties. Trade facilitation practices are implemented with the objective of streamlining or standardizing import-export processes, encompassing customs procedures, licensing, technical standards, and safety and health regulations. According to Pham et al (2013), trade facilitation practices can be classified into two distinct categories: administrative management procedures and transportation logistics. The former encompasses aspects such as assurance, payment methods, and other financial operations.

Various indicators of trade facilitation procedures have been proposed and used in diverse nations (Dennis & Shepherd, 2011). A widely used approach involves the implementation of streamlined customs procedures, such as the establishment of single-window systems. These systems enable traders to conveniently submit all required information and documentation at a centralized entry point. Consequently, this obviates the necessity for redundant submissions and optimizes the efficiency of customs clearance procedures. Pham et al. (2013) argue in favor of the implementation of automated customs procedures and the adoption of electronic documentation, including electronic data interchange (EDI) and electronic signatures. These technological advancements have been found to effectively decrease the reliance on physical paperwork, enhance precision, and expedite the processing of trade-related documents. Moreover, the implementation of standardized customs documentation and procedures across trading partners serves to decrease intricacy and

enhance uniformity, so simplifying firms' adherence to regulations and promoting the facilitation of trade.

1.1.2 Foreign Market Competitiveness

Foreign market competitiveness is a company's or industry's ability to effectively compete in the global market by securing advantageous conditions, attracting clients, generating sales, and attaining sustainable growth in foreign markets (Gupta, et al., 2016). As stated by Porter (1985), the concept of international market competitiveness pertains to an organization's capacity to surpass its industry competitors, hence attaining superior financial outcomes. Fabrizio et al. (2022) present an alternative viewpoint that characterizes foreign market competitiveness as the ownership of important resources and capabilities that are challenging for competitors to mimic or replicate. Furthermore, Murray, Gao, and Kotabe (2017) propose that the capacity to adapt and innovate in the face of evolving economic conditions can be attributed to international market competitiveness. According to Clauss et al. (2021), the prevailing definition of firm competitive advantage refers to the distinct position and enduring advantage that an organization holds in relation to its rivals, leading to enhanced performance and the generation of value for stakeholders. Within the same framework, the business places great importance on distribution channels as a means to enhance the accessibility of its products and services, as well as to effectively showcase their important qualities through promotional activities.

For an optimal level of competitiveness, a firm's offerings need to meet customer preferences in foreign markets. For this to be achieved, a firm needs to consider such factors as product design, reliability and durability; while at the same time considering its pricing strategy such that the prices remain competitive in comparison to equivalent products (Hock-Doepgen et al., 2021). The pricing should consider such factors as production costs, currency exchange rates, and pricing strategies.

Companies that embrace new technologies or engage in continuous research and development (R&D), often have an edge over their competitors. Establishing efficient distribution networks and supply chains is vital to reach customers in foreign markets. Companies need to consider factors like transportation, logistics, warehousing, and after-sales service to ensure timely delivery and customer satisfaction (Freeman, Styles & Lawley, 2012).

A firm competitiveness in a foreign market is measured by such factors as market share, export market and diversification aimed at penetrating and sustaining market presence (Hock-Doepgen, Clauss, Kraus, & Cheng, 2021). The competitiveness level that a firm enjoys can further be measured by amount of resources invested in R&D of new products, marketing new products and being able to sell high-priced products. According to Anwar (2018), foreign market competitiveness is enhanced through obtaining patents/copyrights in the new markets as well as engaging an innovative marketing techniques in the market. In addition, a firm should differentiate its products and services and have the capability of brand building in the new market. Engaging advertising/promotional programs has been associated with improved competitiveness as well.

1.1.3 Small and Medium Enterprises in Industrial Area

Sessional Paper No. 05 of 2020 , avers that out of the 7.4 Million MSMEs, only 1.56 Million are registered (KNBS 2016). MSMEs offer 93% of total employment in Kenya and account for 24% of the GDP in the Kenyan economy (MSMEs survey report 2016). A firm that falls in a small and medium enterprise category varies from one country to another because of the difference in the indicative indicators use. By using the number of employees as indicative measures, a firm with 10 – 50 employees is considered as an SME (Visser, 2013). Similarly, using the capital base of the firm as the criteria, Ong'olo & Awino, (2013) define an SME as a firm with limited amounts of capital and skills per worker. In the Kenyan context, an SME is an enterprise classified in farm and non-

farm sectors , both in the formal and informal categories that have an annual turnover of less than Ksh 4 Million. According to the micro and small enterprises Act 2012, small and medium enterprise firms are characterized by a turnover from 5 to 100 million Kenya shillings and an employee count of between 10 and 250 people. SMEs have been acknowledged as a significant contributor to the national economy by generating job opportunities for a substantial number of individuals.

Despite playing an important role in the Kenyan economy, SMEs face different challenges in their internationalization process and in gaining the requisite competitiveness in the foreign market. Musteen, Francis & Datta,(2020), highlight that SMEs often face challenges in obtaining accurate and up-to-date market information about potential target markets, a situation that limits access to market research, trade data, and consumer preferences in the foreign market and thus hindering the SMEs' decision making ability regarding the critical aspects of market entry like pricing. Abor and Quartey (2010) explains that many SMEs lack familiarity with export procedures, documentation requirements, customs regulations, and logistics requirements and this result to challenges in the export documentation, shipping logistics, and navigating complex trade barriers. Further, SMEs face a challenge in applicable regulatory and administrative barriers when entering the foreign markets. These barriers range from import/export regulations, compliance with international standards product certification and testing requirements.

1.2 Research Problem

Firm foreign market competitiveness is important because it provides opportunities for increased sales, revenue growth, and market share. By effectively competing in foreign markets, a firm can tap into new consumer segments and access economies of scale that directly impacts its financial performance and profitability (Pacheco, 2019). A successful foreign market performance allows a firm to generate revenue from new markets, access new customers, and leverage economies of scale

that eventually has the potential to impact on their profitability. Misati, Walumbwa, Lahiri and Kundu (2020) note that the full capacity of SMEs in Africa in the foreign market has not fully been achieved because of the numerous tariff and non-tariff measures introduced across the trading countries. Demena (2022) while quoting a World Bank report of 2020, highlights that it is estimated that over USD 650 Million worth of businesses opportunities is affected annualy due restrictions placed across national boundaries. Despite different countries coming together under different economic blocks, there still exists various restrictions to allow free flow of business activities among the countries and thus necessitating the introduction of trade facilitation.

Small and Medium Enterprises hold considerable importance in the local economy; nevertheless, their ability to thrive in international markets may be impeded due to inadequate trade facilitation practices. The Kenya National Bureau of Statistics (KNBS, 2022) highlights the existence of disparities between SMEs and larger organizations in terms of their exportation capacities due to the barriers that end up affecting them more in comparison to the larger firms. The KNBS report also indicated that SMEs are lagging behind in adopting digital tools like e-commerce platforms, digital marketing strategies, or automated inventory systems, which larger corporations have embraced for competitive advantage. In order to shore up their export capacity and thus increase their market share, the barriers that exists in the country's borders with other countries need to be identified and dealt with, if the SMEs competitiveness in the foreign market is to be enhanced.

