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THE IMPACT OF BUSINESS ENVIRONMENT ON TRADE: THE CASE OF KARIAKOO INTERNATIONAL MARKET, TANZANIA

Kitojo Kagome Wetengere

Department of Economics. The University of Arusha.

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***Corresponding author:** Kitojo Kagome Wetengere
Department of Economics. The University of Arusha.

Abstract

This study was conducted to investigate the impact of the business environment on trade with reference to the Kariakoo International Market in Dar es Salaam, Tanzania. The study employed a case study design and documentary review methodology. Content analysis was employed to analyze data. The research found that the Market is facing many challenges related to taxes and non-taxes. Tax challenges comprise numerous and high taxes that do not match the value of goods sold by businesspersons and purchased by consumers. Non-taxes challenges include harassment of traders, and luggage carriers by Police, municipality guards, and TRA; the registration of cargo stores and taxing of goods in the stores; a large number of vendors doing business in front of shop owners; strikes by traders; bureaucracy in obtaining many permits from different institutions; rampant corruption and bribery; the poor arrangement of shops and uncontrolled auctioning of goods and renting shops. Such factors increase costs, delays, and risks leading to business closure or runaway. Further, the key players in the market were identified, and their role in forming the existing business environment in the market was thoroughly discussed. This study recommends: First, involving all the key players to find solutions for the challenges in the market. Second, enhancing taxpayers' education and information on the importance of tax compliance by every citizen is key to success. Third, to prepare a platform where the government will give feedback to all stakeholders on revenue collection, and in financing the country's development efforts. Fourth, enforce the use of Electronic Fiscal Devices to issue receipts. Fifth, encourages online business. Finally, the successful creation of a favorable business environment in the market, requires legislative support, effective design of the administrative structure and technical procedures, skilled staff, consultation processes with key players, and policies and regulations to reinforce it.

Key Words: Business environment, trade facilitation, profit, obstacles to trade, Kariakoo International Market, Tanzania.

INTRODUCTION

Trade is one of the most important pillars for the growth of any economy (Wetengere, 2021; Commercemates, 2018; OCSE, 2006). Trade facilitates economic growth because it brings new opportunities to people and money to the public (Wetengere, 2021a). It is due to the above that the Tanzania Development Vision (TDV) 2025 mentioned trade as one of the drivers of economic growth in Tanzania (URT, 2016). Trade drives the economy by generating government revenue; generating foreign currency; creating employment opportunities; creating markets for goods and services; technology transfer, improving managerial skills and workers' skills; increasing the availability of goods and services of different varieties and qualities, and therefore improving the standard of living of the people, and by so doing enhances competition (Wetengere, 2020; 2021a). It is because of the above that the Ghanaian president, His Excellency John Dramani, Mahama said “Africa needs ‘fair chance’ to trade, not sympathy or aid.” (Kasapa, 2016).

Businesses¹ can grow and prosper in a particular environment just as a plant can grow in a particular soil and climate (Prasad, 2018). Since trade thrives well in a particular business environment, the entrepreneur has to pay attention to the environment where business activities are conducted (OSCE, 2006; Prasad, 2018). If the entrepreneur operates in a conducive environment and he/she can adapt his/her business to the environment effectively and efficiently, the business can make higher profits (OSCE, 2006; Prasad, 2018). That is why OSCE (2006) sees the promotion of a positive business environment as an important priority in facilitating trade and advancing economic development (IIMM, 2019; Indeed, 2023).

The business environment is the aggregate of all conditions, events, and influences that surround and affect the business (Keith Davis as quoted by Prasad, 2018). A favorable business environment is essential for the development of Small and medium-sized enterprises (SMEs) and for attracting trade. A poor business environment, is, one plagued by factors that impose heavy costs, delays, and risks, impede trade and economic development, and frighten trade away (OSCE, 2006; Wetengere, 2021). Since trade is one of the drivers of economic growth, there is a need to adopt pro-development policies, and laws and practices supporting business development. Trade can grow if concerted efforts are put in to improve the business environment (OSCE, 2006).

The Organization for Security and Co-operation in Europe (OSCE) defines a business environment as a framework that enables foreign and domestic companies to conduct business and seek profits in a given country (Eruemegbe, 2015; OSCE, 2006). The success of any business is solely dependent on its ability to make a profit. However, profits are to a large extent influenced by four obstacles: costs, delays, risks, and barriers to competition (OSCE, 2006). This is in line with Prasad (2018) who states that ‘the effectiveness of market institutions depends on their capacity to reduce transactional costs of various types.’ That means a favorable business environment minimizes those obstacles and thus, facilitates trade (OSCE, 2006).

