

# Challenges Limiting SMEs from Adopting Electronic Commerce in Tanzania: A case study of Ilala Municipality Dar es salaam

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## Abstract:

The paper describes challenges of SMEs in the adoption of e-commerce technology in Tanzania. Dar es Salaam city-Ilala Municipal was chosen as case study, because SMEs found in Dar es Salaam are more likely to be using e-commerce since Dar es Salaam is among regions where most of SMEs connected to internet are found in Tanzania. The researcher collected data from 30 SMEs found in Ilala Municipality. The data collected were then subjected to analysis using Quantitative methods and content analysis. Frequency and percentage were used in data presentation, where questions on technical challenges, Technological challenges and management attitudes were answered. The results indicate that there are Technical, technological challenges and management reasons that limit SMEs from adopting e-commerce. Technical challenges include high equipment and Installation costs, lack of fund to employ computer experts, poor communication infrastructure which is able to support mainly e-mail, poor-security in network, authentication and certification issues, lack of relevant skills and expertise within the companies, absence of enabling infrastructure such as internet exchange and Technological challenges include infancy of technology, cost effective electronic commerce enabled software, lack of simple knowledge to operate and lack of fund to employ computer experts. On the part of management attitudes, there are lacks of awareness of the e-commerce technology, technophobia; management not committing enough resources to IT related issue. It was concluded that building any kind of electronic commerce system requires a strategy i.e. vision of the goal to achieve, a clear rational of the business value and a picture of the process to achieve such a goal and avoiding common pitfall. This strategy should include an understanding of the impact of e-commerce on SMEs, the potential for new business models and opportunities for competitive advantage.



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## 1.0 Introduction

The use of electronic devices, systems and infrastructures to conduct business operations around the world has significantly improved the way most organizations have been operating. Electronic commerce is rapidly growing at a global level, and it has affected all industries with inclusion of SMEs and has changed how organizations conduct business (Millita 2015). The positive impact of E-Commerce has been felt in all angles, from Large Enterprises to Small and Medium Scale Enterprises (SMEs). Owing the business services provided by the internet, internet is now seen as one of the potential networking tools and practice. Internet plays a vital part in the propagation of information internationally and it acts as a tool for sharing knowledge and experience globally distribution of social norms and creation of messages bridges among evolving and developed economies. The Internet is an important tool for numerous SMEs, both in developed and developing economies (Mainardes et al. 2019). The web has played a vital task in the flourishing broadcasting of novel technologies as well as the realization of contemporary system of internet business. In the midst of the advancement and development of Internet technology since more than a few decades, e- business, performed through the Internet, has developed into a vital tool for numerous business activities (Turban et al., 2018). As practical in various economies from one place to another around the globe especially among the developed countries, e-business is a vital commercial tool in the arena of ICT and the technology is now moving to developing countries where SMEs are playing an important part in the growth of the business sector. In Tanzania SMEs makes up to 70% of the existing business operations. Businesses activities in the present world value the advancement to e- business and thus becoming indispensable pillars in the development of numerous economies. Due to the existence of this development, commerce pursue to maximize the development of e-commerce at a high intensity and to grab complete benefit of IT that will aid increment of e-commerce effectiveness and improve business procedures, performance and efficiency (Kartiwi et al., 2018). The common principle is that, in this century, e-commerce through the Internet will create many opportunities for small and medium enterprises (SMEs) and persons to perform online businesses globally. Though, Mainardes et al. (2019) stated that numerous SMEs, in the situation of evolving economies, are still not conscious of the paybacks of electronic commerce.

