

**EXAMINING CHALLENGES OF SME'S TOWARDS THEIR
GROWTH IN TANZANIA
A CASE STUDY OF SIDO-MBEYA**

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A CASE STUDY OF SIDO-MBEYA**

**By
Hingi Stephen**

**A Dissertation Submitted to the School of Business in Partial Fulfillment of the
Requirement for Award of a Master degree of Business Administration in
Corporate Management (MBA_CM) of Mzumbe University**

2019

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a Research report entitled; Examining challenges of SME's towards their growth, in partial/fulfillment of the requirements for award of the Master Degree in Business Administration in Corporate Management (MBA_CM) of Mzumbe University, Tanzania.

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Internal Examiner

External Examiner

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DEDICATION

I dedicate this work to my lovely family. My beloved father, Mr. Charles Peter Hingi and my beloved mother Gaitana Anthony Masika

LIST OF ABBREVIATIONS AND ACRONYMS

BMI	Business model innovation
GDP	Gross Domestic Product
GNP	Gross National Product
IOT	Industrial Internet of Things
MFI	Micro Finance Institutions
NMB	National Microfinance Bank
SIDO	Small Industries development Organization
SMBs	Small and medium-sized business
SME's	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences

ABSTRACT

The general objective of this study was to examine the Challenges that SME's are facing towards their Growth. The study was conducted in SIDO-MBEYA in Mbeya region. The study used descriptive research design. This study employed convenience sampling and purposive sampling to collect data from 100 business people, government officials and microfinance officials using interviews and questionnaires. The data was analyzed descriptively and presented through figures, tables and percentages. Quantitative data were collected through questionnaires which were processed using the Statistical Package for Social Science (SPSS). Generally, the study findings revealed that access to finance and credit facilities hugely affected the growth of SMEs within Mbeya city. Lack of or insufficient capital for expansion led to collapse of many businesses, Poor infrastructure like bad and dilapidated road networks greatly impacted negatively on the growth of SMEs due to delays in delivery, high cost of transport. This made some entrepreneurs to relocate to central easily accessible places thus losing their former client base, Socio-cultural factors had much impact on the growth of SMEs but due to modernity and diversity of our culture things has started to turn out well. The study also has revealed that education largely influence growth of SMEs at SIDO Mbeya. The study recommends that: the government should get involved in determining the interest rate and protecting the borrowers; the policies of the MFI, as guided by the Central. There is a need to improve ways of gathering customer information for the purpose of personalized marketing and service in the context of communication.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter contains and explains the overview of the research problem. It includes background to the study, statement of the problem, objectives of the study, research questions, and significance of the study, limitations of the study and scope of the study/delimitation

1.1 Background to the Problem

The significance of Small and Medium Enterprises (SMEs) segment in the economy has increased extremely since the mid-1980s. Certainly, the SMEs have now become the main source of employment and profits for the common of people in rising countries, including Tanzania. Private enterprise as a segment is extensively seen by policymakers and donors as a way of cost-effectively empowering marginalized groups such as the deprived women particularly solo parents or heads of family and women in country areas (Hannan- Andersson, 1995).

The growths of SME have resulted keen on structuring of the financial system agenda in Tanzania. SMEs are well thought-out to have huge potential for building the uppermost contribution to employment enlargement (ILO, 1993) as well as (Kitine, 2000). SMEs role is to boost income, saving and support to business ownership and management at enterprise level. As regards, 70% of community in sub Saharan Africa relies on the small enterprises for their living (Rutashobya, 1995) and (Massawe, 2000). SME industry contributes considerably to the country's GNP as well as employment in the country (Olomi, 2001) and (URT, 2001). It is anticipated that there are in excess of one million businesses in the division, employing amid 3 and 4 million citizens or 20-30 (Massawe, 2000).

The MSE segment is well thought-out to contain the brightest potential for creating the uppermost contributions to employment enlargement and improved incomes. Employment in the sector is growing by 10% per year. Operators are capable to produce

between 2.5 as well as 10 times the lowest amount earnings of public servants. The MSEs have as well revealed its vast potential meant for creating wealth. Their cumulative contribution in the direction of national income is projected by the side of amid 35% as well as 40% of GDP (Finseth, 1998). The sector is a ground where the broke people may not just make out their livelihood, but also obtain the majority of their supplies at prices they can manage to pay for. More than 90% of the operators obtain credit, education, information, water as well as sanitation provided by the sector. For example, in Dar es Salaam, more than 90% of poor societies get water along with hygiene services from the sector. In both industrial and rising countries, large numbers of businesses are set up each year even though they are facing lots of tribulations. Actually, quite a lot of these businesses crumple each year.

In highly developed countries, lacks of investments in favor of SMEs have been well thought-out as the mainly critical problem getting in the way of the sectors growth. On the other hand, in Africa, there are main tribulations affecting the progress and expansion of enterprises which have been accredited to the surroundings according to UNECA, focus on African Industries (Dec, 1991). In lots of African countries, very little consideration towards SMEs and no exceptional facilities are presented to them. There have been measures that have been taken into account to boost start-up rates as well as performance ranks of the SME's in Tanzania. Some of those initiatives includes, formulation of SMEs guiding principle in 2003. The initiatives have been taken by government, global donors and nongovernment organizations (NGOs), locally as well as internationally.

Nevertheless, SMEs are still found largely in low growth areas, making lesser revenues. (Rutashobya, 1995). Particularly, the imperfect performance SMEs enterprises hold back them from making a well-mannered work, or significant and sustainable activities or enterprises that are capable to tolerate the challenges created by globalization as well as other considerable trends.

1.2 Statement of the Problem

Small and Medium Enterprises take part in a fundamental role to approximately the entire economies globally, but more than ever to those in rising countries. The largest part of the businesses is small sized enterprises. A micro business is defined as a business which make use of less than 10 people and whose yearly turnover as well as yearly balance sheet full amount does not go beyond two million Euros. (Kimura, 2002). If these small enterprises may perhaps develop, they would significantly change the economy of Tanzania. Rate of employment will stay unchanged if Tanzania is not competent to set up more SMEs and lend a hand to the existing ones to grow up into business that have an outcome on the country's sell overseas as well as importation rates. There are number of challenges to economy development. Tanzania requires progress in infrastructures.

The general business development is slow and third as well as mainly significant part is to give a globally competitive environment. These barriers have an effect on SMEs growth both in importation as well as selling overseas. Actually, poor performance of SMEs in Tanzania is the result of unique problems confronted by SMEs including heavy costs of compliance resulting from their size. According to SME development policy of Tanzania 2002 these constraints includes lack of access to finance Legal and Regulatory Framework, lack of entrepreneurial skills, Poor technology, Marketing i.e. inadequate marketing skills and stiff competition and Physical Infrastructure such as. Working premises, roads, cold rooms, warehouses, power, water and communication that adversely affect the development of the SMEs, other factors are poor Institutional Framework for SMEs Development, inadequate Rural Industrialization, Environmental Considerations and HIV-AIDS (URT, 2002) Despite of government and other stakeholder's efforts SMEs are still confronted with number of challenges. Given that there is still arguments of independent variables (see conceptual framework) on the positive and negative relationship that they bring to the dependent variable, therefore the researcher decided to take it as part of the work to work on it.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to examine the challenges of SME's towards their growth

1.3.2 Specific Objectives

- i. To assess the level of technology inverted
- ii. To determine the influence of business plan
- iii. To find out the practice of record keeping
- iv. To assess the influence of basic needs

1.4 Research Questions

- i. How does technology invert and innovation influence growth of SME's?
- ii. How does business plan affect the growth of SME's?
- iii. Does proper record keeping influence growth of SME's?
- iv. Does the availability of basic needs affect the growth of SME's?

1.5 Significance of the Study

To policy makers, Information obtained can be used by policy makers so they can choose the right course of action for potential allocation of resources. To the Government, This study light up the way for the government to understand what are the key issues for growth of the SME's and their associated challenges so that the government will come up with policies to run these SME's. To the researcher, The researcher at the area of the study gained practical experience on the field of the study and To the public at large, where by the study motivates for other scholars to conduct relevant researches fulfilling what the researcher was not going to accomplish.

1.6 Limitations of the Study

Financial constraints, conducting such a research, the researcher faced with financial difficulties such as for stationeries, transportation cost, and meals. Confidential and

critical situations of obtaining some of the data that lead to difficultness, for the researcher to obtain and understand them much better. Respondents 'constraints, some respondents was be reluctant to bring back the questionnaire provided to them on time to be answered, because was difficult to find them at a particular time due to some external official duties and sometimes they was providing unfavorable information which will result to unfavorable analysis of the findings. Therefore, had to make the follow ups on daily basis to ensure that the provided questionnaire have been answered

1.7 Scope of the Study

This study is on Small and Medium Enterprises in Tanzania, with Sido- Mbeya that was selected as the representative of the study. The place was chosen because of the accessibility to the researcher as well as the place's infrastructures offering the conducive environment for the growth chances of SME's.

CHAPTER TWO

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.0 Introduction

On this chapter, theoretical and empirical literature review discussed. This includes definition of key concepts, review of various researchers' paper work existed, journals, books, relevant acts, policy which are relevant to the study and conceptual frame work.

2.1 Theoretical Literature Review

2.1.1 Definition of the Concepts and Key Terms

There has been different definition from various authors towards the categorized business. The variation of variables that have been used for defining SME's tends to vary among researchers. Capital assets, skill of labor and turn over level were used for the attempt to define SME's. Never the less, others tend to define in terms of SME's legal status and method of production.

Those companies that have annual turnover less than pound 11.2 million, small and medium size enterprises (Pass et al, 2000). They have gross assets under pond 5.6 million and number of employees not less than 250. They are formal enterprises with a cut off range of 0-250 employees (Ayyagari et al, 2003). Given the circumstances, other countries like south Africa SME refers to that business with fewer than 200 employees, less than R5 million and less than R2 million of annual turnover and capital assets respectively. But also, owners of the business are involved directly in management (Cronje et al, 2001).