On the contrary, a poor business environment that is plagued by those obstacles discourages business ventures to grow and flourish (OSCE, 2006). In the real world of business ‘money is very

cowardly’, that is, tends to move freely from one place to another depending on the influence of those obstacles (OSCE, 2006). Thus, to invest and retain money in business in any given place and attain competitive returns, a businessperson will seek to avoid and/or minimize those obstacles.

Businesses do not operate in a vacuum but rather in a dynamic environment that has a direct influence on how they operate and whether they will achieve their objectives (Eruemegbe, 2015; OSCE, 2006). Since the business environment is made up of different combinations of factors that can influence the environment where trade operates (Indeed, 2023; OSCE, 2006), it is essential to examine the environment through which the business operates (Prasad, 2018).

Kariakoo International Market is one of the oldest markets in Tanzania. Due to its historical importance and strategic location, the market has great potential to contribute to the development of the businesspersons and the national economy as a whole (TANTRADE, *Undated*). Despite its potential, the market has been facing various challenges that act as a hindrance to attaining its full potential. Few studies (see for instance, TANTRADE, *Undated*; Sanga, 2023; Kimaro, 2023; Sonna, 2023) conducted to investigate challenges facing the market, are scattered and lack in-depth analysis. Further, there is a lack of understanding of how the key players contribute to forming the business environment prevailing in the market. This study, therefore, served to conduct an in-depth investigation on how the key players interact among themselves, and the challenges in the market, and how such interaction makes it difficult to find out a long-term solution to the challenges.

Objectives of the Paper

This paper investigated the impact of the business environment on trade, with reference to the Kariakoo International Market, Tanzania. More specifically, the study was intended to:

- 1) Find out the challenges (tax and non-tax factors) facing businesspersons in the Kariakoo International Market; and
- 2) Identify key players and their roles in creating the existing business environment in the Kariakoo International Market.

METHODS AND MATERIALS

This paper employed a documentary review methodology. This method is a technique used to classify, explore, and interpret written documents from various sources. Further, the documentary approach deals with documents, that are reliable, cost-effective, and ensures that the information has a high degree of accuracy, authenticity, credibility, and representativeness. Such documents lead to valid findings and conclusions based on the study's objectives. The information for the study was obtained from journal articles, proceedings, magazines, websites, and unpublished literature. The methodology was used to investigate how the business environment facilitates or impedes trade.

Data was analyzed using content analysis by categorizing qualitative textual data into clusters of similar entities, or conceptual categories, to identify consistent patterns and relationships between variables or themes. A case study design of Kariakoo International Market was used to investigate the problem. The Design involved an in-depth, contextual analysis of similar situations in other markets, where the nature and definition of the problem happen to be the same as experienced in the current situation

¹ For this paper, the word business will be used to mean trade.

(Adam and Kamuzora, 2008). Since this study was intended to gain a rich understanding of the Kariakoo International market, a case study design was considered useful.

LITERATURE REVIEW

Business Environment

Business is any activity undertaken mainly to earn a profit, and the success of any business is solely dependent on its ability to make a profit (OSCE, 2006; Prasad, 2018). However, business has several dimensions such as purchasing goods, storing, packaging, transporting, and selling them that need to be operated profitably (Prasad, 2018). Whether a business venture will be able to make a profit or not depends upon several factors surrounding the business. Hence, any business is influenced by several factors, all of them put together are described as the business environment. So, if the entrepreneur is to earn higher profit, he/she has to operate his/her business in a conducive environment or be able to adapt his/her business to the environment (Prasad, 2018).

Business can grow and prosper in a particular environment just as a plant can grow in a particular soil, and climate (Prasad, 2018). Since business thrives well in a particular business environment, the entrepreneur has to pay attention to the environment he/she has to conduct his/her business activities (OSCE, 2006; Prasad, 2018). This is in line with Eruemegbe (2015, who argues that businesses do not operate in a vacuum, but rather in a dynamic environment that has a direct influence on how they operate and whether they will achieve their objectives. Learning more about these ecosystems and how a business might navigate them can help you adapt to changes and keep a relative and positive reputation in your market (Eruemegbe, 2015; Indeed, 2023). For survival and growth, managers must adapt to these changes (Eruemegbe, 2015; Prasad, 2018).

The business environment is the aggregate of all conditions, events, and influences that surround and affect the business (Keith Davis as quoted by Prasad (2018). The Organization for Security and Co-operation in Europe (OSCE, 2006) defines a business environment as a framework that enables foreign and domestic companies to conduct business and seek profits. A favorable business environment is essential for attracting a profitable business venture. A poor business environment, is, one plagued by factors that impose heavy costs, delays, and risks, which impede trade, and frighten trade away (OSCE, 2006). Such an environment plagued by those obstacles is very likely to discourage business ventures (OSCE, 2006). In the real world of business '*money is very cowardly*', that is, tends to move freely from one place to another depending on the influence of those obstacles (OSCE, 2006). Thus, to invest and retain money in business in any given place, a business person will seek to avoid or minimize those obstacles.