Additionally, the irregular implementation and adoption of several ICT tools, services and goods among developing and developed economies as well as among urban and rural businesses operated by SMEs- correspondingly reveal how e- business is appreciated and how e- commerce works in organizations (Kunia et al., 2015). Numerous scholars have as well summarised that, that the availability of e- commerce facilities in the advanced economies has significantly contributed to electronic commerce acceptance and adoption and its incorporation into the business as an invention in the business activity process of such organizations (MacGregor and Kartiwi, 2010). Researchers also revealed that nevertheless, the upcoming economies experience a hinderance acquiring e- commerce facilities and applying such tools and facilities effectively, as well as the general cost of accessing the e- commerce plans and projects is quite costly. This has been revealed as a challenge for most SMEs in developing economies (Kartiwi et al., 2018). The fall of many projects of e- commerce in emerging states has been linked to the problem inefficient understanding on the concept and thus has caused the closing of e- commerce businesses. Different studies have mentioned the importance of E-Commerce among Small businesses regardless of the challenges they encounter in the adoption process. According to (Zhankang& Davis, 2015), different models have been developed to check the challenges facing SMEs in adoption of E-Commerce. Some of these models are those by, relative advantage, enhanced cash flow & productivity, being able to compete and grasp new customers, improved customer service, enhance potential efficiency,

information gathering and building the image of the firm and promotion, sales increase and getting new partners, competitive edge, and organizational-wide support, productivity of the managerial function of the firm, and Strategic decision aid (Grandon & Pearson, 2012). Grandon (2012) E-Commerce challenges are relatively higher to SMEs operating in most of the developing countries. However, there has been positive development of e-commerce in all sectors despite the challenges encountered especially in developing countries. Since 1990's, the development of the telecommunication sector, which has increased the accessibility of the internet among the societies has been one of the important aspects in adoption of E-Commerce by most SMEs. Global System for Mobile Communications (GSMA) Mobile 360 series' general director has reported that smartphone penetration in 2020 will triple that in 2014, mounting from 226 million in the statement period of 2015 to 720 million by 2020 (Okonji, 2016). As a result, the development of the telecommunication industry has seen a significant increase in the number of subscribers, which has also affected innovation and entrepreneurship development.

The GSMA also claimed that at the end of 2020, 90% of the mobile development will be led by the emerging states; since the mobile technology is now the main podium for admission to the internet in many parts of the globe, bearing in mind the absence of substitute infrastructure (GSMA, 2016). Due to the development of telecommunication, the use of mobile phones and e-payment systems has started receiving attention among users. Some of businesses have seen the use of e-payment systems as an effective means of conducting business. Security, time management and simplification brought about by the e-payment systems make it acceptable and effective to some businesses. Several studies including Shney and Hurasha (2016) have revealed that E-business can improve the performance of various SMEs business activities to shape and have competitive advantages over their competitors in the international market. In opinion of the importance of small small and medium enterprises in African continent and the existence of business opportunities, expansion of ICT improves and enhances the competitive advantage of various SMEs. SMEs usage on the benefits of ICT in enabling E-Commerce acceptance. According to Millita (2011) in spite of ICT's importance in creating business prospects, E-Commerce implementation among SMEs businesses in African continent still remains quite truncated. The investigation additionally revealed that comprehending the motives for e-commerce is ideally important in enabling SME's business prospects and improving SME's competitive advantage. Still, the standing previous studies on E-Commerce adoption challenges amongst SMEs in third-world countries had some gaps, as most of them do not fully reflect the existing actual situation in Africa. The sluggish pace of electronic commerce by SMEs in developing economies has led to several researches from numerous scholars from different parts worldwide. Such researches have confirmed that SMEs principally left behind as far as adoption of E-commerce is concerned as compared to the larger businesses or organizations that embraced the idea of E-commerce adoption as early as possible. Fillis et al. (2003) investigated that application of electronic commerce and revealed that SMEs could attain a higher advantage by adopting the application of electronic commerce as it could improve their market performance by widening their market base both locally and abroad. A current investigation by Rahayu and Day (2017) and Nazir and Zhu (2019) further confirmed that overdependence on email services lack of ICT professionals, absence of government support and lack of financial resources were among the challenges that led to poor implementation of electronic commerce services by SMEs in both Indonesia and Pakistan as developing economies.

