FACTORS AFFECTING SMEs GROWTH IN TANZANIA: A CASE STUDY OF SELECTED SMEs IN DAR ES SALAAM

By

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A Research Report Submitted in Partial Fulfillment of the requirements for the Degree of Masters of Business Administration (Corporate Management) of Mzumbe University

2019
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation/thesis entitled “Factors affecting SMEs growth in Tanzania: a case study of selected SMEs in Dar es Salaam”, in partial/fulfillment of the requirements for award of the degree of Masters of Business Administration (Corporate Management) of Mzumbe University.

Signature

___________________________
Major Supervisor

Signature

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Internal Examiner

Accepted for the Board of

Signature

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FACULTY/DIRECTORATE/SCHOOL/BOARD
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I, Christina Makwi declare that this thesis is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

Signature _______________________________________

Date____________________________________________

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Furthermore my special thanks to my beloved husband for his support and patience as he ensured I had a friendly environment for my studies and in this research. His support and guidance made this work complete.
DEDICATION

This dissertation is dedicated to my beloved husband who pioneered and supported my academic success.

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# ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>NBSR</td>
<td>National Baseline Survey Report</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization of Economic Cooperation and Development</td>
</tr>
<tr>
<td>REPOA</td>
<td>Report on Poverty Alleviation</td>
</tr>
<tr>
<td>ROA</td>
<td>Return On Asset</td>
</tr>
<tr>
<td>ROE</td>
<td>Return On Equity</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SMECORP</td>
<td>Small and Medium Enterprises Corporation</td>
</tr>
<tr>
<td>SMMEs</td>
<td>Small Micro and Medium Enterprises</td>
</tr>
<tr>
<td>TAFOPA</td>
<td>Tanzania Food Processing Association</td>
</tr>
<tr>
<td>TAMFI</td>
<td>Tanzania Association of Microfinance Institutions</td>
</tr>
<tr>
<td>TCCIA</td>
<td>Tanzania Chamber of Commerce, Industry and Agriculture</td>
</tr>
<tr>
<td>TNBS</td>
<td>Tanzania National Bureau of Statistics</td>
</tr>
<tr>
<td>TNC</td>
<td>Trans National Cooperation</td>
</tr>
<tr>
<td>URT</td>
<td>United Republic of Tanzania</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>
ABSTRACT

Small and Medium enterprises (SMEs) contribute significantly in Tanzania’s economic growth, job creation and poverty alleviation. The general objective of this study was to assess the factors affecting SMEs growth in Tanzania among selected SMEs in Dar es Salaam. The study determined the internal and external factors hindering growth of SMEs; the study also identified ways for the SMEs to overcome the constraint of firm growth. The study collected primary data using interview guide questions and questionnaires. Documentary reviews were obtained through books, journal, magazine, published and unpublished dissertations, and research papers. Quantitative data were analyzed through Excel and data were presented through tables.

The findings from the study showed that lack of enough capital is the greatest factor which affects growth of microfinance institutions and food sector. The evidence from food processing industry indicates that poor technology is one among the internal challenges affecting growth of food industry. The evidence from microfinance sector shows that competition from other financial institutions is one among the critical challenges affecting growth of microfinance institutions. In food sector the findings showed that that the presence of many regulatory bodies such as TRA, TBS, TFDA, and OSHA affect growth of food industry sector.

The study recommended that it is important for the policy makers, the government, SMEs owners and other important stakeholders to conduct regular training on how the SMEs should run their business. Further the managers of the firm should be provided with education on tax laws and compliance. Also the government, policy makers and other stakeholders through BRELA and other authorities should reduce bureaucratic procedures on business registration. The government should provide material support towards growth of the SMEs business.
TABLE OF CONTENTS

CERTIFICATION .................................................................................................................. i
DECLARATION AND COPYRIGHT .................................................................................... ii
ACKNOWLEDGEMENT ......................................................................................................... iii
DEDICATION ......................................................................................................................... iv
ABBREVIATIONS AND ACRONYMS ................................................................................ v
ABSTRACT ............................................................................................................................. vi
LIST OF TABLES .................................................................................................................. x
LIST OF FIGURES ................................................................................................................ xi
CHAPTER ONE ...................................................................................................................... 12
INTRODUCTION AND BACKGROUND OF THE PROBLEM ............................................. 12
1.0 Background to the Study ............................................................................................ 12
1.2 Statement of the Problem .......................................................................................... 16
1.3 Research Objective ................................................................................................... 17
1.3.1 General Objectives ............................................................................................... 17
1.3.2 Specific objective ................................................................................................... 17
1.6 Limitations and delimitations of the study ................................................................. 18
1.7 Organization of the study .......................................................................................... 19
CHAPTER TWO .................................................................................................................. 20
LITERATURE REVIEW ....................................................................................................... 20
2.0 Introduction .................................................................................................................. 20
2.1.2 Small and Medium Enterprise Growth ................................................................ 24
2.1.3 Indicators of SMEs Growth ................................................................................ 26
2.2 Measurement of SME Growth .................................................................................. 28
2.3 Factors Affecting SME’s Growth ............................................................................... 29
2.3.1 Internal Factors .................................................................................................... 29
2.3.2 External Factors affecting Growth of SME’s ....................................................... 33
2.5 Research Gap ............................................................................................................. 45
2.7 Conceptual Framework ............................................................................................. 45
CHAPTER THREE ............................................................................................................... 46
RESEARCH DESIGN AND METHODOLOGY ................................................................. 46
3.0 Introduction .................................................................................................................. 46
3.1 Research Design
3.2 Geographical area of study
3.2.1 Area of study
3.3 Target Population
3.4 Sample Size
3.5 Sampling Techniques
3.5.1 Purposive Sampling
3.5.2 Simple Random Sampling
3.6 Data Collection Methods
3.6.1 Questionnaire
3.6.2 Interview
3.6.3 Documentary Review
3.7 Data Analysis
3.8 Validity of Instruments
3.9 Reliability of Study
3.10 Piloting of the Study
3.11 Ethical issues
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION
4.0. Introduction
4.1 Data collection Plan
4.1.1 Description of Sample
4.1.2 Respondents’ profile
4.2.1 Internal factors hindering growth of Microfinance Institutions and Food Industries
4.2.2 Internal factors affecting growth and development of food processing industry
4.3 The external factors that affect growth of SMEs in Dar es Salaam
4.3.2 External factors affecting growth of food processing industry
4.4 Ways the SME's can overcome growth constraints in Dar es Salaam
CHAPTER FIVE
DISCUSSION OF THE FINDINGS
5.0 An overview
5.1 Internal factors hindering growth of Microfinance Institutions and Food Industries ................................................................. 73
5.2 The external factors that affect growth of SMEs in Dar es Salaam........ 77
CHAPTER SIX .................................................................................................................. 81
SUMMARY OF THE STUDY, CONCLUSION AND RECOMMENDATIONS..... 81
6.0 Introduction ................................................................................................................... 82
6.1 Summary of the study ................................................................................................. 82
2.2 Conclusion .................................................................................................................... 83
6.3 Recommendations ...................................................................................................... 83
REFERENCE .................................................................................................................... 85
ANNEXURE II : RESEARCH QUESTIONNAIRE ......................................................... 96
ANNEXURE II: Research Budget .................................................................................... 112
Appendix III: RESEARCH ACTIVITIES TIME FRAME .............................................. 113
# LIST OF TABLES

Table 1: Categories of SMEs in Tanzania with capital investments .......................... 22
Table 2: Showing definitions of SMEs from different countries................................. 22
Table 3.1: Showing number of organisation selected in Microfinance and Food Processing ........................................................................................................ 54
Table 4.1 Data Collection Plan. .................................................................................. 55
Table 4.2: Showing distribution of sample ...................................................................... 55
Table number 4.3: Showing age of the respondents ..................................................... 56
Table 4.4: Gender of the Respondents .......................................................................... 57
Table 4.5: Level of Education of Respondents .............................................................. 57
Table 4.6: Years in operation of business ....................................................................... 58
Table 4.7: Showing forms of business ............................................................................ 59
Table 4.8: Annual turnover of the business .................................................................... 60
Table 4.9: Internal factors affecting growth of SME in Microfinance business............ 61
Table 4.10: Internal factors affecting growth of SMEs in food processing business .. 63
Table 4.11: External factors affecting growth of SME in Microfinance business....... 65
Table 4.12: External factors affecting growth of SME in food processing business... 66
LIST OF FIGURES
Figure 1.1 conceptual framework ................................................................. 52
CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE PROBLEM

1.0 Background to the Study

Small and Medium size enterprises (SMEs) are important sectors towards development of national economy of many country as it is considered as a backbone of the national economy. It has been known worldwide that SMEs are the hubs of the national economic growth as it contributes towards development of national economies as well as growth (Rao and Joshi, 2011). Statistics showed that SMEs contributed up to 90% of all business establishment worldwide (Lin, 1998). The Economic survey (2006), showed that the SMEs contributed to over 50% of the new jobs which was created in 2005. The argument was supported by Organization for Economic Co-operation and Development (OECD) members, who argued that the percentage of SMEs out of the total number of firms is greater than 97 per cent. For example in USA SMEs provides 75% of the jobs added to the national economy as it contributes to 75% of the total jobs and it employ 50% of the private sector workforce which represents 99.7% of all employees (OECD, 2002).

SMEs have important contribution in the world economy, on the enterprises development and job creation. On top of that SMEs have contributed on the economic growth as well as development of science and technology especially in developing countries where liberalization and globalization of the economy is taking place (Christopher & Erik, 2003). SMEs have played major role towards sustaining generating of incomes, prosperity and employment creations (Lange et al., 2000).

SMEs have been used as a hub towards poverty reduction, job creation, and it enable integrations of larger and small business through creation of support institutions (Kunene, 2009). The importance of SMEs has been evidenced by President Ferdinand Marcos of Philippines who in 1973 in Nelson (1977 pg.889), stated, “The small entrepreneur holds the key to rapid technological development and full employment. He offers a means
whereby new employment opportunities can be created in rural areas. The small entrepreneur would not only provide himself with livelihood but would create employment for others, thereby easing up social tension growing in an atmosphere where so many are deprived.”

SMEs in Tanzania comprise both formal and informal sector. However, SMEs are facing with number of challenges which affecting their growth, and level of profit hence it affect the ability of contribution towards sustainability of the economic development. Recent statistics showed that despite the major role played by SMEs towards development of the national economy evidence showed that three out of five businesses established failed within their first few months of its establishment (Tanzania National Bureau of Statistics, 2012). The major factor for business failures includes unfavourable and poor policy and regulatory framework, lack of enough finance and technology, limited access to information, and limited access of the market among others (ROK, 2005). Different countries has been stressed on the importance of development of SMEs for the successes of business entrepreneurship and providing of resources for supporting of the SMEs development (Burgess, 2001).

SMEs has been defined differently according to capital invested, and number of employment created. According to SMEs policy of 2003 are defined as micro, small and medium size enterprises in non-farm activities which include manufacturing, mining, commerce and services. A micro firm is a type of firm which employs less than five employees. Small firm is type of firm which employs 5 – 49 employees; medium enterprises are firms which employ 50 – 99 employees. The firm which employ more than 100 employees or more are regarded as larger enterprises and their capital exceeds 1 billion. (Tanzania SMEs Policy, 2012).

According to Olomi (2005) highlighted that according to SMEs Policy of 2003 micro enterprises are types of enterprises which employ up to four employees and its capital is ranging from $5,000 and majority of small enterprises follow under informal sector. Small enterprises are types of enterprises which employ 5 to 49 employees and its capital investment range from $ 5,000 to $ 200,000, medium enterprises is the type of enterprises
which employ 50 to 99 employees and its capital range from $ 200,000 to $ 800,000 (Olomi, 2005).

According to PHDR (2011): highlighted that manufacturing industry about 25,000 enterprises are operating in a country, the statistics showed that 88% of microenterprises employ 1 to 4 individuals, 60.3% employ 1 to 2 individuals, 27.7% employ 3 to 4 individuals. The PHDR further highlighted that the development of the SMEs are affected by number of challenges which hinder their growth and hence profit and sustainability.

In a recent study conducted in 2012 on the review of SMEs Development Policy of 2003 has provided the current statistics of SMEs. The review highlighted that there is about 3 million SMEs who employ more than 5.2 million people where 45% of the SMEs are in urban areas. Further the review showed that industrial sector is composed with 25,000 enterprises where 97% of the industrial sector employs less than 10 employees as compared with manufacturing industries where 40 larger manufacturing industries have employed more than 500 employees.

According to SMEs Survey (2011) has provided status of small enterprises with regards to different sector within the SMEs. The study showed that whole sale, retail trade and repair of motor vehicles contributed much on increasing of GDP and it constitutes to 55.4% of total SMEs. The second sector was accommodation and food services industry which constitutes about 26.4% of the SMEs, and manufacturing sector account for 13.6 of the total SMEs. The survey further highlighted that out of 3,162,887 SMEs, 97.2% has employed 0 to 4 persons URT (2012b)

Despite the contribution made by SMEs towards economic growth and job creations however SMEs are faced with a number of challenges which hinder or affect their growth. In a study conducted by Tumshabome (2006) showed that SMEs are faced with different challenges which affect its growth. Many entrepreneurs who are dealing with SMEs businesses are susceptible to failures and affected by many factors such as, poor management skills, lack of enough skills for running their businesses, poor cash flow, poor record keeping, poor planning, poor marketing skills, lack of enough capital, high
rents and high taxes (Tushabomwe, 2006). The managers and owners of the SMEs businesses are facing the challenges of poor records keeping, marketing, stock control, and quality issues (Temtime and Pansiri, 2004). According to Tushabomwe (2006), highlighted that 50% of the business failure among the SMEs are contributed by management related challenges. The challenges of poor management have contributed towards poor performance of the SMEs. If the managers or owners of the small enterprises do not have basic managerial skills, they are likely to face managerial challenges that lead to failure of the business (Griffin & Ebert, 2006). SMEs needs to have business management skills, thus will provides practical knowledge’s and understanding on the nature of business conducted that will enable growth of the SMEs (Scarborough & Zimmerer, 2008).

Another factor affecting growth of SMEs include access of capital and high cost of finance. Most of the studies showed that many starting up business commit themselves and take loans from financial institutions for establishment of their businesses. The loans taken by SMEs are subjected by high interest rates with no return of profit. The evidence from the studies showed that some of the starting entrepreneur’s sources of capital are from family and friends. Therefore small businesses are vulnerable of high interest rates from financial institutions for their season borrowing (Susman, 2007; Lambing & Kuhl, 2007).

Furthermore Monk (2006) confirmed that there are number of factors which has led into business failures to start up SMEs including lack of enough capital for establishment of the business, lack of management skills, lack of enough business skills, and slight changes of the market conditions. Therefore the high collapse rate and closure of business among the SMEs in Tanzania needs much research so that will ascertain the reasons for collapse of SMEs and later the study will come with the solutions on the factors hindering effective growth of the business.

Growth is one among the important factor which determines survival of the firm. If the firm will fail to focus on the growth, such firm will fail and eventually some of the firm collapse and die. There are different studies conducted worldwide to assess the factor for the collapses of the SMEs (Goedhuys & Sleuwaegen, 2000; Mambula, 2002,
Tushabomwe-Kazooba, 2006; Harris & Gibson, 2006; Van Eeden, Viviers & Venter, 2004;). In Tanzania there is no compressive studies conducted to assess the factors affecting growth of the SMEs. This study therefore assessed the internal and external factors affecting growth of the SMEs using microfinance and food sector as their main case study.

1.2 Statement of the Problem

It is estimated that global failure rate among SMEs is between 70% and 80% globally (Brink, Cant and Lighthelm, 2003). Globally it has been estimated that new businesses will not continue to survive in the first five years of their establishment due to poor management skills, lack of knowledge, poor practices, poor business culture and shortage of funds (Moya, 2009). On top of that global statistics showed that out of the total SMEs that start up each year, only 17.5% can survive two years later (Pavon, 2010), the rest close before that time, which shows poor performance and inability to remain competitive and grow. Studies shows that global knowledge of firm growth is still limited and this has also contributed to the poor performance of SMEs (Davidsson & Wiklund, 2000; Wiklund, Patzelt & Shepherd, 2007)

In developing countries the SMEs are facing a number of problems, which affect the survival, growth and development of the business. Statistics show that more than 50% of SMEs starting business collapse within first five years of their establishment (Reiss, 2006; Ahmad and Seet, 2009). In some other countries such as Malaysia there is no exactly number of SMES collapse but researcher argued that the rate of business collapse is 60% (Portal Komuniti, 2006; Ahmad and Seet, 2009). Most of the developing countries like Tanzania are now in knowledge’s based economy. The issue of globalization has forced most of the developing countries to move towards knowledge based economy (Bhatiasevi, 2010).