The business environment is made up of different combinations of internal and external factors that can influence the overall environment where the business operates (Indeed, 2023).

Internal factors that affect the business environment

The internal environment is concerned with the different factors present within the organization (Surbhi, 2020). It comprises of the following major factors: (i). Value System, (ii). Vision, Mission, and Objectives, (iii). Management Structure and Internal Power

Relationship, (iv). Human Resources, and (v). Tangible and Intangible Assets.

External factors that affect the business environment

The external business environment comprises all the extrinsic factors, influences, events, entities, and conditions, often existing outside the company's boundaries, but they have a significant influence on the operation, performance, profitability, and survival of the business enterprise. For the continuous and uninterrupted functioning of the business, the enterprise has to act, react, or adjust according to these factors. These factors are not under the control of the enterprise. The elements of the external environment are divided into two categories:

- i. **Micro Environment:** These factors directly influence the company's operations on a minor scale, as they cover the immediate environment that surrounds the company. The factors are somewhat controllable. It includes: (i). Competitors, (ii). Suppliers, (iii). Customers, (iv). Intermediaries, (v). Shareholders, (vi). Employees, and (vii). Media.
- ii. **Macro Environment:** The macro-environment affects the entire industry and not the firm specifically. That is why these factors are completely uncontrollable. The firm needs to adapt itself according to the changes in the macro-environment, to survive and grow. It includes: (i). Economic Environment, (ii). Political and Legal Environment, (iii). Technological Environment, (iv). Socio-Cultural Environment, (v). Demographic Environment, and (vi). Global Environment.

Table 1: Comparisons between Internal and External Business Environments

Basis for Comparison	Internal Environment	External Environment
<i>Meaning:</i>	Internal Environment refers to all the inlying forces and conditions present within the company, which can affect the company's working.	External Environment is a set of all the exogenous forces that have the potential to affect the organization's performance, profitability, and functionality.
<i>Nature:</i>	Controllable.	Uncontrollable.
<i>Comprise of:</i>	Strengths and weaknesses.	Opportunities and threats.
<i>Affects:</i>	Company only.	All companies operating in the industry.
<i>Bearing on:</i>	Business Strategy, functions, and decisions.	Business survival, growth, reputation, expansion, etc.

Source: Surbhi (2020)

Reforms on the Business Environment in Tanzania

The Tanzania business environment has witnessed a lot of changes in the past few years. The government has continued to implement

the Roadmap for Improvement of Business and Investment Climate and Blueprint for Regulatory Reforms to Improve the Business Environment. This action plan is meant to ensure that the identified business and investment constraints are eliminated to attract more investment. The implementation of these measures below has strengthened the business environment in the country (UTR, 2019; Wetengere, 2021b).

In implementing the action plan, different measures have been taken including abolishing 114 fees or levies in agriculture, livestock, and fisheries sectors, abolishing 5 fees or levies that were charged by Occupational Safety and Health Agency; 54 different nuisance levies and fees in various sectors in 2018/19; the establishment of One-Stop Border Posts between Tanzania and neighboring countries which strengthen trade; the establishment of the One-Stop Service Centre that expedite service delivery to customers; streamline the functions of the Tanzania Bureau of Standards and Tanzania Medicines and Medical Devices Authority to remove duplication. Despite the efforts done above, still there is a lot to be done (URT, 2019; The Citizen, 2021; Johari, 2021).

Trade Facilitation

When policymakers talk about “trade facilitation”, they are referring to a specific set of measures that streamline and simplify the technical and legal procedures for products entering or leaving a country to be traded internationally (OECD, 2023). Trade facilitation covers the full spectrum of border procedures, from the electronic exchange of data about a shipment, to the simplification and harmonization of trade documents, to the possibility of appealing administrative decisions by border agencies (OECD, 2023). In other words, trade facilitation refers to the simplification, standardization, and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment (United Nations, *Undated*).

In simple terms, trade facilitation should streamline customs procedures to reduce the time and cost of trade -- essentially, cut the “red tape” at the border (United Nations, *Undated*). Trade facilitation is a vehicle for economic growth, increased trade competitiveness, deeper regional integration, and a better insertion of developing countries into the regional and global value chains (Rippel, 2011); United Nations, *Undated*). Trade facilitation has emerged as a key factor for international trade efficiency and the economic development of countries (Rippel, 2011; United Nations, 2012). This is due to its impact on competitiveness and market integration and its increasing importance in attracting direct foreign investments (United Nations, 2012).

