

**FACTORS AFFECTING THE GROWTH OF SMALL AND MEDIUM
ENTERPRISES IN KINONDONI MUNICIPALITY, TANZANIA**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT FOR THE
REQUIREMENTS OF THE DEGREE OF MASTER OF ARTS IN
MONITORING AND EVALUATION OF THE OPEN UNIVERSITY OF
TANZANIA**

2019

CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by The Open University of Tanzania, a dissertation entitled; "Factors Affecting the Growth of Small and Medium Enterprises in Kinondoni Municipality", in partial fulfilment of the requirement for the degree of Master of Monitoring and Evaluation of the Open University of Tanzania.

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DECLARATION

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Signature

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Date

DEDICATION

This work is dedicated to my father Mr. Shangwe Mlyapesa and my mother Esther Nyagawa with support, Love, and Respect.

ACKNOWLEDGEMENT

The successful completion of this dissertation was enabled by valuable contributions from various people. First and foremost, I am grateful to God the Almighty for His blessings and protection from the beginning to the ending of this study programme. My second and sincere gratitude should go to my research mentor, Dr. Reguli Mushy, for his tireless efforts and constructive guidance toward the success of this work. I do much appreciate the advice on various technical issues and methodologies he extended to me throughout the study.

ABSTRACT

The study was undertaken on the Factors Affecting the Growth of Small and Medium Enterprises in Kinondoni Municipality. The study general objective was to evaluate factors affecting growth of SMEs in Kinondoni Municipality. The study was further guided by three specific objectives, to identify types of SMEs existing in Kinondoni Municipality, to examine factors affecting growth of SMEs in Kinondoni Municipality, to assess policies and practices guiding the practice of SMEs affecting their growth in Kinondoni Municipality. The study performed using both exploratory and explanatory research designs using causality testing approach in ensuring knowledge gathering and creation in filling the study gap. Data were specifically collected in Kinondoni Municipality from 100 SMEs owners existing using the questionnaire and interviews for the key informants. The information as facts to generate knowledge were assembled and computed in SPSS for generation of analytical tools to present the data. Descriptive statistics were first generated to show the characteristics of the respondents. Moreover, correlation and multiple regression analysis were performed to show the existing relationship between study variables. The results as findings were certain and clear that all three study hypotheses were positive and significant statistically on the growth of SMEs. The findings of this study show that the growth of SMEs in Tanzania is positively affected by several factors with internal and external influence and ethnic factor since were all found positive with only one factor as the being ethnic issue being insignificant. The study further recommends that the government must keep on creating and further establishing favourable environment for the operations and growth of the enterprises more for the greater good of the economy.

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LISTOFABBREVIATION

EAC	East Africa Commission
EU	European Union
GDP	Growth Domestic Product
ILO	International Labor Organization
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Science
URT	United Republic of Tanzania

CHAPTER ONE

INTRODUCTION

1.1 Background to the Problem

The fast development of international markets witnessed over the past decade has rose competition in developed and developing nations, influencing entrepreneurs and policy makers to implement market-oriented policies. The share of SMEs has increased in these nations proposes that efficient SMEs have truly been capable to arrange new strategies in order to sustain, or even improve, their competitiveness in an international economy (Mateev and Anastasov, 2010).

The SMEs sector in Tanzania is the developing private sector and a base for private sector led development. However, the sector takes the highest employment potential in Tanzania; the sector is mainly informal, below performance and in need of great assistance to overcome disadvantages and barriers that face them. In Tanzania, the policy and regulatory framework for small businesses are only in their early stages to be implemented. Usually, policy makers have been overpoweringly concerned with large businesses (CoET, 2013).

Over 95% of the businesses in Tanzania are small and medium enterprises (SMEs), they generate between 60% to 70% of employment, and they present about 35% of the country's GDP (Petrakis and Kostis, 2012). SMEs in European Union accounts for over 99% of all business in these nations. Nearly, 91% of these businesses are small business with less than 10 workers. Given their roles in all economies, the development of SMEs is necessary for economic recovery and development from the 2008 crisis (EU, 2011).

In many countries, the dynamic role of SMEs as tools over which the growth goals of development can be attained has long been known. It is estimated that SMEs hire 22% of the adult population in developing countries (Petrakis & Kostis, 2012). In view of the importance of SMEs in an economy, it is vital that SMEs sector should be provided the priority it deserves (Chile and Julio, 2007). Also, SMEs provide an important role in using and adding value to domestic resources.

Furthermore, growth of SMEs simplifies distribution of economic activities within the economy and thus promotes fair income distribution. Also, SMEs technologies are easier to gain, transfer and adopt. Likewise, SMEs are better located to fulfill limited demands brought about by small and localized markets due to their lower overheads and fixed costs. Additionally, SMEs owners have a habit to show better flexibility in the aspect of recessions by holding on to their businesses, as they are ready to temporarily take lower compensation.

Through business linkages, partnerships and subcontracting relationships, SMEs have great potential to complement large industries requirements. A strong and productive industrial structure can only be achieved where SMEs and large enterprises not only coexist but also function in a symbiotic relationship. In addition, SMEs serve as a training ground for entrepreneurship and managerial development and enable motivated individuals to find new avenues for investment and expanding their operations (Petrakis & Kostis, 2012).

In developing countries such as Tanzania, SMEs play important role to the economy, and to poverty reduction, SMEs encountered many challenges either financial credit,

feasible market or support from government. According to ILO (2005), most financial institutions do not consider SMEs as credit work. Due to suffer from lack of capital and credit to develop their business, most SMEs closed up within the first five years of start-up.

In spite of many challenges faced by SMEs, limiting them to grow; numerous ways have been taken to improve the business environment for SMEs to fully contribute to the national economy. These includes: stimulating Rural Industrialization like SIDO and CARMATEC, welcoming development partners to support SMEs like the Financial Sector Deepening Trust, creating good environment for financial institutions to reach the SMEs through credit facilities like VICOBA, FINCA and MKURABITA (Kristiansen, 2004). Despite of those initiatives but SMEs still fail to grow.

In Tanzania, small and medium enterprises (SMEs) have been difficult to grow and prosper since most have been faced with the problem of accessing adequate capital though the entities to support are there but most enterprises are difficult to access the loans (Petrakis and Kostis (2012)). In addition, most of the entities are highly informal which has been limited pertaining to growth and prosperity. Moreover, individuals as entrepreneurs characteristics do not match with businesses which affect the growth of the enterprises. Therefore, it is important to wage the inquiry to assess factors affecting the growth of the SMEs in Tanzania.

1.2 Statement of the Problem

SMEs are largely viewed as the driving factor of economic development, job

creation, and poverty reduction in developing countries. They have been the means through which faster economic growth and rapid industrialization have been achieved (Harris and Gibson, 2006). While the contributions of SMEs to development are mostly accepted, entrepreneurs face many obstacles that limit their long-term survival and development. Study on SMEs development has revealed that the rate of failure in developing countries is higher than in the developed world (Arinaitwe, 2006). Researchers have indicated that starting a business is a risky venture and warn that the chances of SMEs owners making it past the five-year mark are very slim. They should therefore develop both long and short-term strategies to guard against failure (Sauser, 2005).

