



The Study of Maritime Fraud and Its Effect on Competitiveness of Nigerian Seaport (A Study of Apapa Seaport)



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Submission: September 24, 2023; **Published:** November 01, 2023

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Abstract

Ports play a key role in the Nigeria economy and development, as nearly 75% of the trade between the Nigeria and the rest of the world is handled in ports. Thus, the importance of ensuring efficiency in ports is related to the ability of the country to be competitive at international level. Unfortunately, corruption and extortion by the shipping agencies, terminal operators and government officials has continued to frustrate importers leading to price hike of commodities. This study is on maritime fraud and its effect on competitiveness of Nigerian seaport. The researchers adopted a sample size of 343 which was drawn from a population sample of 2,417. The questionnaire collected from the respondents was analyzed using descriptive statistics. The results indicated that government agency's dishonesty affects the efficiency of customs procedures, also that fraudulent misrepresentation impacts on port service quality, cargo theft and clearing delays impact on ports service quality and the competitiveness of Nigeria seaports. The following recommendations were made; proactive disciplinary measure should be taken against dishonest government agency officials; custom procedures should be simplified through automation to ensure efficiency and that cargo tracking and monitoring instruments should be adopted to reduce cargo theft in Apapa seaports.

Keywords: Maritime; Fraud; Competitiveness; Seaport; Terminal Operators

Abbreviations: AHP: Analytic Hierarchy Process; IC: Investment Competitiveness; VC: Volume Competitiveness; BTOPC: Balanced Theory of Port Competitiveness.

Introduction

Maritime fraud exists whenever there is intentional deception as to some fact or circumstances in connection with maritime activities which enables the unjust obtaining of money or goods. It frequently involves the misuse of commercial contracts and documents, such as bill of lading, charter parties and marine insurance policies Arvis, Saslavsky, Mustara, Ojala, Shepherd, Bush, Raj, and Naula, [1]. Despite the efforts of the government of Nigeria in fighting corruption in all sectors, several unwholesome activities is still going on in the maritime sector most importantly by the shipping agencies and terminal operators, under the watchful eyes of government agencies, conniving to slam fictitious charges on importers and agents in what has been described in the maritime domain as a ceaseless economic rape. The product of this organized graft, which often runs into several billions of naira annually, has continued to swell the volume of the capital flight the country suffers yearly. Following this scheme, used

vehicles, clothing, food items and other goods are now cheaper to buy in Cotonou, Lome and Ghana markets, than when purchased in Nigeria [2]. The sour side of is deviation is that importers and clearing agents, in their battle to survive and grow in business, later pass the prohibitive charges to the consumers who now pay far more for the goods than necessary. According to previous findings, the terminal operators, shipping lines and shipping agents have taken advantage of the largely unregulated maritime industry in Nigeria to hike charges like demurrage, and container deposit, among others, which are at variance with what obtains in neighboring West African ports. A full analysis of shipping charges conducted in three African countries - Nigeria, Ghana and Benin Republic by a maritime industry medium, "Shipping," shows that port charges in Nigerian remain the highest in the ECOWAS region.

Preliminary investigation on the activities of terminal operators, government officials like the customs, marine police,

immigration officers etc. and shipping agencies in the Apapa port complex revealed a high level of extortion, fraudulent misrepresentation in the bill of lading, cargo theft, clearing delays as well as fictitious port charges which has led to general increase in port charges, freight rates, low or poor service quality as well as diversion of goods to our neighboring ports. This practice among these actors and government agencies has in no doubt led to a decrease in revenue accruable to the federal government as well as other negative effects. In other to address these problems, and due to literature gap, that exist in this study area, the researcher carried out a research work on the impact of maritime fraud on port competitiveness in Apapa port, Lagos Nigeria. Specifically, this work described the extent of effect of cargo theft on port service quality in Apapa seaports and the extent of effect of clearing delays on Inland transportation costs in Apapa seaports.

Literature review

Concept of fraud

With instance and dating back to the period of the Roman Empire, fraud is as old as commerce itself. According to the university of southern Indiana (2021), fraud is a deliberate act (failure to act) with the intention of obtaining an unauthorized benefit, either for oneself or for the institution, by using deception or false suggestions or suppression of truth or other unethical means, which are believed and relied upon by others. Depriving another person or the institution of a benefit to which he/she/it is entitled by using any of the means described above also constitutes fraud. Fraud is different things to different people and in different fields. When we speak of "fraud" in the Maritime Industry, we do use it as a general/or generic term that goes beyond strict legal definitions, but the meaning is clear: someone trying to take advantage of someone else in a way that goes beyond commercial sharp practice. The following is an overview of the kinds of fraud that may be experienced, but it is far from an exhaustive list, bunkering frauds, Cargo and document frauds, chartering frauds, Port related frauds, blackmail frauds and others.