In 1999 the government of United Republic of Tanzania adopted the 2025 vision with the aim of making sure that up to 2025 the URT be the semi industrialized country. The Vision of 2025 recognizes that it’s the duty of industrial sector to transform the Tanzania
economy into semi industrialized country. The vision will be archived if the government will put its focus towards development of the SMEs (Omar and Ismail, 2009).

It is in the interest of the government of Tanzania to see the growth of SMEs. Growth is regarded as the most needed goal of a firm to survive. Failure to focus on growth is a key reason why most SMEs decline and eventually some die. Many studies have been done (Umar 2008; Okpara & Wynn, 2007; Tushabomwe-Kazooba, 2006; Harris & Gibson, 2006; Van Eeden, Viviers & Venter, 2004; Goedhuys & Sleuwaegen, 2000; Mambula, 2002) regarding factors affecting the growth of SMEs in other parts of world. Most of the factors researched and studied on other countries that affect SME’s growth has not been studies exhaustively in Tanzania. This study therefore aims at investigating the factors influencing the growth of SMEs in Dar es Salaam for the case of selected SMEs in financial sector particularly microfinance institutions under Tanzania Association of Microfinance Institutions (TAMFI) and Food Processing industries under Tanzania Food Processing Associations (TAFOPA). The study will identify the potential factors affecting SMEs growth in Dar es Salaam among Microfinance and food processing industries in Dar es Salaam.

1.3 Research Objective

The study objectives are categorized into two categories that mean general objectives, and specific objectives.

1.3.1 General Objectives

The general objectives of conducting this study were to assess Factors affecting SMEs Growth in Dar es Salaam among selected SMEs.

1.3.2 Specific objective

The specific objectives of conducting this study were:

i. To determine the internal related factors hindering growth of SMEs in Dar es Salaam.

ii. To determine external factors that affect SMEs growth in Dar es Salaam

iii. To identify ways for the SMEs to overcome the constraint of firm growth.
1.4 Research Questions
The research questions guiding the study were as follows:

i. What are the main internal factors hindering growth of SMEs in Dar es Salaam?
ii. What are the external factors that affect growth of SMEs in Dar es Salaam?
iii. What are the ways the SME’s can overcome growth constraints in Dar es Salaam?

1.5 Significance of the study
The study is of importance as follows:

*Researcher/Academicians:* The study is importance to the researchers and academicians because it lay down foundation to the coming research or studies covering the factors affecting growth of SMEs in Dar es Salaam.

*Government and Policy makers:* The study is of importance to the government and policy makers because it will highlight the main factors affecting growth of SMEs in Dar es Salaam and it will come with a solution or strategies on what should be done to enhance growth of SMEs in Dar es Salaam. Furthermore the study is of importance to policy makers and government because it assessed the contributions of SMEs to the economic growth.

*Public:* The study is also importance to the public as it gives clear picture on the factors affecting growth of SMEs and it highlighted on what should be done to enhance growth of SMEs.

1.6 Limitations and delimitations of the study
The study only assessed the factors affecting growth of SMEs in Dar es Salaam. The study was conducted among selected SMEs in finance sector (Microfinance) and food processing industries under (TAFOPA). The study critically assess the factors affecting SMEs growth among selected enterprises. The selected businesses are preferred by the researcher because their capital does not exceed eight hundred million as highlighted by URT (SMEs Policy of 2002).
1.7 Organization of the study

The study consisted of five chapters. The first chapter was an Introduction and Background Information. The second chapter presented the Literature Review, the third chapter discussed the Research Methodology, the fourth chapter presented and analyzed the research findings and the fifth chapter presented the Conclusions and Recommendations.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter discusses on the literature review related with the study. The literatures reviews discussed are closely related with the study objectives. This chapter discussed the theoretical literatures and empirical literature reviews. The chapter further discussed the relationship between various studies and gaps identified between the studies and others.

2.1. Small and Medium Enterprises (SMEs)

SMEs has been defined differently by number of the institutions and regions based on number of employees employed, sales turnover of the business, and asset of the firm (Mensah, 2004). World Bank states that a firm which employ up to 300 people with a turnover of US$15 million annually and own asset of US$15 million are considered as SMEs. .

According to Inter-American Development Bank, define SMEs as a business which employ up to 100 employees and earning not more than US 3 million annual revenue (Dalberg Global Development Advisors, 2011).

On top of that European Union (EU) defines SMEs as a firm which employ fewer than 250 employees and have an annual turnover of 50 million euro and annual balance sheet of which does not exceed 43 million euro.

Furthermore UNIDO define SMEs in term of number of employment created by categorizing different classification for the developing and developed countries. For the case of developed or industrialized countries SMEs has been defined as a firm which more than 500 or more employees: medium term was defined as firm which employ 100 to 499 employees: Small firm was defined as a firm which employ 99 or less employees.

On part of developing countries SMEs was defined as: larger firm is a firm which employ
more than 100 employees, medium firm is a firm which employ 20 to 99 employees, small firm was defined as a firm which employ 5 – 19 employees, micro firm was defined as a firm which employ less than 5 employees (UNIDO, 1999). Therefore according to the definition above it has been concluded that there is no general consensus on what constitutes SMEs (Ayyagari et al, 2006). The definition of the SMEs differs in accordance with the level of development of particular countries.

The definitions of the SMEs differ worldwide, the definition of the SMEs depend on number of employees employed, size of the business, annual turnover, and size of the balance sheet of the particular business. In most of the countries the number of employees is always used to determine the size of the enterprises (Hasyim and Wafa, 2002; Yusof, 2000). The definition of the SMEs differs from one state to another. There is no general consensus worldwide on the definition of the SMEs (Hallberg, 2000; Upadhyay, 2007).

For example in India, SMEs has been defined differently according to economic groups, financial institutions such as banks, trade bodies, employers organisation have adapted their own definitions which to cover their needs. The definitions of the SMEs worldwide are based on asset and revenue of the business, number of employees, or combination of both number of employees and annual turnover of the business. The definitions based on value of the property are problematic in a situation or circumstance where the historical values of the asset are used.

In Tanzania, SMEs has been defined I accordance with their categories; For example micro enterprises was defined as a business which employ 1 to 4 employees and has a capital up to 5 million: small enterprises was defined as a firm which employ 5 – 49 employees and has a capital of above 5 million and below 200 million: medium enterprises is a type of firm which employ 50 – 99 employees and has a capital investment of above 200 million and below 800 million, and lastly larger enterprises is type of enterprises which employ more than 100 employees and the capital is above 800 million (URT, 2003). The SMEs are categorized as shown in the table below according to Tanzanian perspective:
Table 1: Categories of SMEs in Tanzania with capital investments and number of employees

<table>
<thead>
<tr>
<th>Category</th>
<th>Employees</th>
<th>Capital investment (Million Tshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprise</td>
<td>1-4</td>
<td>Up to 5</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>5-49</td>
<td>Above 5 below 200</td>
</tr>
<tr>
<td>Medium enterprise</td>
<td>50-99</td>
<td>Above 200 below 800</td>
</tr>
<tr>
<td>Large enterprise</td>
<td>100+</td>
<td>Above 800</td>
</tr>
</tbody>
</table>

Source: Omar (2008:6) and URT (2012b:23)

In Europe the definition of the SMEs differ in accordance with the category of the SMEs (micro, small, and medium enterprises. For example SMEs are defined as enterprises which employee fewer than 250 employees and have an annual turnover of the business which does not exceed 50 million euro and have an annual balance sheet which does not exceeds 43 euro.

To cross check as to whether the firm is an SMEs it should satisfy the following three criteria’s: annual balance sheet of the business, annual business turnover, and staff headcount. The summary of the definition of the SMEs in different countries worldwide are summarized in the table below as follows:

Table 2: Definitions of SMEs in different countries

<table>
<thead>
<tr>
<th>S/N</th>
<th>COUNTRY</th>
<th>DEFINITIONS OF SMES</th>
<th>MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>CHINA</td>
<td>A firm which employ less than 100 employees.</td>
<td>Number of Employment created</td>
</tr>
</tbody>
</table>
| 2.  | Hong Kong| **Manufacturing**: A firm which employ 100 or fewer employees.  
**Other**: A firm which employ 50 or few employees | Number of Employment created |
<p>| 3.  | Indonesia| A firm which employ less than 100 employees               | Number of Employment created |
| 4.  | JAPAN    | <strong>Wholesale</strong>: A firm which employ less than 100 employees or JPY 100 millions assets. | Number of Employment created |</p>
<table>
<thead>
<tr>
<th></th>
<th>Service: A firm which employ less than 100 employees or JPY 50 millions assets</th>
<th>created</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Retail:</strong> A firm which employ less than 50 employees or JPY 50 Million assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Other:</strong> A firm which employ less than 300 employees or JPY 300 millions assets</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Malaysia</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Manufacturing:</strong> A firm which employ less than MYR 25 million and 150 employees.</td>
<td>Shareholders’ funds and employees</td>
</tr>
<tr>
<td></td>
<td><strong>Service:</strong> Less than MYR 25 million or 50 employees</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Philippine</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A firm which employ less than 200 employees or PHP 60 Million Assets</td>
<td>Number of Employment created and assets</td>
</tr>
<tr>
<td>7.</td>
<td>Republic of Korea</td>
<td></td>
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<td></td>
<td><strong>Manufacturing:</strong> A firm which employ less than 300 employees or KRW 8 billion assets</td>
<td>Employment, Assets and Sale revenue</td>
</tr>
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<td></td>
<td><strong>Wholesale:</strong> A firm which employ less than 100 employees or KRW 10 billion annual sales revenue.</td>
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<td>8.</td>
<td>Singapore</td>
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<td></td>
<td><strong>Manufacturing:</strong> Fixed Assets worth SDG 15 million or less.</td>
<td>Assets and Employments</td>
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<td><strong>Service:</strong> A firm which employ less than 200 employees.</td>
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<td>9.</td>
<td>Taiwan</td>
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<td><strong>Manufacturing:</strong> Less than TWD 80 Millions or paid in capital or less than 200 employees.</td>
<td>Sales and revenue</td>
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<td></td>
<td><strong>Other:</strong> Less than TWD 100 million annual sales revenue or less than 50 employees.</td>
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<td>10.</td>
<td>Thailand</td>
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<td><strong>Manufacturing:</strong> A firm which employ Less than 200 employees or THB 200 million assets.</td>
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<td><strong>Wholesale:</strong> A firm which employ less than 50 employees or THB 100 million assets.</td>
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<td><strong>Retail:</strong> A firm which employ less than 30 employees or THB 60 million assets</td>
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2.1.2 Small and Medium Enterprise Growth

Growth can be defined in terms of expansion in terms of volume of the business, value addition, and profit generation. Also SMEs can be measured in term of qualitative features like willingness of the customers to purchase the products, quality of product, and market position (Kruger 2004). Growth is an important determinant which determines the success of the firm. There are many indicators which show growth of the entrepreneurship business such as finance, and manpower affect growth of the enterprises. It has been accepted that growth is one among the function of the decision of a entrepreneurs to prosper or fail, and where to grow in international market or domestic market.

One set of theories addressed the influence of enterprise size and age on growth (Evans 1987; Heshmati 2001; Morone and Testa 2008), and the second set deals with the influence of variables such as strategy, organization, and the characteristics of the enterprise's owners (Fazzari et al. 1988; Lumpkin and Dess 1996; Freel and Robson 2004) on growth of the enterprise. Mateev and Anastasov (2010) have found that an enterprise's growth is related to size and other characteristics such as productivity and financial structure.

The total asset of the firm size has a direct impact on the sales revenue, but the number of employees in the firm, and their investment and other assets have less influence on the firm growth. Lorunka et al. (2011) have found that the gender of the founder, the amount of capital required at the time of starting the business, and growth strategy of the enterprise are very important factors in predicting growth in a small enterprise. They have further highlighted that apart from human capital resources, the growth of an enterprise can be predicted on the basis of commitment of the person starting a new enterprise.
SMEs has been worldwide recognized due to its important contribution it play towards development of the national economy. SMEs have contributed towards job creation, economic development and increase of GDP. SMEs have been worldwide recognized as block towards economic development. Due to change of market conditions after economic reforms, most of the firms are at pressure to perform well, provide quality services and quality product and keep their cost of running business low.

For economic development, it is important for SMEs to apply, introduce and create, innovation in their firms (Curran and Blackburn 1994). Statistics showed that previous century, 60% of the innovations were from SMEs sector. Evidence showed that most of the SMEs were not successful due to lack of professionalism and unable to collaborate with other firms (Bougrain and Haudeville 2002).

Janssen (2009a), argued that firm growth is due to expansion of demand for the product or services On the other Achtenhagen et al. (2010) who researched on entrepreneurship idea listed the following factors: increase in the firm’s value and internal development, increase in profit, increase in sales, increase in number of employees, increase in assets, organizational practices in efficiency and the establishment of professional sales process. However the process of growth has been faced with number of challenges affecting their growth and success of the firm.

Brush et al. (2009, p. 482) define firm growth in term of geographical expansion, increase in number of opened branches, inclusion of the new clients and market, increase of number of product or services offered, and lastly acquisition and fusion. According to these authors, growth is above all a consequence of certain dynamics built by the entrepreneurs to construct and reconstruct constantly, based on the assessment made on their firms and on the market they pursue. Therefore growth is an important phenomenon in any developing firm. The survival of the firm depends with power of the firm to participate in a market with other big enterprises. Growth of the firm has been identified as major factor which decrease the possibility of the small and medium firms to close their businesses (Rauch & Rijskik,
The SMEs growth needs to be researched further because in Tanzania there is no comprehensive study which has been assessing factors affecting growth of SMEs.

### 2.1.3 Indicators of SMEs Growth

There are number of factors which shows the degree at which measure the extent of SMEs growth. The indicators are grouped into four main categories namely: SMEs outcomes, outputs, capacity and qualitative indicators. The categories are discussed briefly below:

**Outcome indicators:** this indicator normally explain the difference between cost and revenue, it is usually used as a common target among all private SMEs. Outcome enterprises are very important as because it has to be achieved for the purpose of any enterprise to succeed. The profit which SMEs generate is a function of revenue level of efficiency in the SMEs. On the other hand rise in profit leads into increased in sale and or increase in efficiency. SMES profit table are always not readily because there is requirement for the SMEs to make profit figures in public. This is due to the fact that majority of the SMEs managers or owners do not keep relcords of their accounts books (Acar 1993). Furthermore to the use of profit to measure growth poses another methodological problem. Due to international differences in accounting conventions, the use of profits makes cross-national comparison of research findings impracticable (Adams and Hall 1993).

**Output indicators:** This is also another indicator whereby under this indicators the main output of the business are services and the products which firm produces or sell. Level of production of the firm is very important because it reasonably showing indicators. It is through production the company capabilities and potential profit can be determined.

Recent studies showed that employment level also is one among the measure of size which reflect seasonal sales (Watts, Cope and Hulme 1997). For the formalized SMEs sales tables can be obtained from output-based tax authorities. However Sales Tables face the same challenges which profits face, except that there is no serious problem with international comparisons, since differences in accounting conventions do not significantly affect reported revenue.
Capacity-based indicators: This is also another indicator whereby under this indicator potential of the SMEs for producing outputs and outcomes. Under this indicator it includes workforce size, production capacity, capital invested, and value of assets. Under this indicator capacity table is faced with two major challenges which made SMEs unstable. Few SMEs keep up date records of the capacity indicators. Under this category capacity table are not always put on public, this is due to the fact that there is no statutory requirement which made SMEs to publish their capacity table on public. On top of that the appropriateness of a specific capacity measure may vary widely from industry to industry. For example in a livestock SMEs, the most commonly indicators used to measures of growth includes number of livestock and the size of the farm (Weiss 1999).

Qualitative indicators: This is also another indication whereby SMEs size can be measured through degree of formalisation, management practices, and the structure of the firm. The firm structure can be categorized different and take different design. Tuck and Hamilton (1993) states and describes three types of designs, namely small and medium sized and corresponding to micro SMEs. In one man firm there is such structure. The owner of the firm performs all operational roles, and the business is considered as owner operated.

In other category the firm has few employees and the owner of the business has delegated some of the operational duties to the employees. The owner closely monitors the business and made all day to day decision of the firm. Such business is also considered as owner managed business.

Another level, the business is mainly directed my the business owner, meaning that he/she has the responsibility for the all the direction of the firm but has delegated daily decision making to managers that are employed. Therefore from the above arguments the management practices change in accordance with the level of ownership and responsibilities.