The SMEs have shown its significance both in the country's economy and at individual level developments. This entails the need to undertake the study since several have been undertaken on SMEs for instance Petrakis and Kostis (2012) examined the role of trust and knowledge on SMEs growth in the economy. Despite that, Rijkers (2014) assessed the role of SMEs in assuring job creation in developing countries. This brings the concern on specific factors in line with the specific context affecting the growth of the enterprises which serve as the gap to be filled.

Though, several business limitations identified could be difficult to address them collectively given the fact of limited available resources in Tanzania, as the result, such constraints have tended to persist. Despite the fact that different initiatives have been in place and a number of potentials and resources available in the country, the performance of SMEs has not been optimized fully. This study therefore aims at evaluating factors affecting SMEs in Tanzania with a particular focus in Kinondoni

municipality.

1.3 Research Objective

1.3.1 General Objective

The general objective of this study was to evaluate factors affecting the growth of small and medium enterprises in in Kinondoni municipality, Tanzania.

1.3.2 Specific Objective

- i. To identify types of SMEs existing in Kinondoni Municipality.
- ii. To examine factors affecting growth of SMEs in Kinondoni Municipality.
- iii. To assess policies and practices guiding the practice of SMEs affecting their growth in Kinondoni Municipality.

1.4 Research Question

- i) What are types of SMEs existing in Kinondoni municipality?
- ii) What are factors affecting the growth of SMEs in Kinondoni Municipality?
- iii) What are guiding policies and practices of SMEs affecting their growth in Kinondoni Municipality?

1.5 Significance of the Study

The study is important in the sense that it shows the factors affecting the growth of SMEs in Tanzania. The study shows how capital inadequacy, individual characteristics and nature of the enterprise lead to poor performance of the SMEs in Tanzania. The study may be useful in policy influence and formulation pertaining to the measures and means to overcome the situation and enable the smooth and good

practices in the sector. The study finally enables the completion of the study since it is the partial fulfillment to be completed.

1.6 Scope of the Study

The study was confined within business sector specifically in small and medium enterprises (SMEs) on factors affecting their prosperity. In that case, the knowledge generated filled the gap in particular that was envisaged.

1.7 Limitations of the Study

The study was limited by two main concerns which were first the methodology to undertake the study that was complicated to master the skills and competence which became a challenge to accomplish quickly and on time. Besides that, in collection of data it was difficult to gather the questionnaires easily since some came unfilled properly and others were missing which forced the researcher to go back several times to accomplish the required number and mostly were refusing to provide data knowing that we are officers from Tanzania Revenue Authority, therefore we had to use more time in educating them.

1.8 Organization of the Study

The study was organized into five chapters. Chapter one provides the reader with an understanding of the background of the study, statement of the Proposal problem, objectives of the study, research questions and relevance of the study. Chapter two is the literature review; it consists of conceptual definitions, theoretical framework of the study, empirical analysis, research gap and the conceptual framework. Chapter three provides the research methodology, including the description of the study area,

sample and sampling techniques, source and data collection methods as well as analysis. The fourth chapter indicated the results, analysis and the discussion of the study. The last chapter presents the summary, conclusion and the recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discussed key concepts used in the study, theories and theoretical analysis, empirical analysis of literature that have been given by different authors, Proposal gap, conceptual; framework of the study and summary.

2.1.1 Conceptualization of Key Terms

2.1.2 Small and Medium Enterprises

A small and medium enterprise (SMEs) is a business that is privately owned and operated, with a small number of employees and relatively low volume of sales (Hashim, 2005). In the European Commission, there are three broad parameters which define SMEs; Small enterprises have up to 50 employees, Medium-sized enterprises have up to 250 employees (European Commission, 2012).

There is no universally accepted definition for SMEs. In Tanzania SMEs refers to non-farm activities mainly manufacturing, mining, commerce and services. In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tshs.5.0 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs.5 million to Tshs.200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs.200 million to Tshs.800 million (Trade, 2002).

Table 2.1: Category of SMEs Tanzania

Category	Employees	Capital (In millions)
Micro enterprise	1 ó 4	Up to 5 millions
Small enterprise	5 ó 49	Above 5 million ó 200 million
Medium enterprise	50 ó 99	Above 200 million ó 800 million
Large enterprise	100+	Above 800 million

Source: Small and Medium Enterprise Development Policy (2003)

In that case, the study defines small and medium enterprises as business activities performed by individualsø lies within the minimal and mid income earners in Tanzanian economy in line with the scale provided as per the guiding national policy. This brings about variations in the business whereas there are micro ones which are usually informal entities owned by family member(s). The other category is minimal or small since the category also varies depends on the income level; and the other category is the medium size which concentrates in the mid income level in the society.

2.1.3 SMEs Growth

The United Republic of Tanzania (TSMEP, 2013), like any other developing countries, has taken a measure to promote the growth of (SMEs) through the creation of SMEs policy. The objectives were to foster employment and income generation through promoting the creation of new SMEs, and improving the performance and competitiveness of the existing ones to increase their participation and contribution to the Tanzanian economy and poverty reduction (TSMEP, 2013). Growth of SMEs has had a greater impact on poverty reduction in areas where the proportion of individuals with incomes below the poverty line is lowest (PHDR 2005). One of the

primary actions on poverty eradication includes: improving access to sustainable livelihoods, entrepreneurial opportunities and also to empower people living in poverty and their organization (Kessy and Temu, 2010). As the result, the impact of SMEs development will lead to poverty reduction through the employment generation process.

The contributions of the SMEs in the economic, social and political reforms embarked by Tanzania for the past years as stipulated in the Five Year Development Plan 2011/12 to 2015/16 (FYDP); to improve the business environment so as to increase economic growth and finally reduce the prevalent poverty level (URT, 2009). SMEs are the bedrock of the country's economy. They predominate in productive activities and it is thus important to enable them to prosper and expand even more, thus creating the growth and jobs that the economy desperately needs (URT, 2009). Recent studies find that SMEs play a significant role in generating national income, creation of employment and improves living standard of the people (URT, 2012). In Tanzania SMEs contribute 27% to the GDP and 23.4% of the total labor force (URT, 2012).

2.1.4 Factors Affecting the Growth

Nichter (2015) defines factors of growth as the mitigating factors that influence how business entities grow. This includes conducive business environment, infrastructure, and accessibility to clients and markets for business products and services. Factors influencing SMEs are of two fold including internal and external factors, these factors may affect SMEs as opportunity and as a challenges depending on scenario they stand for. Morrison (2006) stipulate that businesses are affected by external

macro environments that they cannot control such as political, economic, social, technological, environmental and legal factors which can rarely be influenced by management decisions since they are external to the company, in other words, they are beyond the control of SMEs. As well Factors that are frequently considered part of the internal environment include the marketing objectives, HR strategies such as employee motivation, staff turnover and provision of training, leadership styles, investment in R&D and its organizational culture (Morrison, 2006).

