

IMPORT PROCEDURES AND SUPPLY CHAIN PERFORMANCE OF AUTOMOTIVE COMPANIES IN NAIROBI CITY COUNTY, KENYA

Juliet Julia Katumo.

Postgraduate Student, Department of Management Science, Kenyatta University, Kenya.

Dr. Perris Chege (PhD).

Lecturer, Department of Management Science, Kenyatta University, Kenya.

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ABSTRACT

The study specific objectives were to assess import procedures and supply chain performance of automotive firms in Nairobi City County, and to provide actionable insights for improving regulatory practices and operational strategies. The study was based on: Institutional Theory, and Supply-Side Economic Theory. The research employed a descriptive research design combined with a census approach. Data analysis utilized both descriptive and inferential statistical methods, with findings presented through tables and figures to illustrate trends and specific impacts of import procedures on supply chain performance of automotive firms in Nairobi City County. The study found that customs procedures, import licensing, import quality control and import taxes influenced the supply chain performance of automotive firms in Nairobi City County, Kenya. Automotive companies should

reduce processing times during customs clearance to reduce delays in receiving necessary approvals and permits that negatively impacted their supply chain performance. They should eradicate delays in obtaining import licenses that leads to disruptions in the supply chain flow. Automotive firms should adhere to import quality control standards to minimize rework instances and delays in their supply chain operations and enhance their overall supply chain efficiency and reliability. The automotive firms and all stakeholders in this sector should work with the government to reduce import taxes that could impact their company's profitability and supply chain efficiency.

Key words: Customs Procedures, Import Procedures, Import Quality, Import Taxes, Supply Chain Performance.

INTRODUCTION

The automotive supply chain in Kenya revolves around a network of Assemblers, importers, distributors, suppliers, and retailers, who have a substantial impact on the country's economy. This end-to-end process is tied to supply chain performance because this supply chain serves a significant role in facilitating the importation, assembly, distribution, and sale of motor vehicles within the Kenyan market. The efficacy and effectiveness of the Motor vehicle supply chain in

Kenya is hindered by challenges like Infrastructure deficiencies, including poor road conditions and congestion. The problems with the import procedures and the supply chain performance such as logistics infrastructure and regulatory compliance must be reviewed so that potential areas for improvement and strategies are identified (Onyango et al., 2020).

Import procedures involve regulated steps of requirements that ensure the smooth movement of goods from one country to another. These procedures cover import licensing, customs

procedures, import quality, and import taxes. According to Adebayo *et al.* (2017), import procedures typically begin with acquiring the right import licenses and permits. This is followed by the accurate import declaration of goods to customs authorities. At the import declaration stage, a proforma invoice describing the goods is issued by the importer of goods to the customs. The importer declares the goods description, cost, freight charges, the right HS Code, Quantity and mode of shipment. Quality inspection is undertaken on all imported goods to ensure overall compliance with safety standards, regulatory requirements, and customer expectations.

There are challenges in supply chain for automotive firms in Nairobi City County caused by inadequate infrastructure, traffic congestion and inefficiencies at the port of Mombasa. Ngeno (2018) asserts that improved logistical infrastructure and innovative logistic strategies may result in enhanced supply chain efficacy and shorter lead times. Other challenges that could restrict performance arising from operational efficiencies include logistical inefficiencies, regulatory and compliance issues, high operating costs, and quality issues. These challenges impact the Supply chain of automotive firms with respect to satisfying the demand of the market in a timely and cost-effective way causing customer dissatisfaction and loss of competitiveness. In an industry where demand and supply need to be perfectly pepped, this is where smart inventory management comes in. Inventory levels need to be optimized so that automotive companies can avoid overstock or stock outs which has a direct impact on client satisfaction and profitability in automotive firms in Nairobi City County, Kenya.

Statement of the Problem

Supply chain performance is critical to the operational success and competitive positioning of automotive companies, as it directly influences their ability to meet customer demands efficiently while minimizing costs and maximizing value creation. In Nairobi City County, automotive companies are particularly affected by the inefficiencies in import processing, including customs clearances, documentation, transportation costs, quality control of imported products, and import taxes. This affects the efficiency, cost and agility of supply chains, which affects lead times, operational costs and customer satisfaction and impacts the viability and growth potential of city-based automotive companies.