Research has been conducted in an attempt to link trade facilitation and the competitive performance of enterprises across multiple dimensions. Go (2018) in a World Bank group study on the contribution and effectiveness of trade facilitation measures in developing countries indicated that trade facilitation practices can affect trade costs, which in turn negatively affects SMEs competitiveness compared to the multinationals that leverage on economies of scale. In their study

on developing countries in Asia and Africa, Milner, Morrissey, & Zgovu (2008), asserted that trade facilitation practices can be top-down or bottom-up driven depending on the prevailing business environment and context. Stakeholder interests can undermine the effectiveness of the trade facilitation practices since efficiency and savings by one stakeholder could lead to redundancy for another stakeholder. Valensisi, Lisinge, and Karingi (2016) underscores the detrimental effects of trade-related expenses on Africa's global integration, as well as its hinderance of regional integration. Additionally, they emphasize the potential benefits of efficient trade procedures in promoting regional integration within Africa. The study suggested that automation and digitalization of SMEs had a positive effect on the level of trade. Hansen-Addy, Parrilli, & Tingbani (2023) in their study on the impact of trade facilitation on African SMEs' performance asserted that trade facilitation practices have to be carefully selected since foreign firms' competitiveness aggravates trade facilitation's adverse impact on the SMEs performance in the local market.

In a study conducted by Mesocho (2018) in Kenya, the author examined the effects of trade facilitation techniques on intra-Africa commerce specifically among governmental ministries in Kenya. The research revealed that the implementation of transparent and harmonized government processes facilitated the cultivation of openness, accountability, and compliance with international norms. However, the study found that institutional and regulatory environment had a weak and insignificant effect on foreign businesses in Kenya. Mugwe, (2022) on the effect of African Continental Free Trade Area (AfCFTA) on Trade Facilitation in East African Community Member states from Kenyan perspective revealed increased trade facilitation measures and improved intra-regional trade among East African Community (EAC) member countries, including Kenya. Wekesa,Wawire and Kosimbei (2016) studied how infrastructure development related to foreign direct investment. The authors suggested that improved transportation, communication and trade

infrastructure, are major catalysts of FDI inflows into Kenya. The study suggested that Kenya should invest more in infrastructure enhancement for more FDI inflows.

Empirical studies reviewed and literature on trade facilitation, shows that most studies concentrated on trade facilitation's impact on FDI into countries with a focus on performance of SMEs in the local markets and not how it affects their performance in foreign markets. The studies have also been biased towards large firms and their performance in a foreign country and not the SMEs in a developing country like Kenya. In addition, there has been limited study that has investigated the combined effect of the four dimensions of trade facilitation, namely, automation and digitalization, improvement of infrastructure, institutional and regulatory cooperation, simplification and harmonization of trade policies. The intention of the study was to address the identified gap by answering the question; What is the effect of trade facilitation practices on foreign market competitiveness of small and medium enterprises in Industrial Area, Nairobi?

1.3 Research Objective

The study sought to assess the effect of trade facilitation practices on foreign market competitiveness of small and medium sized enterprises in Industrial Area, Nairobi.

1.4 Value of the Study

The study results will make significant contributions in the realm of management practice, policy formulation, and academic discussions. Scholars have the potential to gain valuable knowledge from the evaluation into how trade facilitation practices affect SMEs competitiveness in foreign markets. Furthermore, this research might unveil other factors that impact the link between trade facilitation and the competitiveness of businesses operating in international markets. The study will offer valuable insights to policymakers by pinpointing effective strategies for enhancing market access, reducing trade expenses, and boosting competitiveness. Understanding this knowledge will

be crucial in developing laws and regulations that effectively support trade facilitation and enhance the country's competitiveness in global markets. The results will additionally serve as a means to evaluate the efficacy of current trade facilitation policies and initiatives.

To the management practice, the study on trade facilitation practices will explain the influence on market access, trade costs, and overall competitiveness of SMEs. From this understanding, managers can make informed strategic decisions regarding market entry, product pricing and resource allocation. Managers can use the recommendation to enhance their logistics infrastructure and electronic documentation systems. Similarly, since the findings will show areas that have a direct influence on firm competitiveness, it can inform the firm risk management strategies and also help the managers to come up with risk mitigation measures.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter is focused on the review of the current body of literature related to the study goal; to assess the influence of trade facilitation practices on the foreign market competitiveness of small and medium-sized businesses. The chapter is structured into subsections, starting with a theoretical overview, exploring the relationships between variables, examining empirical studies, and concluding with a synopsis of the literature and the identification of any research gaps.

2.2 Theoretical Foundation

The study will be premised on two theories: Technological, Organizational, and Environmental (TOE) and network model.

2.2.1 Technological, Organizational, and Environmental Framework

According to the TOE framework presented by Tornatzky and Fleischer (1990), the three factors influencing the implementation of new technologies are the environmental, organizational, and technological contexts. The technological part encompasses both internal and external cutting-edge organizational strategies (Erind, 2015). Within organizations, the availability of an internal technological framework signifies technical expertise, which includes elements such as ICT technological infrastructure, ICT-capable personnel, internet access, and bandwidth, particularly relevant in the Kenyan context (Zhang et al., 2020).

Moreover, various factors play a role in shaping organizational structure, including institutional innovation, top-level management initiative, corporate culture, human resource management effectiveness, and size of the organization (Aboelmaged, 2014). The culture within organizations encompasses their fundamental values, core ideas, operational procedures, and underlying assumptions, all of which are interconnected. According to Bala and Feng (2019), the technical

capabilities of organizations significantly influence their readiness for innovation. Therefore, having competent IT professionals with strong technical and interpersonal skills can foster productive collaborations between the organizational IT framework and IT-dependent stakeholders. On the environmental front, contextual factors associated with organizations, such as partners like funders, the local population, and competitive pressures, play pivotal roles in identifying creative needs, acquiring innovative technology, and effectively utilizing it (Jere & Ngidi, 2020).

Limitations within this theoretical framework may arise from the contextual specificity of each organization and its unique challenges (Aboelmaged, 2014). Through a comprehensive analysis of various elements, including technological competency, budget constraints, institutional innovation, corporate culture, and competitive pressures, the study deepens our understanding of how these factors interplay and influence technology adoption and organizational outcomes (Erind, 2015). By contextualizing the TOE Theory, the study aims to test and challenge its applicability in a specific geographic and organizational context, providing valuable insights into the intricacies of technology adoption. This process contributes to a deeper understanding of how the theory operates in diverse settings.

In the context of this study, trade facilitation practices can be seen as critical resources and capabilities that SMEs can leverage to gain a competitive edge in foreign markets (Ahmedova, 2015). Streamlined customs procedures, efficient logistics networks, and digital trade platforms can act as valuable resources, enabling SMEs to access foreign markets more easily, reduce transaction costs, and respond quickly to market demands. By applying the TOE lens, the study can provide insights into how the adoption and utilization of trade facilitation practices contribute to SMEs' foreign market competitiveness, and potentially uncover distinctive resources that lead to superior export performance and market access.

2.2.2 The Network Model

The network model, as proposed by Johanson and Mattson (1988), gives an external view on the internationalization process of firms by emphasizing the significance of their relationships with other companies. This model suggests that performance in the global market is highly influenced by the network of relationships maintained with other firms. These networks can take various forms, including collaborative associations with competitors or voluntary agreements between firms. The network model is rooted in the understanding that internationalization is not solely driven by individual firm actions but is influenced by the interactions and interdependencies between firms within the network. Westerlund, Rajala and Leminen (2008) argued that by engaging in collaborative associations with competitors or forming voluntary agreements with other firms, companies can access valuable resources, knowledge, and market opportunities. This interconnectedness within the network contributes to a firm's capability to navigate foreign markets more efficiently and compete internationally.

