DETERMINANTS OF EASE OF DOING BUSINESS AMONG THE LOGISTICS FIRMS IN KENYA

BY:

ANGELA WANJIRU KAMAU

A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS ADMINISTRATION, UNIVERSITY OF NAIROBI

SEPTEMBER 2022

DECLARATION

I declare that this research project is my original work and has not been presented to any university or an institution of higher learning for an award of a degree.

Name: Angela Kamau Signature….. ………..……………..

Registration Number: D61/71323/07

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

Signature… ….…………………

Supervisor: Professor Maalu
Faculty of Business & Management Studies
The University of Nairobi

ACKNOWLEDGEMENT

First and foremost, I thank Almighty God for enabling me to complete this project by granting me the necessary resources, resilience and supervisory support. Special thanks to Dr. Odock Stephen and my supervisor Professor Jackson Maalu for their dedication, patience, guidance and support throughout this project. I also acknowledge my parents for their unwavering support, prayers and patience that contributed to the completion and success of this project. Finally I acknowledge and thank my classmates and friends Leonard & Hamza for holding me accountable.

DEDICATION

I dedicate this project to Mrs. Rebecca Mahinda Kamau my mother and Mr. Harry Kimotho Kamau my late father. Thank you for believing in me and for your moral support and prayers. Thank you for pushing me to soldier on with resilience despite the hurdles and for teaching me the values of hard work, ethics and integrity. This project would have been impossible without you. Mum, thank you for never giving up on me. Although Dad is not here to witness the completion of this project, I know he is smiling down on me from Heaven. I hope I have made you proud Mum & Dad. May God richly reward you Mum, as I can never thank you enough.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ABBREVIATIONS & ACRONYMS

CBK	Central Bank of Kenya
CFA	Confirmatory Factor Analysis
CFS	Container Freight Stations
DW	Durbin Watson
FDI	Foreign Direct Investments
KMO	Kaiser-Meyer-Olkin
KPA	Kenya Ports Authority
KRA	Kenya Revenue Authority
RBV	Resource Based View
SEZ	Special Economic Zones
SGR	Standard Gauge Railway
SPSS	Statistical Software for Social Scientists
VIF	Variance Inflator Factors
VRIO	Valuable, Rare, Inimitable and Organization

ABSTRACT

This aim of the study was to determine the factors that contribute to ease of doing business among logistics firms. Based on the factors suggested by World Bank (2020), the study analysed factors such as business location, accessing financing, support to daily operations and business environment security in the Kenyan context. Primary data was adopted for the study and was obtained using questionnaires administered to senior personnel in operations management in the logistics firms in Kenya. The study selected 30% of the 915 registered logistics firms; hence the target sample size was 275. The sample was determined through simple random sampling with 152 fully completed questionnaires which obtained a 52.27% response rate. The data was analysed using regression technique to model relationships between the dependent and independent variables. The descriptive analysis revealed that logistics firms were generally unhappy with the situation facing their businesses. The inferential statistics established a positive, strong effect of factors; business location, access to financing, support to daily business operations and business environment security on ease of doing business. The coefficients showed that business location negatively affected ease of doing business while access to financing, support to daily business operations and business environment security had a positive influence on ease of doing business. Conclusions of the study indicated need for improvement of ease of doing business in Kenya by enhancing access to financing, support to daily business operations and business environment security. The study recommends that entrepreneurs should conduct ample due diligence in their feasibility studies before starting business in such unstable business environments like a developing market context. The study also recommends that future researchers can study multiple sectors through a comparative analysis of the industries to establish whether the results are stable in the multiple sectors or not. Also, inclusion of more factors that influence ease of doing business and using elimination techniques of structural equation modeling to extract those factors that actually influence ease of doing business could be beneficial. Categorizing influencing aspects of ease of doing business in various sectors and regions can assist those starting businesses in specific regions and sectors to be specifically guided.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

A friendly business environment is essential for growth of businesses and development of any economy (Kaur, 2016). It makes a country to be an attractive investment destination. This translates into the creation of employment opportunities within the country in addition to facilitating an economy's growth and development. Organisations face many challenges due to a variety of factors. Rashed and Nesha (2016) noted that the factors determining the ease of doing business in rapidly emerging economies like China included infrastructure, low operational costs, and friendly regulations. Stringent regulations also raise the cost of getting business permits and substantially reduce ease of doing business in any economic context. Likewise, inadequate infrastructure also undermines the ease of doing business especially when there are poor roads among other transport and communication platforms.

This study is anchored on transaction cost theory and the analysis of concepts was further reinforced by the resource-based theory, environment dependency theory, and institutional theory. Commons (1931) argued that transactions costs at any level of trading are essential elements since they affect outcomes of those transactions. As advanced by Barney (1991) a firm's competitiveness is informed by its internal capabilities through resources it is able to create if those capabilities are (VRIO) valuable, rare, inimitable, and the organization is able to utilize them to gain competitiveness. The institutional theory by Scott (1987) fitted as a supporting theory to this study because as the theory stipulates, organizations are interconnected and hence have to interact with other related firms to the extent of imitating others in order to realize their goals. The resources dependency theory as advanced by Pfeffer and Salancik (2003) explained organizations' dependence on external environment as a source of some important resources which they use to develop their own competencies. Therefore, apart from the internal VRIO resources, firms interdepend and rely on available external resources.

In the Kenyan context, Jotwani (2016) indicated that the easiness of doing business can be influenced by factors such as unfavourable legal system and inadequate infrastructure. The unfavourable legal system is manifested in high bureaucracies that impede entrepreneurs' efforts to register their businesses. Likewise, high operational costs result in inadequate infrastructure such as roads forcing businesses, especially logistics firms to spend huge amounts of resources on fuel among other related requirements. Ng'ang'a and Kisimbii (2018) also concurred that stringent regulations on private sector players can increase bureaucracies and undermine business operations weakening private-public partnerships.

1.1.1 The Concept of Ease of Doing Business

Ateng' and Arunga (2010) believed that the factors that influence the ease of doing business vary from one country to another. However, the most common factors influencing ability for businesses to conduct business particularly in sub-Saharan Africa include a cumbersome regulatory regime, bureaucracy, political instability and insecurity, high costs of energy, inadequate infrastructure, unfavorable taxation policies, high labor cost, inadequate ICT development and lack of necessary financial support. Lack of infrastructure significantly undermines the ease of doing business because firms greatly depend on infrastructure to carry out their businesses. However, in a situation where communication and transport infrastructure is inadequate, it is difficult for businesses to be carried out successfully.

The World Bank (2020) suggests that ease of doing business also means starting businesses and providing employment to the people. Getting location for the business is informed by ease of getting construction permits, getting electricity and registering property. Access to financing is assessed by the ability to get credit and also protection of the minority investors. Daily operations are assessed through ease of paying taxes, trade across borders and ability to obtain government contracts while security of the operating environment is evaluated by ease of enforcing contracts and resolving insolvencies (World Bank, 2020).

1.1.2 Logistics Firms in Kenya

Logistics firms are the entities involved in organization, execution and management of movement and storage of data, services and goods in supply chains from origin to consumption points (Bowersox & Daugherty, 1995). The main sectors in the logistics industry include the clearance and forwarding, transport and storage facility businesses. The logistics industry in Kenya presents a promising future but is faced by diverse challenges. The sum of logistics firms has been growing gradually as foreign firms continue to venture into the Kenyan logistics industry. The Kenya Revenue Authority (KRA) trade facilitation record (2020) indicates that there are about 2,034 registered logistics firms in Kenya with 915 having an office. Many companies hold offices and subsidiaries in major cities. According to Gordon (2017), Kenya’s logistics industry which was valued at $9.4 billion in 2015 experienced 13% growth rate between 2010 and 2015 and was forecasted to expand by 34% by 2021. According to Ken Research (2019) Kenya’s logistics industry gained a lot and ranked top 4 in Africa in terms of growth potential and is poised to hit the 5 billion dollar mark by 2023.

The government has encouraged growth of the logistics sector with choice of special economic zones (SEZs) in areas like Kisumu, Lamu and Mombasa. Despite the high growth rate of the logistics industry in Kenya, individual firms in the industry faced many challenges that undermined the overall performance and sustainability. Those in container freight stations (CFSs) have the challenge of the competition yet the business opportunities are shrinking with emergence of standard gauge railway (SGR) from the port of Mombasa to Nairobi and now being extended to Kisumu (Muoki & Moronge, 2021). This might create business for Nairobi-based CFSs but Mombasa hinterland operators may need to shift to Nairobi or Kisumu. Transport companies faced the challenge of low business too due to government capacity and policy forcing customers to use the SGR which is seen as a better alternative to road. Clearing and forwarding firms struggled with shrinking margins due to high taxations and increasing cost of doing business (Marcopolis, 2018).

