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Effect of Customs Tariffs on the Financial Performance of Textile and Apparel Firms in Kenya.

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Abstract

This research sought to appraise the effect of Customs Tariffs on the financial performance of Textile and Apparel Firms in Kenya. The research employed explanatory research design and used primary data. Primary data involved the use of closed ended structured questionnaire administered through face to face interviews using five-point Likert scale. The Senior managers and finance section heads of textile and apparel firms in Kenya formed the respondents. Stratified random sampling was employed to stratify sample of senior managers and finance section heads of the respective textile and apparel firms in Kenya. Proportionate random sampling was further used to select the sample from each stratum and then convenient sampling finally employed to draw sample and collect data. Among the 170 respondents, 166 completed their questionnaires thus the study attained a response rate of 97.6%. The study employed both descriptive and inferential statistics to conduct data analysis.
A multiple regression analysis was conducted on cross-section data at 5% level of significance. The study result revealed that there was a 63.9% variation in the financial performance of textile and apparel firms due to changes in the Customs Tariffs of Apparel, Fabric and Yarn. The findings also revealed that for any unit increase in the Customs Tariff of Apparel, Fabric and Yarn there was a 0.542, 0.539 and 0.112 units increase in the financial performance of Textile and Apparel firms in Kenya. Thus, the results revealed that Customs Tariff was a fundamental factor and had a positive and significant effect on the financial performance of Textile and Apparel firms in Kenya. Unique Contribution to Theory, Practice and Policy: Based on the study findings, the study recommended that the Government of Kenya (GOK) should increase the Import Tariffs of Apparel and Fabric to enable the Kenyan Textile and Apparel Firms improve their financial performance and achieve growth. The research suggest that future research can examine other cost elements and measures that affect the financial performance the Textile and Apparel firms in Kenya.

Keywords: Custom Tariffs, Financial Performance, Textile and Apparel Firms.

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1. Background of the Study

The European and Asian countries rapid economic expansion have partly been attributed to the Textile Industry. According to Bitange (2015), the newly industrialised countries of South East Asia extensively promoted their Textile and Apparel Industry in the 1960s and 1970 to attain significant industrialization. Their posting of increased sales and profitability is attributed to their governments enacting protective measures, granting tax incentives and establishing special economic zones to encourage investment and industrial development .

Notwithstanding their welfare implications, Tariffs are used by governments across the world to regulate trade through volumes of imported merchandise and raise revenue. Tariffs are levied to achieve various goals such as providing protection to local industry, raising revenue, correcting market distortions and improving terms of trade . Kuria, (2018) points out that as a results of extreme competition globally, majority of governments in the world have adopted trade programs and policies to enhance modern exchange of goods and services across borders. These programs and policies are in form of Investment Allowances in developed economies while developing countries give Tax Holidays, Special Zones as well as Duty exemptions.

Ohaka & Agundu (2012), argues that businesses that are eligible for Tax incentives normally post higher returns. Likewise, Tax incentives make investments in a particular industry lucrative and in turn enhance the profitability of business entities. In Kenya, Textile and Apparel commodities are classified under the EAC Common External Tariff (2017) as sensitive commodities and are subjected to high Import Tariffs and low Export Tariffs.

In line with the financial performance of the domestic Textile and Apparel firms, protection of infant industries through Customs Tariffs is envisaged by World Trade Organization (WTO) as it relates to developing countries . WTO's General Agreement on Tariffs and Trade (GATT) authorizes developing WTO member countries to deviate from GATT obligations by imposing protective measures in order to stimulate economic growth subject to certain conditions. It recognizes that protection of infant industries can improve the financial performance of the domestic firms by influencing the competitive pressures that these firms face. Article XVIII of GATT (1994) provides for a wide range of government actions that can be employed to protect infant industries subject to consultation and notification of the WTO members.

The Kenyan textile and apparel industry has a rich history dating back to pre-independent Kenya. Immediately after independence, the Kenyan textile and apparel firms posted increased sales and profitability when the Government of Kenya (GOK) adopted the Import Substitution Scheme (ISS). This scheme involved subjecting imported apparel and fabrics to high Import Tariffs to boost the financial performance of the local Textile and Apparel industry . The GOK through Industrial and Commercial Development Corporation (ICDC) also played a catalytic role in boosting the sales and profitability of the Kenyan Textile and Apparel firms by investing in Textile and Apparel firms such as Rift valley Textiles (RIVATEX), Kisumu Cotton Mills (KICOMI), Kenya Textile Mills and Mountex .