According to Loewe *et al.* (2013), differences in education, training and work experience determine SMEs ability to upgrade. They further argue that, skills and knowledge acquired by individuals through schooling, on the job training, and other experiences describe the possibility of SMEs to upgrade in a given country. The more the skills and knowledge are acquired by an enterprise owner, the higher the capability of exploring opportunities (Shane, 2003). The study by Ayyagari, Demirgüç-Kunt, Maksimovic (2008) and Koellinger (2008) revealed a positively and statistically significant relationship between owners' years of schooling or years of experience and entrepreneurial innovativeness. Another study by Mansor (2005) emphasizes the importance of tertiary education in the growth of SMEs.

2.2 Theoretical Literature

2.2.1 Business Growth Theory

This is the theory on business which has been propagated by O'Sullivan and Sheffrin (2014) stating several modalities and means for fostering business growth in an economy. The theory asserts that the pattern of business growth is not uniform since they constitute different levels of size, and operations depending with the capital

(Sullivan & Sheffrin, 2014). With that, businesses tend to grow and prosper in line with several other concerns but capital and skills being primary concerns to assure sufficient business growth.

Firm growth in general refers to increase in size. In research, a firm's growth has been operationalized in many ways and different measures have been used. Other explanations have also been presented (Sullivan & Sheffrin, 2014). Business grows from micro too small to medium and to large. Previous research reveals that business growth is a multidimensional phenomenon. Business growth patterns are related to the demographic characteristics of firms such as a firm's age (O'Sullivan & Sheffrin, 2014). The most frequently used measure for growth has been change in the business's turnover. Another typical measure for growth has been change in the number of employees.

Migration from micro too small to medium & too large and migration in terms of the sources of finances from microfinance to other sources of funds/borrowings from financial institutions/securities market is another indicator of growth. Many organizations life cycle models present growth as one stage of development in organization life cycle. Previous studies have not focused on whether microfinance could be a factor behind the longevity and growth of small businesses (Modric, 2016). This study took a holistic and extensive approach to how micro finances affect the growth of small businesses. The theory is significant to the study since it reflects the reality that SMEs are businesses regardless their size such that all that is reflected in the theory is well connected to the study since the enterprises are businesses. Therefore, the provisions of the theory are well connected to the study.

2.2.2 Poverty Alleviation Theory

This is an economic theory focusing of strategies and measures towards poverty alleviation in the country, society or community for that matter. The theory provides that among several means necessary to be employed in assuring poverty alleviation is the presence of avenues for micro loans to assure as many people as possible to engage in various income generating activities in form of entrepreneurship (Petrakis and Kostis, 2012). The strategy has been well working in various economies all over the globe which has been the concern towards the development of various businesses in the category of SMEs.

The pressing need for rural economy is to create job for large unemployed and under employed labour force. It is customarily argued that jobs can be created either by generating wage employment or by promoting self-employment in non-farm activities. Creation of employment requires investment in small working capital. Kristiansen (2014) unfortunately income from other sources is so low that they cannot generate investible surplus on their own. Thus obtaining credit under certain circumstances can help the poor accumulate their own capital and thus improve their living standard through the income generated from investments.

The theory is well connected with the study since the poverty alleviation strategy suggested by the theory has been well executed in Tanzania through promotion of Village Community Banks (VICOBA), and SACCOS and other means which has influenced the promotion of entrepreneurial activities. However, growth of such enterprises has been difficult to advance since the capital for sufficient growth has been highly limited in the area which has prompted the need to undertake the study.

2.2.3 Information Asymmetry Theory

Information asymmetry postulates that when two parties are making decisions or transactions, there exists a situation where when one party has more or better information than the other. Thus, information asymmetry may cause an imbalance of power between the parties. In this context, for example, the borrowers are more likely to get more information than the lenders. Information related with the risk associated with the investments is likely to be available to the borrowers. Morris (2013) observed that this may lead to the problems of moral hazard, where a party will take risks because they assume final cost of that risk, as well as adverse selection, where there are adverse results because parties have different/imperfect information; therefore, the problems may cause inefficiency related to the flow or transfer of funds from the lenders (surplus) to the borrowers.

Alternatively, a good lender-borrower relationship is acknowledged as a way to overcome asymmetry of information and inadequacy of collateral issues (Ghimire & Abo, 2013). When there is imperfect information, which is recurrent particularly in developing countries, a lender-borrower relationship becomes the main source of information and vital for loan approval.

2.2.4 The Pecking-Order Model

This model was initially proposed by Myers (1994) and suggests that firms tend to finance their needs in a hierarchical fashion, first using internally available funds, followed by debt, and finally external equity. This model attempts to avoid the resulting risk that profitable investment projects will be foregone by seeking to finance them internally. If retained earnings are insufficient, they will opt for debt

rather than equity finance, because debt providers, with a prior claim on the firm's assets and earnings, are less exposed than equity investors to errors in valuing the firm. Managers will only opt for equity finance as a last resort in this model.

In these circumstances, corporate gearing will reflect a company's need for external funds and unlike the trade-off approach there will not necessarily be any target or optimal level of gearing. Therefore, here small entrepreneur will prefer debts/ loans from micro finance that is cheaper than those from banks. The theory relates with the study since for small and medium enterprises (SMEs) in Tanzania is difficult for most to grow using own resources such that the issue of capital is among the leading factor towards the enterprises being affected.

2.2.5 Contingency Theory

Contingency theory is a class of behavioral theory that contend as there is no one best way of organizing or leading and that an organizational leadership style that is effective in some situations may not be successful to others, that is the optimal organization or leadership style is contingent upon various internal and external constraints (Fred, 1964). As every company faces its own set of internal and external constraints as well as special environmental incidents that effect in distinctive levels of environmental uncertainties, there is no one optimal organization design for every company because every company has different organizational culture and different perspective towards risks. The constraints may include the size of an organization, how it adapts the environment, differences among resources and operation activities, managerial assumptions about employees, strategies and the technology used.

Agency theory is a management and economic theory that attempts to explain relationships and self-interest in business organizations. It describes the relationship between principals/agents and delegation of control. It explains how best to organize relationships in which one party (principal) determines the work and which another party (agent) performs or makes decisions on behalf of the principal (Jensen and Meckling, 1976; Schroeder et al., 2011).

Pandula (2011) reported that agency theory deals with people who own business enterprises and all others who have interest in it. He observed that agency theory postulate that the day to day running of the business enterprises is carried by managers as agents who have been engaged by the owners of the business as a principle who are also known as shareholders. Pandula (2011) argued that the theory is on the notion of the principle of two sided transactions which holds on any different expectation. However, the problems identified by agency theory are information asymmetry, moral hazard and adverse selection (Pandula, 2011). These theories aid researchers to understand the intellectual arguments about the effects of financial challenges on performance of SMEs.