Also, logistics firms in Kenya faced stiff competition. There was an increase in the level of acquisition of local logistics firms by foreign firms. This acquisition led to increased consolidation and enhanced competitive environment. Increased competition negatively influenced firm’s performance resulting in reduced profits. According to Nsehe (2017) inadequate infrastructure is one of the problems that face logistics firms in Kenya. The Northern Corridor road that links Mombasa and Uganda is a single carriageway which experiences traffic jams which last for kilometers. This increases the cost of doing business for individual logistics firms. As the country’s second largest city and major entry point for goods through the Mombasa port, the city hosts a large percentage of logistics companies. Mombasa has an international airport and the largest port in East Africa thus serving as a regional logistics hub (Logistics Plus, 2020). Consequently, Mombasa presents an appropriate city for evaluating the ease of doing business within the logistics industry in Kenya.

1.2 Research Problem

Ease of doing business is the measure of how easy it is for organizations to start businesses and to operate in a market (Morris & Aziz, 2011). The concept majorly revolves around ability to open business, get a location for the business, accessing financing, dealing with daily operations and security of the conditions in which a business runs. According to the World Bank (2020) report on ease of trade, the world is in a challenging time with ease of doing business becoming more difficult. The world has more needs especially with emergence of pandemics like Covid-19 yet most governments have increased regulations and global-order organizations stress the need for conservation measures. The efforts of the governments to make the environment conducive for business start-ups and existing ones to thrive is becoming even more difficult in most markets due to other numerous challenges.

The Kenyan logistics businesses suffered from numerous challenges, especially recently. The government commitment to develop transport means for the country to take advantage of the region’s economic potentials brought a shake-up to firms in the logistics industry. Nketiah-Amponsah and Sarpong (2020) argued that convenience of doing business is of critical importance in order to both attract investments and to boost economic development in the country and region, the existing firms got affected by the investments and government policies that might have moved crucial business of CFSs and transport to other hinterlands like Nairobi, Naivasha and Kisumu.

Almeida (2014) observed that most entrepreneurs face diverse challenges in the course of their business pursuit when a change occurs to legal, infrastructural, cultural, competition government policy change. This can inhibit start-ups or cause closure of existing businesses to the detriment of the social and economic benefits to the people as well as slow economic growth in a region or country (World Bank, 2020).

Such firms both create and increase business value propositions through enhancing the value and creating channels to make products and services available. These logistics firms are therefore key players in enhancing value delivery, creating employment and supporting the economy to grow. Creating a good environment to support a thriving logistics industry is essential for creating economic growth. Kenya's logistics firms based in Mombasa have heavily relied on the opportunities created by the huge port of Mombasa. Emergence of standard gauge railway which now takes goods directly from the port to Nairobi might have caused an imbalance to the logistics opportunities for business in Kenya hence an outcry.

A few research studies have been carried out on determining factors of the ease of doing business. Nsehe (2017) for instance found out that infrastructure is a key variable that affects ability to do business in the country. However, their research focused on issues such as ICT but ignored other factors like the road network among other forms of transport and the factors enumerated by World Bank (2020). Earlier, Almeida (2014) focused on individual factors like infrastructure, operational cost, competition and regulations.

In evaluating the factors influencing the ease of doing business in developed countries Almeida (2014) used content analysis and the findings agreed with those of Rashed and Nesha (2016) who evaluated the factors determining the ease of doing business and agreed that infrastructure, operational cost, competition and regulations are key factors but all those studies were from developed countries like US, South Korea and China. Notably most studies have been carried out from other market contexts and scanty information exists in a developing market context like Kenya. This study aimed to address those study gaps using primary research methods to determine the issues affecting the ease of doing business in the Kenyan context with focus on one of its important logistics business hubs. The research, therefore, sought to determine those factors and to enlighten on the question, how easy is it do business amongst the logistic firms in Kenya?

1.3 Research Objective

The purpose of this research was the development of a model to measure the ease of doing business among Kenyan logistics firms.

1.4 Value of the Study

The importance of this study include the fact that it has contributions that can benefit logistics firms, policy makers and also further future research. Logistics firms can benefit by understanding how to manage the factors affecting their ability to conduct business with ease. The understanding of ease with which entities conduct business within the logistics industry in Kenya will be valuable to logistics firms by enabling them achieve strong performance by putting in place measures that promote strong performance and long term sustainability.

Policy makers like governments and its regulators can gain insights to be able to formulate policies that can improve ease of doing business amongst the logistics firms. It is in the interest of the government to promote the vibrancy of logistic firms. This creates employment opportunities in the country in addition to generating revenue for the government. Therefore, this research will be valuable to policy makers including regulators and government in coming up with policies that create an attractive environment for logistic firms to conduct businesses in Kenya.

Also, future researchers can draw from the study to inform their literature review sections. This research is also valuable for future research. The study aimed at developing a model useful in measuring the ease of doing business among logistic firms in Kenya. This research will therefore be valuable in terms of promoting future research on the ease of doing business in Kenya's logistics industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter provides review of literature on the determinants of ease of doing business in Kenya's logistics industry. It is divided into three sections including the theoretical framework, empirical literature on factors that determine the simplicity of doing business and the summary of the literature review culminating into development of a conceptual framework.

2.2 Theoretical Review

Theoretical literature review is composed of review of relevant theories on which a research can be rooted on. The theories help the researcher to explain relationships between the concepts and they can help to determine measurement metrics for the variables. The main theory for the inquiry is the transaction cost theory which is supported by Resource-Based View, environment dependency and institutional theories.

2.2.1 Transaction Cost Theory

The transaction cost theory was first introduced by Commons (1931) and further developed by other researchers over time including (Williamson, 2013). According to the transaction cost theory, transaction cost refers to expenses incurred in making economic trade by partners in a market. Transaction costs fall into four main categories including search and information costs, bargaining costs of making decisions and policing and enforcement costs. Costs related to information and searches are expenses incurred to ensure that required goods can be accessed in the market (Peng, 2020). Bargaining costs are expenses incurred to ensure that an agreement is reached between parties to a transaction whereas enforcement cost are expenses incurred to ensure that parties to the agreement stick to the terms and conditions. This theory is useful in the development of a model for measuring the ease of doing business as it outlines specific costs and impediments to the ease of doing business.

One of the limitations of the transaction cost theory arises from its emphasis on the minimization of costs. The minimization of costs as advocated by the transaction cost may result into a reduction in value creation thereby undermining the performance of firms in the logistics industry (Rao, 2015). The transaction cost theory also ignores the function of social relationships in the development and sustenance of economic transactions. The theory was applied in this study because minimization of costs for establishment of businesses as well as cost of capital is a component that can ease doing business in a market.

2.2.2 Resource Based Theory

Barney (1991) developed the Resource-Based View (RBV) concept while explaining that internal resources in a firm including capabilities, competencies and assets can be used to deliver competitive advantage to the firm. RBV theory therefore evaluates a firm's resources and capabilities to ascertain their ability to deliver competitive edge to the firm. Firms can obtain some competitive advantage if their resources are well organized and utilized to enhance its performance credentials (Priem and Butler, 2001). It is through a firm's internal resources that it can attain stronger performance over its rivals in the industry. Therefore, it is important to evaluate the firm's resources and capabilities to ascertain their potential to deliver competitive edge to the firm.

There are various criticisms against the resource-based theory. According to Barney (2001) different configurations of resource have the potential of generating similar value for different firms meaning that there is no competitive advantage in the long run. The second limitation is the fact that the resource-based view is limited in terms of providing recommendations. The resource-based view theory only provides information on resources and their capacity for delivering competitive edge without providing adequate recommendations on what firms can do to ensure attainment of sustainable competitive advantage using their resources and capabilities. This theory was beneficial to this research as it was used to understand how firms can exploit their internal resources to attain competitive advantage even though the country may have a lower rank in terms of ease of doing business.

2.2.3 Environment Dependency Theory

The environment dependency theory was advanced by Pfeffer and Salancik in 1978. According to the resource dependency theory, an organization depends on resources to run its operations. The resources are obtained from the external environment. Therefore, for an organization to continue with its operations, the business needs to interact with other parties in the external environment to maintain its operations (Boyd, 1990). According to the environment dependency theory a firm needs to interact with parties in the external business environment in order to facilitate strong performance. According to the institutional theory, a business interacts with the external environment to influence its performance by obtaining resources from its environment and giving output to the external environment. An optimal relationship with players in the external environment enables the firm to access needed resources.

The main criticism of the resource-dependency theory is the fact that it is used for understanding organizational behaviour. However, the theory is not appropriate for evaluating the performance of the organization. This means that the theory may not be appropriate for evaluating how external environmental factors affect the performance of a business. Nevertheless, this theory was constructive in this research particularly in evaluating the ease of doing business and how it affects the businesses performance (Hillman et al., 2009). This study explored the ease of doing business in Kenya. Consequently, the resource dependency theory evaluates how factors within the external environment like infrastructure and legal factors influence the performance of business.

