EFFECTS OF IMPORTS TAXATION ON ECONOMIC GROWTH AND DEVELOPMENT IN KENYA. A CASE STUDY OF AGILITY GLOBAL LOGISTICS.

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DECLARATION

This research proposal is my original work and has not been submitted to any other University for academic award.

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This Project has been submitted for examination with my approval as University Supervisor

Signature………………………… **Date…………………**

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DEDICATION

This proposal is dedicated to Allah Almighty, my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. I also dedicate this work to Father Mr. Abdi for his financial and encouragement during my academics.

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Special thanks to my supervisor for his positive critique, support and guidance during the entire process. I also thank him for his patience and understanding throughout this period.

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ABSTRACT

The study sought to investigate the effects of import taxation on economic growth and development in Kenya. A case study of agility global logistics. The objectives of the study were to establish the effect of information Technology on imports tax on economic growth and development in Kenya. To ascertain the effect of exchange on imports tax on economic growth and development in Kenya, to evaluate how the regulatory framework influences import tax on economic growth and development in Kenya, and to determine how inflation affects import on economic growth and development in Kenya. The target population was 120 respondents from which the sample used in the study was 60 respondents. The descriptive research design was used. Questionnaires were used as a tool of data collection. Data was analyzed using the Statistical Package for Social Sciences (SPSS) and presented using tables, mean percentages and standard deviation. On the basis of these findings the researcher concluded that imports taxation impacts on economic growth and development in Kenya's .There is empirical evidence that most of the countries having high external reserves are countries with advanced technology. The increase in currency reserves would lead to advanced countries investing their capital in Kenya. The researcher conclusion, it is obvious that modern technologies can be a double-edged weapon. They have their advantages, but with many inventions, they can completely change our lives, for better or worse. As a result, we must work for the interest of social connection to preserve people's feelings towards each other away from the addiction to technology. The study recommends that regulators should come up with means to evaluate exchange rate methods this will help to curb the impact that exchange rate volatility can have on an economy, and, among other aspects, on inflation. This is even more relevant to developing countries.

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ABBREVIATIONS AND ACRONYMS

GDP Gross Domestic Development

FDI: Foreign Direct Investment

FGD: Focus Group Discussion

HRM: Human Resource Management

ILO: International Labour Organization

OPERATIONAL DEFINITIONS OF TERMS

Management Styles: Management style is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent". These are accomplished through the application of leadership attributes, such as beliefs, values, ethics, character, knowledge, and skills.

Dispute Resolution: This is an amicable approach of resolving disputes between two or more parties. The term has sometimes been used interchangeably with conflict resolution, although conflicts are generally mode deep-rooted and lengthy than disputes.

Organizational Culture: Organizational culture is a system of shared values held by members of an organization; this attribute was unique from one organization to the other.

Leadership Strategies: Leadership strategies are general set of plans or set of plans developed by executives aimed at achieving effective leadership in an organization

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains the background of the study, statement of the problem, research objectives, and research questions, significance of the study and the scope of the study. The chapter introduces the study where the basis of the study is based.

1.1 Background of research

It has been argued that both imports play an important role in economic development. Theoretical and scientific studies used mainly focus on the relationship between export and growth or between import and export or the relationship between export, import and economic growth. (Jaylyn, 2017) The importation of goods and services is an engine of economic and social development for a number of reasons, including exports that require companies to establish and develop in order to maintain market share. On the other hand, exports ensure increased sales and profits. Otherwise, they reduce local dependence.

Markets as, in the event of an increase in foreign markets, the market base increases, leading to a decrease in local customers only. Otherwise, exports could reduce the impact of market instability, by operating in global markets, companies becoming slaves to economic transformation, consumer demand and seasonal changes in the domestic economy. Finally, and with respect to export benefits, it can be summed up that the increase in exports leads to increased access to finance, which increases national income, profits and state residues. This leads to improved quality of life. Despite these benefits of exports, they sometimes do not lead to these beneficial results, and do not contribute to the country's economic growth, and this is due to a number of reasons, among them: the existence of competition is greater than expected. , products are unpopular or popular in some markets, instability in the target country due to wars or civil strife, weak media coverage and definition of exported product or other similar reasons. In the case of imports, it is often reflected in the state's weakness in meeting its own needs and making them dependent on foreign aid.

Abdinasir Ibrahim Ismail (2013) Exports in contrast to foreign exchange lead to the depletion of local currency and weaken trade balance, thereby weakening economic growth. However, and in some cases, it is considered an important source of economic growth, especially when it incorporates hardware and electronics to assist and contribute to the growth and development of investments or to include products that require higher production value than exports. For these reasons, export and export remain a matter of your ability to contribute to the socio-economic growth of countries.

Bastani and Nagina (2011) analyzed imports from previous programs in the article "Analysis of Imports and Forecasts" and outlined the main objectives and appropriate mechanisms, policies and strategies to achieve the stated goal. The two researchers are trying to find the right impetus for Iran's imports to have a positive impact on Iran's economic growth. They analyzed the current import situation and the fifth development plan and believe that the current structure of the type of imports is not suitable for development and does not meet the requirements of the Iranian economic forecast and the purpose of acceleration. economic growth is not only the volume of imports that will be increased, but the structure of imports will be adjusted to benefit investment and intermediate assets, so that imports have a greater impact on production. However, they also highlighted in their research the problem of smuggling and the damage it does to the export sector in economic growth.

The need for imports is determined by both the economic and non-economic aspects. This, in general, will include exchange rates and / or related prices, economic activity, domestic and foreign economic conditions, production and / or labor costs, and political conditions (World Bank, 1987). However, as argued by Erasmus (1978) and elsewhere, the prices associated with real income are the major factors affecting the need for imports and the provision of exports. This matter is discussed in more detail in the following paragraphs. Rivera-Batiz (1985) argues that economic growth can lead to an increase in consumer goods, the reason being that higher incomes encourage consumption. In the case of South Africa, as wages rise there is a high probability of an increase in imports, perhaps due to demand or other factors. In that, there is a direct link between economic growth and trade balance. Microeconomic theory puts the need for any good to be a function of income and prices, ceteris paribus. In this context, related price changes, most likely, affect the current account balance with changes in import requirements. In the view, an increase in related prices should reduce demand and an increase in revenue will increase the demand for goods.