The concept of port competitiveness

Port competition is a completion of trade, with terminals as the competing units, logistics, transport, and industrial enterprise.

Cargo theft: According to Stefan Reidy, cargo theft is the criminal act of taking any cargo as the product passes through the global supply chain. Cargoes moving from the port of origin through the port of destination to their final consumers either within the port or to its hinterland are exposed to lots of exploitation. It provides a challenge to the manufacturers, suppliers, customers, port users, logistics providers and logistics transport providers, shippers, and carriers. Cargo theft also includes physical theft, documentation fraud, cyber theft where the ownership, destination and/or content of a cargo is altered. criminal justices information service division defines cargo theft as "the criminal taking of any cargo including but not limited to

goods, chattels, money or baggage that constitutes, in whole or in part, a commercial shipment of freight moving in commerce from any pipeline system, railroad car, motor truck or other vehicle, or from any tank or storage facility, station house, platform or depot, or from any vessel or wharf, or from any aircraft, air terminal, airport, aircraft terminal or air navigation facility or form any intermodal container, intermodal chassis, trailer, container freight consolidation facility. For the purpose of the definition, cargo shall be deemed as moving in commerce at all points between the point of origin and the final destination, regardless of any temporary stop while awaiting transshipment otherwise".

According to Jac, (2019), organized cargo theft incidents can occur at any point along the supply chain, whether at the point of manufacture, or loading docks, rail stations, distribution centre, or anywhere else merchandise is transported. Looking at the methods by which cargo theft incidents can occur, theft can range from small quantities that are part of larger shipments to aggressive hijackings involving entire truckloads of merchandise. According to him, below are some common ways cargo theft can occur but not limited to the following:

- i.** Fictitious pickups: this is a situation that occurs when the cargo thefts present themselves as legitimate drivers with counterfeit paper (document) to enables them gain access into the port and as soon as they gain the access, they make away with valuable goods or cargoes.
- ii.** Hijackings: most hijacking incidents occur when the driver is out of the vehicle for dinner or when the vehicle is packed idling. The thieves with a master key will go into the vehicle and drive it away. In other instance, the thieves can with a cab follow the vehicle and when the vehicle stops, they go there and hijack the most valuable cargo.
- iii.** Leakage operations: Leakage is a term that refers to the pilferage of part of a shipment rather than the entire shipment rather than the entire shipment. It is carried out in such a way that it's very difficult to delete.

The Balanced Theory of Port Competitiveness (BTOPC)

The balanced theory of port competitiveness was propounded by Douglas Hales, Jasmine Siu Lee Lam, and Young-Tae Chang (2016). This model explains administrative behavior in selecting competitive strategies. The BTOPC was tested on seventy-two (72) of the top container ports in the world and was eternally validated through port ranking over the past seven (7) years (Hales et al. 2017). Yakin, Chakravorty, S.S., and Yun in (2009) studied the BTOPC; Eight-in person interviews with practitioner and academic port expert were conducted in addition to follow-up telephone conversations. It finds that supply chain exploitative and explorative practices indeed offer a unique vantage view for assessing port competitiveness when utilizing the Balanced Theory of Port Competitiveness. The theory employs the analytic hierarchy process (AHP). The theory developed a new model of

port competitiveness that simultaneously considers the effect of port strategy on customers and investors. The port competitiveness model builds on 10 factors with each five representing customers-facing and investors-facing competitiveness, respectively. After a series of pretesting and pilot-testing, the final instrument was tested on 12 global seaports to gather and rank 10 factors of port competitiveness across a broad spectrum of stakeholders. In addition, it offers a reference to port managers for enhancing a port's competitive advantage. The results showed that port managers should consider the effect of their decisions on the factors of Volume Competitiveness (VC) and Investment Competitiveness (IC) simultaneously, as failure to do so can harm one factor of competition while improving another. Theory of port competition is necessary in extant because it is proven that ports compete globally, regionally, and sometimes locally, the showed that the behavior of port administrators cannot be fully explained by existing variables.

