



UNIVERSITY OF GHANA

THE IMPACT OF IMPORT DUTIES ON THE AUTOMOBILE SPARE PARTS

INDUSTRY IN GHANA

BY

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DECLARATION

I, PIUS FAKO do hereby declare that this dissertation is based on my own research work under the supervision of my supervisor. No part of this work has been submitted to this university or any other university for an academic award. All references used in this work are duly acknowledged.

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PIUS FAKO

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DATE

CERTIFICATION

I hereby certify that this thesis was supervised according to the laid down procedures of the university.

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DR. ELIKPLIMI KOMLA AGBLOYOR

DATE

(SUPERVISOR)

DEDICATION

I dedicate this thesis to God Almighty for the knowledge and understanding. He has been the source of my strength throughout this program. I also dedicate this work to my lovely wife; Mrs. Sylvia Fako who has encouraged me all the way and whose encouragement have made sure that I give it all it takes to finish this program. To my beautiful Daughter Pisylyvia Nyagpoka Fako who has been affected in every way possible by this quest.

Thank you. My love for you all can never be quantified. God bless you

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LIST OF ABBREVIATIONS

CEPS	Customs Excise and Preventive Service
ECOWAS	Economic Community of West Africa States
FCVR	Final Classification and Valuation Report
GDP	Gross Domestic Product
IRS	Internal Revenue Service
NHIL	National Health Insurance Levy
VAT	Value Added Tax
WCO	World Customs Organization
WTO	World Trade Organization

ABSTRACT

Studies on the impact of import duties on the spare parts industry and Abossey Okai market to be specific are limited. Most of the available studies conducted in this subject area have focused attention on the challenges of the automobile industry. It is in this regard that this study sought to evaluate the impact of import duties on the Abossey Okai spare parts dealers. The specific objectives were to evaluate the impact of import duties on the sales, employment and quantity of goods imported.

A quantitative methodological technique was adopted to address the objectives of the study. A well-structured questionnaire was designed, pre-tested and administered to collect data from 50 spare parts dealers in the Abossey Okai spare parts markets. A random sampling technique was used to sample the respondents for the study. The random sampling technique was employed to give each respondent an equal chance of being interviewed.

The study finds that the high import duties prevailing in the country limit the capacity of spare parts dealers in the country to employ. It also impacts adversely on the sales and quantity of spare parts imported into the country. This means that the price of spare parts in the country will be high and may translate into high transport fares in the country.

It is therefore recommended that the government through the Ministry of Trade and Industry and Ministry of Finance restructure Ghana's import duties to make it favourable for the spare parts dealers to conduct more trade for wealth and employment creation.

CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

The spare parts industry contributes to the growth of the economy through the provision of jobs, and the Gross Domestic Products (GDP) of countries around the globe (Booths, 1999; Lee, 2011; Oulasvirta & Phuong, 2018). The contribution of the spare parts industry has been significant in both developed and developing countries, because it is an important driver of wealth creation around the world (Barnes & Morris, 2008; Oulasvirta & Phuong, 2018). Oulasvirta and Phuong (2018) noted that the automobile industry is the engine of industrialization and modernization of a country.

The spare parts industry in Ghana is in its infancy, but has contributed significantly to the economic development in the country. The industry's contribution in terms of payment of taxes and job creation cannot be overemphasized. Despite these important benefits and contributions, the industry has faced a lot of challenges, ranging from exchange rate depreciation and increase in taxes (Motey, 2013). This has caused the industry to be on a downward trend since 2012. In 2015, a total of 8,201 unit sales were recorded (Hamidu & Sarbah, 2017). This represents a fall of 38.02 percent from the figure recorded in 2012 (13,231). The industry has thus experienced negative growth since 2012. The negative growth and decline in market have been attributed to the growth of the 'grey market', high duty and depreciation of the cedi (Hamidu & Sarbah, 2017).

Governments in developing countries are beset with situations where there is an ever-increasing demand on governments' services and public budget deficits. The widening imbalance between government revenues and expenditures normally result in huge and chronic fiscal deficits. This fiscal imbalance may result in undesirable impacts on domestic prices, interest rates and balance of payments. In order for macroeconomic stability to hold, government find means of raising revenue in order for the growth in government revenue to approximate the growth in government spending. This is mostly done through the increase in taxes and import duties (World Bank, 1990).

Tax is an effective tool for Government to fulfil its management tasks for the whole country. Government use taxes as a tool to regulate consumption and produce some goods and services. Higher taxes are imposed on those goods whose consumption is discouraged by government because of their adverse impacts on society, community health and environment (Jovanović, 2014). For instance, in some countries, owners of cars with big engines are required to pay higher taxes compared to those cars sharing the same number of seats with the big engine cars yet have smaller cylinder capacity.

Taxes that are imposed on imported good are referred to as import duties. With the exception of some few items, all imports in Ghana are subject to import duty in addition to Value added Tax (VAT). For example, the extractive industry enjoys some sector specific exemptions and duties (Motey, 2013). VAT is calculated on the duty-inclusive value of the goods at rates contained in the Harmonized System (HS) manual. Some taxes change annually, these include those that are determined based on volume, weight and value. All goods that arrive in the country attract VAT,

import duty, excise duty and/or special tax. However, there are also some kinds of export that attract duties.

Just like any other industry, the spare parts industry is directly or indirectly affected by adjustments of a variety of taxes, fees and charges.

1.1 Problem Statement

The automobile spare parts industry plays a key role in every country's socio-economic development (Lee, 2011). The industry, therefore, contributes immensely to the development of the Ghanaian economy. The automobile sector is one of the significant sectors that attracts foreign investment hence contributes immensely to economic growth and development of a country. The automobile manufacturing industry in Ghana is not well-developed as such the country imports most of her vehicles. Five to ten years old used vehicles imported into the country constitute about 70 percent of total imported vehicles (Motey, 2013).