The biggest challenge for governments around the world is to continue to increase the well-being of their people through appropriate economic policies and programs. Governments strive to achieve this national goal by providing public goods, such as road infrastructure and public services such as education, safety and health, sanitation, etc., which is why they have built economic and social infrastructure. The adequacy of such infrastructure is a solid foundation for the growth and development of the country's economy. Where possible, all government expenditures should contribute to the creation and promotion of a domestic economy that empowers domestic and foreign investment, boosting both domestic and foreign trade; attract tourists and other foreign tourists, increase agricultural productivity; and promote arts and small-scale industrial production. All of these economic activities create productive jobs and accelerate economic growth and development in the short, medium and long term. (Bill, 2017).

1.2 Statement of the problem

Over the years, revenue from taxes has been seen to increase with GDP growth in Kenya. Some studies have shown that taxes have a positive effect on growth (Manas-Antony, 2017), while others have found negative relationships (Marsden 2013, Skinner and Engen 2012, Feldsten 2014, and Cushin 2015). A number of studies have been conducted that focus on income generation for the entire tax system, including but not limited to; Wawire (2018), Ochieng (2018), and Murunga (2014). Many of these studies focus specifically on the various tax revenue decisions and how they promote tax growth and its expansion in Kenya. However, the neoclassical growth ideas of Solow (2016) and Swan 2015) failed to find a direct link between monetary policy and economic growth.

Modigliani and Miller (2015), argue that the value of the factory is independent of the total market capitalization and there is no corporate income tax. The most profitable investment is the total debt if there is a tax on the business income. Myers and Majiuf (2014), have suggested a pecking order that states that there is no suitable financial structure for a company. Companies prefer internal funding rather than external financing and when given that external funding is required, they prefer to issue securities first and then share securities as a last resort, Myers and Majluf (2016)

Import demand is determined by both economic and non-economic factors. These include, including exchange rates and / or related prices, economic activity, domestic and foreign economic conditions, production and / or labor costs, and political conditions (World Bank, 2017). However, as challenged by Erasmus (2015) and elsewhere, inflation and real income are the major factors affecting the demand for imports and exports. This issue will be discussed in more detail in the following sections.

1.3 General Objective

Effects of imports on economic growth and development in Kenya. A case study of Agility global logistics.

1.3.1 Specific Objective

i. To establish the effect of information Technology on imports tax on economic growth and development in Kenya.
ii. To ascertain the effect of exchange on imports tax on economic growth and development in Kenya
iii. To evaluate how the regulatory framework influences import tax on economic growth and development in Kenya.
iv. To determine how inflation affects import on economic growth and development in Kenya.

1.4 Research Questions

i. What is the effect of information Technology on imports to economic growth in Kenya?
ii. What is the effect of the exchange rate on imports tax on economic growth in Kenya?
iii. To what extent does Regulatory framework influence imports tax to economic growth in Kenya?
iv. How does inflation affect economic growth and development in Kenya?

1.5 Significance of the study

To the Tax Authorities Government tax agencies such as KRA and the Central Bank of Kenya will through this study get an insight on how tax policies they make impact on companies' sources of funds as well as individual investors' investments in the companies. The study will assist the authorities in formulating tax policies that can foster growth in Kenya. To Companies the offsetting tax effect on the optimal capital structure for companies will clearly be demonstrated in this study. Companies will through this study be able to assess whether taxes push them towards maximum leverage, no leverage, or indeterminate leverage (based on the financing decision they make) depending on whether the constant marginal corporate tax saving is greater than, less than, or equal to the constant marginal individual tax cost.

Shareholders will equally get an insight on how agency problems between them and managers can be resolved. The interests of managers are not aligned with those of security holders, and managers tend to waste free cash flows (the excess of cash earned over profitable investments) on perquisites and bad investments. Dividends and especially debts help control this agency problem by forcing managers to pay out more of the firm's excess cash (Jensey and Meckling, 2016)

1.6 Scope of the study

The study will be limited to the effects of taxation on imports on economic growth in Kenya. A case study of Agility global logistics, the study will target 120 employees of Agility global logistics who will be drawn from management, supervisors and general staff. The study will be done from January to April 2020.

1.7 Chapter Summary

Chapter one contains an introduction and background of the study that outlines various contributions of various authors. It has presented the statement of the problem that outlines the aim and the need for conducting this research study, objectives of the study that are developed from the independent variables that are said to affect the topic under study.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter comprises the theoretical review that discusses theories for the study, the empirical literature which discusses the studies related to the current study, the research gaps identified from the empirical studies, the conceptual framework, and the operationalization of variables

2.1 Theoretical Literature Review

The study will be based on three theories which include premium theory, dynamic theory of public spending taxation, debt benefit theory and economic theory. The theories are reviewed separately and are used to inform the concept of import taxation and economic growth

2.1.1 Dynamic Theory of Public Spending, Taxation, and Debt

The theory builds on the tax smoothing approach to fiscal policy pioneered by Barro (1979) which predicts that governments will use budget surpluses and deficits as a buffer to prevent tax rates from changing too sharply (Battaglini and Coate, 2018). Following this, governments will run deficits in times of high government spending needs and surpluses when needs are low. Underlying the approach are the assumptions that governments are benevolent, that government spending needs fluctuate over time, and that the deadweight costs of income taxes are a convex function of the tax rate (Battaglini, 2006). The economic environment underlying this theory is similar to that in the tax smoothing literature. However, the key departure is that policy decisions are made by a legislature rather than a benevolent planner. This theory introduces the friction that legislators can distribute revenues back to their districts via pork-barrel spending (Bohn, 1998).

The theory considers a political jurisdiction in which policy choices are made by a legislature composed of representatives elected by single-member, geographically defined districts. The legislature can raise revenues in two ways: via a proportional tax on labor income and by borrowing in the capital market. Borrowing takes the form of issuing one period bonds. The legislature can also purchase bonds and use the interest earnings to help finance future public spending if it so chooses. Public revenues are used to finance the provision of a public good that benefits all citizens and to provide targeted district-specific transfers, which are interpreted as pork-barrel spending. The value of the public good to citizens is stochastic, reflecting shocks such as wars or natural disasters. The legislature makes policy decisions by majority (or supermajority) rule and legislative policymaking in each period is modeled using the legislative bargaining approach of Baron and Ferejohn (1989). The level of public debt acts as a state variable, creating a dynamic linkage across policy-making periods.

