



Explores the Challenges faced by Tanzanian SMEs in Utilizing Documentary Credit

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ABSTRACT

This study explores the challenges faced by Tanzanian Small and Medium Enterprises (SMEs) in utilizing documentary credit as a trade financing tool. Despite its potential to mitigate risks and facilitate international trade, many SMEs in Tanzania struggle to effectively leverage this instrument. Key challenges identified include limited awareness and understanding of documentary credit procedures, high associated costs, stringent banking requirements, and inadequate support from financial institutions. Furthermore, infrastructural issues, such as limited access to reliable communication networks and technology, exacerbate these difficulties. By examining these obstacles, the study aims to provide insights for policymakers and financial institutions to develop strategies that enhance the accessibility and usability of documentary credit for Tanzanian SMEs, thereby promoting their growth and participation in global trade.

Keywords: Tanzanian SMEs, Documentary credit, Trade financing, international trade, Banking requirements, financial institutions

1. Introduction

International trade has become an increasingly integral component of the global economy (Mwendapole & Jin, 2021); fostering unprecedented opportunities for businesses to expand their market reach and capitalize on the benefits of internationalization (Zhou et al., 2020; Virglerová et al., 2020). With the advent of advanced communication technologies, improved logistics and the progressive dismantling of trade barriers, the world has witnessed a remarkable surge in cross-border transactions (Osano, 2019; Madiwa, 2021). This emphasizes the interdependence of economies on a global scale (Agyei-Holmes, 2020).

As international trade continues to grow and evolve, it has become imperative for entrepreneurs, particularly those involved in the international importation and exportation sector, to adopt effective financial strategies and risk mitigation tools to navigate the complex intricacies of the global market landscape (Mitchell and Mishra, 2019; Boso *et al.*, 2019). However, amidst the unprecedented opportunities presented by international trade, entrepreneurs, especially those engaging in the international trade, are increasingly confronted with a myriad of complex business risks (Steinhäuser *et al.*, 2021). The dynamic nature of the global market, characterized by fluctuating exchange rates, geopolitical uncertainties, and regulatory complexities, has amplified the vulnerability of businesses to potential financial pitfalls and operational challenges (Ferrucci *et al.*, 2018).

Small and Medium Enterprises (SMEs) in particular face an uphill task in managing business risks in international business (Abubakar *et al.*, 2019; Nguyen, 2022). Challenges such as non-payment from foreign buyers, and receiving unexpected low quality or quantity from foreign sellers pose significant threats to the sustainability and growth of SMEs engaged in international trade (Nikolova, 2018; Martinez, 2013; Sabadell, 2016).

Therefore, it has become indispensable for SMEs to adopt robust risk management strategies and financial instruments to safeguard their businesses from the adverse impacts of the evolving international trade (Alavi and Kerikmäe, 2018; Al Amaren *et al.*, 2021). Utilizing conventional payment methods through banking institutions helps mitigate transaction risks in international trade; since the methods implementing procedures that ensure the effective execution of the established payment agreements (Alavi, 2016; Aladwan, 2020). The most popular conventional payment method used worldwide is documentary credit (Puneri, 2021).

Documentary Credit (DC) is regarded as a secure system in international trade, providing both the seller and the buyer with assurance. It enables the exporter to secure payment before the shipment of goods, ensuring a level of financial security (Vasquez, 2019; Ahimbisibwe et al., 2020; Rafique and Venugopal, 2021). Simultaneously, the importer is guaranteed that the obligation to make the payment will occur when the exporter has presented the documents that prove the shipment of the agreed merchandise (Vasquez, 2019).

Documentary credit is believed to play a pivotal role in facilitating international trade and mitigating financial risks for entrepreneurs particularly SMEs in various countries around the globe (Ahmed, 2022; Hussein and Alhayan, 2022). This strategy has been believed to provide assurance to both exporters and importers, acting as a financial safeguard against potential non-payment and other commercial risks (Jaržemskis and Jaržemskienė, 2023). In developed countries particularly Europe and North America, SMEs have leveraged DC to ensure secure and reliable cross-border transactions (Hussein

and Alhayan, 2022; Jaržemskis and Jaržemskienė, 2023). Also, in China and Japan (Zhou et al., 2020) as well as India (Ermakov *et al.*, 2018), SMEs have effectively utilized DC to expand their market reach, establish lasting trade relationships and navigate complex international trade regulations, thereby fostering sustained economic growth and development of their countries.