Kilibarda, Milan and Vlado in [3] studied efficiency of logistics processes in customs procedures. PCA-DEA approach with one input (labor) and eight outputs (number of realized customs procedures) were used in the analysis. The study showed that international trade growth is very high, and that Customs are very important links in international supply chains. It also revealed that due to losses in time, the changes in customs operations are necessary for easier crossing of the border and efficient customs operations are prerequisite for faster supply chains. The study concludes that Customs houses in Serbia should increase efficiency by increasing the number of realized services and optimizing number of customs officers. Han [4] studied "Analysis of Port Competitiveness through User's Perception Measurement". He adopted the AHP (Analytic Hierarchy Process) model in his analysis and explored and distinguished the importance of relative factors which determine ports competitiveness from ports users' perspective. The study defined Port users into three groups, which include: shipping liners, freight forwarders and shippers, and they have been investigated in his study. Adopting AHP (Analytic Hierarchy Process) model, the results of the survey were used for measuring European Top four (4) ports; port of Rotterdam, Hamburg, Antwerp, and Bremerhaven were listed to be considered as the target ports. He highlighted geographical location, physical infrastructure, hinterland connection, technological infrastructure, port management and administration and terminal cost as the potential influential factors. The importance of these factors is various from different users' requirements and expectations on port services. Hinterland connection is a common focus of all parties' concerns, port efficiency and infrastructure construction are still the main targets that ports are struggling for and the exploration and usage of information technology is beneficial for improving operational efficiency of ports to some extent.

Angelos [5] in his study on Port-Service Quality Dimensions and Passenger Profiles: An Exploratory Examination and Analysis

reviewed that recent development in the European Union political agenda, particularly with respect to the role ports that will play in the next decade, emphasis the need for a total re-assessment of the policies pursued by the relevant authorities. A variety of rapid changes, coupled with important technological improvements, have increased the level of competition impacting on port activities which combined with a general policy shift from road to sea transport, has highlighted various factors, including the role of the 'passenger', in the maritime industry. This role has been somewhat neglected, or at least undervalued, for many years. His work explored the quality dimensions of ports in terms of the provision of services to passengers, as well as to identify and analyze the different groups (passenger profiles), which use the port and its services for coastal shipping. This is important to identify future competitive advantages for passenger ports. Evidence from the Greek coastal shipping industry reveals multidimensionality in passenger perceptions of port-service quality and identifies two groups of users of port services.

Reviews of empirical studies indicate that many related works had already been carried out on similar study. These include the research on the impact of Port Service Quality on Customer Satisfaction: the case of Singapore by Thai [6], this study considered port service quality as it impacts on customer satisfaction using factor analysis. Holzner and Peci [7], studied the impact of customs procedures on business Performance: evidence from Kosovo, it considered custom procedures and its impact on business performance using econometric analysis, using factor Analysis, Chinedum, Azubuike, Chinemerem and Abiodun [8] in their study on Port Service Quality of Nigerian Sea Ports considered the port service quality of Nigerian Sea port. Yeo, Also, Thai and Yeon (2015) in their study on Port Service Quality and Customer Satisfaction using Korean Container Ports considered the Port Service Quality and Customer Satisfaction. While Kilibarda, Milan and Vlado [3] studied efficiency of logistics processes in customs procedures, Kilibarda, Milan and Vlado in [3] studied efficiency of logistics processes in customs procedures using PCA-DEA approach. On the other hand, analysis of Port Competitiveness through User's Perception Measurement was carried out by Han [4] using Analytic Hierarchy Process. Also, Angelos [5] in his study on Port-Service Quality Dimensions and Passenger Profiles considered the quality of port service dimensions and passenger profiles. From the above reviews, it is obvious that gap still exists in the present study (Impact of maritime fraud on port competitiveness: a study of Apapa seaport) area. Hence, the researcher will fill the gap in context, scope using multiple regression analysis.

Methodology

The study is a descriptive survey using a questionnaire to obtain relevant data from staff of Apapa port. The study was carried out at the Apapa port Complex, Lagos State in the Southwest Nigeria. Apapa Port is the busiest seaport in Nigeria and attract more

patronage than the rest seaports in the country. It serves as a hub to most seaports in Nigeria, hence its suitability and choice for the study. According to a recent publication in April 2022 by the Port manager, the seaport has a population of 2,417 (Achigbu, 2021), Applying Taro Yamene formular using Apapa port population size of 2,417, our sample size it was 343. The questionnaire collected from the respondents was collated and analyzed using descriptive statistics, it entails describing the main features of a collection of information quantitatively. It aims at summarizing a sample, rather than using the data to learn about the population that the sample of data is thought to represent.