2.1.2 The Benefit Theory

Under the theory of profitability, tax rates are automatically determined, because taxpayers pay equally the government benefits they receive. In other words, people who benefit the most from public service pay higher taxes. In the analysis of the benefit model, two models have been discussed: the Lindahl model and the Bowen model. In Lindahl's model, in the case of a public service supply chain it is assumed that the production of public goods is consistent and uniform. As the state is not profitable, it expands its purchases until equity is reached in a particular area through voluntary exchanges (Samuelson, 2012). Bowen's model has the potential for greater performance, as it shows that when social assets are produced under increasing cost conditions, the cost of opportunity for private assets is set. For example, if there is a public interest and two taxpayers (A and B), their need for public property represents a and b; therefore, a + b is the absolute necessity of public goods. Supply curve indicates that goods are produced under increasing cost conditions (Giersch, 2007). The cost of production of public assets is the amount of private assets previously created; this means a + b and a curve for private property demand. The middle-of-cost and demand path determines how the national revenue provided should be separated from the wishes of taxpayers between social and private assets (Samuelson, 2012).

2.1.3 Growth Theory

Economic growth, as already noted, began with an industrial process and is faster and more sustainable than it was registered before. Such growth began in Western European countries and spread to the fringes mainly by trade (Baines, 2013).

The theory of economic growth as we know it now evolved from external growth models to the latter. Solow (1956) introduced an exogenous growth model that relied on productive activity, with steady population growth and consistent return on scales, relating to output with three main components of production, finance, labor and knowledge. Solow's view implies that the economy is transforming into a balanced growth path where individual growth rates are determined by the level of technological development. Once the estimated growth path is reached, technological advances allow money to grow without reducing its side-by-side output, allowing for better continuous output growth.

Despite Solow's emergence the theory provides tangible insight, the descriptive variability of output growth rate is not determined by model 2 representing all that is not defined by the capital and workers, which may include potential revenues from international trade. In this series the new models already incorporate technological advances such as several explanations of economic growth and attempt to explain what the Solow model could not do, such models of continuous growth models pioneered by Romer (1990), Grossman & Helpman (1991) and Aghion & Howitt (1992), among to others. Romer (1990) presented in his quest for R&D profits and partial competition in the real estate sector. In this output it is also the work of the capitalists, labor and technology, but; there are two sectors, one manufacturing and the other focusing on R&D; money and staff are used by both parties; and both sectors use the full stock of available technology. The conclusions about Romer's model are similar to those at Solow's, for this reason incomplete cash production is constantly maintained allowing technological advances to overcome the decline in monetary return that promotes product growth. The difference between the two is in how the level of technological progress is determined, in Romer's case it is determined indefinitely and depending on how many people decide to work in the R&D field.

Gressman & Helpman (2017) developed a model in which growth is achieved by combining two conditions, the production of segmented assets and the deliberate collection of information. The authors have introduced a North-South trade model in which the developed North enters new R&D operations and exports less-developed goods to the South, with new ones from the North transforming into Southern imitation, enabling northern manufacturers to enter new production levels and new products. Thus, international trade is a key factor in the accumulation of knowledge and economic growth. Because, as shown in the model, when a country enters the world trade it has access to a highly developed source of information, and then uses that knowledge to accumulate new inputs and generate production profits, leading to increased production of goods and services, thus becoming more competitive.

2.2 Empirical Literature Review

2.2.1 ICT and economic growth

With the Internet at its core, the spread of ICT has begun to transform the world into a knowledge-based society. It is clear that individuals, businesses, and governments can now have better access to information, knowledge, and intelligence than ever before in terms of scale, size, and speed; thanks to the Internet. Moreover, this wealth of knowledge, knowledge, and wisdom is growing exponentially with ever-increasing, fast-moving connections. On this basis, this section uses a variety of existing theories to highlight the three main ICT channels in order to have a positive impact on economic growth, namely, promoting innovation and technology, improving resource allocation, reducing production costs, and promoting demand and investment.

According to Russel (2010), improving tax compliance should be a long-term effort to reform, starting with strengthening the organization and management of the revenue agency, using robust collection systems without building capacity in key tax management activities (registration, filing and enforcement, debt collection) , auditing, taxpayer duties, and grievance redressal). Gordon (2010), goes on to say that the technical issue of tax authorities is considered to be different from that of taxpayers. It seems widely accepted that technology may play a key role in tax administration and that as a result many authorities have invested heavily in hiring or improving their computer research skills.

The obligations of border agencies vary from country to country and it is often a matter of routine review and modification to ensure their continued compliance in a constantly changing country. Culture has traditionally been responsible for implementing various government policies that cover a wide range of areas such as revenue collection, restrictions on illegal activities, protection of cultural heritage resources and enforcement of property laws. The current state of globalization, and the growing threat posed by international terrorism, has seen border agencies emerge as key government agencies in many countries. A common indication of the role of the state cultural authority is often found in how administrative responsibilities are organized. For example, in some countries where revenue is highly concentrated, cultural management is often part of the treasury or financial portfolio. On the other hand, in lands where cultural authorities seem to play a role in border protection, they may be associated with organizations that focus on border control. Ruber, Harald (, 2010)

Thanks to the use of ICT, TRA recorded incredible success. For example, iTAX has contributed to tax improvement by speeding up administrative processes, monitoring taxpayers' time and fines and their interests and increasing revenue and revenue. In 1996, the TRA used to collect US $ 25 million per month but collections increased to US $ 300 million per month in 2007. ITAX has also improved the efficiency, data security and transparency of processes, the release of employees in fruitless work, and the feasibility of technology transfer and exchange of data with governments and non-governmental organizations (e-government). Through iTAX, equality, taxpayer engagement, the prevention of corruption and bribery, and the prevention of tax evasion and tax evasion are promoted. Therefore, iTaX contributes to fair, efficient and efficient taxation and revenue growth, as well as to support TRA's vision of becoming a modern tax regulator (Shekidele 2017).

There are a number of strategies, which have been used to improve tax compliance. One of these methods has been the use of Tax Simplification or Tax System Reform. This is designed to have a number of implications for increasing compliance, as it helps taxpayers avoid misunderstandings, while reducing the chances of tax evasion. Secondly another process used to improve compliance is the provision of law enforcement tools for tax authorities. Other strategies include improved taxpayer services such as taxpayer education, adoption of modern technology and better management of tax authorities (Brostek, 2017)

2.2.2. Regulatory framework and Economic Growth

In the past 20 years the role of a good regulatory framework for a country’s development has been emphasized by policy makers, researchers and international organizations alike. The regulations of a country are part of its economic institutions, which – in turn – are shaped by the political institutions (Acemoglu and Robinson 2012). In general, institutions of a country are defined as the arrangements that structure the political, economic and social interaction among its members. Their main function is to reduce uncertainties that result from incomplete information due to information asymmetries and transaction costs(DC North 1990). This facilitates market interaction and improves the functioning of markets in general. In contrast, poorly designed institutions can significantly increase costs and hinder economic activity and specialization (Lee 2008, Borrmann et al. 2006).