According to Creswell (2009), grounded theory is "a qualitative strategy of inquiry in which the researcher derives a general, abstract theory of process, action, or interaction grounded in the views of participants in a study." (p. 13 & 229). This process involves using multiple stages of data collection and the refinement and interrelationships of categories of information (Charmaz, 2006). The grounded theory approach on measuring performance of SMEs developed by Chong (2008); the theory helped set the process of extensive in-depth semi-structured interviews

and observations while maintaining the natural settings of the business processes. It identified the financial and non-financial measures based on short-term and long-term matrices. The theory concluded that, in line with the goal approach, the owners-managers focused their evaluation process on abilities to attain the internally generated goals and targets.

All in all, all theories are relevant and significant to the study though among all poverty alleviation theory is the one guiding the study since the engagement of individuals regardless of their status and all that they are composed of is to earn sufficient income for their living and achieve the best in life. With that, the concern for undertaking the investment and the engage in the practice is to get away from poverty and earn sufficient income to carter need satisfaction which are mostly economic. Therefore, the theory is significant and leading in the study since it shows the relevance and intention of the practice as being income generation.

2.3 Empirical Review

2.3.1 Types of SMEs

One of the strategies and priority areas for regional cooperation in the EAC region as provided by article 80 (1) (c) of the EAC establishment, is facilitation of development of small and medium scale industries including sub-contracting and other relations between large and small firms (Ernest & Young, 2009). With the EAC Common Market, business people get opportunities to enter new markets. In this case SMEs lay a firm foundation for industrial development in the region (EAC Development Strategy, 2011). If well maintained the East African Community micro-small and medium enterprises form the bulk of industrial sector and contribute

to more than 60% of employment and has the potential of addressing development needs of the region such as poverty reduction, technological innovation and disparities in regional development.

The role of SMEs in the economy is crucial. According to Rao and Joshi (2011), globally, the micro and small enterprises are considered to be the engine of economic growth and constitute over 90% in the economies. This is evidenced in a number of studies; for example, Reynolds *et al.* (2005); Kunene (2009); Fatoki and Gware (2010); Naude (2013) observed that small firms are the real driving force behind economic growth and creation of millions of jobs. Fatoki and Asah (2011) find out that SMEs located in urban are successful in access to debt financing compared those located in rural areas. Physical closeness between lenders and borrowers produce an improved form of environmental scrutinize that aid SMEs to access credit from lenders. Consequently, there is a positive relationship between firm's location and access to debt financing by SMEs.

SMEs need capital injection to facilitate their operations and growth, but the existence of the financing gap requires microcredit to fill the gap. (Derbile, 2003) implies that success of microcredit has been achieved in alleviating poverty in developing countries. (Mayoux, 1997) asserts that microcredit programs have been promoted as among key strategies for poverty alleviation and women empowerment.

2.3.2 Factors Affecting Growth of SMEs

Empirical studies as highlighted in SMEDAN (2010) show that SMEs contribute to over 55% of GDP and over 65% of total employment in high-income countries, and

account for over 60% of GDP and over 70% of total employment in low income countries, while they contribute about 70% of GDP and 95% of total employment in middle income countries. Edminston (2007) opines from the viewing platform of economic development that small businesses generate virtually half of new jobs in the economy, and it is presumed that they are good jobs. SMEs are the growth engines of the economy due to their ability to create jobs, foster entrepreneurship, alleviate poverty, accelerate growth, bridge the gulf of income inequity and formation of forward and backward linkages and provide depth to the industrial base of the economy (Ahmad, Nenova and Niang, 2009).

However, as entities in several economies especially in developing countries they are highly affected with capital shortage because most of the enterprises have insufficient means to adequate income to foster their investment growth and pattern (Edminston, 2007). Besides that, nature of the owners in most cases are less educated with minimal vision in the practice pattern of the entities such that the growth of the enterprises has always been in question and limited for that matter. Moreover, most of the entities are unfriendly with financial entities especially those practicing conventional banking systems in accessing finances which has been a setback in their growth and prosperity (Ahmad, Nenova & Niang, 2009).

The World Bank's most recent Global Financial Development Report (World Bank, 2015) has once again stressed the lack of both financial capital and business-related knowledge as key impediments to firm growth in developing countries. However, lack of access to long term credit is a major challenge to those SMEs that would like to expand their operational activities (Collins, 2014). The reasons for this are well

known, most especially considering the fact that enterprises are viewed as highly risky to credit lenders since many of these SMEs lack adequate collateral for credit and also suffer from low capitalization. In addition, poor accounting records and the lack of other financial records make it difficult for banks to assess the credit worthiness of potential SME borrowers (Pansiri, 2015).

Various studies have been conducted in Kenya based on the growth of SMEs. Namusonge (2013) examined the elements of growth oriented SMEs in Nairobi. The key determinants in the study entailed management experience, training and education as well as the psychology of owner managers of SMEs. The study concluded that the availability and the type of finance are crucial elements that contribute to the growth of SMEs. The attributes of owner managers also have an effect on the growth of SMEs. According to this study, the researcher failed to highlight the specific measures of SME growth.

2.3.3 Policies and Practices on SMEs

Wanjau (2013) on the role of quality on the growth of SMEs explained that adoption of quality influences the growth of SMEs. The study was conducted in Kenya with survey design as the appropriate methodological approach. Results indicated that the growth of the entities in Kenya has been attributed by several concern such as awareness creation of stock market engagement and investment among owners to generate capital. This was influencing the growth pattern of the enterprises in Kenya. This entails sufficient gap to be envisaged in Tanzania since the growth pattern of the enterprises is limited which creates the need to wage a study determine factors affecting the growth of the enterprises.

Mungah (2014) further mentioned that determinants of growth of manufacturing SMEs in Kenya pointed that interest rate, fuel cost, business skills and political instability were major factors found to influence SMEs growth into large business enterprises. The subject achieves acknowledged relevance, most importantly due to the fact that it is a global phenomenon that small businesses encounter credit access restrictions by financial institutions (Baas & Schrooten, 2015).

The SMEs in Pakistan are currently performing poor and contingent about their future activities. Quality assurance of products can lead them to be successful domestically as well as globally by providing competitiveness. There exists a gap between knowledge of quality management techniques and their implementation in Pakistan. The firms who use quality management techniques are optimistic about the effectiveness of these techniques. Most Pakistan SMEs have not put much attention towards bringing quality management practices in their business because of their resource constraints. This problem can be solved by formulating government regulations that support SMEs in developing quality system (Muhammad Abrar-ul-haq, 2015).

It is now gradually known that the SMEs play a crucial role in economic growth in Tanzania. Worldwide and in Tanzania particularly, SMEs can be simply established either in rural or urban areas since their necessities in terms of capital, technology, and management are not as needed as it is the case for large enterprises. Indeed, SMEs development is closely associated with more equitable distribution of income and thus important as regards economic growth and poverty reduction.