Results and Discussion

Table 1a shows that the number of questionnaires distributed was 343 and the number of questionnaires returned was 343 with a percentage of 100. The above table shows that all the questionnaires distributed were returned with no missing. Table

1b shows the number of male and female who helped filled the questionnaire. The male category has a frequency of 300 with a percentage of 87.5 while the female category has a frequency of 43 with a percentage of 12.5. The total frequency is 343 with a percentage of 100. The above table shows that the entire questionnaire was filled out and submitted with none missing. Table 1c shows the age distribution of all who assisted in filling the questionnaire. None filled between the age of 30 years and below while between the ages of 31- 39 years, a frequency of 85 and a percentage of 24.78, between the ages of 40-49 years a frequency of 129 with a percentage of 37.60, also between the ages of 50 years and above, a frequency of 129 with the percentage of 37.60 filled the questionnaire with a total of 343 frequency and a total of 100 percentage. The above table shows that the entire questionnaire was filled in and submitted with none missing (Table 2) (Figure 1 & 2).

Table 1a: Number of questionnaire.

Number of questionnaires Distributed	Number of questionnaires returned	Percentage of returned questionnaire
343	343	100

Source: Research Survey 2023

Table 1b: Sex.

Sex	Frequency	Percentage
Male	300	87.5
Female	43	12.5
Total	343	100

Source: Research Survey 2023.

Table 1c: Age Distribution.

Age Category	Frequency	Percentage
Below 30 years	0	0
30-39years	85	24.78
40-49years	129	37.6
50years and above	129	37.6
Total	343	100

Source: Research Survey 2023

Table 2: What is the extent of effect of cargo theft on port service quality in Apapa seaports?

	ITEM	SA	A	U	D	SD	TOTAL
1	Apapa seaport is not safe in terms of cargo	0	0	128	43	172	343
2	Apapa seaport is known for its increasing rate of cargo theft	0	43	86	0	214	343
3	Cargo theft in Apapa seaport affect the quality of port service	0	0	128	86	128	343
4	The rate of cargo theft in Apapa seaport is relatively high compared to its safety.	0	43	86	86	128	343
5	Cargo theft in Apapa seaport has led to the diversion of cargoes to neighbouring port.	0	43	43	0	257	343

Source: Research Survey 2023

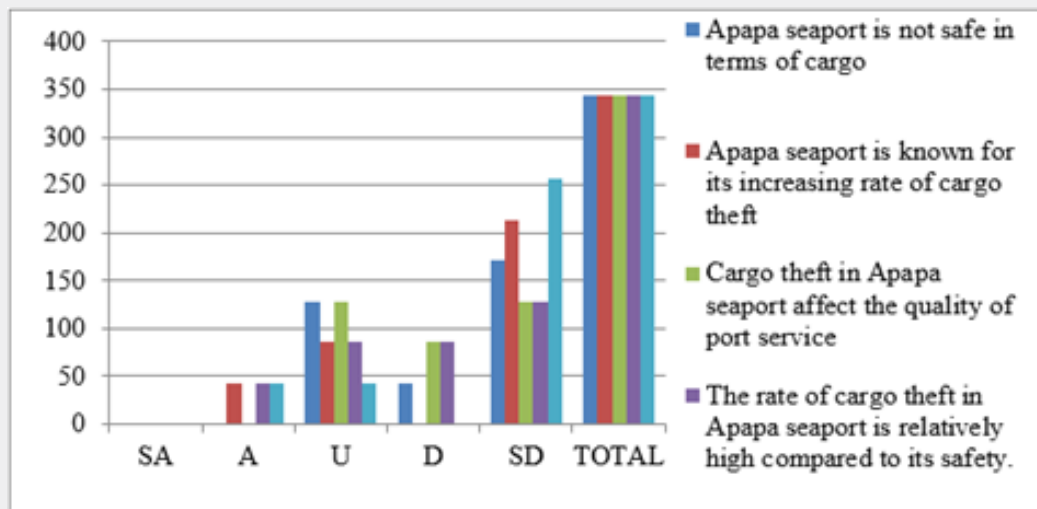


Figure 1: What is the extent of effect of cargo theft on port service quality in Apapa seaports?