In an investigation carried out by Salkehi in 2013 revealed that cultural and economic scarcity or shortage and poor awareness on the existence of information technology limit the implementation of electronic commerce in developing countries such as Iran. As in correspondence with findings from various researchers such as Santosh (2019) and Awiagah et al. (2016), their studies on SMEs revealed various obstacles and problems in implementation of IT technology, financial and internationalization performance. Their studies revealed that financial systems were understood as substantial hurdles for Small and Medium enterprises and required to be rationalised to enable online payment processes and credit services. In a study carried out by Awiagah et al. (2016) recognized lawful requirements that as well played a vital role in motivating SMEs and having a higher substantial influence on the application of electronic commerce in emerging economies. The investigation found that infrastructural inadequacy as a major barrier to the adoption of e-commerce in emerging countries and this condition is pulling the attention of various parties including scholars given the substantial role that SMEs act in stimulating economies by means of creating jobs and reducing poverty. The improvement and increase of E-commerce especially in emerging economies like Tanzania would lead to a significant impact on the financial and commercial advancement of the nation (Rahayu and Day, 2017; Makiwa and Steyn, 2019;).

Small and medium enterprises in emerging economies like Tanzania, encounter several obstacles which includes IT infrastructure, inadequate specialists in the field of IT who could advance and support the sites of e-commerce, limited customer and business skills especially in IT required to perform e-commerce transactions with the aid of internet, inadequacy of timely and reliable systems to aid delivery of physical goods poor financial resources as well as credit card penetration, and poor computing and internet diffusion (Kapurubandara M., 2009; Santhosh 2019). Most of the advanced economies depend mostly on e-commerce performed by SMEs in order to support the state economies in various states in developing countries like Tanzania, SMEs represent around 70% of all the business activities, and is the main source of job creation to the population of Tanzanian citizens. This kind of business therefore accounts for greater percentage of financial activities as well as foreign based organizations are as well active in this business (Economist Intelligence Unit, 2009; Makiwa and Steyn, 2019). In Tanzania, SMEs have historically and still play a vital role in the process of economic development. The Ministry of Industry in Tanzania (MOI) categorizes SMEs based on labor and investment costs standards. Founding on MOI in Tanzania, SMEs are referred to businesses having 4- 50 workers respectively. Basing on maximum investment costs, SMEs are those that operate at 5 million and 10 million Tanzanian shillings for small and medium enterprises respectively (Ministry of Industry and Trade, 2010). E-commerce is the process of directing commercial transactions through the Internet, and thus including transfer of information of value in the form of products and services as well as expenditures, using web-based technologies (McDonald F., Fraser J. & Fraser N., 2000). Eurostat, (2004) defined e-commerce as transactions performed through Internet Protocol-based (IP) networks or through other computer-mediated networks. The e-commerce and Internet are transforming how firms operate by redefining how back-end processes are performed.

Various investigations on e-commerce matters in developed economies reveal that problems encountered by SMEs in developing economies can be completely dissimilar (Mainardes et al. 2019). Several SMEs in developing states or economies are not achieving even slight levels of e-commerce implementation, similarly the implementation of web-enabled transaction processing by small and medium businesses has less been widespread as would be anticipated (Stockdale R. et. al., 2006; Kurnia et al., 2015). Previous studies have confirmed that the speed at which e-commerce has been adopted by SMEs has been sluggish. Even though investigation shows that e-commerce delivers viable and applied solutions for organizations to encounter

problems of a principally changing atmosphere, the existing investigations connect to SMEs in emerging nations disclose an adjournment or failure of SMEs in implementing e-commerce.

According to the United Republic of Tanzania (2013), SMEs contribute about 70% of the national GDP, they constitute about 80% of all employments, and also contribute over 80% of manufactured goods output. In spite of the importance of SMEs on economic growth, the performance of SMEs and their survival remain very low and questionable among stakeholders (Asimwe, 2017). According to the Ministry of Trade Tanzania (2017) about 60% of the small businesses just fail in the first year of their operations. Several factors have been contributing to this; poor saving culture, deficiency of entrepreneurial skills, and their incompetence in exploiting new growth opportunities have literally been underscored as some of the main factors for the low survival rate (Nangoli et al, 2013). The developing countries share some mutual complex obstacles: to encourage competition; to expand teaching; and to provide guidelines to advance a high value-added service for the SME business sector. This paper, therefore, contributes to the knowledge of e-commerce and of emerging economies, by highlighting the challenges faced by SMEs in the process of adopting e-commerce in businesses, in emerging economies, since it is believed that the emerging world has economic shortage, technological discrepancy, and both confusion and possible (Lawrence and Tar, 2010).