The essence of command-and-control legislation is the exercising of have an effect on by using imposing requirements backed by using crook sanctions. Thus, the Health and Safety Executive can also carry crook prosecutions towards occupiers who breach fitness and security regulations. The pressure of regulation is used to restrict positive varieties of conduct, to demand some wonderful actions, or to lay down prerequisites for entry into a sector. According to the incentives approach, the plausible mischief causer can be brought on to behave in accordance with the public hobby via the nation or a regulator imposing bad or fantastic taxes or deploying promises and subsidies from the public purse. Ormaechea and Jiae Yoo (20120)Thus, no longer solely can taxes be used to penalize polluters, however rewards can be given for rate reductions in pollution, or economic help can be given to these who construct pollution-reducing mechanisms into their manufacturing or operational processes. An instance of such an incentive method at the broadest degree was once the differential tax on leaded and unleaded petrol that was once delivered into Britain in 1987. Moreover, the incentive primarily based method is assumed to be cheaper.

Heckelman and Knack (2019) analyze, amongst others, the relationship between financial freedom and financial boom in the ordinary increase regression estimated based totally on cross-sectional data. The learn about consists of forty seven useful resource recipient international locations and the 1980-2000 period. To keep away from the endogeneity problem, monetary increase is regressed on lagged values of the trade in the Fraser Institute index of monetary freedom. The different manage variables encompass preliminary GDP, democracy, investment, education, toddler mortality, and a quantity of colonial dummies. Two fashions are estimated: the first one consists of the ordinary index of financial freedom and the 2d one consists of its 5 components. The outcomes exhibit that the exchange in financial freedom has a fine and statistically big coefficient in the boom regression. In the case of the factor symptoms of the index of financial freedom, 4 areas generate a effective coefficient (but criminal shape and property rights variable is insignificant) whilst one location (regulation) generates a poor and statistically large coefficient. In this mild it is really worth to test whether or not certainly rules is the least essential freedom from the factor of view of monetary increase or perhaps this consequence is solely an accident ensuing from, inter alia, variable decision bias or incorrect technique of mannequin estimation

2.2.3 Inflation and Economic Growth.

Inflation can be defined as the continuous increase in the general level of prices of goods and services over time or, more simply, as too much money chasing too few goods. Inflationary periods bring about a continuous decline in the purchasing power of money. Studies on inflation and growth can be traced as far back as the classical economic theories and up to modern theories. Today the relative importance of inflation in propelling economic growth remains a subject of debate. This paper offers a detailed review of the literature on growth theories concerning the relationship between inflation and economic growth. Most central banks' monetary policies aim to maintain a low inflation rate and high economic growth. Very high inflation affects the economy drastically, but there is some evidence that moderate inflation might also affect output growth in the long run (Temple 2020).

Ghosh and Phillips (2018) claim that there is no doubt that high inflation is detrimental to economic growth, while this inflicting effect is less pronounced when it comes to moderate inflation rate. They have used a regression panel data and have found a significant opposite relationship between inflation and economic growth, which exist excessively in all inflation rates, except for very low ones. Similarly, based on studies of Hasanov (2010), who used the annual data on the real GDP growth rate, the Consumer Price Index and the Gross Fixed Capital Formation growth rate in order to assess whether there is any threshold impact of the inflation rate in economic growth over the period 2001-2009. The results from the model showed that there is no linear relationship between inflation and economic growth in the economy of Azerbaijan. For example, while the level of the inflation rate is 13 per cent, the impact on GDP growth is reflected in positive economic growth, while in the period when the inflation rate in the economy exceeded 13 per cent, economic growth is expected to decrease by about 3 per cent.

Nell (2017), using Vector Auto Regressions (VAR) technique, tested whether the issue of inflation was detrimental to economic growth or not. He used data for the period 1960 - 1999 and that his empirical results suggested that inflation within the one-digit could be beneficial to economic growth, while inflation over double-digits tends to limit economic growth. Sergii (2019), concluded that the relationship between economic growth and inflation has strictly a concave form with a so-called inflation threshold level. The main finding from this study was that the 8 per cent inflation rate tends to slow economic growth, while under 8 per cent stimulates economic growth.

When it came to the literature review, we note that, regardless of previous economic theories where there is no relationship between inflation and economic growth, today there is consensus in the opinion that economic growth and inflation are associated. Consequently, in periods with low inflation, it will certainly have economic growth, and when the inflation rate passes double-digits or in periods when there is a higher inflation rate, this would also hurt the economic growth trends of a particular country.(Papaioannou,2018)

Gylfalson and Herbertsson (2011) examined the effect of inflation on economic growth. In this study, a theoretical model was used in which inflation potentially affected economic growth through savings, real interest rate, velocity of money and efficiency in production. The former study examined the effect of inflation on long-term economic growth based on the data obtained from 170 countries from 1960-1992. The results showed that inflation is detrimental to economic growth by more than 10 to 20 percent annually. Vaona and Schiavo (2007) examined the long-term relationship between inflation and economic growth using instrumental variables in 167 developed and developing countries from 1990 to 1990. For this purpose, the effects of such factors as inflation, share of gross fixed capital formation from gross domestic production, population growth rate, education, and share of government spending from gross domestic growth on economic growth were examined.

Results of the former study showed a 12% threshold of inflation. At a rate lower than 12% threshold, inflation was no risk to economic growth while inflation was detrimental to economic growth at those rates higher than 12% threshold. Bettencourt (2010) reviewed inflation and economic growth and examined poor macroeconomic performance at high inflation rates in four countries in Latin America (Argentina, Bolivia, Brazil, Peru) from 1970 to 2007 using panel data. The results showed that higher rates of inflation both significantly and negatively affected economic growth in all four countries. High rates of inflation led to many expensive economic activities, especially in traditional and developing economies.

2.2.4 Exchange Rate and Economic Growth

The exchange rate is an important economic indicator in managing international trade. It identifies domestic currency units in relation to foreign currency and vice versa. Exchange rates are partially important because they help us to compare the goods and services produced around the world. The exchange rate plays an important role in currency selection as it allows you to exchange prices in different countries for the same terms. Under all other conditions, the depreciation of the local currency against the foreign exchange rate (an increase in domestic currency prices) has led to a reduction in export prices and higher import prices. The advent of renminbi (depreciation of local currency) has led to higher export prices and lower prices (Paul & Maurice, 2009). Ajakaiye (2002) the impact of exchange rates on economic development in many developing countries, and the increase in foreign exchange earnings: foreign exchange reserves have a positive impact on the cost-effective development of the country's economy.

