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Challenges of Cross Border E-Commerce in TANZANIA: A Case Study of TANZANIA in Comparison with CHINA

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Abstract: Cross Border E-Commerce has gained a huge momentum as far as globalization is concern. Countries like China have been benefited a lot out of it but Tanzania has been lagging behind to towards development of this initiative. This study was done through analyzing major issues that constraint Tanzania in Cross Border E-Commerce and found ways to emancipate those key challenges through checking efforts made by The Government of China. In such case finding ways to recommend those techniques to Tanzania since she has developed a dream called VISION 2025. VISION 2025 established with the aim of making Tanzania to become the middle income country by the end of the year of 2025. The study was done through analyzing studies done by different scholars in relation with what Tanzania is going through. Issues of strengthening Diplomatic ties with China, Infrastructure development, Government support, introduction of One Stop Services/Centers and promotion of local SMEs were suggested.

Keywords: SMEs, Tanzania development vision 2025, Government parastatals, China-Africa Relationship

1. INTRODUCTION

Cross border e-commerce is the tendency that has gained a huge momentum as far as globalization is concern. The world is experiencing trade beyond the borders of a certain country to another country. African countries have engaged in this business since pre-colonial era. One can talk about the trade that was done between Kingdoms, Empires and Chiefdoms within a confined area to a little bit large The Trans-Saharan trade. The trade was done between different empires and kingdoms across Sahara Desert to the Largest trade ever Africa has experienced The Trans-Atlantic Trade. But how can we differentiate the trades above African have done as we compare with cross border e-commerce? The similarity is that all of the trades involve trading beyond the borders of defined area. However their difference relies on what we call E- Tailing. Trading with the use of more sophisticated electronic devices two parts communicating about business. Many scholars have tried to give their own definitions and views concerning this phenomenon. E-commerce is about more than online transaction. It is a revolution in transactions thanks to Internet information technology. Therefore, informatization serves as the foundation for E-commerce activities, and has a direct impact on E-commerce activities^[1].

When online deals and transactions are conducted in different areas or countries by using information and communication technology (ICT), it is called cross-border e-commerce (CBE)^[2]. Similar to cross-border e-tailing CBE focus on business to business (B2B) or business to customer (B2C), process, used for integrating activities of suppliers and customers along the logistics value chain^[3]. In Tanzania it is not well developed as compared to the giant the China herself. Most of the customers have been wandering around with cashes at hand finding their desired goods and services and which is not safe and time consuming behavior. The local market

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as well is not too well developed successful as compared with China. China which is well developed to satisfy customers need locally and hence to cross the border towards other countries. Trade over the Internet has not been quickly adopted in this region because there are a number of challenges that have mitigated e-commerce to properly take off^[4].

2. BACKGROUND OF THE STUDY

Tanganyika and China have established diplomatic ties on 9th of December 1961 and Zanzibar on December 11th of 1963 after independence. When Tanganyika and Zanzibar were united and became Tanzania on April 26, 1964, it was natural for China to extend its diplomatic ties with it. At that time of 1960's the two countries economy were almost equal at the stage of absolute poverty. However due to the fact that China's economy to change drastically in 1980's Tanzania became China's largest aid recipient country in Africa. Since 1964 China has provided various kinds of assistance to Tanzania. Main Chinese-supported projects In Tanzania are as follows: the Tanzania-Zambia Railway (TAZARA), Friendship Textile Mill, Mbarali Rice Farm, Kiwira Coal Mine and Mahonda Sugar Cane Factory^[5]. China-Tanzanian joint venture cooperation started in the 1960s and has been developing rapidly in recent years and so on. Trade volume has increased to USD 4.6 billion on 2016 as the countries foster their relations to grow even further^[6]. However learning from China it has undergone a well developed cross boarder e-commerce whereby there are interlinking between Business to Business like Alibaba Group of Company. The company which is very huge and established in China consequently changed the lives of Chinese and the world in general. In this period one doesn't need to apply for Visa, buy a plane ticket to come to China to search for the commodity, all to be done with just the palm of one's hand. Customer can place an order and to be delivered to its desired destination through shipping process. By 2020 is expected nearly 1 billion people around the world are projected to be shopping online across the borders, and their transactions will account for one-third of all global B2C transactions^[7].

3. PROBLEMS FACING TANZANIA TO ESTABLISH CROSS BORDER E-COMMERCE

As compared to China Tanzania has been lagging behind to be strong enough to engage actively to compete with Chinese firms in the cross border e-commerce due to the following factors.