Located between Kaneshie and Korle Bu in Accra, the nation's capital, Abossey Okai is a hub of vendors with stalls, multi-story building and table top shops of auto spare part and accessories. These include pistons, engines, lights, bumpers, brake pads, doors, ignition switches, radiators, windshields, spark plugs, mirrors, rims, camshafts, tires and fan belts. The Abossey Okai spare parts centre has over 10,000 stalls and shops as well as 30,000 traders. The traders out of their dealings, create jobs for themselves and others as well as supply spare parts to commercial and

private car owners in the country. Figure 1 below presents a pictorial view of the spare parts dealers in Abossey Okai.

Figure 1.1: Spare parts dealers in Abossey Okai



Source: Pictures taken by author during the data collection

Although the automobile industry in Ghana is predicted to drive the industrial sector in Ghana, presently the manufacturing of automobiles is low (Hamidu & Sarbah, 2017; Motey, 2013). As a result, Abossey Okai, Ghana's largest automobile spare parts dealers depends significantly on imported products from Europe, the United States, China and India. The importation of these spares part requires the traders to pay import duties. Despite the current reduction in the import duties in Ghana, (Motey, 2013 and Ghana's budget statement, 2017) argue that the sales, profit

and ability of the spare parts dealers in Ghana to create jobs is declining. Studies conducted in the spare industry have not focussed attention on how import duties impact the spare parts industry. Most studies have focussed on the automobile industry as a whole, the challenges it faces and public perception about the industry (Hamidu & Sarbah, 2017; Akayeti et al., 2015; Datsomor, 2013). For example, the study of Hamidu and Sarbah (2017) focused on the challenges in the automobile industry in Ghana. This study therefore seeks to evaluate the impact of import duties on the business performance of the largest and most influential spare parts dealers in the Abossey Okai spare parts market in Ghana.

1.2 General Objective

The general objective of the study is to examine the impact of import duties on the automobile spare parts industry in Ghana.

Specifically, the study seeks:

- To examine the impact of import duties on quantity of goods imported in the spare parts industry
- To investigate the impact of import duties on sales in the spare parts industry
- To examine the impact of import duties on employment in the spare parts industry

1.3 Research Questions

Based on the foregoing, the following research questions arise:

- What is the impact of import duties on quantity of goods imported in the spare part industry?

- How have import duties affected sales in the spare part industry?
- What is the impact of import duties on employment levels in the spare part industry?

1.4 Significance of the Study

The spare parts industry, as stated earlier, is very significant in the development of an economy. This study is therefore significant in the following respects: First, it will inform policy makers with regards to how import duties affect the spare parts industry in Ghana. Its direct impact on sales and profit would aid fiscal policy makers to understand how tax reforms impact the macro-economy hence design policies to address these issues.

Secondly, the study will reveal the effects of import duties on the level of employment in the spare parts industry in Ghana. This would aid authorities and policy makers to implement policies that will address unemployment issues in Ghana. Finally, this research will be important to academia and also serve as a source of reference for further studies in the area of import duties and the spare parts industry.

1.5 Scope of the study

The study focuses on the impact of import duties on sales and profit of spare parts dealers. This study is limited to the spare parts dealers in Ghana's largest spare parts market, Abossey Okai.

1.6 Organization of the Study

The study is organized in five chapters. Chapter one introduces the study by providing the background to the study, problem statement, research objectives and research questions. The

second chapter reviews literature on the automobile industry, import duties, the impact of taxes on the growth of business and industry. Chapter three provides a detailed methodology for the study. The chapter outlines the approach or research design and data sources. The fourth chapter provides a presentation of the analysis of data and a discussion of the analysed data, whilst Chapter five provides a summary, conclusion and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Literature Review

This section provides a discussion of the automobile industry and its contribution to Ghana's economic development. It also provides references to empirical studies on how the automobile industry contributes to the development of a country. This section also talks about import duties and its impact on businesses.

2.1 The Auto Mobile Industry

The Ghana auto parts market for vehicles is developing as one of the most significant market. There has been an increase in demand for capital goods such as spare parts, ball bearings, machinery, lubricants and other mechanical accessories. Over the past five years this market has witnessed a double-digit growth in demand for parts (Akayeti, 2015). The increasing number of cars on the road contributes to the consumption of spare parts in the country (Hamidu & Sarbah, 2017). In recent times, majority of the Ghanaian automobile industry consumers belong to the wealthy class hence the automobile industry in Ghana presents huge opportunities for the future as the burgeoning middle class is largely untapped in the country. Over the years government have used certain policies that sort to support the creation and expansion of the automobile industries, thus the use of tariffs, subsidies and non-tariff barriers. Among policies to accelerate development of the automotive industry and supporting industries, tax policies serve a prominent role. However, policy makers should not consider tax policies a master key while turning a blind

eye to others. Tax policies facilitate and support the automobile sector right from its early stages of development. Determinants of the automobile industry might include the macroeconomic environment, investment policies (investment licensing in such fields of car manufacturing and assembly) or import-export policies.

Each tax on the auto industry has its own function and policy objectives. However, overall impacts of tax policies on the development of the automobile industry are reflected in the following key aspects:

Firstly, on the basis of tax incentives, governments might frame preferential policies to attract and stimulate domestic and foreign investment in projects on auto manufacturing and assembling. Tax incentives possibly consist of preferential policies upon direct taxes (corporation income tax deduction or exemption), or indirect taxes (deduction or exemption of import tax on relevant machinery and equipment/fixed assets, materials and spare parts, etc.) Accordingly, when key auto models or projects for development are identified, Governments may adopt strong incentive policies on them. Yet, for countries whose automotive sector is not a development priority, tax policies on the industry is not preferable to others.

Exemption of import tax and customs obligations: The exemption of import tax and customs obligations, especially on goods and assets, are the major determinants influencing investment decisions and the most effective forms of incentives, which save a great cost for investors at the very beginning. Tax exemptions are generally applicable to imported equipment, either all equipment and machinery or only certain types (regulated categories). Many countries even apply import tax exemption mechanism for both components and materials for production.