Foreign central bank. The exchange rate is an important indicator of economic progress because it mainly reflects the benefits of the physical and material sectors and creates competition in relation to the global economy. According to the Cambodian currency market, this is a common transaction between buyers and sellers of foreign currency. Forex traders will sell stocks, and foreign buyers (buyers) will ask. The provision of foreign exchange is encouraged by non-oil exports, oil exports, foreign tourist costs to the Cambodian economy and exports from Cambodian foreign nationals.

The level of exchange between the two currencies is very important because the two countries rely heavily on trade, imports and exports. Major economic growth is a major part of exports in addition to imports, the exchange rate plays a very important role in the country's economy. With a small open economy, the Thai economy relies heavily on the export sector for many years. However, in the long run, we find that the total number of agricultural exports from 2002 to 2014 showing 1 continues to rise, while Thailand Baht is volatile and informative and from 2002 to 2014 shows in Figure 2. Based on the exchange of views, information -Thai Baht over the past twelve years (2002 - 2014) there may be higher export prices that should end up with lower export prices. Surprisingly, the number of agricultural exports volunteers in Thailand has increased since 2002 (BOT, 2014). Therefore, the purpose of this study is to build a relationship between the exchange rates of the country and its export value in agriculture especially in rice and rubber products

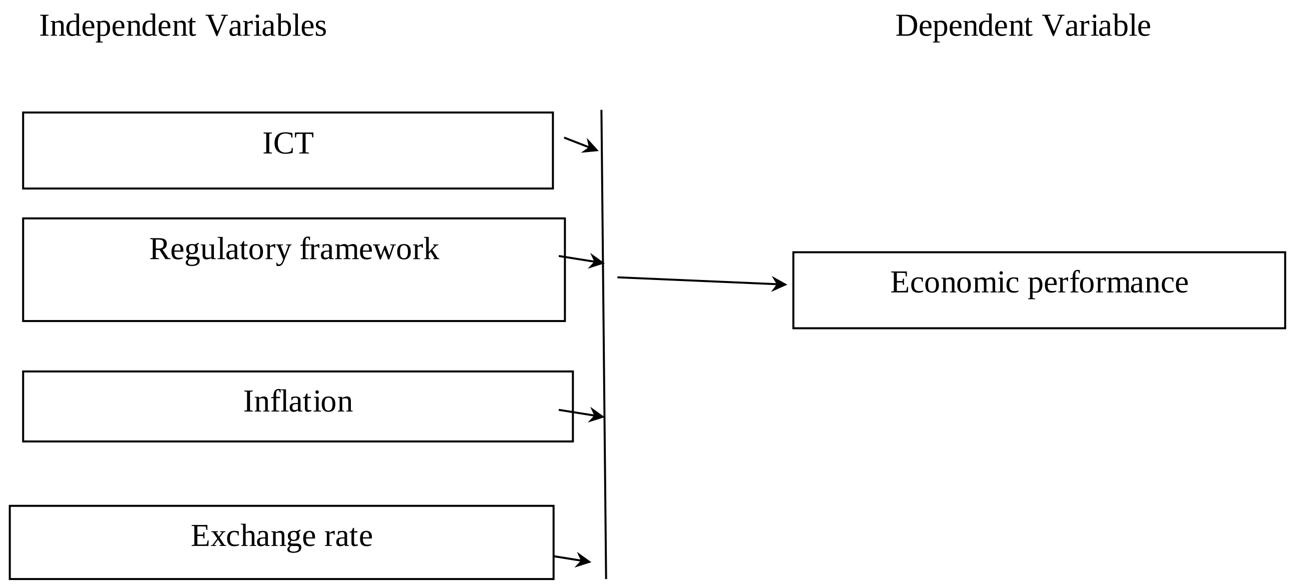
A study conducted in Kenya by McPherson and Rakovski (2015) showed that excessive RER impeded growth, but other factors (e.g., dependence on foreign aid, large public sector and inefficiency, low savings and investment rates, persistent budget deficits and macroeconomic non-compliance) key to Kenya's unsatisfactory economic performance. The basic conclusion of their study is that advances in ER management can make a difference in Kenya's growth prospects, but only within the context of a comprehensive remediation and transformation plan.

From a general point of view, an increase in the exchange rate has a positive impact on economic growth by increasing the number of net imports. The main reason for the increase in the rate of exports and the increase in total exports here is the change in the relative prices of domestic and foreign goods after the exchange rate increases. That is, the depreciation of the local currency reduces the prices of domestic goods while, at the same time, making imported prices more expensive. Therefore, the decline in the first exchange rate increases the volume of total exports and the rate of economic growth. That means inflation can be used as a policy tool that promotes economic growth. Indeed, general studies have produced many economic results in terms of positive interactions between rising exchange rates and total growth or economic growth. Similarly, the positive impact of inflation on economic growth is documented in detail in the literature (Nina 2015)

In Rodrik (2018), a real weak exchange rate compensates for institutional weaknesses and market failures (e.g. information spillovers, credit market imperfections, etc.) leading to low investment in the real estate market in developing countries. In Di Nino in al. (2011), existing declines have a selective persistence in the growth of output in the Bertrand model and competition and the increase in return on the scale. The opposition channel is proposed by Gl¸zmann et al. (2012) where a weak exchange rate leads to significant savings and investments in lower labor costs and redistribution of revenue. By shifting resources from consumers to investors with financial problems, the real decline increases savings and investment.

The effect of exchange rate fluctuations on economic growth varies from country to country. It could be argued that one of the determining factors in the decline in exchange rates affecting economic growth is the level of development of each country's financial markets. The new ideas emphasize the high relationship between economic growth and innovation. This innovation in the financial markets took place by introducing new tools for financial development and in real economic sectors through the introduction of new products. In fact, with the advent of financial intermediaries in growth models, with the introduction of new financial tools and financial development, goals such as risk reduction, maximizing financial efficiency through the use of highly efficient resources

2.4 Conceptual Framework



CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

Research methodology is a methodical way of solving a problem. It is basically the procedures followed by researchers for illustrating, describing and forecasting facts. This chapter examined the methods employed by the researcher in carrying out the study. Specifically, research design, target population, sampling procedure, data collection, reliability and validity, and data analysis and presentation were discussed.