In Tanzania, the coverage of SME's includes nonfarm economic activities such as manufacturing, commerce, and mining hence services. (SME's development policy, 2002) Practically there is no universal definition of SME due differences of countries development.

Back in Tanzania, up to 4 people mostly family members with capital employed ranging up to 5.0 TSH million referred to as micro enterprises.

Whereas with informal sector the range of 5 to 49 employees engage in the business with investment of 5TSH million up to 200TSH million termed as small enterprises. Lastly those medium covers about 50-99 people being employed and investment of capital ranging from 200TSH million -800TSH million. Observe the illustration below.

Categories	Employees	Investment of capital (TSH)
Micro	1 up to 4	Up to 5million
Small	5 up to 49	5 up to 200million
Medium	50 up to 99	200 up to 800million
Large	100+	Above 800million

Source (URT, 2002)

In Tanzania coverage, the business that involves 1 up to 5 people referred as micro enterprises, as well as those that involve between 6-20 people as small enterprises. Therefore, MSE referred to as enterprises covering 1 up to 20 people (Wangwe, 1999).

2.1.2 The forces that affect the performance of SME's

Globalization, the major cause for changes of organization is impacted due to the increasing interdependence of management and organizations. The process of reducing costs so as to deal with costs as well as practice of the organization to respond to competition (Griffin et al 2009). Domestic organizations are not growing faster compared to those active internationally. Scarce in resources is the reason why SME's fail to challenge internationally.

Competition, any organization succeed if have competitive advantages compared to the other in the industry (Walley 1998). World Bank made a survey towards SME's to the

countries that are developing, where by the findings showed that competition brings the threat to the survival of the firm. Unfair competition such as taxation was studied as one of the obstacles for SME s to grow. Kosovo, moreover informal sectors as well as public services seem to be the barrier the same for the years (Dinh et al 2010).

Business location, accessibility of the business must be taken into account with reference of the associated cost such as labors and transportation costs so that the clients will reach the place. Herzong et al (1991) argued that need for searching a location is the result of business on how to find the way to meet market demand with new production capacity and to secure market opportunities. Thereafter other decision such tax level and costs will be considered.

Financial support, any firm need a business plan, that initially when starting a business should be used by the investors for venturing capital or back up financial with loan from banks therefore a business plan is essential to obtain such a loan (Guffey, 2008). These SME's fail to secure credit due to the reason that there is fewer banking institutions, lack of capital market, as well as lack of legal framework supporting collateral. In order for firms to grow, it is must to finance them but uncertainties of those who wishes to lend funds from these institutions results to difficultness to access risks of investment (World Bank, 2001) Selection of technology is the presentation of technology with determination to potentially upturn effectiveness of production performance, quality as well as productivity then undertaking, which in the long period of time estimated to increase revenue (Achmad 2014).

The level of education of the owner of SME is the proxy of lack of technological abilities as well as management to the business. Tambunan (2009) disclose one of significant features in Indonesia's SME is that owner is as well the manager and employee, therefore to improve SME man resource ability means into improving the ability of the owner in terms of technology and management. Devins et al., (2004) highlighted the significance of proficiency human resource towards SME. So as to rise human resource capability, training progress in SME's should be improved (Devins, et

al., 2004). Still, SME hardly develop training platform for their employment along with the owner (Richbell et al., 2010). The SME's frequently are not responsive of their human resources challenges (Ricbell et al., 2010). Kato et al., (2015) confirm that education level towards human resources is much expected to produce innovation results.

Cortimiglia (2016) describes innovation of the business model as the transformational perception on the model of the business that has remained prompted by fresh technological progressions. The present study on the matter though is still in its beginning and what BMI integrates is still vague (Schneider and Spieth, 2013). With the explanation of Casadesus-Masanell (2013), innovation of the business model can be acknowledged by means of the firm's determinations to "the exploration for fresh logic of the business as well as new methods to construct and capture worthiness for its investors". Another, Business Model Scheme, is the tactic of scheming novel often, disorderly business models (Cortimiglia et al., 2016). With reference to the scheme addressed, BM advancement as well as BM scheme will be randomly taken as BMI (Cortimiglia et al., 2016). It has to be extra detailed, that in the present days, knowledge concerning BMI processes stands restricted (Schneider & Spieth, 2013). The study of Demilet al (2010) has defined BMI as transformational revolution in recognized companies. Businesses that need to stay competitive within the markets they need to challenge their present business design given that they will create innovative worthiness offerings, implementing fresh value chain constructions, opening new revenue strategies, as well as reconfiguring their materials base (Chesbrough, 2010).

Adaptation on ICT is indeed very crucial towards SME's since the use of computerized devices has become a major facilitator that helps the development of and growth of SME's (Hazbo et al, 2008). For example, the SME in Nigeria nevertheless has not been capable to efficiently take the benefit of this prospective market due to 'digital divide' that is in Nigeria as part of the developing country. The digital divide is the gap between "the haves and not-have of ICT" is the result of the gap between digital device, an instrument to take benefit of information as well as knowledge; ICT is progressively

becoming a basis of our cultures as well as economies. Optimists trust that ICT have made more opportunity compared to ICT have-nots in ICT improved education as well as business, (Osterwalder, 2007). The debate regarding this specific issue stands on the question that if ICT is assisting SMEs in emerging countries increases profit or ICT not of potential but more than a magic lure, which disturbs the working ability of people to work hard. This perception is understandable, from a nation where people have a least level of life, clearly cannot afford to build luxurious city-wide wireless linkage. Luxurious infrastructure, lack of teaching in regaining information, language, as well as costly linking devices such as computers or even handheld equipment's are all hindrances (Barzilai-Nahon, 2006).

Apuluet al (2009) sees that there is a difference in the implementation of ICT resolutions between the developed countries as well as the less developed countries. The less developed countries are implementing such resolutions at a slower rate. The authors think this might be due to the difference that in developed countries it is where these equipment's are made while in less developed countries they are imported. There are other hindrances to the adoption of ICT solutions by less developed countries SMEs. These includes unfavorable supply of electricity (Apulu, 2011); unfavorable cost for implementation of ICT (Faisal, 2012); poor policy and government interventions well as Deficiency of education (Apulu and Ige, 2011).

Business strategy is a key component for company. Business strategy includes business plan and tactics a company should developed in a certain business condition (Neupert, et al., 2006). SME should execute their business strategy since it is a nature way in business and we believe that they have developed it, however it is rarely, SME compile business strategy documents (Gilmore et al., 2001). Bennet and Smith (2002) determine business strategy as a process of assessment on business performance, setting business target and business plan periodically. Şener et al., (2015) confirm that SME needs to shape their business strategy by choosing business with high economic value added. This step of formulating strategy will give contribution to SME competitiveness (Ada et al., 2013). Ankli (1992) notice that value chain analysis gives details step of strategy

formulation. Business enactment for SME has comparable issue with some other organizations to determine suitable measurement. Pavlov et al (2011) suggest performance capacity gives certain result to organization enactment, and it diluted with the trigger as well as guidance of the enactment measurement. Tambunan (2009) clarifies SME business enactment in Indonesia frequently measured by selling income, market growth as well as financial capabilities. Tregear (2011) initiate that SME should as well have detail as well as clear performance measurement with long-term positioning, such for example marketing performance. Though, SME have complications in the definition of firm performance since most of SME still struggling with surviving the SME's (Tambunan, 2009).

The small and medium sized enterprises managers require information in all features of firms' activities. The information needed will allow them to recognize business chances, know current market movements, pursue help in finance, find quality sellers, as well as identify services given by governments as well as other types of SME' related information. They also require information timely as well as relevant to make learned business conclusions. Information can be very prized to people if it is delivered at the correct time, using the correct channels, as well as is reliable. Given information will monitor SME leaders in their decision-making practices.

Other studies also revealed that information requirements are needed by entrepreneurs as well as managers, Miller & McBride, 2001). Answers of study on business information requirements were also discovered in different literatures that set up the types of business information wanted by the respondents were groundwork of business plan, following of planning of cash flow, checkup of business opportunities, as well as profit planning (Kasmarini et al., 2015). Access to finance remains to be one of the greatest important encounters for the creation, survival as well as growth of SME's. Deprived record keeping, absence of planning, inappropriate financing and deprived management have been quoted as the foremost causes of letdown of SME's (Longenecker, 2006). Further studies also indicate that SME's fail to access fund from the financial organizations due to deficiency of business records as a prerequisite

(William et al, 1999). Government policy, that's includes tax policy, can mark a significant variance to how sound the SME part achieves its possible role in donating to a strong economy. One of the important features of a prosperous as well as developing economy is a flourishing SME sector. SMEs play a significant part in the growth of a country, mostly through employment opportunities. According to (UNIDO, 2009) for emerging countries, integration into the universal economy over economic liberalization, deregulation as well as democratization is perceived as the principal way to coup poverty as well as dissimilarity.

2.1.3 Reasons for SME Failure

Lack of Planning, Numerous researchers take highlighted a sum of details why SMEs flop, with these explanations together with poor planning, poor management skills, regulation restrictions, a lack of funding access as well as a lack of training inside SMEs. Lack or poor of planning is a foremost contributor to the letdown several SMEs. Richardson (2009) describes planning as the strategy of an anticipated future. Moreover, Richardson (2009) pinpoints these key features of planning:

- Planning projects as well as leads action;
- Is focused at attaining wanted results
- Human or Interpersonal Skills: Sutevski (2012:1) states that this is a skill that enables managers to become leaders, motivates employees to complete their tasks and to make more effective use of human potential in the business.
- Conceptual Skills: According to Stoner and Freeman (2006:12), this skill enables managers to coordinate and manage all of the organization's interests and activities and with the ability or knowledge of managers to overcome obstacles through sound analysis.