2.2.4 Institutional Theory

The institutional theory was advanced by William Richard Scott in 1995. According to the institutional theory, the institutions are social constructions that have attained a significant level of resilience. Institutions are made up of elements which are normative, regulative and cultural-cognitive. Institutions have a significant influence on their environment (Scott, 2008). Also, institutions give out outputs to the environment after consuming the inputs from the environment and therefore their success is dependent on their interactions with the environment. Institutional factors are categorized into social, political and economic. Such factors constitute institutional structure thereby influencing the organizations and their performance. According to the institutional theory, businesses deliver superior performance if they receive institutional support.

The main criticism of the institutional theory is the fact that while its purpose is to explain how organizational processes and structures acquire meaning and continuity within a particular environment, the theory has been overstretched beyond its core purpose. This overstretching of the institutional theory undermines its effectiveness in explaining factors that influence the performance of business entities (Rosenzweig and Singh, 1991). Nevertheless, this theory was beneficial in evaluating this study in that, it explained the impact of factors such as legal environment, infrastructure and economic factors on the businesses thus aiding in the understanding of the ease of doing business in Kenya

2.3 Empirical Literature Review

The complexity of daily operations such as bureaucracy is influential on the ease of doing business. In their evaluation of the determinants of easiness to do business in sub-Saharan Africa, Morris and Aziz (2011) found out that the high cost of business registration in sub-Saharan African countries presented a challenge to businesses. The high cost of registering businesses in sub-Saharan African countries is caused by stringent regulations and a high level of bureaucracy. Such factors made it difficult for businesses to launch successful operations in sub-Saharan Africa.

Ateng' and Arunga (2010) investigated the factors that influence the investment conditions in Kenya and foreign direct investment inflow in Kenya. They undertook the study using the qualitative methods with data collected through interviewing of members of the private sector, agencies as well as governmental departments. This was conducted in order to obtain the views in respect to the determinants to business ease to carry on their trade in Kenya. The findings showed that the regulatory environment highly impacts businesses. Specifically, the conclusions of the research denoted that stringent regulations regarding the registration of businesses and processing of business permits are major impediments to start-ups and ability to run businesses in Kenya. The use of interviews enhanced the research quality outcomes because the scholar was able to obtain multiple-perspectives regarding the subject matter under consideration. However, since the research was based on the views of a few people, the research had some form of bias.

Ebero and Begum (2016) examined the determinants of easiness to do business in Ethiopia with findings showing that the main influential factors include infrastructure, legal systems and the operational costs within the country. A stable legal system is useful in building a favorable business environment. Likewise, the building of infrastructures such as transport and communication networks serves as an important role in creating a friendly business environment.

Jotwani (2016) studied the ease of doing business in India using quantitative data. Data was obtained from secondary sources and analysed quantitatively aiming to deduce the factors that firms considered as important to their ease of doing business. Descriptive statistics was used to analyse the data whereby data on such aspects as operational costs were compared with the performance of firms. This was done to demonstrate the effect of operational costs on business operations and economic outcomes with the findings showing costs of operations is one of the factors that greatly affect the convenience of doing business in India. Specifically, costs arising from high interest rates and high energy prices have made it difficult for businesses to operate successfully in the Indian market. However, since this study was based on secondary data, it is limited in the sense that it has some inherent bias.

Ng’ang’a and Kisimbii (2018) also examined the determining factors of ease of carrying out business in Kenya. The research particularly assessed the nature of public-private partnerships and how they affect business success in Kenya through quantitative research design and collected data from 152 project managers and officials from private institutions and governmental organisations with a view of determining the influencing factors of the business climate in Kenya. Through descriptive research design, the results indicated that infrastructural development is an important element in encouraging business start-ups in Kenya. The findings further indicated that infrastructural development through private-public partnership projects significantly improved the ease to do business in Kenya. The limitation of the research is the fact that it was based on a reassessment of public-private partnership of projects in Mombasa city. Therefore, the findings cannot be generalized to the other sectors and regions of the Kenyan economy.

Namu, Kaimba, Muruithi and Nkari (2014) also investigated the effect of operational costs on easiness of doing business through financial performance by analysing tea factories in Embu. Quantitative research design was employed with data collection by way of questionnaires from 225 tea growers, 40 employees and 18 managers. Descriptive statistics was adopted for data analysis including the determination of frequencies and calculation of percentages. The results of the study indicated that high operational costs resulting from high labour cost, and high energy costs negatively impacted the ease of doing business in Kenya. The research recommended cost reduction strategies for individual firms to achieve an improvement in their performance. However, since the study was based on the tea processing sector, it could not be reliably generalised to other sectors in the economy such as the logistics industry.

Kaur (2016) studied factors influencing the convenience of doing business in India. Secondary research design was adopted for this research. Data was derived from secondary sources like government reports, survey reports, private agency reports, books, journals, websites, and magazines. Through content analysis, their results showed that infrastructural support is one of the variables affecting the ease of doing business. Specifically, the study showed that inadequate infrastructural support in terms of electricity had had a negative impact on the investment climate in India. Firms in India face increasing rates of power cuts which affect their operations. The study was however deficient in that it's basis was on secondary study which may not offer empirical and dependable findings regarding the influential factors as would have been for quantitative or qualitative methods using real data. Nevertheless, the research indicated that inadequate infrastructural support undermines the ease of doing business in the Indian context.

Itimu and Abdul (2018) also assessed the effect of the investment climate on economic outcomes of companies in Kenya's banking industry using secondary data. Data collection was done through the use of annual reports, government reports, journal articles and reputable websites. Descriptive statistics was used to analyse the data. Stiff competition was determined as the main factor influencing performance of the businesses, hence impeding their ease of doing business. The high level of competitiveness can be attributed to the ease of entry of firms into the industry which means that existing firms need to adopt effective strategies for overcoming competitiveness.

According to Bayraktar (2013) factors that determine the ease of doing business include labour costs, a country's trade openness, political climate and financial openness. In countries where labour costs are high, the easiness of doing business index is very low. Likewise, the political climate greatly influences the ease of doing business. This means that in case there is a high level of political instability, business entities have low chances of success. The legal framework is also influential on the convenience of doing business in that when there are stringent regulations, businesses find it hard to operate in the country concerned successfully.

Almeida (2014) also examined the factors that influence business in developed countries like Japan, US and South Korea. The basis of the study was a secondary research methodology with content analysis approach of data analysis as the adopted method. Findings of the research revealed that the legal environment and the competitive landscape play a crucial role in influencing the business climate in the country. Results of the study further showed that firms in highly competitive industries have little chances of success owing to the low margins. When faced with stiff competition, most firms resort to using price-cutting as a strategy aimed at winning customers. This however results into reduced revenue and profitability for the firm. The World Bank (2020) established that convenience of doing business is majorly affected by ability to start business, financing, dealing with daily operations and security of the business environment.

Rashed and Nesha (2016) also investigated factors determining the ease of doing business in China through review of literature from sources such as government reports, journals and reputable websites. The study results revealed that regulations were the main impediment to businesses' start-ups and operations in the country. Specifically, anti-trust laws, foreign exchange regulations and intellectual property right laws are important factors to consider easing business operations in the country. Multinational corporations find that intellectual property rights in the country are inadequate to protect their rights and guarantee their portability. This study is limited because it was mainly based on a literature review.

2.4 Conceptual Framework

The conceptual framework in this study borrows heavily from the World Bank (2020) model on convenience of doing business. Accordingly, convenience of doing business can be evaluated based on the appropriateness of the location, access to financing, support to daily business operations and business environment security. Factors about location such as possibility to acquire construction permit, access to electricity and property registration can contribute to ease of doing business encouraging business start-ups and profits (Bayraktar, 2013; Kaur, 2016).

Another factor is the access to finance (Morris & Aziz, 2011). This is influenced by ease to get credit from financial institutions, acceptance of FDI remittances into the economy and the legal support and protection of minority investors. These make it easier to do business and can encourage business start-ups and business growth. Another factor that investors could consider is support systems to ease daily operations. That factor is supported in an environment where firms are able to compute and pay their taxes with ease, trade across borders with neighbour or firms in far-off countries as well as equal access to business including government institutions and ministries (Marcopolis, 2018).

Another key factor considered by business entities is the business environment security. The security of the business environment is enhanced where for instance; there are support systems and infrastructures like contract enforcement, resolution of cases and infrastructure connectivity for security support services (Kaur, 2016). This factor would support ease of doing business because when contract enforcements are easy, resolution of insolvency cases and related issues is easy and there is ample infrastructure connectivity, investors feel secure and this eases their business activities. Figure 2.1 shows the conceptual framework for ease of doing business as adapted from World Bank report (2020).