2.4 Research Gap

Unstable political and economic environment, complex tax system, corruption and poor legislation are common problems faced by third world countries. Therefore, the small businesses in majority of developing countries have to face a number of problems due to similar reasons (Benzing *et al.*, 2009). There is a need to empirically determine the factors affecting the growth of SMEs. The previous studies in Tanzania focus on specific SMEs like food processors, juice vendor (). Also, other studies concentrated on specific factor like financial factor, social factor. Additionally, past studies focused on the role of SMEs in poverty reduction, located at Temeke Municipality, Mikocheni, and other regions. This study will focus on factors (demographic and financial) that affect growth of SMEs in Kinondoni Municipality basing in Sinza Ward.

2.5 Conceptual Framework

Independent Variables

Dependent Variable

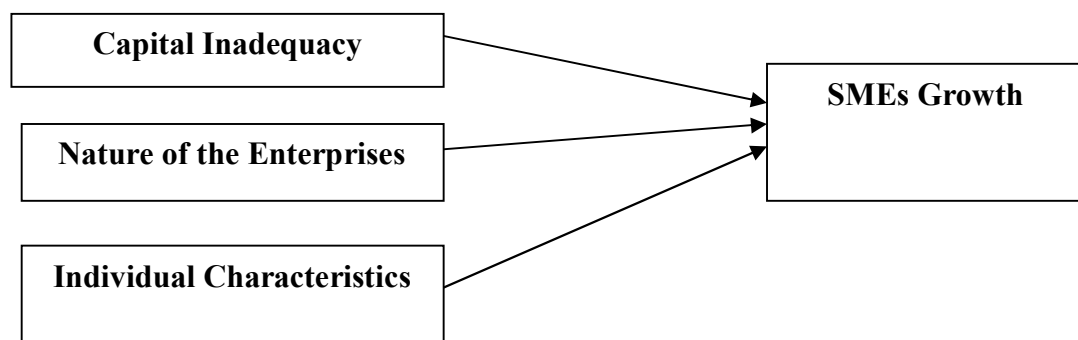


Figure 2.1: Conceptual Framework

Source: Designed by the Researcher (2019)

The conceptual framework is a structure showing a systematic interrelationship between theories and variables involved in the research study and their effect

towards solution attainment (Siamarie, 2016). The figure 2.1 shows the factors that affects growth of SMEs needs to be improved so that SMEs can perform well. For example, if SMEs are able to acquire enough capital they can expand their business and grow well. Also if they use advanced technology they can grow well.

2.5.1 Study Predictors

The chapter highlights the study on factors affecting the growth of SMEs in Tanzania such that the key study assumption is that SMEs growth is affected by several factors whereas three hypotheses have been developed namely capital inadequacy, nature of the enterprises and individual character which are described as follows:

H1 Capital inadequacy affect SMEs growth in Kinondoni Municipality in Tanzania.

H2 Nature of the enterprises affect SMEs growth in Kinondoni Municipality in Tanzania.

H3 Individual characteristics affect SMEs growth in Kinondoni Municipality in Tanzania.

2.6 Literature Review Summary

This chapter provides literature review on factors that affecting the growth of SMEs. It made very clear concept of SMEs, who it defined internationally and nationally. Also it provides measures taken by TSMEP to promote the growth of SMEs in Tanzania. Likewise, this chapter elaborates how business characteristics (age and size of business), demographic characteristics (age, sex, education of business owner), capital and location of the market affect the growth of SMEs. Similarly, the theories and other studies which explain growth of SMEs have been elaborated in

this chapter. Also, this chapter elaborate difference between this study and previous studies which is basing on the factors that affecting the growth of SMEs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents systematically the research methodology and research techniques used in this study. It includes type of study, the study area geographical location, the study population, variables and their measurements, sample size and sampling techniques, types and source of data, and the data collection methods. It also justifies the methods which were applied in this study to answer the research question that, there is a positive relationship between the impacts of democratic characteristics (age, sex, and education level of SMEs owners/managers) and SMEs performance, there is a positive relationship between business characteristics (age of SMEs) and SMEs performance.

3.2 Research Design

Research design is a plan that specifies how data will be collected and analyzed (Kothari, 2009). A research design is the arrangement of conditions of collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The study for that matter used both exploratory and explanatory study designs which seeks to generate knowledge using causality testing approach; as well as exploration of information. The causal relationship was done in the second specific objective; while exploration was conducted in first and third specific objectives.

3.3 Area of Study

The area is located and situated in the north west of Da es Salaam city. The area is

bordered with Indian Ocean to the East and Coast region to the West; with 531 kilometers squares with population of about 1,775,049 as per the 2012 national census. The area further consist of 446,054 households with the overage of 4 persons per house with multi-ethnic nature as a result of sufficient urbanization in the area.

The selected area of the study was Kinondoni Municipality in Dar es Salaam, Tanzania. Kinondoni was selected because the area is among the setting in the city with massive enterprises in the category of small and medium entities useful for undertaking the study for the generation of primary data to fill the inquired gap. In addition, the selection of the area is because the city is still iconic such that whatever happens and taking place has direct influence in other areas since it has people from all over the country which is contrary to other places.

3.4 Population of the Study

Population is a set of entities concerning which statistical inference are to be drawn often based on a random sampling taken from the population. Population refers to a large group of people possessing one or more characteristics in common, on which a research study focuses (Creswell, 2007). The population of study is defined as a group of subjects from whom the researcher expects pick samples as to draw conclusions about the research topic (Kothari, 2006). The targeted population for this study included existing SMEs owners in Kinondoni municipality.

3.5 Sample Size and Sampling Selection Techniques

The study consisted of a sample size of 100 participants as respondents for the study. They were selected among owners of the entities whereas they were useful actors in

the generation of primary data. They comprised members from all categories as per the country's policy on random basis since they keep flourish as time goes on. The sample size of the study was selected from the population which exceeds 2000 since the enterprises in the area of the study are several and uncountable in all their categories as being micro, small and medium. The selection of the sample size is well attributed by Webb (1991) suggesting that once the population is between 100 and 1000, then 10% may be used as the sample size. If the population is between 1000 and 2000, then 5% may be used. Moreover, if it is above 2000, then 1% may be used.

Therefore, the population of the area is above 2000 whereas 1% margin implies that the selected number is accurate. Therefore, the study sample size has been generated from 1% of the 2000 since the enterprises have exceeded the number of 2000. The study for that matter used random sampling technique in gathering respondents since owners of the enterprises are many to be obtained and picked randomly for the generation of relevant primary data.

3.6 Data Collection Methods

The study used primary data which were collected from the field specifically from the sample size selected for the study. Primary data were collected by using both interviews including self-administered questionnaires from the enumeration area.

3.6.1 Questionnaire

A questionnaire is a document designed to collect information appropriate to be analyzed (Kothari, 2009). The method was applied to the participants as respondents

consisting structured questions since the approach for undertaking the study was causal relationship which seek to determine the pattern of relationship between study variables. Therefore, questionnaire is the only tool which successfully guarantees the generation of quantifiable primary data to fill the knowledge gap.

3.6.2 Interviews

This is the data collection approach between the researcher and the respondent on one to one dialogue on the issue under study (Kothari, 2009). The method was used to the 5 selected business experts as individuals successful in the operations as key informants to provide in-depth details on the nature and practice of the enterprises in Tanzania in relation to the success in the market and the economy. They included the leaders among themselves in their own forms of organizations in the business area which are basically informal settings recognized by themselves as members of the business in different areas set for the business activities to take place.