Conversely, in some African nations, including Nigeria (Khaerani *et al.*, 2023), South Africa (Onuoha, 2021), and Kenya (Ahimbisibwe *et al.*, 2020), entrepreneurs, have increasingly recognized the significance of DC in facilitating smoother international trade operations. It has offered a reliable means of mitigating the inherent financial uncertainties and trade-related challenges prevalent to the entrepreneur users (Anita, 2022). By adopting DC, SMEs in these countries have successfully navigated the complexities associated with cross-border transactions, leading to enhanced market competitiveness and improved access to global markets (Ahimbisibwe *et al.*, 2020; Khaerani *et al.*, 2023).

In the context of Tanzania, the application of DC among large entrepreneurs has witnessed a gradual yet promising trend (Otieno, 2018; Mtengela and Mrindoko, 2022). But the SMEs have been lagging behind this strategy although they are more vulnerable in the international trade compare to the large entrepreneurs who have well organised business structure and buffered capital (Ahimbisibwe *et al.*, 2020). However, with the growing emphasis on international trade and the country's increasing integration into the global economy, some Tanzania SMEs have recognized the significance of DC in securing payment and minimizing transactional risks (Agyei-Holmes, 2020; Madiwa, 2021).

By the time this study was conducted there were limited empirical researches exist that specifically examined the efficacy of use DC on protecting SMEs in Tanzania for the risks associated with international trade. Thus, conduction of a study focusing on this matter was crucial for a holistic understanding of the financial strategies and risk mitigation tools available to SMEs in the country. This study provided valuable actions to the challenges associated with the adoption of DC, thereby offering actionable recommendations to enhance involvement of Tanzanian SMEs in the international market.

2. Literature review

2.1 Empirical Review

Several researchers have addressed the topic of DC utilization among SMEs. Therefore, this section examined the work of other researchers in relation to the specific objectives of this study.

2.1.2. Prevalence of Utilizing DC among SMEs

The prevalence of utilizing Documentary Credit (DC) among SMEs has been a subject of extensive research globally. The empirical literature reviews in this subsection provide insights from various countries, showcasing the prevalence and importance of DC utilization among SMEs engaged in the international trade sector. According to a study by Ahmed (2022) conducted in Bangladesh, employed a mixed-methods approach, approximately 75% of the sampled 1254 SMEs had some knowledge concerning letter of credit. However, 32% reported to have used DC in either importing or exporting goods outside Bangladesh. A study by Nguyen (2022) noted the wide spread understanding and utilization of DC among SMEs in urban areas of Eastern Asia to ensure efficiency in international trade operations.

A study conducted by Ermakov *et al.*, (2018) in India, combined survey data from 250 SMEs and interviews with trade experts highlighted a moderate but increasing trend in the adoption of DC. Approximately 60% of the surveyed SMEs know or had heard about DC, while 37% had utilizing this financial instrument at one time in their business operation. The study emphasized the role of DC in facilitating secure trade transactions in both international and local markets.

Wang and DiMatteo (2023) examined the prevalence of DC usage among medium enterprises. The study comprised data from United States of America (USA) of America and China enterprises. The findings indicated a considerable prevalence of DC adoption, with approximately 82% and 78% of the surveyed enterprises in USA and China respectively. The study emphasized the critical role of DC in promoting trust and reliability in cross-border transactions, highlighting its effectiveness in safeguarding the financial interests of USA-based SMEs engaging in the international transactions.

In a study conducted by Hussein and Alhayan (2022) to assess the role of letter of guarantee for banking system, a form of DC, in managing financial risks linked to international trade operations in Germany. Data was collected from medium enterprise and industry experts. The research revealed a substantial adoption of letter of guarantee, with approximately 65% of the surveyed enterprise relying on this instrument for facilitating commercial transactions on the global market. Additionally, findings of the study by Crozet *et al.*, (2022) highlighted that 67% of cross-border exports in European countries benefited from the security provided by irrevocable letters of credit. According to the study, irrevocable letter of credit contribution to the overall growth and stability of the European manufacturing sector in the global market.

