

CHALLENGES OF CUSTOMS CLEARANCE PROCESS AFTER NEW TARIFFS

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Abstract: The imposition of new tariffs has reshaped the global trade landscape, significantly impacting the customs clearance process across various jurisdictions. These policy shifts have introduced complexities in documentation, valuation disputes, classification challenges, and compliance requirements for importers and exporters. The resultant procedural delays and increased scrutiny at ports of entry not only disrupt the supply chain but also escalate operational costs and affect inventory planning. This study investigates the emerging challenges faced by logistics providers, customs brokers, and traders in adapting to new tariff regimes. Emphasis is placed on analyzing real-time bottlenecks such as increased examination rates, changes in Harmonized System (HS) code interpretation, and misalignment between trade partners' systems. The study also highlights the role of digital solutions like Automated Customs Clearance Systems, Artificial Intelligence (AI)-driven classification tools, and centralized trade compliance databases in addressing these challenges. It proposes a strategic framework that includes proactive stakeholder communication, regulatory training, and enhanced document preparedness to ensure faster and compliant customs clearance. Furthermore, the need for agile policy frameworks and international cooperation is discussed as essential to overcoming trade friction caused by abrupt tariff changes.

Keywords: Customs clearance, Tariff challenges, Trade compliance, Documentation delays, HS code interpretation

I. INTRODUCTION

CUSTOMS CLEARANCE

Customs clearance is the process of declaring goods to customs authorities when importing or exporting. It applies to both individuals and businesses handling personal or commercial shipments. The main goal is to ensure that all duties, taxes, and regulations are properly followed.

To clear customs, detailed information about the shipment—such as its value, origin, destination, and contents—is required, along with documents like the commercial invoice and bill of lading. Once verified, customs officials release the goods for delivery.

Understanding customs clearance is vital for smooth international trade and efficient shipment handling.

STATEMENT OF THE PROBLEM

The customs clearance process faces delays due to poor coordination among stakeholders, incorrect or incomplete documentation, and lack of client awareness about updated regulations. Inefficient digital integration with ports, manual paperwork, and internal miscommunication further slow operations. These issues lead to higher costs, reduced supply chain efficiency, and declining customer satisfaction, ultimately harming the company's reputation.

II. REVIEW OF LITERATURE

Customs clearance is vital to international trade and has been widely studied for its challenges and modernization needs. The **World Customs Organization (2022)** and **UNCTAD (2021)** emphasize digitization, risk management, and training to streamline procedures. **KPMG and Deloitte (2022)** highlight India's initiatives like Faceless Assessment and Turant Customs, while noting issues like inconsistent enforcement and manual processes.

Reports by **Maersk (2024)** and **McKinsey (2021)** link outdated practices and poor planning to delays. **Accenture (2023)** and **CargoX (2023)** show how AI and blockchain improve clearance speed and transparency. **PwC (2022)** found that strong compliance practices reduce delays by 40%.

Indian Customs (CBIC, 2023) provides detailed procedural guidelines, but implementation gaps remain. **Hummels & Schaur (2013)** reveal that each customs delay day reduces trade value by 1%. Finally, the **World Bank** and **FIEO** stress the need for consistent enforcement, better coordination, and stakeholder involvement to enhance customs efficiency.

3.1 Primary Objectives:

- To study and understand the end-to-end process of EXIM documentation and clearance.
- To identify key challenges in EXIM documentation and evaluate the effectiveness of the customs approach.
- To examine the role of technology in managing customs operations.

3.2 Secondary Objectives:

- To identify and compare GSG Logistics' approach with standard industry practices.
- To assess compliance with national and international trade laws.
- To recommend improvements in freight forwarding documentation for better efficiency and reduced delays.
- To explore customer satisfaction and evaluate the cost-effectiveness and profitability of the process.

III. RESEARCH METHODOLOGY

- Research methodology refers to the structured plan for conducting a study. It includes the type of research, research questions, data collection methods, and analysis techniques. A well-designed methodology ensures the research is systematic, reliable, and aligned with the study's objectives.
- The research design outlines the framework for selecting participants, choosing sampling methods, and applying qualitative, quantitative, or mixed-method approaches. It helps in collecting accurate data and drawing valid, meaningful conclusions.

3.3 DATA COLLECTION METHOD

Data collection involves systematically gathering information relevant to the research. Methods are chosen based on research objectives, data type, and practical factors like time and budget.

Primary Data:

Collected firsthand through surveys, interviews, and observations to understand challenges faced by freight forwarders and carriers.

Secondary Data:

Sourced from reports, company records, industry statistics, articles, books, websites, journals, and employee discussions. It supports analysis and identifies key research areas.

3.2 SAMPLING TECHNIQUE

This study uses a **non-probability sampling method**, specifically **convenience sampling**, based on the researcher's judgment and accessibility. It is quicker and more cost-effective but may not fully represent the population.

For comparison:

- **Probability sampling** gives each member a known chance of selection (e.g., random, stratified).
- **Non-probability sampling** relies on ease of access or purpose, common in practical field research.