The network model also highlights the importance of relationships and cooperation between firms, suggesting that firms' performance in international markets is not solely determined by their internal capabilities but also by their ability to leverage and capitalize on the network connections they maintain (Hilmersson & Hilmersson, 2021). This perspective adds depth to the understanding of how firms internationalize and underscores the relevance of collaboration and partnerships in the global business landscape. In relation to this study, the network model's relevance lies in its emphasis on the importance of relationships between firms. For SMEs, engaging in networks and forming collaborative associations with other firms can be crucial for enhancing their foreign market competitiveness (Bharati & Chaudhury, 2015). Trade facilitation practices may not solely depend on individual firm actions but can also be influenced by the interactions and partnerships between SMEs and other businesses within the region.

2.3 Trade Facilitation Practices and Foreign Market Competitiveness

The use of trade facilitation procedures is of utmost importance in assessing the international market competitiveness of enterprises and economies (Grainger, 2011). It comprises of initiatives designed to facilitate, streamline, and accelerate the flow of products and services across national boundaries. These initiatives aim to alleviate administrative burdens and enhance the efficiency of cross-border transactions.. For instance, implementing a single-window platform for customs clearance allows businesses to submit all trade-related documents through a single interface, streamlining the process and reducing clearance times. Similarly a research by the World Bank (2018) notes that countries that have established a single-window systems tend to register higher export growth rates and improved trade competitiveness. Harmonizing customs procedures with international standards also ensures predictability for traders, easing businesses operations in foreign markets.

Additionally, Valensisi, Lisinge and Karingi (2016) avers that improvement of infrastructure and services related to trade plays a significant role in enhancing firms' foreign market competitiveness. Efficient transport networks, modern ports, and well-functioning logistics services are crucial for reducing trade costs and enhancing competitiveness in foreign markets. This has positively impacted the foreign market competitiveness of local businesses (UNCTAD, 2019). Investments in trade-related infrastructure and services can lead to increased trade volumes, greater market access, and improved competitiveness for businesses in global markets. According to Sela, Yang and Zawacki (2020), the advent of technology has revolutionized trade facilitation through automation and digitalization. Electronic data interchange (EDI), paperless trade, and online platforms for trade-related services have significantly improved trade efficiency and transparency. For example, the implementation of electronic customs systems in Singapore has reduced customs clearance times and streamlined import-export processes, positioning Singapore as a competitive trading hub

in Asia (ASEAN, 2018). Digitalization reduces paperwork, minimizes human intervention, and facilitates real-time information exchange, making businesses agile to market demand dynamics which enables them gain a competitive edge in foreign markets.

Mesocho (2018) argued that in order to enhance trade within Africa, it is imperative to foster collaboration among governmental institutions, private sector stakeholders, and international organizations, with the aim of facilitating the seamless flow of commodities and services across national boundaries. In a study conducted by Ezeh, Okechukwu, and Ogbo (2023), it was discovered that regional cooperation has the potential to greatly enhance trade facilitation and enhance the competitive advantage of enterprises operating in the international market. Furthermore, governments can benefit from collaborating with global organizations such as the World Trade Organization (WTO) by receiving technical help and capacity-building support to effectively execute trade facilitation measures.

2.4 Empirical Review and Knowledge Gaps

An assortment of studies have been carried out to assess the effects of trade facilitation on the competitive position of enterprises and economies in international markets. In their comprehensive study, Milner, Morrissey, & Zgovu (2008) conducted an in-depth cross-country examination of developing nations in Asia and Africa to investigate the correlation between trade facilitation and export competitiveness. The research revealed that nations who have implemented simplified trade procedures and efficient customs processes have exhibited better rates of export growth and have experienced an expansion in markets.

The research by Sousa, Mayer, and Zignago (2012) looked at how regional trade agreements affect how accessible overseas markets are for nations that are members. The study, which focused largely on the European Union (EU) and the member countries, found that adoption of trade facilitation

policies inside the EU's single market significantly improved market accessibility for businesses operating within member states. The harmonisation of trade regulation and the reduction of intra-regional trade barriers helped to promote company competitiveness in the global market. Shepherd (2016) examined the link between trade facilitation and countries' participation in global value chains (GVCs) in his research on least developed countries in Asia and Africa. The adoption of effective customs processes and the ensuing decrease in trade expenses have made it easier for businesses to undertake manufacturing operations across borders, improving the competitive edge in global marketplaces.

Adesoye, Owusu, and Osei-Tutu (2021) conducted a comprehensive study using a cross-sectional analysis approach, focusing on the trade facilitation policies adopted by African nations actively involved in intra-regional trade. Their principal aim was to delve into the far-reaching influence of trade facilitation on the competitive landscape of intra-African trade. To achieve this, they meticulously scrutinized data obtained from the African Continental Free Trade Area (AfCFTA) and an array of trade-related metrics. The insightful outcomes of their research underscored the significance of effective trade facilitation practices, revealing that these practices wield a positive influence on the levels of regional trade. Their research underscores the potential benefits of such facilitation practices for not only individual countries but the broader African region as it strives to enhance its standing in global markets and promote economic integration.

In a different study conducted by Nwokoro, Ezenwoke, and Yusuff (2019), they examined how digitalization influenced the enhancement of export competitiveness for SMEs in Africa, utilizing a case study approach. The research focused on SMEs engaged in exporting across multiple African countries. To evaluate the impact of digital trade platforms, the study incorporated both quantitative data on export performance and qualitative data obtained through interviews with SME owners. The

study's findings suggested that SMEs implementing digitalization experienced improvements in trade efficiency, reduced lead times, and greater responsiveness to global market demands. These factors collectively contributed to an overall increase in export competitiveness for these SMEs.

In their longitudinal study, Kamau and Mwangi (2018) examined the correlation between infrastructure development and the export competitiveness of Kenya. The research primarily examined export-oriented industries in Kenya, as well as infrastructural development initiatives. The study employed quantitative data to evaluate the impact of infrastructure development on Kenya's trade performance, specifically focusing on infrastructure spending and export performance. The study suggested that nations that allocated resources towards the development of trade-related infrastructure had greater levels of export competitiveness. In their study, Muthoni, Nyambura, and Musau (2017) undertook a comparative analysis to examine the trade facilitation measures and market access in Kenya, specifically within the context of the East African Community (EAC). The researcher argued that the implementation of efficient customs procedures and the reduction of trade expenses have facilitated the ability of firms to participate in cross-border trade with enhanced competitiveness. Consequently, this has resulted in improved regional market accessibility for Kenyan enterprises.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology applied in this research. This chapter is organized into separate segments that cover different facets of the study. These segments include the research design, the approach to selecting the population, sampling, the methods for gathering data, and examination of the study instrument's validity and reliability, and the subsequent steps involving data analysis and presentation.