Inability to Manage Growth Another problem that causes the failure of SMEs is their inability to manage growth. SME owners find it difficult to manage their business as they grow due the lack of financial training and managerial experience or skills. According to Mienie (2009:72), growth in any business places severe pressure upon its resources and sometimes necessitates SMEs to acquire more resources, which plunge

SMEs, in many instances, into severe cash flow problems that finally lead them into failure.

Junaidah (2013:15) states that the general assumption is that the businesses that pay more attention to training and development will be more successful in the long-term. Although this claim is widely established, evidence to show that training and management development enhance SME performance is equivocal (Storey, 2007:91).

2.1.4 Internal Factors Affecting SME's Performance

Mostly internal factors have the effects on the way the manager of SME's will operate efficiently despite his potentiality (Baloyi, 2006). Those personal skills or competences that have impact as when the business is facing crisis (Stokes et al, 2006). These factors include: -

Marketing, the link between product produced by SME's or services can be linked through marketing (Shafeek 2009) therefore it's important to perform it well. A manager to fail understanding marketing contents is weakness in the business (Stokes et al, 2006). The concept of products or services with their standards always represents the perception of manager that might not view in the market.

Lack of capital, the absence of capital is one among the reason why business fail and the problem to the owners of SME's (Garwe, 2010). Many of the business operations such as failure to maintain facilities as well as acquisition, production and marketing of a product and lastly maintain the level of desired staffs will be difficult if there are unfavorable finances (Shafeek 2009). Failure to raise fund or mismanagement of those funds and sometimes the act of both of them might cause financial problems towards SME's (Stokes et al 2006).

Strategy, all business goes through strategy (Shafeek, 2009) as there are different operation performed that needs strategic decisions. Such operations include location of the facility, period for work done and product varieties.

Therefore, ability to decide on allocation of resources, exploring opportunities as well as development of strategies is important on success of the business (Bidzakin, 2009). It is of important also for the manager to formulate the vision and communicate them with employees. Generally, the existence of business depends on the awareness of one's (manager's) on the presence of strategies subjected to the limited resources (Shafeek, 2009).

Operations, technical in capabilities of production operations by the firm or business might lead to failure in SME's. To produce output with certain amount or less amount of input then the business is technically efficient. Therefore, the survival of the firm is due to the ability of them to strive producing output given the number of inputs with the help of technology (Bidzakin, 2009)

2.1.5 The Life-Cycle Models Theory

Life-cycle model presents a chain of commonly three up to four phases in the course of which SME's will normally go by during its growth. They commonly explain the dynamic inside this growth procedure like "S-shaped": slow expansions in the early development process go behind the rapid growth, earlier than the dynamic tends to be heading downward again. In the earliest phase there is a setup of the enterprise; goods are expanded as well as first knowledge of the marketplace. Generally, there is a mark of comparatively low expansion (growth) rates. The phase is normally marked as Formation stage (Robbins, 1992). If small enterprise will manage to pass effectively in the course of this premature stage, there after it possibly will go into the Early Growth phase. This stage is normally described by a fast growth of production, turnover as well as employment. Later on, growth arrives at the point where the first business plan along with idea will no longer assure a more dynamic development. The rate of growing will turn down, the business goes into the Maturity phase (Hanks et al, 1993). The existence of business depends on such business to defend the market that they have conquered (Robbins 1992) and on the other hand, the improvement towards the expanded business concept surrounded by each new products line or services may again pass through the

explained S-shaped growth course that is the Diversification Stage, (Hanks et al 1993). Life-cycle models are able to provide very reasonable descriptions of the characteristic growth of a business group in more common terms.

2.1.6 SME's in Tanzania

The economy of Tanzania passed in the course of an era of deep transformation since 1980s, there after the country shift to abandon defensive guiding principles beneath the command economy system as a tool to manage economy. Following Government modification friendly to market led guiding principles that clearly approved the responsibility of the private sector in promoting a well-balanced economy and reducing extreme poverty. Just like other countries in the Sub-Sahara, the government of Tanzania views private sectors being the motivating force to create employment opportunities, industrialization as well as economic growth. Similar to supporting the private sector, the governments of Tanzania as well approve foreign investment guiding principles, permitting foreign possession as well as total guidance on rights of possession of property. The outcome of the approval of these guiding principles has witnessed since the private sectors has developed quickly and small businesses as well as medium ones performing some of the vital responsibility in the economy. Based on policy of Small and Medium sizes enterprises of 2002, micro businesses are explained the same as those businesses hiring number of four people, at the same time small and medium businesses includes businesses hiring the number of five up to forty nine people as well as fifty up to ninety nine people correspondingly (URT, 2003).

As predictable, almost third of GDP of Tanzania economy come from sector covering Micro businesses as well as Small and Medium enterprises. A lot of the number of the micro and small businesses in the country are businesses that surviving; only few that will grow to become medium businesses or large ones while most of the remaining are always struggle to grow. Even if the private sector in Tanzania is tremendously conquered under the sector covering Micro and Small and Medium businesses, with predictable 2.7 million businesses, where by many of these businesses performing in an unofficial sector, also the sector covering large businesses is important, with registered

business of about 12%, 38% GDP as well as 20% of official employment opportunities. With open investment guiding principle, the country has been capable to magnetize number of foreign direct investments (FDIs). For instance, while FDIs accounted almost the sum of 90 million dollars in the year 1990 to 1995, in the year 2007 only Tanzania amounted 600 million dollars from FDIs (URT, 2008).

2.1.7 Challenges that SMEs are facing in the International Business Environment

SMIDEC (2007) as well as (Foon, 2006), highlights a variety of challenges in front of SMEs in the world of globalization, for instance, international sourcing barrier, low output, lack of management prospective, shortage of finances, unfriendly environment towards accessible management & technology, as well as intense burden of regulations. Furthermore, the study by Teoh & Chong (2008) described the obstacles to private enterprise including failure to access credit as well as failure to access official business and community networks. What's more, Small and Medium Businesses they have to deal in the midst of exaggerated universal challenges, emergency of new ICT technology and the process of production with the costs of its factors that always have the side effects on competition during exportation. SMEs are grouped into 3 dissimilar groups based on how capable they are and the success they acquired through challenges they have faced. To start with, a collection of Small and Medium businesses that are competent becoming competitive globally possibly will increase the advantage based on regionalization (McMahon, 2001). Another set is businesses that are not adaptable to strong globalization stress. They are not likely to carry on in the current condition without taking immediately measures to develop output, to meet global standards, to teach as well as hire expertise administration as well as qualified employees to meet the challenges of rivalry. Lastly, is the set of businesses that have the support of the government as they guarded from the globalization consequences (Samad, 2007).

Globalization and liberalization together or separately brought resources owned by the business to move and transfer across the borders. Struggle for resources for example factors of production increased globally. On his study on liberalization of markets, Levitt (1983) highlighted that business have to change and understand that they have to work like the universe is under single big market keeping aside the differences arising

regional-wise or national-wise. Moreover, globalization encourages technology, transfer of knowledge globally, hence new ways of production and provision of services. Globalization as well encourages speedy innovation, simple to enter and exit since there is less government security protecting through barriers and union between businesses as the result of barriers within regions boundaries, regular entrance of varieties of goods as well as paving a way for upcoming market (Humphrey, 2001). Despite having the good side to daily operation in the economy, liberalization as well troubles domestic businesses since there will be competition with products or services produced in cheaper costs and more innovated hence sold at cheap prices, as well as competing to acquire resources used for production and capital. Globalization as well generates the information that was not known before together with technology for communication (Abu Bakar et al., 2006). However, globalization as well needs proper management of threat, coordinated marketing, as well as managing the supply chain (Ritchie & Brindley, 2000). The purpose of managing these fields includes reduction of unforeseen possible threats, categorizing those possible threats, obtain improved superior information, along with develop awareness pertaining competitive universal environment. Therefore, SMEs must develop their ability to compete with their rivals through valuable measures in shared surroundings (Alba et al., 2005).

2.1.8 Contribution of F SME's to the Economy of Tanzania

Presence of SME's in the economy has advantage in several ways. They play a great and strategic role for growth of the economy as well as development as they create wealth, creation of employment opportunities, as well as generating income (Kasendeke & Opodo, 2003). For example (Ayyagari et al, 2007) explained that the issue of creation of employment opportunities the sectors of SME's regardless of whether it is of developing or developed countries, bring about over 50% of total employment under the manufacturing sector.

2.1.9 Constraints of SME's towards Access to Funds

Different views supported by the study conducted by some researchers, shows that there is a line of difference between the highly technological oriented business and that with

low technology oriented when it comes to access of finance, where by those performing with high technology facing high challenges compared to small technology users (Berger, 2006). The study also further explained that credit being available is the result of effect of lending technology through government policies and national financial structure. Other studies such as those of development and corporate finance of the economy suggested that there will be no growing up of the SME's if there is negative relationship with funding (Schifferr, 2001). Also, ignorance of managing other activities by the SME's such as record keeping tend to be one of the most important factors of them being denied finances by the lending organization compared to those large firms (Weder, 2001). Other factors analyzed by the report by the (World Bank, 2004) such as ignorance of banks requirements to access funds, lack of available and readily accounting information (poor management of cash flow) are the key to denial of finances.

Other entrepreneur has to raise their own capital and utilize them as resource to startup businesses as the result of insufficient capital (Sleuwaegen & Goedhuys, 2002). There are other problems that makes difficultness for these SME's to grow such as lack of collateral security and raising transaction costs (Harvie, 2005), while the report by (World Bank, 2009) added that low profit made by these SME's and their associated high risks also hinders the possibility of them being financed.

2.1.10 Financial Monitoring

Since SME's are known for making profit as a business hence paving a way for the economy to grow (Olomi, 2009), it is the duty of the management based on finance to control all the possible transactions and their associated assets as per consideration that there are resources invested. The following activities are performed under monitoring.