Lack of transparency about rules and regulations, redundant and lengthy clearance processes, and multiple document requirements in different formats and with different data elements increase the costs and time of doing trade (OSCE, 2006; United Nations, 2012; TANEXA, 2012; MAFAP, 2013). Today these obstacles are posing greater barriers to trade than tariffs and quotas do (Rippel, 2011); United Nations, 2012). They are thickening the border of countries (Wilson, 2007 as quoted by the United Nations, 2012). Therefore, it is more important than ever to achieve trade facilitation to enhance administrative efficiency and effectiveness, reduce costs and time to markets, and increase predictability in global trade (Rippel, 2011; United Nations, 2012).

Bureaucratic delays and “red tape” pose a burden for moving goods across borders for traders. Trade facilitation - the simplification, modernization, and harmonization of export and

import processes - has therefore emerged as an important issue for the world trading system (WTO, *Undated*). Long waiting times at borders, inappropriate fees, cumbersome formalities, and inadequate or unclear rules and regulations, can all become serious obstacles to trade, and as a consequence adversely affect investment, employment, and trade-led development (UNCTAD, *Undated*).

Conceptual Framework

OSCE (2006) defines a business environment as a framework that enables foreign and domestic companies to conduct business and seek profits in a given country. For that matter, the success of any business is solely dependent on its ability to make a profit (OSCE, 2006). A business environment comprises internal as well as external factors (White, 2005; Figure 1).

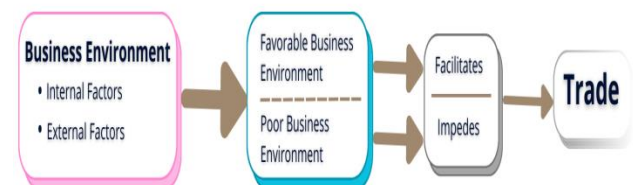


Figure No. 1: Business environment, and how it facilitates or impedes trade

However, profits are to a large extent influenced by four main obstacles: costs, delays, risks, and barriers to competition. A favorable business environment minimizes obstacles and therefore facilitates trade (Figure 1). On the contrary, a poor business environment is plagued by those obstacles, discouraging business ventures (Figure 1). Businesspersons seek a predictable and acceptable return on their business: In the real world of business ‘*money is very cowardly*’, that is, tends to move freely from one place to another, depending on the influence of those obstacles.

If a poor business environment through unfair taxes, fees, fines, corruption dominance, and added need for compulsory professional services (lawyers, accountants, and consultants), increases the cost of transactions in a particular market, a businessperson may look for another market (OSCE, 2006; Jahari, 2021; The Citizen, 2021). Likewise, if the impediments brought by the system delay the commencement of profit-making activity significantly, a businessperson may flee to another market (OSCE, 2006; The Citizen, 2021). Finally, even if the initial costs and delays are not a factor but the businessperson is worried about political upheaval, seizure of assets, or legislative changes that could diminish the return, the businessperson may be willing to accept a slightly less attractive return in another Market to minimize the risk.

KARIAKOO INTERNATIONAL MARKET

History and Uniqueness of the Kariakoo Market

The Kariakoo International Market located in Dar es Salaam City is the hub of business in Tanzania (TANRADE, *Undated*) and the surrounding countries. The market is located in the Kariakoo area in the middle of the junction of Mkunguni and Nyamwezi streets and is surrounded by Nyamwezi, Mkunguni, Sikukuu, and Tandamti streets (TANRADE, *Undated*). The market was built by the German colonists who constructed a special building intended to be used as a hall to celebrate the coronation ceremony of the German Emperor Wilhelm at that time (1888-1918) (Kimaro, 2023). However, the emergence of the First World War changed the use of the building into a special camp for porters who carried cargo for the war, known as the “Carrier Corps” (TANRADE, *Undated*; Kimaro, 2023).

The word “*Kariakoo*” came from the words “*Carrier Corps*” as the local people could not pronounce the English words “*Carrier Corps*” properly (TANTRED, *Undated*). After the war, the place was used as a market for a few concrete tables (Kimaro, 2023). The construction of the Kariakoo Market started in 1971 and was completed in December 1975 and was officially inaugurated by the first President of Tanzania, the Late Mwalimu Julius Kambarage Nyerere (TANTRED, *Undated*; Kimaro, 2023). Due to its strategic position, the market grew and continued to attract a significant number of businesses of goods and services at wholesale as well as retail prices in the surrounding areas (TANTRADE, *Undated*).

Location

Kariakoo International Market is **strategically located** within the radius of Dar es Salaam harbor and crossroads between Southern, Central, Eastern, and Southwestern Africa. The market serves business persons from all regions in Tanzania and approximately 11 countries in Africa. Six countries out of 11 are land-locked namely; Uganda, Rwanda, Burundi, the Democratic Republic of Congo (DRC), Zambia, and Malawi, which directly border Tanzania. These countries depend on Tanzania’s harbors, Dar es Salaam being the major and other means of transport like roads, railways, airways, and waterways to transfer goods into their countries (Bagenda, 2003; Youging, 2015). Other countries are Kenya, Comoro, Botswana, Zimbabwe, and Seychelles.