3.6 DATA ANALYSIS TOOLS

1. **Descriptive Statistics (Frequencies, Percentages, Mean, Standard Deviation):** Summarizes data to identify patterns and variability in responses.
2. **Reliability Analysis (Cronbach's Alpha):** Tests internal consistency of survey items; a value above 0.7 indicates reliability.
3. **Chi-Square Test of Independence:** Tests relationships between two categorical variables (e.g., type of goods and frequency of inspections).
4. **One-Way ANOVA:** Compares means across multiple groups (e.g., transport modes or satisfaction levels).
5. **Correlation Analysis (Pearson or Spearman):** Identifies relationships between variables (e.g., delays and satisfaction).
6. **Factor Analysis (Principal Component Analysis):** Reduces related variables into interpretable groups to identify key factors affecting customs clearance.
7. **Regression Analysis (Multiple Linear Regression):** Predicts outcomes (e.g., satisfaction) based on multiple variables, helping identify key factors influencing performance.
8. **Significance of the Study**
9. This study aims to improve the customs clearance process by identifying key challenges, enhancing efficiency, and reducing delays. It will help improve compliance with regulations, optimize documentation practices, and

highlight the role of technology in speeding up operations. By focusing on customer satisfaction, the study will provide insights to enhance service quality, reduce costs, and improve competitiveness. Additionally, it can inform policy reforms and aid strategic decision-making in the logistics and trade sectors.

IV. FINDINGS

The study identifies several challenges in the freight forwarding documentation process that impact customs clearance. Key issues include delays in certificate submissions, document discrepancies, and missing information, leading to increased costs and penalties. While most companies manage to address customs amendments, some still face recurring problems like incorrect HS codes, slow digital adoption, and heavy reliance on manual systems. The use of external agents is common, and many businesses incur penalties and demurrage fees due to documentation errors. Additionally, inadequate employee training highlights the need for improvements in both internal capabilities and digital integration to enhance efficiency and reduce operational delays.

Source of Variation	Sum of Squares (SS)	Degrees of Freedom (df)	Mean Square (MS)	F-value	p-value
Between Groups	24.5	3	8.17	4.25	0.008
Within Groups	96	50	1.92		
Total	120.5	53			

INTERPRETATION

The ANOVA test shows that there is a significant difference in documentation time across different numbers of documents required per shipment. With a p-value of 0.000 (less than 0.05), we reject the null hypothesis and conclude that the number of documents significantly impacts the time taken for export documentation.

Percentage Analysis

- **Respondent Profile:** Most respondents were **Documentation Officers (33.33%)** and **Export/Import Executives (26.67%)**, primarily employed in **medium-sized firms (48.33%)** under **Freight Forwarding (23.33%)** and **Logistics/3PL (21.67%)** sectors. □ **Experience and Awareness:** **55%** of participants had **1–3 years** of experience, with **55%** reporting **only slight familiarity** with EXIM documentation processes.
- **Compliance and Processes:** **46.67%** stated they **regularly follow SOPs**, and **70%** believe compliance is important, though **26.67%** remained **neutral** on its importance.
- **Documentation Practices:** **51.67%** of respondents **frequently make errors in HS Code classification**.
- **Updates on Regulations:** **46.67%** stay informed through **company training** regarding **customs regulations**.
- **Key Documents Used:** **Invoices** and **Packing Lists** are the **most commonly used** documents for both exports and imports.
- **Technology Usage:** **58.33%** use **custom ERP/CRM systems**, but **55%** still **generate documents manually**.
- **Challenges to Digitalization:** Top challenges include **resistance to new technology (31.67%)** and **training gaps (26.67%)**.
- **Customs Processes:** **58.33%** reported that **customs clearances occur within 1–2 days**, mostly handled by **CHAs**.
- **Fines and Penalties:** **48.33%** rarely face fines, while **25%** experience them frequently, mainly due to **HS Code and documentation errors**.

V. DISCUSSION

To overcome challenges in customs clearance and enhance operational efficiency, several strategic actions are recommended. **Intensive training** on customs regulations, documentation standards, and HS Code accuracy should be conducted regularly to reduce errors and increase staff competence. **Standard Operating Procedures (SOPs)** must be reinforced through consistent monitoring, use of checklists, and integration with **automated ERP systems** to ensure timely and accurate processing.

Reducing over-dependence on **Customs House Agents (CHAs)** by building internal capabilities and knowledge will support faster clearances and cost savings.

Strengthening **verification of HS Codes** and document accuracy before submission can significantly minimize delays and fines. The shift towards **complete digitalization**—including e-filing, automated tracking, and digital archives—should be supported by **change management programs** to address staff resistance.

Conducting **internal audits** and encouraging regular feedback can further optimize the clearance process. Additionally, **strong coordination with customs officials** will help in resolving disputes quickly and avoiding unnecessary penalties. As supported by **21% of respondents**, a combined approach of technology, training, and process control is vital for efficient and compliant customs clearance operations.

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