2.1.11 Financial Planning

In financial planning, Patrick, (2004) argued that funds are available so that the business will operate well. These funds can be used in different terms such as short term, medium and long term. While in short term can be used for activities like payments of

salaries and investment of equipment, in medium term and long term they can be used for purchase of assets adding the power for capacity of production

2.1.12 Financial Control

The ration cash in the business should be balanced in a way that there should not be shortage as well as too much liquidity. Therefore, financial control is important to ensure that the targeted goals of the business are met (Nayak, A & Greenfield, S., 1994), it is the function that ensures property are used effectively and efficiently as well as ensuring that the management is working under the best interests of shareholders.

2.1.13 Decision-Making in Financial Activities

Numerous numbers of financial decisions are made so to promote investment and financing. (Ennew, & Bink, 1995) argues that decisions for raising finances must be under consideration of the present business's financial position. Borrowing from financial institutions, sales of shares or selling own capital is some of the ways that business can raise funds (Bougheas et al, 2005)

2.1.14 Overview of Security Requirements by the Financial Institutions

Wattanapruttipaisan, (2003) argued that one of the critical challenges that businesses in developing economy countries are facing is lack of the requirements that the financial institutions trust for funding them, that is in order for the business to acquire funds from those financial institutions for example commercial banks, they need to have collaterals as a guarantee (Bougheas et al, 2005). All the associated risks that the lenders assume that will result to difficultness for the return of their finances such as unforeseen of the quality of project, are fixed by collaterals (Coco, 2000). Therefore, the absence of collateral security is the major problem to most of the countries across the world including Tanzania, which made the situation of accessing funds from the financial institutions, becomes difficult. (Chakraborty, & Hu, 2006) argued that the assessment of financial gap performed usually by comparing the relation existing between collateral of the business owners and what loan the business requires.

2.1.15 Overview of Financial Institutions activities towards Performance of SME's

Funds are very important to the SME's as they help for their performance. (Basel 2003) argued that in order for the business to flourish well they must have access to funds as it is necessary for the development of the SME's. Therefore, since the financial institutions are the ones that provide that assistance to the SME's, hence they contribute to the development of the business (Rogerson, 2006). This was supported also by the World Bank Investment Climate Surveys. The invested activities are mostly likely to be funded by the financial institutions so as to generate liquidity of the business (Ramakrishnan &Thakor, 1984). Being among the institutions that finances SME's, in their study (Berger & Udell, 1998) supported the statement they found that business rely on those financial institution to raise their funds. The study by (Udell, 2004) with the support of statistical data from the United State of America concluded that almost half of the capital of the SME's re from the external source. Unfortunately, some of the societies especially in developing countries have no access to banking facilities; therefore this will hinder the performance of their business (Ngwenya, & Ndlovu, 2003).

2.1.16 Legal Issues Involved in Performance of SME's

One of the critical issues that has a great influence on performance of the SME's is legal issues (rules and regulations) set by the authorities (OECD, 2006). Furthermore, the report explained the difficultness of the processes that an entrepreneur is encounter for example to obtain a license to register his or her business, as the result most of the businesses performing its activities illegally; that is without registered.

In Tanzania, excessive tax has been imposed by the government that brings about difficultness on performance of SME's. For example (Massawe, 1999) argued numerous numbers of taxes such as tax that the authorities such as TRA estimates at the beginning of the business as per nature of the business, taxes imposed on sales, taxes collected by local government such as city authorities, as well as Value Added Tax. The study also suggested that minimizing the level of these taxes will bring about the favorable environment for the growth of the SME's.

2.2 Empirical Literature Review

The study by (Levy, 2011), in distinction to the previous work, a characteristic attribute of the existing epidemic of empirical work carried out in developing countries rests with its attention trying to attempt on identifying the limitation that do face the progress of the undersized scale sector. Some amount of such information has been gathered from smaller business in the course of questionnaires where by owners of the business as well as managers were asked to provide their opinions on whichever the variety of limitation they face, as they might be connected to such issues like accessibility of funds, deprived managerial ability as well as be short of training chances and the rising costs of inputs. Therefore, these studies will concentrate on working on those limitations, that is accessibility of funds, education and training, deprived managerial skills as well as associated high costs of employing inputs as if are the challenges that SME's in Mbeya city encounter during their operations.

Anderson (2015) conducted a research study with a case of Nigeria towards the challenges facing SME's in countries with low economy. The results of the study argued about the availability of empirical proof suggesting that an important part of the development of large size businesses was noticed to be as the result of the increase of formerly small firms in the course of the size division. In countries with low economy, work targeted in the direction of the inside activities of business has been hindered by the absence of necessary data on the administration as well as behavior of smaller business. Therefore, this study was definitely trying to find out the consequences of lack of sufficient data concerning the management as well as the small business in general from the SME's in the case study.

William *et al.* (1989) conducted a research study on a review of small-size businesses (SSEs) to study further concerning the effect of the changes on programs in their functions, to assess their possible involvement to changes in industrial recovery, along with categorizing suitable actions that would speed up the development of small business in figures, size as well as output. The review of such study intended to: study further concerning the behavior of small business as well as that of their owners,

examine how policy adjustment have exaggerated small business, to highlight entrepreneurs' tactic intended for adapting their fresh surroundings plus matching up to firm reaction across size as well as subsectors, furthermore to recognize limitation to the upcoming development of small business. The outcome show that changes of guiding principle (policy) in general forced small-size business in Ghana turning into extra competitive to live on, also that considerable structural change is taking place across subsectors as well as inside firms. Therefore, this study was concentrating to find out the outcome that associates with the challenges that firms in Tanzania with a case of Mbeya city face after adjustments of guiding principles (policies).

The theory of Contingency as it was raised by Fiedler (1964) used as a support to this study. Data obtained from 300 Small and Medium Enterprises with Malaysian industrialized sector used as case being studied, the outcome confirmed the existence of considerable negative connection in the middle of unsuccessful entrepreneurship, unsuitable management of human resources towards SMEs overall performance and growth. On the other hand, the outcome also showed that there is a major positive connection between the utilization marketing information as well as the information technology applicability to the performance and growth of SMEs. Briefly, the review came with results proving that the utilization of marketing related information will contribute towards performance along with growth of SMEs to the maximum. Therefore, based in Tanzania a case of Mbeya, with this study the researcher was going to find found the significant importance of marketing related information as assistance and one of the challenges faced by many businesses towards the growth of SME's.

Rodriguez *et al.* (2008) made a review on banks funding the SME's Colombia. The aim of the study was to overview the trends as well as guiding principle challenges on funding the small and medium scale businesses by banks in Colombia. The results confirm that funds by the banks towards the SMEs became a planned part for credit provisional organizations in Columbia. The existing enterprises as well as models of managing the risks for businesses lending are still somewhat weak. Main institutional as well as policy limitation to business lending continues, and they are not compulsory.

Therefore, this study elaborates how these policies for banking lending have influence on growth of SME's in Tanzania.

Kariuki's, (2014) study on small and medium-scale firm's bank credit access in Kenya. A survey of 89 small and medium-scale firms in manufacturing and service industries, combined with secondary information from commercial banks, found that from 1985 to 1990 the average real volume of credit for the sample firms fell, except for the year 1986 which showed a marginal increase of 1.5 per cent. Several deterrents to utilizing formal credit were identified. Small scale borrowers were found to be faced with higher nominal interest rates at higher inflation rates in the latter half of the 1980s. Moreover, the explicit transactions costs of borrowing were found to be high in relation to interest costs. With this study, the researcher wanted to find out if interest rates by the lending banking are favorable on the growth of SME's here in Tanzania

Graham and Quattara (1996) carried out a study on financial challenges facing SMEs in South Africa. They carried out a cursory analysis of survey and research results of SMEs in South Africa. Survey results revealed the common reactions from SME owners interviewed. When asked what they perceive as constraints in their businesses performance and especially in establishing or expanding their businesses, they indicated that access to funds is a major constraint. This is reflected in perception questions answered by SME owners in many surveys (Graham and Quattara, 1996). Therefore, with this study the researcher wanted to find out if these businesses in Tanzania have the accessibility to funding by the banking system in order for them to grow.

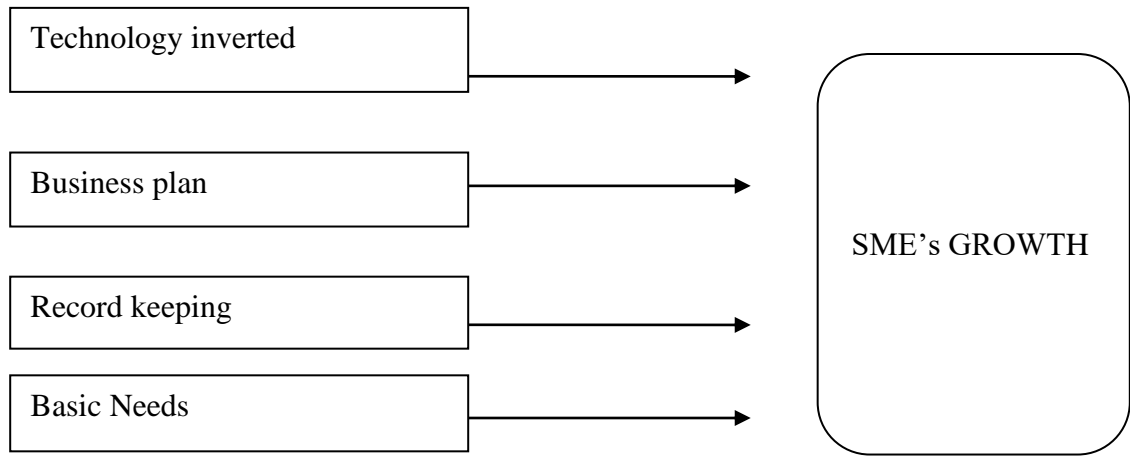
World Bank (1994) carried out the study on a survey study of small and medium-scale enterprises in East Asia. The objectives of the study were to find out challenges faced by middle income economies in east Asia. The findings show that enterprises in middle income developing economies, such as Singapore, Republic of Korea and Taiwan, have benefited from industrial sector reforms. In this case, it is apparent that a relatively developed market, skilled workforces, technology-intensive production and public and private support mechanisms have assisted small enterprises in capturing niche markets

and undertaking sub-contracting arrangements. In contrast, countries such as Malaysia, Thailand and, in particular, Indonesia, which have been relatively constrained by less developed markets, less-skilled workers and inadequate government support, have had less success in developing their small and medium-enterprise sectors. The lack of absorptive capacity amongst small-scale enterprises is seen as the largest constraint to their development. Factors such as a lack of management, technological skills, basic technology and insufficient finance are seen to be significant. Therefore, this study was trying to look upon the reform of the sector in terms of development of technology-intensive production, use of skillful labor, and support from both the government and other private sectors have influence to the growth of SME's in Tanzania.