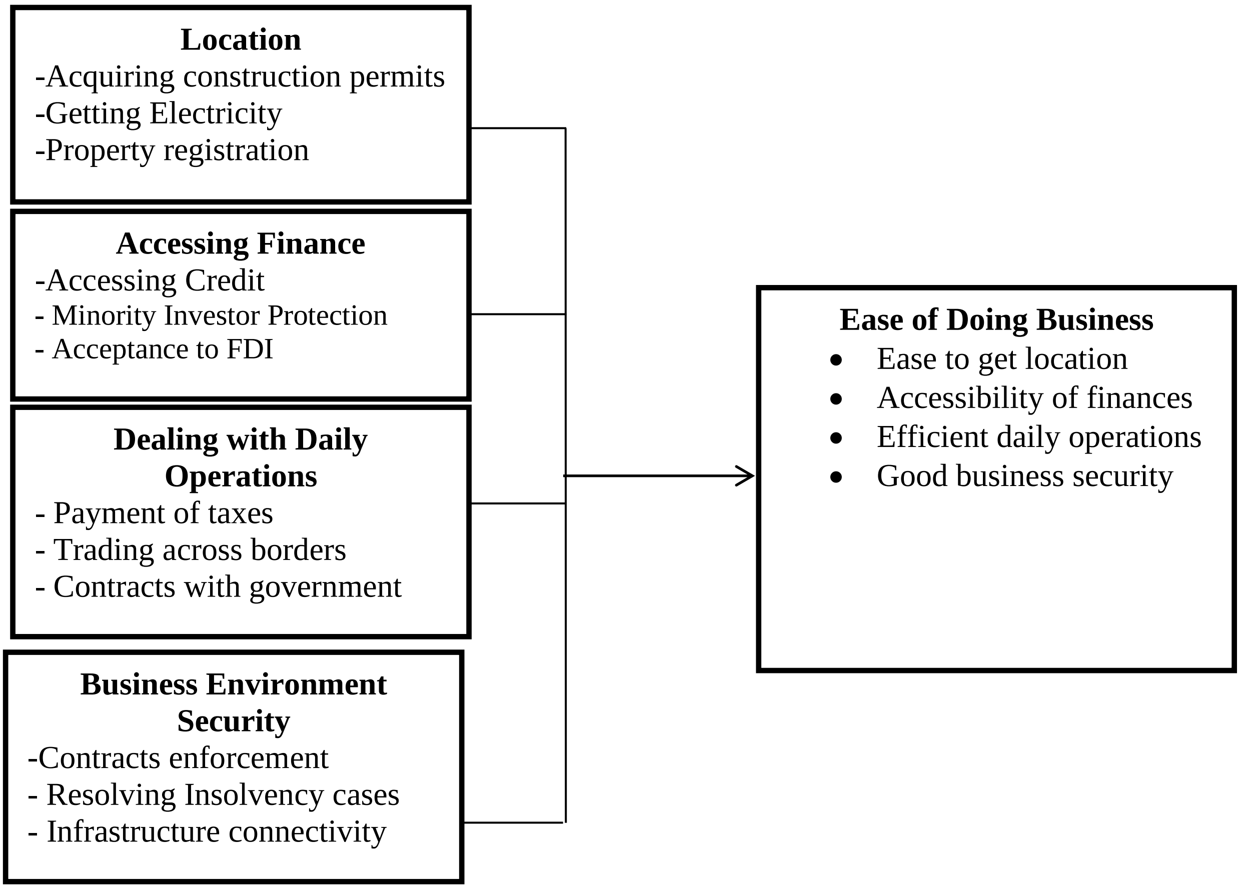

Figure 2.1: Measures of Ease of doing business

Source: World Bank (2020)

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter explains the methods that were engaged to carry out the research. It illustrates the research design, data collection and analysis techniques to answer the research objectives accordingly.

3.2 Research Design

Research design describes the process for data collection and analysis approach to help a researcher to answer research questions. There are different types of research designs such as survey, case study, experiment, exploratory research design and descriptive design, (Adams, 2007; Burns et al., 2011; Curtis and Curtis, 2011). An exploratory research design is conducted with the primary objective of exploring existing relationships between phenomena before actual deeper analysis (Denscombe, 2014). It is common for qualitative design to be applied in an exploratory research design. In contrast, a quantitative design of research entails collecting numerical data and is common with secondary data or surveys where respondents are asked to rate certain phenomenon.

Experimental designs involve actual experiments which can take different forms (Curtis and Curtis, 2011). A case study is object-specific and involves analysis of one or a few study objects like a firm. That can take the qualitative or quantitative method. Another type of research design is descriptive design. This goes hand in hand with quantitative research methods whereby numerical data is collected and analysed using mathematical tools so as to answer the research objectives.

In this study, a research survey design was employed through descriptive statistics. Several firms were surveyed to establish the easiness of doing business. The survey and descriptive design were appropriate for this research in order to analyse the ease of doing business amongst the logistics firms in Kenya (Fowler, 2009). Descriptive design is preferred when researchers seek to answer the where, what, when and the how questions regarding a phenomen. Also, descriptive research design blends well with surveys and can be applied in causal relationships.

3.3 Population of the Study

In this study, the population was the 915 registered logistics firms in Kenya as per the Kenya Revenue Authority (KRA) trade facilitation record (2020). KRA records are updated periodically because they do not want to lose revenue for any single year. Also, all registered logistics firms have to pay tax and those that close can deregister from the KRA list to avoid tax fines and penalties for failure to file returns and other tax non-compliances, when the firm has already ceased trading. Therefore, the list of registered firms from KRA is updated more often and is an appropriate list for not just the registered, but operating logistics firms in Kenya.

3.4 Sample Size and Sampling Design

Sample size refers to the number of members of a population chosen for analysis in order to generalize about a population (Gravetter & Forzano, 2015). For large populations, Monette et al. (2011) argue that 30% of the population can suffice the representativeness threshold. This study sampled 30% of the 915 registered logistics firms adopting random sampling; hence the target sample size for the research was the 275 firms. The firms were sampled using simple random sampling through computer technique. Random sample obtained by listing the firms and running the sample selection in computer software helped to determine the sample. Simple random sampling is a scientific sampling method that allocates all units being considered an equal chance of being picked (Blumberg, Cooper & Schindler, 2014).

3.5 Data Collection

This research used primary data which was preferred to secondary data because primary data is the first hand facts obtained by the researcher for the objective of a particular study (Johnson & Christensen, 2012). It has the advantage of being current and specifically designed for a particular study. Such data can be collected using questionnaires, interviews and observations. For this study, data was collected through a questionnaire that was structured in order to capture specific information that answers the study questions. To facilitate that, constructs were evaluated using Likert-Scale type questions between 1 and 5 where 1 represent strongly disagree and 5 strongly agree. Likert-Scale is a common technique for measuring even non-qualitative aspects and converting it into quantitative. The data was collected using face to face interview and email for respondents who were far away. One on one interviews helped the researcher or the research assistant to explain or clarify any question that the respondent could have regarding the study or research instrument. The research targeted one employee in senior level of management in operations department in each of the 275 logistics firms. The employees were given questionnaires and requested to fill-in and ample time was accorded to them. Those not able to complete it immediately but able to send it over email were given the opportunity to do so. Two research assistants were engaged.

3.6 Operationalization of Variables

Operationalization of the study variables is as shown in table 3.1.

Table 3.1: Operationalization of Variables

Variables	Indicators	Measurement	Source
Business Location	- Obtaining permits	•Ordinal scale	Bayraktar (2013)
	- Connection to Electricity	•Ordinal scale	Kaur (2016)
	- Property registration	•Ordinal scale	World Bank (2020)
Access to financing	- Getting Credit	•Ordinal scale	Bayraktar (2013)
	- Minority Investor Protection	•Ordinal scale	Kaur (2016)
	- Acceptance to FDI	•Ordinal scale	World Bank (2020)
Support to daily operations	- Payment of taxes	•Ordinal scale	Morris and Aziz (2011)
	- Trading across borders	•Ordinal scale	Kaur (2016)
	- Contracts with government	•Ordinal scale	World Bank (2020)
Business environment security	- Contracts enforcement	•Ordinal scale	Kaur (2016)
	- Resolving Insolvency cases	•Ordinal scale	Marcopolis (2018) World Bank (20.20)
	- Infrastructure connectivity	•Ordinal scale	
Ease of doing business	- Ease to get location	•Ordinal scale	Kaur (2016)
	- Accessibility of finances	•Ordinal scale	World Bank (2020)
	- Efficient daily operations	•Ordinal scale	
	- Good business security	•Ordinal scale	

3.7 Validity and Reliability

To improve reliability and validity of the study instrument, the questionnaire was pretested using 15 select firms sampled from Mombasa through random sampling. Bryne (2004) indicate that validity can be explained as the measure of level to which a questionnaire measures the study constructs appropriately. The study used exploratory factor analysis to eliminate unnecessary questions to improve content and construct validity. Questions with sum of squared values below 0.5 were eliminated but the instrument was subjected to Kaiser-Meyer-Olkin (KMO) test. Reliability was also tested using Cronbach’s alpha to ensure internal consistency of the instrument.