By early 1980's, the apparel industry was a key manufacturing sector of the Kenyan economy that posted good financial performance, employed over 195,000 individuals and provided 31% of the work force in the manufacturing sector . According to Kenya National Development plan (1984-88), GOK changed its policy from import substitution scheme to export led industrialization. Consequently, majority of the Kenyan Textile and Apparel firms posted poor financial results and experienced decline with the introduction of Structural Adjustment Programs (SAP) and subsequent removal of the protectionist measures . ACTIF, Chemengich et al (2013) attributed the collapse of the Kenyan Textile and Apparel industry to the adoption of the global economic reforms under the Structural Adjustment Programme, Trade Liberalization of the 1980s, Corruption and mismanagement at the defunct Cotton Board of Kenya.

To attract foreign direct investments and boost the performance of the Textile and Apparel firms, the GOK embarked on the establishment of Export Processing Zones (EPZ) areas through the implementation of the Economic Recovery Strategy Paper 2002- 2007 . The adoption of the export led industrialization policy by the GOK created schemes such as EPZ, Manufacturing Under Bond (MUB) and Inward Outward processing. Other initiatives adopted include Duty Remission and Duty Drawback. As a policy initiative, the GOK launched the Kenya's Vision 2030 where the Textile sector was identified as a flagship and key contributor to the central economic pillar. The GOK also adopted a policy directive on second hand clothing through domestic sourcing. In addition to African Growth and Opportunity Act (AGOA), the other global and regional markets the GOK is exploring include the European Union market under Economic Partnership Agreement(EPA) and Tripartite Free Trade Area (TFTA) between East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community(SADC).

2. Statement of the Problem

While Kenya has made progress in the African Textile market, the Textile and Apparel operators continue to face significant challenges in accessing the global market and post poor financial results in comparison to their global

competitors . According to World Bank & MOEID (2016), Kenya has 52 textile mills, of which only 15 are currently functional and operate at less than 45 percent of total capacity. A number of firm closures and layoffs have been reported in the country's textile industry

The primary challenge facing the Textile and Apparel firms in Kenya is stiff competition in the international markets. Stiff competition generally comes in the guise of high operating cost that puts Kenyan Textile and Apparel firms at a disadvantage to their global competitors . OTEXA (2019), points out that the top ten

exports from AGOA countries mainly features manufactured goods wholly from South Africa with AGOA countries exports amounting to only 1 % of the total global Apparel trade. In 2018, Bangladesh exported 18 times more than Kenya in the US market in spite of the fact that Kenya enjoys Duty and Quota free access to the US market which is not the case with Bangladesh . All these points out that tangible measures ought to be employed to improve the competitiveness of the Kenyan Textile and Apparel industry. The GOK in partnership with the other East African Community (EAC) partner states have numerously reviewed the Advalorem and specific tariff rates of Fabric, Apparel, Yarn. The proponents of Tariffs and Tax incentives argue that it leads to higher rates of return on both equity and assets .

In the context of reviews done on past studies and to the best of researcher's knowledge, few studies have interrogated the effect of Customs Tariffs on the financial performance of Textile and Apparel firms in Kenya. It is against this backdrop that this study was conducted to determine the nexus between Customs Tariffs and the financial performance of Textile and Apparel firms in Kenya with a view to developing tangible recommendations.

3. Objectives of the Study

3.1 General objectives of the study

To establish effect of Customs Tariffs on the financial performance of Textile and Apparel Firms in Kenya.

3.2 Specific objectives of the study

i. To determine effect of Customs Tariff of Apparel on the financial performance of Textile and Apparel Firms in Kenya.

ii. To establish effect of Customs Tariff of Fabric on the financial performance of Textile and Apparel Firms in Kenya.

iii. To explore effect of Customs Tariff of Yarn on the financial performance of Textile and Apparel Firms in Kenya..

4. Research Hypothesis

The research hypothesis was as follows:

H01: Custom Tariff of Apparel has no significant effect on the financial performance of Textile and Apparel Firms in Kenya.

H02: Custom Tariff of Fabric has no significant effect on the financial performance of Textile and Apparel Firms in Kenya.