A case study by Hall and Fang (2004) also found out that the lending to SMEs is generally more risky than larger firms. Therefore, it has been found that most of the financial institution and non-financial institution required collateral in the form of land or buildings. The value of the real-estate security is usually set at twice the amount of loan (Bhattacharya, 2000), which many enterprises fail to provide as collateral. SMEs also regarded as high-risk borrowers because of their low capitalization, insufficient assets, and high mortality rates (Sia, 2003) and consequently, they are not offered any attractive deals in terms of loans and interest rate.

Thus, this study is aimed at investigating the factors that are evaluated by banks providing business financing to SMEs.

Figure 2. 1 Conceptual Framework



Source: Researcher 2018

From the above diagram, technology inverted, business plan and record keeping are independent variables while the SME's growth is dependent variable. This shows that the level of technology that the SME's have invert, available business plan and record keeping have influence to the growth of SME's.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents basic techniques and tools for data collection and analysis. This chapter show how data was collected and eventually analyzed. It includes research design employed, area of the study, population of the study, methods of collecting data, sample and sampling procedures and data analysis techniques.

3.1 Area of the Study

The place where the needed data for analysis are collected is so called the area of study, (Frankfort, 1996). This study was conducted at Sido-Mbeya, the researcher decides to choose this area of study because of ease accessibility of data and the area has respondents who provided the relevant data for the study that is more convenient to the researcher. It is where the researcher is very familiar with the environment hence accessed the respondents easily and collected relevant data to come up with accurate findings of the study.

3.1.1 ABOUT SIDO

The establishment of SIDO was in the year 1973 as a parastatal organization under the ministry of trade, industry and investment, with the objective of developing small industry sector in Tanzania. The expectation was to fulfill a number of functions including formulating polices that will directly support industries, as well as being part that associates with establishment of number of SME's in rural and urban areas.

3.2 Research Design

The study employed both qualitative and quantitative approaches that were effectively inform to the case study design to explore the challenges of SME's towards its growth. The reason to use qualitative technique is because it is needed in descriptions and other oral evidences from respondent. Then again, quantitative data collection method was used in this study where by questionnaire was designed to give insights of examining Challenges of SME's towards their growth a case of Sido-Mbeya.

3.3 Targeted Population of the Study

A population is considered to be any group of people, events, or items that are of interest to the researchers that they wish to investigate (Kothari, 2008). Target population is a complete set of individual, cases or objects that possess some common observable characteristics (Mugenda and Mugenda, 2003). In this study, target population constituted of people that from one way or another they are involved in entrepreneurial activities, coming from a selected location that was treated as primary respondents in uplifting this study. The total of 207 entrepreneurs was the total population.

3.4 Sample Size and Sampling Techniques

Sample size refers to the number of items to be selected from the universe to constitute a sample (Kothari, 2006).

Yamane formula (1967) was used to get the suitable respondents as sample size.

$$n = \frac{N}{1 + N(e)^2}$$

where; n= sample size

N= population of the study

e=sampling margin error

Since the population of the study was 207, the sample size is 136 was obtained as sample size.

The method that used by a researcher to select the sample was simple random sampling the method of sample selection which gave each element to have an equal chance of being included in the sample and the other technique was purposive sampling.

90 respondents were selected, from different SME's. These are the people with the knowledge concerning SME's

3.5 Data Collection Tools

In the study two types of data was used that is primary and secondary data. Primary data was acquired from respondents through questionnaires and interview. Secondary data

were obtained from unpublished and published records and reports. The primary data are those which are collected afresh and for the first time, and origin data (Kothari 2004). While secondary data are those which have already been collected by someone else and which have already passed through the statistical process (Kothari 2004). This study collected secondary data from books, journals, magazines and internet.

3.5.1 Questionnaire

According to (Saunders.et al. 2009) a questionnaire is a research tool that consists of a series of questions to be filled for the purpose of gathering information from respondents. It can be open ended or closed ended questions. The questionnaire will be prepared and distributed to the respondents for them to fill in. open handed questionnaire was used where by this will give respondents the freedom to give opinion without limitations.

3.5.2 Interview

Kothari (2006) explains interview as the one which involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses. The discussion was in form of conversation, as the researcher was asking questions during daily observation of entrepreneurial activities. This technique helps to explore information under investigation.

3.6 Data Analysis Technique

Data analysis refers to the computation of certain measures along with searching for pattern of relationship that exists among data groups. In the process of analysis, relationships or differences supporting or conflicting with original or new hypotheses should be subjected to the statistical tests of significance to determine with the validity data can be said to indicate any conclusion (Kothari, 2004). To provide useful information from the data in this study, data that will be obtained from the field will be analyzed using computer software for data analysis. This includes statistical package for social science (SPSS) and Microsoft office excel. Descriptive data was employed to this study to present data by using percentage and frequency tables. According to (Sekaran & Bougie 2011) descriptive study is undertaken in order to ascertain and be

able to describe the characteristics of the variable of interest in a situation. Descriptive studies are essential in many situations especially when using qualitative data in understanding the phenomena. Qualitative analysis involved analysis of the data based on the statement of the problem and research objectives. Discussion based on the findings collected through answering research questions.

3.7 Ethical Consideration

Ethical principles have to be observed during conducting a research study such as clearance and to inform the respondents as well as the maintenance of confidentiality Cohen et al. (2000). Confidentiality was observed in dealing with the respondents so as to obtain in-depth information on examining the challenges of SME's towards their growth. The respondents were asked to participate in the study from their own consent. The researcher was seeking consent from the public organizations management for conducting a research to the facility. Also, the respondents were ensured voluntary participation, during the field work the researcher will ask the respondents to participate in the study voluntarily, giving them a clear explanation of the reason for conducting the study in order to establish confidence on the use of information they provide.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter deals with analysis and presentation of study findings. Quantitative data were obtained, analyzed and presented using descriptive statistics such as percentage and frequencies (tables and pie charts). The quantitative description being the first one to be presented following the results delivered from qualitative methods.

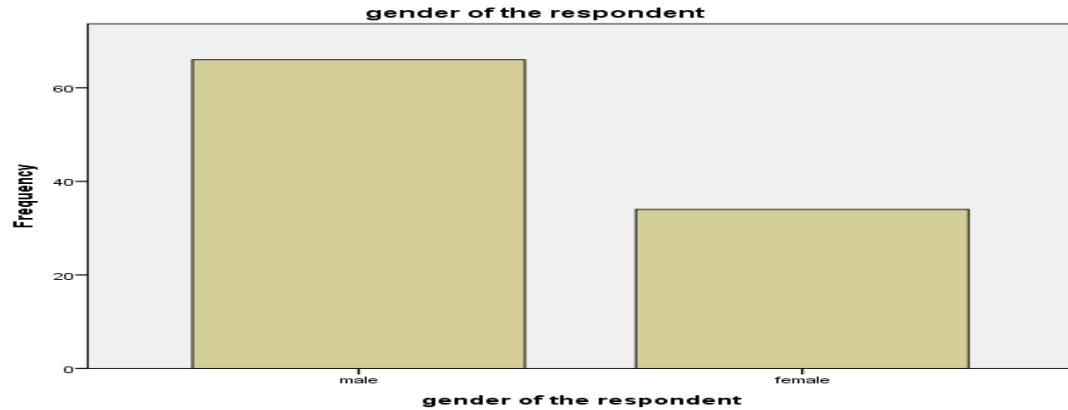
4.1 General Characteristic of Respondents

So as to set the findings of the field work in outlook, the side view of the candidates as well as their businesses were obtained. It gives short explanation of a number of demographic uniqueness of the chosen candidates, particularly age, education, sex of respondents, working experience, job position, type of firm, number of employees in the firm, sector of the particular business, as well as status of business registration. Assessment of such uniqueness of persons both assists the correctness data obtained as well as giving an appearance of tendency of this uniqueness per time, most significantly it gives the foundation for the examination of such a way that the uniqueness of respondents was connected to the majority of the other matter examined within this paperwork.

4.1.1 Sex of Respondents

The researcher wanted to know the gender of respondents where by male and females were observed and the following results were obtained.