3.2 Research Design

The study used a cross-sectional descriptive design. In descriptive research, the researcher uses a qualitative design in which the respondents' perceptions are ranked to determine the connection between variables of an interest. The descriptive research provides a comprehensive account of the existing conditions and perspectives, and records them in accordance with the prevailing circumstances (Wimmer & Dominick, 2006). The study was cross-sectional since it targeted many SMEs simultaneously. Descriptive study aims to clarify observable patterns and variations within a population in relation to a certain topic. This approach is appropriate for this research as it aims to investigate the impact of trade facilitation techniques on the international market competitiveness of small and medium firms in the Industrial Area of Nairobi.

3.3 Population of the study

Hancock and Algozzine (2016) describe study population as "a collection of components that may or may not be alive, that a researcher has been interested in investigating over a certain assumption." The population for this study is characterized by a variety of factors, including geographical limitations, study scope, availability, and time restrictions. The Kenya Association of Manufacturers, in their 2021 report indicated there were 192 formally registered SMEs in Industrial Area, in Nairobi as at December 2020. The study targeted owners/managers of the respective SMEs

in industrial area, that have been operating for more than one year at the time of the research. The small and medium enterprises that formed the target of the study were those with employees of between 10 – 99. The respective number of firms in each category is displayed in Table 3.1.

Table 3. 1 Population of the Study

SME	Population	Proportion (%)
Building and Mining	32	16.7
Automotive	12	6.3
Chemical and allied	21	10.9
Shoes and footwear	29	15.1
Food and Beverage	24	12.5
Timber wood and Furniture	26	13.5
Metal and allied	32	16.7
Textile and apparel	16	8.3
Total	**192**	**100**

Source : Kenya Association of Manufacturers (2021)

3.4 Sampling Design sample size

The identification of the target respondents was done using stratified random sampling. Slovin's (1960) formula was applied in the determination of the sample size. The Slovin's formula takes the following form;

$n=N/ (1+Ne^2)$.

Where;

n= sample size

N= Total population size, i.e., the three cadres' targeted population

e= error term. The researcher will use a 5% significance level.

Applying the formula and at 0.05 tolerance level, the sample size will be;

$n=192/ (1+192*0.05^2)$

n=192 / 1,48

n=129.7 = 130

Therefore, 130 SMEs constituted the sample size. The 130 sample size was derived from a proportionate sampling from every category of SME. By using this approach, the sample size from each sector is shown in Table 3.2.

Table 3. 2 Sample Size

SME	Sample size	Proportion (%)
Building and Mining	22	16.7
Automotive	8	6.3
Chemical and allied	14	10.9
Shoes and footwear	20	15.1
Food and Beverage	16	12.5
Timber wood and Furniture	18	13.5
Metal and allied	22	16.7
Textile and apparel	10	8.3
Total	**130**	**100**

Source : Researcher (2023)

3.5 Data Collection

The researcher used a questionnaire as the key tool for data collection. The target respondents were the owners of the SMEs or the manager in charge of the firm. The questionnaires were dropped then picked later, thereby providing the targeted respondents an ample time to fill the document. The questionnaire had three sections. The first section (A) sought to assess the demographic information about the firm, the second section (B) measured trade facilitation practices, while the third section (C) measured foreign market competitiveness of the firm.

3.6 Data Analysis

The questionnaires completed by the participants were gathered, carefully examined for accuracy, systematically assigned codes, and inputted into SPSS templates in order to calculate response percentages, mean values, variance data, and mistakes. The data analysis included descriptive techniques, including calculating the mean and standard deviation, correlation and regression analysis. Correlation measures the relationship and direction of variables, whereas regression approaches quantify the strength of the relationship between study variables.

The regression will take the following form;

$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \acute{\varepsilon}$

Where,

Y = Foreign market competitiveness

β_0 = Constant (Co-efficient of intercept)

X_1 = Automation and digitalization

X_2 = Improvement of infrastructure and services

X_3 = Institutional and regulatory cooperation

X_4 = Simplification and harmonization of trade procedures

$\acute{\varepsilon}$.= Error Term

$B_1 \ldots B_5$= Regression co-efficient of independent variables

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter contains the results obtained from the process of analyzing the data, which are in line with the goals of the research and include the factors considered. The data analysis was conducted using the Statistical Package for Social Science (SPSS). The approach adopted utilized both descriptive and inferential statistical methods to condense the data into understandable and significant conclusions. Descriptive statistics were used to condense and display the data, aiding in a more lucid interpretation. Meanwhile, inferential statistics were used to establish the statistical relationship between the dependent and independent variables, revealing the complex interaction between the factors being studied. The use of these statistical tools was intended to provide a strong analytical basis for the study's goals and enhance comprehension of the research variables.

Of the 130 questionnaires that were sent, 116 were returned and served as the foundation for the research. According to Mugenda & Mugenda (2003), a response rate of 50% is considered adequate and appropriate for analysis. Table 4.1 presents the response rate in a tabular format.

Table 4.1: Response Rate Frequency

	Number	**Proportion**
Responses received	116	89.23
Responses not received	14	10.77
Total	**130**	**100.0**

4.2 Demographic Information

The research aimed to determine the demographic characteristics of the participants in terms of staff count, company age, sales, and country of origin. Through a comprehensive examination of these demographic factors, the study aimed to obtain a holistic understanding of the profile of the

participating entities. As a fundamental component, this demographic information serves the purpose of providing the platform for later analyses and interpretations linked to the influence of trade facilitation procedures on the competitiveness of small and medium firms in the industrial region of Nairobi in the international market.

4.2.1 Employees in the SMEs

Demographic statistics, particularly the number of employees in businesses, is an important factor in understanding the scale and size of the small and medium enterprises (SMEs) in the industrial area of Nairobi. The number of employees can be indicative of the organizational structure, resource capacity, and potential economic impact of these enterprises. In the context of the study on the effect of trade facilitation practices on the foreign market competitiveness of SMEs, the size of the workforce is an important variable as it can impact the capacity of these businesses to engage in global trade, comply with trade regulations, and compete effectively in foreign markets.

Table 4. 2 Employee count

Category	Count	Proportion	Cumulative Proportion
Less than 200	6	5.2	5.2
201 – 300	52	44.8	50.0
301 - 400	46	39.7	89.7
Over 401	12	10.3	100.0
Total	116	100.0	

According to the findings, the majority of SMEs surveyed fall within the category of having 201 to 300 employees, constituting 44.8% of the total respondents. This suggests a substantial presence of mid-sized enterprises in the industrial area, which could indicate a moderate level of operational capacity and potential for engagement in foreign markets. The second most common category is

businesses with 301 to 400 employees, comprising 39.7% of the respondents. This further reinforces the presence of relatively larger SMEs, which may have more resources at their disposal for navigating international trade challenges. Additionally, businesses with less than 200 employees account for a smaller percentage (5.2%). While this may represent smaller enterprises, it's crucial to consider their unique characteristics, adaptability, and potential agility in responding to trade facilitation practices. On the other hand, the category of businesses with over 401 employees, constituting 10.3%, indicates the presence of some relatively larger enterprises that might already have an established position in the market.

4.2.2 Age of the Organization

Age of the businesses is another crucial demographic variable that provides insights into the historical context and potentially the level of experience and maturity of the SMEs in the industrial area of Nairobi. This variable is particularly relevant in the context of the current study as the age of a business can influence its adaptability to changes in trade policies and its ability to establish a competitive presence in foreign markets.