H03: Custom Tariff of Yarn has no significant effect on the financial performance of Textile and Apparel Firms in Kenya.

5. Literature Review

5.1 Theoretical framework

General Equilibrium Theory of Effective Protection and Resource Allocation

Paul Krugman (1982) is one of the economist who contributed in the formulation of General Equilibrium Theory of Effective Protection and Resource Allocation. Krugman (1982) modelled a duopoly by illustrating how tariff increases the share of the home firm in the domestic market to the detriment of the foreign firm. He demonstrated how the home firm's marginal cost is reduced and how that of the foreign firm is increased. Krugman illustrated how the foreign market is transformed in favour of the home firm. Mundell (1961) demonstrated that with absence of foreign retaliation and with a fixed exchange rate, tariff generates higher output and employment. Mundell result borrowed from Laursen-Metzler hypothesis that there will be an increase in savings with improved terms of trade due to an increase in real disposable income as a result of tariffs.

Ford & Sen (1985) studies demonstrated that tariffs have positive effects on output and employment if the money demand function is specified in Keynesian terms, allowing for interest effects on money demand. Kaldor (1970, 1982) argued that some form of protection of the competitive manufactures would be a more effective policy for securing full employment. This theory highlights the research objectives and it informs how customs tariff can influence firm performance.

Financial Literacy Theory

Financial literacy theory argues that the behavior of people with a high level of financial literacy depend on the prevalence of two thinking styles according to dual-process theories: intuition and cognition. According to Hassan Al-Tamimi et al, 2009), financial literacy covers the combination of investor's understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.

Financially literate investors are able to create competitive pressures on financial institutions to offer more appropriately priced and transparent services, by comparing options, asking the right questions, and negotiating more effectively. Guiso & Jappelli, (2008) argues that financial literacy helps to inculcate individuals with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Proper application of that knowledge helps investors to meet their financial obligations through wise planning, and resource allocation so as to derive maximum utility. This theory highlights the research objectives and it informs how knowledge on customs tariff can influence the financial performance of firms that engage in international trade.

5.2 Empirical Review

Xinxin W (2013) did a study on the determinants of Textile and Apparel export performance in Asian countries. The main analysis was conducted in three stages namely; analyzing the Textile and Apparel export performance among 11 Asian developing countries, testing the hypothesized relationships between determinants of Textile and Apparel export performance using a vector autoregressive errors model approach and comparing the impact of determinants on Textile and Apparel export performance. Secondary data was collected and analyzed from each country's available industry. This study demonstrated that elimination of the quota system and low labor cost influenced the Asian developing countries comparative advantages.

The study helped built literature on theme of research. However, the study revealed some conceptual knowledge gaps as well as the methodological knowledge gaps which this study sought to fill. The study was also not clear on the research methodology employed only pointing out two-phase quantitative method. The study also concentrated on one aspect of operating costs; labor which did not exhaustively give a reflection of the total costs. Customs Tariff is factor of the input costs of raw materials as well as export revenue which was not exhaustively captured by the study. The study, although relevant and recent was carried out in Asia which has a different macro environment of operations from the current study hence this study.

Cherono & Moronge (2016) did a study on the drivers of performance of textile projects in Kenya: a case of Rivatex East Africa Limited Projects. The study adopted a descriptive survey. Stratified sampling technique method was used and data from 140 respondents through the use of questionnaires. The analysis showed that managerial skills had a positive influence on performance of textile projects. Human resource capacity, access to finance and competitive environment were also positively correlated to performance of textile.

The study was well structured and helped built literature on the theme of the current study. Though conducted in Kenya, the study did not capture effect of Customs Tariffs on the financial performance of Textile and Apparel firms. The study was also a case study on Rivatex East Africa Limited which did not exhaustively capture the textile and apparel industry in Kenya as a whole. The study also overlooked the operating environment of Textile and Apparel firms in terms of Tariffs and concentrated on management skills, access to finance, human resource capacity and competitive environment which were not exhaustive. Therefore, this research sought to fill the contextual and knowledge gap of the study.

Letica & Hjelte (2012) did a study on Yarn-forward production in a developing country-a case study conducted in Vietnam. The study attempted to identify the possibilities of garment producing country with high supplier and buyer dependency to implement a yarn-forward value chain. The study adopted qualitative method through non-structured interviews. Primary data was collected through interviews with actors within the Vietnamese garment industry. The study established that monetary investments, relationships and education of employees are factors for building a successful yarn-forward value chain.