The list of management practices that are likely to change with growth may be long but perhaps the most important ones are the extent to which management uses formal planning and the complexity of the accounting and control systems. One would expect
the degree and complexity of the techniques used for these purposes to increase with other indicators of size, including output and capacity (Weinzimmer 1997)

2.2 Measurement of SME Growth
Profitability and sales turnover of a firm are the important tools to measure growth. It is regarded that growth is an important goal for an enterprise to continue to survive. Failure to grow has been believed to be the big reason why majority of SMEs fail to move and decline (Clark et al., 2001). Former research discovered that growing firm is a wide phenomenon, and there is a number of factors that are accompanied with firm growth and that are similar to research (Delmar et al., 2003). Although a number of determinants of firm growth have been listed, researchers have not managed to reach a conclusion on the factors that lead to a growing firm (Weinzimmer, 2000).

It is said that there is little agreement on how business growth is measured in business studies, but it seems to be an overall agreement on the importance of some of the growth measures. The mainly used measures of firm that is growing are (growth of employment, growth of sales, profit, return on equity [ROE], return on assets [ROA]) and entrepreneurs’ perception on growth relative to their competitors in terms of increase in firm’s value (Leona et al., 2010). According to O’Gorman (2001) SME growth can be measured in terms of sales, number of employees, value added, and complexity of the product line, production technology or the number of locations. Bosma et al., 2000) showed three measures of a successful entrepreneur or business man, such as: profits of the entrepreneur, employment created by the entrepreneur, and the survival period of the firm.

It is believed that strategies growth that are related to business management have been identified in different studies. A firm that can manage growth achieves a major strategic issue for a growing firm (Arbaugh & Camp, 2000). The most important sign of a growing firm is strategy (Weinzimmer, 2000). Among firms that are growing fast, (Dsouza, 1990) identified three main strategic clusters: One is to make foundation of strategy, the second is enlarge strategy, on allocating resources and differentiating products; and last is to maintain strategy, i.e. Insist on market domination and/or efficiency.
2.3 Factors Affecting SME’s Growth
SMEs are faced with various hindrances that has an effect on growth of their enterprises (Davidsson, 1989). It can be said that these hindrances are in other words known as growth obstacles to the firm. It is argued that SMEs are more likely to face entry barriers and growth barriers compared to their large firms. Commonly addressed barriers for small businesses include institutional obstacles and financial obstacles. Institutional barriers are mainly related to factors that affects firms’ interaction with government, including legalization, taxation, and government support amongst others.

Financial obstacles on the other hand are issues related to financial resources. It has been researched and found that credit unavailability, lack of external loanst, and equity capital are the main hindrances to the growing firm (Becchetti & Trovato, 2002; Pissarides, 1998; Riding & Haines, 1998). It has been discovered that banks are very restrict when they offer loans to SMEs., Mostly, SMEs are charged high interest rates and asked for high collateral and loan guarantees (Stiglitz & Weiss, 1981). Generally, SMEs are faced with external hindrances and internal hindrances for their firms to prosper. (Bartlett & Bukvič, 2001).

2.3.1 Internal Factors
Internal factors are the inside powerful and weaknesses that a firm undergoes. Internal Factors can mostly affect the performance of a company in achieving its goals, and they are strengths when they positively impact the business, but as shortfalls when they have negative effect on the business (Rutherford, 1999).

These factors can control other factors that influence growth of SMEs. Some hindrances, such as business's appearance, image and value of the firm, are obtained on the way business is operated. Firm’s management organization and employment and the physical appearance of your business, are based on your decisions, and can be changed from time to time as you see the need as they arise. SMEs are faced with internal hindrances that hinder their growth. The discussion on each of these follows below:
2.3.1.1 Innovation

It is strongly believed that prosperous business men are more advanced than unsuccessful business men (Mueller & Thomas, 2001; Stewart et al., 2003). Innovative research is normally dealing with knowing how innovations started, develop, grow and are overtaken by other innovations (Hockerts, 2003). In order for an improvement to be effective, or even successful, it must result in a substantial change, preferably an improvement in a real merchandise, method or package compared with previous accomplishments (Harper & Becker, 2004). Innovation is the main factor for economic growth. Innovation strengthens the effectiveness of countries as well as for sectors and individual companies (Porter, 1985). It contributes to the success and long term continuity of the firm. It also leads to quality expansion, increasing variation and divergence of products, increased productiveness and positive impact on turnover, profitability and employment (Guinet & Pilat, 1999).

Innovation describes the entrepreneur as a person who presents new or improved products, new processes, new production methods, new markets, new marketing or sales techniques, methods of communication, new conduits of distribution and promotion, new inputs and raw materials, new or upgraded services, new methods of financing, new technologies including machinery, equipment and information technologies, new organization structure (Rwigema & Venter, 2004). As small businesses grow, they must introduce new products, processes, and management changes and acquire new systems, all of which can be viewed as advanced (Gibb, 2000).

According to Rogers (2003), innovation is “an knowledge, practice, or purpose that is perceived as new by an individual or other unit of adoption”. This “newness” need not necessarily involve “new” knowledge thereby effectively entailing that the “newness” may also concern improvement or modification of existing knowledge. For the purpose of this research, innovation will be viewed as invention and betterment of new or existing products, processes and/or services (Tiwari, 2007). According to Schumpeter innovations usually do not take place in a given, static environment. They are rather a result of a dynamic process in an organization that involves interplay of several internal and external
factors. Research and Development (R&D) constitutes a major – though not exclusive – part of the “innovation process”. According to (Verworn et. al., 2000; 2006) it incorporates several methodical steps such as requirement analysis, idea generation, idea evaluation, project planning, product development, product testing, and product marketing.

### 2.3.1.2 Human Capital

Human capital can be defined as attitude, commitment, values, knowledge, experience, education, capability, skills and abilities that help the entrepreneur and his team in starting, running and growing a business and to make business owners more effective in how they act in administering their enterprise and in performing tasks for growth (Rauch & Freeze, 2000; Mark man & Baron, 2003). Human capital of the enterprise is the vital and basic force essential for the development and existence of the business and the effectiveness of the venture (Ucbasaran et. al., 2004; Markhan and Baron, 2003; Man et. al., 2002). Among the most relevant entrepreneurial factors affecting growth of SMEs, lack of capabilities of entrepreneurs and their collaborators plays a big role (Tasic, 2005). Most of SME manager and business owners do not have business education experience hence they may not be well furnished to carry out decision-making routines for their enterprise (King & McGrath, 2002). This calls for an investment in human capital by SME owners.

Many studies illustrate that there is a positive interrelationship between the business’s success and SME’s human capital (Rauch & Frese, 2000; Lussier & Pfeifer, 2001). One of the trait of small businesses that make them disposed to failure is that they may not be appropriately capable with the required human resources to execute their plan (Thornhill & Amit, 2003). The human capital factors that Usually, what impact the success or disappointment of a starting projects include the background of the businessperson, the achievement of the business owner, the resolutions they make; the plans they cultivate and the kind of management they use ( Baron, 2004; Dalqvist et. al., 2003).

It id very hard for the to hire and hold capable graduates, as many desire to work for big companies that can offer higher salary, job security and career possibilities. In order to
meet the environment of the fast changing work surrounding which is typically accompanied with SMEs prosperity it is crucial that smaller firms ensure they are competent to attract, retain and motivate employees who has high quality knowledge with effective movable skills through the existence of a strategic training plan and a specific budget for training and other packages that will make them stay with the firms (Jameson, 2000).

2.3.1.4 Limited access to Capital

All through the world, access to credit facilities has not been an easy way to SMEs. This is because banking institutions has tight conditions on giving loans to small businesses, and most SMEs face a challenge of collaterals. Financial capability is a serious matters for developing businesses, forming the primary resource base from which other factor inputs are assimilated. Business owners can themselves finance the growth of their firms but the essential decision is whether or not to admit external equity finance return for part proprietorship of the business. If owners allow external source of finance they mainly to put part of their control to either a financial institution or other individuals. Supporting the firm financially is important and attainment of access to finance plays a fundamental role on firm’s growth process. For many lenders it is almost very difficult to assess the risks of an investment this is mainly since level of uncertainty is high. (World Bank 2001, 77)

According to Fatoki and Garwe (2010), the lack of funds to run business seems to be the serious problem and is a cause of business failure to most of the trade owners. This was supported by Shafeek (2009) where he said; from a business viewpoint without sufficient financing, the business will be unable to continue and acquire facilities, hire and keep capable staff, produce and market a product, or do any of the other things that are necessary to run a successful business. Stokes and Wilson (2006) also supplemented that financial difficulties of SMEs arise, either because of an inability to raise enough funds to
properly benefit from to run the business, or a mishandling of the funds that do exist to many firms or a combination of both. He added that, access to external finance may be hard to achieve for new businesses with no history that can be tracked, especially for owners without personal assets to offer as security to secure loans. Stokes and Wilson (2006) added that many new owner managers, having received funds, misuse them; small businesses are notorious for their lack of proper financial controls and information.

2.3.1.9 Financial Management

According to financial management Among the most significant trait of a business is financial management Nieman and Nieuwenhuizen (2009). In most cases financial facts available to the SME owners and managers must be well documented; separated from their day to day personal accounts; nonetheless of whether their financial data was resulting from either cashbook, double entry bookkeeping, statement from bank, monthly or quarterly management accounts, and whether their financial system was electronic or not. SMEs owners with the anticipation to use sophisticate financial facts would be tied with a greater likelihood of their firms’ endurance. Hall (1995) acknowledged that those business owner who obtained financial statistics for the purpose of assisting the running of the firm were more likely to persist than those restraining its use in performing their dialogs with external dealings. Additionally, the regularity with which the information is composed and the one who gethers the information are of essence. Therefore, it is important for the business owner to engage the larger the amount of surplus cash back into the business, and therefore in taking it as reimbursement by the owner, the better the likelihoods of existence (Nieman 2006).

2.3.2 External Factors affecting Growth of Sme’s

Wright, (2000) defined external factors as all those effects that are further than your control and that are external to the firm. Tight lending conditions from financial institutions, regulations that are in palce by the government and opposition are some of the exterior factors that affect extremely every small firm. The circumstances that affect these firms should be well managed so as to make the firm prosper. Exploring alternative funding sources until when banks ease lending boundaries, putting proper plans for
complying with rules and enhancing improvement and service to stay ahead of the race to keep external factors from frightening the survival of any firm. The factors are as discussed below:

2.3.1.3 Marketing and Access to Business Information

According Shafeek (2009) marketing is a crucial area that associates the products or services of a business to its clients. He complements further to say, it is very vital and significant to ensure that this function is properly executed. To have a good chance of endurance and thrive, SMEs have to respond the elementary strategic questions: “what kind of clients are we focusing, with what products?” A common weakness in the SME owner of business lies in their inability to realise key marketing concerns for them to prosper (Stokes and Wilson, 2006). The key marketing issues include establishing a brand where by the business owner choose a name that is easy to remember, create a logo symbolizing the business, create a brand personality and communicate to the target market. Other key marketing issues include Product, Price, Promotion, and Place to sell products or deliver services. Stokes and Wilson (2006) are of the conviction that product or service ideas and principles often reflect only the insights of the business owner, which may not be the perception in the market habitation. He adds on to say, minor variations in markets can upset a newly established firm, particularly where it is dependent on a small number of customers.

Accessing business facts is a serious factor that influence growing of SMEs. Access to business facts assists access to statistics on new markets which leads to market stability that quickens growth (Becchetti & Trovato, 2002). It is important for business awareness on new product status, new services, new customer base, new material sources, marketing strategies, new emerging issues in the specific industry, legal and regulatory issues, competitor strategies and new technologies to be easily obtained by business owners to enable them to have proper marketing plan. According to Ladzani (2001), SMEs needs to put openly information delivery of services to be provided. SME business owners
have a duty to struggle to access excellence information that will help in take advantage of available business chances and realize growth.

In Tanzania policy position paper on SMEs (2009) on market access through private and public procurement it was emphasized that; the government being the largest spender in terms of procurement need to support SMEs with regard to market access from its various public procurements because most SMEs partaking as suppliers to the government are very restricted with a lot of conditions; hence SMEs in Tanzania has been unsuccessful to penetrate the market and hence slow growth.

2.3.2.3 Business location

The locality of the business must be reachable to the clients and should be constructed to ensure effectual approachability for prospect clients. When selecting a place to locate the business, the business owner should take in mind the costs of shifting or launching their business in the locality. According to one online article source (ezineArticles) when picking locations many different aspects must be taken into account. The labor expenses, transportation, closeness to suppliers, workers interference, language factors, and approachability are some of the crucial location factors. According to Herzong et al, the change that initiates a location search is the need for new production could be changes in apparent market chances, or changes in the entrepreneur’s own situation. After location consideration the decisions makers they can gather information on the tax levels, wage-rate levels, and other cost levels at various locations (1991, 66).

SMEs face a challenge in choosing the best business location. Moreover business locations are picked without proper study and forecasting. Some business owners choose a certain location just because they have seen a unoccupied place or office block (Scarborough & Zimmerer, 2008; Lambing & Kuhl, 2007). Business owners need to know prices that will result to proper profits by first understanding what it costs them to make, market, and deliver their products and services.
2.3.2.4 Competition

Entering into competition an organization has to seek inexpensive benefit as it will enable the business to succeed because is the key of company success (Walley 1998, 186). World Bank made a survey in developing countries and the investigation verified that to any individual firm, competition poses a threat to growth and survive. Even though competition is a threat to survival, it is the competition that pushes firms to increase productivity and thereafter determines growth. There are a number of surveys that has been conducted for the hindrances that rise in SME growth, and the main was “unfair competition” that includes taxation, the informal economy and public services is considered as the main barrier to business growth (Dinh, Mavridis & Nguyen 2010).

2.3.2.5 Tax Policies and Regulations

Well established SMEs in the world are faced with a challenge of unfair charges from tax evaders as well as informal operators (World Bank, 2002), because large trades pay income taxes on their revenue. Nevertheless, small businesses have to pay taxes regardless they make profit or loss. This hinders growth since SMEs taxes are set on the basis of kind of activity and not on the profit they make. This may limit their ability to grow. There are various taxes and levies that apply to businesses and it is important to know which apply to their particular enterprise. This is too cumbersome especially for a small businesses. The tax assessment and collection system is non transparent and unpredictable from time to time, giving opportunities for tax officials to enter into bribes from small business operators (Finseth, 1998).

Government regulations like tax system are commonly well projected and they benefits without questioning if businesses are faced with challenges or not. However their costs to small businesses are relatively higher as a result small businesses normally do shift the weight of those costs to consumers of the products. Government regulations have been blamed of changing free markets by impending competition (Susman, 2007). Tanzania Government Sector Study of the Effective Tax Burden (2006) suggests that tax and incentive policies are key parameters in defining a business climate. Taxes are essential
for the financing of government activities such as social and economic development programs in the country, but at the same time, they should be set and controlled to be as growth enabling as possible. In Tanzania the revenue raising authorities are the Ministry of finance that set tax policies and Tanzania Revenue Authority (TRA) that administers tax collection practice. Various laws and legislations have been enacted to guide the administration and collection of different taxes within the country and country that constitute the East African Community. Access to capital and high cost of finance.

2.4 Empirical Literature Review
This part will discuss the empirical literature review conducted in other parts of the world as well as to Tanzania on factors affecting SMEs Growth. Mintzberg (1989) reasoned that four functional areas of business management, namely finance, operation, general management and marketing, have great impact on small business growth. Adding to this, the size and start-up conditions of a small enterprise may play a big role. This implies that the enterprise-level barriers should be considered when analyzing constraints to SMEs growth and economic development. In the opinion of Gray (1990), the key limiting factor of small businesses is the control exerted by the owner and business independence. Small business owners struggle to separate business finances from personal finances. This independence and control eventually leaves the owner misusing the finance of the business and in the process crippling the business by starving it of resources. From such an insight, one can understand why small business owners end up failing to employ skilled, experienced and educated personnel to lead the organisation into the phase of growth and sustainability. Nawai & Shariff (2010), however, challenged the view that entrepreneurial competence and access to funding are barriers to small business growth.