An alpha value above 0.7 was considered appropriate although Bryne (2004) contend that an alpha of at least 0.3 is still enough.

3.8 Diagnostic Tests

Diagnostic tests including normality, homoscedasticity, multicollinearity and autocorrelation were carried out. Normality is the extent to which a data distribution follows a bell shape. This was tested using Shapiro-Wilk test which should be above 0.05 to confirm normality. Homoscedasticity is the test of whether data has same variances. Koenker test whose significant value should be below 0.05 confirm that data is homoscedastic. Multicollinearity test is a measure of the extent to which the independent variables relate with each other. This was tested using variance inflation factors (VIF) and tolerance statistics. Tolerance statistics should be lower than 3 while none of the VIFs should be above 10 for data to adhere to multicollinearity test. Autocorrelation test was conducted through Durbin-Watson statistic and the criteria for the DW statistic is that if DW is between 1.5 and 2.5; the data does not have autocorrelation problems. Since data did not meet the criteria for normality and autocorrelation it was transformed into natural logarithm before regression analysis. Ensuing are the results of diagnostic tests.

As discussed above, the premise of regression analysis such as normality, autocorrelation, homogeneity of variance, multicollinearity and collinearity were conducted. The Shapiro-Wilk test was used to test for normality. The results were as demonstrated in table 3.2.

The results in table 3.2 below indicate that the indicative values for the Shapiro-Wilk test for all the variables were below 0.05 inferring that the data significantly deviates from normality. In that case it is suggested for the data to be transformed to reduce the deviation from normality in the distribution of the data.

Table 3.2: Test of Homoscedasticity

	Kolmogorov-Smirnov			**Shapiro-Wilk**		
	Statistic	Df	Sig.	Statistic	df	Sig.
Business Location	0.169	152	0.000	0.928	152	0.000
Access to Financing	0.12	152	0.000	0.928	152	0.000
Support to daily operations	0.225	152	0.000	0.891	152	0.000
Business environment security	0.167	152	0.000	0.91	152	0.000
Ease of doing business	0.22	152	0.000	0.905	152	0.000

The next analysis is the Normality test using Koenker test. The results were as shown in the table 3.3 below. According to the results, the indicative value for the Koenker test is below 0.05 which implies that the data is homoscedastic. That means that the data has equal variances hence suitable for regression analysis. However, tests of other assumptions of regression need to be carried out.

Table 3.3: Test of Multicollinearity

	LM	**Sig**
BP	60.327	0.000
Koenker	123.336	0.000

The next analysis is the test for multicollinearity and its results were as shown in table 3.4. The results show that the tolerance statistics were all below 1.0 and the variance Inflation Factors (VIFs) for all the variables were low; in fact all below 5 implying that the independent variables were not collinear, indicating that no relationships between independent variables could otherwise influence the regression results.

Table 3.4: Collinearity Statistics

	Tolerance	VIF
Business Location	0.603	1.659
Access to Financing	0.617	1.621
Support to daily operations	0.469	2.133
Business environment security	0.45	2.224

The next analysis is the Autocorrelation test although this problem is common for time series kind of data. According to the results shown in table 3.5 below, the statistic of the Durbin-Watson is 2.528 which is roughly 2.5. The rule of thumb is for the DW statistic to be between 1.5 and 2.5 for autocorrelation to be ruled out. The statistic lies between 0 and 4 and both extremes indicate presence of autocorrelation. The DW statistic indicated absence of autocorrelation.

Table 3:5: Autocorrelation Test

Model	Durbin-Watson
1	2.528[a]

a. Predictors: (Constant), Business environment security, Access to Financing, Business Location , Support to daily operations

b. Dependent Variable: Ease of doing business

3.9 Data Analysis

This data was analysed through SPSS version 25 to obtain descriptive and inferential statistics needed to answer the research questions. Descriptive statistics was undertaken to obtain parameters such as frequency and the percentages in order to understand the respondents' profile and the level to which respondents' concurred with particular assertions in the questionnaire (Monette et al., 2011). The inferential statistics include the correlation between such factors as business location, access to financing, support to daily operations, security of business conditions and the convenience of doing business in Kenya's logistics industry. The results were explained and used to answer the study questions.

This study used regression analysis in determining the relationships between the independent variables and dependent variable as expressed in the analytical model. The dependent variable (Y) is the measure of the ease of doing business. Specifically, the model was developed using factors proposed by World Bank (2020) as important factors that could ensure ease of doing business in a country. Those factors include (1) availability of space for business, (2) access to financing, (3) dealing with daily operations and (4) business environment security. The model therefore sought to determine which of those factors best influence ease of doing business using logistics industry and which one does not. The regression model is as expressed below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y was the ease of doing business, X1, X2, X3 and X4 were the independent variables, Location, Access to financing, Support to daily operations and Business environment security respectively, β_0 to β_4 the model coefficients and ε the error term. The model was interpreted to determine statistical significance where coefficients with p-value below 0.05 confirm significance. R and R-square were used to show the strength and nature of the relationship.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter provides the results of the analyzed data that was collected as per the research methodology. It also provides the discussion of findings by comparing the results with the findings of other researchers mentioned in the literature review. The contents of the chapter are focused on the specific study objectives.

4.2 Data Analysis

4.2.1 Description of Sampled Logistics Firms

The study targeted 275 logistics firms as explained in the methodology chapter of which 152 completed questionnaires were obtained. That is equal to 55.27%. Data was analysis and coding was done using SPSS version 25. One of the descriptive results sought was the sector, or rather, the business in which the organizations engaged in. The results for the sector for the sampled organizations were as shown in table 4.1 below. According to the results the sampled companies engaged in multiple businesses in the logistics sector. According to the findings, 30.3% engaged in transport, clearing and forwarding while 24.3% engaged in transport, warehousing, clearing and forwarding. That was closely followed by 19.7% who were engaged in warehousing, clearing and forwarding while 15.8% were in transport only, while 9.9% offered transport and warehousing services. That shows that the sampled organizations engaged in all sub-sectors of the logistics industry and therefore were conversant with the issues affecting the industry in Kenya.

Table 4.1: Sector of the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Transportation	24	15.8	15.8	15.8
Clearing, forwarding & Warehousing	30	19.7	19.7	35.5
Transport & Warehousing	15	9.9	9.9	45.4
Transport, clearing & forwarding	46	30.3	30.3	75.7
Transport, warehousing, clearing & forwarding	37	24.3	24.3	100
Total	152	100	100	

Also, the study evaluated the respondents' knowledge to determine whether they held managerial positions or not to ensure the relevance of the information and quality of the facts given. The findings were as shown in table 4.2 below. According to the outcomes 90.1% of the respondents held a managerial position while only 9.1% did not have a managerial position implying that the interviewees were well versed to provide rich facts relevant to the study.

Table 4.2: Whether Respondent held managerial position

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	137	90.1	90.1	90.1
No	15	9.9	9.9	100
Total	152	100	100	

The study aimed to determine the years the company has been in operation. The respondents indicated the number of the years their company was in operation and the results are as demonstrated in table 4.3. According to the research, most of the firms had been in operation for over 5 years since 73.7% were in existence beyond 5 years while 21.1% were in operation between 3 and 5 years. That is important for the firms to have had experienced the ease of doing business over several years which make their opinion on the factors that influence ease of doing business more relevant.

Table 4.3: Years Company in operation

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 3 years	8	5.3	5.3	5.3
3 to 5 years	32	21.1	21.1	26.3
Over 5 years	112	73.7	73.7	100
Total	152	100	100	

Also, the study reliability data analysis was conducted using the questions used to measure the various study variables. The Cronbach’s Alpha based on the 19 constructs used to measure the various factors was as shown in table 4.4. The results for the reliability show that the Cronbach’s alpha is 0.931 as depicted in table 4.4 below. The findings show that the measures of the constructs were internally consistent since the alpha is 0.931 which is way above 0.7 which is recommended as a good indicator of internal consistency of the measures of a variable. Therefore, the measurements of the data are authentic.

Table 4.4: Reliability Tests

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
0.931	0.933	19

4.2.2 Description of factors Influencing Ease of Doing Business

The study analyzed the research variables which were the measures of ease of doing business such as getting location, access to financing, ability to deal with daily operations and business environment security. Data analysis was done using measures of central tendency such as mean, mode, median skewness and kurtosis. The findings are displayed in table 4.5 below.

As shown in table 4.5, the mean and median for indicators, ease to get construction permit, electricity connection and property registration were on average 3 which is the middle measure between the Likert scales of 1.00 to 5.00. Multiple modes exist for ease to get construction permits but for the other indicators such as ease to get electricity and property registration were 4.00 and 3.00 respectively. Notably the skewness and kurtosis statistics are low implying quite a balanced normality curve. On the basis of the analysis, it can be deduced that logistics firms were not comfortable with what they go through when looking for business location.