3.6.3 Documentary Reviews

The method was used to collect secondary information which were basically facts in line with the study hypotheses. With that, the data collected were used to support primary data in the discussion of the results.

3.7 Data Analysis and Report Writing

Data analysis technique varies significantly based on the data type collected for specific research (Saunders, Lewis and Thornill, 2003). The collected information was quantitatively grouped whereas first they were computed in SPSS program to generate sufficient inferential tests to present the data. Descriptive statistics were

generated to describe the profile of the respondents using percentages and frequency tables. Correlation and multiple regression analysis were also performed to show the existing relationship between study variables as both independent and dependent. With that, the study is well elaborated by the model which is described and illustrated in the following manner.

$$SMEsG = \beta_0 + \beta_1CI + \beta_2NE + \beta_3IC + e$$

Where by

$SMEsG$ = SMEs Growth

β_0 = Constant factor

β_1CI = Capital Inadequacy

β_2NE = Nature of the Enterprises

β_3IC = Individual Characteristics

e = Random variable

3.8 Validity and Reliability

The analysis was performed to attain data quality whereas validity was first conducted to show accuracy of the study variables through pre-testing of the questionnaire as the data collection tool. Moreover, reliability of the results was also performed to show the consistence of the study variables which is well performed using Cronbach Alpha test in testing all study variables to be used to generate information using causal relationship approach. Therefore, the test is illustrated in table 3.1.

Results in table 3.1 shows the reliability analysis which is certain that all variables of the study are reliable and well consistent. This is evident since Trochin (2000)

suggests that reliability of the variables is seen with Cronbach Alpha values being above 0.7 such that all study variables are above 0.7 which is certain that they are reliable.

Table 3.1: Cronbach Alpha Test

	Cronbach's Alpha
Capital Inadequacy	0.730
Nature of the Enterprises	0.745
Individual Characteristics	0.809
SMEs Growth	0.702

Source: Field Data (2019)

3.9 Ethical Issues

The study complied with ethical requirements such that first assured that the document which produced is original as per the university requirements. In addition, the process of data collection include permission from the university whereas confidentiality was highly observed in the process of assuring data generation from the respondents.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

The chapter presents the study results as collected from the field which were also supported with relevant analysis and the discussion. The results were presented in line with research questions derived from specific objectives whereas the illustration was done in the following manner.

4.2 Characteristics of Respondents

The study indicated key features for the purpose of describing the total overview of the participants in small and medium enterprises (SMEs) in Tanzania. The highlight is well asserted through three main study variables of age, sex and or gender and the level of education for that matter. The description constitutes the following:

4.2.1 Gender of Respondents

The collected results were well analyzed and described in table 4.1 as follows:

Table 4.1: Gender of Respondents

		Frequency	Percent
Valid	Male	39	39.0
	Female	61	61.0
	Total	100	100.0

Source: Field Data (2019)

Study results in table 4.1 indicated that male respondents were 39% and female were 61%. This implies that most small and medium enterprise (SME) owners in Tanzania are women to a great number than men. The view corresponds with Moshi (1998)

that most active individuals in activities within the SMEs category in Tanzania are women to a great number. This is due to the fact that for many years they have been marginalized and sidelined away from economic power which has fostered them being away of such opportunities for years. However, with VICOBA initiatives women have been able to secure access to income whereas they have been able to engage in various income generating activities with most being SMEs.

Rotarou and Ueta (2009) also states that SMEs are the most existing and operating enterprises in Tanzanian economy since they are the leading income generating to both the government and individuals. Mostly are being operated by women since there have been several initiatives to empower women economically in Tanzania through opening ventures for accessing income through micro loans. Therefore, most have resorted to activities within SMEs.

4.2.2 Level of Education

Results of the study shows that 32% of respondents completed primary education, while 49% had secondary education and 19% respondents had tertiary education which consist of certificate, diploma and university degree (Table 4.2).

Table 4.2: Level of Education

	Education level	Frequency	Percent
	Primary Level	32	32.0
	Secondary Level	49	49.0
	Tertiary Level	23	19.0
	Total	100	100.0

Source: Field Data (2019)

This implies that activities carried out through small and medium enterprises (SMEs) in Tanzania are mostly commenced by practitioners with limited level of education as most do not constitute university education as they are either primary school leavers and or lower secondary school leavers. The view is supported by Baten (2016) that in Tanzania most graduates perceives SMEs activities as business oriented as undertakings to be performed by individuals with no any alternative in income generating works apart from business activities since they lack adequate formal education to engage in the formal employment system. With that, the reflection is seen among many practice SMEs activities as those being with minimal education attainment.

IMF (2014) suggests that most business undertakings in Tanzania lies within SMEs category such that most are performed by those with limited education since they are the most daring than the educated ones in venturing into several opportunities. This entails the fact that at the most even the skilled and educated ones are venturing into business activities within SMEs category to a great scale.

4.2.3 Age of Respondents

Results in table 4.3 are certain that 44 (44%) respondents were aged between 18-35 years; while 38 (38%) respondents were aged between 36-50 years; and finally, 18 (18%) respondents were aged above 50 years. This implies that participants in business activities in the category of SMEs in Tanzania are members in all age groups as being the youths, adults and the aged ones. The view is complemented by Kristiansen (2004) suggesting that in Tanzania business activities since they involve self-employment participants in different ways are members and individuals in all

age groups such as the youths all the way to the elderly. M

Table 4.3: Age of Respondents

		Frequency	Percent
Valid	18-35	44	44.0
	36-50	38	38.0
	Above 50	18	18.0
	Total	100	100.0

Source: Field Data (2019)

4.3 Factors Affecting the Growth of SMEs in Kinondoni Municipality

The study indicated results on factors affecting the growth of SMEs in Tanzania. The analysis has been performed using inferential analysis through causality with three factors identified as independent variables which are capital inadequacy, nature of the enterprises and the individual characteristics. In that case, the analysis was first performed using mean and standard deviation; and after that through correlation and multiple regression analysis which are described in the manner which is as follows:

4.3.1 Mean and Standard Deviation

The analysis on measures of central tendency is described and well-illustrated using Table 4.4.

Table 4.4: Mean and Standard Deviation

Study Variables	Mean	Standard Deviation
SMEs Growth	3.203	1.2238
Capital Inadequacy	3.572	1.2325
Nature of Enterprises	3.481	1.2415
Individual Characteristics	3.322	1.2526

Source: Field Data (2019)

Table 4.4 shows results on mean and standard deviation that with the mean the fact is that SMEs growth in Kinondoni Municipality is mostly affected by capital inadequacy which is the variable with highest influence among all other independent ones. This implies that growth of the SMES in Kinondoni Municipality is mostly affected by capital inadequacy than other factors in the dataset. The standard deviation results also suggest that the variance on study variables are very minimal which entails the fact that respondents' opinion were near to each other as they were all less than 3 (Mbura, 2007).