The most recent data underscores these issues. For instance, according to the Kenya Association of Manufacturers (2022) report, over 60% of Nairobi-based automotive companies report lead times exceeding 30% of the ideal industry standard, with 45% reporting stock-outs, which affect production schedules. Over the past three years, operating costs have risen by 25% due to customs and compliance requirements, the Nairobi Business Monthly (2023) reports. These statistics indicate poor supply chain management practices of automotive manufacturers and call for a closer examination of the issue and solutions.

While some studies like Chopra and Meindl (2016) and Lambert and Cooper (2017) have demonstrated that efficient import procedures can enhance supply chain efficiency by reducing delays and cost inefficiencies, there is a gap in research on the circumstances of the automotive sector in Nairobi City County. While earlier studies, such as Muriithi *et al.* (2019) and Wanjiku

(2021), have examined the supply chain challenges in the logistics sector in Nairobi, they have not explored the unique import procedures of the automotive industry. This research will bridge this gap by exploring the effects that various aspects of the import procedures (customs, import licensing, quality control and taxation) have on the efficiency of the automotive supply chain in Nairobi City County, Nairobi. This will assist in the development of strategic and policy interventions that will enhance efficiency, reduce costs, and ultimately enhance the competitiveness of this sector.

Additionally, existing studies have not sufficiently covered the effect of import procedures on the supply chain performance of automotive firms. This research addressed this gap by focusing on a comprehensive analysis of the impact of import procedures on the supply chain success of automotive firms in Nairobi, which offered insights that may inform policy and operational reforms in the sector. Lihanda and Kilonzo's (2022) research looks at the impact of customs e-procedures on trade simplification in Kenya but does not specifically address the supply chain performance of automotive firms.

Despite these challenges and gaps in the automotive industry in Nairobi City County, there is no in-depth research that assesses import procedures and Supply Chain performance of automotive firms. This study filled these gaps by exploring the link between Import procedures and supply chain performance of automotive firms in Nairobi City County, Kenya.

General Objective

The research general objective was to determine the influence of import procedures on the supply chain performance of automotive firms in Nairobi City County.

Specific Objectives of the study

- i. To establish the influence of customs procedures on supply chain performance of automotive firms in Nairobi City County
- ii. To examine the influence of import licensing on supply chain performance of automotive firms in Nairobi City County
- iii. To determine the influence of Import quality control on supply chain performance of automotive firms in Nairobi City County
- iv. To establish the influence of import taxes on supply chain performance of automotive firms in Nairobi City County

Theoretical Review

Institution Theory

Institutional theory was developed by Meyer and Rowan (1977) as well as DiMaggio and Powell (1983), undertakes that organizations are shaped in important respects by the institutions in which they exist: regulatory structures, juridical frameworks, professions, and public opinion. These institutions create social rules, norms of corporate behavior, and societal expectations of corporate conformity to these rules. In doing so, they provide themselves with legitimacy, resources, and stability. The theory suggests that organizations are subject to three prescriptive pressures: regulatory (rule following), normative (conformance to norms and

standards of society and occupation), and mimetic (mimicking others' success). These institutional pressures motivate organizations to conform to the practices that institutionalize them and make them stable or legitimate (Scott 2014).

Institutional Theory may tend to overlook power and conflict in institutional environments, preferring to focus on harmony and equilibrium. As far as import processes are concerned, Institutions Theory is of assistance in explaining how the import processes of automotive firms in Nairobi City County affect supply chain performance, regulatory regimes, customs, and trade laws. For instance, Musau et al. (2020) explain that by working around the institutions, these inefficiencies can be overcome. This is a prerequisite for organizations to avoid the law and to gain social acceptance, as Mwangi and Nyambura suggest (2019). Nairobi City County automotive firms are beset by coercive, mimetic, and normative pressures that pervade the industry (Njeru & Kimani, 2021). The concept of "decoupling", as Kariuki and Muturi (2019) note, is that by conforming to regulations through official channels firms can continue their operations efficiently and freely through informal channels. This, therefore, provides a way to understand how regulatory and cultural aspects in Nairobi City County shape import processes and supply performance of automotive firms. Once we look at these dynamics, companies can adjust their strategies effectively, and as per the research's goal of researching how institutional pressures impact supply chain efficiency within Kenya's car industry (Scott, 2014).