Mashenene and Rumanyika (2014) conducted a study on “Business Constraints and Potential Growth of Small and Medium Enterprises in Tanzania”. The study employed quantitative approach where and used descriptive analysis. The study used the ten variables such as corruption, inadequate of business training, insufficient of capital, cultural challenges, and bureaucratic procedures towards business formalizations, technological challenges, cheating/lack of trust, and high tax, poor infrastructures. The
study highlighted that the growth of SMEs in the world including Tanzania depends on conducive business environment. The findings of the study showed SMEs are faced with number challenges such as inadequate of training, lack of capital, competitions, bureaucratic culture towards registration of business, high taxes, technological barriers, and corruption affect potential growth of SMEs. The study recommended that there is a need for the government to provide business skills on SMEs so as to enable potential growth of SMEs. On top of that the study highlighted that there is need for government and financial institutions to create enabling infrastructure that will facilities access of credit. This study concentrated on only ten variables and also it employed quantitative methods but this research is going to identify potential factors affecting SMEs among selected SMEs in Dar es Salaam and it will only employ both qualitative and quantitative methods of data analysis where Mashenene and Rumanyika (2014) study did not cover or use.

Mchome (2016) conducted a study titled “The factors affecting SMEs Growth at Mikindani Municipal”. The main objective of conducting this study was to assess the factors affecting performance of SMEs in urban centers. The study mainly focused on SMEs dealing with stationeries, bar, shops at Mtwara Mikindani. The sample size of the study was 70 respondents from selected SMEs. The evidence from the study showed that most of the entrepreneurship fail to make step in their business due to lack of capital, poor business records, lack of collateral to access finance from financial institutions. The study was mainly concentrated on how SMEs are facing challenges towards accessing of credit in Mtwara. Also the study concentrated on the micro small enterprises such as bar, stationeries and shops but this study will be conducted in Dar es Salaam among both small, larger and medium enterprises which are well established to assess the factors affecting their growth which the study conducted by Mchime (2016) did no cover.

Kazimoto (2014 did a study titled “Assessment of Challenges facing Small and Medium Enterprises towards International Marketing Standards”: The study was conducted in Arusha. Data were analyzed using descriptive techniques and the study employed case study design where Arusha Region was selected as a case study. The main objectives of conducting this study were to assess the challenges hindering SMEs growth towards
international marketing standards. The findings from the study revealed that insufficient of fund is a major challenges hindering effective growth of SMEs. The study highlighted other challenges affecting SMEs growth towards accessing international markets such, as lack of financial support from government and financial institutions, unaware of regulations and standards, and lastly weak network structure which connect SMEs with international markets. The study recommended that the government should provide a support to SMEs so as to ensure that they contributed much towards growth of GDP in Tanzania. However the study by Kazimoto, (2014) were mainly concentrated on challenges facing SMEs towards International Marketing standards this study is unique because it will only concentrated on the potential factors affecting SMEs growth in Dar es Salaam region where other studies did not cover.

Renatus (2015) in his study titled “SMEs Growth Challenges in Mwanza City” The study was conducted in Mwanza specifically on food industry, the study was conducted to assess the challenges affecting SMEs growth in Mwanza City. The study employed both qualitative and quantitative methods of data analysis. Furthermore the study employed interview and questionnaires to get primary data. The study employed non probability sampling techniques. The study findings revel number of factors which have affecting SMEs growth in Mwanza as follows: lack of enough support from government, the use of poor technology, high tax levied from SMEs, lack of skills to cope with new technology, high cost for buying new equipment, lack of reliable electricity, as well as insufficient water, high cost of acquiring new technology, power interruptions, insufficient and interrupted water. Therefore the study were only concentrated in Mwanza specifically in food industry, this study will be mainly conducted in Dar es Salaam among selected SMEs where the study by Renatus (2015) did not cover.

Jumanne (2015) conducted a study on Factors Affecting the Performance of SMEs in Tanzania: The Case of Kariakoo Market, Dar Es Salaam Region.” The major objective of conducting this study was to examine the factors affecting the performance of SMEs in Tanzania. The study used descriptive research design. The primary data were collected though interview, observations and questionnaires. The study employed two sampling procedures namely probability and non probability sampling involved purposive and simple random sampling. The study findings revealed that SMEs played an important
role towards growth of GDP and economy in Tanzania. SMEs have provided employment opportunities and poverty reduction among the youth. The study were mainly concentrated on the factors limiting performance of SMEs however this study did not specifically identified SMEs to be studied. But this study will only concentrated on the factors affecting SMEs growth in Dar es Salaam using selected SMEs who are well established where Jumanne (2015) did not cover.

Venkatakrishnan (2013) conducted a study on “Mobile Phones and Micro and Small Enterprises (MSE) Performance and Transformation in Dodoma, Tanzania”. The main objective of conducting the study was to evaluate how the development of mobile phones transformed the lives of the SMEs in Dodoma. The study is qualitative methods of data analysis. The evidence from the study showed that in a survey conducted at Dodoma in 2014 showed that SMEs have been using mobile phones for various business activities. As compared to other medium of communications such as fax, e mail, landlines, internets the use of mobile phones has transformed the way SMEs do their business operations. The study concentrated itself on how the use of mobile phones has transformed the lives of the SMEs. This study will only concentrate of the factors affecting SMEs growth in using selected SMEs in Dar es Salaam where the study by Venkatakrishnan (2013) did not cover.

Waryoba (2013), did a study titled “Factors Influencing SMEs’ Challenges: A Case of Mwanza City”. The main objective of conducting this study was to explore the factors that influencing SMEs’ challenges by using Mwanza city as a case study. The study employed descriptive research design. The study used questionnaires and interview as methods to obtaining primary data. The study employed Microsoft excels and descriptive methods were employed. The study findings showed that lack of support from government is one among the factor for business failure in Mwanza. Therefore the study recommended that there is a need for the government to introduce strategies that will enhance survival of the SMEs in Mwanza. The study by Waryoba (2013) concentrated itself on the factors influencing SMEs challenges in MWanza, but this study will only concentrated on the factors affecting potential growth of SMEs in Dar es Salaam where other study did not cover.
Kazimoto (2014) did a study on “Assessment of Factors Affecting Small Businesses’ Performance in Tanzania”. The study was conducted in Mwanza region to assess the internal and external factors affecting SMEs performance. The study employed descriptive research design and primary data were collected using questionnaires. The study employed simple random sampling where 99 respondents were used. The findings from the study revealed that financial and human resources problems, are one among the challenges affecting SMEs growth in Tanzania. The study recommended that the SMEs should be equipped with business as well as management skills for proper growth of SMEs. The study covers only SMEs in Mwanza region but this study will cover the selected SMEs in Dar es Salaam who are well established and it will employ both questionnaires and interview as a means of data collection hence the study will come with reliable findings covers the factors affecting SMEs growth which the study by Kazimoto (2014) did not cover.

Ndyali (2013) conducted a study on the challenges affecting adoption of e-commerce in Tanzania and the findings showed that legal, technical, and regulatory framework, poor internet accesses affect e-commerce among the SMEs in Tanzania. Majenga (2013) conducted a study to assess impact of social cultural factor on SMEs performance. The findings from the study revealed that immobility of women, lack of enough education, family roles, lack of business training, lack of business information, poor support from husband, thus respectively affect the performance of women SMEs in Tanzania.

Kessy (2009) argued that SMEs in Tanzania are facing with number of challenges such as cultural issues, lack of business training, limited access of fund from financial institutions respectively affect the performance of SMEs. Fjeldstad et al. (2006) examined the challenges affecting growth of SMEs in Tanzania includes, competitions, high cost of purchasing raw materials, bureaucracy towards getting license and permit, high tax rates, corruption, and insufficient demand.

Gumel (2017) conducted a study titled “Critical Challenges Facing Small Business Enterprises in Nigeria: A Literature Review”. The study was conducted in Nigeria. The study qualitatively summarized the challenges hindering SMEs growth in Nigeria. The evidence from the study revealed that SMEs has played a great role towards creations of
employment among the youth in Nigeria. The author highlighted the challenges facing SMEs using Lampadarious (2015) success factors framework. The paper identified fifteen challenges facing SMEs in Nigeria. Furthermore the study identified the solution on what should be done to minimize the identified challenges facing SMEs in Nigeria. The study indentified the following challenges facing SMEs growth in Nigeria as follows: Lack of business skills among SMEs, limited access of finance from financial institutions, inadequate markets, corruptions, poor policy towards promotions of SMEs, and poor technology, poor infrastructure. The study was conducted among the SMEs in Nigeria but this study will be conducted in Tanzania and it will critically identified potential factors affecting SMEs growth in Tanzania specifically in Dar es Salaam region. Agbenyo (2015) conducted a study titled “Challenges Facing Small and Medium Scale Enterprises (SMEs) in Accessing Credit”. The study was conducted in Kumasi Metropolis. The study was conducted to access the challenges facing SMEs towards accessing of credit in Ghana. The study used survey as a research design governing the study. The study used quantitative research. The study employed questionnaire as a means of collection of primary data. The response from questionnaires was analyzed through descriptive research design through a statistical package known as (SPSS) Statistical Package for the Social Sciences. The study used a sample of 100 respondents. The study used non probability sampling and simple random sampling techniques. The study findings showed that Micro finance institutions a major sources of fund towards provisions of loans to the SMEs. The study further identified the major challenges hindering effective growth of SMEs and the following challenges were identified as follows reductions in profit, higher cost of operations, and higher interest rates from financial institutions. The study concentrated much on the challenges facing SMEs towards accessing credit from financial institutions but this study concentrated on the factors affecting SMEs growth in Dar es Salaam among selected enterprises.

According to Ackahb and Vuvor (2011) in his study titled the “Challenges faced by Small & Medium Enterprises (SMEs) in Obtaining Credit in Ghana”. The study objective was to assess the challenges faced SMEs towards accessing of credit in Ghana. The study employed quantitative approach. Questionnaires were employed among 80 SMEs within Accra and Tema metropolis. The study selected 80 SMEs as samples through convenient
sampling. The findings from the study revealed that both financial and non financial institutions are willing to provide credit to the SMEs however the SMEs failed to meet the criteria as well as general requirement for them to obtain loans or credit. The major issues that hinder SMEs to access for loans are lack of collateral from SMEs. The study findings also showed that those who have access to credit are faced with other challenges which are the presence of higher interest rates which affect loan repayment among the SMEs. The study concentrated much on the factors hindering access of credit from financial institutions but this study will be conducted among selected SMEs who are well established and it will find the factors affecting SMEs growth in Dar es Salaam.

Gombarume and Shingirayi (2014) in his study titled “Challenges Faced by Small to Medium Scale Enterprises” the study was conducted in at Chitungwiza, Zimbabwe. The study was conducted to assess the challenges facing SMEs from 2010 to 2012. The study assessed how SMEs access loans from financial institutions and examining the impact of government policy on SMEs performance. The study used descriptive survey was used to get information from respondents and a case study design was used. The study was mainly concentrated on Chitungwiza area among 100 sample SMEs. The study used both interview and questionnaires. The findings from the revealed that SMEs lack financial support from financial institutions which affect its potential growth. The study findings showed that the government should set loan guarantees schemes so as to enable SMEs to access for fund easily from financial institutions. The study concentrated much on the factors hindering access of credit from financial institutions but this study will be conducted among selected SMEs who are well established and it will find the factors affecting SMEs growth in Dar es Salaam.

Chimucheka and Mandipaka (2015) titled “Challenges Faced by Small, Medium and Micro Enterprises in the Nkonkobe Municipality.” The study assessed the major challenges facing SMEs in Nkonkobe Municipal in Eastern Cape of South Africa. On top of that the study identified the suggested solutions towards provisions of the solution to the challenges facing SMEs in South Africa. The study used qualitative research design. Where interview was used to collect primary data. The targeted population was all SMMEs (Small, Micro and Medium Enterprises) which includes owners and managers
within Nkonkobe Municipal. The study used a sample of 30 respondents were selected using purposive sampling methods. The study selected respondents from agricultural industry, craft and arts industry and lastly trading sector. The findings from the study revealed that SMMEs were faced with number of challenges such as inadequate of capital and lack of access to finance and lastly lack of government support towards supporting SMMEs growth in South Africa.

In a study conducted by Amegashie-Viglo and Bokor (2014) the study was conducted in Ghana. The findings from the study revealed that the SMEs are facing with number of challenges in Ghana which affect its growth and it includes: lack of capital, lack of market, high cost of buying input, low level of technology towards production, high cost of raw materials, lack of business training are among the challenges hindering effective small business growth in Ghana.

Mujuru (2014) conducted a study in Zimbabwe to assess the challenges limit entrepreneurial competence of local small farmers and the findings from the study revealed that poor market strategic skills, low level of education among the farmers, affect growth of small farmers. On top of that Felix and Ezenwakwelu (2014) conducted a study on the factor limit entrepreneurial development in Nigeria. The findings from the study revealed that lack of skills as well as knowledge of on entrepreneurial development affect SMEs growth.

Khalique M., et al. (2011) titled Challenges Faced by the Small and Medium Enterprises (SMEs) In Malaysia: An Intellectual Capital Perspective. The study objective was to assess how SMEs contributed towards economic development. The study used both qualitative and quantitative methods of data analysis. The study findings showed that the SMEs are very important towards economic development in the world. Yoshino and Taghizadeh-Hesary (2016) in a study titled “Major Challenges Facing Small and Medium-sized Enterprises in Asia and Solutions for Mitigating them” the study used both qualitative and quantitative methods of data analysis. The findings showed SMEs is a back bone of Asian economy. The study findings showed that more than 98% of Asian Economy. The findings showed that SMEs is faced with number of challenges such as
limited access of finance, lack of SMEs data base, low level of financial inclusions, respectively affects effective growth of SMEs.

2.5 Research Gap

Most of past studies have identified number of barriers affecting SMEs growth, some of the challenges includes low and limited access of finance, lack of enough business skills, lack of entrepreneurship culture, poor regulatory framework among SMEs (Mashenene et al., 2014; Maziku et al., 2014; Tundui, 2012; URT, 2012; Mutambala, 2011; URT, 200; Hines and Swinker 2006, Otieno, 1990: UNCTAD, 2008). Most of the aspects investigated in other nations include the business awareness, business beliefs, Access to markets, management skills, access to capital and consumer buying behavior. In Dar es Salaam (Tanzania) some of these factors have not been studied exhaustively. This study therefore aims at investigating the factors influencing the growth of SMEs in Dar es Salaam for the case of selected SMEs in financial sector (Microfinance institutions) and food processing industry.

2.7 Conceptual Framework

The conceptual framework guiding this study showed the relationship among variables. The study focused on the potential challenges hindering SMEs growth. According to Patricia (2008), highlighted that theoretical framework in a study linked research problems, study objectives, literature review relating with the study topic. In analysis on the factors affecting SMEs, and the growth and development of SMEs thus has successfully enabled the study to come up with a conceptual framework which shows the relationship between dependent and independent variable. In this study the independent variables will be the potential factors affecting SMEs growth, and the independent variable of the study will be growth and performance of the SMEs. Therefore, from both dependent and independent variables will answer the study questions as shown in the figure below:

Figure 2:1 Conceptual Frame work
CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

The chapter discusses the research design and methods used in the course of conducting this study. Hence the description of the research processes used and it includes research
design, area of the study, targeted population of the study, sample and sampling techniques, methods of data collections, methods of data analysis techniques, ethical issues or considerations, validity and reliability of the learning. According to Kothari, (2004) research methodology is the process which shows how the study or research is to be conducted or done. The research procedure that was used are summarized and presented in the following parts:

3.1 Research Design
The study used descriptive case study design. The description analysis used to describe the factors affecting SMEs growth in Dar es Salaam. Descriptive study design was used because it is a method of study which offers in-depth examinations of salient factors under the study rather than breadth examination Yin (2003). Descriptive research design was used to select SMEs from two different sectors, namely microfinance sector under Tanzania Association of Microfinance Institutions (TAMFI) and Tanzania Food Processing Association (TAFOPA. Data was collected through questionnaire and interview.

3.2 Geographical area of study
The study was conducted in Dar es Salaam region. Dar es Salaam is one among the big city in Tanzania and important city for economic centre. The city is one among the fastest growing cities in the world. Dar es Salaam was as a capital city but currently the capital city is transferred in Dodoma. The city has five districts namely, Ubungo, Kinondoni, Temeke, Kigamboni, and Ilala. The region had a population of 4,364,541 as of the official 2012 census. The researcher selected Dar es Salaam as a case study because it is a city where most of the SMEs conduct their business, secondly it’s the city with many people migrated from different region and outside Tanzania, and lastly proximity of the area.

3.2.1 Area of study
The study was conducted in two main areas, microfinance institutions under Tanzania Associations of Microfinance Institutions (TAMFI) and food processing industries under
Tanzania Food Processing Associations (TAFOPA). TAFOPA has a total membership of 630 food processors scattered in 15 regions in Tanzania mainland and Zanzibar, Active members of TAFOPA are 310 almost 50% of the total membership about 60% of TAFOPA member are full time self-employed in food processing and 40% are seasonal processors mainly for fairs and exhibitions.