Figure 4.1 Gender of the Respondent



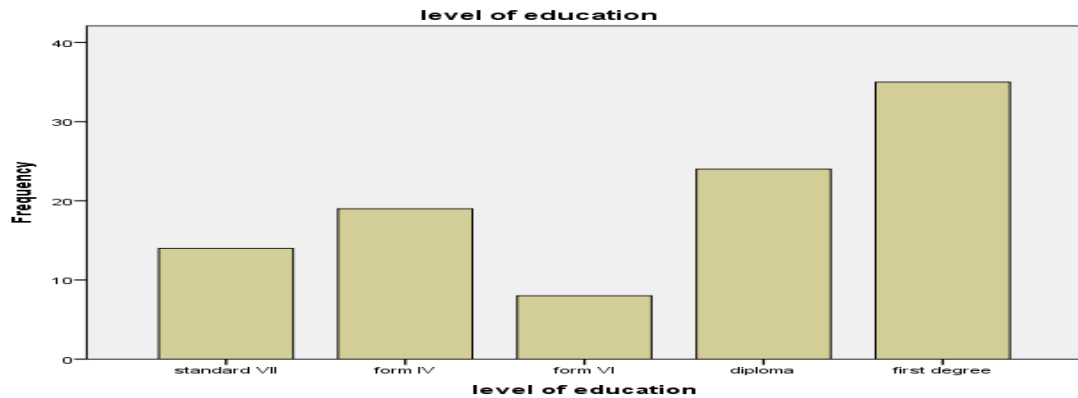
Source; Field Data, 2018

The findings showed that, out of 100 respondents that make 100%, 66 (66%) are males while 34(34%) are females. This implies that males are greater in number compared to females; therefore, this might lead to an assumption that males are greatly engage in business/entrepreneurship compared to females.

4.1.2 Education Level of Respondents

The researcher wanted to know about the level of education of respondents whereby there were categories of levels of education from primary level up to first degree. The following results were obtained.

Figure 4.2 Level of Education



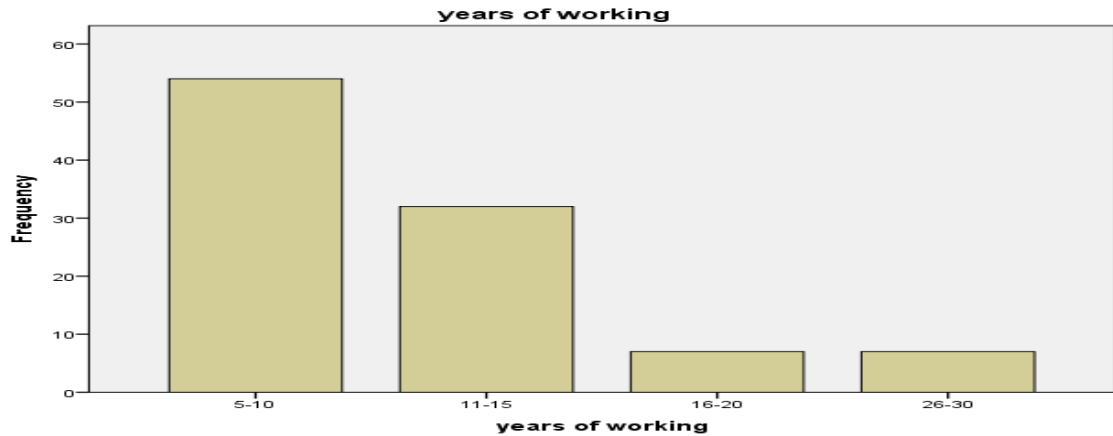
Source; Field Data, 2018

From the findings, 14 (14%) they have primary level education, 19 (19%) with ordinary level education, 8(8%) with advanced level education, 24 (24%) with a diploma education as well as 35 (35%) with first degree education.

This imply that most of the business recently are managed by the people with high qualification of education as they are 35 (35%) of the respondents interviewed with a degree and 24 (24%) of respondents interviewed with a diploma level. Most of the respondent's interviewed with primary education are the ones that they have been in the business for about 26- 30 years hence they are highly experienced in managing the business.

4.1.3 Working Experience of Respondents

The researcher wanted to know the experience of employees working under particular firm, with range of 5 years provided. The following results were obtained from the field;



Source; Field Data, 2018

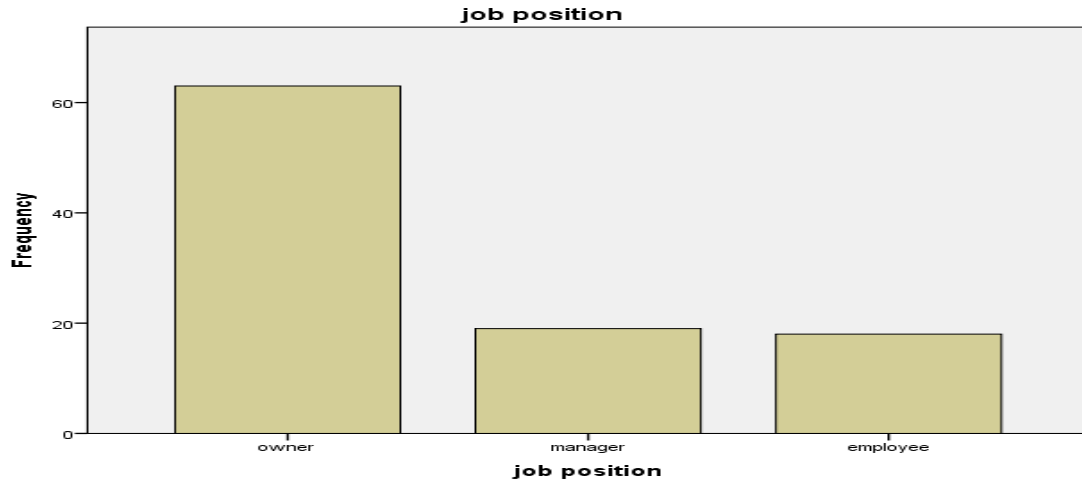
From the findings, 54 (54%) respondents were in the business between 5-10 years, 32 (32%) respondents were in the business between 11-15 years, 7 (7%) respondents were in the business between 16-20 years while 7(7%) respondents were in the business between 26-30 years.

This implies that there has been emergency of many businesses recently where very few that are 14(14%) were in the business between 16-20 and 26-30 years respectively. Also, many people are not well experienced with the business while few of them have enough experience of 16-30 years.

4.1.4 Job Position of Respondents

The researcher also wanted to understand the job position of stuffs, whereby they there was consideration on owners, managers as well as employees. The following results were obtained;

Figure 4.3 Job Position



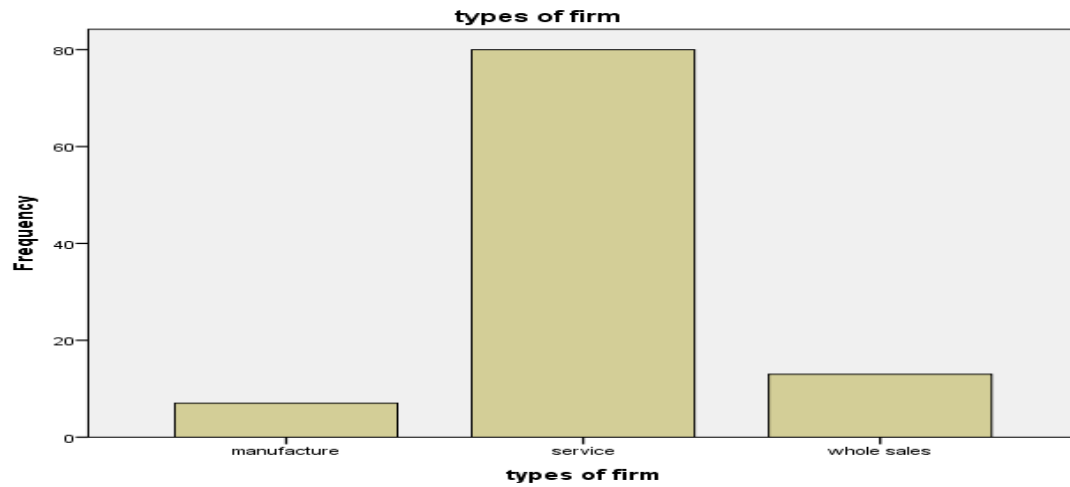
Source; Field Data, 2018

Out of 100 respondents that makes 100%, 63 (63%) respondents were the owners of the business, 19 (19%) respondents were managers of the business, 18 (18%) were employees working for those businesses.

4.1.5 Type of Firm

Also, researcher wanted to know about the types of firm that the candidates were in, whereby they were grouped into three groups that is manufacturers, services as well as wholesales. The following results were obtained;

Figure 4.4 Types of Firm



Source; Field Data, 2018

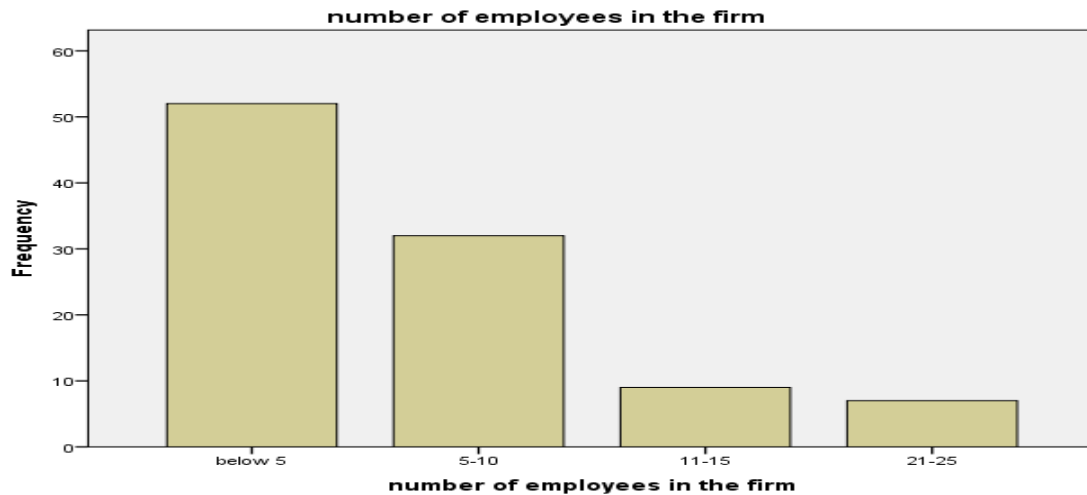
Out of 100 (100%) of respondents interviewed, 80 (80%) of respondents were from service provisional business; while 7 (7%) of respondents were in manufacturing business and only 13 (13%) of respondents were in whole sales.

