



# Operational Efficiency of Customs House Agents (CHA) in Import and Export

**MADHAN KUMAR .G**

*Student, Department of Management Studies, Vels Institute of Science Technology & Advance Studies (VISTAS), Chennai*

**Dr B KALAIYARASAN**

*Assistant Professor, Department Management Studies, Vels University of Science Technology & Advanced Studies(VISTAS), Chennai*

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## ABSTRACT

This paper focuses on the efficiency of operations conducted by Custom House Agents (CHA) in India, with emphasis on import/export activities of ., a customs broker and freight forwarder based out of Chennai. The paper highlights the results of the case based analysis of five different operational instances concerning documentation process, custom clearance, logistical coordination, financial impact, and adoption of electronic portals such as ICEGATE/EDI. It is observed that documentation accuracy, coordination between stakeholders, and implementation of technology play a crucial role in the determination of efficiency of clearance operations, while port congestion, customs examination, and regulation pose continuing problems. This paper adds empirical literature on CHA operations in India and provides suggestions for enhancing the operations of the CHA industry.

*Keywords: Custom House Agent, CHA, Import Export, Custom Clearance, ICEGATE, CBLR*

## 1. INTRODUCTION

International trade plays an essential role in India's economic growth plans. With the increase in the amount of international merchandise trade owing to liberalization policies, the importance of intermediaries engaged in facilitating the movement of goods across borders becomes more crucial than ever. The Customs House Agent (CHA), now recognized as a Customs Broker under the Customs Brokers Licensing Regulations (CBLR), 2018, plays a vital role in this regard. In essence, CHA acts as a licensed intermediary between importers/exporters and customs officials, preparing relevant documentation, computing duty/taxes payable, organizing physical inspection of cargo, and ensuring compliance with the relevant customs laws, namely the Customs Act, 1962, and subordinate legislation.



In this context, one can speak of significant changes to the operating environment of CHAs. Three main aspects can be singled out in this respect. First, there has been a wide adoption of digitalization in customs clearance via such online portals as ICEGATE and E-Sanchit. Second, Risk Management System has been adopted, implying the examination of cargo based on risk management principles. Finally, the introduction of Goods and Services Tax into customs duties administration should be noted as well. Despite some positive effects (namely, increased efficiency and transparency in major Indian.

## **2. REGULATORY FRAMEWORK GOVERNING CHA OPERATIONS**

### **2.1 The Customs Act, 1962**

The Customs Act, 1962, is the most significant law of India which deals with all the issues related to import and export of goods. The customs law enables the central government of India to impose and collect duties of import and export, regulate the flow of imports and exports, prohibit smuggling of goods, declare goods, and prescribe conditions for the import and export of goods. Under the terms of the customs law, the importer needs to submit the Bill of Entry, while the exporter needs to give Shipping Bill. Besides, the customs authority has also been conferred broad discretionary power to conduct searches and arrests.

### **2.2 Customs Brokers Licensing Regulations (CBLR), 2018**

The recently implemented CBLR 2018 has replaced the old Customs House Agents Licensing Regulations, which had stricter criteria of licensing for the customs brokers. It is stated that all CHAs should be licensed from the concerned customs authorities, have the required education qualifications, pass a written exam and be financially stable. The brokers that are licensed should be responsible for verifying the identities of the clients and their Importer Exporter Codes (IEC). Furthermore, brokers should ensure the accuracy of the declarations and maintain proper documentation of transactions well as cooperating with customs officers when an audit is required. Otherwise, their licenses will be suspended or revoked.

### **2.3 Digital Transformation: ICEGATE and E-Sanchit**

The Indian Customs Electronic Gateway (ICEGATE) is the country's customs gateway where bills of entry, shipping bills, and other related documents are lodged online. E-Sanchit aids in the lodging of these documents without any paper-based documentation. These systems have minimized human involvement in customs processes and increased the traceability of the process. However, downtime in the system, lack of training on the part of users, and the complexity of EDI compliance pose threats to the operations of CHA companies, especially small-sized firms.

## **3. ROLE AND FUNCTIONS OF A CUSTOMS HOUSE AGENT**

The customs house agent acts as the functional link between the business fraternity and customs services. The duties of cha are varied in nature and include legal, accounting, logistics, and advisory activities, thus making the position crucial for efficient trade operations.

### **3.1 DOCUMENT PREPARATION AND SUBMISSION**

The creation of accurate custom documents is one of the basic responsibilities of any cha. In case of importation of cargo, preparation of the bill of entry, which must have the correct hs code, valuation, country of origin, and duty classification, becomes essential. The shipping bill in the case of exportation needs to have all the details relating to the correct quantity, value, destination, and export incentive codes. Any mistake in the document will lead to revaluation, demurrage payments, and penalties.