Dar es Salaam has about 60% of all members. Members’ products include but not limited to the following :- Garlic paste, Fruit Juices, Mango Pickle , Tomato Sauce , Tomato Sauce , Tomato Sauce , Mbilimbi pickle , Chili Sauce , Rosella Wine and Juice , Friut Wine , Cucumber Pickle , Honey , Lemon Pickle , Nutrition Flour, Jams , Soya products, Marmalade, Meat processing, Restaurants (http://tafopa.or.tz/product.php accessed at 12.00 am on 04.12.2018)

(TAMFI) is a non-profit umbrella association for micro finance institutions in Tanzania. It was officially registered in 2001 as a sole network for micro finance activities in the country. Members include Commercial, Community and Microfinance Banks, NGOs, Private MFIs, SACCOS, apex of informal groups, micro insurance company and Business Service Providers. The association seeks to develop capability of micro finance institutions and the micro finance sector in general through advocacy, lobbying, research and development, responsible micro finance, capacity building, and information gathering and dissemination. The National Micro finance Policy also assigns the task of developing and ensuring application of standards to the network. The current 99 member institutions of TAMFI reach out to approximately 1.2 million micro entrepreneurs in urban and rural areas. These are micro entrepreneurs who are committed to change their financial behaviours. Microfinance institutions are providing a broad range of financial services to these poor and low income people who are systematically excluded from formal financial system. Financial services include credit, savings, leasing, insurance, mobile/wire transfers, housing and pensions. And as a result these active poor communities are included in the mainstream financial system (http://tamfi.com/about-us/ accessed at 11.30 am 04.12.2018)
3.3 Target Population
The targeted populace of this study includes the populations of the SMEs from both small and medium enterprises. Generally there is no database which shows number of registered SMEs for Microfinance and Food institutions in Dar es Salaam. The researcher therefore used selected members of TAMFI and TAFOPA as target population to inspect the aspects influencing the growth of SMEs in Dar es Salaam.

3.4 Sample Size
Based on the nature of the study, the sample size was selected randomly on the focus of data collection. The main purpose of selecting sample is because; within a study it is not possible for the researcher to cover the population in a selected area of study. Saunders et al. (2007) provided the rationales behind sample within a research as it enable the study to be conducted in accuracy.

The study used a sample of 110 respondents where 50 were selected from food processing industry and 60 respondents from microfinance institutions. The study only dealt with the SMEs from microfinance and food processing industries. The researcher distributed questionnaires to 110 selected respondents from both food and microfinance sector.

3.5 Sampling Techniques
Sampling refers to the number of respondents selected from a certain population. According to Kothari (2004) define sampling as the process of obtaining information about entire population by examining only a part of it. Basing on the nature of the study the study used two sampling techniques which are simple random sampling and purposive sampling. The study selected 60 respondents from microfinance institutions and 50 respondents from food processing industry. In this study the researcher used the list of organized SMEs and selected TAMFI (microfinance) and TAFOPA (food processing) as the main case studies. Employees, owners; clients from these institutions were interviewed. Due to the nature of the study sample from five microfinance companies were selected namely Doxazo Microfinance Limited, One Answer Microfinance Ltd, Light Finance Ltd, Manuafaa Finance Ltd and Jaadaz Finance Limited.
On top of that five food processing business were selected namely: River stone Traders, One Product Ltd, Power Food Industry, Academia Food Company and Jaflo Health Food Products. The researcher delivered questionnaires to the selected respondents from selected microfinance and food processing businesses.

3.5.1 Purposive Sampling

The study used purposive sampling which is a non-probability sampling technique that conforms to certain criteria for selecting respondents from Microfinance institutions and food industries. Purposive sampling is very useful since it helped to reach targeted samples quickly and it helped to get easily the opinions of the targeted population. Purposive sampling is the process of selecting the respondents who are knowledgeable and who are conversant with the subject to be contemplated (Omary, 2011). Purposive sampling was used due to the fact that it involves selection of the respondents from a certain unit for a specific purpose (Tashakkori & Teddlie, 2003). The study selected 110 respondents purposively. The purposive sampling selected to the respondents who are rich in information relating to the factors affecting growth of SMEs in Dar es Salaam specifically microfinance and food processing industries. Purposive sampling were used to owners of the firms, directors and managers from selected SMEs in both food and microfinance businesses. Therefore through purposive sampling 20 managers, owners, CEOs and directors from both food and microfinance sector were selected.

3.5.2 Simple Random Sampling

The study employed simple random sampling. Simple random sampling was used by this study because it provides alike chance to each and every member of the society to be included in the study (Kothari, 2004). Simple random sampling employed to select respondents who are involved in three selected industry. According to Ndunguru, (2007) argued that simple random sampling includes all person or respondents who have the same characteristics to have equal chance of being selected. The study used simple random sampling because it provides equal chance for any member within a society to be included and it is not biased. The study employed the use of simple random sampling to select employees from selected organizations. Therefore through simple random sampling the researcher managed to select employees from selected firm randomly and a
total of 110 targeted sample were obtained from both food and microfinance sector. Simple random sampling was used to select entrepreneurs who were selected by the researcher randomly until the sample targeted is reached. The summaries of respondents involved are summarized in the table below as follows:

Table 3.1: The number of organizations selected in Microfinance and Food Processing

<table>
<thead>
<tr>
<th>S/N</th>
<th>Name of Microfinance</th>
<th>Actual Respondents</th>
<th>Name of Food Processing</th>
<th>Actual Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Doxazo Microfinance Limited</td>
<td>13</td>
<td>River stone Traders</td>
<td>10</td>
</tr>
<tr>
<td>2.</td>
<td>One Answer Microfinance Ltd</td>
<td>15</td>
<td>One Product Ltd</td>
<td>10</td>
</tr>
<tr>
<td>3.</td>
<td>Light Finance Ltd</td>
<td>12</td>
<td>Power Food Industry</td>
<td>10</td>
</tr>
<tr>
<td>4.</td>
<td>Manuafaa Finance Ltd</td>
<td>10</td>
<td>Academia Food Company</td>
<td>10</td>
</tr>
<tr>
<td>5.</td>
<td>Jaadaz Finance Limited</td>
<td>10</td>
<td>Jaflo Health Products</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td></td>
<td><strong>50</strong></td>
</tr>
</tbody>
</table>

3.6 Data Collection Methods

The study employed both primary and secondary data. These methods include questionnaires, interview and documentary source as described below:

3.6.1 Questionnaire

The study used questionnaires as a means of getting primary data. The study used questionnaires because it gives respondents enough time to think and fill the gap in questionnaires; on top of that it gives clear data on the current subject matter of the study, and up keeping of privacy among the respondents (Mugenda, 2003).

According to (Babbie, (1995); Fox & Bayat, (2007) highlighted the rationales behind questionnaires that it enable the researcher to minimize cost, its fact and less meddling, not bias, and it give opportunity to the researcher to collect many information from respondents within a short period of time. The questionnaires informed of both open and
closed ended questions. The questionnaires were distributed among the people dealing within microfinance business and food processing industries. The respondents answer questions by selecting the answers in alternative as well as explanations relating with factors affecting SMEs growth. For the purpose of this study 110 respondents were selected mainly from both microfinance and food processing industries were given questionnaires to give their opinion of the factors affecting growth of SMEs in Dar es Salaam. The questionnaire is attached as Annex I.

3.6.2 Interview
According to Zubair (2012) interview is a conversation where questions are asked and answers are given. The interview method was used on collecting data related to the study from owners and directors or top managers owning both food processing industry and microfinance. The interview was used in order to get comparably detailed information’s related to the study from the respondents while listening to them directly. For purpose of this study researcher interviewed 20 respondents, where 10 were from food industry and 10 were from microfinance. Interview was preferred because it is face to face and it allows the researcher to get much detail in relation with the study objectives.

3.6.3 Documentary Review
The study employed documentary review and other publications related with the small industries on employment creation. The study used documentary review to review various literatures such as thesis, dissertations, World Bank Report, ILO publications, NBS publications, books, papers and journals covering the factors affecting SMEs growth.

To review document under secondary source the researcher makes use of library, Google scholar and searching from internet. On this study the researcher used both published and unpublished reports related to the research topic. Documentary review was preferred because it supplements the data collected from primary source.
3.7 Data Analysis
After data collection from field the researcher grouped the data in accordance with their categories, natures, and thereafter categories were grouped in accordance with the response given. The researcher edited and cross checked by various responses and coded all questionnaires. Data were collected, entered coded through excel. Data that was collected, processed and analyzed as per outlined procedures for the purpose of developing research plan (Kothari, 2004). Data was processed, and verified before data analysis. On top of that data was coded, edited, tabulated, and summarized so as to detect errors or omissions. The researcher used quantitative techniques with some complementing descriptive statistics such as tables. Tables were used in order to present the data in a way that is easily understood. In doing this the respondents who were likely considered to possess information about the problem were firstly identified, interviewed and on the basis of information provided some conclusion were drawn.

3.8 Validity of Instruments
Joppe (2000) argued that validity of the study enable the researcher to determine whether the study can measure what is intended to be measured. To ensure validity of data the researcher used pilot study before data collection. Pilot study was preferred because it enables the researcher to correct the omissions or errors noted before data collection. On top of that to ensure validity of data instruments for data collections such as questionnaires and interview guide questions was presented to the supervisor for approval before data collection, thus validity of the study was ensured.

3.9 Reliability of Study
Mugenda and Mugenda (2008) argued that reliability refer to the extent where research instrument provides consistent findings or results. To ensure reliability of the study the researcher tested the instrument of data collections through pilot study. On top of that to ensure reliability of the study the researcher used design questionnaires and interview guide questions in relations with the research objectives, thus high reliability of data was ensured.
3.10 Piloting of the Study
To ensure validity and reliability of the study the researcher conducted a pilot study. The researcher used pilot study because it enables the study to identify any errors, omissions, of deficiencies, within instrument of data collections before collection of primary data (Brotherton, 2008). Pilot study was conducted among 10 SMEs so as to identify errors or omissions within instruments of data collections before data collections.

3.11 Ethical issues
In a process of conducting this study several ethical issues was taken into consideration. The researcher explained the major objective of conducting this study to the respondents and requested informed consent from all respondents. The process of conducting this study, the researcher ensures voluntary participations of respondents. Data from respondents was treated in confidential manner so as to avoid disclosing of information to unintended audience. Lastly the researcher strictly adhered with the issue of plagiarism, by making sure that plagiarism is not part of the study and each writing as well as findings retained its authority.

CHAPTER FOUR
DATA ANALYSIS, PRESENTATION
4.0. Introduction
The chapter presents the study findings and discussion is basing on the study objective. The findings of the study are presented and discussed in quantitative method. The quantitative data are summarized and presented using table. The research objectives of conducting this study were:

➢ To determine the internal factors hindering growth of SMEs in Dar es Salaam.
➢ To examine external factors that affect SMEs growth in Dar es Salam.
➢ To identify ways for the SMEs to overcome the constraint of firm growth
4.1 Data collection Plan

The researcher managed to interview and collect questionnaires from 110 respondent’s equivalent to 100% of proposed sample size (110). The data were collected from 50 respondents dealing with food processing industry and 60 respondents dealing with microfinance business. The information is presented in the table below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Proposed sample</th>
<th>Reached sample</th>
<th>Percentage%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance</td>
<td>60</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>Food industry</td>
<td>50</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

Field Data, 2019

4.1.1 Description of Sample

Table 4.2 describe the respondents by location of their business, a total 110 respondents were obtained from two organizations TAMFI and TAFOPA. The evidence showed that from TAMFI 60 respondents which represent 50% were involved and 50 respondents which represent 50% were from TAFOPA. The summary of the findings are summarized in the table below as follows:

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance (TAMFI)</td>
<td>60</td>
<td>50%</td>
</tr>
<tr>
<td>Food Industry (TAFOPA)</td>
<td>50</td>
<td>50%</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>100%</td>
</tr>
</tbody>
</table>

Field Data, 2019

4.1.2 Respondents’ profile

Age

Findings in the table 4.3 reveal the working force for food processing industry and microfinance business. The table showed that most of the respondents in microfinance sector aged from 36 – 45 which have 27 respondents which represents 45% of the total
respondents. In food processing industry most of the people aged from 36 – 45 where there was 20 respondents which represents 40% of the respondents involved in food processing industry. Therefore from the above findings it showed that most of the respondents had between 36 – 45 years. This showed that most of the respondents are youth who are engaging on microfinance and food processing industry. The summary of the study are summarized and presented in a table below as follows:

**Table number 4.3: Showing age of the respondents**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Microfinance Sector</th>
<th>Food Processing Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>10 (16.7%)</td>
<td>12 (24%)</td>
</tr>
<tr>
<td>26-35</td>
<td>15 (25%)</td>
<td>13 (26%)</td>
</tr>
<tr>
<td>36-45</td>
<td>27 (45%)</td>
<td>20 (40%)</td>
</tr>
<tr>
<td>46-55</td>
<td>5 (8.3%)</td>
<td>3 (6%)</td>
</tr>
<tr>
<td>56 and above</td>
<td>3 (5%)</td>
<td>2 (4%)</td>
</tr>
<tr>
<td>Total</td>
<td>60 (100%)</td>
<td>50 (100%)</td>
</tr>
</tbody>
</table>

**Field Data, 2019**

**Gender of the respondents**

The researcher asked the respondent’s to state their gender. The researcher described the gender of the respondents basing on two major sector which is microfinance and food processing sector. The evidence from the study showed that most of the male were highly involved in microfinance where 40 respondents which represent 66.6% male from microfinance and only 33.4% were female.

In food processing industry the results showed differently where most of the respondents were female involved in food industry. The evidence showed that 30 respondents which represent 60% were female and the remaining 20 respondents which represent 40% were female. Therefore from the finding it is the evidence from the study that both male and female were involved in a course of conducting this study therefore the study were not entrenched in a single gender. The summary of the findings are summarized and presented in the table below as follows:
Table 4.4: Gender of the Respondents

<table>
<thead>
<tr>
<th></th>
<th>Microfinance</th>
<th>Food Processing Sector</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>40 (66.6%)</td>
<td>20 (40%)</td>
<td>60 (50%)</td>
</tr>
<tr>
<td>Female</td>
<td>20 (33.3%)</td>
<td>30 (60%)</td>
<td>50 (50%)</td>
</tr>
<tr>
<td>Total</td>
<td>60 (100%)</td>
<td>50 (100%)</td>
<td>110 (100%)</td>
</tr>
</tbody>
</table>

Field Data 2019

Level of Education

The study asked the respondents from both food industry and microfinance business to state their level of education. The evidence from microfinance sector showed 12 respondents which represents 20% have certificate level of education, 14 respondents which represents 23.3% have diploma level of education, 9 respondents which represents 15% have advanced diploma, 20 respondents which represents 33.3% have bachelor degrees, 5 which represents 8.3% have masters level of education.

In food industry the evidence from the study showed that 30 respondents which represents 60% had secondary level of education, 8 respondents which represents 16% had certificate level of education, 3 respondents which represents 6% had Diploma level of education, 4 respondents which represents 8% have Advance diploma, 5 respondents which represents 10% had bachelor level of education.

Therefore from the findings above it showed that most of the respondents from both food and microfinance have bachelor level of education, on top of that the study involve the respondents with different categories of education level. The findings of the study are influenced by the level of education of the particular respondents. The summary of the findings are summarized and presented in the table below as follows:

Table 4.5: Level of Education of Respondents

<table>
<thead>
<tr>
<th>Statements</th>
<th>Microfinance Sector</th>
<th>Food Processing Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary ordinary/advanced level</td>
<td>0</td>
<td>30 (60%)</td>
</tr>
<tr>
<td>Certificate</td>
<td>12 (20%)</td>
<td>8 (16%)</td>
</tr>
<tr>
<td>Diploma level</td>
<td>14 (23.3%)</td>
<td>3 (6%)</td>
</tr>
<tr>
<td>Advanced diploma level</td>
<td>9 (15%)</td>
<td>4 (8%)</td>
</tr>
</tbody>
</table>
Experience of the respondents

The study asked the respondents to state the level of experience towards doing their business in both food and processing industry.

In microfinance sector the evidence from the study shows that 16 respondents which represents 13.4% has 0 – 2 years doing business, 18 respondents which represents 30% have 3 – 5 years doing business, 19 respondents which represents 31.7% have 5 – 7 years working experience, and 10 which represents 16.7 have 7 – 9 working experience and lastly 5 respondents which represents 8.3% have more than 10 years doing business.