Table 4. 3 Age of the Organization

Category	Count	Proportion	Cumulative Proportion
Less than 10 year	23	19.8	19.8
10 – 20	58	50.0	69.8
21 - 30	23	19.8	89.7
31 - 40	12	10.3	100.0
Total	116	100.0	

Drawing from the findings, most of businesses surveyed were in operation between 10 to 20 years, constituting 50.0% of the total SMEs. This suggests a significant presence of relatively mature

businesses with a substantial history of operations. Such businesses may have accumulated valuable experience, established networks, and adapted to changes in the business environment over time, potentially positioning them well to engage in international trade. The next most common category is businesses with less than 10 years and between 21 and 30 years of operation, accounting for 19.8%. These businesses may possess certain advantages such as adaptability to modern trade practices and technologies. The smallest percentage is attributed to businesses with 31 to 40 years of operation, constituting 10.3%. While these businesses may represent a smaller portion of the sample, their extended presence in the market may imply resilience and adaptability to changes over a more extended period.

4.2.3 Sales

Understanding the average annual sales from foreign markets is a critical aspect of evaluating the financial performance and global market engagement of SMEs in the industrial area of Nairobi. This variable directly relates to the study's focus on the effect of trade facilitation practices on foreign market competitiveness of these firms.

Table 4. 4 Sales

Category	Count	Proportion	Cumulative Proportion
Less than 20 million	52	44.8	44.8
Between 20 and 50 million	47	40.5	85.3
Between 50 and 100 million	17	14.7	100.0
Total	116	100.0	

From the findings, the majority of surveyed businesses, 44.8%, report annual sales from foreign markets of less than 20 million Kenyan Shillings. This indicates a substantial portion of SMEs with relatively modest international sales. The second most common category includes businesses with

annual sales between 20 and 50 million Kenyan Shillings, constituting 40.5%. This suggests a considerable number of SMEs with a moderate level of international sales, potentially indicating a greater level of market penetration or a broader product appeal in foreign markets. A smaller percentage of businesses, 14.7%, report annual sales between 50 and 100 million Kenyan Shillings from foreign markets. This category represents a group of SMEs with relatively higher international sales, potentially indicating a more robust foreign market presence, diversified product offerings, or successful implementation of effective trade facilitation practices.

4.2.4 Country of origin

The country of origin of SMEs is a fundamental demographic variable that sheds light on the diversity within the industrial area of Nairobi. It provides insights into the composition of the business landscape, with a distinction between locally originated SMEs and those with foreign origins.

Table 4. 5 Country of origin

Category	Frequency	Percent	Cumulative Percent
Local	93	80.2	80.2
Foreign	23	19.8	100.0
Total	116	100.0	

The observations show that most of surveyed SMEs, comprising 80.2%, are locally originated. This indicates a predominant presence of businesses that have roots in the domestic market. Local SMEs are likely to have a nuanced understanding of the local business environment, regulatory frameworks, and cultural factors, which can influence their approach to international trade and foreign market competitiveness. On the other hand, foreign-origin SMEs represent 19.8% of the total respondents. While this is a smaller percentage, it signifies the presence of businesses with international roots operating in the industrial area. These foreign-origin SMEs may bring unique

perspectives, technologies, and global networks that contribute to the overall diversity and competitiveness of the business ecosystem.

4.3 Trade Facilitation Practices

Descriptive statistics aids in creating a concise summary of the replies. The summary facilitates comprehension of the distribution of data gathered according to the research variables. The average and variability of the replies on the aspects of demand forecasting were calculated. The mean is used to ascertain the concentration of answers depending on the scale used. Conversely, the standard deviation of the replies quantifies the extent to which the responses deviate from the mean value. The research used a five-point Likert scale, with a rating of 5 representing strong agreement and a rating of 1 indicating extreme disagreement.

4.3.1 Automation and digitalization

Table 4. 6 Automation and digitalization

Statements	N	Mean	Std. Deviation
We adopt electronic documentation platforms	116	4.59	.9875
There exists an automated customs clearance system	116	4.41	.8019
We employ automated freight booking and tracking systems	116	3.41	1.3054
We pay all our taxes under a single window systems	116	3.02	1.5714
We enjoy a single window system at the border points	116	2.02	1.5035
We employ a track and trace systems such as radio frequency identification (RFID)	116	1.69	1.3346

The respondents' ratings on trade facilitation practices related to automation and digitalization reveal a positive outlook on the adoption of electronic documentation platforms (Mean = 4.59) and the existence of an automated customs clearance system (Mean = 4.41). These high mean scores

indicate a strong consensus among the SMEs in the industrial area of Nairobi, suggesting a widespread embrace of digital solutions to streamline trade processes. However, the use of automated freight booking and tracking systems receives a lower mean score (Mean = 3.41), indicating a more varied response. Additionally, the mean scores for paying taxes under a single window system (Mean = 3.02), enjoying a single window system at border points (Mean = 2.02), and employing track and trace systems (Mean = 1.69) suggest varying levels of agreement, with lower scores indicating less uniform adoption. The relatively high standard deviations for the latter three statements imply significant variability in responses. Overall, while there is strong agreement on certain aspects of automation and digitalization, the variability in responses for specific measures highlights potential areas for improvement and underscores the need for tailored strategies to strengthen the effectiveness of these systems across the SMEs in the study. The relatively high standard deviations for the statements related to paying taxes under a single window system (Std. Dev = 1.57), enjoying a single window system at border points (Std. Dev = 1.50), and employing track and trace systems (Std. Dev = 1.33) suggest a significant spread in responses, indicating diverse perceptions or experiences among the respondents.

4.3.2 Improvement of Infrastructure and Services

Table 4. 7 Improvement of Infrastructure and Services

Statements	N	Mean	Std. Deviation
Trade facilitation training and capacity building is offered frequently	116	4.216	.9307
Border infrastructure is enhanced	116	3.853	1.12108
Customs and regulatory systems are modernized	116	3.483	1.2193
The country's transport infrastructure is modernized	116	2.741	1.1951
There exists an efficient information and communication technology (ICT) infrastructure in the country	116	2.716	1.3944
Connectivity from one region to another has been enhanced	116	2.517	1.3087

The respondents' assessments of infrastructure and services improvement for trade facilitation reveal a strong consensus on the frequency of trade facilitation training and capacity-building opportunities, as reflected in the high mean score of 4.22 and a relatively low standard deviation of 0.93. However, opinions on the enhancement of border infrastructure exhibit some variability, with a mean score of 3.85 and a higher standard deviation of 1.12, indicating differing perceptions among SMEs. Similarly, there is a mixed response to the modernization of customs and regulatory systems (Mean = 3.48, Std. Dev = 1.22). The mean scores for the country's transport infrastructure (Mean = 2.74), efficient information and communication technology (ICT) infrastructure (Mean = 2.72), and enhanced regional connectivity (Mean = 2.52) are comparatively lower, indicating a less favorable outlook. The elevated standard deviations for the latter three statements imply diverse perspectives among respondents, emphasizing the need for targeted efforts in improving and modernizing these aspects of infrastructure and services to foster a more consistent and positive trade facilitation environment across SMEs in the industrial area of Nairobi.