4.3.2 Correlation and Multiple Regression

The analysis was performed to show the relationship between the study variables both independent and dependent ones. Despite that, they were first proceeded once again by model summary to assess the overall influence of the independent variables on dependent variable. This is described in the following manner.

4.3.2.1 Model Summary

The analysis is described in Table 4.5.

Table 4.5: Model Summary

Model	R	R square	Adjusted R Square	Standard Error of Estimate	Change statistics			Durbin-Watson
					F	Sig.	Partial	
1	.708	.610	.605	43.200	.31	89.173	.000	1.956

Source: Field Data (2019)

Dependent Variable: SMEs Growth

Independent Variables: Capital Inadequacy, Nature of the Enterprises and Individual Characteristics

Results in Table 4.5 indicates the entire provision of all study variables as independent regarding their influence on the dependent variable. The model shows that SMEs growth in Kinondoni Municipality is affected by capital inadequacy, nature of the enterprises and individual characteristics by 61%. The other remaining influence which is 39% is influenced by other factors apart from the predicting study variables. This is the fact that all assumptions of the study have been positively proved and attained.

4.3.2.2 Correlation Analysis

The analysis is well described to show the variable among the predicting ones with high influence than others. The analysis is well described in Table 4.6

Table 4.6: Correlation Analysis

	SMEs Growth	Capital Inadequacy	Nature of the Enterprises	Individual Characteristics
SMEs Growth	1.000			
Capital Inadequacy	.579	1.000		
Nature of the Enterprises	.405	.106	1.000	
Individual Characteristics	.310	.049	.107	1.000

Source: Field Data (2019)

Results of the study indicated the values of correlation on all study variables such that it shows the fact that capital inadequacy as the independent variable influences most SMEs growth than all others in the data set since it has the highest correlation value of .579. The implication is that SMEs growth in Kinondoni Municipality is mostly affected by capital inadequacy than others as study predicting variables. Since that is the concern, the fact is that the correlation is significant and positive

still there is no multicollinearity. This is a weakness which is well corrected using multiple regression analysis.

4.3.2.3 Multiple Regression Analysis

The analysis is being performed to show the contribution of each independent variable with facts shown in Table 4.7.

Table 4.7: Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. error	Beta		
(constant)	-15.832	4.735		-1.241	.281
Capital Inadequacy	2.462	.364	.528	12.668	.000
Nature of the Enterprises	2.286	.335	.510	12.362	.000
Individual Characteristics	2.150	.319	.501	12.227	.000

Source: Field Data (2019)

The study results in table 4.7 indicate that all three study variables as independent ones are positive and strongly significant statistically on SMEs growth as the dependent variable. This is to say that SMEs growth in Kinondoni Municipality is affected by capital inadequacy, nature of the enterprises and the individual characteristics.

4.4 Discussion of the Results

The study indicated that all three independent variables are positive and statistically significant on SMEs growth in Kinondoni Municipality. Capital inadequacy is being found positive and statistically significant at .000 level with T value of 12.668 on

SMEs growth. This implies that the entities growth is affected by capital inadequacy. The perception is well supported by Lawrence (2016) suggesting that in Tanzania SMEs have been growing fast and rapidly since the sector is well supported and appreciated by the government for the entities to keep on increasing in the market to foster the tax payersø ratio, number and margin. Despite that, capital among many has been and still is a problem since financial entities in accessing loans among SMEs owners are far from the realities of the indigenous which has been an issue of concern.

Furthermore, nature of the enterprises as the independent variable is being found as well positive and statistically significant on SMEs growth at .000 level with T value of 12.362 which asserts that SMEs growth in Tanzania is affected by nature of the enterprises. The statement is well in line with Harper (2013) stating that in Tanzania the market is wide and well segmented along different lines and strata such that it influences the growth of the entities. This is due to the fact that almost each and every category of the business has the market which guarantees consumption. Since that is the case, the enterprises in most cases are informal which has been difficult to grow because they have been facing rejection by financial entities and avenues to be assisted financially.

Moreover, the study further indicated that individual characteristics is being found as well positive and significant statistically at .000 level with T value of 13.537 on SMEs growth as the dependent variable. This entails that SMEs growth in Kinondoni Municipality is affected by individual characteristics. The view corresponds with Harper (2014) suggesting that in Tanzania access to finance is the major factor

fostering the performance and growth of SMEs such that since it has been difficult to access finances among many owners; opportunities for SMEs financing through loans have been a factor influencing the growth of the enterprises.

This is an issue of concern fostering negative implication on SMEs growth because the character of most individuals is that they are more attached and connected with their societies and ties such that in most cases when they receive money in different ways they tend to deviate them in several social issues which has been affecting the growth of the businesses.

4.5 Types of SMEs in Kinondoni Municipality

The study indicated results on types of small and medium enterprises (SMEs) through the key informants whereas Kinondoni Municipality initially consist of all three types as categories of the small and medium enterprises as stated in the country's SME policy which are micro, small and medium enterprises. The enterprises and their categories usually are grouped through number of employees and level of capital invested in the business. The statement is complemented by the respondent by the view of the individual respondent that;

“The enterprises in Tanzania in the category of small and medium are grouped into three categories which are well defined as per the country's policy since the enterprises usually depends with the perception of the individual state in line with the level of economy of the particular country”.

The categories are micro, small and medium enterprises. Micro enterprises comprise of employees between 1 to 5 members mostly being family members, relatives and close companions for that matter. The business constitutes a capital of up to 5

million Tanzanian shillings whereas most of the enterprises are largely informal entities in the economy. The fact is that they are many and highly several than all other categories as types for that matter. Despite micro, the other type of small and medium enterprises found in Kinondoni are small enterprises which comprise of employees between 5 ó 49 participants depending on the size of the business for that matter in terms of the capital invested.

The enterprises comprise of the capital between 5 ó 200 million Tanzanian shillings whereas the size of the enterprises determines the number of employees to be included in the business. The category of the enterprise is such that some are formal entities and others are informal depending on the size; as well as the business which the enterprise undertakes since for those engaging in export activities conditions requires them to be formalized entities to get to earn further gains for that matter.

The other category and or type found in Kinondoni Municipality are the medium enterprises comprising of employees between 50-99 with the capital range between 200-800 million Tanzanian shillings. The enterprises are few in the area compared to the micro and small and in most cases they are all formal entities since several government requirements including tax policies force them to be formalized entities.

This well complemented by the views from the respondent that;

“All enterprises in Tanzania are categorized as per the capital size and the number of employees with micro comprise of up to 5 employees with capital of up to five million shillings. The other category is small which consist of the capital between 5-200 million shillings with employees between 5-49 people. Medium comprise the capital between 200-800 million with employees between 50-99 people”.

The implication of the results is that small and medium enterprises (SMEs) as business undertaking in any economy are always categorized since they cannot be all similar because of the size, scope and the level of participation and influence in the market. The claim is complemented by Petrakis and Kostis (2012) suggesting that small and medium enterprises (SMEs) all over the world are grounded by individual country policy as per the realities and the economic conditions of the country in particular.