A tax incentive on auto industry in particular is considered effective only if it manages to make investors act in a desired manner. Investment incentives, on the other hand, are regarded successful when they result in expected investment decisions which could not have occurred without the preferential. Additionally, another criterion to assess an investment incentive's effectiveness is the surpassing of investment activities' achievable to incentive schemes' costs. Every incentive incurs a cost which covers a loss in State budget revenue (excluding compulsory incentives without which investors would not invest). Therefore, specification of tax incentives' objectives is of significance; otherwise, the preferential policies may become ineffective, resulting in redundant incentives in projects which investors are always willing to pour money with or without incentives. Tax incentives should be limited to certain investment portfolios instead of being widely applied. For automobile industry, tax incentives should also be deliberated on certain models.

Secondly, protection of domestic auto manufacturing especially in early stages of development is important. As the automotive industry has long investment duration and capital recover time, nascent domestic automakers are less competitive than large-scale and highly-developed foreign ones. Hence, in order to support domestic auto firms, many Governments carry out protectionist policies on the automotive sector in a certain period of time. Yet, given that trade barriers have gradually been broken own due to globalization and regionalization, protectionism is no longer an optimal choice. Instead, Governments should pursue more appropriate policies to develop the industry. Despite the police that have been enacted for the growth of the industry, it still faces some challenges. The Ghanaian auto parts market is unstructured; there is also lack of financial inclusion and increase in tariff (Hamidu & Sarbah, 2017).

Similar to any industries, automobile sector is either directly or indirectly affected by adjustments of a variety of taxes, fees and charges. Yet, the actual rates of those payables largely depend on the country's preference for automobile usage and concerning aspects of environmental protection, state budget collection, among others. Generally speaking, policies on taxes, fees and charges imposed on the auto industry are divided into two groups.

The first group consists of taxes, fees and charges imposed on automakers, namely import duty on machinery, equipment, components, materials; VAT; corporate income tax; as well as other relevant taxes and charges. For this category, many countries have introduced and applied various incentives in order to attract investment in automobile industry, which are exemption and reduction of corporate income tax, deduction of import tax on machinery and equipment (fixed assets).

The second group includes a wide array of taxes, fees and charges levied on auto consumers, which can be classified into three major sub-groups:

Sub-group 1: Payables to ensure a vehicle's eligibility to be on road include excise duty, VAT, vehicle purchasing tax, registration fee and license plate registration fee. Additionally, imported cars are subject to import duty. Certain countries introduce distinctive fees on automobile. For instance, auto consumers in Singapore have to purchase 'right to own a car'. Interior tax of 10% is also applied on those from Thailand.

Sub-group 2: Payables regarding circulation and usage of vehicles consists of charge for land road use, or says, road taxes in some countries; local taxes, fuel/gasoline tax. However, their mode of collection varies from country to country throughout the world. Some are identical yet called by different names.

Sub-group 3: Payables regarding endorsement of vehicles include VAT, registration fee, vehicle purchasing tax (similar to sub-group 1).

The aforementioned classification is only relative. In some cases, it is difficult to determine subjects of tax burden. The two groups of taxes closely correlate to each other and are of significance to the auto industry's development. Therefore, it is important that building of any tax policies within the groups should be in line with those within the remaining one.

So as to effectively stimulate the industry, tax policies concerning the latter group are required to well complement the former. Specifically, in spite of highly incentive policies such as corporate income tax to attract investors in automobile industry; high taxes, fees and charges on users for some reasons of traffic congestion and so forth, on the other hand, still hinder the sustainable development of auto industry in the country as the substantial payables might narrow the market size.

It is difficult to encourage investment in auto sector with a sole target of export markets given the current trend global market. Ensuring comprehension between the two aforementioned groups of taxes and other payables is laborious as each policy might aim at different targets (for instance, a conflict between the need for auto industry' development and traffic congestion prevention).

2.2 The automobile business in Ghana

The automobile service business in Ghana include the new car dealers, independent garages, specialty garage, service station and fleet garages

New car dealer's garages: they are made of companies that mostly deal in the sale of new vehicles and their operations are usually limited. They include Japan Motors, Mitsubishi Ghana, Toyota Ghana among others.

Independent shops/garages: These shops are mostly into providing essential services such as changing lubrication, brake repairs, tune-ups, transmission overhauls and oil and filter changes. Their services are however not limited to the aforementioned.

Specialty shops/garages: These types of garages or shops mostly patronize the automobile spare parts stores hence a major contributor to the economic feasibility of these stores. These garages usually focus on a few automobile engineering services such as lubrication, brake maintenance and repairs, drive trains, fuel systems, cooling systems, chassis maintenance tune-ups, among others.

Service station shops: These shops are usually small in size and are attached to petroleum product filling stations in Ghana. They purchase spare parts from privately owned automobile spare parts dealer's shops. They undertake maintenance and repairs such as changing brake, oil and clutch, filters, replacement of minor mechanical parts and purging.

Fleet garages: These garages' core operations are repair of fleet and total mechanical maintenance of automobiles. These garages buy automobile spare parts from the privately owned spare parts dealer's shop. Non-governmental and governmental agencies, business, academic as well as financial institutions have fleet of automobiles as such they rely on these garages for their services.

2.3 The automobile industry and economic development

The automobile industry plays a significant role in industrialization and development of most countries across the world (Lee, 2011). Most countries opt for the automobile industry as their strategic sector for investment and development. This is as results of the fact that; the industry is regarded as the most difficult driving force of industrialization and modernization process. The contribution of the automobile industry cannot be overlooked in both developed and developing countries as it is considered as an important driver of growth which generates job and income in the world (Oulasvirta & Phuong, 2018). Most newly-industrialized-countries have bought into the idea that their industrialization and modernization process can be fruitful in the presence of developed automobile industry.