The study provided a deeper insight of factors that affects a country's garment industry and how to be competitive in global textile market. Different global markets present dynamic industrial challenges and so the study is limited to a specific case, only focusing on Vietnam's textile industry. The findings of the study concluded that monetary investments, relationships and education of employees are the foundations for a successful yarn-forward value chain successfully which are too vague and overlooked other factors. Therefore, the contextual, methodological and knowledge gap necessitated the current study.

Kuria (2018) did a study on effect of Custom Duty incentive on the performance of EPZ firms in Kenya. This study covered firms in all industry including Textile and Apparel firms operating at EPZ. The study employed correlation research design. Sample size of 86 EPZs firms was used. The study employed both descriptive and inferential statistics to conduct data analysis. The regression output of the study revealed that Custom Duty incentives had a significant and positive effect on performance of EPZ firms measured using ROA, number of workers and number of years in operation.

The study built a good literature on the Tax incentives and firm performance by focusing on Custom Duty Tax incentive. Though recent and relevant, the study concentrated on EPZ firms. The study also looked at EPZ firms aligned to various industries including Textile and Apparel industry which is of different context due to sectorial differences. The current study on the other hand examined the effect of Customs Tariff on the financial performance of Textile and Apparel firms and covers both EPZ and non EPZ's firms in Kenya. The current study sought to fill the contextual gap of the study.

5.3 Conceptual Framework

The literature led the researcher to develop variables into dependent and independent variables in relation to the research topic; Effect of Customs Tariff on the financial performance of Textile and Apparel firms in Kenya. The financial performance of the Textile and Apparel firms was the dependent variable. Customs Tariff rates of apparel, fabric and yarn were the independent variables. The study measured the independent and dependent variables in terms of increase in sales and profitability.

6. Research Methodology

The study employed explanatory research design and used primary data. Primary data involved the use of closed ended structured questionnaire administered through face to face interviews using five-point Likert scale. Stratified random sampling was used to stratify sample of senior managers and finance section heads of the respective Textile and Apparel firms in Kenya. Proportionate random sampling was further used to select the sample from each stratum and then convenient sampling finally employed to draw sample and collect data. from 166 respondents. Among the 170 respondents, 166 completed their questionnaires thus the study attained a response rate of 97.6%. The study employed both descriptive and inferential statistics to conduct data analysis.

7. Data Analysis and Interpretation

The demographic data of the respondents was captured and analyzed revealing the distribution of the respondents. Senior managers and finance section heads of the respective textile and apparel firms formed the respondents. The final response rate of data collection was 166 (97.6%). This was deemed sufficient for purposes of data analysis.

Statistical Package for Social Scientists (SPSS) version .22 was employed in conducting descriptive analysis, diagnostic tests, correlation analysis and multiple regression analysis.

7.1 Descriptive Statistics

The respondents were asked to indicate their levels of agreement with the input variable statements administered on a five-point Likert scale ranging from strongly disagree to strongly agree. The mean scores of 0 to 2.5 represented statements disagreed upon by a majority of respondents while mean scores of 2.6 to 5.0 represented input statements agreed upon by a majority of respondents.

Majority of respondents represented by the mean scores ($\bar{x}$=3.18) affirmed that Customs Tariff of Apparel had affected the financial performance of Textile and Apparel Firms in Kenya; Majority of respondents represented by the mean scores ($\bar{x}$=3.02) affirmed that Customs Tariff of Fabric had affected the financial performance of Textile and Apparel Firms in Kenya; Majority of respondents represented by the mean scores ($\bar{x}$=3.17) affirmed that Customs Tariff of Yarn had affected the financial performance of Textile and Apparel Firms in Kenya; Majority of the respondents represented by mean score ($\bar{x}$=3.08) agreed that there was an increase in sales and profits as a result of Customs Tariffs.