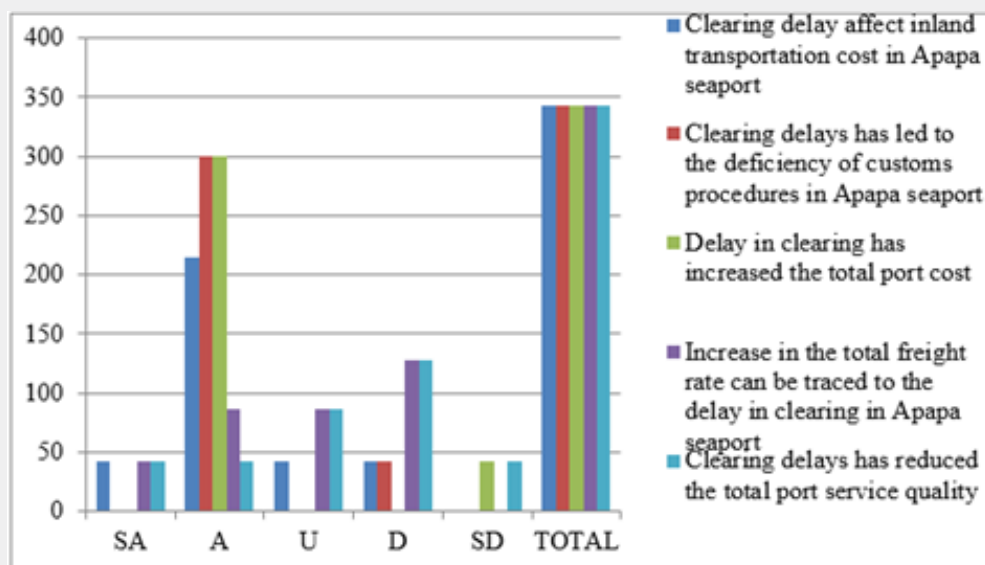


Figure 2: To what extent do clearing delays affect Inland transportation costs in Apapa seaports?

On the extent of effect of cargo theft on port service quality in Apapa seaports. the findings show that the perennial stating in the table 2 respondents disagreed that Apapa seaport is no safe in terms of cargo, also, 214 respondents disagreed that Apapa seaport is known for its increased rate of cargo theft., another 214 respondents disagreed that cargo theft in Apapa seaport affect the quality of port services, another 214 respondents disagreed that the rate of cargo theft in Apapa seaport is relatively high compared to its safety, another 257 respondents disagreed that cargo theft in Apapa seaport has led to the diversion of cargoes

to neighboring port. To what extent does clearing delays affects Inland transportation costs in Apapa seaports? The findings show that the perennial stating in the Table 3 respondents agreed that clearing delay affect inland transportation cost in Apapa seaport, another 300 respondents agreed that clearing delays has led to the deficiency of customs procedures in Apapa seaport, another 300-respondent agreed that delay in clearing has increased the total port cost, another 129 respondents agreed that clearing delays has reduced the total port service quality.

Table 3: To what extent does clearing delays affects Inland transportation costs in Apapa seaports?

	ITEM	SA	A	U	D	SD	TOTAL
6	Clearing delay affect inland transportation cost in Apapa seaport	43	214	43	43	0	343
7	Clearing delays has led to the deficiency of customs procedures in Apapa seaport	0	300	0	43	0	343
8	Delay in clearing has increased the total port cost	0	300	0	0	43	343
9	Increase in the total freight rate can be traced to the delay in clearing in Apapa seaport	43	86	86	128	0	343
10	Clearing delays has reduced the total port service quality	43	43	86	128	43	343

Source: Research Survey 2023

Conclusion and Recommendations

From the findings, we can finally conclude that Maritime fraud is as old as maritime itself and maritime fraud exists wherever there is intentional deception as to some fact or circumstances in connection with maritime activities which enables the unjust obtaining of money or goods. Despite the efforts by the government in fighting against it, this unwholesome activity still takes place under the watchful eyes of the government agencies. The research carried out based on the responses from questionnaire administered to NPA staffs, Lagos Island Port Complex (Apapa Port). This research has been able to ascertain the extent of the effect of fictitious port charges on freight rates, find out the extent of government agency’s dishonesty on customs procedures efficiency, access the extent of the effect of fraudulent misrepresentation on port service quality, determine the extent of effect of cargo theft on port service quality and also analyze the extent of effect of clearing delays on inland transportation cost in Apapa seaports. The following recommendations were made:

- i.** The federal government through its agencies should put in place monitoring and checks against the activities some government agencies that engage in fraudulent misrepresentation, fictitious port charges which affect freight rates and overall service quality in Apapa seaports.
- ii.** Proactive disciplinary measures should be taken against dishonest government agency official officials.
- iii.** Customs procedures should be simplified through automation to ensure efficiency in Apapa seaports.
- iv.** Cargo tracking and monitoring instruments should be adopted to reduce cargo theft in Apapa seaports.
- v.** All issues leading to Cargo clearing delays such as congestions, unnecessary manual clearing procedures in some cases should be avoided to reduce associated Inland transportation costs.

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DOI: [10.19080/ASM.2023.09.555769](https://doi.org/10.19080/ASM.2023.09.555769)

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