4.3.3 Institutional and Regulatory Cooperation

Table 4. 8 Institutional and Regulatory Cooperation

Statements	N	Mean	Std. Deviation
There exists a government and inter-agency coordination for the business community	116	4.543	.6775
There exists a joint committee and working group	116	4.353	.7254
There exists a dispute resolution mechanism	116	4.285	.8109
We have data sharing exchange	116	3.810	1.0948
There exists a harmonized electronic documentation	116	3.603	.6709
There is information sharing platforms	116	3.353	1.2105

The findings in relation to institutional and regulatory cooperation for trade facilitation underscore a positive perception of the coordination and mechanisms in place. Notably, there is strong agreement that government and inter-agency coordination for the business community exist (Mean = 4.54), with a remarkably low standard deviation of 0.68, indicating a high degree of uniformity in this perception. Similarly, the presence of joint committees and working groups (Mean = 4.35) and a dispute resolution mechanism (Mean = 4.28) are well-regarded, with low standard deviations of 0.73 and 0.81, respectively, suggesting a consistent and positive perception among the respondents. While slightly lower mean scores are observed for data sharing exchange (Mean = 3.81), harmonized electronic documentation (Mean = 3.60), and information sharing platforms (Mean = 3.35), these still indicate a generally favorable outlook. The corresponding standard deviations suggest moderate variability in responses, emphasizing the need for continued efforts to enhance and streamline these aspects of institutional and regulatory cooperation for more effective trade facilitation.

4.3.4 Simplification and Harmonization of Trade Procedures

Table 4. 9 Simplification and Harmonization of Trade Procedures

Statements	N	Mean	Std. Deviation
There is reduced documentation procedures for exports	116	4.509	.67882
All custom procedures are aligned	116	3.319	1.2483
Automated clearance is used in all border points	116	3.319	1.28942
Uniform regulation and standards applies to all businesses	116	3.216	1.1330
All documents are standardized	116	3.172	1.0655
We use a single window clearance procedure	116	3.164	1.3315

Regarding simplification and harmonization of trade procedures, the respondents strongly agree that there are reduced documentation procedures for exports (Mean = 4.51), showcasing an efficient approach to trade processes. Similarly, businesses express a consensus that all custom procedures are aligned (Mean = 3.32), and automated clearance is utilized at all border points (Mean = 3.32). In terms of uniform regulation and standards, respondents generally gave a neutral response that uniform regulations and standards apply to all businesses (Mean = 3.22). Similarly, the respondents were also undecided on the statements that all documents being standardized (Mean = 3.17) and the use of a single window clearance procedure (Mean = 3.16). The standard deviations, ranging from 1.07 to 1.33, suggest variability in responses, underscoring the diverse perspectives among respondents. These findings highlight the need for targeted interventions to further enhance and harmonize trade procedures for a more consistent and effective trade facilitation experience among SMEs in the industrial area of Nairobi.

4.3.5 Foreign Market Competitiveness

Table 4. 10 Foreign Market Competitiveness

Statements	N	Mean	Std. Deviation
Our production system is cost efficient	116	4.035	1.1416
We have improved on our product innovation	116	3.974	.9732
We enjoy brand reputation on our products and services in both local and foreign markets	116	3.871	1.1154
We have developed efficient distribution channels locally and internationally	116	3.828	1.2872
We have achieved supply chain efficiency	116	3.767	.8882
We can innovate and introduce new products that meet customer demands	116	3.457	.9815
We have a growing customer base in foreign markets	116	3.422	1.1202

The volume of sales in the foreign markets has been growing steadily	116	3.164	1.0628
Our products are of higher quality	116	2.698	1.3655

The findings in relation to foreign market competitiveness indicate that respondents generally believe their production system is cost-efficient (Mean = 4.03), and they have made strides in product innovation (Mean = 3.97) and brand reputation both locally and internationally (Mean = 3.87). Additionally, there is a perception of having developed efficient distribution channels locally and internationally (Mean = 3.83), achieving supply chain efficiency (Mean = 3.77), and being capable of innovating to meet customer demands (Mean = 3.46). However, the mean scores for growing a customer base in foreign markets (Mean = 3.42), the steady growth of sales in foreign markets (Mean = 3.16), and the perceived quality of products (Mean = 2.70) are somewhat lower, indicating potential areas for enhancement. The standard deviations, ranging from 0.89 to 1.37, suggest a notable spread in responses, highlighting varying perceptions among respondents regarding the competitiveness of their products and services in foreign markets. These insights underscore the multifaceted nature of foreign market competitiveness, emphasizing the need for targeted strategies to bolster perceived weaknesses and capitalize on identified strengths within the SMEs in the study.

4.4 Regression Analysis

Regression analysis was done to establish the association between the dependent and independent variables. The study aimed to establish a link between trade facilitation practices and foreign market competitiveness of small and medium-sized enterprises in the Industrial Area, Nairobi. As a result, the independent variables comprised the dimensions of trade facilitation practices. On the other

hand, the competitiveness of small and medium-sized enterprises was considered as the dependent variable.

4.4.1 Summary Model

The summary model of a regression analysis depicts the R- coefficient of correlation, which shows the extent of correlation between the dependent and independent variable and the R-square- the coefficient of determination that shows the level of variation in dependent variable explained by independent variables incorporated in the study.

Table 4. 11 Summary Model Top of Form

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704[a]	.496	.478	.8096

a. Predictors: (Constant), Simplification and harmonization, Automation and digitalization, Improvement of infrastructure and services, Institutional and regulatory cooperation

The results indicate that the R-value is 0.704, which signifies the degree of correlation between the predicted values and the observed values. The R Square, with a value of 0.496, indicates the percentage of the variation in the dependent variable (foreign market competitiveness) that can be explained by the independent variables (simplification and harmonization, automation and digitalization, improvement of infrastructure and services, institutional and regulatory cooperation). This indicates that about 49.6% of the variation in international market competitiveness can be explained by the independent variables included in the model.

4.4.2 Analysis of Variance

By analyzing the variance, one may determine whether or not the model is a good match for the data. When the significance value is taken into consideration, the goodness of fit of the model may

be determined. The value of significance is 5% when the degree of confidence is set at 95%. It is possible to determine whether or not the model is suitable for the data if the significance value is less than or equal to 5%, and vice versa.

Table 4. 12 Analysis of Variance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	71.551	4	17.888	27.292	.000[b]
Residual	72.751	111	.655		
Total	144.302	115			

a. Dependent Variable: Foreign market competitiveness

b. Predictors: (Constant), Simplification and harmonization, Automation and digitalization, Improvement of infrastructure and services, Institutional and regulatory cooperation

According to the findings of the analysis of variance (ANOVA), the F statistic is shown to be 27.292, and the level of significance is 0.000 (3 dp), which is lower than 0.05. In light of the results, it can be deduced that the regression model was substantially suitable for modeling the regression data.

4.4.3 Coefficients of Regression Analysis

Regression coefficients give information concerning a unit effect on the dependent variable due to change in individual independent variables.