According to Oulasvirta & Phuong (2018) general global economic development and the development in some countries can be attributed to the automobile industry. The authors noted that about 3 percent to 3.5 percent of GDP of the United State is attributed to the automobile industry. It is estimated that the United States' automobile sector has provided 2.5 million direct jobs and 13 million supporting jobs, which constitutes 10 percent of the country's labourers (Oulasvirta & Phuong, 2018). In the case of Brazil, (the world 6th largest automobile manufacturing industry) the automobile industry producing 4.4 million cars in 50 factories annually, account for about 5 percent of the country's GDP. 1.5 million people in Brazil have been provided with jobs regarding automobile sector with an indirect workforce of 150 thousand labourers China's automotive sector has also witnessed a giant leap while it took the United States' the crown for being the world's leading automobile market in 2010 with a total output of over 12 million cars.

For Ghana, automobile industry is in its infancy state, this sector even though said to boost economic growth not much of the labour force Ghana is employed in this sector (Motey, 2013). However, this sector offers an opportunity for individual to do business and generate revenue. It also provides employment opportunities for both indigenes and foreigners, which eventually contribute to improvement in the quality of Ghana's workforce and economic growth. Despite being at the very early stage of development, the automobile industry has made a significant contribution to Ghana's socio-economic development in recent years. Specifically, it has created both direct and indirect jobs for the labour force and also some agents and suppliers, as well as a copious amount of tax revenue (Motey 2013). On the other hand, sustaining automobile manufacture also facilitates technology transfer regarding manufacturing mechanics, automation, material technology and contemporary management skills (Barnes & Morris 2008).

2.4 Import Duties

Import duties also known as customs duties are levies paid on imported goods that arrive in a domestic country. In Ghana, the customs division is in charge of import duties. This division came to being in 2009 through the establishment of the GRA Act, 2009 (ACT 791). This Act placed all agencies in charge of revenue collection (Customs Excise and Preventive Service (CEPS), Value Added Tax (VAT) and Internal Revenue Service (IRS)) under one umbrella known as the Ghana Revenue Authority (GRA). The customs division is headed by a commissioner who reports to the GRA commissioner (Sowah, 2013; Ohemeng & Owusu, 2015). It is important to note that not all imported goods attract the same rates of duties; hence, to ensure successful classification and to place a right value on consignment, the officer in charge will have to know the type of goods imported before applying duties imported goods. To ensure

fairness and uniformity in the classification of traded goods among countries, the Harmonized System Code was established by the Brussels Declaration. This Harmonized System Code which is also known as the Harmonized Commodity Description and Coding Systems or more generally as the “HS” is a multipurpose international product nomenclature developed by the World Customs Organization (WCO). It consists of about 5,000 commodity groups; each identified by a six-digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification. The system is used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. More than 98% of the merchandise in international trade is classified in terms of the Harmonized System (Danquah, 2007).

To swing back to the issue of assigning duties and values to imported consignments, valuation is the next step after the classification of the consignment has been done successfully. The Valuation process consists of six (6) methods which are based on the World Trade Organization’s (WTO) agreement in Brussels. After assigning the value, the DICs will then produce a Final Classification and Valuation Report (FCVR) which is based on the classification and price verification of the consignment. The report outlines the duty obligations of the importer. This obligation comprises Import Duty, Import Value Added Tax (VAT) and National Health Insurance Levy (NHIL).

2.5 Effect of Import Duties on Business

Import duties also known as customs duties are levies paid on imported goods that arrive in a domestic country (Joramo, 2016). These duties have a significant effect on business as well as their supply chain. Countries impose duties for two reasons: First of all, taxes are imposed to increase revenue for government that is used in productive activities in the economy. Secondly

taxes/duties are imposed to reduce/prevent the importation of specific goods or protect local industries (Nicholson, 1958). Most at times, suppliers do not bear the cost of this duty as they end up transferring the cost unto the final consumer. This notwithstanding, import duties can affect business in many ways. These includes: cost of goods sold, employment, capital equipment and annual budget planning (Joramo, 2016).

Tariff or import duty imposition affect the quantity of good imported. Thus, the tariff turns to reduce the fixed capital of imported hence they are unable to import as much as their fixed capital will allow them in the absence of import duty (Badgonor, 2012; Yentigari, 2015). According to Yentigari (2015) import tariffs reduce the physical volume of import. The author argued that if the import tariff is reduced it will have a significant impact on the volume of import and will lead to the smooth operation of importers.

Bentil (2014) conducted a study in Ghana on the effect on tariff on the sales of clothing importers. The author found that import duty has a negative significant impact on sales and profit of clothing importers. Engrandes and Bentil (2015) found that import duty negatively affects the employment level by importers. The authors argued that a reduction in import duty will cause importers to expand their business and hence employ more hands.

Other authors (Andre & Medagrah 2009; Ola, 2010) argue that import duties reduce the quantity of imported goods and hence boost local manufacturing industries.

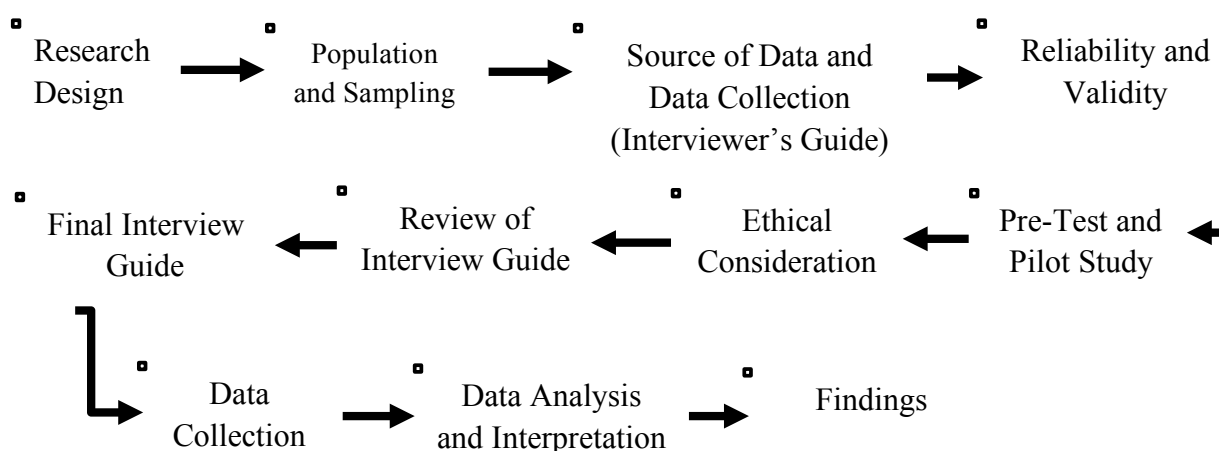
CHAPTER THREE

METHODOLOGY

3.1 Introduction

The study employed a systematic approach to address the objectives of the study. The process started with a research design, data collection, through to method of data analysis. Figure 1 below presents the systematic approach that would be employed in the research methodology.