Table 4.5 Getting a Location among Kenyan Logistics firms

		Ease of getting construction permits	**Ease of getting electricity**	**Ease of getting property registration**
N	Valid	152	152	152
	Missing	0	0	0
Mean		3.0789	2.8816	2.9342
Median		3	3	3
Mode		1.00[a]	4	3
Skewness		-0.137	0.069	-0.478
Std. Error of Skewness		0.197	0.197	0.197
Kurtosis		-1.419	-1.337	-0.658
Std. Error of Kurtosis		0.391	0.391	0.391
Sum		468	438	446

a. Multiple modes exist. The smallest value is shown

Also, the study analysed the ability of firms to access finance for their businesses and results were as shown in table 4.6 below.

The outcomes of the analysed data as shown in table 4.6 indicate that the mean and median for ease to get credit, minority investor protection and acceptance of FDI are on average 3.0. The mode for ease to get credit was 3.0 implying the respondents were neutral about it. Majority, as indicated by mode for minority investor protection and acceptance to FDI in the country was 5 and 4 implying they agreed with those factors. The skewness statistics is low implying that the data indicators have normal distribution.

Table 4.6: Accessing Finance among Kenyan Logistics firm

		Ease to get credit	Minority investor protection	Acceptance to FDI
N	Valid	152	152	152
	Missing	0	0	0
Mean		3.4737	3.3355	3.1776
Median		3	3	3
Mode		3	5	4
Skewness		-0.545	-0.314	-0.299
Std. Error of Skewness		0.197	0.197	0.197
Kurtosis		0.68	-1.408	-0.985
Std. Error of Kurtosis		0.391	0.391	0.391
Sum		528	507	483

Further, the study analysed support which is also the ease of dealing with operations, focusing on ease of payment of taxes, cross border trade with neighbours and trade with government which is a measure of openness of tenders from government for all firms. The results are as shown in table 4.7 below.

From the measure of central tendency analysis in table 4.7, the ease of payment of taxes and trade across boarder received high ratings of on average, 4.00 and above. That implies that the firms' daily operations in relation to payment of taxes and trade, including cross boarder opportunities in the region are conducive. That suggests that the condition is good enough for the entities to conduct their trade. However, the ratings on ease of accessing contracts with government were low, roughly 2 as indicated by the mode, which is the data appearing most. That suggests that getting contracts with the government, which is the access to business opportunities from government is difficult.

Table 4.7: Support to Daily Operations among Logistics Firms in Kenya

		Ease of payment of taxes	**Ease to trade across borders**	**Ease to obtain contracts with government**
N	Valid	152	152	152
	Missing	0	0	0
Mean		4.0724	3.8487	2.6974
Median		4	4	2
Mode		5	4	2
Skewness		-0.137	-0.422	0.393
Std. Error of Skewness		0.197	0.197	0.197
Kurtosis		-1.54	-0.451	-1.14
Std. Error of Kurtosis		0.391	0.391	0.391
Sum		619	585	410

The study further tested business environment security to determine how it influences ease of doing business among the logistics firms in Kenya. The indicators analysed included; infrastructure connectivity, speed for contracts enforcement, and speed to resolve insolvency. The findings were as indicted in table 4.8 below.

As shown in table 4.8, the ratings for the speed for contracts enforcement, speed to resolve insolvency cases and infrastructure connectivity were medium to low since the mean, median and mode ratings were on average 3.0 representing neutral meaning they were unsure of whether to agree or disagree. According to the ratings however, it can be concluded that business environment security was not good or the logistics firms were not in good state.

Table 4.8: Business Environment Security among logistics firms in Kenya

		Speed for contracts enforcement	Speed to resolve insolvency cases	Infrastructure connectivity
N	Valid	152	152	152
	Missing	0	0	0
Mean		3.0921	3.0066	3.2895
Median		3	3	3
Mode		3	3	2
Skewness		-0.156	0.402	-0.112
Std. Error of Skewness		0.197	0.197	0.197
Kurtosis		-0.552	0.304	-1.133
Std. Error of Kurtosis		0.391	0.391	0.391
Sum		470	457	500

4.3 Regression Analysis

The next analysis involved regression analysis to determine whether the measures of convenience of doing business discussed above including business location, access to financing, support to daily operations and business environment security influences ease of doing business among the logistics firms in Kenya. The measures of business location, access to financing, Support to daily operations and business environment security and ease of doing business were determined through arithmetic mean of the Likert scale ratings of their specific indicators.

4.3.1 Test of Relationships between the Factors and Ease of Doing Business

Since the data did not adhere to some of the regression assumptions such as those for normality, homoscedasticity and autocorrelation, the data was transformed into natural logarithm before regression analysis. The regression analysis results are provided on the basis of the transformed data because the data did not adhere to the regression assumption of normality. Table 4.9 shows the model summary statistics of the multiple linear regression analysis.

The study aimed to ascertain the relationship between indicator variables business environment, access to financing, support to daily operations and business location and the dependent variable which is the ease of doing business. In statistics, R and R-Square are used to establish the nature and strength of relationship. R indicates whether a relationship is positive or negative while R-Square shows the strength of the relationship.

According to the outcomes in table 4.9 the R and R-Square are 0.848 and 0.719 which indicate a positive relationship and that the relationship is a strong one. Overall, the study results indicate that the predictor variables business environment security, access to financing, support to daily business operations and business location have a positive influence on ease of doing business in Kenya's logistics firms.

Table 4.9: Summary Statistics for Relationship between variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.848[a]	0.719	0.712	0.19015

a. Predictors: (Constant), LNBusinessEnvironmentSecurity, LNAccesstoFinancing, LNSupportToDailyBusinessOps, LNBusinessLocation

To test whether the multiple linear model is statistically significant in explaining the correlation between the selected factors above and easiness of doing business F-test statistics were used. The result in table 4.10 shows the variance analysis, being the test of the overall model's statistical significance. The results of the analysis of variance show a high F statistic whose significant value is 0.000 which is below 0.05. That indicates that the overall model is statistically significant and the results of the analysis can be used to illustrate the correlation between the variables. However, the model coefficients and their respective significant values are most appropriate in illustrating the relationship and significance between the predictor and independent variables.

Table 4.10: ANOVA for Statistical Significance of the Relationship Model

	Sum of Squares	df	Mean Square	F	Sig.
Regression	13.628	4	3.407	94.227	.000[b]
Residual	5.315	147	0.036		
Total	18.943	151			

a. Dependent Variable: LnEaseofdoingbusiness
b. Predictors: (Constant), LNBusinessEnvironmentSecurity, LNAccesstoFinancing, LNSupportToDailyBusinessOps, LNBusinessLocation

Although the model summary statistics in table 4.9 indicate a strong positive correlation and table 4.10 indicates that the model is statistically significant in projecting the correlation, it is crucial to establish if each factor is significant individually. This is determined through test of statistical significance of the individual factors. The findings in table 4.11 illustrate model coefficients and their respective significant values.

The outcomes in table 4.11 indicate that the significant values for all the independent variables are less than 0.05 which imply that each of the predictor variables have a significant impact on the changes that would occur in the ease of doing business. Based on the results, all the variables such as access to financing, support to daily business operations and business environment security have a positive effect on the convenience of doing business among the logistic firms in Kenya. Only business location has a negative relationship with ease of doing business. That can be demonstrated by the fact that the variable was measured using their ease to get construction permits, electricity and property registration. It is clear that the respondents were not happy with the process they go through while seeking construction permits, electricity and property registration.

Table 4.11: Significance of Individual Factors

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.625	0.104		6.006	0.000
LNBusinessLocation	-0.175	0.065	-0.156	-2.686	0.008
LNAccesstoFinancing	0.612	0.058	0.598	10.60	0.000
LNSupportToDailyBusinessOps	0.24	0.099	0.135	2.418	0.017
LNBusinessEnvironmentSecurity	0.392	0.051	0.446	7.731	0.000

a. Dependent Variable: LnEaseofdoingbusiness

4.5 Discussion of Findings

The research results determined that business location has a negative impact on the ease of doing business among the logistics firms in Kenya. The results suggest that business location as measured by ease to get construction permits, electricity and property registration negatively influences ease of doing business. That is possibly because they were not happy with the situation and therefore concur with the conclusions of Morris and Aziz (2011) who noted that the bureaucracies and costs of business and property registrations were a major bottleneck in Sub-Saharan Africa. Similarly, Ateng' and Arunga (2010) lamented the stringent regulations for and delays of services in construction permits and access to power connections as major impediments to business start-ups. According to World Bank (2020) access to appropriate location for business is an important ingredient for start-ups improving ease of doing business.