3.1 Research Design

A research design offers a framework for the series and evaluation of records (Bryman & Bell, 2016). It incorporates the blueprint for the collection, measurement, and evaluation of facts (Kothari, 2014). There are many lookup designs which can be categorized into exploratory, descriptive, correlational or causal, however their distinctions are no longer absolute (Churchill & Iacobucc, 2015). The research study used descriptive research designs guided by using speculation and focuses on the frequency with which some thing happens or the relationship between variables (Churchill & Iacobucc, 2015). The descriptive lookup helped to probe particular components of study variables by means of gathering the statistics of a set of parameters recognized formerly that used to be applicable to gather statistics about (Churchill & Iacobucc, 2015)

3.2 Target Population

Target population is defined as a well-defined collection of objects or individuals identified to have related traits of interest to the study. All individuals or objects in a given population usually have a common and binding characteristic or trait. 2013).

Table 3.1: Target Population

Population Category	Population	Percentage %
Customer care officers	50	42
Logistic officers	30	25
Operational staff	40	33
Total	**120**	**100**

Source: Author 2021

3.3 Sample and Sampling Technique

According to Ashraf, 2016 Sampling is a method of studying from a few selected items, instead of the entire big number of units. Sample list will be obtained from the Agility global logistics database. The study focused on employees who are working at customer c department, logistic service officers, and operational department.

Table 3. 2: Sample and Sampling Technique

Population Category	Population	Sample size	Percent (%)
Customer care officers	50	25	42
Logistic officers	30	15	25
Operational staff	40	20	33
Total	**120**	**60**	**100**

Source: Author 2021

3.4 Data Collection Instruments

Data collection is the process of gathering information in a systematic way (Burns and Grove, 2013). Data collection is important because it allows for the distribution of accurate information and the development of effective programmers (Kombo and Tromp, 2010). Compiled questionnaire was used to collect data. The study used both primary and secondary. Malhotra and Birks (2016) key data are information collected by local researchers to solve or resolve specific problems identified in a research project.

3.5 pilot Study

Preliminary testing will be conducted on a structured questionnaire to determine its reliability and relevance to the study. Specific questions will be included in the list of questions aimed at capturing specific information from respondents. This preliminary questionnaire will be sent to 15 savanna cement workers for completion and relocation for testing and the participants involved in the previous trial will not be part of the larger study. The purpose of the test will be to assess the reliability and validity of the questions in order to achieve accurate results.

3.5.1 Legality

Honesty is a random error in the scale. Honesty reflects the accuracy of the tool in the article. Norland (2019) describes the compatibility of data collection tools to measure whatever it measures. Evaluation tools are developed based on facts and an understanding of the process involved in developing a questionnaire.

3.5.2 Honesty

To improve credibility the researcher developed a data collection tool based on the research objective, problem statement and conceptual framework. The acceptance limit for the questionnaire will be set at 0.7 as used by Gliem (2013).

3.6 Data Collection Process

The researcher will distribute a questionnaire to guide respondents via email and physical distribution to ensure everyone has a copy of the questionnaire. Respondents will be allocated sufficient time to respond and return email completed questions. The researcher on the other hand will use the checklist to make a comprehensive review of secondary data.

3.7 Data Processing and Analysis

The study will produce both quality and quantity data. Quantitative data will be encoded and encapsulated in Social Scientists (SPSS) Packages Version 21.0 and analyzed using descriptive statistics. Quality data will be analyzed based on the content of the responses. Responses with common themes or patterns will be grouped into sections. Descriptive statistics include the use of absolute and related frequencies (percent), average inclination and scattering (descriptive deviations and sequence deviations). Bulk data will be presented in tables and descriptions will be presented in prose.

3.8 Ethics consideration

This section highlights the behavioral issues the researcher will consider when conducting research during the day collection.

3.8.1 Information concept

The researcher will seek permission from the respondents and the respondents will be sufficiently given information on.

3.8.2Voluntary participation

The study will consider voluntary participation of respondents without force

3.8.3 Confidentiality

The researcher was able to explain to the respondents that the data collected was treated with high confidentiality and that all the findings will only be used for this study by the Management University of Africa.

3.8.4 Privacy

The researcher will be respecting the privacy of participants by assigning them antique identifier codes to protect their identity and the responses that will be given.

3. 8.5 Anonymity

The study will generalize the finding; this information will not be associated with an individual.

3.9 Chapter Summary

This chapter outlines the methodology to be used in the research study. The research environment provided an opportunity to choose a descriptive research design. Also given the target population, sample size and sampling process, research tool, data collection process and how the analysis will be performed.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

The chapter entails data analysis which includes the research findings, discussions and recommendations on import taxation. The primary data used in this research was collected from agility global logistics. The data sought was in regard to the effects of imports on economic growth and development in Kenya. The questionnaires collected were serialized, and then a dataset was created with the use of SPSS software (Version 21). Thereafter, the analysis was done using descriptive research techniques.

4.1.1 Response Rate

The study's response rate was as shown below:

Table 4.1 Response Rate

Response rate	Frequency	Percentage
Response	60	80
Non response	10	20
Total	**50**	**100**

As shown in table 4.1 the study recorded a response rate of 80% where out of the 60 questionnaires administered, 50 were properly filed and collected. This was deemed an adequate representation of the target population since Edwards, Clarke and Kwan (2002) recommended at least 80% response rate.

4.1.2 Gender Response

The researcher sought to find out the gender of the respondents the results were presented in table 4.2 below

Table 4.2 Gender of the respondents

Category	Frequency	Percentage
Male	30	60
Female	20	40
Total	**50**	**100**

From the results it can be established male gender was more than women this was presented by 60% while female were 40 %.

4.1.3 Age brackets

The researcher sought to find out the age brackets of the respondents the results were as presented in the table below

Table 4.3 Age brackets

Age brackets

		Frequency	Percentage
Valid	Below 25 years	5	10
	25 – 30 years	8	16
	31 – 35 years	15	30
	36 – 40 years	12	24
	Above 40 years	10	20
	Total	50	100

The researcher established that majority of the respondents were of age bracket of 31-34 represented by 30%, this was followed by 24% which represented age bracket between 36-40 years , this was followed by those who were above 40 years which represented 20%,16% represented group between 25-30 and lastly 10% represented who were below 20 years.