Besides, Tanzania is a member of the Tripartite Free Trade Area (TFTA) (Wetengere, 2021a). The region includes the Southern Africa Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA), and East African Community (EAC). This is an opportunity for the Kariakoo International Market to access these areas (Wetengere, 2021a). The market is one of the largest and oldest markets in Africa surrounded by thousands of shops located on dozens of streets (TANTRADE, *Undated*; Kimaro, 2023).

Development of Kariakoo International Market

Due to its historical importance and strategic location, the Kariakoo International Market has become a business hub of local and international markets for goods from different sectors (TANTRADE, *Undated*). That importance has made the market to be one of the prominent and biggest markets in Africa (TANTRADE, *Undated*). The area where it is located, the types of products and businesses, its structure and appearance, the number of traders, and the way it connects businesses within and outside, have made it a unique market (Kimaro, 2023).

It is a market with all kinds of products, both wholesale and retail. It is a unique market that for years has been gathering thousands of traders in Tanzania, East Africa, and other countries outside this region (Kimaro, 2023). This market is not just a building, if you say Kariakoo it touches the market itself and the shops in all the streets of Kariakoo (Kimaro, 2023).

Unfortunately, in July 2021, the market caught fire and was officially closed. Currently, the new building for the market is under construction and the old one is being renovated. After completion of the project, it will look more modern market visually (Kimaro, 2023). It will have six floors including two underground and the project is expected to be completed in October 2023.

It is expected that after the completion of the project, the market will be able to accommodate more than 2,300 traders (TANTRADE, *Undated*; Kimaro, 2023). It is estimated that the whole area of Kariakoo has between 20,000 and 50,000 big and small businesspersons, and vendors who benefit from its services (TANTRADE, *Undated*; Kimaro, 2023). And, it may have more than that.

The Importance of the Kariakoo International Market

Due to its economic importance, the government decided to make the Kariakoo area a “tax region” which aims to bring tax services closer to traders, improve customer services, and hasten to solve challenges related to tax matters easily (TANTRADE, *Undated*). The market is an important link for domestic and foreign businesses, with a significant contribution to the Tanzanian economy. If the market stops operating, its impact will be felt by traders almost all over the country and beyond (TANTRADE, *Undated*).

It is estimated that on average, the market can bring in up to 10 billion shillings per month, an income that exceeds many councils in Tanzania (Kimaro, 2023). Furthermore, it is estimated that the whole area of Kariakoo has employed 20,000 and 50,000 big and small traders and vendors who directly benefit from it (TANTRADE, *Undated*; Kimaro, 2023).

RESULTS AND DISCUSSION

Tax and Non-Tax Challenges Facing Businesspersons in the Market

The growth or development of the Kariakoo market has led to several challenges. These challenges did not start today or yesterday, they have been there for a long, and sometimes they have led to strikes revealing the feelings of businesspersons after suffering for a long time (Kimaro, 2023). Some of the challenges have been handled by the Government but some have not. In May 2023 these challenges led traders to go on strike not to open their shops (Sanga, 2023). Challenges faced by businesspersons at the Kariakoo International Market include the following:

First, the systems of estimating taxes are not friendly to traders (TRT Africa, 2023; The Citizen, 2021). The Tanzania Revenue Authority (TRA) estimates higher taxes which discourage business growth and flourish in the country. It was evidenced that, the current system of estimating taxes provides the incentive for corruption and allows unfaithful workers from TRA to use it for their gain (VoA, 2023). Further, taxes payable to various authorities are many (The Citizen, 2021; Jahari, 2021) and do not consider and match the value of goods, size, and nature of business. Taxes paid include income tax, value-added tax, customs duties (import tax, exercise duty, and parking fee), license fee, land tax, and the local government tax. This practice has been a hindrance to the development of business (Sanga, 2023; The Citizen, 2021; Jahari, 2021).

Second, unpredictable regulations and policies (Jahari, 2021) like the registration of cargo stores and taxing goods that are in the store (Sanga, 2023). Third, increasing acts of arresting and harassing traders by the TRA Task Force for goods that are suspected to evade tax or non-compliance with the issuance of electronic fiscal device (EFD) receipts or the suspected amount understated on receipts against the value of goods purchased. Fourth, increasing acts of catching luggage carriers done by Police

or municipality guards while taking goods out or in shops or stores. This practice makes local and foreign traders fear and run away (The Citizen, 2021).

Fifth, the increasing number of vendors (*machingas*) in front of shop owners and therefore triggering congestion a situation causing doing business to become difficult, leading to poor security and increasing of garbage beyond the ability to remove them (TANTRADE, *Undated*). Sixth, bureaucracy or red tape in applying for and obtaining business licenses and permits from the government or mandated authorities. In that situation, a trader or an investor takes too long to obtain a permit. Further, the poor arrangement of shops hinders business from being done easily. Seventh, the increasing uncontrolled auctioning of goods and rental fees (TANTRADE, *Undated*). This has increased rental fees for shop room(s), which in turn increase the cost of doing business.