The results of the research demonstrated that access to financing is an important element to ease of doing business. An economy with enough financing for businesses can encourage start-ups. This is consistent with the environment dependency theory as advanced by Pfeffer and Salancik (1978) and the institutions theory as argued by William Richard Scott in (1995) because business environment influences its ease of doing business and that is because of the presence or absence of the institutions that can supply adequate financing which are essential. Whether the institutions are supported by government or other factors such as a good environment for establishment of financial institutions, it is essential for businesses to get access to financing which helps them to finance their projects. This is consistent with the findings of Ebero and Begum (2016) and Jotwani (2016) who note that availability of cheaper financing is essential for the economy to thrive.

Also, the study established that support to daily business operations through factors such as self-assessments and ease of payment of tax obligations, access to cross-border trade as well as access to business locally including from government bodies are essential factors to convenience of doing business. This is consistent with the World Bank (2020) report assertions and with the institutions theory because as argued by Scott in (1995) institutions in a market are essential ingredients that act as social constructions that interact with people and organizations to support their operations. Kaur (2016) note that costs related to access to various services from institutions like taxation authorities and low infrastructural support in terms of electricity and negative competitions can have negative consequences to foreign firms and inhibit trade amongst local firms. Furthermore, high competition in the market characterized with corruption inhibits free and fair access to business opportunities from government and its institutions.

The study further determined that business environment security positively influences ease of doing business among logistics firms. This result is consistent with the environment dependency theory as argued by Salancik (1978) who noted that organizations are dependent on their environment for resources and for business. The business environment security was evaluated using factors such as contracts enforcement, resolution of insolvency cases and infrastructural connectivity and the findings were also consistent with the institution theory advanced by Scott in (1995) who argue that institutions play a significant role in supporting businesses. Also, the findings support the conclusions of Ebero and Begum (2016) who established that legal frameworks and infrastructural connectivity are critical factors for enhancing ease of doing business. Also, Rashed and Nesha (2016) argue that anti-trust laws, foreign exchange regulations and intellectual property right laws are essential factors that make the legal environment in which businesses operate easier giving more confidence to investors.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the synopsis of the study, conclusion and recommendations of the study. Also, the chapter provides the recommendation for additional research.

5.2 Summary of the Study

The concept of ease of doing business is an important one to understand and has elicited research interests in the recent years. This research, aimed to establish those factors that contribute to ease of doing business and to enlighten on, how convenient is it to do business amongst the logistic firms in Kenya. The study evaluated the factors such as business location, accessing financing, support to daily operations and business environment security, aiming to determine how each of those factors influence ease of doing business in Kenya. The research adopted primary data, which was obtained by use of questionnaires issued to senior personnel in operations management in the logistics firms in Kenya.

The study selected 30% of the 915 registered logistics firms. The study targeted 275 organizations in the sector using structured questionnaires. The study managed to collect 152 questionnaires 55.27% questionnaires from various sub-sectors including transport, warehousing, clearing and forwarding. The firms were sampled through simple random sampling using computer technique. The data was analysed using factor analysis and regression technique to model relationships between the independent and dependent variables.

The findings established that the logistics firms were generally unhappy with the situation facing their businesses. They indicated that doing business was difficult in the sector because of the difficulty in getting the location, accessing the finances, difficulty in ease of the daily operations and poor business security both in terms of getting business opportunities and the actual security in the region. The regression results established that R and R-Square was 0.848 and 0.719 and the model was statistically significant. Based on the coefficients, business location (B = -0.175, sig. = 0.008), access to financing (B = 0.612, Sig. = 0.000), support to daily business operations (B = 0.240, sig. = 0.017) and business environment security (B = 0.392, sig. = 0.000). The modelled coefficients determined that business location had a negative impact on convenience of doing business whereas access to financing, support to daily business operations and business environment security had positive influence on easiness of doing business.

5.3 Conclusions

The research established that businesses in the logistics sector faced challenges which made doing business difficult. Business location as measured using ease of obtaining permits, connection to electricity and property registration had a negative impact on convenience of doing business. It is possible the sampled firms responded to the fact that they were not happy with the situation. The study concludes that business location if not well served with necessary amenities can affect firm's easiness of doing business negatively.

Further, the study concludes that factors such as access to financing, support to daily operations, and business environment security are positively correlated with convenience of doing business. Businesses environments with ample supply of financing such that they are able to get credit, have minority investor protection, and allowing foreign direct investments makes it easy to do business. Support to daily operations through eased tax payment options, trading across borders and fair business competition makes it easy to do business. Also, it is easier to do business in an environment with business environment security characterized with robust mechanisms for contract enforcements, resolution of insolvency cases and broad infrastructure connectivity.

The findings further showed that the independent variables; business location, access to financing, support to daily operations and business environment security have a strong, positive relationship with ease of doing business. The study concludes that improvement to financing accessibility and business environment security; individually and collectively positively affect the convenience of doing business. Business environments committed to improvements of access to finance, support to daily operations and business environment security have improved ease of doing business.

5.4 Recommendations

Business environment as indicated by ease to get construction permits, electricity and property registration has a negative influence on people's ease of doing business because the respondents felt those elements of a good location are not yet met in the places they have started their business. The study recommends that governments including county and regional governments should aim to enhance ease of doing business by making access to construction permits, electricity and property registration easier.

Ease to get financing was seen to be an important factor for enhancing ease of doing business. The factor was measured using ability to get credit, minority investor protection and acceptance of FDI. On the basis of the research results, recommendations are that government encourages start-ups from foreign investors and ensures adequate laws for minority investor protection. Also, encouraging access to finance for business should be top priority for central bank and the government.

Support to daily operations was seen to be a significant influencer of ease of doing business. Since it was indicated by factors such as ease to pay taxes, trading across borders and getting business from government, it is recommended that the government tries to make it easy to pay taxes, encourage cross-border trading especially with neighbour countries as well as obtaining government contracts. Businesses should take advantage of technology especially to meet tax compliance requirements.

The study determined business environment security which was indicated by contracts enforcement, resolution of insolvency cases and infrastructure connectivity as an important factor to ease of doing business. This research recommends that government prioritizes infrastructure connectivity, insolvency cases determination and contract enforcements through courts. Faster resolution of commercial cases should be emphasized.

5.5 Recommendation for Further Research

The methodology and results of this study have implications for future research. While its results can enrich literature review of future researchers, the study recommends that future researchers study multiple sectors through a comparative analysis of the industries. This can help to establish whether the results stay stable in the multiple sectors or not. It can also enhance generalizability of the results hence making the findings broadly applicable to different sectors.

Also, inclusion of more factors that influence ease of doing business and using elimination techniques of structural equation modeling to extract those factors that actually influence ease of doing business can help. Further, categorizing the factors that influence eases of doing business in various sectors and regions can help those starting businesses in specific regions and sectors to be specifically informed of the appropriate factors to focus on.

REFERENCES

Abdi, H., & Williams, L. J. (2010). Principal component analysis. *Wiley interdisciplinary reviews: computational statistics*, *2*(4), 433-459.

Adams, J. (2007). *Research methods for graduate business and social science students*. New Delhi: Thousand Oaks: SAGE Publications.

Almeida, G.O. (2014). E-government impact on the doing business rankings and new business ownership rate: an analysis of the dynamics based on countries' income from 2008 to 2014, *IADIS International Journal*, 13(1), 30-42

Ateng', B.A. & Arunga, R. (2010). Constraints to foreign direct investment inflows to Kenya: stakeholders' perspective, *International Journal of Education*, 5(10), 1-7

Barney, J.B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99-102.

Barney, J.B. (2001). Is the Resource-Based "View" a Useful Perspective for Strategic Management Research? *Academy of Management Review*, 26 (1), 41-56

Bayraktar, N. (2013). Foreign Direct investment and Investment Climate, *Procedia Economics and Finance*, 5(1), 83-92

Blumberg, B., Cooper, D., & Schindler, P. (2014). *EBOOK: Business Research Methods*. McGraw Hill.

Bowersox, D. J., & Daugherty, P. J. (1995). Logistics paradigms: the impact of information technology. *Journal of Business logistics*, *16*(1), 65-67.

Boyd, B. (1990). Corporate Linkages and Organizational Environment: A Test of the Resource Dependence Model, *Strategic Management Journal* 11(6), 419-430.

Burns, N., Grove, S. K., & Gray, J. (2011). *Understanding nursing research: Building an evidence-based practice*. Maryland Heights: Elsevier.

Candès, E. J., Li, X., Ma,Y., & Wright, J. (2011). Robust principal component analysis? *Journal of the ACM (JACM)*, *58*(3), 1-37.

Commons, J. R. (1931). Institutional economics. *The American economic review*, 21(4), 648-657.

Curtis, B. & Curtis, C. (2011). *Social Research: A practical introduction*. Los Angeles: Sage.

Dasgupta, D. (2010). *Modern growth theory*. New Delhi: Oxford University Press.

Denscombe, M. (2014). *The good research guide: for small-scale social research projects*. London: McGraw-Hill Education.