Supply-side Economic Theory

This theory, which Lucas (1990) describes as the most effective means of stimulating economic growth, is to cut taxes and regulations. It argues that greater output of goods and services, as well as higher employment, is good for consumers, as opposed to demand-side approaches. T^* is the optimal tax rate, maximizing tax revenue without disincentivizing work or investment. It indicates three possible relationships between tax rates and economic activity rates above T^* discourage economic activity, while rates below T^* promote work and investment, hence broadening the tax base. T^* is a function of worker preferences, the preferences of investors, as well as technological advancement.

Supply-side economics is a perspective on economic policy that aims to increase economic growth by increasing the supply of goods and services. Its bedrock principles are lower taxes to incentivize work, savings, and investment; less regulation to bring down production costs and encourage entrepreneurs; free trade to broaden markets and competition; and greater flexibility in the labor market to make it easier to hire and employ. For Nairobi's City County automotive companies, this also implies that the tax reductions likely could induce less cost to import automobiles, making cars financially attainable, and increased economic growth would increase consumer purchasing capabilities and demand for automobiles(cars).

The study was supported by the theory of supply-side economics because of its body of knowledge and its framework to understand how regulatory, fiscal, and trade policies can be designed to improve efficiency and competitiveness. However, some of the theory's elements are tax reform, investment, free trade, and flexible employment, and can impact the supply

chain. This supports the study's purpose by showing the possible effects of supply-side policies in creating a competitive and efficient supply chain environment.

Empirical Review

Drinkwater and Robinson (2023) examined the "Impact of Customs and Trade Regulations on African Firms" assessing how customs and trade regulations affect business efficiency, profitability, and performance for firms from North, East, West, and Southern Africa. The research adopted a mixed-methods approach by combining quantitative data from international trade surveys with qualitative input from interviews with key leaders of firms, Customs officials and experts on international trade. The sample population were the firms involved in these maritime import and export activities in these areas where the trade intensive firms provided an overall view of how the industry is affected by the regulations. In acquiring such data, the researchers used stratified random sampling in deriving data on various regions in Africa which reflected various trade issues.

Bernini and Garcia (2020) studied the impact of import barriers on firm performance in several European countries and focused on the barriers' effects in terms of firm efficiency, profitability, and competitive edge. The study adopted a quantitative approach, gathering data from firms in numerous industries with the help of structured questionnaires and financial reports. The study found that countries with higher import barriers tend to have less growth in sales, profitability, market share, and efficiency.

The research proposed measures to remove import barriers by introducing assistance (e.g., direct subsidy or tax credit), promoting diversification, and strengthening the regulatory framework for firms to increase competitiveness. The study acknowledged the challenges faced by firms in developed and transitioning economies across the world, thereby addressing geographical and conceptual gaps in the literature by focusing on Europe. This research aims to explore import processes and supply chain performance of motor vehicle firms in Nairobi City County, Kenya, with a comparative analysis of firms, asking other variable questions, such as how digital import licensing affects firm performance, among others. Therefore, this research seeks to provide policymakers and business leaders with the information they need to improve trade performance and build economic growth.

Chen, Zhang, and Li (2023) explored how quality control of imports affects the performance of the supply chain in the Chinese electronics industry, with a particular emphasis on the efficiency, cost, and reliability of these practices. The research utilized a mixed-methods research design; a quantitative analysis approach was used together with qualitative interviews to access supply chain stakeholders, which are manufacturers, suppliers, and distributors involved in importation and quality control. The research indicated that quality control measures such as audits of the suppliers, pre-shipment, and stringent quality control standards were necessary to boost supply chain performance in the form of minimization of defects, rework, and delays. The research mentioned the application of new inspection technologies and collaboration among the supply chain participants; however, it applied only to the Chinese electronics sector and failed to consider other economic conditions and emerging technologies

like artificial intelligence and blockchain. The research proposed enhancing quality control procedures and technology implementation to ameliorate the supply chain performance. The ongoing research applied the said lessons to the automotive industry of Nairobi City County in Kenya to know how it affects import quality control and supply chain performance. Other aspects of this research also were taken into consideration, such as agility, flexibility, and resilience, and how regulatory authorities and new technology can enhance import quality control. Through this research, it attempted to give a more balanced view of the effect of quality control of imported materials on the performance of supply chains, which gave policy and practice an informed approach.