Table 4. 13 Coefficients of Regression Analysis

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	.679	.367		1.852	.067
Automation and digitalization	.511	.105	.405	4.881	.000

Improvement of infrastructure and services	.204	.091	.194	2.237	.027
Institutional and regulatory cooperation	.228	.079	.262	2.873	.005
Simplification and harmonization	.211	.063	.235	3.350	.001

a. Dependent Variable: Foreign market competitiveness

The regression analysis reveals insightful information about the predictors' impact on Foreign Market Competitiveness among SMEs in the industrial area of Nairobi. The findings show that holding the predictor variables constant, the foreign market competitiveness of the SMEs in question will have a constant value of 0.679 units. A one-unit increase in the automation and digitalization score corresponds to a substantial 0.511 (p=0.000) increase in foreign market competitiveness, underscoring the pivotal role of electronic processes and automation in enhancing global competitiveness. Similarly, a unit advancement in improvements in infrastructure and services is associated with a notable 0.204 (p=0.027) rise in competitiveness. Institutional and regulatory cooperation, on the other hand, contributes to a 0.228 (p=0.0.005) increase in foreign market competitiveness, emphasizing the significance of collaborative relationships with institutions. Moreover, a unit advancement in simplification and harmonization results in a noteworthy 0.211 (p=0.001) increase in competitiveness. These positive and statistically significant coefficients collectively emphasize the significance of a comprehensive approach to trade facilitation practices in bolstering the competitive edge of SMEs in foreign markets. As a result, the model is presented as;

Foreign market competitiveness =0.679 + 0.511 (automation and digitalization) + 0.204 (infrastructure and services) + 0.228 (institutional and regulatory cooperation) + 0.211(simplification and harmonization)

4.5 Discussion of the Findings

The main aim of the research was to evaluate the influence of trade facilitation practices on foreign market competitiveness of small and medium-sized enterprises in Industrial Area, Nairobi. Based on the findings, the study established a positive association between automation and digitalization and foreign market competitiveness as suggested. This positive association can be attributed to the efficiency gains, streamlined operations, and improved responsiveness to market dynamics achieved through automation. The adoption of electronic documentation platforms, automated customs clearance systems, and other digital solutions may reduce processing times, minimize errors, and enhance overall trade facilitation, thereby positively impacting the competitiveness of SMEs. This aligns with Alsharari (2022) who highlighted the transformative impact of digitalization on businesses, emphasizing its role in improving efficiency, reducing operational costs, and fostering innovation hence suggesting that SMEs leveraging electronic processes and automation are better positioned to enhance their competitiveness in foreign markets.

Similarly, improvements in infrastructure and services positively and significantly influence foreign market competitiveness among SMEs. The relationship suggests that investments in robust infrastructure, efficient trade-related services, and advancements in transportation and communication networks contribute to a more competitive positioning in foreign markets. According to Liang, Guo and Fei (2022) well-developed infrastructure supports smoother supply chain operations, reduces logistical constraints, and enhances overall business connectivity. The positive impact of such improvements may extend to the perception of reliability and accessibility, factors that are crucial for SMEs seeking to navigate and succeed in international markets (Mesocho, 2018).

Furthermore, it was established that institutional and regulatory cooperation has a positive and major impact on foreign market competitiveness underscoring the significance of collaborative efforts between SMEs and regulatory bodies. This finding is in tandem with Ezeh, Okechukwu, and Ogbo (2023) who noted that when there is effective coordination, joint committees, and dispute-resolution mechanisms in place, SMEs can navigate regulatory landscapes more seamlessly. This fosters an environment of trust and stability, which is integral for expanding operations in foreign markets. Moreover, data-sharing exchange and harmonized electronic documentation systems contribute to a more streamlined and efficient regulatory environment, positively influencing SMEs' competitive standing.

According to the findings, simplification and harmonization greatly influence foreign market competitiveness positively implying that SMEs benefit from simplified and standardized trade procedures. A reduction in documentation procedures, alignment of custom procedures, and the use of a single window clearance procedure can contribute to operational efficiency and cost-effectiveness. This finding is in agreement with Adesoye, Owusu, and Osei-Tutu (2021) who established that standardized processes may lead to increased predictability and reduced complexity, enabling SMEs to navigate international trade with greater ease. Similarly, the positive relationship aligns with the notion that simplified and harmonized trade procedures contribute to a more conducive business environment, fostering the competitiveness of SMEs in foreign markets.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the most significant results, conclusions, and suggestions that were derived from the findings, with consideration given to the implications for both research and policy. In an effort to meet the study purpose, the results and recommendations that were made were taken into consideration. As the chapter comes to a close, it makes a passing reference to the substantial limits and offers some ideas for further research.

5.2 Summary of the findings

The study's objective was to establish the effect of trade facilitation practices on foreign market competitiveness of small and medium sized enterprises in Industrial Area, Nairobi. In the demographic statistics, the study unearthed crucial insights into the profile of SMEs in the industrial area of Nairobi. Notably, a significant portion of the surveyed businesses falls within the 201–300 employees category (44.8%), reflecting the predominance of medium-sized enterprises. The age distribution of businesses reveals a fairly balanced representation across different age categories, with the majority falling within the 10–20 years range (50.0%). Concerning annual sales from foreign markets, a considerable proportion of SMEs reported sales between 20 and 50 million Kenyan Shillings (40.5%). The majority of businesses are local enterprises (80.2%), underscoring the importance of understanding the dynamics of local SMEs in the context of global competitiveness.

Based on the observations in relation to descriptive statistics, the dimensions of trade facilitation practices provided nuanced insights. In automation and digitalization, businesses strongly adopt electronic documentation platforms (Mean = 4.59), indicating a technologically advanced approach. However, the use of automated freight booking and tracking systems shows some variability (Mean = 3.41). Improvement of infrastructure and services is generally positively perceived, with high

scores for trade facilitation training (Mean = 4.22) but a slightly lower mean for border infrastructure enhancement (Mean = 3.85). Institutional and regulatory cooperation scores are consistently positive, indicating strong government and inter-agency coordination (Mean = 4.54). additionally, simplification and harmonization of trade procedures receive favorable scores, but with notable variability, particularly in areas like standardized documents (Mean = 3.17).

The regression analysis further clarified the relationships between trade facilitation practices and foreign market competitiveness. The overall model was statistically significant (R = .704, R Square = .496), indicating that the predictors collectively explain a substantial portion of the variability in foreign market competitiveness. The R Square value of 0.496 implies that about 49.6% of the variability in competitiveness can be attributed to the included predictors. Among the predictors, automation and digitalization (b = 0.511, sig. = 0.000), improvement of infrastructure and services (b = 0.204, sig. = 0.027), institutional and regulatory cooperation (b = 0.228, sig. = 0.005), and simplification and harmonization (b = 0.211, sig. = 0.001) exhibited positive and statistically significant coefficients, underlining their importance in shaping SMEs' competitiveness in foreign markets.

5.3 Conclusion

In conclusion, this study illuminates the intricate dynamics between trade facilitation practices and the competitiveness of Small and Medium Enterprises (SMEs) in the industrial area of Nairobi. The demographic profile of the surveyed businesses underscores the predominance of medium-sized enterprises, providing a valuable context for understanding the nuances of trade facilitation within this sector. Notably, the findings reveal a diverse landscape of local businesses, reflecting the unique composition of SMEs in this industrial hub. The descriptive analysis uncovers both strengths and areas for improvement in the adoption of trade facilitation practices among these enterprises.

The regression analysis contributes significant insights into the relationships between trade facilitation dimensions and foreign market competitiveness. The model's explanatory power suggests that the identified predictors collectively play a substantial role in influencing SMEs' competitiveness on the global stage. Automation and digitalization emerge as transformative forces, underlining the pivotal role of technological advancements in shaping the competitive edge of SMEs. Improvement of infrastructure and services, institutional and regulatory cooperation, and simplification and harmonization also stand out as influential factors, emphasizing the need for a holistic approach to trade facilitation.