Table 1 *Descriptive Statistics*

	N	Mean	Std. Deviation
Customs Tariff of Apparel.	166	3.1817	.94652
Customs Tariff of Fabric.	166	3.0161	.95456
Customs Tariff of Yarn.	166	3.1777	.98851
Financial Performance of Textile and Apparel Firms.	166	3.0813	1.02883

Source: Research Data (2019)

7.2 Diagnostic Tests

Diagnostic testing was conducted to establish the fitness of variables for inferential statistical analysis and to ensure that the assumptions of multiple regression analysis were not violated. The data was subjected to normality, linearity, multicollinearity, heteroscedasticity and homogeneity tests. A Cronbach's (1951) reliability alpha of 0.785 was obtained indicating that the items in the questionnaire had strong reliability and were retained and used in data collection. A Kaiser-Meyer-Olkin measure of sampling adequacy and probability value less than alpha value of 0.05 for Bartlett's test of sphericity was considered significant. To determine the dimensions of the constructs, input variables were assessed using Principal Component Analysis (PCA).

7.3 Inferential Statistics

Multiple Regression Analysis

i. Model Summary

Table 2: Model Summary

					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.804[a]	.646	.639	.61792	.646	98.471	3	162	.000

Predictors: (Constant), Customs Tariff of Yarn., Customs Tariff of Fabric, Customs Tariff of Apparel.

Dependent Variable: Financial Performance of Textile and Apparel Firms.

From the model summary, the research established a correlation value of 0.804 with a coefficient of determination R-squared of 0.646 that was adjusted to 0.639. The model was statistical significant with p-values less than the alpha value of 0.05. The Adjusted R-Squared represented by 63.9 % respectively implied that the model predictors accounted for more variance in the financial performance of Textile and Apparel firms. The correlation value also revealed a strong positive linear association between the study variables as shown by a correlation value of 0.804. The model can be interpreted as follows; holding all other factors constant, the Customs Tariffs of Apparel, Fabric and Yarn accounted for 63.9 % of all changes or variations in the financial performance of Textile and Apparel Firms when adjusted for degrees of freedom. Thus 36.1% of the variance in the financial performance of Textile and Apparel Firms was explained by other factors.

ii. Analysis of Variance (ANOVA)

Table 3: Analysis of Variance (ANOVA).

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112.796	3	37.599	98.471	.000[b]
	Residual	61.856	162	.382		
	Total	174.652	165			

Dependent Variable: Financial Performance of Textile and Apparel Firms.

Predictors: (Constant), Customs Tariff of Yarn, Customs Tariff of Fabric, Customs Tariff of Apparel.

Source: Research Data (2019)

Based on ANOVA results, Calculated-F (98.471, p=000) was greater than Critical-F implying the model was statistically significant (p<0.05). This was an indication that Customs Tariff influenced financial performance of Textile and Apparel Firms in Kenya.

iii. Coefficients

Table 4: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients			Correlations		
	B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part
(Constant)	-.917	.270		-3.395	.001			
Customs Tariff of Apparel.	.589	.051	.542	11.492	.000	.580	.670	.537
Customs Tariff of Fabric.	.581	.051	.539	11.464	.000	.594	.669	.536
Customs Tariff of Yarn.	.117	.049	.112	2.389	.018	.101	.184	.112

Dependent Variable: Financial Performance of Textile and Apparel Firms.

Source: Research Data (2019)

Based on the slope coefficients and probability values of the Customs Tariffs of Apparel *(β_1=0.542, p=0.000),* Customs Tariff of Fabric *(β_2=0.539, p=0.000)* and Customs Tariff of Yarn *(β_3=0.112, p=0.018)*, the results indicates that Customs Tariff of Apparel, Fabric and Yarn were statistically significant and positively influenced the financial performance of Textile and Apparel Firms in Kenya. This finding is supported by the probability value of the Customs Tariff of Apparel *(p = 0.000),* Fabric *(p = 0.000)* and Yarn *(p = 0.018)* being less than 0.05. Likewise, the finding is also supported by the test of significance calculated t-value of Customs Tariff of Apparel *(t = 11.492),* Fabric *(t = 11.464)* and Yarn *(t = 2.389)* being greater than critical-t value of 2.00. The interpretation of the coefficients results is as follows: An increase in the Customs Tariff of Apparel by one unit will lead to an increase in the financial performance of Textile and Apparel Firms by 0.542 unit ceteris paribus; An increase in the Customs Tariff of Fabric by one unit will lead to an increase in the financial performance of Textile and Apparel Firms by 0.539 unit ceteris paribus; An increase in the Customs Tariff of Yarn by one unit will lead to an increase in

the financial performance of Textile and Apparel Firms by 0.112 unit ceteris paribus.

