



BOOK REVIEW

ESSENTIALS OF COMMERCE IN EAST AFRICA BY SAFDAR ALI BUTT. CASSELL PUBLISHERS LIMITED, LONDON – ENGLAND, 1985. ISBN 0-304-31265-7. 270PP

Reviewer

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ABSTRACT

Commerce has been a vital and indispensable instrument towards economic development in Africa and the rest of the world. This work gives a review of a book titled; Essentials of commerce in east Africa – 5th Edition by Safdar Ali Butt who discussed the essentials of commerce in the context of the East African region. The purpose of reviewing this book was to deepen understanding of commerce and its allied activities, explore the models and ways for successful commercial activities. This book is divided into three parts namely Trade, Aids to Trade and Forms of ownership whereby the author discussed issues in commerce and provided practical scenarios, questions, examples and illustrations which foster easier understanding of the focal points. Despite the remarkable discussions, the book has some flaws particularly the failure to provide a rigorous discussion on issues related to e-commerce, risks associated with international trade and mitigation measures since there are more inherent risks in export and import activities and the role of e-commerce to international business practitioners. Also, more discussion on marketing boards would have been provided by the author as these units provide essential services which if were left to the private enterprises the public might be exploited. It is recommended that the inclusion of e-commerce, risks associated with international trade and its mitigation measure and contemporary issues in the book would have significantly added more value to the usefulness of the book. Nevertheless, the book is very resourceful to university faculty members, students especially those pursuing business studies. The book also is a useful instrument to researchers, policy makers at both local and international levels and business practitioners.

Key Words: *Commerce, aids to trade, e-Commerce, international trade and factors of production*

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1. SYNOPSIS OF THE BOOK

Commerce has been a vital and essential mechanism towards economic development in Africa and the rest of the world. Tanzania being a member state in the East African Community (EAC) engages fully in commercial activities locally, regionally and internationally. According to Akerman, (2018) commerce is actually concerned with exchange of goods and services both directly and indirectly including all those activities that in some ways or another helps the movement of goods or services from production point to the consumer. Secondary services make trade possible and are the best way to organize the exchange activities to satisfy consumer needs in the most effective and efficient manner. Many scholars such as Katundu, (2019); Kazungu, (2019) and Mchopa, (2019) have argued on issues related to commerce by venturing into different aspects such as trade, stock exchange, marketing, co-operatives, agriculture, entrepreneurship and other forms of businesses. Butt in his book titled Essentials of commerce in East Africa discussed the essentials of commerce in the context of East African region, the book is divided into three parts; Trade, Aids to Trade and Forms of ownership whereby the author discussed issues and provided practical scenarios, questions, examples and illustrations which foster easier understanding of the focal points with twenty one chapters containing both conceptual and theoretical discussions. The book reflects what other authors have presented such as Kutz, (2016) who opined that commerce constitutes the exchange of products

and services between businesses, groups and individuals and can be seen as one of the essential activities of any business. All chapters in this book end with review questions to test understanding of concepts and in-text cases were provided. Also, at the end of the book the author inserted a number of past 'O' level Commerce Examination papers of the East African/Kenya Examinations Council (pp. 252-266).

Part I of this book focuses on Trade and is divided into seven chapters (1-7). In these chapters, the author specifically focused on production, scope of commerce, retail and wholesale trade, commercial transaction, marketing boards and international trade. There is a coherent linkage of chapters between what is presented and those discussed in the previous chapters. Chapter one (1) forms the foundation through providing definitions of basic concepts such as needs and wants, direct and indirect production and various stages in production. The chapter also explains the factors of production which actually drives the movement of goods and services from production point to the consumer which includes land, labor, organization, capital and entrepreneurship. Chapter two (2) introduces the concept of trade and aids to trade, linkage between commerce and economics and commerce and business. Chapter three (3) gives the need for retailers who actually bridges between the producer and the consumer; Chapter four (4) introduces the wholesale trader who actually does not sell goods or services to the consumer rather to other traders or manufacturers. Chapter five (5) addresses commercial transaction. Any dealing between two parties that involves a transfer of goods or services from one of them to the other for a consideration is a transaction. In Chapter six (6) the author recounts the marketing boards which are actually trading organizations formed voluntarily or statutory to buy agricultural produce from farmers and sell it to consumers. Chapter seven (7) focuses on international trade which involves the transfer of goods or services from one country to another.