As global economic landscapes continue to evolve, the conclusions drawn from this study provide valuable insights for stakeholders seeking to fortify the competitiveness of SMEs. The multifaceted nature of trade facilitation practices necessitates a refined and adaptive approach, ensuring that interventions are both context-specific and forward-looking.

5.4 Study recommendations

Premised on the study findings, the study suggests that efforts to bolster competitiveness of SMEs in the industrial area of Nairobi should prioritize initiatives that enhance digital literacy and technology adoption. Policymakers and business support organizations ought to invest in comprehensive training programs that equip SMEs with the skills to effectively leverage electronic documentation platforms, automated customs clearance systems, and other digital tools. Additionally, the introduction of incentives, such as tax breaks or subsidies, could serve as powerful catalysts for wider technology adoption. By fostering a tech-savvy business environment, SMEs can tap into the efficiency gains and market responsiveness afforded by digitalization, thus enhancing their global competitiveness.

Strengthening institutional and regulatory frameworks is imperative to create a more supportive business environment. Policymakers should focus on fostering inter-agency coordination, establishing joint committees and working groups, and enhancing dispute resolution mechanisms. Modernizing border infrastructure, improving connectivity, and providing efficient information and communication technology (ICT) infrastructure are integral components of this recommendation. By reducing bureaucratic hurdles and enhancing overall regulatory cooperation, SMEs can operate more seamlessly in the international market, fostering a conducive environment for growth and competitiveness.

Promoting trade facilitation advocacy and collaboration is essential for the effective functioning of SMEs in the international market. Policymakers and business advocacy groups should engage in awareness campaigns to highlight the benefits of simplified and harmonized trade procedures. Creating platforms for information sharing, best practice exchange, and collaboration can empower SMEs to navigate the complexities of international trade more effectively. Additionally, establishing a feedback mechanism that allows SMEs to voice challenges and concerns related to trade facilitation practices can inform iterative improvements. By fostering a culture of collaboration and open communication, stakeholders can collectively work towards creating an environment that nurtures the development and competitiveness of SMEs in global markets.

5.5 Limitations

The study was restricted to the setting of small and medium-sized firms just inside the Industrial Area of Nairobi due to certain constraints. Furthermore, the study used a cross-sectional survey research strategy, which restricted the investigation to a certain time period. Furthermore, the research only relied on primary data as the exclusive source for gathering. Nevertheless, these constraints did not significantly hinder the achievement of the study's goal. Subsequently, the

outcomes of the study maintain credibility for generalization, underscoring the robustness of the research outcomes.

5.6 Suggestions for future studies

The study aimed to determine the effect of trade facilitation practices on foreign market competitiveness of small and medium sized enterprises in Industrial Area, Nairobi. To extend the applicability of the findings, the recommendation is that future studies explore other sectors within the economy. Given the study's constraint to a cross-sectional descriptive research design, subsequent research endeavours should consider employing diverse research designs. This approach would help ascertain whether the observed findings exhibit similarities or variations under different methodological frameworks. Such diversified investigations would contribute to a more comprehensive understanding of the dynamics at play and offer greater insights into the broader economic landscape.

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APPENDICES

Appendix I: Letter of Introduction

Peter Mburu Nganga

P.O Box 3197-00100

Nairobi

Dear Respondent,

RE: LETTER OF INTRODUCTION

I am a postgraduate student at the University of Nairobi, registered under the number D61/12167/2018. I am currently pursuing a Master of Business Administration degree in International Business. My research study focuses on the impact of trade facilitation practices on the foreign market competitiveness of small and medium-sized enterprises in the Industrial area of Nairobi.

Your company has been selected as one of the participants in the research project. I kindly request that you provide me with the specified information as indicated in the enclosed questionnaire.

The information you submit will be exclusively used for the purpose of this study. I will guarantee the highest level of confidentiality for the information you supply. Upon request, I am willing to provide the results of the study.

Your involvement in this research is much valued as it is expected to provide valuable information for the many players engaged in facilitating trade for small and medium sized firms.

Kind Regards,

Peter Mburu Nganga

Appendix II : Questionnaire

SECTION A: DEMOGRAPHIC INFORMATION

1. How many employees are there in your business?

   a) Less than 200 ( ) b) 201 – 300 ( )

   c) 301 - 400 ( ) d) Over 401 ( )

2. What is the age of your business?

   a) Less than 10 year ( ) b) 10 – 20 ( )

   c) 21 - 30 ( ) d) 31 - 40 ( )

3. What is your average annual sales from foreign markets (in Kenya shillings)?

   a) Less than 20 million ( ) b) Between 20 and 50 million ( )

   c) Between 50 and 100 million ( ) d) More than 100 million ( )

4. Country of origin?

   a) Local ( )

   b) Foreign ( )

SECTION B: Trade Facilitation Practices

5. In this section, please indicate the extent at which you agree or disagree with the given statements regarding the trade facilitation that your business enjoys, using the rating scale below:

   1 = **Strongly Disagree** 2 = **Disagree** 3 = **Moderate** 4 = **Agree** 5 = **Strongly Agree**

A	Automation and digitalization	1	2	3	4	5
1.	There exists an automated customs clearance system					
2.	We employ a track and trace systems such as radio frequency identification (RFID)					
3.	We adopt electronic documentation platforms					
4.	We enjoy a single window systems at the border points					

5.	We pay all our taxes under a single window systems					
6.	We employ an automated freight booking and tracking systems					
B	**Improvement of Infrastructure and Services**	**1**	**2**	**3**	**4**	**5**
1.	The country's transport infrastructure is modernized					
2.	Connectivity from one region to another has been enhanced					
3.	Border infrastructure is enhanced					
4.	There exists an efficient information and communication technology (ICT) infrastructure in the country					
5.	Customs and regulatory systems are modernized					
6	Trade facilitation training and capacity building is offered frequently					
C	**Institutional and regulatory cooperation**	**1**	**2**	**3**	**4**	**5**
1.	There exists a joint committee and working group					
2.	There exists a government and inter-agency coordination for the business community					
3.	The exists a dispute resolution mechanism					
4.	There is information sharing platforms					
5.	We have data sharing exchange					
6.	There exists a harmonized electronic documentation					
D	**Simplification and harmonization of Trade Procedures**	**1**	**2**	**3**	**4**	**5**
1.	There is reduced documentation procedures for exports					
2.	Automated clearance is used in all border points					
3.	We use a single window clearance procedure					
4.	All documents are standardized					

5.	Uniform regulation and standards applies to all businesses					
6.	All custom procedures are aligned					

SECTION C: Foreign Market Competitiveness

6. Below are measures of foreign market competitiveness. Please indicate the extent to which these apply to your organization. Where:

5 = **Greatly**; 4 = **Considerately**; 3 = **Moderately**; 2 = **Remotely**; 1= **Not at all**

Statement	**1**	**2**	**3**	**4**	**5**
Our products are of higher quality					
We can innovate and introduce new products that meet customer demands					
Our production system is cost efficient					
We have developed efficient distribution channels locally and internationally					
We enjoy brand reputation on our products and services in both local and foreign markets					
We have achieved supply chain efficiency					
We have improved on our product innovation					
The volume of sales in the foreign markets has been growing steadily					
We have a growing customer base in foreign markets					

THANK YOU SO MUCH FOR YOUR TIME.