## **2. Statement of the problem**

Regardless of various efforts to stimulate e-Commerce adoption, most Tanzanian SMEs have not reached the stage of having an entirely interactive, transactive or unified E-Commerce capability (Molla and Licker, 2005). Several factors have been linked with poor adoption of E-Commerce by SMEs, these factors have been grouped in different 5 areas such as SMEs own characteristics or behaviours, economic factors, legalrelated factors, culturally related factors, and technical and infrastructural factors. (Kartiwi et al., 2018). The study by Kabanda and Brown (2015) and also study by Molla and (Licker, 2005) mentioned SMEs own related factors and also surrounding factors being the main challenges that make most of the SMEs fail to adopt E-Commerce in most of the developing countries. According to the study, the SMEs own related factors that hinder the adoption of E-Commerce included management of SMEs, level of awareness, financial resources, technology, and expertise to adopt and use E-Commerce. In addition, factors of the environment that have an effect on the adoption of E-Commerce among SMEs include 'government laws and regulations, social structures, national policies, technical change and the natural environment that directly impact the companies' (Nazir and Zhu (2018, 2019). According to Green (2013) other factors are Technical related factors such as internet security, legal and regulatory barriers, and limited use of E-Commerce as an obstacle. Despite the fact that the various highlighted studies have done an investigation on the E-Commerce phenomena in the context of a developing country like Tanzania, not even one has presented a theoretical analysis of their findings that is grounded in this context. This study dwells into making a thorough assessment of the critical impediments facing Tanzanian SMEs in their quest to adopt E-Commerce, and in the end, it puts forward strategic propositions that will enlighten policymakers and other business practitioners alike on the best ways of mitigating the impediments through learning how to prioritize the resources that are available in the country.

## **Literature review**

According to chamber of commerce briefing Kit on e-commerce for SMEs in Africa (1999) it was argued that there are two distinct kinds of constraints that SMEs face in the adoption of

Information and communication Technology (ICTs) for marketing and trading activities. The first type is particularly to SMEs in terms of Information and Communication Technology's (ICTs) diffusion and the second applies to all enterprises and concerns the policy environment in which Information and Communication Technology's (ICTs) are accessed. A study of Fuller and Junking (2000) observed that the opportunities available from e-commerce are not however accessible to all possible users. Most SMEs are flexible and adapt changes reality, but they also suffer from lack of resources of various kinds; that are financial resources, technological know-how and time. King et al (2003) reported that technical problems concerning the connectivity and owner/operator's commitment were as important. The technical problems can become potentially insuperable barriers to SMEs wishing to use the Internet e-commerce for business activities and operations.