Key Players and Their Roles in the Market

Given the potential and the immense contribution of the market to the well-being of the businesspersons and the economy of the country in general, there is a need to conduct a thorough analysis of the situation prevailing in the market. There are three main schools of thought explaining the poor business environment prevailing in the market:

The Government and Its Allies

The first school of thought blames the government and its allies (government leaders, TRA, local authorities, Police force, and political leaders) for creating the poor business environment at the market: The proponents of this thought argue that the Governments can have a major impact on the business environment at the market through each of the obstacles: *on costs*, through the regulatory burden and red tape, taxes, levels of corruption, infrastructure services, labor market regulation, and finance; *on risks*, through policy predictability, property rights, and contract enforcement; *on barriers to competition*, through regulations controlling start-up and bankruptcy, competition law, and entry to finance and infrastructure markets; and *on delays*, through impediments that delay the commencement of profit-marking activity significantly (OSCE, 2006).

TRA Task Force is responsible for increasing the unsecured business environment, through their acts of arresting and harassing traders, who are suspected of evading tax or non-compliant with EFD issuance receipts. Further, TRA is responsible for unfair tax estimates, which do not match the real value of goods and the nature of business possessed by the traders. The Police and Municipality guards are responsible for increasing acts of harassing and catching luggage carriers.

Political leaders are responsible for making declarations that bring chaos and confusion because they contravene the law of the land of tax. Many see these declarations as a tactic used by politicians to earn favor from voters. A good example of this occurred in June 2022 during President Samias' visit to the Kagera Region where she made a statement that "From now on TRA should not claim back taxes which go beyond one year". When traders referred to this statement of President Samia, TRA officials told them that "these are political statements that are not backed by any law of the land concerning tax (Kimaro, 2023) and no leader is above the law of the land". Even when the Prime Minister emphasized that refusing to comply with the President's order is an insult of high

level, many do not expect much to change because the law and other tax guidelines still exist and TRA officials are working per the law of land concerning tax issues (Kimaro, 2023).

Often, the government and its allies, argue they do so to collect more taxes needed for the development of the country. In other words, the government and its allies are saying what they are doing is implementing their day-to-day activities according to the law of the land. TRA argues that if the leaders want them (TRA) to change the way they are working, then they have to return to the parliament and amend the tax laws that empower TRA to do their work (Sanga, 2023).

On the contrary, some businesspersons believe that some government officials and their allies do what they are doing to create an environment that forces businesspersons to bribe them. In the same vein, when Prime Minister Hon. Kassim Majaliwa was addressing the businesspersons who were on strike at the Kariakoo market in May 2023, he said that sometimes TRA increases tax debts owed by businesspersons so that they can meet and ask for bribes from the traders (Sanga, 2023). Traders argue that some government allies ask traders to bribe them from their sales, something that reduces their capital (Sanga, 2023) and threatens their business survival.

Speaking during the African Parliamentarians Network Against Corruption (APNAC) meeting, Muheza Member of Parliament Adadi Rajabu (CCM) said an unfavorable business environment scares away potential businesspersons (The Citizen, 2021). He said "I traveled with the Parliamentary Budget Committee to Uganda. Surprisingly, I came to realize that a majority of the businesspersons who used to trade at Kariakoo in Dar es Salaam had shifted their businesses to our neighbor." (The Citizen, 2021). "Adadi added, the decision of these businesspersons was attributed to either an unfriendly taxation system or bureaucracy." (The Citizen, 2021).

The Businesspersons Themselves

The second school of thought blames the businesspersons for the situation at the Kariakoo market (Michuzi blog, 2023; Sonna, 2023). Big businesspersons who have been evading taxes and some politicians were the main cause of the strike (Michuzi blog, 2023; Sonna, 2023). "These are businesspersons known since the Fourth Government Phase who were leaders in tax evasion by importing containers of goods from China, Dubai, Turkey, and other countries" (Sonna, 2023). During the Fifth Government Phase, a container was caught in the harbor alleged to have secondhand clothes, but in reality, it had two Toyota Land Cruiser VX V8 vehicles. The two vehicles were valued at Tshs. 1 billion which would have entered the country without paying tax.

It has been revealed that big businesspersons who evade customs taxes for importing containers from China and some politicians use small businessmen and vendors as bait and loudspeakers to stimulate the strike (Michuzi blog, 2023; Sonna, 2023). One trader from Kariakoo argued, "When big businesspersons are affected by the tax, small businesspersons are affected as well because we buy from them. So, it is easy for small businesspersons to be used as bait and loudspeakers for the big businesspersons". Further, some politicians have also participated in stimulating the strike for their personal financial and political interests (Michuzi blog, 2023; Sonna, 2023). Hence, the strike was a tactic of the big businesspersons and politicians to pressure the Tanzania Revenue

Authority (TRA) not to clamp down on big businesspersons' tax evasion (Michuzi blog, 2023; Sonna, 2023).