A study carried out in ASEAN countries (Brunei, Myanmar, Cambodia, Timor-Leste, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam) by Cavoli *et al.*, (2022) on the impact of using letters of credit and demand guarantees the study reported that 23% of the small and 55% of the medium entrepreneurs were protecting their importations with letter of credit and demand guarantees. In a study conducted by Lupton and Law (2022) in South Africa surveyed 285 SMEs, revealing that medium entrepreneurs demonstrated a higher awareness of DC compared to their small business counterparts. Overall, the research indicated that 34% (97 out of 285) of the sampled SMEs utilized DC, in which, 42% (41 out of 97) of those who voted to have utilized DC were actively utilizing while 58% were rarely utilizing.

In a study conducted by Onuoha (2021) in Nigeria, 15% of the sampled 135 SMEs reported consistent usage of DC in all their international commercial transactions, while 27% employed it selectively in certain transactions, and 12% reported rare utilization of DC. Overall, the findings showed that 64% of the sampled SMEs were familiar with the concept of DC, signifying a growing awareness of this financial instrument within the Kenyan SME sector.

2.2.2. Research Gap

Based on the empirical reviewed, it becomes evident that there was substantial research exploring the prevalence of Documentary Credit (DC) utilization among SMEs globally. Studies conducted in Bangladesh (Ahmed, 2022), India (Ermakov et al., 2018), the United States (Wang and DiMatteo, 2023), Germany (Hussein and Alhayan, 2022), and South Africa (Lupton and Law, 2022) provide insights into the prevalence and importance of DC utilization among SMEs engaged in international trade activities. Similarly, studies had also shed light on the financial risks encountered by SMEs in the international trade, emphasizing the significance of robust risk management strategies and the strategic use of financial instruments such as DC to mitigate financial risks (Onugu, 2005; Asgary et al., 2020; Zhou et al., 2020; Virglerová et al., 2020; Lee, 2021).

Furthermore, research conducted in various countries has highlighted the challenges and barriers faced by SMEs in implementing DC in the international trade operations, emphasizing the need for streamlined documentation processes, increased financial literacy, and standardized legal frameworks to facilitate effective implementation (Šaković et al., 2020; Ahimbisibwe et al., 2020; Puneri, 2021; Mtengela and Mrindoko, 2022; Cavoli et al., 2022).

3. Methodology

the primary objective is to gain a comprehensive understanding of the Challenges faced by Tanzanian SMEs in utilizing Documentary credit. through both qualitative and quantitative approach and descriptive research design. To ensure that the research was reliable and valid, a sample size of 385 was determined using equation (1), Data collection involved the use of a well-crafted questionnaire, interviews, and Documentary Reviews, while analysis utilized thematic analysis, Excel for graph creation.

It is difficult to know the actual number of Tanzanian SMEs that want to engage in international trade. Therefore, the researcher used the sampling formula for the infinity population to get the sample size. To calculate the sample size with an unknown population, the formula is adjusted as follows:

$$n = \frac{Z^2 * P * (1 - P)}{E^2} \dots \dots \dots (1)$$

Whereby:

n= is the sample size to be calculated

P= is the estimated proportion of the population (if unknown, it is often assumed to be 0.5 for a conservative estimate)

Z= is the Z-score associated with the desired confidence level (for 95% confidence level, Z is 1.96)

E= is the margin of error (for a 95% level of significance, the margin of error is 0.05)

If the values above are submitted into the formula, the sample size can be calculated as follows:

$$n = \frac{1.96^2 * 0.5 * (1 - 0.5)}{0.05^2} = \frac{3.8416 * 0.25}{0.0025} = 384.16$$

Thus, the recommended sample size for this study was approximately 385.

4. Results and discussion

4.1 Challenges faced by Tanzanian SMEs in utilizing DC

Limited awareness and understanding of DC

During the discussion, it was argued that international documentary credit, or letter of credit, was the most widely used kind of trade financing that reduced the risks of payment and delivery failure. It guarantees that exporters will get money from importers on schedule and that importers will receive the precise items they bought on time. Nonetheless, a significant portion of SMEs in Tanzania remained ignorant of this trade financing mechanism. Most of the individuals who were interviewed remarked how important it was to enlighten the Tanzanian business community about the operations of DC and its potential advantages. The following were noted by respondents in relation to awareness and understanding of DC within the Tanzanian business community:

Interviewee #8 (Jan 14th, 2024) mentioned “many SMEs lack sufficient knowledge and understanding of how DC operates.”

Interviewee #1 (Jan 12th, 2024) asserted that “entrepreneurs lack sufficient knowledge about how DC works and its benefits, which makes it challenging for them to consider using it in their international trade transactions.”