McCrea et al (1996) revealed that there are five key impediments exists which deter SMEs from integration of e-commerce in to their business activities. These are: Management inertia associated with change, No recognized business need, Technology phobia Lack of availability of simple knowledge to operate, cost effective electronic commerce enabled software. In an electronic market place the chance of receiving unreliable information or dealing with a non-trustworthy vendor increases significantly (Gupta, 2003). For example, it is difficult to identify a criminal without the benefit of seeing him. Despite the fact that the e-commerce over the internet provides a world of new opportunities, but it also allows for an entirely new platform for fraud. In the other hand in taking legal action there is still a problem of using original document rather than using new Technology therefore this is another block to users of e-commerce. ACCA study text (2003) revealed that the technology requirements for smooth running of Internet are permanent on-line telecommunication system so that the internet site can be accessed. sufficient bandwidth in those system to ensure that the internet traffic is not too slow, dedicated specific computers to website use and the installation of specific firewalls and other access control, development and maintenance of the website and setting up and maintaining appropriate skill in-house to manage the hardware and software. A survey by Kasilima (2004) revealed that initial Investment and operation costs of both basic information technology equipment and transmission costs are not affordable by most SMEs. Data collected from ISP showed that connection charges range between USD 50 and USD 600 depending on the type to be connected. Furthermore, Markillie (2004) notes that selling on the internet is not just creating website and thinking if I build it they will come. It is not only price transparency that makes the internet consumers so powerful. It is also the way it is presented. if they do not like the website, they swiftly move on. A company that neglects its website may be committing commercial suicide. Here an ICT expert is required to maintain company website, which in most SMEs due to their size and financial capability cannot afford to have one regularly. Mwakinyuke (2002) notes that e-commerce technology is still at infancy and will take some time before it becomes a system. Those who browse regularly know how painful the process is. It takes quite a few searches to get some useful information. The current state of flooding the consumers with information leads to disillusionment with the system. The transaction on the internet need to be secured, to implement security features, the consumer has to be aware of the procedures and their implications, only informed users will be able to go through all hassles. In the market place the e-commerce focus is shifting from an emphasis on pure technology to a more technology supported actions. That means to realize the full potential of e-commerce; SMEs must be willing to change way to do business. History has shown that large gains productivity and market share take place when technological changes are combined with organizational restructuring. However most SMEs adopt e-commerce in just by chance or casual manner, rather than as a consequence of systematic consideration and planning (Engsbo et al., 2001). Furthermore; Markillie (2004) notes that to date the most pervasive instruments

(most useful) of e-commerce for SMEs are the telephone and the fax machine. Even these instruments are often out of reach of SMEs. While the telephones allow goods and services to be advertised, purchased and paid for, charges for long distance and international calls tend to put an upper limit on the use of the telephone by SMEs.

ICT and Internet is very important to be considered because Without ICT and Internet, e-commerce will virtually nonexistent. For instance internet technology derives development in payment systems, security, Marketing strategies and techniques, financial applications business-to-business trade, and retail e-commerce (Laudon et al 2008). - Tanzania has experienced a very rapid growth in cybercafés. It is unclear whether demand is mainly local or from tourists but the country's local internet user base is growing. Government policy has been slow to encourage further investment. However the Government has an ambitious scheme to promote greater connectivity. Pantaleon Shoki reports on developments (Shoki 2001). SMEs usually face a comparatively uncertain economic environment. In Technology diffusion research shows in almost all cases, especially in network technologies such as ICT, that S-shaped adoption curves can be observed. The diffusion of innovation starts slowly with few early adopters (Muller-Falcke, 2001). Although others can observe the benefits of new technology, the diffusion rate increases. When most potential adopters have the new technology the rate of diffusion decreases again until the saturation level is reached (Muller-Falcke, 2001).

### **3. Methodology**

This study employed a mixed methodology in collecting and analysing the data. Therefore the selected methodology was considered suitable for generating desired and relevant data. The study applied approaches of data gathering which would include the in-depth and thorough data depending on the aim of the study, controllable sample size and the reasonable costs (Best 1995). Dual forms of qualitative methods, mainly focus group discussion and semi-structured interview supported by documentary analysis have been applied. These dual approaches were useful since the interest was to identify challenges of SMEs in the adoption of e-commerce. Specifically, the challenges were examined through the views of SMEs Ilala- Dar es salaam. In the present study the scholar used a case study research design with respect to the study's objectives. A sample of 30 SMEs were selected to represent others which were not easily established because of shortage of time and unavailability of reliable information from visited government agencies. Data was collected through questionnaires, interview and documentary review. Quantitative data was carefully organized and analyzed through tables, graphs, bar charts, percentages and frequencies while quantitative data was analyzed through content analysis method while qualitative data was analyzed through content analysis.

### **4. Findings of the study**

The study revealed the Lack of ICT Expertise as one of the key challenges that SMEs encountered in Tanzania: Evidence in the present study presented that SMEs at the early phase of implementation and at institutionalisation revealed that most of their employees generally did not have elementary skills in ICT with basic literacy in computer literacy and technical networking skills. Nevertheless, employees and the organisation as a whole lacked software specific related skill necessary for E-Commerce, as SME explained: We have no expertise in IT need to perform E- commerce and as such, we normally outsource professionals with vast experience.

