

e-Commerce Driving Economic Growth by Enterprises in East Africa

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Abstract : Electronic commerce (e-Commerce) and Information and communications technologies (ICT) are transforming enterprises and fueling the growth of the global economy. Yet despite the broad potential of ICTs, and e-Commerce, their economic benefits have not been spread evenly especially in East Africa. Indeed, using ICTs effectively to foster economic growth is among the key challenges facing policymakers today E.Africa even though some developing countries have achieved important economic gains in nurturing the development of domestic e-Commerce enterprises. The aim of this study is to find out whether or not e-Commerce could be the powerful tool elevating and fueling economic growth in E.Africa, and the findings are pointed out.

Keywords: ICT, e-business, e-Commerce, online payment, innovation.

I. INTRODUCTION

To date, African producers and traders are barely represented in e-commerce for business customers (business-to-business, B2B). As there is very little integration with regional and international value chains, the potential for scaling up is limited. However, this is essential for making African products more competitive at both national and international level. e-commerce in Kenya is more common than most of us are aware. A joint 2016 National ICT Survey between the Authority and the Kenya National Bureau of Statistics (KNBS) *National ICT Survey* established that 39% of private enterprises are engaged in e-commerce. Though

the survey focused only on private enterprises and did not take into account households, for the first time it was possible to determine e-commerce penetration levels at the national level.

Although East Africa faces enormous challenges in reaching the potential and competitive economic development driven by the use of ICT. It is estimated that about 2.75 million enterprises owners own and manage about 3.16 million small business and the sector is estimated to contribute 6.9 Trillion Tanzania shillings (5,354,155,047 U\$D) or about 27% of the country's GDP [1] [2]. Therefore small and medium enterprises sector has been recognized as a significant sector in employment creation, income generation, and poverty alleviation and as a base of industrial development [3]. Small and medium enterprises sector is important to the socio-economic development of Tanzania, though some studies have revealed that it is largely informal and very much under-performing due to a multitude of constraints facing it [4].

II. LITERATURE REVIEW

Despite the fact that the use of e-Commerce and ICT equipment is still low in East Africa especially in Tanzania and Kenya compared to other countries in the world but it is growing at a staggering pace [5]. Realizing that, e-Commerce has been a major source of competitive advantage as well as a cost effective way for enterprises to reach customers globally and to compete with their counterparts globally, however the Government of the Republic of Tanzania is actively assisting small enterprises with expanding, growing and prospering their businesses through the development of various policies and open programs for improving the economic environment for small and medium enterprises [6].

However, robust evidence in support of that upbeat perspective still remains in short supply. This paper presents an attempt to add to our understanding of how ICTs driving force to enterprises on the competitive economy growth in East Africa. Some scholar suggest that informal enterprises are actually or potentially very productive, but are kept from exercising that productivity because of unfair taxes, burdensome government regulations, and limited access to capital. If these barriers to becoming more formal are eased, then enterprises are more likely to register, borrow, and, due to the benefits of a more official status, grow and generate economic development [7]. One survey pointed out that among enterprises in Ghana indicated that larger enterprises have taken the opportunity of ICT to gain the edge over their competitors unlike the small and medium enterprises [8]. As the global economy became increasingly reliant on ICT to receive, process, and send out information, the enterprises within the developing countries which form a significant portion of their developing economies have yet to reap these benefits offered by ICT [9]. The use of credit cards also is making great progress in East Africa. In 2016, 3 per cent of the African population over the age of 15 had a credit card, and this rate has been increasing steadily [18] Bank account ownership is highly correlated with possession of a credit or debit card, the favoured means of payment for e-transactions or e-Commerce.

The rise in mobile and increased participation in the financial system have been accompanied by rapid growth in the use of the internet for purchases or payments. During the period 2014–2017, online payments or purchases in Africa grew by 240.44 per cent, compared to 97.55 per cent in Asia, 42.20 per

cent in Europe, and 69.17 per cent in America. This strong growth in online payments or purchasing reflects a sturdy increase in e-commerce in East Africa [19].