The reality is prominent tax-evading businesspersons have been squeezed by TRA in the Sixth Phase Government to the extent that tax collections have broken records by reaching an average of 2.7 trillion shillings per month which has never happened since we gained independence (Michuzi blog, 2023; Sonna, 2023). After seeing that they have been constrained by TRA, especially in the area of controlling the taxation of containers from China, and efforts to control the warehouses in Kariakoo shops, the big businesspersons stirred up the small businesspersons to start their strike that lasted for several days (Michuzi blog, 2023; Sonna, 2023).

Even after the agreement was reached that all traders should continue with their business while the government was working on traders' complaints, there was a group of big businesspeople who did not comply and persuaded other small businesspersons not to open their shops (Sanga, 2023). Many small vendors popularly known as "Machinga" said *'Those who strike are businesspersons who have money but for us small vendors ('Machinga') who depend on the daily income for survival will continue with our businesses as usual because we need money to feed our families.'*

Mistrust and/or Misunderstanding Between Government and Businesspersons

The third school of thought blames the lack of trust and/or misunderstanding between the government and its allies and businesspersons. This is an issue that has existed since the first government of the late Mwalimu Nyerere. The government has sometimes labeled businesspeople who perform well in business bad names such as thieves, bribable, corruptible, unpatriotic, and mercenaries because of doing illegal or unethical activities. For instance, some businesspersons in the Kariakoo market were caught selling goods without issuing receipts, and some issued receipts for goods they sold that did not match the value of the goods purchased. Further, some businesspersons were caught with EFD machines that were not registered. One trader from upcountry who purchased goods from the Kariakoo market revealed the unethical practice of traders in issuing EFD receipts, where he bought goods valued at Tshs. 5,000,000 but he was issued with a receipt valued at Tshs. 500,000 only. In another case, a buyer was given options, if he wanted a receipt for goods with the actual value purchased he would pay Tshs. 800,000, or if he opts to buy without an EFD receipt to pay Tshs. 700,000. If you were this businessperson, which option would you go for? The question is, why have these options?

Michuzi blog (2023) and Sonna (2023) are of the view that TRA has done a good job of cracking down on these big tax evaders by demanding that every cargo container that enters the country pay the appropriate tax. Further, TRA has done a good job of checking if the value written on the receipt matches the real value of the goods purchased. One businessperson said, *"All the violence we see at Kariakoo is the result of these big tax-evading businessmen who want to cause trouble so that TRA stops cracking down on them"* (Michuzi blog, 2023; Sonna, 2023).

On the other hand, businesspersons complain about the influx of taxes and charges from the Central Government and Local Governments; the high rate of taxes (Jahari, 2021), corruption

among some of the dishonest public servants of TRA, TANROADS, LATRA, and the Police; and arresting and harassment from TRA, Police and Municipal guards (Michuzi blog, 2023; Sonna, 2023). The businessperson sees the above as increasing costs of operation and threatening the existence of their business. One businessperson mentioned the above as the reasons why some traders within and outside have run away from the Kariakoo market to other markets in the region.

That is why some businesspersons in the Kariakoo market buy handset (phone) parts from Kenya and clothes like bedsheets from Uganda (The Citizen, 2021; Jahari, 2021). It does not make sense at all for a businessperson from Tanzania with Dar es Salaam harbor to buy goods from Kenya which has Mombasa harbor like us, and it was more surprising for a Tanzanian trader to buy goods from Uganda a landlocked country! (The Citizen, 2021). This is a clear explanation that there is a problem with our rules governing the operation of the market.

A critical analysis of all the above reveals that some of these complaints, including being asked for bribes by a few unscrupulous TRA employees, high tax rates, and the influx of Local Government charges have a reason and need to be worked on (Michuzi blog, 2023; Sonna, 2023). But under the carpet, we need to know that there are the big businesspersons who import containers of goods from outside who instigated the strike for their interest, that is, not to pay the right tax (Michuzi blog, 2023; Sonna, 2023). Sonna (2023) alerted that while some businessperson complaints make sense, the government should be very careful when dealing with these big businesspersons who want to use small businesspersons to achieve their mission of tax evasion.

Requirement for Businesspersons to Issue Receipts vs. Consumers to Demand Receipts

Despite the law requiring businesspersons to issue receipts for goods and services sold, and customers to demand receipts whenever they purchase goods and services, not many have complied with it (Maurus, 2021). While the government has to some extent succeeded in enforcing businesspersons to buy and use Electronic Fiscal Devices (EFD), not many use the machine to issue receipts. There are two main reasons among many others why businesspersons do not issue receipts. First, to avoid paying the tax which matches the value of goods and services sold.