In food processing sector the evidence from the study showed that that 7 respondents which represents 14% have 0 – 2 years doing business, 16 respondents which represents 32% have 3 – 5 years doing business, 17 respondents which represents 34% have 5 – 7 years working experience, and 8 which represents 16% have 7 – 9 working experience and lastly 2 respondents which represents 4% have more than 10 years doing business.

Therefore from the above findings it showed that the respondents have different categories of doing business. Most of the respondents have 5 – 7 years working experience hence they have much understanding on the factors affecting growth of SMEs in both food and microfinance business. The summary of the findings are summarized in that table below as follows:

**Table 4.6: Years in operation of business**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Microfinance Sector</th>
<th>Food Processing Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 years</td>
<td>8 (13.3%)</td>
<td>7 (14%)</td>
</tr>
<tr>
<td>3-5 years</td>
<td>18 (30%)</td>
<td>16 (32%)</td>
</tr>
<tr>
<td>5-7 years</td>
<td>19 (31.7%)</td>
<td>17 (34%)</td>
</tr>
</tbody>
</table>
Forms of Ownership of the Business

The study asked the respondents to states their forms of business. The findings from the study showed that 60 respondents from microfinance sector which represents 100% operate their business in forms of company limited by shares. This is due to the fact that the current law requires any person operating microfinance business must have a company limited by shares.

While from food sector the evidence from the study showed that 40 respondents which represents 80% of respondents in food sector operate their business inform of sole proprietorship, 8 respondents which represents 16% operate their business inform of partnership, while the remaining 2 respondents which represents 4% operate their business inform of incorporated business.

The findings from the study showed that most of the limited company was from microfinance sector due to the fact that the current law requires that for any person to operate business of microfinance, he/she should open a private company. On top of that the findings showed that most of the respondents operating inform of sole proprietorship were from food processing industry. The summary of the findings are summarized and presented in the table below as follows:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Microfinance Sector</th>
<th>Food Processing Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole proprietorship</td>
<td>0</td>
<td>40 (80%)</td>
</tr>
<tr>
<td>Partnership</td>
<td>0</td>
<td>8 (16%)</td>
</tr>
<tr>
<td>Incorporated business</td>
<td>60 (100%)</td>
<td>2 (4%)</td>
</tr>
<tr>
<td>Total</td>
<td>60 (100%)</td>
<td>50 (100%)</td>
</tr>
</tbody>
</table>

Field Data, 2019
Annual Turnover of the Business
The study asked the respondents to states the annual turnover of the business from both food and microfinance business.

In microfinance sector the evidence showed that 20 respondents which represents 33.3% their annual turnover is below 20,000,000/=, 25 respondents which represents 41.7% their business turnover is 21, 000, 0000 – 50,000,000, 8 respondents which represents 13.3% their business turnover is 51, 0000,000 – 100,000,000, 5 respondents which represents 8.3% their business turnover is 101,000,000 – 150,000,000, and lastly 2 respondents which represents 3.3% their business turnover is 151,000,000 – 200,000,000.

In food processing sector the evidence shows that 36 respondents which represents 72% their annual turnover is below 20,000,000/=, 10 respondents which represents 20% their business turnover is 21, 000, 0000 – 50,000,000, and lastly 4 respondents which represents 8% their business turnover is 51, 0000,000 – 100,000,000.

Therefore from the figure above the study findings showed that most of the respondents their annual turnover is 21,000,000 – 50,000,000 from microfinance sector. In food processing industry 72% their capital is below 20,000,000. The summary of the study are summarized and presented in the table below as follows:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Microfinance Sector</th>
<th>Food Processing Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 20,000,000</td>
<td>20 (33.3%)</td>
<td>36 (72%)</td>
</tr>
<tr>
<td>21,000,000-50,000,000</td>
<td>25 (41.7%)</td>
<td>10 (20%)</td>
</tr>
<tr>
<td>51,000,000-100,000,000</td>
<td>8 (13.3%)</td>
<td>4 (8%)</td>
</tr>
<tr>
<td>101,000,000-150,000,000</td>
<td>5 (8.3%)</td>
<td>0</td>
</tr>
<tr>
<td>151,000,000-200,000,000</td>
<td>2 (3.3%)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60 (100%)</strong></td>
<td><strong>50 (100%)</strong></td>
</tr>
</tbody>
</table>

Field Data, 2019
4.2.1 Internal factors hindering growth of Microfinance Institutions and Food Industries

This study seeks to understand internal factor affecting growth of business in both microfinance and food processing industries. We shall use several sources of empirical data to address these factors. In what follows, we shall first present data for Microfinance business and then data for food processing factors will be presented.

Table 4.9 below present empirical data on internal factors affecting the growth of SMEs in microfinance institutions. As can be noted in the same table, a number of internal factors are truly affecting the growth of SMEs in microfinance institution.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of enough capital</td>
<td>21</td>
<td>35</td>
</tr>
<tr>
<td>Poor financial control</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Lack of qualified personnel</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Poor managerial skills</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Field Data, 2019

4.2.1.1 Lack of Enough Capital

Lack of capital is one among the challenges affecting growth of microfinance institutions. The evidence from the study showed that 21 respondents which represent 35% of the total respondents argued that lack of capital affect growth of the business. The evidence from the study showed that most of the microfinance institutions failed to get finance assistance from banks due to the fact that banks hesitates to give finance to microfinance for fear of competition challenges. During interview with one among the director he had this to say:
Capital is very important determinant in the growth of any business. Most of the microfinance institution lacks enough finance to provide assistance to many low income people. According with new reforms any microfinance service provider is required to have minimum of 20 million. For example under regulation 45-(1) of The Microfinance Act (Non-Deposit Taking Microfinance Service Provider) Regulations, 2019 states that A microfinance service provider under Tier 2 shall commence operations with and maintain at all times a minimum capital of TZS 20 Million or such higher amount as the Bank may prescribe.

Therefore in order to expand or opening more branches MFI are required to have enough capital to provided assistance to many clients however most of MFI has remained only with one branch giving loans to individual ranging from 30 to 100 per month. If the MFI could get more capital they may open more branches and service more people.

Therefore it is high time for the government and policy makers to establish a special mechanism which will enable the microfinance institutions to get fund so as to enable these microfinance institutions to give credit to larger number of populations.

This is also one among the challenges affecting growth and development of microfinance business. The evidence from the study showed that 15 respondents out of 60 which represent 25% of the total respondents from microfinance business argued that poor financial control within microfinance business affect growth of microfinance.

4.2.2 Internal factors affecting growth and development of food processing industry

This part critically discusses the factors affecting growth and development of food processing industry. The first objective of conducting this study was to assess the internal factor affecting growth of food and microfinance industry. The first party has discussed
the internal factor affecting growth of microfinance business. This part will critically
discuss the internal factor affecting growth and development of food processing industry.
The study asked the respondents to states the internal factors affecting growth of SMEs
with food industry. The summary of the findings were summarized and presented in the
table below as follows:

Table 4.10: Internal factors affecting growth of SMEs in food processing business

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of enough capital</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td>Lack of innovation</td>
<td>22</td>
<td>44</td>
</tr>
<tr>
<td>Lack of managerial skills</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

Field Data, 2019

4.2.2.1 Lack of Capital

Lack of capital is also one among the challenges facing growing firms of food and
processing industry in Tanzania. Most of the respondent’s showed that lack of collateral
affect SMEs from food sector to access for credit from financial institutions. The
evidence from the study showed that 20 respondents which represent 40% of the total
respondents from food industry argued that lack of enough capital affect growth and
development of food processing industry. Most of the respondents from food and
processing industry complained that lack of enough capital is attributed by inaccessible of
finance from financial institutions. Most of the food processor complained that the
financial institutions such as bank and microfinance prefer to offer loans and credit to the
people with collateral. The evidence showed that most of the individuals involved in food
processing industry lack collateral requirement for getting criteria to access loans hence
their business lack enough capital for expansions and development of their industry.

4.2.2.2 Lack of Innovation

Poor technology and innovation is one among the biggest challenges affecting growth
and development of food processing industry. The evidence from the study showed that
12 respondents out of 50 which represent 24% of the total respondents from food processing industry argued that poor technology and innovation affect SMEs growth from food processing industry. The evidence from the study showed that the use of poor and outdated technology without innovations has led food processing product from Tanzania failure to compete with the product from outside. The evidence from the study showed that poor and outdated technology characterized with lack of innovations hinders growth of food industries in Tanzania. Most food processors are coping others products, they do not come up with new products and processes in production. During interview with one among the manager within food processing industry she had this to say:

“Poor technology and lack of innovation is one among the biggest challenges hinder growth of SMEs in food processing industry as a result our product cannot compete with the product from outside”.

For food and processing industry to grow in Tanzania there is a need for the government through SIDO to offer technology as well as innovation to the people involved in food and processing industry this will enable the sector to grow and competed with the product from other countries.

Under innovation and technology Poor Branding and Labelling: Poor branding and labeling: This is another challenges affecting growth and development of food and processing industry. The evidence from field showed that most of the people involved in food and processing industry have no skills or training on branding and labeling.

During interview with one among the respondents in food processing industry he had this to say:

“Poor branding and labeling has made our product to loss value, this is due to the fact that our product due to lack of labeling and branding cannot compete with local and international markets hence hinder growth and development of food processing industry”.

The evidence showed that most of the product sold by SMEs from food and processing industry has no label or branding which showed the contents used to make such a
products, and the date of expiring of the product and from which company the product belong.

4.3 The external factors that affect growth of SMEs in Dar es Salaam

The second objective of conducting this study was to assess external factors affecting growth of SMEs in both food industry and microfinance business.

4.3.1 External factors that affect growth of SMEs in microfinance sector

This section present and discuss the findings on the external factors affecting growth and development of SMEs from microfinance business as presented and discussed below:

Table 4.11: External factors affecting growth of SME in Microfinance business

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence of high competition</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>Higher tax rate and other payment</td>
<td>21</td>
<td>35</td>
</tr>
<tr>
<td>Frequent changes of laws, policy and regulations</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>60</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Field Data, 2019

4.3.1.1 Presence of Higher Competition

The presence of stiff competition from other financial sector affects development and performance of microfinance business. The evidence from the study showed that 30 respondents which represent 50% from microfinance highlighted that presence of higher competition affect growth of microfinance business. The presence of microcredit, Vicoba, and SACCOS and banks led into higher competitions of the business of loans and credit. During interview with some other owners of microfinance one among argue that: “biashara ya mikopo inaushindani mkubwa sana tunashindan na mabank, SACCOS, VICOBA na hata watu binafsi ambao hawajasajili wanatoa pia mikopo”.
The study showed that the business of microfinance is very competitive in this era. Thus presence of competition has affected growth of SMEs in MFIs.

4.3.1.2 High Tax rate and other Payment

This is among the challenge affect growth of microfinance business. The evidence from the study showed that 21 respondents which represent 35% of the total respondents argued that the presence of higher tax as well as other compliance cost affects performance of microfinance business. Under the law microfinance business are required to pay various payment such 30% of the profit should be paid to TRA, on top of that microfinance with more than 4 employees should pay 4% of SDL (Skills Development Levy), on top of that 600,000/= for business license, other payment includes annual return fee for the company in BRELA, OSHA payment and many other thus has resulted into affecting other person to formalize their business.

During interview with one among the director within microfinance business he had this to say:

“the presence of high tax rate as well as other compliance payment influence people to continue doing their business informal without registration or paying of tax, thus registration of business attract more payment hence it affect growth and development of microfinance business”.

The evidence showed that most of the people prefer to operate informal due to the high cost towards compliance of the business.

4.3.2 External factors affecting growth of food processing industry

This part will discuss the external factors affecting growth of food processing industry. The summary of the findings are summarized and presented in the table below as follows:

Table 4.12: External factors affecting growth of SME in food processing business
## Field Data, 2019

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Regulations and Policies</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Improper record keeping</td>
<td>15</td>
<td>30</td>
</tr>
<tr>
<td>Competition</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Business Location</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

### 4.3.2.1 Government Regulations and Policies

There are Government regulations and policies which hinder growth of Smes in food industry. The evidence from the study showed that 20 respondents which represent 40% of respondents from food sector 1 highlighted that food businesses are governed by different agencies like Tanzania revenue Authority (TRA), Tanzania Food and Drug Authority (TFDA) and Tanzania Bureau of Standards (TBS). All these agencies have their own policies which govern food industries and all have expenses to fulfill the requirement for business operations which hinders their growth.

### 4.3.2.2 Improper Record Keeping

In the study respondents mentioned improper record keeping as one of the challenge affecting growth of their business. Table 4.12 above, 15(30%) respondents mentioned improper record keeping as a challenge to their business as most of the time they hide keeping records to avoid paying high taxes. The improper record keeping also comes as a result of inadequate education and training in business as a result firms loses track of cash flows and in turn leading to cost control and liquidity problems. If the records of the transactions a business undertakes are not kept properly, growth cannot be achieved since the firm loses track of where it is heading.
4.4 Ways the SME’s can overcome growth constraints in Dar es Salaam

The third objective of conducting this study was to assess the ways that can be used to overcome the constraints that hinder growth of SMEs in food and processing industry as well as microfinance business. The respondents were asked to state the major ways which can be used to overcome the challenges affecting growth of SMEs and the recommendations are presented in table 4.13

Table 4.13: Showing recommendations from microfinance sector on how to overcome external and internal challenges

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Microfinance</th>
<th>Food Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions of education and training on business and tax Laws</td>
<td>40 (66.6%)</td>
<td>40 (80%)</td>
</tr>
<tr>
<td>Reduction of bureaucratic procedures towards registration of business</td>
<td>50 (83.3%)</td>
<td>40 (80%)</td>
</tr>
<tr>
<td>Government support</td>
<td>60 (100)</td>
<td>50 (100%)</td>
</tr>
<tr>
<td>Reduction of tax and cost of doing business</td>
<td>48 (80%)</td>
<td>35 (70%)</td>
</tr>
<tr>
<td>Easily access of loans and credit with low interest rate and conditions</td>
<td>54 (90%)</td>
<td>42 (84%)</td>
</tr>
</tbody>
</table>

Field Data, 2019

4.4.1 Provisions of Education and Training on Business and Tax Laws

Provisions of education and training to the people involved in food and processing industry as well as microfinance business. The evidence from the study showed that microfinance showed that 40 (66.6%) from microfinance sector and 40 (80%) from food industry recommended that there is a need for education and training to be provided thus will enable the growth and development of the two sectors. The respondents from microfinance were asked to state which area do they need training they highlighted that management skills, marketing skills, accounting skills as well as ICT skills.
The respondents from food processing industry were asked which kind of skills they need for development of the business the recommended that hay should get management skills, branding and labeling skills, technology and innovations skills, financial skills as well as accounting skills. The study findings are confirmed by Mujuru (2014) who argued that in order to solve mutually inside and outside factors affecting growth of SMEs the owners of the firm such as managers and directors should be given training on how to run business. Therefore training is very important as it will empower the SMEs managers with the required skills which facilitate growth of their firms.

On the other hand in Provision of education on tax laws, TRA as well as other regulatory institutions should provide education on how SMEs can pay tax as well as other compliance procedures. The evidence from the study showed that microfinance showed that 35 (58.3%) from microfinance sector and 32 (64%) from food industry recommended that TRA as well as other institutions should provide education to the SMEs on the issue of tax payment as well as other regulatory requirement. During interview most of the respondents complained that they failed to register their business due to fear on the presence of higher tax from TRA as well as other regulatory authorities. Therefore it is the higher time now for the government through TRA to provide education to tax payers on the importance of registering business as a swell as tax compliance issues.

4.4.2 Reduction of Bureaucratic Procedures towards Registration of Business

The government through BRELA should reduce bureaucratic procedures towards registering of their business. The evidence from the study showed that microfinance showed that 50(83.3%) from microfinance sector and 40 (80%) from food industry recommended that in order to reduce the rate of business informality it is the high time now for the government to reduce bureaucratic procedures such as Online Registration System (ORS) which require each and every person who want to register business should have National Identity Card. This has greatly affected the SMEs and some of has opted to operate informally without being registered.
The study findings are confirmed by Mashenene and Rumanyika (2014) who argued that the presence bureaucratic procedures towards registration of business affect growth of the SMEs business. The study highlighted that the growth of SMEs in the world including Tanzania depends on conducive business environment. The findings of the study showed SMEs are faced with number challenges such bureaucratic culture towards registration of business, high taxes, technological barriers, and corruption affect potential growth of SMEs. The study recommended that there is a need for the government to provide business skills on SMEs so as to enable potential growth of SMEs. Therefore in order to enhance business formalisation it is the high time now for the government to reduce all bureaucratic procedures towards business formalisation, registrations and applications for licence. This will reduce the rate of business informality as most of the people decided to operate their business informal without registration and legal compliance because they fear for the available bureaucratic procedures. Therefore the government should reduce of bureaucratic procedures towards registration of business.