Part II of this book addresses aids to trade and is spanned into seven chapters (8-14). Chapter eight and nine (8-9) introduces banking and central banks relating financial markets and external stability of currency on how it facilitates commercial activities particularly trade. Chapter ten (10) focuses on means of payment which actually marks the end of transaction by settling the debt. The author discussed various means of payment in this chapter. Chapters eleven and twelve (11-12) are about insurance and transport respectively. Transport is considered as aids to trade and a direct service in itself. In Chapter thirteen and fourteen (13-14) author addressed issues of advertisement through oral communication, written communication, research and finance as other aids to trade.

Part III of the book focuses on forms of business ownership which forms the last seven chapters (15-21). Chapter fifteen and sixteen (15-16) captioned "sole traders, partnerships and joint stock companies". These are people who own and manage businesses mentioned in past two parts of the book. Likely, the focal point of Chapter seventeen and eighteen (17-18) is on financial aspect of the business looking into capital invested and size and location of the business. Moreover, in chapter nineteen to twenty-one (19-21) the author provided a critical analysis of stocks exchange and its functions. All these are actually concerned with the market where already issued shares are bought and sold and the role of Co-operatives and public sectors in commercial activities.

2. CRITICAL EVALUATION

The author provided a well-focused and rigorous analysis of commerce basing on his enormous experience in commercial activities and lecturing in various academic institutions in East Africa and Europe. The book consists of more relevant materials that have come about in the East African commercial scene and provides practical scenarios, questions, examples and illustrations. The materials in this book are designed for easier understanding of trade, aids to trade and forms of ownership as the focal points for commercial activities both locally and internationally. The comprehensions in this book are very resourceful to university faculty members, students especially those pursuing business studies, researchers and business practitioners. Also, the author provides probing questions (in-text) for the readers to ask themselves which actually helps them to probe things more deeply. However, despite the little focus on East Africa, all cases and almost all illustrations come from Kenya leaving other member countries forming the East Africa Region such as Tanzania, Rwanda, Burundi and Uganda unattended. In regard, the author should have used some cases from the mentioned countries to enhance the focus

the book in the region. Notwithstanding, the book is of immediate relevance to the Tanzanian context where local and international commercial activities continue to be undertaken endlessly.

The organization of this book is of interesting as it has provided a critique on factors of production by including entrepreneurship among other factors which include land, capital, labor and organization. In the view of the author "... an entrepreneur must be considered as one of the factors because his existence is almost as necessary to production as that of the other four basic factors (land, capital, labor and organization)" (p.5). According to Mbhele, (2012) entrepreneurship refers to the activity that involves the discovery, evaluation and exploitation of available opportunities to introduce new goods or services and the ways of organizing, marketing, processing and raw materials through organizing efforts that previously had not been existed. The entrepreneur is the risk taker, organizer and binder of other factors of production s/he undertake the risks and uncertainties involved in the whole input-output production processes (Kazungu, 2019).

As the author puts in very clear that "... all those engaged in commerce are businessmen but not all those engaged in business are necessarily commercial people...." (p.15) this is a remarkable argument by the author that a person may be in business as a trader (wholesaler or retailer), manufacturer, farmer or a transporter. Moving of goods from one point to another may be facilitated by land, air or/and water transport. However, the author should have discussed more on the wholesalers as they are assumed to possess technology which enables them to buy manufacturing goods domestically and sell in foreign markets (Akerman, 2018). Also, the author should have discussed on how the country should build wholesale markets as a substitute of retail trade as argued by Kuzman *et al.*, (2017) that domestic trade can significantly increases the sales volume of agro-industrial products through wholesale markets.

In chapter six (6) of this book author gives details of marketing boards as trading organizations set up by government to buy farm produces from farmers and sell them to processors or consumers through various agencies (p.58). The author was well organized and smart to focus on boards' functions, classifications (commodity and produce marketing boards) and how they keep stability in price. Essentially marketing boards aims at assisting small scale farmers to eradicate melancholic competition between them to ensure stability in supply of essential commodities in the market to the consumer. In Tanzania there are several marketing boards such as Tanzania Cotton Board, Tanzania Tobacco Board, Sugar Board of Tanzania, Cashewnut Board of Tanzania and Cereals and Other Produce Board of Tanzania (CPB) literally referred to as *Bodi ya Nafaka na Mazao Mchanganyiko*. Likewise, in Uganda marketing boards are such as Uganda Coffee Development Authority (UCDA) where in Rwanda are such as Rwanda Agriculture and Animal Resources Development Board. Others are Société Burundaise d'Entreposage et de Commercialisation des produits Vivriers (SOBECOV) in Burundi which markets locally produced agricultural produce, especially staple produce such as beans and sorghum, to mention few. The boards are entrusted with the functions of overseeing the growth and sustainability of the sub-sector with prime function of maintaining a fair play ground for business in a given sub-sector. However, the author failed to provide a rigorous discussion on challenges and constraints facing agricultural marketing boards in the region since most of them are not properly functioning. In Tanzania, the agricultural sector is facing a number of challenges for example, non-tariff barriers which include information asymmetry, uncertainty about prices set on the wholesale markets which leads farmers to selling their produce below the indicated prices. Other constraints are standards, testing, labelling and certification whereby the labelling and packaging requirements are not well harmonized (ESRF Survey 2 Report, (n.d). These challenges and constraints should have been slightly dealt with by the author in this book to enrich its rationale and ensure promotion of well-functioning marketing boards in the region.