The implication from the above findings shows that, there are many service provisional businesses 80 (80%) of respondents compared to manufactures and whole sales with 7 (7%) and 13 (13%) respectively. Whole sales require high capital to establish and manages that might be one among the reason they are fewer in number.

4.1.6 Number of Employees in the Firm

Also the researcher wanted to know the exactly the number of employees employed in the firm, as they were within the range of five from below 5 up to 25. The following results were obtained;

Figure 4.5 Number of Employees in the Firm



Source; Field Data, 2018

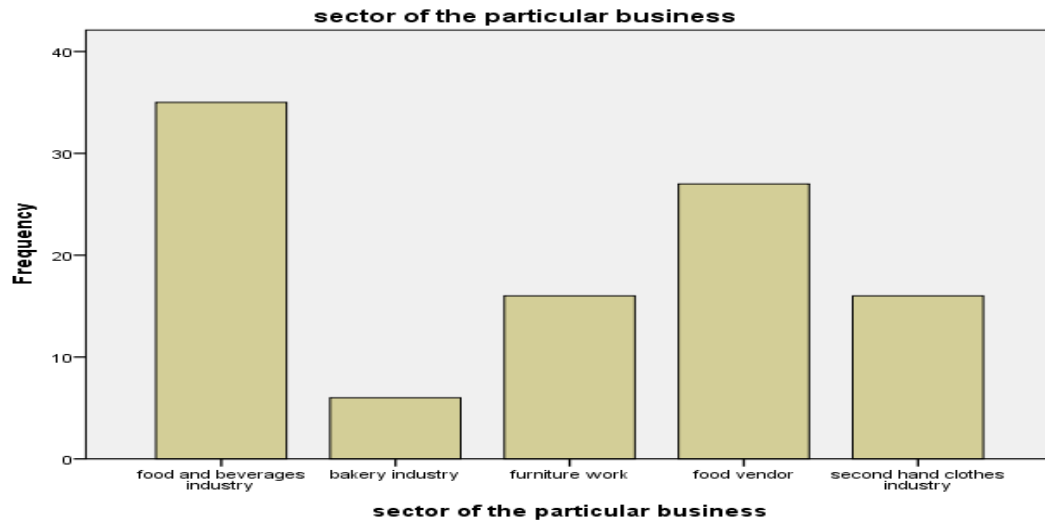
The findings from field show that out of 100 (100%) of respondents, 52 (52%) of respondents do have employees below 5 in number, 32 (32%) of respondents do have between 5 to 10 employees, 9 (9%) of respondents have 11-15 employees as well as 7 (7%) of respondents do have 21-25 employees.

This imply that, these SME are are tied to low capital and they are very small that they can not afford hiring many employees as they will incur loss. Also they apply cheap labour to perform the duties and sometimes using their relatives as means of labourers.

4.1.7 Sector of Particular Business

Also, the researcher wanted to find out the sector to which the firm belonged. There were food and beverages, bakery industry, furniture work, food vendors as well as second hand clothes. The following results were obtained;

Figure 4.6 Sector of the Particular Business



Source; Field Data, 2018

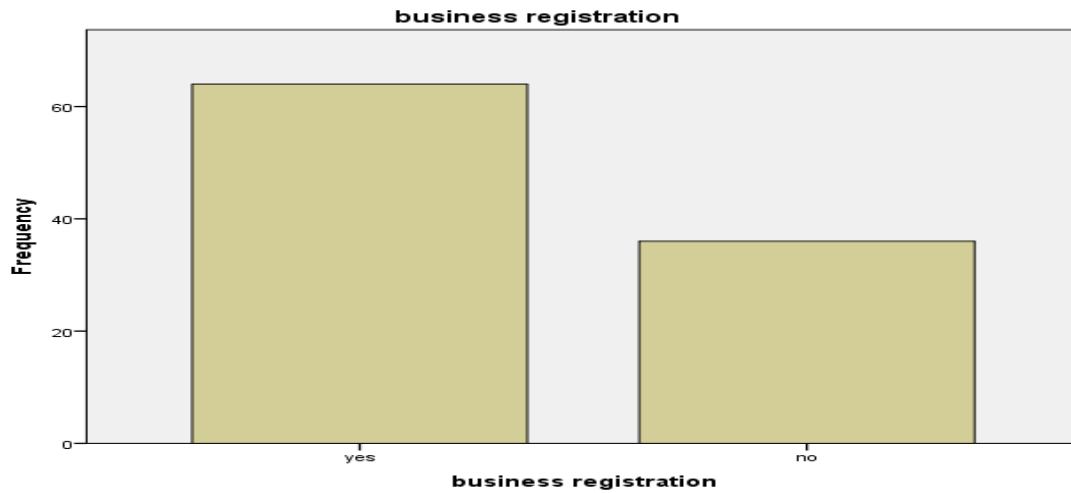
The research observed about five sectors that contain operation of different activities. These sectors include food and beverages, bakery, furniture work, food vendors (Mama Lishe) as well as second hand clothes (Mitumba). From those sectors, 35 (35%) of respondents were food and beverages, 6 (6%) of respondents were bakeries, 16 (16%) of respondents were furniture work, 27 (27%) of respondents were food vendors (Mama Lishe) and 16 (16%) of respondents were second hand clothes (Mitumba).

This imply that, many people have engaged in a sector of food and beverages 35 (35%) that includes hotels and pubs and also furniture work 27 (27%). Fewer of them engaged to other sectors.

4.1.8 Status of Business Registration

The researcher also wanted to know whether the business follows legal obligations, such as whether the business has been registered or not. The following results were obtained;

Figure 4.7 Business Registration



Source; Field Data, 2018

From the above findings, out of 100 (100%) of respondents it shows that 64 (64%) of respondents registered their business while 36 (36%) of the respondents didn't register their business.

This imply that most of the businesses are legally known by the authorities as they have registered their business 64 (64%) due to education provided by the authorities on the significances of registering the business to the economy. While most of 36 (36%) that are not registered includes food vendors (mama lishe) and second hand clothes (Mitumba).

4.2 Availability of Funds Influence SME's Growth

The study wanted to find out on how the available funds can influence the growth of SME's in Mbeya city. There was employment of questionnaire, interview and documentary review on some respondents.

4.2.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning the availability of funds for the SME's and how it promotes growth.

The analysis showed that 87 respondents (96.7%) said the availability of funds influences growth of SME's, 3 respondents (3.3%) were against the statement, that the funds available do not influence growth of SME's at all

Table 4. 1 Availability of Funds influence Growth of the SME's

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	87	96.7	96.7	96.7
Valid no	3	3.3	3.3	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.2.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on how availability of funds can influence the growth of SME's in Mbeya city.

The analysis showed that, some of the respondents argued that, the funds are useful to the SME's if it will be used to expand the business such as for purchasing materials as well as equipment and not otherwise. While others said it depends, funds might be used for other issues that are not related to expanding business but they have certain relation to the business for example innovation of the buildings that are used for the business.

The documents that were used including loan approval form that the respondent asked for his shop.

The analysis show that, accessibility of funds can directly influence the growth of SME's in Mbeya city through purchasing of modern equipment, funds can be used as capital for purchasing tools and equipment, payment to the employees as well as used to increase the level of purchasing materials.

Funds are very important to the SME's as they help for their performance. (Basel 2003) argued that in order for the business to flourish well they must have access to funds as it is necessary for the development of the SME's. Therefore, since the financial institutions are the ones that provide that assistance to the SME's, hence they contribute to the development of the business (Rogerson, 2006). This was supported also by the World Bank Investment Climate Surveys.

4.3.3 Summary on how Availability of Funds Influences SME's Growth

With the help of analysis from the questionnaire as well as interview, there is indication that funds are very important to support the SME's since it helps to increase the capacity to perform further activities.

4.3 Availability of Financial Institutions in your area that influence Growth of SME's

The study wanted to know if there is enough Financial Institutions in the area that influence growth of SME's in Mbeya city. There was employment of questionnaire, interview and documentary review on the some respondents.

4.3.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning the availability of enough Financial Institutions in Mbeya city that influence growth of SME's

The analysis showed that 90 respondents (100%) said yes there is enough Financial Institutions in the area that influence growth of SME's, and there was no single person that dis agreed.

Table 4. 2 Availability Financial Institutions in Mbeya city that influence growth of SME's

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	90	100.0	100.0	100.0

Source; Field Data, 2018

4.3.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on how availability of funds can influence the growth of SME's at Sido- Mbeya.

The analysis showed that, some of the respondents argued that, there are number of banks and other Micro Finance Institutions (MFI) that helps to support these SME's. The respondents went further on mentioning those financial institutions including, the banks such as National Microfinance Bank (NMB), CRBB, Diamond Trust Bank (DTB), Bank of Africa (BOA), Akiba Commercial Bank. Other financial institutions including AHSANTE finance, Noe finance as well as LULU finance. Other respondents argued that not only financial institutions that offers such services, but also there are government institutions that supports SMEs such as SIDO.

4.3.3 Analysis for Documentary Review

The documentary review was managed in this study with the availability of financial institutions in Mbeya city. Some of the documents reviewed were the contract of loan provisional between the bank (NMB) and the client who lend the money for business purposes.

The analysis show that, these financial institutions provides the SME's with services like Saving accounts for deposits of money, withdraw of the money 24 hours with the help of ATM machines, providing loan to the SME's to accomplish their duties as well as education and training on business matters as well as how to utilize the loan provided.

An area where there are no financial institutions, there is slow development of SME's as well as economy. Unfortunately, some of the societies especially in developing countries have no access to banking facilities; therefore, this will hinder the performance of their business (Ngwenya, & Ndlovu, 2003).