4.4.3 Government Support

The government should provide support towards development of SMEs business in both food processing industry as well as microfinance business. The evidence from study showed that lack of support from government as well as other stakeholders such as SIDO and TIRDO has affected growth of the SMEs. The evidence from the study showed that microfinance showed that 60(100%) from microfinance sector and 50 (100%) from food industry recommended that to solve the challenge facing SMEs the government as well as other stakeholders should provide moral and material support towards growth of the SMEs business. The study findings are similar with the study conducted by Renatus (2015) who argued that lack of support from government as well as policy makers affect effective growth of SMEs in Tanzania. Lack of support from government has been identified as one among the factors affecting growth of SMEs. The government has not created good and enabling environment which influence growth of SMEs in both food as well as microfinance sector.

Similarly the study findings are confirmed by Waryoba (2013 who confirm that lack of support from government is one among the factor for business failure in Mwanza.
Therefore the study recommended that there is a need for the government to introduce strategies that enhances survival of the SMEs in Mwanza. Therefore this study concluded that if the government invest and take time to support SMEs business it will attract number of individual to join the sector hence development of SMEs business

4.4.5 Reduction of Tax and cost of doing Business

The respondents also recommended that there is a need for government to reduce high taxes on businesses as it hinders business. The evidence from the study showed that microfinance showed that 48 (80%) from microfinance sector and 35 (70%) from food industry recommended that the government should reduce tax and other costs of doing business. This is due to the fact that most of the respondents complained that higher cost as well bureaucratic procedures towards business registration affect performance of the SMEs in both food and processing industry.

On top of that the government should provide National Identity Card to all people so as to enable them to register their business easily through new ORS established by BREL. The study findings are similar with the study conducted by Mashenene and Rumanyika (2014) who both confirmed that the presence of higher tax and cost of doing business is one among the factors affecting effective growth of SMEs business. Therefore the studies recommended that it is higher time now for the government, policy makers as well as other stake holders to reduce the tax as well as cost of doing business in both food and finance sector. The findings from the study showed that the respondents from microfinance business as per new laws they are required to pay 1000,000 application fee for obtaining a licence from BOT, 600,000/= for business licence, and 30% of profit should be paid to TRA, paying 4% of skills development levy to mention few. On top of that respondents from food industry are required to pay various taxes for compliances such as TBS, TAFDA fees, TRA, licensing fees, skills development levy as well as other payment.

The study concluded that it is higher time now for the government as well as well as other important stakeholders to reduce taxes and cost of doing business in both food and microfinance business thus enables the SMEs from two sector to growth hence it enables the increase of GDP and development of national.
4.4.6 Easily access of loans and credit with low interest rate and other conditions

The respondents further recommended that there is a need for the government and financial institutions such as banks to give loans to the SMEs with minimal conditionality’s. The evidence from the study showed that microfinance showed that 54 (90%) from microfinance sector and 42 (84%) from food industry recommended that it is the high time for the government as well as other financial institutions to offer loans and credit without many complications thus will enable the SMEs to expand their business.

The findings of the study are confirmed by Agbenyo (2015) the study further identified the major challenges hindering effective growth of SMEs as the presence of high interest rates from loan taken from financial institutions and lack of access of loans and credit from financial institutions.

On top of that the study are confirmed by Gombarume and Shingirayi (2014) the findings from the revealed that SMEs lack financial support from financial institutions which affect its potential growth. Therefore from the findings above it showed that most of the SMEs from both food and microfinance sector complain that they have limited access of finance from financial institution. Most of the financial institutions prefer collateral good records of finance from clients and most of the SMEs firms are still in the growth stage of development therefore they have no collateral. Therefore the study concluded that the government should set loan guarantees schemes so as to enable SMEs from both microfinance and food industry to access for fund easily from financial institutions.

CHAPTER FIVE
DISCUSSION OF THE FINDINGS

5.0 An overview

The chapter discusses the discussion of the findings basing on the study objectives. The chapter provides arguments based on the study findings presented in chapter four and variable in chapter two of the literature reviews. Therefore the major aim of this chapter
is to integrate the current presented findings from chapter four with the issues raised in chapter two.

5.1 Internal factors hindering growth of Microfinance Institutions and Food Industries

The study assessed the internal factors affecting growth of business in both microfinance and food processing industries. This section starts by discussing the internal factors affecting microfinance followed factors affecting food industry as follows:

**Limited access to Capital:** Limited access of capital was identified as the major problem facing SMEs in microfinance sector. Lack of enough capital to lend clients has affected MFI’s to expand their business. In Tanzania the study findings showed that there are few microfinance institutions which have attained self financial sustainability due to the fact that most of the MFI still depends on the financial assistances from financial institutions (banks). Capital is important as it enable the MFI to have its stable capital structure that enables the microfinance to extend and expand their customer base and support many people.

The study findings showed that lack of capital is the biggest inhibitors affecting growth of microfinance institutions sector in Tanzania. The main challenge identified by most of the respondents from microfinance especially top managers is that most of the financial institutions such as banks hesitate to lend or give money to the microfinance institutions for fearing of competition. This is because most of the microfinance and the banks are doing the same business hence they banks hesitates to offer finance because they fear for competitions. During data collections the respondent’s especially top managers complained that lack of capital has inhibited microfinance institutions to expand their services to cover many clients. With inadequate capital to expand MFI services, the results have led into limited expansions of MF services. Therefore the study concluded that limited access of capital has prevented the MFI to expand their business to reach potential clients. Limited access f finance has reduced microfinance level of outreach and impact more people.
Limited access to Capital was mentioned as another challenges affecting SMEs within food industry. The challenge under food industry is that most of the SMEs under this sector have no collateral to secure for their loans. A financial institution such as banks prefers immovable properties such as house to secure the loans. The evidence showed that most of the SMEs from food sector lack qualifications of the collateral due to the fact that they don’t have immovable properties to put as a security for their loans. As results most of the SMEs opt to find other alternative finance from microcredit or microfinance.

Most of the SMEs have complained that if they get loans from MFI or microcredit the higher interest rates has been a challenge affecting them. For example the interest rates for the MFI or microcredit range from 20% to 50% per month as compared with financial institutions such as banks the interest rates are 18% to 21% per year. Therefore higher interest rate was mentioned by the SMEs from food industry thus has prevented the SMEs from food industry to develop. On top of that the financial institutions hesitates to offer credit to SMEs because the most of the SMEs have no good accounting records, poor record keeping, they operate their business informal without licence, some do not have licence or being registered with TRA thus has prevented financial institutions (banks) to offer loans to SMEs in food sector. The study evidence showed that most of the SMEs from food industry have acknowledges that the issue of finance has prevented the individual dealing with food industry in Dar es Salaam to expand their business.

The issue of capital has been also raised in the literature review. Under the literature reviews most of the author argued that one among the biggest challenges affecting SMEs. The literature reviews showed that most of the SMEs have limited access to credit and equity finance. This is because of the tight banking institutions conditions on lending, the absence of capital markets, and the weak legal framework for credit and collaterals.

Literatures showed that if the challenges of access to capital will be solved among the SMEs almost more than 53% of the challenges facing SMEs will have been solved Mpalanzi, (2013). Furthermore Fatoki and Garwe (2010), the lack of capital seems to be the critical problem and is a reason for business failure that faces many business owners. The arguments by Fatoki and Garwe (2010), was supported by Shafeek (2009) who argued from a business viewpoint that without adequate financing, the business will be
unable to maintain and acquire facilities, attract and retain capable staff, produce and market a product, or do any of the other things that are necessary to run a successful business. The study findings are also confirmed by Stokes and Wilson (2006) showed that access to external finance is a challenges affecting SMEs growth. Most of the SMEs firms are still in their initial stage of growth hence they don’t have collateral as well as good track records or history. This is due to the fact that without collateral SMEs cannot access for credit from financial institutions.

Stokes and Wilson (2006) also added that financial difficulties of SMEs arise, due to inability to raise sufficient funds to properly capitalize to run the business, or a mismanagement of the funds that do exist to many firms or a combination of both. The further explains that, access to external finance may be difficult to achieve for new or young, small and micro agribusinesses with no track record, especially for owners without personal assets to offer as security to secure loans. Stokes and Wilson (2006) added that many new owner managers, having received funds, misuse them; small businesses are notorious for their lack of proper financial controls and information.

**Poor Financial Control or Management:** The evidence from the study showed that poor financial management and control of the business has been among the internal challenges affecting growth MFI. This is due to the fact the recent microfinance reforms insist that all microfinance should be operated with employees with requisite qualifications. *For example regulation 26. - (1) of the Microfinance Act (Non- Deposit Taking Microfinance Service Provider) Regulations, 2019*

*Require all microfinance service providers to have internal auditor whose function shall be to evaluate the adequacy and effectiveness of internal controls, risk management and governance processes.*

On top of that under new reforms of 2019 *Regulation 10 requires all microfinance service provided to have the CEO and boards of directors of MFI to have enough education background, experience and ability to manage microfinance business.*

The practice under the ground shows differently. Most of the microfinance service providers are operated without any boards of directors and their management or CEOs have limited qualifications. Furthermore the MFI has limited number of employees with
low level of education. During interview the researcher asked the top managers to states as to whether the MFI have boards of directors and secondly as to whether their management and staff have enough education background to manage and operate microfinance services. The evidence from the study showed that most of the microfinance service providers have no boards of directors, also their employees and staff has limited qualifications of education. Most of the employees have are form four levels or have diploma or certificates. And few CEOs have bachelor degree. The directors and managers acknowledges that they employ employees with limited education level because they have no enough money to pay salaries to the employees with higher education level as well as experience hence they decided to minimize cost by employing form four, diploma and certificates.

The issue of poor financial control and management has been also raised in the literature review. Under the literature reviews most of the author argued that poor financial control and management is one among challenges affecting SMEs within MFI. For example Nieman and Nieuwenhuizen (2009), poor financial management is one among the challenges affecting potential growth of MFI. The author insisted that the managers and owners of the firm should detach their personal account and business accounts, their financial statements should be delivered from books of accounts, double entry bookkeeping, bank statement, monthly or quarterly management accounts. The literatures shows that if the firm is operated with the managing directors with sophisticated financial information’s thus the said firm will have greater impact of survival.

**Lack of Innovation** is another internal factors affecting growth of food processing industry. The study findings showed that poor technology and innovation is one among the second biggest challenge affecting growth of food processing industry. The evidence from the study showed that the individual or people in food sector use poor and outdated technology towards manufacturing their food product. Most food processors are coping others products, they do not come up with new products and processes in production. The use of poor and outdated technology with no innovation towards production has affected growth of food processing industry because the product produced cannot compete with the product produced from outside. Most of the top managers recommended that for
developing technology as well as innovation it is the time for government through SIDO to offer technology as well as innovation to the people involved in food and processing industry this will enable the sector to grow and competed with the product from other countries.

The issue of technology and innovation has been also raised in the literature review. Under the literature reviews most of the author argued that poor technology and innovations was raised by managers and owners of the food processing industry as second biggest challenges affecting growth of food sector. In a study Mueller & Thomas, 2001; Stewart et al., 2003 both confirmed that the successful entrepreneurs are more innovative than non-entrepreneurs. In order for an innovation to be effective, or even successful, it must result in a significant change, preferably an improvement in a real product, process or service compared with previous achievements (Harper & Becker, 2004). The output of innovative SMEs grew significantly faster than that of non-innovators implying that innovated products contributed to the faster growth of the former (Roper, 1997).

5.2 The external factors that affect growth of SMEs in Dar es Salaam

The study assessed both external factors affecting growth of microfinance and food industry in Tanzania. The following are discussions of the external factors affecting growth of the two sectors:

Presence of Higher Competition: Presence of stiff competitions was mentioned as one among the biggest challenges affecting microfinance institutions. The growth of MFI in Tanzania is affected by number of available similar institutions which operate their business similar with microfinance sector. For example in Tanzania there are different lending scheme such as formal financial institutions (banks), cooperative societies (SACCOS), informal groups such as VIKOBA, TALA and non registered individual money lenders, to mention few provides loans similar with microfinance. The study evidence showed that both mentioned institutions provide loans with different interest rates such as banks 19% – 21% per year, while microfinance/microcredit and individual money lenders provides loans for 20% to 70% per month, VIKOBA and SACCOS
provides loans ranging from 5% to 30% per month thus has resulted into competitions. Therefore stiff competitions has affected growth of microfinance institutions in Tanzania due to the fact that till to date the issue of interest rates have not been resolved. Each and every financial institution set its own interest rate hence led into competition in the market.

The issue of competitions has been also discussed in the literature review. According to the survey conducted by World Bank showed that to any individual firm, competition poses a threat to growth and survive. Despite the fact that competitions has been seen as threats for business growth but it has led into the increase of production and improve delivery of services. Competition that drives firms to improve productivity and thereafter determines growth (Dinh, Mavridis & Nguyen 2010). The author adds that competitions are good unless it “unfair competition” that includes taxation, the informal economy and public services is considered as the main barrier to business growth (Dinh, Mavridis & Nguyen 2010).

**High Tax Rate and other Payment:** this was mentioned as one among the greatest challenges affecting growth of the MFIs. For example recent MFIs have added number of fees to be provided by MFI. For example under new microfinance regulations require each and every microfinance to apply for licence. Regulation 6. - (1) A person who intend to carry a microfinance business as a microfinance service provider under Tier 2, shall apply to the Bank for a licence. (3) An application referred to under sub regulation (1), shall be signed by an authorized signatory of the applicant and be accompanied with- (a) non-refundable application fee of One million shilling or any other amount as may be determined by the Bank in case of an entity.

On top of that a microfinance service provide is required to pay non refundable fee for licence from the Ministry of Trade and Industry amount of 600,000 per year, also each year MFI are required to pay external auditor amount ranging 600,000 – 1000,000 or more depending on the annual turnover of the business. Registration fees for registering a company of more than 50 million share capital to BRELA is more than 700,000. Also under TRA microfinance service provider is required to pay 30% of their profit. Other services required to be paid workers include compensations fees, microfinance with more
than 4 employees should pay 4% of SDL (Skills Development Levy), other payment includes annual return fee for the company in BRELA, OSHA payment and many other thus has resulted into affecting other person to formalize their business.

Therefore higher tax rate as well as other compliance procedures was complained by managers and directors of MFI due to the fact that they add up more administrations expenses for the company hence reduce the amount of their capital. Therefore it is a time for the government to reduce rate of tax among the MFIs so as to enable them to save for the capital for development of MFIs as well as reducing administrative and running cost of their business.

The issue of tax and other compliance payment procedures has been discussed by some of the authors within their literature reviews. For example Mashenene and Rumanyika (2014) who argued that high tax, from TRA as well as other payment is one among the critical challenges affecting growth of SMEs in Tanzania. The study by Kessy (2009) argued that SMEs in Tanzania are facing with number of challenges such as includes, high cost of purchasing raw materials, bureaucracy towards getting license and permit, high tax rates, corruption, and insufficient demand thus affected development of SMEs business.

On the other hand respondents from food industry have complained on the external factors affecting growth of food industry and the following findings were obtained:

**Government Regulations and Policies:** The evidence from the study showed that the presence of number legal and regulatory framework governing food sector was mentioned as number one challenges affecting respondents from food sector. In Tanzania food sector are regulated by different agencies like Tanzania revenue Authority (TRA), Tanzania Food and Drug Authority (TFDA) and Tanzania Bureau of Standards (TBS). Each agency has their own policies which govern food industries and all have expenses to fulfill the requirement for business operations which hinders their growth. Most of the managers and owners of food processing firm complained that the presence of many regulator authorities has been a challenges affecting growth of food sector in Tanzania.
Each and every regulatory authority has its own rules and regulations as well as compliance fees which required to be paid by the respondents from food industry. The evidence from the study showed that the respondents have incurred number of cost towards compliances thus has affected growth of MFIs. The compliance cost from number of regulatory authority has made some of the individuals from food sector to stop doing the business and migrate to other sector. Therefore it is the time for government and policy makers to stay together with SMEs and the way of minimizing regulations and cost of compliances thus will attract many SMEs to join with the sector of food industry.