However, they all have categories culminated by size, capital, level of influence, scope of operations and other factors distinguishing one entity from the other in the market. Kristiansen (2004) also suggests that small and medium enterprises (SMEs) in Tanzania and everywhere they are all under categories since they all differ in terms of the size of the enterprises, capital invested and the financial turnover which automatically distinguish the enterprises from each other.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the study summary as the brief provision of the entire work together with the conclusion and recommendations of the study. The summary, conclusion and recommendations are well described in line with the research questions guided the study which were illustrated in the following manner.

5.2 Summary

The study described a thorough assessment on the factors influencing the growth of SMEs in Tanzania with Ilala Municipality as the inquiry case. It was guided by three specific objectives which were assessed using causality relations categorized as internal and external concerns. The study was performed using explanatory study design whereas causality relationship was conducted to generate new knowledge on the inquired subject. Data were collected from the enterprise owners in the study area using questionnaires. The data were assembled and grouped altogether such that were computed in SPSS version 23.0 for the generation of relevant analytical tools to fill the study gap.

On top of that, descriptive statistics were generated to show the demographic features of the respondents on the overview of SMEs in Tanzanian context. Besides that, correlation and multiple regression analysis were also used to show the existing relationship between study variables in filling the inquiry gap. Study results were evident that all seven independent variables identified as both internal and external factors influencing SMEs growth have all been revealed to be positive with only one

which is ethnic factor being found insignificant statistically on the SMEs growth as the dependent variable.

5.3 Conclusions

Generally, the growth of small and medium enterprises (SMEs) in Tanzania is influenced by several factors with internal and external influence including loan financing, government support, market strategy, entrepreneur characteristics, entrepreneur readiness, entrepreneur experience and ethnic factor since were all found positive with only one factor as the being ethnic issue being insignificant. On capital inadequacy, the reality is that is still a problem since most of the enterprises owners are people with minimal income level which is difficult to prosper using their own sources of financing.

Despite that, there are less or limited means to access financial services among SMEs owners since most of the entities in place constitute conventional system which is typical unfriendly to the SMEs for compliance. Besides that, the nature of the enterprises have been also influencing the situation to be problematic pertaining to the growth of the entities since most of them are informal entities which has been difficult to be exposed to several other opportunities especially on financial assistance through several existing financial entities in the area.

Moreover, on individual characteristics still the fact is that with the informal nature of the entities they have been operating as one man show which has been difficult for new ideas and innovations to take place since the fact is that most have been reluctant to changes. Therefore, the practice have always been in line with the wishes

of the owners with less room for further advancements within their realm. The issue of concern still is that SMEs are very important and vibrant sector in the economy such that they must be well embraced and articulated to the extent that they must be well nourished towards performance. It is therefore necessary to foster the entities to keep on escalating further for the greater good of the economy.

5.4 Recommendations

Since the concern on the study is that SMEs are most important and valuable entities in the economy; the study recommends that the government must keep on creating and further establishing favourable environment for the operations and growth of the enterprises more for the greater good of the economy. This entails the fact that SMEs must be well nourished in the economy to make sure that they are well granted means to be well performing in the economy. The view corresponds with Kristiansen (2004) that SMEs good entities with significant influence in the economy such that they are well performing and flourish provided that the government has set well and favourable conditions for their performance in a manner that fosters their increase and growth.

Despite that, on capital inadequacy the study recommends that the government should design a framework to for the entities to be assisted financially in line with the realities of the country's economy and needs. This is important since most of the initiatives in place have been difficult to be handled because they do not match with the realities of the context which is the reason as to why most owners tend to become credit defaulters among several entities they have seek for financial credits.

In addition to that, on the nature of the enterprises the study further recommends that the government must design a policy and framework which would enable the compliance of the enterprises to respond to formalities to enable sufficient and adequate tax collection by the government to reduce the burden of tax payment to the formally employed individuals; as well as to enable the entities to enter into access of several goodies which may emanate as a result of their formalities.

5.5 Area for Further Research

Ongoing research should provide more in-depth understanding of the effects of SMEs sector to the economy of Tanzania. Also they should focus on comparing how rural and urban SMEs are being affected because this study just considered Kinondoni municipality. Greater insights on finance as one of the problem of Tanzanian enterprises should be determined. Professionals as they strive to be employed in highly competitive environment, global arena, and establishment of SMEs sectors should be their essential focus. Apart from that, further studies should be conducted to determine the physical infrastructure whether they are conducive to enable fast growth SMEs in the country. Also, a study in the growing deficit of skilled labor force in enterprises should be studied effectively

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APPENDIX
QUESTIONNAIRE

This is a questionnaire on the study titled "Factors Affecting the Growth of SMEs in Kinondoni Municipality in Tanzania".

Dear Respondent;

Thank you in advance for devoting your time to participate in this study. Basically, the study is for academic purposes and for the fulfillment of the award of Master's Degree at Open University of Tanzania (OUT). I request that you participate in this study with free will and high degree of honest and openness. This is key towards achieving the intended goal of the study. No names of individuals or entities are required and strict confidentiality will be maintained in handling your responses. Individual responses will not be identified in the analysis and report of the study.

Part I: Personal Information

1. Gender?
 - a. Male
 - b. Female
2. Age?
 - a. 18-35
 - b. 36-50
 - c. Above 50
3. Education Level
 - a. Bachelor Degree
 - b. Masters and Above

9. The following statements are attributes which shows factors affecting the growth of SMEs which are rated in a scale of five from strongly agree to disagree.

Capital Inadequacy and Growth of SMEs

S/N	STATEMENTS	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1.	Capital acquisition is the major challenge in the growth of SMEs.					
2.	Available financial entities are far from being able to assist SMEs financially.					
3.	Means to obtain adequate capital on the enterprises are poor on SMEs owners.					

Nature of the Enterprises and SMEs Growth

S/N	STATEMENTS	1	2	3	4	5
1.	Most enterprises are informal sectors which becomes difficult to grow.					
2.	The difficulties the enterprises face in acquiring capital are resulted from the informality of the enterprises.					
3.	Most of the enterprises have a narrow scope which affect their growth pattern.					

Individual Characteristics and Growth of SMEs

S/N	STATEMENTS	1	2	3	4	5
1.	Most owners are concentrated with limited scope which hinder their growth of the enterprises.					
2.	Most owners wish to have absolute ownership limiting chances for further investment and joint ventures affecting the growth pattern of the enterprises.					
3.	Most owners are pleased with the situation which becomes difficult for the enterprises to grow.					

INTERVIEW GUIDE

This is a guide on the study titled *“Factors Affecting the Growth of SMEs in Kinondoni Municipality in Tanzania”*.

1. What are types of SMEs in Tanzanian environment?
2. What is the dominant type or category in the economy?
3. What are factors affecting the growth of the SMEs in Tanzania?
4. What are policies and practices guiding the practice of SMEs in Tanzania?
5. How do policies and practices of SMEs in Tanzania affect the growth of the enterprises?