4.1.4 Academic qualification

academic Qualification

		Frequency	Valid Percent
Valid	K.C.S.E	4	8
	Certificate	8	16
	Diploma	13	26
	Degree	22	44
	Post-graduate	3	6
	Total	50	100.0

As shown by table 4.4, majority (44%) of the respondents had Degree for more than five years followed by (26%) those who had degrees followed by13% who had Certificate K.C.S.E was4% and then 3%) had Post-graduate.

4.1.5 Duration in service

The researcher sought to investigate the duration of service of respondents so as to demine the work experience of the respondents, the results were as follows.

Table 4.5 Duration in service

Duration in service

		Frequency	Valid Percent
Valid	1- 4 years	12	24.0
	5 –8 years	15	30
	Above8 years	23	46
	Total	50	100

As shown by table 4.4, majority (46%) of the respondents had worked at Agility global logistic for more than eight years followed by (30 %) who had worked for between 5-8 years and then 24%) who had worked for between two 1- 4 years. From the results it can be concluded that the majority of the respondents had enough work experience.

4.1.6 Current Position

Table 4.6Current Position

Current Position

		Frequency	Valid Percent
Valid	Accounting staff	5	10
	Operations staff	20	40
	Customer service executives	13	26
	Warehousing Staff	12	24
	Total	50	100.0

SECTION B: Information technology

Descriptive Statistics	**N**	**Mean**	**Standard deviation**
ICT has made communication easy across the organization	50	3.1163	.5183
ICT in the organization has reduced operational cost	50	3.3140	.55860
Competitive advantage has been achieved as a result of ICT introduction in the organization	50	3.7326	.6760
ICT has increased the efficiency in the organization	50	3.5349	.5017

Source: Author (2021)

The findings in table 4.7 above, shows the effects of information technology on economic growth and development. The respondents agreed that ICT has made communication easy across the organization by a mean of 3.1163.The respondents also agreed ICT organizational cost with a mean of 3.3140. It was established that competitive advantage has been achieved as a result of ICT introduction in the organization with a mean of 3.7326. Lastly the respondents agreed that from the findings the researcher can conclude that ICT has contributed to economic growth and development in Kenya.

Regulatory framework

.

Descriptive Statistics	N	Mean	Standard deviation
Our policies are designed to meet government regulations	50	3.4302	.5432
Through regulation financial performance is enhanced	50	3.4767	.5683
Regulation enhances completion	50	3.6395	.5294
Regulation enhances economic development	50	3.6279	.5324

The researcher intended to ascertain the effects of regulatory framework on economic development in Kenya the findings indicated that organizational policies are designed to meet government regulation with a mean of 3.4302 . The researcher also asked the responadent if through regulation financial performance is enhanced the respondents agreed with a mean of 3.4767, on regulation enhances completion respondents agreed to a mean of 3.63395 finally the researcher asked the respondent to indicate their opinion on regulation enhancing economic development the respondent agreed to a mean of 3.6279.

Inflation affects financial development	50	3.755	.4585
The Purchasing power is dependent on the rate of inflation	50	3.8023	.4555
Inflation affects our Profit margins	50	3.8140	.4472
Aggregated demand of goods and services rises a result of inflation	50	3.7902	.4370

Source: Author (2021)

From the findings in table 4.7 above, shows the effects of inflation on economic growth and development. The respondent agreed that Inflation affects financial development by a mean of 3.755.The respondents also agreed the Purchasing power is dependent on the rate of inflation with a mean of 3.8023. It was established that inflation affects our Profit margins with a mean of 3.8140. Lastly the respondents agreed that aggregated demand of goods and services rises a result of inflation with a mean of 3.7902.

Descriptive Statistics	N	Mean	Std **Deviation**
Financial markets have emerged as a result of the exchange rate	50	3.1136	.5183
Lack of debt management audits hinders economic growth and development	50	3.3140	.5183
Foreign exchange policies	50	3.7326	.5586
Foreign exchange policies	50	3.5349	.5017

The researcher intended to ascertain the relationship between exchange rate on economic development in Kenya the findings indicated that financial markets have emerged as a result of the exchange rate with a mean of 3.1136 . The researcher also asked the respondent if Lack of debt management audits hinders economic growth and development agreed with a mean of 3.3140, on regulation enhances completion respondents agreed to a mean of 3.63395 finally the researcher asked the respondent to indicate their opinion on regulation enhancing economic development the respondent agreed to a mean of 3.6279.

4.2 Limitations of the study

There was a lack of cooperation from some respondents who demanded payment to respond, which is unethical for any authentic research. This would affect the acquisition of the required data and therefore the researcher explained to them about the reasons for the study and why they should respond to it. The researcher did not coerce them to respond.

The study was limited to Agility global logistics in Nairobi. This location was convenient for the researcher for easy accessibility and time saving. It was therefore difficult for the researcher to carry out studies in other branches or micro-finance institution firms due to the location and convenience for the researcher.

4.3 Chapter Summary

The study focused on the findings from the field by presenting data from each variable in different subheading to make specific explorations. The data was presented in well labeled tables from which an interpretation was made and some statement made to make clear the findings for easy analysis in the next chapter.

CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes and makes conclusions on the findings of this study in relation to the objectives put forward in the first chapter. This section also discusses the recommendations for further research as well as recommendations for growth of micro finance institutions in Sub - Saharan Africa.

5.1 Summary of Findings.

5.1.1 Information Technology

The findings in table 4.7 above, shows the effects of information technology on economic growth and development. The respondents agreed that ICT has made communication easy across the organization by a mean of 3.1163.The respondents also agreed ICT organizational cost with a mean of 3.3140. It was established that competitive advantage has been achieved as a result of ICT introduction in the organization with a mean of 3.7326. Lastly the respondents agreed that from the findings the researcher can conclude that ICT has contributed to economic growth and development in Kenya. – There is empirical evidence that most of the countries having high external reserves are countries with advanced technology. The increase in currency reserves would lead to advanced countries investing their capital in Kenya.

5.1.2 Regulation

The researcher intended to ascertain the effects of regulatory framework on economic development in Kenya the findings indicated that organizational policies are designed to meet government regulation with a mean of 3.4302 . The researcher also asked the respondent if through regulation financial performance is enhanced the respondents agreed with a mean of 3.4767, on regulation enhances completion respondents agreed to a mean of 3.63395 finally the researcher asked the respondent to indicate their opinion on regulation enhancing economic development the respondent agreed to a mean of 3.6279.

5.1.4 Inflation

From the findings in table 4.7 above, shows the effects of inflation on economic growth and development. The respondent agreed that Inflation affects financial development by mean of 3.755.The respondents also agreed the Purchasing power is dependent on the rate of inflation with a mean of 3.8023. It was established that inflation affects our Profit margins with a mean of 3.8140. Lastly the respondents agreed that aggregated demand of goods and services rises as a result of inflation with a mean of 3.7902.