### **3.2 Duty Computation and Payment Facilitation**

It is essential that CHAs calculate all relevant duties such as customs duty, IGST, and any applicable cess and assist in the prompt payment of these duties on behalf of the importer. Any miscalculation of duties, particularly due to wrong classification in the HS code, could lead to short payment of duties and penalties being imposed on the importer. Alternatively, there may be an unnecessary overpayment of duties..

### **3.3 Coordination with Port and Customs Authorities**

Documentation apart from that, it is important that the CHAs are supposed to coordinate with the relevant parties like the port authorities, custom officials, shipping lines, as well as inland container depots (ICDs). In the RMS procedure, a selected portion of the cargoes is subject to examination or documentary examination. Where this is the case, the CHA needs to answer any queries raised and submit additional documents, where necessary.

### **3.4 Advisory and Compliance Services**

The CHA's role is increasingly becoming that of an adviser on matters relating to duty exemption notices, free trade agreements, advance authorizations, duty drawbacks, and licenses for export promotion capital goods. This consultancy brings immense value to the client, as it optimizes the cost of delivery and export competitiveness..

## **5. IMPORT AND EXPORT CLEARANCE PROCEDURES**

### **5.1 Import Clearance Process**

The clearance process of imports through Sastha Nathan Cargo follows a systematic multi-phase process. After receiving documentation regarding the cargo from the foreign supplier in the form of commercial invoice, packing list, bill of lading/airway bill, certificate of origin, and insurance certificate, the team conducts an initial screening of these documents. A Bill of Entry will be prepared by the team using the right HS classification number. The consignment is assessed through RMS, either resulting in out-of-charge without inspection (Green Channel), inspection of documents (Yellow Channel), or both document and physical inspections (Red Channel). Duty is paid and, if necessary, the consignment will undergo physical inspection; afterwards the consignment will be awarded an out-of-charge order and will be picked up from the port.

In an illustrative example presented in this study, was able to import electronic components from China on behalf of the Indian company. It entailed gathering documents from the client, conducting pre-screening of around thirty commodity lines with respect to their HS classification, preparing a Bill of Entry, assisting customs officer in inspection, and finally delivering the imported components to the client's premises as agreed upon. It underscored the necessity of performing document pre-screening to.

### **5.2 Export Clearance Process**

For exporting, the firm receives commercial invoice, packing list, certificate of origin, and all other requisite papers from the exporter; makes the Shipping Bill and gets it filed online; arranges for vessel booking and container booking from the shipping line; and takes care of packing and marking of goods before customs clearance. After customs clearance and the Let Export Order (LEO), the shipment is loaded into the vessel. After exports have been made, the firm helps its customers file their duty drawback and issue them Bank Realization Certificates (BRCs).



In the case discussed above, the firm handled the export of textile items to America. Lack of complete documentation from the exporter resulted in delayed filing of the Shipping Bill; this, when added to the existing port congestion, meant that the cargo could not be shipped on the vessel that was expected to do so. In response, the firm coordinated well with the shipping line to book cargo in another ship, improved communication between exporter and the port personnel, and used pre-sailing documentation checklists..

## **6. OPERATIONAL CHALLENGES FACED BY CHA FIRMS**

The case study analysis reveals a cluster of recurring operational challenges that affect CHA firms in India. These challenges fall into five broad categories.

### ***6.1 Documentation Inaccuracies and Client-Side Delays***

Incomplete documents provided by the customer are recognized as the most common cause of clearance delays. Incorrect categorization of the products, improper valuation, incomplete certifications, or incorrect cargo descriptions require further evaluation from the customs department. While there are internal checks performed by the CHA and seasoned employees for product categorization, it remains the obligation of the importer/exporter to provide accurate business information.

### ***6.2 Port Congestion and Infrastructure Constraints***

The problem of congested ports is one of the key factors affecting the effectiveness of clearance services offered by Indian ports such as Chennai. Heavy traffic, lack of berths, and inadequate capacity of the containers' yards often lead to problems with discharging and delivery of the cargo. This is an issue related to port infrastructure which falls beyond the reach of CHA companies, yet still causes immediate financial damage to the CHA company and its client through additional costs of demurrage and detention..

### ***6.3 Risk Management System (RMS) and Customs Inspections***

RMS ensures that a certain number of consignments are flagged for physical inspection or document verification. Although this risk assessment system has decreased the frequency of inspections on the part of compliant importers, it creates unpredictability regarding how long it will take to clear a shipment. Those who have just started in their roles or whose history of compliance is not consistent are vulnerable to being selected for inspection.

### ***6.4 Technology Gaps and EDI System Downtime***

Though the implementation of ICEGATE and EDI has enhanced the efficiency of filings, any system downtime or connectivity issues will result in delays in filings, especially if the deadlines have been missed, specifically for shipment that is perishable or pre-positioned. Moreover, the constant innovation of technology necessitates the need for constant training by CHAs.