Ebero, E.M. & Begum, M.(2016). The desirability of Doing Business and Flow of Foreign Direct Investment nexus: The Case of Ethiopia, *International Research Journal of Engineering and Technology*, 3(5), 2049-2057

Fowler, F. J. (2009). *Survey research methods*. Los Angeles: SAGE Publications.

Gordon, L. (2017). *Future of Logistics: Algeria, Kenya and Angola Offer Best Opportunities in Africa. Available at:*https://blog.euromonitor.com/future-of-logistics-algeria-kenya-and-angola-offer-best-opportunities-in-africa/ (Accessed 20thMay 2020).

Gravetter, F & Forzano, L. (2015). *Research Methods for the Behavioral Sciences.* London: Cengage Learning.

Hillman, A.J.Withers, M. C. and B. J. Collins (2009). Resource dependence theory: A review, *Journal of Management*, 35, 1404-1427

Itimu, S. M. & Abdul, F. (2018). Determinants of average lending rates among selected commercial banks in Kenya, *International Academic Journal of Economics and Finance,* 3(1), 142-158

Johnson, B & Christensen, L. (2012). *Educational Research: Quantitative, Qualitative, and Mixed Approaches* London: Sage.

Jotwani, D. (2016). Ease of Doing Business in Selected Major Indian States: Does Bank Credit Lead to Productivity? *Amity Journal of Management Research*, 1(1), 17–31

Kaur, H. (2016). 'Ease of doing business in India: A big 'Unease' for 'Make in India' programme', *International Journal of Applied Research,* 2(1), 697-702

Kenya Revenue Authority (KRA) trade facilitation record Unit (2020). Available at Trade FacilitationHQ@kra.go.ke

Ken Research (2019). Kenya Logistics Market is expected to Cross USD 5 Billion by 2023: Ken Research. Cision, GURUGRAM, India.

Kinuthia, J.N.K. & Akinnusi, D.M. (2014). The magnitude of barriers facing e-commerce businesses in Kenya, *Journal of Internet and Information Systems*, 4(1), 12-27

Licandro, O. (2016). *Firm dynamics in the neoclassical growth model*. London: Centre for Economic Policy Research

Logistics Plus (2020). *Mombasa is a city on the coast of Kenya.* Available at: https://www. logisticsplus.net/directory/our-locations/kenya-mombasa/ (Accessed 25th July 2020).

Marcopolis (2018). *List of the Leading Transport and Logistics Firms in Kenya. Available at:* https://marcopolis.net/top-transport-and-logistics-firms-in-kenya.htm (Accessed20thMay 2020).

Marshall, C. & Rossman, G. B. (2011). *Designing qualitative research*. Los Angeles: Sage.

Monette, D. R., Sullivan, T. J., & DeJong, C. R. (2011). *Applied social research: A tool for the human services*. London: Cengage Learning.

Morris, R. & Aziz, A. (2011). Ease of doing business and FDI inflow to Sub-Saharan Africa and Asian countries, *Cross Cultural Management: An International Journal*, 18(4), 400-411

Muoki, R. K., & Moronge, M. (2021). Influence of Logistics Optimization on Performance of Freight Forwarding Companies in Kenya. *International Journal of Supply Chain and Logistics*, *5*(1), 46-66.

Namu, N.N, Kaimba, G.K, Muruithi, D.K. & Nkari, I.M. (2014). Impact of cost reduction strategies on performance of tea factories in Embu County, Kenya, *European Journal of Business and Social Sciences*, 3(9), 26-48

Nestor, P.G. & Schutt, R.K. (2011). *Research Methods in Psychology: Investigating Human Behaviour*. London: Sage.

Ng'ang'a, N.W. & Kisimbii, J. B. (2018). Determinants of private sector participation in the implementation of public private partnerships projects in Kenya: A survey of public-private partnerships based in Mombasa County, *International Academic Journal of Information Sciences and Project Management, 3*(2), 137-157

Nketiah-Amponsah, E., & Sarpong, B. (2020). Ease of doing business and foreign direct investment: case of Sub-Saharan Africa. *International Advances in Economic Research*, *26*(3), 209-223.

Nsehe, M. (2017). *Meet The $100 Million Logistics Giant Of Kenya, Siginon Group. Available at:* https://www.forbes.com/sites/mfonobongnsehe/2017/12/05/meetthe-100-million-logistics-giant-of-kenya-siginon-group/#76b696057c84 (Accessed 20thMay 2020).

Ongore,V.O. & Kusa, G.B. (2013). Determinants of Financial Performance of Commercial Banks in Kenya, *International Journal of Economics and Financial Issues*, 3(1), 237-252

Peng, G. (2020). *Toward behavioral transaction cost economics* Norderstedt: Springer Nature

Pfeffer, J., & Salancik, G. R. (2003). *The external control of organizations: A resource dependence perspective*. Stanford University Press.

Picot, A. (2015). *The economics of infrastructure provisioning: The changing role of the state*. Cambridge: MIT Press

Priem, R. L. & Butler, J. (2001). Is the Resource-Based 'View' a Useful Perspective for Strategic Management Research? *Academy of Management Review*, 26 (1), 20–40.

Rao, P. (2015). *Economics of transaction costs*. London: Palgrave Macmillan

Rashed, M.S. & Nesha, A.U. (2016). Doing Business in and with China: The Challenges are great, but so are the Opportunities, *Global Journal of Management and Business Research: B-Economics and Commerce*, 16(2), 11-17

Rono, J.K. (2015). Effect of growth strategies on the competitiveness of firms in Kenyan cement industry: a case study of East African Portland Cement Firm limited, *Strategic Journal of Business & Change Management*, 2(2), 23-31

Rosenzweig, P. & Singh, J. (1991). Organizational environments and the multinational enterprise', *Academy of Management Review*, 16(2), 340-361

Scott, W. R. (1987). The adolescence of institutional theory, *Administrative Science Quarterly*, 32(4), 493-511.

Scott, W.R. (2008). *Institutions and Organizations: Ideas and Interests*. Los Angeles: Sage Publications.

Wangai, N., & Kariuki, P. (2020). Influence of Competitive Strategies on Performance of Licensed Logistics Companies in Kenya. *Journal of International Business, Innovation and Strategic Management*, *4*(2), 38-58.

World Bank (2020). *Doing Business 2020.* Washington, DC: World Bank.

Williamson, O. E. (2013). *The transaction cost economics project: The theory and practice of the governance of contractual relations*. Cheltenham: Edward Elgar.

APPENDICES

Appendix I: Research Questionnaire

I am a student conducting a research study to find out the determining factors of the ease of doing business in Kenya. The information that I seek to collect will be helpful to carry out this study. The survey is anonymous. You don’t need to write down your name or other private information if you don’t want the final feedback. Kindly tick against your answers in the questions provided below in order to enable me carry out my research. Thank you for your participation!

Part 1: Warm-up questions

1. Do you hold a managerial position?
   - ☐ Yes
   - ☐ No

2. For how long have you worked in the position?
   - ☐ Below 3 years
   - ☐ 3 to 5 years
   - ☐ Over 5years

Demographic information

Sector of the organization

CFS [ ] Storage Facility [ ] Transportation [ ]

Part 1: Getting a Location and ease of doing business among Kenyan Logistics firms

Please indicate to which level you agree with the following variable based on the scale of 1-5 whereby 1 equals Strongly Disagree, 2 equals Disagree, 3 equals Neither Agree nor Disagree, 4 equals (Agree), and 5 equals Strongly Agree.

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
Getting construction permits					
Getting Electricity					
Registering property					

Part 2: Accessing Finance and ease of doing business among Kenyan Logistics firms

Please indicate to which level you agree with the following variable based on the scale of 1-5 whereby 1 equals Strongly Disagree, 2 equals Disagree, 3 equals Neither Agree nor Disagree, 4 equals (Agree), and 5 equals Strongly Agree.

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
Getting Credit					
Minority Investor Protection					
Acceptance to FDI					

Part 3: Dealing with Daily Operations and ease of doing business among logistics firms in Kenya

Please indicate to which level you agree with the following variable based on the scale of 1-5 whereby 1 equals Strongly Disagree, 2 equals Disagree, 3 equals Neither Agree nor Disagree, 4 equals (Agree), and 5 equals Strongly Agree.

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
Payment of taxes					
Trading across borders					
Contracts with government					

Part 4: Business Environment Security and ease of doing business among logistics firms in Kenya

How could you rate the following factors that affect ease of doing business for your firm?

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
Contracts enforcement					
Resolving Insolvency cases					
Infrastructure connectivity					

Part 4: Ease of doing business among Kenyan Logistics

How could you rate the following factors that affect ease of doing business for your firm?

	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)
Willingness to start new Business					
Willingness to employ more workers					
Willingness to inject more capital					
It is easy to get location for business					
There is accessibility of finances					
There is efficiency in laws and regulations to support business operations					
There is a good business security					