One of the participants stated as follows;

"We outsource most things in information and technology, and also, we have one person maintaining our website who is also outsourced. Therefore, there is no reason of employing

permanently an IT person just to be there since it will be much costly than outsourcing. The outsourced person come occasionally when there is need for the service especially tackling technical faults and maintenance. Therefore, for SMEs like us who cannot permanently employ for an IT services, outsourcing is relatively cheaper.” Although the findings revealed that most of the SMEs proprietors thought that their businesses had no adequate knowledge and skills for implementing and maintaining Electronic Commerce – owing generally to the supposed expenses of obtaining a professional person in ICT. Therefore, insufficient technological resource was noted by most of SMEs as a major obstacle to E-Commerce operation. Another SME stated as follows: by obtaining a collaborative company website means requiring the SMSs to improve on their IT facilities of which it is difficult for us to obtain that high amount of financial resources. For that reason, most SMEs(us) sought less not to aim high the standard anticipated of having company website. By so, the majority of the clients we have choose to use mobile contact which is simple and cheap.

The overall view from the participants was the absence of reliable and accessible internet services as a major obstacle to electronic commerce. However it was also noted by minority of the SMEs that never reported technological resource as scarce recorded the advatages of E-commerce such as diversified customers from several parts of the world, improved quality of products and services offered, high profits and availability of enough customer as SMEs were able to make international and local transactions through mobile phones, computers and other transaction devices. One of the SME revealed as follows: “we must be on internet every moment if possible, although we cannot because of bandwidth problem since it is costly and always unstable thus disrupting the whole process of E- commerce. This mainly affects clients who intends to purchase from abroad. It is indeed a challenge to us as we have customers and suppliers from there, but we are limited to perform such transactions due to internet problem.” Although the study revealed that most SMEs had email addresses as one of the ways of simplifying e- commerce, most of the SMEs operated business traditionally. SMEs had emails which they never used in doing business but they normally used emails for ordinary communication which could not activate E- commerce such as as connecting with potential suppliers and clients worldwide. Most SMEs preferred Internet service providers due to its cheapness but it mainly aided communication rather than E- commerce. Better internet services such as wireless internet connection, leased lines which best suits E- commerce were not preferred due to being costly for SMEs. The kind of internet service used by most SMEs favours simple means of communication but for E- commerce, an internet service with higher capacity would be much better to support the web for online business. In addition, it was revealed that most SMEs produce good s and services that target the local/ internal market within the country though some few SMEs thought of widening their market to international countries and globally. Therefore, there were mixed findings on whether the slow pace adoption of E- commerce were as a result of poor internet services or the slow pace resulting from SMEs themselves providing services and goods that have local market within the country. It was also noted that the management of those SMEs had a mixed Attitude on whether going for Ecommerce would either pay or not and as a result, they set aside little or no resources for IT development within their businesses to conduct E- commerce as it was considered not an integral part of their business activities.

The results revealed that shortage of fund to hire computer specialists, Absence of awareness on the E- commerce and IT, High cost of equipment and installation, Poor communication infrastructure, computer illiteracy among the SME owners, unfavourable costs by Internet service providers and high electricity cost were the major challenges that hindered or slowed down the adoption of E- commerce by the SMEs in Tanzania. Therefore, for SMEs to fully adopt



the E-commerce, first, the management of such SMEs need to be fully conscious of the benefits before completely engaging resources to E-commerce. This will help to decrease the challenge of technophobia. Lack of simple knowledge to operate, Infancy of technology as well as lack of fund to employ computer expert to train are all technological hinderances that reduce or limit the implementation of E-commerce. Other limiting factors as per literature review, are lawful difficulties including parties trading by electronic means, problems of tax issues, Social problems, these challenges were not given considerable weight by the participants partially since the IT technology is still at embryonic stage in our country and users have not encounter legal fights and difficulties in tax issues and experiencing cultural hassles.