7.4 Model specifications

Model: *Effect of the Customs Tariff of Apparel, Fabric and Yarn on the financial performance of Textile and Apparel firms in Kenya {β_1=0.542, t (162) =11.492, p < 0.01}, {β_2=0.539, t (162) =11.464, p < 0.01}, {β_3=0.112, t (162) =2.389, p < 0.05}.*

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

$$Y = -0.917 + 0.542 X_1 + 0.539 X_2 + 0.112 X_3 + \varepsilon$$

Where Y= Levels of financial performance of textile and apparel firms over the period of the research;

β_0= *-0.917* = intercept intercept term(constant) of the regression line.

β_1=*0.542* = slope coefficients or partial derivatives of Customs Tariff of Apparel.

β_2=*0.539* = slope coefficients or partial derivatives of Customs Tariff of Fabric.

β_3=*0.112* = slope coefficients or partial derivatives of Customs Tariff of Yarn.

ε = Error term that captures other factors that explains variation in the financial performance of Textile and Apparel Firms which are not explained by Customs Tariff of Fabric, Apparel and Yarn.

X_1 = Customs Tariff of Apparel;

X_2 = Customs Tariff of Fabric;

X_3 = Customs Tariff of Yarn;

7.5 Hypothesis

H01: Custom Tariff of Apparel has no significant effect on the financial performance of the Textile and Apparel firms in Kenya. The results of the study rejected the first null hypotheses H01 and accepted its alternative H1 based on the following; probability value (p = 0.00) of the Customs Tariff of Apparel being less that the alpha value of 0.05, test of significance value Calculated-T (t=11.492) of Customs Tariff of Apparel being greater than Critical-T value of 2.00. Therefore, the study concluded that Customs Tariff of Apparel was statistically significant and influenced the financial performance of textile and apparel firms in Kenya. Thus, alternative hypothesis was accepted H1: Custom Tariff of Apparel has significant effect on the financial performance of the Textile and Apparel firms in Kenya.

H02: Custom Tariff of Fabric has no significant effect on the financial performance of the Textile and Apparel firms in Kenya. The results of the study rejected the second null hypotheses H02 and accepted its alternative H2 based on the following; probability value (p = 0.00) of the Customs Tariff of Fabric being less that the alpha value of 0.05, test of significance value Calculated-T (t=11.464) of Customs Tariff of Fabric being greater than Critical-T value of 2.00. Therefore, the study concluded that Customs Tariff of Fabric was statistically significant and influenced the financial performance of Textile and Apparel firms in Kenya. Thus, alternative hypothesis was accepted H2: Custom Tariff of Fabric has significant effect on the financial performance of the Textile and Apparel firms in Kenya.

H03: Custom Tariff of Yarn has no significant effect on the financial performance of the Textile and Apparel firms in Kenya. The results of the study rejected the third null hypotheses H03 and accepted its alternative H3 based on the following; probability value (p= 0.018) of the Customs Tariff of Yarn being less that the alpha value of 0.05, test of significance value Calculated-T (t=2.389) of Customs Tariff of Yarn being greater than Critical-T value of 2.00. Therefore, this implied that Customs Tariff of Yarn was statistically significant and influenced the financial performance of Textile and Apparel firms in Kenya. Thus, alternative hypothesis was accepted H3: Custom Tariff of Yarn has significant effect on the financial performance of the Textile and Apparel firms in Kenya

8. Conclusion

The study objective was to determine the effect of Customs Tariff on the financial performance of Textile and Apparel Firms in Kenya. According to the research findings, the study concluded that Customs Tariffs has a positive and significant effect on the financial performance of Textile and Apparel firms in Kenya. This finding was supported by the study rejecting all the three null hypothesis and accepting their alternative based on the computed probability and test of significance values. The slope coefficient of the Customs Tariff of Apparel, Fabric and Yarn also supported this finding by indicating statistically significant portion of variance related with the financial performance of Textile and Apparel firms in Kenya

9. Recommendations

This study can be used for forecasting and policy purposes especially in evaluating the effect of Customs Tariff as a Fiscal Policy instrument. Based on the study findings, the study recommended that the Government of Kenya (GOK) should increase the Import Tariffs of Apparel and Fabric to enable the Kenyan Textile and Apparel firms to improve their financial performance. Future research can be undertaken to establish the effect of other cost elements and measures that affect the financial performance of Textile and Apparel firms in Kenya.

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