A survey conducted in Ghana. The data shows that enterprises use e-Commerce to improve business activity and the objective of the study as to whether e-Commerce rely on ICT could be powerful tool to drive and fuel the economy growth of enterprises, the study shows that indeed enterprises output increase after the adaption of e-Commerce since it increases the pace and save time used in production and increased output to meet the demand of customers to the firms since customers nowadays pay attention to quality and this tends to increase the sales of enterprises that adopt e-Commerce in their business[16]. The table below shows show enterprises revenue increases after using e-Commerce.

Table 1. Enterprises Sales/Profit before and after e-Commerce /ICT.

Components	1100<cedis<1500	1600<cedis<2000	Cedis>2000
Profits before ICT	8(20%)	4(10%)	0(0%)
Profit after ICT	21(52.5%)	6(15%)	5(12.5%)
Sales before ICT	18(45%)	6(15%)	0(0%)
Sales after ICT	11(27.5%)	18(45%)	9(22.5%)

Source: C.,Akomea-Bonsu & F. Sampong [16]. 1USD= 1.85 Ghana Cedis

III. E-COMMERCE / ICT TECHNOLOGY.

e-Commerce is the trading or facilitation of trading in products or services using computer networks, such as the Internet among others. e-Commerce may be categorized as either domestic, when it takes place within a country's borders, or cross-border, when it occurs across international borders and ICT is defined as an array of primarily digital technologies designed to collect, organize, analyze, store, process and communicate information.[13] As a broad concept ICT includes; Information systems, information technology and digitization. ICT can be categorized into old that include telephones, radio, television, films, audio and video cassettes and new ICT that include, computers, mobile phones, faxes, point of sale systems, global positioning systems, Informational geographical systems, satellites, networked environments and Internet[14].

3.1 E-Commerce as tool to promote economic growth.

This focuses on ICT as a driver of the economic growth process. This usually focuses on providing the poor with opportunities to receive up-to-date information or the ability to communicate more easily. The explicit or implicit objective of an ICT-led development project such as Telecentres is often on promoting economic growth through access to better opportunities to generate income to reduce poverty.

The economic case for the contribution of ICT to the economic growth is summarized and the postulated relationship between access to ICT and economic growth is

spelt out below through a five-step process starting at the bottom of the pyramid five-step process starting at the bottom of the pyramid

3.1 Importance of the study.

e-Commerce is taking center stage driving, fostering economy growth and competitiveness of all sectors globally and there is need for enterprises adopt e-Commerce to improve competitiveness. By exploring the opportunities offered by e-Commerce relying on ICT in general to improve market access, this study provides the necessary knowledge required for improving the sector's competitiveness to enable it deliver to the country's expectations.

3.2 Study objectives

- To examine the role of ICT in driving and fueling economic growth.
- To promote for enhanced ICT use by enterprises improve economy competitiveness

IV. FINDINGS

Some surveyed studies has showed that:

The mobile phone is the most used ICT tool: is rated most significantly in terms of desirability, accessibility and affordability. Mobile phones emerge as the preferred ICT tool to enterprises due to affordability, easy to use, and a reliable network. More than 95 percent of enterprises in Kenyan own mobile phones with subscription reaching 30.7 million in April, 2013 and mobile penetration at 78 percent[15]. Mobile phones/mobile internet offer enterprises to make transactions, advertise their business to increase the value of the product. This is preferred tool to enhance economy growth by reaching new customer locally and globally. Contrariwise, mobile phones can also be used to facilitate market transactions to improve efficiency and reduce high transaction costs. Such transactions include mobile-banking, mobile-payments and mobile money transfer [15].

Moreover, the number of phone subscriptions has grown from the equivalent of one per 1,000 adults in 1999 to the equivalent of nearly one per adult in 2010; Internet usage rates for 2010 were around four per ten adults. Person-to-person mobile money transactions at the end of 2010 were equivalent to around 20 percent of GDP with two of every three Kenyan adults being users

But the report's strongest claim is this: *"ICT has been the main driver of Kenya's economic growth over the last decade.* Since 2000, Kenya's economy grew at an average of 3.7 percent. Without ICT, growth would have been a lackluster 2.8 percent similar to the population growth rate and income per capita would have stagnated". So ICTs were responsible for 0.9 of the 3.7 percent annual GDP growth, and for all of Kenya's GDP per capita growth [10]. Put another way, ICTs were responsible for roughly one-quarter of Kenya's GDP growth during the first decade of the 21st century.