Figure 3.1: Systematic Approach in Research Methodology



Source: Adopted from Kozlov, 2013.

3.1 Research Design

According to Cheek (2008) research design is “the way in which a research idea is transformed into a research project or plan that can then be carried out in practice by a research or research item” (Cheek, 2008: 761). Research design is not viewed as a logistical problem but rather it is associated with logical problem. It explains the orderly method involved in data collection and

analysis process. The research design largely determines the problem and the suggested process or method in dealing with the problem of the study (Wahi, 2014). The study design employs quantitative techniques to address the objectives of the study. Specifically, Likert scale, percentages and proportions, averages, charts, tables and standard deviation were employed to analysis the primary data retrieved from the respondents.

3.2 Study Population and Sample

Identifying the population of interest is a major step in a research design. Population is a set which includes all measurements subject of interest to the researcher. It is made up of the all elements (objects, events and individuals) that meet the sample standards for inclusion in a study (Burns & Grove, 1993). The population of this study is made up of all the dealers in the automobile industry located in Abossey Okai.

A sample is a smaller (but hopefully representative) assortment of units from a population use to verify truths of the population. Sample refers to statistical illustration of the population and its element of the population that is studied and on which inferences or conclusion can be drawn concerning the population. Including all important subjects in a study gives an outcome that is very close to reality. Nonetheless, it will be practically impossible, time-consuming and relatively expensive to survey the whole population that is being investigated (Graziano & Raulin, 1997). Hence a statistical sample which represents an aspect of the whole population is used for the study. The study therefore samples 50 spare parts dealers from Abossey Okia to address the objectives of the study.

3.4 The Sampling Criteria and Method

Ploeg (1999) explained sampling to the process used in selecting aspects of the population that is to be studied. According to the author the assumption underlying sampling decision for a qualitative or quantitative study is to have access to the richest source of information that will help to address the research questions. The study employed the random sampling technique to obtain information that will aid in addressing the research questions. This sampling technique (random sampling) gives each respondent within the population the opportunity to be sampled.

3.5 Data Source and Data Collection

Data sources deal with the channels or avenues through which the researcher obtains information or collects data. Data can be obtained from two sources: the primary and the secondary sources of data. The former is the avenue for obtaining first-hand information on observations or samples. The information gathered from primary sources use measures that are best for the research problem at hand and it is intended to deal with the exact research problem in time (Hox & Boeije, 2005). Primary sources of data include the use of surveys, eye witness accounts, observations, diaries and recollections. These are some sources of primary data. On other hand, secondary data sources have to do with already existing or documented information from which data is collected. These include, but not limited to journals, reports, books, online database and articles. This study however used primarily primary data through a well-structured questionnaire that was made available to respondents.

3.6 Data Processing and Analysis

To ensure easy understanding and interpretation, the data collected from the field were processed and checked for completeness, after which it was categorized, coded, and entered into a computer. According to Holsti (1969), analysis is ‘the process of evaluating data using analytical and logical reasoning to examine each component of the data provided. Analysis for the study was based on the data gathered from respondents. Data is presented in a descriptive statistics form by using frequency tables. Specifically, cross-tabulations, diagrams and charts, standard deviations, mean and the Karl Pearson correlation coefficient technique were used in the analysis. The STATA statistical software (Version 15) was used to aid in the data analysis.

3.8 Pilot Study and Pre-test

The researcher first administers the questionnaire ahead of the actual interview to identify all errors and/or inconsistencies in questions. This aided in making all the necessary correction to questions in the questionnaire to guarantee that the interview questions were appropriate. This is one of the major ways to ensure data validity in a primary study. The questionnaire was pre-tested to ensure that accurate and practical situations were developed in designing the final questionnaire. In the pilot study, a sample of five spare parts dealers was selected from Madina. This was to make sure that the main respondents for the study did not have any knowledge about the questions before they are being interviewed.

CHAPTER FOUR

ANALYSIS AND DISCUSSION

4.0 Introduction

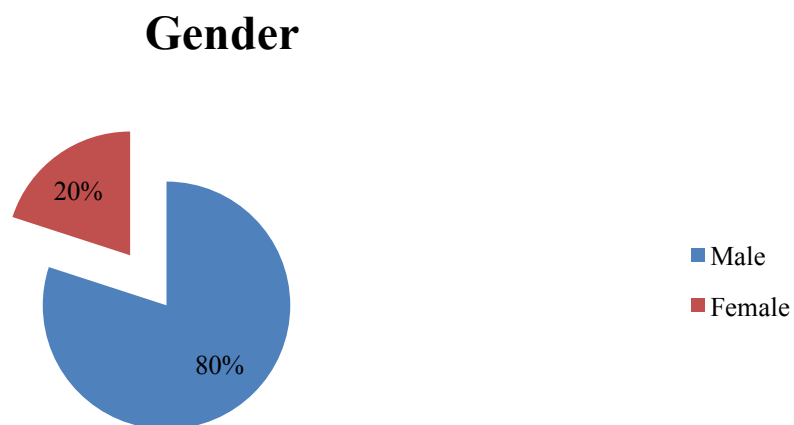
The chapter presents the analysis and discussion of the results obtained from the data. The findings of this study are discussed in relation to existing literature.