Chipeta and Montfaucon's (2023) study on the Effects of Import Taxes on Intra-African Trade sought to study the impact of import taxes on the import prices, import values, and import volumes of Malawi in the scope of African trade. This research was performed in Malawi and addressed trade interactions on the African continent with a specific focus on members of the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC). Using a quantitative approach, the study used trade data to assess the impact of import duties, exercise duty, and VAT on the cost structure of imported goods. The main target population was the trade data records of import transactions of Malawi with the other African nations. By their nature, the variables relating to tax implications on the prices, values, and quantities of imports were operationalized by their direct effect on the costs of imports and on the local markets in African agreements. The results showed that import tariffs greatly raised the price of imports in destination countries, while VAT had the greatest impact.

RESEARCH METHODOLOGY

This research utilized descriptive research design, employing the administration of questionnaires to the respondents, with the aim of collecting general information. Descriptive research design served as a precise account of the characteristics of a specific event or the scope of a real-life situation (Creswell, J. W., & Creswell, J. D. (2018).

The overall targeted audience for this research on import procedures and supply chain performance of automotive firms in Nairobi City County consisted of 88 automotive companies, including vehicle assemblers, importers, and distributors of vehicles and parts. The population included leaders within these firms, such as supply chain managers overseeing the supply chain, Clearing and forwarding teams, Procurement managers, inspection officers, and Border Control officials, industry association members representing automotive firms, and customers or end-users who purchase vehicles and parts. This mixed population led to a better comprehension of challenges in the sector.

By conducting a census, the research ensured that all variations within the population were accounted for, therefore leading to more reliable conclusions regarding import procedures and supply chain performance within the automotive sector in Nairobi City County. Therefore, instead of using Slovin's formula to compute a sample size, the study included all 88

automotive companies, thereby enhancing the robustness and validity of the findings (Etikan, 2023)

In this study, structured questionnaires were applied to acquire primary data, which formed the base pillar for the research. Therefore, this approach ensured a deep understanding of the subject matter by analyzing data from well-established and credible sources within the industry (Kothari, 2014). The Questionnaire combined closed-ended, open-ended, and hybrid questions, thus covering a wide range of data from respondents. Following Kothari *et al.*'s (2019) classification, all three sections of the questionnaire required some elaboration to help the Participants to provide clear and consistent data.

Multiple Regression was applied to test the connection between research variables. This involved tables and charts showing frequency distributions and percentages, which are important for data interpretation (Field, 2023). The regression model was.

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

Whereby.

Y = supply chain performance of automobile companies

β_0 = constant

X_1, X_2, X_3, X_4 = independent variables (customer procedures, import licensing, import quality control, and import taxes)

$\beta_1, \beta_2, \beta_3, \beta_4$, are regression coefficients to be estimated

E = error terms.

RESEARCH FINDINGS

Multicollinearity Test Results

The multicollinearity assessment was performed to verify that the correlation amongst the independent variables was not too elevated, as this could influence the statistical significance of an independent variable. The study employed Tolerance and VIF values as benchmarks for assessing multicollinearity.

Table 1 Coefficients Results

Model	Collinearity Statistics	
	Tolerance	VIF
1	Customs Procedures	.150
	Import Licensing	.132
	Import Quality Control	.116
	Import Taxes	.154
a. Dependent Variable: Supply Chain Performance		

Source: Research Data, (2026)

Table 1 shows that every study variable had a tolerance value of more than 0.1 and a VIF of less than 10. This demonstrated the absence of multicollinearity concerns among the study

variables in the model. Consequently, the information collected for each unique variable was standardized, rendering it suitable for regression analysis and hypothesis testing.

Heteroscedasticity test

Heteroscedasticity was researched utilizing ANOVA, and the findings were displayed in Table 2. The purpose of the study was to determine if random mistakes in the regression model have the same constant variance across data.