4.1 Computer and its applications: is another promising ICT tool for enhanced market access in SMEs is the computer with all the computer related applications. Statistics indicate computer usage in Kenya has increased over the years, 77 percent SMEs indicating they own a computer. However, majority use computers for basic applications like automation and communication. In a study on ICT adoption and use by SMEs, only 28 percent of interviewed SMEs had Websites and 24 percent indicated they used ICT for product marketing and e-commerce to increase the revenue [10]

4.2 The Impact of ICT (Mobile Phones) in economic growth Development in E. Africa.

ICT has been driving factor for economy growth. For example in Mobile telephony has been credited to have positive impact on both economic and social welfare. Economically the impact has been manifested in many different ways, such as generating income (boosting GDP); creating jobs (both in the mobile industry and the wider economy), increasing productivity in different areas and providing public revenues through taxation from mobile operators [11].

In a study carried out on 'livelihood changes enabled by mobile phone' it was demonstrated that increased access to information through the use of mobile phones by fishermen in Tanzania resulted in empowering them through increased bargaining power as well as on knowledge about market opportunities [12].

V. BENEFITS COULD BE ACHIEVED ADOPTING E-COMMERCE.

- *Improving Logistics.*

The growth of "traceability" systems in agribusiness and mining reflect a response to consumer demand for knowing the source and treatment of food products, coffee and gems

- *Connecting with Customers.*

Website marketing of specialty coffee producers is helping to build strong relationships with importers and roasters by showing the coffee's origins and its benefit to local communities.

- *Increasing Efficiency.*

Tourism companies would benefit greatly from using ICT to network with financial institutions and allow for credit card transactions, a major input into tourists' choice of hotels, tour operators and other major purchases hence growth economy

- *Creating Differentiation.*

In the gemstone industry, investments in computer-aided manufacturing (CAD CAM) products are being explored, which could be leveraged to create unique, distinctly Tanzanian designs, enhancing

differentiation and increasing the value of jewelry exports

VI. CONDITION RESTRICTING E-COMMERCE IN E.AFRICA

The study has shown that e-commerce has significant potential for growth in Africa. However, substantial barriers to e-commerce development on the continent remain, the most important being cybercrime, a poor legal framework to support e-commerce.

6.1 Cybersecurity

Cybersecurity Transaction security is a major concern for e-commerce participants and cybercrime is a major obstacle to the use of ICT and thus to e-commerce development[20][21]. Cybercrime is hard to control, given difficulties in identifying cybercriminals (their profile is significantly different from that of conventional criminals) and a lack of data or a strong policy

6.2 Legislation in the e-commerce field

Most African countries lack many of the basic requirements of a legal framework for e-commerce. For example, apart from Algeria, no country has laws providing for the acceptance of electronic signatures [22]. A few countries, including Algeria, Côte d'Ivoire, Ethiopia, Morocco, Senegal and Tunisia, have made progress in establishing a legal framework for e-commerce[22], while the others still lag behind. There also is a lack of harmonization of the legal frameworks of African countries [19]

VII. CONCLUSION AND RECOMMENDATION.

The researches has discussed the relationship between e-Commerce and economic growth since ICT holds a lot of potential for driving the economy growth. The use of e-Commerce still remains low despite enterprises having access to these tools. Majority of enterprises use ICT for communication, social networking and general information acquisition. There is a lack of awareness of the range of opportunities that e-Commerce offers. The study also concludes that in order for the e-Commerce to drive the economy growth effectively the following recommendation has to be followed.

- Government should Increase awareness to other stakeholders to promote the use of various available ICT applications to improve the income hence grow economy. This includes the use of popular social sites for advertising product by enterprises e.g. Facebook. Some SMEs are already using these sites to advertise their products and services, to communicate with potential customers. Using these sites will address the constraint of high marketing costs, Social sites have a very high traffic of potential customers who can be reached.

- ii. Improving ICT literacy levels through training in schools and institutions of higher learning. Studies have shown that high ICT literacy levels among employees and owners translated to higher degree of ICT use in enterprises [15].
- iii. The government should quickly implement the ICT policy and Security that aim at enhancing ICT use, the development of ICT Infrastructure and making ICT hardware and software accessible and affordable to majority at the same time the Government must improve ICT infrastructure this factors affecting e-Commerce use by enterprises in several parts of Africa.

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