4.1 Respondents Demographics characteristics

This section investigates the demographic characteristics of spare parts dealers in Abossey Okai. The respondents comprise both locals and foreigners who are engaged in wholesale and retail trade. A total of fifty (50) respondents were randomly selected from the Abossey Okai spare part market.

Figure 4.1: Gender distribution of spare parts dealers

□

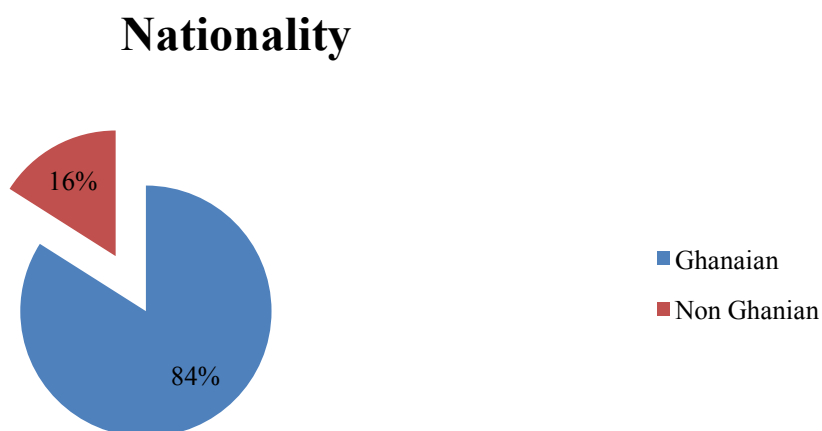


Source: Field survey, (2019)

Figure 4.1 above shows the gender distribution of the respondents. The results show that out of the fifty (50) respondents, 40, representing 80 percent were males while 10, representing 20 percent were females. It is observed from the results that there are more males in the spare parts business as compared to their female counterparts.

Figure 4.2: Nationality of spare parts dealers

□



Source: Field survey, (2019)

The nationality of the respondents is presented in figure 4.2 above. The result shows that over 80 percent of the respondents are Ghanaians. Specifically, 42 of the respondents, representing 84 percent are Ghanaians while 8 of the respondents representing 16 percent are foreigners from other ECOWAS countries.

Table 4.1 below presents the age and educational attainment of the respondents surveyed. In terms of age, majority of the respondents (29) are between the ages of 26 – 35. 18 of the respondents are between the age 36 – 45 while 2 respondents are between the ages 46 – 55. Out of the 50 respondents, 1 is less than 26 years old (see table 4.1).

Table 4.1: Age and Educational Attainment of respondents

Variable	Option	Frequency	Percentage
Age	26 - 25 years	1	2%
	26 - 35 years	29	58%
	36 - 45 years	18	36%
	46 - 55 years	2	4%
Educational Level	No Education	0	0%
	Primary	0	0%
	JHS/JSS	0	0%
	SHS/SSS	19	38%
	Voc/Tech	29	58%
	Tertiary	2	4%

Source: Field survey, (2019)

Results from table 4.1 further indicate that at least, spare parts dealers in Abossey Okai have secondary education. This implies that majority of spare part dealers in Abossey Okai have some form of formal education. It is observed that majority of the respondents (29) have vocational/Technical education as their highest level of education. 19 out of the 50 respondents have secondary education as their highest education attainment while 2, representing 4 Percent of the respondents, have tertiary education. The probable reason for this outcome is that the spare part business requires some basic level of formal education considering the fact that most of these goods are imported.

4.2 Business Characteristics

This section gives the characteristics of the businesses operated by the spare parts dealers. In terms of the type of business, it is observed from table 4.2 that most of the respondents are retailers (36 respondents, representing 72%). This implies that less than 30 percent of the respondents operate a wholesale business (see table 4.2). The probable reason for this result is that most of the respondents are Ghanaians who by law are at liberty to engage in retail trade. However, the laws of Ghana do not give foreigners the right to engage in retail trade and this could account for the high number of Ghanaians engaged in retail trade.

Table 4.2 also presents the number of years respondents have been in business. The table shows that over 60 percent (thus 62 percent) of the respondents have been in business between 5 and 10 years. Nine respondents, representing 18 percent, have been in business for less than 5 years while 8 respondents representing 16 percent have been in business between 11 and 15 years (see table 4.2)

On the type of goods imported, table 4.2 shows that goods imported by the spare parts dealers include body parts, interior, engine parts and tyres. The results indicate that majority of the respondents (30%) import engine parts, followed by body parts (28%). 14 percent of the spare parts dealers import both body and engine parts, while 10 percent import interior and tyres respectively (see table 4.2).

Table 4.2: Business Characteristics

	Option	Frequency	Percentage
Years in Business	Less than 5 years	9	18%
	5 -10 years	31	62%
	11 -15 years	8	16%
	16 – 20 years	2	4%
	Over 20 years	0	0%
Type of Business	Wholesale	14	28%
	More than 10 years	36	72%
Type of Import	Body Parts only	14	28%
	Interior only	5	10%
	Engine Parts only	15	30%
	Tyres only	5	10%
	Body Parts & Interior only	1	2%
	Body Parts & Engine Parts only	7	14%
	Engine Parts & Tyres only	1	2%
	Engine Parts & Interior only	1	2%
	Body Parts, Engine Parts & Tyres	1	2%