### ***6.5 Financial Risks: Demurrage, Detention, and Working Capital***

The demurrage (which is the charge made by shipping lines for excess of free time for usage of the containers at the port) and the detention (where charges are made for excess time when the containers are kept at inland sites) form a substantial financial risk to CHA operations. The charges rise very quickly on a daily basis and could be very difficult to recover from the client in case the delay was due to an error by CHA.



## 7. TECHNOLOGY ADOPTION AND ITS IMPACT ON OPERATIONAL EFFICIENCY

- Indeed, the incorporation of various digital technologies appears to be the most important reason why there is an increase in operational efficiency within CHAs today. The below-listed aspects of technology adoption were apparent when reviewing the operations.
- The implementation of electronic filing via ICEGATE significantly speeds up the process of document filing. The ability to send bills of entry and shipping bills electronically, have automatic calculations of duties, and keep track of the examination of shipments has led to more efficient clearance processes and enhanced transparency of the work performed. The company has linked its internal documentation processes with ICEGATE to file paperwork immediately after receiving all relevant documents from clients.
- Using cargo management software allows the company to monitor the shipment statuses, be aware of upcoming deadlines, and generate regular automated notifications to customers. This allows avoiding penalties for demurrage or detention and enhances client communications.
- Documentation practices such as the use of e-Bills of Lading, e-Commercial Invoices, and packing lists eliminate manual handling of documents, their possible loss or change, and improve the verification process. Thus, document management has been shown to improve documentation error rates in the organization.
- However, the implementation

## 8. KEY FINDINGS

It is clear from the cross-case study conducted on five distinct operating environments for the operations at Sastha Nathan Cargo Pvt. Ltd. that the following are the most crucial findings that have been made:

- Correct and accurate documents are an integral factor in the improvement of the speed of clearance. This can be achieved by utilizing pre-submission checklist procedures as well as having trained persons performing the classifications, thus reducing the likelihood of re-assessment and query from customs officials.
- The cooperation among all parties involved is a significant factor that requires consideration as far as timely movement of cargo is concerned. It can be achieved by effective communication mechanisms at the time of cargo exchange.
- Technology plays a major role in improving efficiency because of quick submissions, reduction in the paperwork, traceability, and live monitoring of the status of cargo.
- The external environment comprising port congestion, customs exam order, and bad weather factors lies out of the control of the CHA. Nonetheless, precautionary measures include making advanced bookings of spaces and effective communication.
- An organization has to adopt discipline in regard to management of detention and demurrages. Effective monitoring of free time use will enable

## 9. RECOMMENDATIONS

Based on the findings of this study, the following recommendations are offered to enhance the operational efficiency of CHA firms in India:



### ***9.1 Strengthen Documentation Pre-Verification Protocols***

CHA firms should implement mandatory document verification checklists to be completed before any customs filing is submitted. These checklists should cover HS code accuracy, invoice value consistency, description of goods, country of origin certification, and license or permit requirements. Pre-verification reduces rejection rates, reassessments, and customs queries

### ***9.2 Investment in Staff Training and Awareness of Regulations***

Considering the rate at which regulations change, such as updates in tariff notifications, valuation of goods, and online submission of documents, training for staff members becomes imperative. Internal training programs, attendance at CBIC seminars, and subscription to trade journals must be formalized

9.3 Enhance Digital Integration

There should also be better integration between cha companies' internal cargo handling systems and icegate, leading to automated updates on status, demurrage alerts, and digitized client reports. Investments in edi solutions could also result in lower rates of mistakes during filing and faster turnaround times.

### **9.4 IMPLEMENT PROACTIVE PORT MANAGEMENT STRATEGIES**

To deal with the issue of port congestion, it is recommended that firms maintain strong ties with the ports' management and shipping lines, engage in pcs networks, and prepare container shipment schedules. Whenever possible, firms should consider using the technique of pre-arrival processing and advanced filing of bills of entry to shorten clearance periods.

### **9.5 IMPROVE CLIENT ENGAGEMENT PRACTICES**

cha companies should introduce formal client onboarding processes which include specifying document submission periods. by using service level agreements, cha companies could apportion liability for delays resulting from incorrect documents submitted by clients.

## **10. CONCLUSION**

This paper has explored the operation effectiveness of Customs House Agents in the Indian import-export logistics sector, with particular emphasis on the activities of . It has been shown that effective customs house agent operations involve the integration of skills and expertise in relation to customs law and tariff classification, proper document management practices, effective coordination among various stakeholders, and implementation of modern technologies suitable for the evolving customs environment. Has created an effective system of operational activity that incorporates almost all the key features of a well-developed customs brokerage operation. Utilizing ICEGATE for the purpose of electronic filing, applying appropriate document verification techniques, and coordinating effectively with the shipping lines and other entities, this company performs better than others in the Chennai market. Like any other CHA, however, it must continue adapting itself to the changing external conditions that influence customs operations.

The main policy implication of this research is the need for a multi-level improvement strategy in order to increase the operational efficiency of CHAs in India. On the firm level, investment in new technologies and personnel development programs is essential. On the industry level, the establishment of appropriate



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