3.1 Underdevelopment of local SMEs.

Tanzanian individual Small and Medium Enterprises (SMEs) are too scarce and those which are available are too weak to compete with the International market. This is attributed by the fact that the quality and sometimes quantity too low to sound into the International market arena. SMEs are very important to the development of country's economy however in Tanzania have been facing a number of problems despite the on-going reform programs. This may be due to numbers of factors, one of which is a persistent culture that has not recognized the value of entrepreneurial initiative in improving the lives of the people. Other factors include complex, bureaucratic and costly, legal, regulatory and administrative environment where SMEs are at a greater disadvantage than their counterparts that are larger in size. The high cost of compliance to regulations may discourage potential entrepreneurs from formally setting up their businesses, while driving some existing enterprises out of business and those working for them into unemployment. Also due to insufficient competition and inadequate information on the credit markets of Tanzania, banks are discouraged and not willing to lend to SMEs^[8].

3.2 Infrastructural and Logistical factors.

In establishment of cross border e-commerce business infrastructural and logistical factors should be determined. In Tanzania though the government has played its excellent role to make sure that Tanzanian have

good infrastructural facilities like roads, railways and ports however it is not well achieved. Especially in rural areas where these three main infrastructural tools are underdeveloped and hence citizens living in Villages are highly discouraged to get access to the products which they may need to buy and even companies wouldn't be able to send it to their specific areas. Tanzania has a total of 86,472 km of roads in the formal inventory and out of which 12,222 km are classified as trunk roads where only 8,211km are paved, about 23,512km regional roads where only 1,508 km are paved and while the remaining 491km as defined as district, urban and feeder roads as only 33km are paved^[9]. The data above has shown main roads where roads in the villages are not included which are not well paved. On the part of the railway infrastructure Tanzania has got two lines, Central line (meter gauge) which was constructed in 1905 in German colonial era and other TAZARA railway which was constructed from 1970-1975 funded and supported by Chinese government.

3.3 Internet connection.

Table 1 express Tanzania has over 39 million subscribers by June 2016, with Vodacom leading the way with over 12 million subscribers, while Tigo catching up fast with over 11.6 million subscribers^[10].

Table 1. Tanzania Mobile Phone Subscriptions - June 2016

	Airtel	Smart	Halotel	Tigo	TTCL	Vodacom	Zantel
APRIL	10,587,784	1,006,736	2,008,493	11,223,450	304,156	12,253,825	1,461,458
MAY	10,438,329	976,138	1,996,285	11,338,379	303,639	12,122,446	1,433,582
JUNE	10,308,101	881,756	2,666,393	11,606,567	304,058	12,060,198	1,409,371

Despite of these increase of mobile phone subscriptions has also brought about a number of challenges to the internet penetration and connection. One of these is the slow speed in which internet local contents are created and as results, most Tanzanians access foreign domains for basic information^[11]. Another challenge is directed to the Internet Service Providers (ISP) on the internet demands which has resulted into fluctuations of pricing structures. The changes of technologies, from second generation (2G) to third generation (3G) to now fourth generation (4G) have also meant that users might get access to different speeds In Tanzania internet connection signal strength is excellent in urban areas and their corresponding suburbs than in rural areas^[11]. This is also one of critical challenge where natives at the rural areas may not be able to access internet of a high quality to do online business.

3.4 Customers' awareness and readiness.

Different studies on e-commerce trade have shown that many natives are not aware on e-commerce and hence cross border e-commerce and some who are aware on the particular trade are not ready to engage themselves into the trade due to several reasons.

3.4.1 Security and Privacy.

One of the critical success factors of e-commerce is security and privacy. Without the assurance of it, e-commerce may not work normally. And it is a complexity issue, because e-commerce security relates to the confidence between sellers and buyers, there is wide agreement between academic researchers that security is not only a technical challenge, rather involves managerial, organizational and human dimensions to be more effective^[4]. Figure 1 expresses the vast majority of the respondents, 26% and 15% perceived secure and reliable payment systems to be very important.