Furthermore, author should have discussed issues related to e-commerce and how it impacts commercial activities in East Africa and the rest of African developing countries. According to Ndonga (2012) argued that in Africa trade has to be reformed and modernized by information and Communication Technology (ICTs) which actually is the lead factor as far as e-commerce is concern. These technologies have the potential to improve trades within the

country and internationally and therefore enhance economic development in the region. E-commerce has numerous developmental benefits which includes import and export business growth through gaining cost savings from electronic transaction and also get exposed to broader markets over the internet. According to Akerman, (2018) e-commerce enables to increase the foreign exchange which would have been used to finance the importation of capital goods and other essentials for internal development.

Despite of the above critiques and remarks, the author also ought to have provided a thorough discussion on the risks associated with international trade such as foreign exchange risks, shipping risk, intellectual property risk and financial risk to mention few. Additionally, techniques to mitigate the aforementioned risks should have been included in the book and extensively discussed by the author in order to guide those in international trading activities or thinking of engaging in it to critically analyse it. However, in his discussion, the author highlighted some difficulties in international trade; in authors own words “international trade is a very complicated field..... difficulties in international trade related to obtaining credits, possibilities of fraud, the problems created by fluctuating rates of exchange and stiff competitions” (p.76). However, no insights have been provided by the author regarding the risks associated with international trade and mitigation measures. According to International Trade Center report, (2015) there are more inherent risks in export and import activities than buying and selling locally. Arrangement of exporting goods abroad is more complex due to geographical factors, legal systems, language barriers and buyer’s risk of non-payment in the side of exporters. Also delay in delivery of goods and settlement of funds, exchange risks, cyber-attacks, political risks and manufacturing risks where the buyers cancel or modifies the order one-sidedly (Kutz, 2016). Nevertheless, it is the opinion of this review that being aware of the risks is not enough in the international business environment since a lot of strings are attached to it therefore a comprehensive risk analysis is paramount important to be undertaken in order to understand its magnitude and other possible factors which helps to plan ahead for mitigation measures.

Additionally, reading through the book particularly in chapter twenty-one (21) the author gave remarkable discussion on the public sector as establishments that are owned by the government and are engaged in commercial activities such as public corporations, local authorities and para-statal bodies (p.244). Generally, author argued well and to the point on the significance and rationale of public sector in this regard. In Tanzania context some activities are operationalized and even monopolized by public corporations e.g. Electricity Supply Company (Tanzania Electric Supply Company – TANESCO) and Tanzania Railways to mention a few. In Kenya and Rwanda public corporations include Kenya Electricity Transmission Co. Ltd (KETRACO) which acts as shield electricity consumers from higher tariffs and Rwanda Energy Group Ltd which is a government-owned holding company responsible for the import, export, procurement, generation, transmission, distribution and sale of electricity in Rwanda respectively, to mention few. These units provide essential services and if these were left to the private enterprises the public might be exploited. Taking example of profit motivated electricity would essentially provide services to areas that would generate good revenues. Also, it come to reviewer’s attention that in least developing countries such as Tanzania there is a high risk if many essential services providing companies may be controlled or rather owned by non-citizens. This is in line with Alinska *et al.*, (2018) who opined that it is essential for the government to take fully control over the assets of some companies for the benefits of her citizens.

3. CONCLUSION AND RECOMMENDATIONS

Conclusively, this book is of greater reference to researcher, entrepreneurs, faculty members and students at all levels. The book provides both theoretical and practical illustrations which can be adopted by other authors as it orients the reader in aspects of practical realities. However, reviewer recommends the inclusion of e-commerce in international trade, risks associated with international trade and its mitigation measure and contemporary issues in commerce to make it more usable in today’s commerce environment. Furthermore, marketing boards ought to play a significant role in marketing of agricultural produces in most of developing countries but their strategic role and efficiency have received inadequate analytical attention by the author. Additionally, it is recommended that a rigorous discussion on different types and roles of marketing boards would help to determine various dimensions of their problems and hindrance factors towards full utilization of their potentials in local and international

commercial activities by citing live examples from the EAC member countries, this will make the book more appropriate, readable and useful.

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