Interviewee #16 (Jan 29th, 2024) mentioned, *“Although I have used a letter of credit in my last two importations, I really don’t know its negative side. In both instances, my friend helped me fill out the forms.”*

Similar arguments were echoed by several interviewees, indicating a widespread lack of awareness about DC among SMEs in the country. The researcher argues that this finding emphasizes the critical need for educational initiatives aimed at increasing awareness among Tanzanian SMEs about the advantages and processes of utilizing DC. By bridging the gap in awareness and understanding, SMEs can make informed decisions about integrating DC into their international trade operations, thereby enhancing their competitiveness and growth prospects. As suggested by Crozet *et al.*, (2022) by building knowledge and capacity, SMEs can unlock new opportunities for growth and expansion in the international marketplace.

Previous research by Ahimbisibwe *et al.*, (2020) and Anita (2022) supports the notion that SMEs often struggle to comprehend the complexities of international trade finance instruments like DC. Their study highlighted the pervasive lack of effective knowledge among SMEs, which hampers their ability to harness the full potential of financial tools available to them. This aligns with the experiences shared by Tanzanian SMEs in the present study, highlighting the broader relevance of addressing knowledge gaps in financial literacy and trade finance mechanisms among SMEs globally.

Lack of government institutional support

Another biggest challenge mentioned by majority of the interviewees was lack of support from government business institutions. The interviewed argued that government instructions responsible for the monitoring and administrating development of businesses in Tanzania, generally, do not allocate enough time to take care of small entrepreneurs’ problems. Hence small entrepreneurs feel helpless in growing internationally.

Interviewee #3 (Jan 12th, 2024) said that *“there are different government departments and offices given the authority to coordinate and guide entrepreneurs in this country. But in fact, I see that they do not fully deal with the issues of small entrepreneurs. The issue of local traders not using acceptable trade financing in this country should be their priority; they should inform and guide traders on how to use trade finance.”*

Interviewee #10 (Jan 24th, 2024) interjected and said that *“If a trader encounters any problems at the international level and decides to seek assistance from government institutions, he/she often end up feeling frustrated and may never return again.”*

Interviewee #19 (Jan 30th, 2024) mentioned that *“[...] for instance, you may get issues related to payment details, shipping addresses, taxes, and levies at the international level, but our government institutions would not provide prompt assistance.”*

From the researcher’s standpoint, the findings emphasize the urgent need for streamlined processes and improved collaboration between government institutions and SMEs. The researcher advocates for the development of tailored support mechanisms and advisory services to assist SMEs in navigating the complexities of Documentary Credit (DC) and other trade finance instruments. Since there is an association between government support and access to financial services, it can be noted that by enhancing the accessibility and responsiveness of government institutions to SMEs issues, financial institutions can better serve the financial needs of SMEs and facilitate their participation in international trade. Boso *et al.*, (2019) and Virglerová *et al.*, (2020) emphasise the importance of government interventions in fostering an enabling environment that facilitates SMEs’ access to financial services and resources, thereby helping them to grow internationally.

Lack of access to financial services

Lack of access to financial services was identified as a one of the important constraints for Tanzanian SMEs in adopting the use of Documentary Credit (DC) in international trade. However, this challenge was observed to be strongly associated with the lack of government institutional support for SMEs; meaning that they were moving together. Respondents lamented the challenges they face in accessing the financial services necessary to facilitate their international trade transactions. It was discussed that financial support from banks and financial institutions was essential for facilitating DC transactions. If an entrepreneurs lack sufficient funds in their bank account, the bank should be willing to finance their international business transactions under the umbrella of documentary credit. Some of the interviewees mentioned that:

Interviewee #3 (Jan 12th, 2024), *“many SMEs expressed hardship in expanding their businesses with the limited availability of financial institutions willing to extend financial support tailored to their needs.”*

Interviewee #6 (Jan 14th, 2024) mentioned that *“I struggle to find financial institutions willing to provide me with an amount of money so that I can buy a large number of products that will bring me good profits in business. I want to buy goods worth TSH 100 million. If I get a bank that will lend me such an amount of money, I will use a letter of credit to secure the transaction.”*

The views expressed by interviewees regarding the lack of financial services reflect the pervasive issue of financial exclusion experienced by many SMEs in Tanzania, which restricts their ability to effectively utilize Documentary Credit (DC) and other trade finance instruments.