Table 2 Heteroscedasticity Test

Chi2 (1)	Prob > Chi2
—	0.217

Source: Research Data (2026)

The rule of decision says that a significant p-value at the level of significance of 0.05 (95% confidence interval) indicates that there is a problem of heteroscedasticity in the data. In that case, however, when the p-value > 0.05 , the data is not heteroscedastic. In Table 2, the p-value of $0.217 > 0.05$; this infers that there is no evidence of heteroscedasticity in the model.

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.902 ^a	.813	.804	.19347

a. Predictors: (Constant), Import Taxes, Customs Procedures, Import Licensing, Import Quality Control

Research Data (2026)

The above model summary in Table 3 displays the correlation coefficient (R) and the corrected coefficient of determination (R^2). The R value was 0.902, suggesting a strong relationship between import procedures and the supply chain performance of automotive firms in Nairobi City County. The modified R^2 value of 0.813 signifies that 81.3% of the variance in the supply chain performance of automotive firms in Nairobi City County is attributable to changes in customs procedures, import licensing, import quality control and import taxes. The remainder of 18.7% can be ascribed to extra aspects not covered in this research.

Table 4 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.866	4	3.216	85.928	.000 ^b
	Residual	2.957	79	.037		
	Total	15.823	83			

a. Dependent Variable: Supply Chain Performance

b. Predictors: (Constant), Import Taxes, Customs Procedure, Import Licensing, Import Quality Control

Research Data (2026)

Table 4 presents a p-value of 0.000, which is below the threshold of 0.05, alongside a F statistic of 85.928. This suggests that the research model successfully forecasted the dependent variable and exhibited statistical significance (superb fit). This exemplifies the substantial effect of import procedures on the supply chain performance of automotive firms in Nairobi City County.

Table 5 Coefficients^a

Table 5. Coefficients						
Model		Unstandardized		Standardized t		Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	.681	.200		3.406	.001
	Customs Procedures	.140	.114	.155	1.231	.002
	Import Licensing	.269	.125	.288	2.152	.004
	Import Quality Control	.018	.136	.018	.129	.004
	Import Taxes	.471	.114	.511	4.122	.000

a. Dependent Variable: Supply Chain Performance

Source: Research Data (2026)

According to the regression model in Table 5 above, with all independent variables held constant, the supply chain performance of automotive firms in Nairobi City County, Kenya, is projected to be 0.681 (68.1%). Among the factors studied, import taxes had the highest significant effect on supply chain performance at 0.471 (47.1%), followed by import licensing at 0.269 (26.9%), customs procedures at 0.140 (14.0%) and lastly, import quality control at 0.018 (1.8%).

The regression equation generated was:

$$Y = 0.681 + 0.140 X_1 + 0.269 X_2 + 0.018 X_3 + 0.471 X_4$$

The results above indicate that customs procedures have a favorable and substantial effect on the supply chain performance of automotive firms in Nairobi City County ($\beta=0.140$, $p<0.05$). This infers that a unit growth in customs procedures led to a 0.140-unit improvement in supply chain performance of automotive firms in Nairobi City County.

The results also show that import licensing have a positive and significant effect on the supply chain performance of automotive firms in Nairobi City County ($\beta=0.269$, $p<0.05$). This infers that a unit growth in import licensing led to a 0.269-unit improvement in supply chain performance of automotive firms in Nairobi City County, Kenya.

The results also show that import quality control have a positive and significant effect on the supply chain performance of automotive firms in Nairobi City County ($\beta=0.018$, $p<0.05$). This implies that a unit growth in import licensing led to a 0.018-unit improvement in supply chain performance of automotive firms in Nairobi City County, Kenya.

Lastly, the results implied that import taxes have a favorable and substantial effect on the supply chain performance of automotive firms in Nairobi City County ($\beta=0.471$, $p<0.05$). This deduces that a unit growth in import taxes led to a 0.471-unit improvement in supply chain performance of automotive firms in Nairobi City County, Kenya.