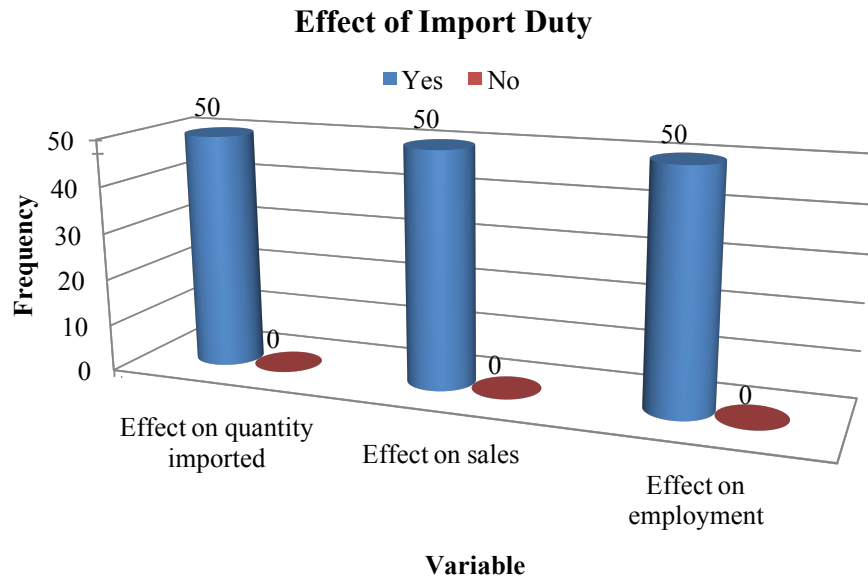
Source: Field Survey, (2019)

4.3 Effect of Import Duty

With regard to the effect of import duty, the respondents were asked if import duty affects the quantity of goods they import, their sales and employment. Surprisingly, no respondent revealed that import duty does not have an impact on their business. The entire 50 respondents admitted

that import duty affects the quantity of goods they import, their sales and employment (see figure 4.3)

Figure 4.3: Effect of Import Duty



Source: Field survey, (2019)

Respondents were further asked about the extent to which import duty affects their sales and employment. The result is presented in table 4.3 and figure 4.4. As admitted by all respondents that import duty negatively affects quantity of imports, sales and employment (see figure 4.3), it is observed from table 4.3 and figure 4.4 that at least import duty moderately affects sales and employment in the spare part industry.

Table 4.3: Effect of Import Duty on Sales, Employment and Quantity of Imports

	Option	Frequency	Percentage
Effect on Sale	None	0	0%
	Low	0	0%
	Moderate	2	4%
	High	20	40%
	Very High	28	56%
Effect on Employment	None	0	0%
	Low	0	0%
	Moderate	1	2%
	High	22	44%
	Very High	27	54%
Effect on Quantity of Imports	None	0	0%
	Low	0	0%
	Moderate	3	6%
	High	21	42%
	Very High	26	52%

Source: Field Survey, (2019)

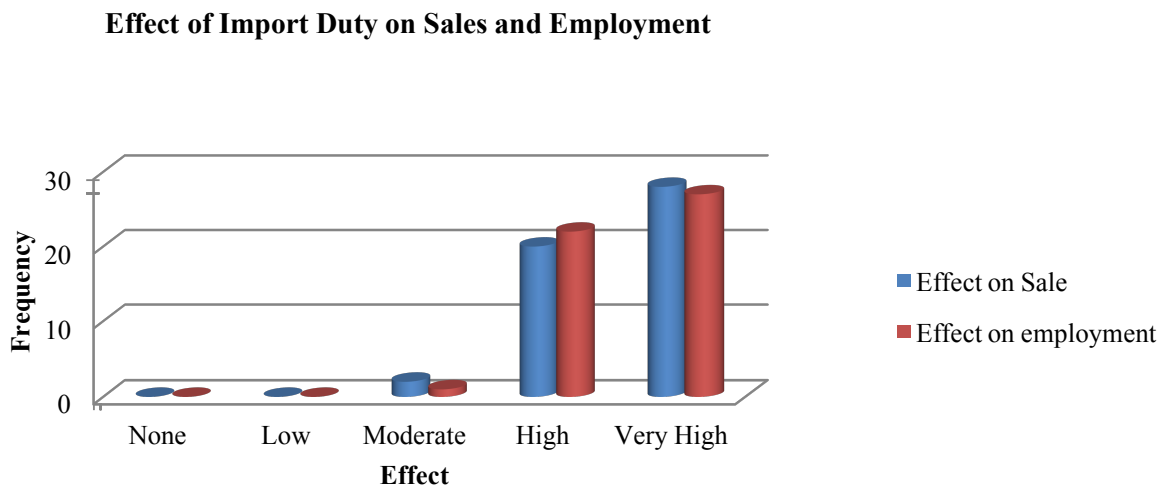
Out of the 50 respondents, 48, representing 96 percent, admitted that import duty highly affects their sales. Also, 2 respondents, representing 4 percent, admitted that the effect of import duty on sales is moderate (see table 4.3 & figure 4.4). The probable reason for this result is that import duty translates into higher prices. These higher prices cause customers to shy away from buying those good hence a reduction in the total sales. The result is consistent with findings of Bentil

(2014) who found in Ghana that there is a negative significant impact of import duty on sales and profit of clothing importers.

The result for the negative effect of import duty on employment is not different from that of sales. 49 respondents (98 percent) admitted that import duty has a negative effect on level of employment. This is a significant effect. The result agrees with the findings of Engrandes and Bentil (2015). The authors found in Nigeria that import duty reduces the employment of importers.

The probable reason for this finding is that import duty reduces the quantity of goods imported (Yentigari, 2015), and this reduces the activities of the spare parts dealers, hence their inability to employ more people.

Figure 4.4: Effect of Import Duty on Sales and Employment



Source: Field Survey, (2019)

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The final chapter of the study presents a summary of the research findings, conclusions and policy recommendations for action by policy makers in the country.

5.2 Summary of findings

The automobile industry has been noted as the engine of industrialisation, job creation and economic growth and development in both developed and developing countries. Ghana's spare parts industry is relatively young but has supported the economy in the areas of income generation, tax revenues to government and job creation as well as support for the transportation sector. Spare parts dealers in Ghana are scattered around the country, but the most noticed and largest spare parts market in Ghana is the Abossey Okai spare parts market.

Giving that manufacturing of automobiles in Ghana is very low, most of the spare parts on the Abossey Okai market are imported from China, USA and Europe where manufacturing of goods is significant. The import duty is therefore a key variable of interest to the spare parts dealers in Ghana. Since taxes influences prices upwards, the spare parts dealers have often maintained that the degree and level of the import duties affect their operations.