The researcher argued that there was association between financial wealth and motivation to use conventional payment methods such as DC. This assertion aligns with the findings of this study, particularly in the first specific objective, where it was observed that medium-sized entrepreneurs were more inclined to adopt the use of DC compared to their smaller counterparts. Given that medium-sized entrepreneurs typically possess greater capital than smaller ones, it can be inferred that the likelihood of adopting DC increases with the entrepreneur’s financial strength. Hence, there is the need of improve accessibility of essential financial supports and guidance to the SMEs in order to leverage their use of Documentary Credit (DC) and other trade finance instruments effectively.

Similarly, previous studies by Anita (2022) and Steinhäuser *et al.*, (2021) have highlighted the critical role of financial inclusion in driving SME development and economic growth. Their findings emphasized the need for targeted interventions aimed at improving SMEs' access to financial services and other important resources. By addressing structural barriers and fostering a supportive financial ecosystem, policymakers and financial institutions can create an enabling environment conducive to the effective internationalization of local SME. Effective internationalization involves the use of internationally accepted methods of conducting business, such as the adoption of conventional payment methods like DC.

Limited trust and confidence in financial payment methods

Some interviewee brought the suggestion that limited trust and confidence in financial payment methods have been preventing some of the SMEs from using even the conventional or international accepted payment methods such as DC. It was claimed that some entrepreneurs had lost money via online payment channels, something that has led to a loss of trust in trying new ways to make purchases. Even when they were told that using documentary credit was a safe way to make purchases, they still did not believe it because they had already been victims of online payments. Some respondents articulated the following:

Interviewee #5 (Jan 12th, 2024) expressed, *"I hesitate to adopt new payment methods due to concerns about security and reliability, especially in cross-border transactions [...]. It is better I should continue with the way I have been doing my purchases using Alibaba and eBay shopping platforms."*

Meanwhile, Interviewee #16 (Jan 29th, 2024) conveyed, *"[...] I still have doubts about the reliability and security of the letter of credit. The same doubts may be preventing other entrepreneurs from embracing the use of the letter of credit in their importations."*

The researcher argued that there was the need of enhancing trust and confidence in conventional payment methods through improved entrepreneurs' awareness of the methods, particularly about security measures associated with the methods. Entrepreneurship activists and government organizations should come up with initiatives aimed at promoting awareness and understanding of the safeguards embedded within DC and other payment systems.

Nevertheless, there is nothing without some disadvantages. According to Onugu (2005) and Puneri (2021) the issuance of documentary credit adherence to various complex governing rules, which some buyers or sellers may exploit for their advantage. Documentary credit poses fraud risks to the importer since the bank is obligated to pay the exporter after reviewing the shipping documents, without necessarily assessing the actual quality of the goods.

Complexity of procedures for accessing DC services

The complexity of procedures for accessing the service of Documentary credit (DC) emerged as one of the important barriers faced by Tanzanian SMEs in adopting the method. Some respondents perceived that the procedure could take a long time and therefore delay the business.

Interviewee #16 (Jan 29th, 2024) elaborated that *"the intricate and time-consuming nature of DC processes is a significant deterrent for Tanzanian small entrepreneurs to adoption."*

Therefore, commercial banks and other financial institutions as well as policymakers in Tanzania should simplifying and streamlining DC procedures to enhance accessibility and usability for local SMEs. They should reduce bureaucratic obstacles, provide clear guidance for apply and enhancing transparency throughout the DC application and implementation process.

High transaction costs associated with using DC

It was noted that in order to benefit from documentary credit, importers may incur high fees charged by banks. These fees contribute to the overall cost of purchasing goods, thereby making the DC service appear expensive.

Interviewee #17 (Jan 29th, 2024) elaborated that *"I found documentary credit can increase additional costs for purchasing goods. However, if you tell the supplier that you will use documentary credit, supplier will increase the price of the product so that he can pay for the inconvenience he gets in receiving money through this method. So, the purchase costs go higher."*

Interviewee #20 (Jan 30th, 2024) claimed that *"the formatting of a letter of credit is conditional. The necessary paperwork and legalities in the process are difficult and time-consuming. But I like using it for safety reasons. Because it has an expiry date, exporters are under pressure to deliver the items within that certain time frame."*

Respondents expressed concern about the financial burden that transaction fees for using DC and related expenses place on them, which lowers their profitability and competitiveness in international markets. Osano (2019) asserted that the high transaction costs of DC make it challenging for some Kenyan SMEs to remain competitive in international trade, as it erodes their profit margins and constrain their ability to purchase competitively.