A limited resource was one of the reasons that SMEs had as one of the main obstacle affecting SMEs in adopting E-Commerce; this was agreed by 85% of all respondents from the study. These findings are in line with a study by Milton (2012), which also stated similar results that in developing economies most of the small businesses fail to adopt E-Commerce due to limited availability of resources. These findings also imply that SMEs need to have adequate resources for them to be able to effectively adopt E-Commerce. Furthermore, the study found out that the cost of acquisition is yet another factor that affects SMEs when it comes to adoption of E-Commerce. The analysis revealed that 62% of all respondents agreed either strongly or just agreed. These findings relate to the findings in the study conducted by Haen (2011) revealing a positive relationship that exists between E-Commerce acquisition cost and the adoption of e-commerce among SMEs. Furthermore, the study found out that maintenance of E-Commerce after adoption is another challenge that most of SMEs are facing and hence decide not to adopt it. The analysis further revealed that more than half of the respondents (majority) constituting 66% of all respondents agreed on this, in which 20.0% strongly agreed and 46.0% just agreed. Also during the study one of the respondents also mentioned that: "Most of us fear the post-adoption cost, as you mentioned, the adoption in some cases is very easy but I am afraid this could just be a bait to lure me in, but once I adopt there will be a lot of extra cost for maintenance, which I cannot afford". These findings are similar to the study conducted in Kenya by Laur (2011), which revealed that most of the SMEs fail to adopt or maintain their E-Commerce adoption due to operational cost. The study mentioned that SMEs need to constantly pay some amount each month, such as internet cost in order to stay online; this had affected most of the businesses and hence these businesses decided not to opt for E-Commerce adoption. Accessibility of internet had also been found to be another factor that affects most of SMEs from adopting E-Commerce. The analysis discloses that 81% of those who responded also were in line with these findings, and respondents mentioned that in most cases the internet had been very challenging to most of the SMEs. These findings imply that there is a need for the Government and other stakeholders to develop good infrastructure to enhance E-Commerce adoption among small and medium businesses.

## **5. Conclusion**

From the study, it could be concluded that high equipment and installation costs, lack of fund to employ computer expert, and lack of awareness of the technology on the part of management are the significant factors that limit adoption of electronic commerce to SMEs, however there are some other factors were also part of the cause to challenges encountered by SMEs like poor communication network as well as infrastructure which could sustain e-mail process, high tariff imposed by services providers, Absence of important skills and expertise among the SMEs, lack of supporting infrastructure such as internet exchange and credit cards process as well as other methods of payment schemes and ambiguous guidelines. The policy framework is seen also as one of the key factor for e-commerce development; therefore to accelerate the

development of e-commerce the government in consultation with various stakeholders must improve the policy environment.

## 6. Recommendation

Tax laws that govern adoption of E-Commerce and the associated activities need to be reviewed in regard to adoption of E-Commerce by SMEs. Most of small business operators complained that tax is too high to SMEs in such a way that it affects their quest to adopt E-Commerce. The tax authorities should review taxes from both sides of the E-Commerce perspective. This will be an important milestone because reducing taxes translates into a significant reduction of the burden of operating cost to SMEs, which will result into ease of adoption of E-Commerce by most SMEs, since cost has been a common complaint in almost all discussions with the business operators. The importance of E-Commerce must never be ignored by SMEs, because by adopting E-Commerce, it increases their competitive advantage. The analysis further reveals that the cost of acquisition and some operational and maintenance costs are among the challenges that hinder these SMEs from adopting E-Commerce. This implies that institutions need to have a specially set budget for this, and later will have more profitability. The study further recommends that SMEs need to consider E-Commerce as one of the important aspects of their daily operations. The Government needs to improve all infrastructures that will enhance the adoption of E-Commerce by SMEs. Currently, the situation is not so good, from the availability of internet, power supply, and other supportive infrastructure. By improving the infrastructure, it will create a favorable condition that will attract many more SMEs to invest in adoption of E-Commerce, bearing in mind the advantages of E-Commerce that most of the SMEs do not know about.

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