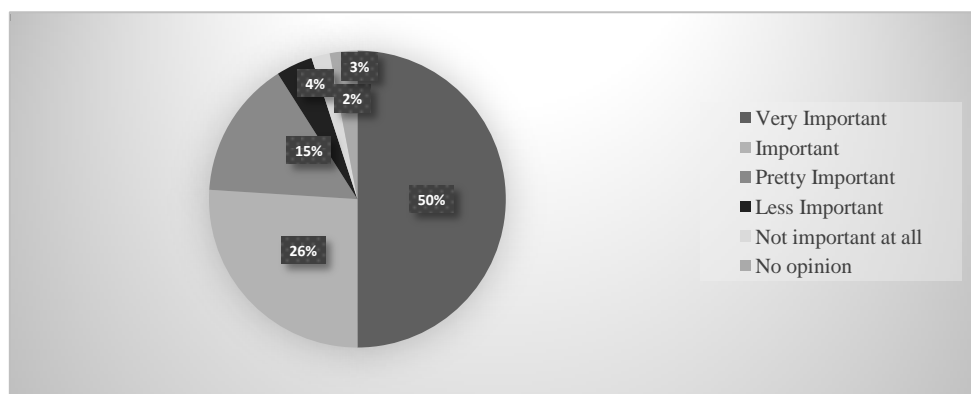


Figure 1. Showing importance of Secure and Reliable payment systems

3.4.2 Usage and Other Barriers for shopping online.

It is usual to see many natives carry their cash on hand wandering around to purchase their wanted commodities. However introduction of cross border e-commerce from other countries to Tanzania many questions has been raised. Issues like warranty and claims, value added tax and custom duties, quality and quantity of the products being sold, refund policy, safety of payment, high shipping cost and so on. According to the study done by the figure 2 illustrates^[4].

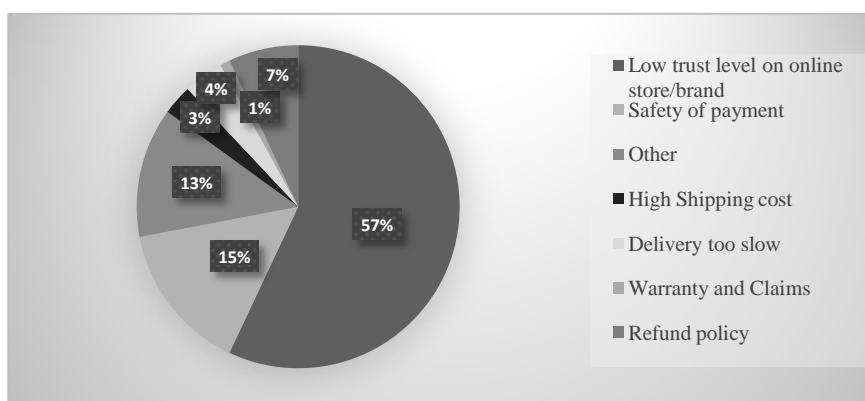


Figure2. Usage and other barriers for shopping online

3.5 Culture, Law and Regulation.

In every country there are specific laws and regulation to control any kind of business. Different laws and regulations between countries limit the ability of cross-border business, such as data privacy and return policy. The customers can unconditionally return online purchase within 7 days after received in Germany, but only 7 days in China. Furthermore, when consumers choose purchase abroad, duties must be considered taking into account the total cost. High tariffs, taxation limits and VAT thresholds often reduce cross-border purchasing intentions^[12]. In Tanzania for a certain product to be verified its quality it has to undergo several processes meeting different government parastatals like Tanzania Food and Drugs Authority (TFDA), Tanzania Bureau of Standard (TBS) and Government Chemist laboratory Agency (GCLA). When product doesn't meet the needs of the institutions above then will not be able to penetrate to the consumers. Also Tanzania has got its own traditional culture, one who produces products or doing business to sell products to be consumed by Tanzanian

has to take in mind natives' culture. Different products have been banned to be produced or used or sold and sometimes rejected on the border of the country due to the fact that the products concern hasn't met the conditions to be used due to moral concern.

4. SOLUTION

4.1 Government support.

The countries which have got support from their government have been doing very well in cross border e-commerce than those which lacks government support. The government of Tanzania through its Ministry of Trade and Commerce should put more emphasis on establishment of policy that will facilitate and govern the cross border e-commerce in Tanzania. In that way Tanzania will get to establish her own enterprises which will be strong enough to compete with large firms like Alibaba of China. In that way will ensure free flow of Made in Tanzania commodities to international market rather than just being at the state of consuming what we can't produce. From 2013 the Chinese government released a series of policies to facilitate CBE involving supervision, payment, settlement and implementation^[13]. The government of Tanzania can also learn from China to improve the sector.

4.2 Promotion of Small and Medium Enterprises.

SMEs play a key role for production of goods and engagement in cross border e-commerce. They are also the one which we depend upon the future to become large enterprises and in that way will encourage innovation of new products and good service and will make the commercial activity to be at a good pace. China-Africa relationship has been strong enough to support local African SMEs. Like it has did to other sectors like agriculture and informal sectors government may introduce soft loans to entrepreneurs or even subsidies to promote industry sector as per government vision that become industrialized nation after 2025. Government of China will provide an increase of US\$ 5 Billion to the China-Africa Development fund and special loan for the Development of African SMEs respectively and China-Africa fund for Industrial cooperation with an initial contribution of US\$ 10 Billion^[14].