Conclusion

The study concluded that there was a favorable substantial correlation between customs procedures and the supply chain performance of automotive firms in Nairobi City County, Kenya. Customs procedures, like clearance and inspection processes, significantly affected the efficiency of our supply chain. Lengthy processing times during customs clearance led to delays in receiving necessary approvals and permits, negatively impacting their supply chain performance. The complexity of customs documentation requirements added strain to their supply chain operations. Inconsistencies in the application of customs regulations led to uncertainties and disputes, further complicating their supply chain challenges. Improving customs procedures, including streamlining clearance processes and reducing processing times, significantly enhanced the competitiveness and sustainability of their automotive companies in Nairobi City County. Errors resulting from customs procedures, such as incorrect documentation or misinterpretation of regulations, caused additional delays and potential penalties, affecting their supply chain performance.

The study concluded that import licensing favorably and significantly correlated with the supply chain performance of automotive firms in Nairobi City County, Kenya. Delays in obtaining import licenses led to disruptions in their supply chain flow, negatively affecting their performance. Complexity of import licensing requirements added strain to their supply chain processes. Inconsistencies in the interpretation and application of import licensing regulations contributed to uncertainties and disputes, further complicating their supply chain operations. Import licensing procedures significantly impacted on the efficiency of their supply chain operations. Errors or issues related to import licensing, such as delays or rejections, caused additional challenges in their supply chain management. Improving import licensing procedures, including simplifying requirements and reducing processing times, greatly enhanced their automotive company's competitiveness and sustainability in Nairobi City County.

The study concluded that there was a favorable substantial correlation between import quality control and the supply chain performance of automotive firms in Nairobi City County, Kenya. Import quality control measures significantly influenced the efficacy and effectiveness of their supply chain. Adherence to import quality control standards helped minimize rework instances and delays in their supply chain operations. Implementing robust import quality control systems enhanced their overall supply chain efficiency and reliability. Strict import quality control practices, such as supplier audits and inspections, positively contributed to reducing defects and improving supply chain performance. Improving import quality control measures, including enhancing supplier relationships and implementing advanced inspection techniques, would positively benefit our automotive company's supply chain performance in Nairobi City County. Investing in import quality control initiatives was crucial for maintaining their company's competitiveness and sustainability in Nairobi City County.

Lastly, the study concluded that import taxes positively and significantly correlated with the supply chain performance of automotive firms in Nairobi City County, Kenya. Higher import taxes led to increased costs and financial burdens, negatively affecting their supply chain performance. Import taxes influenced their decisions regarding sourcing and procurement strategies within their supply chain. Reductions in import taxes could positively impact their company's profitability and supply chain efficiency. Import tax policies played a significant role in shaping their companies overall supply chain strategy and operations. Improving import tax policies, such as implementing incentives or reducing tariffs, would enhance the competitiveness and sustainability of their automotive companies in Nairobi City County. Import taxes significantly impact on the overall cost structure and competitiveness of our supply chain.

Recommendations

Automotive companies should reduce processing times during customs clearance to reduce delays in receiving necessary approvals and permits that negatively impacted their supply chain performance. The complexity of customs documentation requirements should be streamlined in order to eliminate strain to the supply chain operations. Customs procedures, including streamlining clearance processes should be improved in order to reduce processing times thus significantly enhancing the competitiveness and sustainability of these automotive companies in Nairobi City County. Errors resulting from customs procedures, such as incorrect documentation or misinterpretation of regulations should be avoided in order to elucidate delays and potential penalties thus improving the supply chain performance.

The automotive companies should eradicate delays in obtaining import licenses that leads to disruptions in the supply chain flow. They should also work on errors or issues related to import licensing, such as delays or rejections which caused additional challenges in their supply chain management. The stakeholders involved should work on import licensing procedures, such as simplifying requirements and reducing processing times which could greatly enhance automotive company's competitiveness and sustainability.

Automotive firms should adhere to import quality control standards to minimize rework instances and delays in their supply chain operations and enhance their overall supply chain efficiency and reliability. They should also adhere to strict import quality control practices, such as supplier audits and inspections to reduce defects and thus improving supply chain performance.

The automotive firms and all stakeholders in this sector should work with the government to reduce import taxes that could impact on their company's profitability and supply chain efficiency. They should work on improving import tax policies, such as implementing incentives or reducing tariffs so as to enhance competitiveness and sustainability.

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