Meanwhile, studies on the impact of import duties on the spare parts industry and Abossey Okai market to be specific are limited. Most of the available studies conducted in this subject area have focused attention of on the challenges of the automobile industry. It is in this regard that this study sought to evaluate the impact of import duties on the Abossey Okai spare parts dealers. The specific objective was to evaluate the impact of import duties on the sales, employment and quantity of goods imported.

A quantitative methodological technique was adopted to address the objectives of the study. A well-structured questionnaire was designed, pre-tested and administered to collect data from 50 spare parts dealers in the Abossey Okai spare parts markets. A random sampling technique was used to sample the respondents for the study. The random sampling technique was employed to give each respondent an equal chance of being interviewed. The following are the key findings of the study:

- The results showed that most of the spare parts dealers (80%) in the market are males
- It was also found that majority of the spare parts dealers (84%) are Ghanaians, while the remaining 16 percent are from the ECOWAS countries.
- In terms of age of the respondents, the study found that majority (58%) of them are youths and fall between the ages of 26 and 35 years.
- The study further found that the least educational level of a spare parts dealer in the market under study is secondary.
- The study revealed that most of the dealers (72%) are retailers as opposed to wholesalers.

- Furthermore, a respected spare parts dealer has been in business between 6 and 10 years.
- The results indicate that majority of the respondents (30%) import engine parts followed by body parts (28%).
- On the impact of import duties on sales, employment and quantity of goods imported, the results found that high import duties limited respondents' ability to employ more people. It also found that high import duties impacted negatively on sales and the quantity of goods imported.

5.3 Conclusion

The study sought to evaluate the impact of import duties on the operations of the Abossey Okai spare parts dealers in Accra. Using a well-structured questionnaire, the study concludes that the high import duties prevailing in the county limits the capacity of spare parts dealers in the country to employ. It also impacts adversely on the sales and quantity of spare parts imported into the country. This means that the price of spare parts in the country will be high and may translate into high lorry fares in the country.

5.4 Policy Recommendations

Based on the results obtained, the following policy recommendations are made:

- The government, through the Ministry of Trade and Industry and Ministry of Finance, should endeavour to reconstruct the structure of Ghana's import duties to make it favourable for the spare parts dealers to engage in more trade.

- The automobile industry should be strengthened to motivate firms to manufacture auto parts to support the transport sector of Ghana.
- The Bank of Ghana should work to stabilise the exchange rate to make it easier in conducting business with foreign enterprises.
- The Ministry of Business should design policies to encourage spare parts dealers to invest in wholesale ventures. This has the tendency of creating more jobs for the youths.

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QUESTIONNAIRES FOR DATA COLLECTION FOR A RESEARCH WORK:

The researcher is a student of the University of Ghana pursuing Master of Science in Development Finance. This questionnaire is designed purposely to collect data for a research work. It is essentially an academic exercise and the information you provide on this questionnaire would be kept strictly confidential. You are however encouraged to be honest and candid in completing this questionnaire to improve the success of the research work. Thank you!

SECTION A: BACKGROUD INFORMATION

1. Please what is your nationality

Ghanaian [] ECOWAS [] Non ECOWAS Africa [] Non-African []

2. Gender?

Male [] Female []

3. If Ghanaian, which region do you come from?

Greater Accra [] Central [] Eastern [] Ashanti [] Brong Ahafo []

Volta [] Western [] Northern [] Upper East [] Upper West []

4. What is your highest educational qualification?

No education [] Primary education [] Junior high [] Senior high []

Vocational/Technical [] Tertiary [] Others [] Please specify.....

5. What is your marital status?

Single [] Married [] Divorced [] Separated [] Widowed [] Cohabiting []

6. What is your age?

Less than 18 [] 18 - 25 [] 26 – 35 [] 36 - 45 [] 46 – 55 [] 56 – 60 []

Above 60 []

SECTION B: BUSINESS

1. How long have you been in this business?

Less than 5 years [] 5 -10 years [] 11 – 15 years [] 16 -20 years [] Over 20 years []

2. How did you obtain capital to start your business?

Personal savings [] Loan from financial institution [] Loan from family/ friends []

Other [] Please specify.....

3. Are you a wholesaler or a retailer?

Wholesale [] Retail []

4. Are you the owner of the shop?

Yes [] No []

5. How did you acquire the shop?

Purchase [] Rent [] Care taker [] Others []

6. Where do you get your stock from?

North America [] Europe [] Asia []

7. If you import the goods, how long does it take?

1 week [] 1-3 weeks [] 3-6 weeks [] 7-12 weeks [] More than 13 weeks []

8. Which type of goods do you import?

Engine parts [] Interior [] Body parts [] Tyres [] Others []

9. How many days does it take to clear your goods from the port?

Less than a week [] 1 Week [] 2 Weeks [] 3weeks [] One month []
Over a month []

10. What is your weekly sales, in Ghana cedis, from the spare parts business?

Less than 500 [] 500 - 1000 [] 1001 -1500[] 1501 - 2000 [] 2001 - 2500[]
2501 - 3000 [] Above 3000 []

11. How many employees do you have?.....

12. Who are your customers?

Trotro Drivers [] Taxi Drivers [] Transport Companies [] Private Car drivers []
Others [] Please Specify

SECTION C: IMPORT DUTY

1. Do you pay import duty when clearing your goods at the port?

Yes [] No []

2. When was the last time you cleared goods from the port?

Less than a month ago [] A month ago [] 3 months ago [] 6 months ago []
[] A year ago [] Over a year []

3. On a scale of 1 to 5 how would you classify import duty in this country

Low [] Relatively Low [] Somewhat High [] High [] Very High []

4. Does import duty affect the quantity of goods you import?

Yes [] No []

5. Does import duty affect your sales?

Yes [] No []

6. If yes, how does import duty affect your Sales?

Very high [] High [] Moderate [] Low [] None []

7. Does import duty affect your employment?

Yes [] No []

8. If yes, how does it affect your employment?

Very high [] High [] Moderate [] Low [] None []

Thank you for participating