4.3 Infrastructure development and settlement planning.

Tanzania has taken several measures through infrastructure development to ensure logistic convenience like construction of standard gauge railway system which its load axle will be able to carry heavy loads than before. Furthermore since railway will be electrified, will be faster than the Central and TAZARA railways. In that case transportation of goods within the country will be faster than before. Road construction, rehabilitation and deepening of ports has also been a priority of government of Tanzania. However Tanzania has a long way to go to ensure that it finish all of its critical projects ahead of time so that to actively engage in this initiative. Settlement planning is also a key problem especially in Mega cities, like Dar-es-salaam, Arusha, Mwanza and Mbeya where urban planning hasn't been considered and makes it hard to ensure that goods purchased reach to the desired destination conveniently.

4.4 Innovation of good measures towards customer's satisfaction.

It has been shown that many customers have been concerning about their privacy and security of payment, payment modes via mobile banks, warranty and claims, issues of shipping time and costs, refund policy and so on. It is individual enterprise's job to handle these concerns through innovation of better services to customers so that to motivate them to purchase goods online through their established platforms so as to increase the

number of subscriptions of online purchasers. A government may assist through giving them whatever support is needed from them so that to make the cross border e-commerce to sustain in Tanzania.

4.5 Production of Goods that will meet conditions.

Production of Goods that cater the needs of Tanzanians is important. Products being produced or sold should meet the specified conditions made by Tanzania government institutions concern in order to avoid being banned or refused to penetrate within her borders. Also Tanzania local Enterprises should make sure that they produce goods and services of a high quality enough to export to the outside of the country.

4.6 Introduction of One Stop Centers.

Central and local government should put more emphasis on establishment of One Stop Centers to regulate cross border e-commerce. It has been shown that different important government parastatals like Tanzania Revenue Authority, Tanzania Ports Authority, Tanzania Civil Aviation Authority, Tanzania Food and Drugs Authority, Tanzania Bureau of Standards and Government Chemist Laboratory Agency being working independently. Hence discourage entrepreneurs who wanted to engage into business. Established centers will ensure the safety and legibility of products within a short period of time so that to avoid bureaucracy also to ensure that the government gets all of her necessary revenues through collection of VAT, levy and custom duties. Also individual enterprises like other major famous enterprise like Alibaba should establish one stop service for payment processing, customer services, shipping and clearance, return processing and delivery in that case will answer the questions risen by consumers who are afraid of purchasing products online.

4.7 Promoting Diplomatic ties with China and other countries.

China is said to be well developed in cross border e-commerce. Tanzania has got a lot learn from China in order to ensure the sustaining of this activity. China is ready to negotiate comprehensive free trade agreements with countries and regional organizations in Africa covering trade in goods and services and investment cooperation. These agreements once concluded, will boost China's import of African products. China will support African countries in enhancing law enforcement capacity in areas such as customs, quality inspection, and taxation. China will also engage in cooperation with Africa in standardization, certification and accreditation and e-commerce^[14]. If Tanzania will foster her diplomatic ties with China will benefit a lot from this initiative and the cross border e-commerce will sustain.

5. CONCLUSION

Through systematic revising of research papers and studies done it has been found that cross border e-commerce to penetrate along the boundaries of Tanzania is an inevitable situation. However for Tanzania to benefit through this commerce should handle challenges it has been facing. Issues of infrastructure, logistics, and low technology effort from local SMEs, internet issues, and other users' barriers have been acting as a bottleneck holding back Tanzania to benefit through this commercial activity. As the government have its own dream called VISION 2025 where it foresee to that year Tanzania should have created a strong, diversified, resilient and competitive economy, which can effectively cope with the challenges of development and which can also easily and confidently adapt to the changing market and technological conditions in the regional and global economy^[8]. Also Tanzania can learn from China on what they did to make sure that cross border e-commerce is just not just a business rather should be used as a weapon towards development of the country. Strengthening diplomatic ties with China is also an inevitable situation. China will introduce 10 programs to address three bottleneck issues of holding back Africa's development namely, inadequate infrastructure, lack of professional and skilled personnel, and shortage of Capital. These programs will help to accelerate Africa's

industrialization and agricultural modernization and thereby help Africa to achieve sustainable development on its own^[14].

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