Normally, a receipt indicates the real value of goods and services sold and a tax that the businessperson is obliged to pay. Nevertheless, as a way to avoid paying taxes, a businessperson refuses to issue receipts. Moreover, some businesspersons were caught with unregistered EFD machines by TRA, which means most of their sales transacted through such machines were not taxed. In that way, customers who demanded receipts may likely have been issued fake receipts. Second, because some businesspersons engage in illegal transactions that seem to pay them more profit, they try to fake the normal way (avoid paying taxes) to escape being known by TRA.

Although demanding receipts is a legal obligation, it is common for most customers not to demand receipts (Masele and Mutiba, 2022). Most customers perceive EFD receipts just like other worthless pieces of paper to be dumped or burnt (Maurus, 2021). Customers do not demand receipts for two main reasons among

many others. First, they pay less when they buy without receipts than when they demand receipts. Second, as explained earlier about the existence of fake EFD machines, it becomes difficult for customers to validate the EFD receipts, and to differentiate EFD genuine and fake receipts. Despite such reasons, many customers are in dilemma of knowing which receipts are needed to support their purchases (Maurus, 2021). This is important because sometimes TRA follows to see if businesspersons issue receipts or not. Similarly, sometimes if some cheap goods are made available in the market from the black market, an innocent customer who does not possess a receipt might be alleged to be a thief.

From the above circumstances, we can see that both parties benefit from illegal dealings, making it more difficult to tackle because it is a win-win business for both parties. A businessperson benefits more because he/she will not pay any tax if he/she does not issue receipts. Non-compliance to issue receipts means that the businessperson has not done any business. On the other hand, a customer also benefits because he/she will pay less by not demanding receipts than by demanding a receipt. This is the case because the final consumer is the one who pays the tax. However, a customer risks being caught by TRA for possessing goods that do not have receipts.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The objective of this study was to investigate the impact of the business environment on trade in Kariakoo International Market in Dar es Salaam, Tanzania. It specifically sought to find out the challenges (tax and non-tax factors) facing businesspersons in the Market and identify key players and their roles in the prevailing climate in the Market. This study found that despite its historical importance and strategic location, the Market is facing many challenges related to tax and non-tax which prohibit it from achieving its potential. The tax challenges comprise many and high taxes that do not match the value of goods sold by businesspersons and purchased by consumers.

Non-tax challenges include frequent harassment of traders, and luggage carriers by Police, TRA officers, and municipal guards; unpredictable regulations and policies like registration of cargo stores and taxing of goods in the stores; a large number of vendors doing business in front of shop owners leading to poor security; frequent strikes by businesspersons; bureaucracy in obtaining many permits from different institutions; rampant corruption and bribery; the poor arrangement of shops and uncontrolled auctioning of goods and renting shops.

Such challenges have created an environment plagued by increased costs, delays, and risks. Consequently, it has made the market to be less competitive, leading to the closure of some businesses, some businesspersons fleeing to neighboring countries and some businesspersons from outside opting to trade with more competitive markets. These challenges have made the Market fail to realize its potential. Further, the key players in the market were identified, and their role in creating the existing business environment in the market was thoroughly discussed.

Recommendations

Given the importance of the Kariakoo market as a hub of business within and outside Tanzania, there is a need to find concrete solutions for the challenges raised. This study recommends: First,

involving all the key players/stockholders to find solutions for the challenges in the market. This would require preparing a platform where the key stakeholders will meet regularly to monitor and assess how far the challenges prevailing in the market have been dealt with. Further, to collect traders' views through a special desk created at the market or through their representatives.

Second, enhancing taxpayers' education and information on the importance of tax compliance by every citizen is key to success. Establish taxpayers' clubs to educate and orient traders, on the importance of paying tax and also how tax is established or estimated from their trading. Third, to prepare a platform where the government and its allies will give feedback to all stakeholders on revenue collection, and how it has been used to finance the country's development efforts.

Fourth, strengthening the use of electronic technology and friendly means of collecting taxes, rather than depending on humans who are inclined to manipulation and corruption. Fifth, all stakeholders should collaborate to establish the Kariakoo Bazaar Portal where businesses (selling and buying) would be done online without physically visiting the market. Related to that is a need to establish the capacity of the Kariakoo area to accommodate a certain number of business persons and identify strategies to manage. This will reduce overcrowding in the market.

Finally, clean all streets and remove garbage during the night before dawn. Finally, the successful creation of a favorable business environment in the market, requires legislative support, effective design of the administrative structure and technical procedures, skilled staff, consultation processes with all key stakeholders, and putting in place policies and regulations to reinforce it.

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