The issue of tax policies and regulations has been stated and discussed in the literature reviews. Literatures showed that unfair competitions as well as tax issues has been a challenges affecting SMEs worldwide (World Bank, 2002) Most of the SMEs are required to pay income tax, on their profit in Tanzania, income tax is 30% of profit for the limited liability companies. Both small and larger business are required to pay tax regardless they make profit or not. Thus has limiting capacity of the growth of SMEs businesses. According to (Finseth, 1998) argued that there are numerous taxes and levies that apply to various businesses and one has to know which apply to their particular enterprise. This is too cumbersome especially for small businesses. The tax assessment and collection system is non transparent and unpredictable from time to time, giving opportunities for tax officials to enter into bribes from small business operators (Finseth, 1998).

Government regulations have been accused of distorting free markets by impending competition (Susman, 2007). Tanzania Government Sector Study of the Effective Tax Burden (2006) suggests that tax and incentive policies are key parameters in defining a business climate. Taxes are essential for the financing of government activities such as social and economic development programs in the country, but at the same time, they should be set and administered to be as growth enabling as possible. Various laws and legislations have been enacted to guide the administration and collection of different taxes within the country and country that constitute the East African Community.
Therefore Davidsson (1989) concluded that an unfavorable tax system, complicated rules and regulations can heavily hamper small firms’ growth.

CHAPTER SIX
SUMMARY OF THE STUDY, CONCLUSION AND RECOMMENDATIONS
6.0 Introduction
This chapter covers a summary of the major findings, conclusion and recommendations in relation to the purpose of the study. It also gives suggestions on areas for further studies. The purpose of this study was to find out Factors affecting SME’s growth in Tanzania: A case study of selected SMEs in Dar Es Salaam. The study specifically was attempting to find out how the internal factors and external factors affect SMEs growth in Tanzania and to find out ways for the SMEs to overcome growth constraints.

6.1 Summary of the study
The study collected primary data using interview guide questions and questionnaires. Documentary reviews were obtained through books, journal, magazine, published and unpublished dissertations, and research papers. Quantitative data were analyzed through Excel and data were presented through tables.

The results showed that SMEs in Tanzania are faced with various challenges in their businesses, which if not managed well can lead to business stagnation and failure. It is the researchers’ view that SMEs should be given priority by the government and other stakeholders as SMEs contribute to employments and boost the economy of the country. There are various internal and external challenges that face SMEs in Microfinance and food sector that hinder their growth. Lack of Capital, poor managerial skills, poor marketing strategies, and lack of innovation are among internal factors that affect SMEs growth as many responds addressed these challenges. High percentage of respondents from both microfinance and food industries addressed lack of capital being the most crucial challenge for their growth. It is not easy for the firms to get loans to boost their businesses as the requirements from banks are too cumbersome for the SMEs to meet the requirements. On the other hand high competition in business and markets, high tax rates, government regulation and policies and business location are among external factors that were cited by the respondents in both microfinance and food industries in Dar es Salaam. Furthermore the study examined ways of SMEs to overcome the challenges that hinder growth of their firms. The study came up with recommendations for the SMEs to grow including; provisions of education and trainings on how to run business, Provision of education on tax laws, Reduction of bureaucratic procedures towards registration of
business, Government support, Reduction of tax and cost of doing business as well as easily access of loans and credit with low interest rate and conditions from financial institutions.

2.2 Conclusion
Based on the research findings, the following were conclusion on both food processing industry and microfinance sector:

The study concluded that that lack of capital for both microfinance and food processing business affect performance of SMEs as it is difficult for the firms to have access to loans from financial institutions. The respondents from microfinance were asked to state which area do they need training they highlighted that management skills, marketing skills, accounting skills as well as ICT skills. The respondents from food processing industry were asked which kind of skills they need for development of the business the recommended that hay should get management skills, branding and labeling skills, technology and innovations skills, financial skills as well as accounting skills.

On the other hand that study concluded that the government should provide awareness and support to SMEs on tax laws as well as to reduce costs on tax to enable the SMEs to grow. Furthermore it was concluded that the presence of bureaucratic procedures towards registration of business affect performance of the SMEs in both food and microfinance business should be addressed so easy to provide easiness for the firms to comply with the requirements.

6.3 Recommendations
Based on the research findings, the following were recommended so as to help growth of business in both food and microfinance sector:

The study recommended that there is need for the government as well as other stakeholders to provide of education and training to the people involved in food and processing industry as well as microfinance business. The respondents from microfinance were asked to state which area do they need training they highlighted that management skills, marketing skills, accounting skills as well as ICT skills. The respondents from food processing industry were asked which kind of skills they need for development of the
business the recommended that hay should get management skills, branding and labeling skills, technology and innovations skills, financial skills as well as accounting skills.

TRA as well as other regulatory institutions should provide education on how SMEs can pay tax as well as other compliance procedures. Therefore it is the higher time now for the government through TRA to provide education to tax payers on the importance of registering business as a swell as tax compliance issues.

The government through BRELA should reduce bureaucratic procedures towards registering of their business. The evidence from the study showed respondents from food processing industry as well as microfinance recommended that in order to reduce the rate of business informality it is the high time now for the government to reduce bureaucratic procedures such as Online Registration System (ORS) which require each and every person who want to register business should have National Identity Card. This has greatly affected the SMEs and some of has opted to operate informally without being registered.

The government should provide support towards development of SMEs business in both food processing industry as well as microfinance business. The evidence from study showed that lack of support from government as well as other stakeholders such as SIDO and TIRDO has affected growth of the SMEs. Therefore if the government will invest and take time to support SMEs business it will attract number of individual to join the sector hence development of SMEs business.

The respondents also recommended that there is a need for government to reduce tax as well as bureaucratic procedures towards registration of business. This is due to the fact that most of the respondents complained that higher cost as well bureaucratic procedures towards business registration affect performance of the SMEs in both food and processing industry.

The respondents further recommended that there is a need for the government and financial institutions such as banks to give loans to the SMEs with minimal conditionality’s. It is the high time for the government as well as other financial institutions to offer loans and credit without many complications thus will enable the SMEs to expand their business.
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ANNEXURE II : RESEARCH QUESTIONNAIRE

Questionnaire Number ..................

RESEARCH QUESTIONNAIRE ON FACTORS AFFECTING GROWTH OF SMEs

<table>
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<tr>
<th>Name of the Respondent</th>
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<td>Contact Person (Optional)</td>
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I am a student of Mzumbe University pursuing Masters of Business Administration (Corporate Management) and I am conducting a research on “FACTORS AFFECTING SMEs GROWTH IN TANZANIA: A CASE STUDY OF SELECTED SMEs IN DAR ES SALAAM” being the partial fulfilment requirement for award of a Masters of Business Administration (Corporate Management). The rationale of selecting this study is to examine internal and external factors affecting SMEs growth and at the end the study will come with the strategy or solutions on how to solve the factors affecting SMEs growth. Being one of person involved on SMEs you are kindly requested to spare your precious time to respond to few questions specified in this questionnaire in order to inform the researcher. With all certainty, we shall treat the information provided with great confidentiality as per ethical requirement for academic research.

SECTION I: BACKGROUND INFORMATION

1. Type of business .................................................................

2. Location of business ...........................................................

3. Designation/Position.............................................................

4. Gender: (i) Male [ ] (ii) Female [ ]

5. Age: Tick on the appropriate box:
   a. 18 – 25 [ ]
   b. 26-35 [ ]
   c. 36-45 [ ]
   d. 46-55 [ ]
   e. 56 and above
6. What is the level of your education? (Tick appropriate box)
   a. Primary Level [    ]
   b. Secondary Ordinary Level [    ] Advanced Level [    ]
   c. Certificate [    ]
   d. Diploma Ordinary Diploma [    ]
   e. Advanced Diploma [    ]
   f. Undergraduate [    ]
   g. Masters [    ]
   h. PhD [    ]
   i. Others please mention: .................................................................

7. Number of years in operation of the business:
   a. 0 – 2 years [    ]
   b. 3 – 5 years [    ]
   c. 5- 7 years [    ]
   d. 7 – 9 years [    ]
   e. More than 10 years

8. What forms of business ownership do you belong?
   a. Sole proprietorship
   b. Partnership
   c. Incorporated business
   d. Other please specify: .................................................................

9. Annual business turnover of the firm or enterprises:
   a. Below 20,000,000
   b. 21,000,0000 – 50,0000,000
   c. 51,000,0000 – 100,000,000
   d. 101,000,000 – 150,000,000
   e. 151,000,000 – 200,000,000
   f. 201,000,000 and above

SECTION I: EXTERNAL FACTORS AFFECTING SMES GROWTH
PART A: ACCESS OF FINANCE

10. Do you have access of finance from financial institutions?
   a. Yes [ ]
   b. No [ ]

11. If yes please mention the type:
   a. Banks [ ]
   b. Microcredit [ ]
   c. SACCOS [ ]
   d. VIKOBA [ ]
   e. Others please specify: ........................................................................

12. How much have you been able to access from financial institutions?
   a. Below 1000,000
   b. 1000,000 – 5 000,000
   c. 6 000,000 – 10,000,000
   d. Above 11,000,000

13. Does loan application procedures from financial institutions democratic or easily to enable SMEs easily access of finance?
   a. Yes
   b. No

14. If yes or no please explain the nature of process of entrepreneurs access of loans from financial institutions:

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15. To what extent does collateral requirement affect SMEs from accessing of loans and credit from financial institutions?
   a. No effect
b. Little effect  
c. Moderate effect  
d. Great effect

16. To what extent do you agree with the following statements?

1 = Strong Agree, 2 = Agree, 3 = Neutral, 4 = Disagree, 5 = Strongly Disagree

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<thead>
<tr>
<th>Statements</th>
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<tr>
<td>Higher interest rate on loan affect my business growth</td>
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<tr>
<td>Ability to access external finance improve my business growth</td>
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<tr>
<td>Awareness on available credit scheme improve my business growth</td>
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<tr>
<td>Good and clear payback system for acquired loans help to better performance of my business</td>
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<tr>
<td>Presence of bureaucratic procedures from financial institutions affect growth of my business</td>
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<tr>
<td>Lack of collateral affect requirement affect growth of my business hence lack of expansion capital</td>
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<tr>
<td>Higher interest rate charged from financial institutions affect my business growth</td>
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Others please mention:

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PART B: GOVERNMENT POLICY

15. Have you received any support from government?
   a. Yes
   b. No

16. If yes please mention the support you get from government which support business growth?

17. Are there any policies, laws or regulations which have interfered your business?
   a. Yes
   b. No

19. If yes please explain what are they:

20. To what extent does government policy affect growth of your business?
a. No effect
b. Average
c. More effect
d. Most effect

21. Do you have any knowledge’s of the available laws, regulations and policy guiding your business?

a. Yes
b. No

22. If yes please mention them:

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23. Do you think the available legal and policy framework are friendly to enable SMEs growth and performance?

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24. Are the process and procedure of business registrations and licensing reasonable and supportive?

a. Very poor
b. Poor
c. Good
d. Very Good
25. Please explain how does government policy affect growth of SMEs business:
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To what extent do you that the government has provided conducive environment for your business to growth a) To a large extent b) to a small extent c) Not at all- there is no conducive environment
What of kind of government policies/rules which affect your businesses, please mention ---

In your opinion, are taxes fair and supportive of SMES?

PART C: BUSINESS LOCATION

26. Does business location affects growth of your business?

a. Yes
b. No

27. If yes please explain how does business location influence or affect growth of your business?
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28. To what extent does business location affect growth of the business?
   a. No effect
   b. Average
   c. More effect
   d. Most effect

PART D: COMPETITION

29. Do you believe that competition have great effect on the growth of your business?
   a. Yes
   b. No

30. If yes explain how competition affects growth of your business?

31. To what extent does competition affect growth of your business?
   a. No effect
   b. Average
   c. More effect

SECTION II: INTERNAL FACTORS AFFECTING SMEs GROWTH

PART E: INNOVATION AND TECHNOLOGY

32. Have you introduced your new product/services which benefit your enterprises?
   a. Yes
   b. No
33. If yes will the new product/service benefit your business? Please explain
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34. To what extent does innovation and technology affect your business growth?
   a. No effect
   b. Average
   c. More effect
   d. Most effect

14. Do you think technology and innovations are important towards improvement and
growth of business?
   a. Yes (  )
   b. No (  )

PART F: MANAGEMENT SKILLS

35. Do you think management skills are important towards growth of your business?
   a. Yes
   b. No

36. If yes please explain the important of management skills towards growth of your
business:
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37. To what extent do management skills affect growth of your business?

a. No effect  
b. Average  
c. More effect  
d. Most effect  

38. Please explain the importance of managerial skills towards growth of your business:

39. Have you received any managerial training in the past three years?

a. Yes  
b. No  

40. If yes what are the relevancy of managerial training in your business? please explain:

..........................................................
41. What important skills required by the entrepreneurs for successful growth of their business? please explain
...........................................................................................................................................................................
...........................................................................................................................................................................
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42. To what extent do the following skills important for business growth? Please tick where appropriate

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>Book keeping skills</td>
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<tr>
<td>Record keeping skills</td>
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<tr>
<td>Computer application skills</td>
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<tr>
<td>Finance administration skills</td>
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<tr>
<td>Budgeting skills</td>
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<tr>
<td>Tax skills</td>
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</table>

Others please mention:
...........................................................................................................................................................................
...........................................................................................................................................................................
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PART G: MARKETING

43. Does market affect growth of your business?
a. Yes  
b. No

44. If yes explain how do markets affect growth of your business?
.............................................................................................................................
.............................................................................................................................
.............................................................................................................................

45. If yes to what extent do markets affect growth of your business?

a. No effect  
b. Average  
c. More effect  
d. Most effect

46. Please give your recommendations on what should be done to minimize the challenge of market among the SMEs:
.............................................................................................................................
.............................................................................................................................
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47. To what extent do you agree with the following statements?
1 = Strong Agree, 2 = Agree, 3 = Neutral, 4= Disagree, 5 = Strongly Disagree

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
</table>

<table>
<thead>
<tr>
<th>Factor</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Inadequate market for my product</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of promotion to attract potential users</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of market information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absence of relationship with an organization that conduct marketing research</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Poor customer relationship and handling</td>
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</table>

Others please mention:

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48. In your views and experience please mention the internal factors affecting growth of your business?

a. ........................................................................................................
   ...

b. ........................................................................................................
   ...

c. ........................................................................................................

d. ........................................................................................................

e. ........................................................................................................
49. In your views and experience please mention the external factors affecting growth of your business

i. ......................................................................................................................

......

ii. ......................................................................................................................

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iii. ......................................................................................................................

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iv. ......................................................................................................................

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v. ......................................................................................................................

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vi. ......................................................................................................................

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vii. ......................................................................................................................

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viii. ......................................................................................................................

......
SECTION III: WAYS FOR THE SMEs TO OVERCOME THE CONSTRAINT OF FIRM GROWTH

50. What should be done to minimize or totally eradicate the factors affecting SMEs growth in your business?

i. ...........................................................................................................................

ii. ...........................................................................................................................

iii. ...........................................................................................................................

iv. ...........................................................................................................................

v. ...........................................................................................................................

vi. ...........................................................................................................................

vii. ...........................................................................................................................

viii. ...........................................................................................................................

... 

51. What do you recommends on the factor affecting growth of SMEs?

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Thank you for your participation
### ANNEXURE II: Research Budget

<table>
<thead>
<tr>
<th>SN</th>
<th>PARTICULARS</th>
<th>AMOUNT</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Reams/printing</td>
<td>100,000/=</td>
</tr>
<tr>
<td>2</td>
<td>Transport Cost</td>
<td>300,000/=</td>
</tr>
<tr>
<td>3</td>
<td>Editing</td>
<td>300,000/=</td>
</tr>
<tr>
<td>4</td>
<td>Secretarial service/Stationary</td>
<td>200,000/=</td>
</tr>
<tr>
<td>5</td>
<td>Enumerators/Research Assistants</td>
<td>1,000,000/=</td>
</tr>
<tr>
<td>6</td>
<td>Emergency</td>
<td>200,000/=</td>
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<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>2,100,000/=</strong></td>
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### Appendix III: RESEARCH ACTIVITIES TIME FRAME

<table>
<thead>
<tr>
<th>Activity</th>
<th>November</th>
<th>December</th>
<th>January</th>
<th>February</th>
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<th>April</th>
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</thead>
<tbody>
<tr>
<td>Proposal preparation</td>
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<tr>
<td>Submission of proposal</td>
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<tr>
<td>Pilot study</td>
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<tr>
<td>Data analysis/ processing</td>
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<tr>
<td>Dissertation write up</td>
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<tr>
<td>Dissertation presentation</td>
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