5.1.5 Exchange Rate

The researcher intended to ascertain the relationship between exchange rate on economic development in Kenya the findings indicated that financial markets have emerged as a result of the exchange rate with a mean of 3.1136. The researcher also asked the respondent if lack of debt management audits hinders economic growth and development agreed with a mean of 3.3140, on regulation enhances completion respondents agreed to a mean of 3.63395 finally the researcher asked the respondent to indicate their opinion on regulation enhancing economic development the respondent agreed to a mean of 3.6279, foreign exchange market is a market where currencies of different countries are bought and sold. It is a market where the values of local and foreign currencies are determined. As noted by Hengan (2004), the national currencies of all countries are the stock-in-trade of the foreign exchange market, and as such, it is the largest market to be found around the world which functions in every country

5.2 Recommendations

The study recommends that regulators should come up with means to evaluate exchange rate volatility. This will help to curb the impact that exchange rate volatility can have on an economy, and, among other aspects, on inflation. This is even more relevant to developing countries, where exchange rate volatility tends to be higher, contributing to a higher exchange rate pass-through to inflation. The higher exchange rate volatility in developing countries, in turn, stems from their greater vulnerability to external shocks and the lower liquidity of their currencies in international markets. As a result of these two characteristics, the impact of the exchange rate on inflation is greater in developing countries.

5.3 Conclusions

In conclusion, it is obvious that modern technologies can be a double-edged weapon. They have their advantages, but with many inventions, they can completely change our lives, for better or worse. As a result, we must work for the interest of social connection to preserve people's feelings towards each other away from the addiction to technology. Finally, this research is simply a little effort towards doing justice to this subject and it could assist future researchers in examining this topic with other groups and in more depth and with more relationships to the present use of modern technologies and their impacts on societies.

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APPENDIX 1 REQUEST LETTER

10/06/2021

Dear respondents

RE: REQUEST FOR PARTICIPATION IN A RESEARCH STUDY

I am an undergraduate student pursuing a diploma in international relations at The Management University of Africa. I am conducting an Academic Research Project study titled; **"Effects of imports taxation on economic growth and development in Kenya. A case study of agility global logistics.**in partial fulfillment of the requirement for the award of degree of Management and Leadership.

You have been identified as one of the respondents because of the expertise you present. In this regard, I kindly request that you spend some of your valuable time (5-10 minutes) to complete this questionnaire to the best of your knowledge. The response of the questions therein and all the information provided will be used purely for academic research. Your responses will be treated with the confidentiality it deserves.

Results of the study are vital to current and future publishing organizations, as well as business managers. To maintain anonymity, I request that you DO NOT write your name on the questionnaire. Thank you in advance for accepting to be a positive contributor to our society. In case you may want a copy of this project report, kindly reach me via my contacts below.

Thank you.
Yours sincerely,

Abdikarim Abdi

RESEARCH QUESTIONNAIRE

This questionnaire seeks to collect data **effects of imports taxation on economic growth and development in Kenya. A case study of agility global logistics.** In Kenya. Kindly fill in the questionnaire. Any information availed will be treated with utmost confidentiality and shall be used for academic purposes only. Your identity shall not be revealed.

SECTION A: GENERAL INFORMATION

1. Gender of Respondent

Male [ ]

Female [ ]

2. Highest level of education

Secondary School Certificate [ ]

Diploma [ ]

Bachelor [ ]

Masters [ ]

Any other (Specify) …………………..

3. What position do you hold in this organization?

Top level [ ]

Middle level [ ]

Support staff [ ]

4. How long have you been working in this firm?

Less than 1 year [ ]

1 - 5 years [ ]

6 – 10 years [ ]

Above 10 years [ ]

SECTION B: Information technology

This section deals with information pertaining information technology and economic development. Please indicate the level of your agreement with the following statements by ticking. (1= Strongly Agree, 2 = Agree, 3= Neutral, 4= Disagree and 5= Strongly Disagree)

Descriptive Statistics	**1**	**2**	**3**	**4**	**5**
ICT has made communication easy across the organization			.		
ICT in the organization has reduced operational cost					
Competitive advantage has been achieved as a result of ICT introduction in the organization			.		
ICT has increased the efficiency in the organization					

SECTION C: Regulatory framework

This section deals with information pertaining: regulatory framework and economic development. Please indicate the level of your agreement with the following statements by ticking. (1= Strongly Agree, 2 = Agree, 3= Neutral, 4= Disagree and 5= Strongly Disagree)

Descriptive Statistics	**1**	**2**	**3**	**4**	**5**
Our policies are designed to meet government regulations					
Through regulation financial performance is enhanced					
Regulation enhances completion					
Regulation enhances economic development					

SECTION C: Inflation

This section deals with information pertaining: inflation and economic development. Please indicate the level of your agreement with the following statements by ticking. (1= Strongly Agree, 2 = Agree, 3= Neutral, 4= Disagree and 5= Strongly Disagree)

Inflation	1	2	3	4	5
Inflation affects financial development					
The purchasing power is dependent on the rate of inflation					
Inflations affects our profit level					
Aggregated demand of goods and services rises a result of inflation					

SECTION C: financial markets

This section deals with information pertaining financial markets and economic development. Please indicate the level of your agreement with the following statements by ticking. (1= Strongly Agree, 2 = Agree, 3= Neutral, 4= Disagree and 5= Strongly Disagree)

	1	2	3	4	5
Financial markets have emerged as a result of the exchange rate					
Lack of debt management audits hinders economic growth and development					
Foreign policies have an impact on financial markets					
Foreign exchange policies					

APPENDIX III: WORK PLAN

Activities	Month 1 Week				Month 2 &3 Week				Month 4 & 5 Week				Month 6 Week
	1	2	3	4	1	2	3	4	1	2	3	4	1-4
Topic selection and approval													
Proposal writing													
Data collection													
Data analysis													
Report writing research													
Final draft													
Final project													

Source: Author (2021)

PPENDIX IV: RESEARCH BUDGET

Activity	**Item**	**Cost in shillings**
Proposal writing	Printing and binding	1500
Pilot study	Transport	600
Data collection	Data collecting	500
Data analysis	Data analyzation	750
Final proposal	Final proposal printing	500
Final draft	Printing of final draft	1500
Final project	Printing of final project	3000
Contingency	10 %	920
Total		**8350**

Source: Author (2021)