The researcher of this study wanted both local and international policymakers to consider the high-priced nature of the transaction costs associated with utilizing DC for international trade, particularly for SMEs in low-income countries. The government of Tanzania can negotiate favorable terms with financial institutions that can lead to a reduction in transaction costs and enhance the financial viability of SMEs using DC.

Challenges in legal and regulatory compliance

However, there was a challenge that importers may make mistakes while writing a documentary credit, leading to affecting their trade finance. Because documentary credit is a legal issue and most SMEs do not know the governing laws so they are afraid of getting into a legal trap and losing money. According to Hussein and Alhayan (2022), obtaining documentary credit without fully understanding its implications is one of the mistakes made by

business owners. Many entrepreneurs issue DC without carefully reading the terms and conditions of the DC before signing a DC contract. This causes them to lose money, receive goods after a long time, or receive goods that they did not need.

Therefore, while entering into international DC contracts, Tanzanian SMEs operating locally should always be cautious, as they might unintentionally expose themselves to legal difficulties. They should discuss the terms and conditions in advance with the suppliers and ensure that the contract makes it clear the country of origin of the goods, when the goods will be available to ship, and who is responsible for paying the bank fees. According to the Theory of Contract Law, contractual agreements are legally binding arrangements founded on mutual consent, offer, acceptance, consideration, and intention to create legal relations (Zamir, 2014; Eisenberg, 2018). This framework emphasizes the importance of clear terms, conditions, and legal provisions to establish trust, minimize conflicts, and provide remedies in the event of breaches or disputes (Craswell, 2000).

Interviewee #13 (Jan 28th, 2024) argued that *“some SMEs are not aware that they are supposed to negotiate with their suppliers before making DC agreements to ensure they are getting the best out of the agreement.”*

The researcher of this study emphasized the importance for Tanzanian SMEs to understand the true purpose of this method before entering into DC agreement with suppliers or exporters in the international market. However, it is essential for them to negotiate and scrutinize the terms and conditions of the DC contract thoroughly, ensuring that all crucial points are clearly mentioned in the agreement. This proactive approach can help prevent unfavorable surprises and unwanted disputes with exporters or financial institutions.

Conclusion

In conclusion, the challenges faced by Tanzanian SMEs in utilizing Documentary Credit are multifaceted and interrelated, encompassing issues of awareness, institutional support, financial access, trust, costs, and regulatory compliance. To foster a more conducive environment for SMEs to thrive in international trade, a holistic approach involving educational programs, enhanced government support, improved financial inclusion, and streamlined procedures is necessary. By addressing these challenges, Tanzanian SMEs can better harness the potential of DC, leading to increased competitiveness, sustainable growth, and successful integration into the global market.

Based on the study findings, several recommendations have been proposed to enhance the utilisation of Documentary Credit (DC) among Tanzanian Small and Medium Enterprises (SMEs) in international trade activities.

Educational Initiatives: Industry stakeholders should develop and implement educational programmes to raise awareness about the benefits and procedures of utilising DC among Tanzanian SMEs. The programmes should target SME owners, managers, and financial personnel involved in international trade transactions.

Government Support: Responsible authorities should strengthen government institutional support for SMEs by providing incentives and technical assistance to facilitate DC adoption. Establish dedicated support mechanisms within government agencies to assist SMEs in overcoming the complexities of DC utilisation.

Financial Services Accessibility: The government should improve access to financial services for SMEs by collaborating with financial institutions to offer tailored financial products and services that attract and support DC transactions. This includes providing affordable financing options and reducing bureaucratic barriers to accessing financial services.

Capacity Building: Enhance the capacity of local Tanzanian SMEs to effectively negotiate DC agreements with suppliers and/or exporters. Provide training and consultancy services to local SMEs on DC contract negotiation, terms, and conditions to ensure favourable outcomes and minimise risks.

Research and Development: Trade activists and economists in the country should encourage further research and development initiatives to explore innovative solutions and best practices for DC utilisation among Tanzanian SMEs. There should be collaboration between academic institutions, the government, and industry stakeholders in addressing emerging challenges and opportunities in international trade finance.

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