4.3.4 Summary on how Availability of Financial Institutions Influences Growth of SME's in Mbeya City

With the help of analysis from the questionnaire, interview and documentary review, there is indication that these financial institutions are aware of the importance of their existence in certain places that why they have established themselves in many places.

4.4 Availability of Micro Credit Services to support SME's

The study wanted to find out if there is an available micro credit service in Mbeya city that supports SME's. There was employment of questionnaire, interview and documentary review on the some respondents.

4.4.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning the availability of micro credit services in Mbeya city that supports SME's funds for the SME's

The analysis showed that 90 respondents (100%) said yes, the availability of micro credit services that supports SME's as well as entrepreneurs while there was no one who said no to the statement.

Table 4. 3 Availability of micro credit services influences growth of SME's

	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	yes	90	100.0	100.0	100.0
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Source; Field Data, 2018

4.4.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on how micro services available support small business.

The analysis showed that, some of the respondents argued that, not all the entrepreneurs for example food vendors (Mama Lishe) afford macro loan services so as to facilitates their business by adding stock and goods that will be useful to the business that's why some of the institutions decided to offer micro credit services to meet their demands.

4.4.3 Analysis for Documentary Review

The documentary review was managed in this study with the availability of micro credit services available supports entrepreneurs in Mbeya city. Some of the documents reviewed were the approval form of being accepted to receive loan opening the shop, from the institution (SIDO) to the client.

The survey by World Bank (2015), argued that lack access to micro credit services most especially in developing countries is considered as the biggest obstacle to these entrepreneurs with low capital.

The analysis show that, micro credit services provides with loan that supports the existence of petty business such as Mama Lishe as well as mini shops.

4.4.4 Summary on how Micro Credit Services Support Entrepreneurs.

With the help of analysis from the questionnaire, interview and documentary review, there is indication that these micro credit services are very supportive for providing credit to the entrepreneurs who run their businesses but they don't have support to meet some of their needs.

4.5 Diversity of Culture influence the Business to Grow

The study wanted to find out on how diversity of culture influences the business to grow in Mbeya city. There was employment of questionnaire, interview and documentary review on the some respondents.

4.5.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning the influence of diversity of culture on growth of SME's.

The analysis showed that 76 respondents (84.4%) said yes, the diversity of culture influences the growth of SME's in Mbeya, 14 respondents (15.6%) said no there is no influence of diversity of culture towards growth of SME's.

Table 4. 4 Diversity of culture influences growth of SME's

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	76	84.4	84.4	84.4
No	14	15.6	15.6	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.5.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on how diversity of culture influences the growth of SME's in Mbeya city.

The analysis showed that, some of the respondents argued that the interaction of culture between the countries nearby Tanzania such as Malawi and Zambia make the growth of the SME's since the demand of products from these businesses from Tanzania is required by neighboring countries. But others said this interaction of culture is

responsible to downfall of some of domestic business that is some SME's do not perform well since there is competition from Malawi and Zambia.

The analysis show that, diversity of culture directly influences the growth of SME's in Mbeya city as there the demand of goods and services produced by SME's increases. Neighboring countries like Zambia requires goods such as second hand clothes (Mitumba) from Tanzania.

Culture is not stagnant; it changes with times and environments therefore even the needs and situation of SME's will follow such a flow. The study by Burns (2011) argued that some other time culture might oppose the technological details as well as dispersal of fresh thoughts moreover sometimes it holds them and making its essential component

4.5.3 Summary on how diversity of culture Influences SME's Growth

With the help of analysis from the questionnaire and interview review, there is indication that there is interaction between entrepreneurs across neighboring countries. Such interaction is healthy for survival of SME's in Mbeya city.

4.6 Influence of Population on Growth of SME's

The study wanted to find out on how population influences growth of SME's in Mbeya city. There was employment of questionnaire, interview and documentary review on the some respondents.

4.6.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning the influences of population to the growth of SME's in Mbeya city.

The analysis showed that 70 respondents (77.8%) said yes, the population has influences on growth of SME's in Mbeya city, while 20 respondents (22.2%) said no there is no relationship to growth of SME's with existing population.

Table 4. 5 Population has influence on growth of SME's

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	70	77.8	77.8	77.8
no	20	22.2	22.2	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.6.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on the influence of population on the growth of SME's in Mbeya city.

The analysis showed that, some of the respondents argued that the situation and business environment at Kabwe and SIDO market depends a lot on the population. The places are centre where people from different places around the city such as Iyunga, Uyole and Sae meet, therefore it contains the largest population that is the catalyst for growth of SME's around that area. Others went further even comparing the situation of areas where with low population such as Soweto and CCM market where there is no such development of SME's.

Veseli (2011) on factors that do affect the growth of SME's a case of Kosovo argued that population of certain place with their associated features such as spending capacity affects the nature of the business to some extent.

4.6.3 Summary on how Population Influences SME's Growth

With the help of analysis from the questionnaire and interview there is indication that most of the areas with large population enjoys the development of their businesses compared to areas with low population.

4.7 Influence of Attitude and Behavior of Population in SME's Growth

The study wanted to find out on the influence of attitude and behavior of the population in growth of SME's in Mbeya city. There was employment of questionnaire, interview and documentary review on the some respondents.

4.7.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning the influence of behavior and attitude of the population on growth of SME's in Mbeya city.

The analysis showed that 60 respondents (66.7%) said yes, the attitude and behavior of the population influences the growth of SME's in Mbeya city, while 30 respondents (33.3%) said no there is no such a thing like the relationship of growth of SME's and the attitude or behavior of the population.

Table 4.6 Attitude and Behavior of the Population Affects Growth of SME's

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
yes	60	66.7	66.7	66.7
no	30	33.3	33.3	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.7.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on how attitude and behavior of population influence the growth of SME's in Mbeya city.

The analysis showed that, some of the respondents argued that people differs in terms of their behavior and spending. Others went further even on explaining that in Mbeya city drinks and beverages grow to the extent given that many people spend a lot on drinking. They also give examples on the large number of bars as well as groceries in many places such as around Kabwe area as the results of high spending of people on drinking.

Veseli (2011) on factors that do affect the growth of SME's a case of Kosovo argued that population of certain place with their associated features such as spending capacity affects the nature of the business to some extent

4.7.3 Summary on how Attitude and Behavior of Population Influences SME's Growth

With the help of analysis from the questionnaire and interview the implication show that places where people spend and have the tendency of buying goods there is growth of the business hence SME's growing.

4.8 Accessibility of Areas around Mbeya City

The study wanted to find out on whether the areas in Mbeya city are accessible. There was employment of questionnaire, interview and documentary review on the some respondents.

4.8.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning the accessibility of areas around Mbeya city.

The analysis showed that 59 respondents (65.6%) said yes, the areas around Mbeya city are accessible while 31 respondents (34.4%) said no, not all the areas around the city are accessible for delivering goods.

Table 4.7 Accessibility of areas around the City Influences Growth of SME's

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	59	65.6	65.6	65.6
Valid no	31	34.4	34.4	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.8.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on the accessibility of some places in Mbeya city for delivering goods or services.

The analysis showed that, some of the respondents argued that, most of the places around the city are reached except that the road some of the roads has been destroyed and the government has not taken measures to repair those roads. Others went further on mentioning that the main road and few other roads are good enough to be used for transportation but most of the roads are in bad state.

The Economic Recovery Strategy paper (2003) argued that any drawback of the physical infrastructure will hinder the extent of investment hence the growth of SME's will be not favorable.

4.8.3 Summary on Accessibility of Areas in Mbeya City and its Influence on SME's Growth

With the help of analysis from the questionnaire and interview, it is clear that many of the places around the city are accessible but they are in bad state.

4.9 Communication System influences Growth of the Business

The study wanted to find out if communication system influences the growth of SME's in Mbeya city. There was employment of questionnaire, interview and documentary review on the some respondents.

4.9.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions on the influence of communication system on growth of SME's.

The analysis showed that 57 respondents (63.3%) said yes communication system influences the growth of SME's, while 33 respondents (36.7%) said no communication system do not influence growth of SME's at all.

Table 4. 8 Good Communication System Influences Business Growth

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	57	63.3	63.3	63.3
Valid no	33	36.7	36.7	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.9.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on how communication system can influence the growth of SME.

The analysis showed that, some of the respondents argued that there is sharing of information between entrepreneurs concerning different issues about business. They further explain that this helps them to manage business in accordance.

On the issue of communication, Hergie (2007) argued that it is a social ability which is important for development as well as growth of any business.

4.9.3 Summary on how Communication System Influences SME's Growth

With the help of analysis from the questionnaire and interview, it is clear that such skill so called communication is needed so as the SME's to grow.

4.10 Availability of Sufficient Supply of Power and Water

The study wanted to find out if there is enough supply of power and water in Mbeya city. There was employment of questionnaire, interview and documentary review on the some respondents.

4.10.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions on the availability of enough supply of water and power in Mbeya city.

The analysis showed that 51 respondents (56.7%) said yes there is enough supply of power and water in Mbeya city while 39 respondents (43.3%) said no there is unfavorable supply of power and water in Mbeya city.

Table 4. 9 sufficient supply of power and water influences growth of SME's

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	51	56.7	56.7	56.7
Valid no	39	43.3	43.3	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.10.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on availability of sufficient supply of power and water and its influence on the growth of SME's in Mbeya city.

The analysis showed that, some of the respondents argued that some of the respondents said that they don't use that much the power for their activities, while others said they need power since their activities depends on that.

Hergie (2007) on the factors that affects the growth of SME's particularly in developing countries, argued that the inability to have enough sources of power such as electricity will results to problems that has direct effects on growth of SME's

4.10.3 Summary on Sufficient Supply of Power and Water and the Influences on SME's Growth

With the help of analysis from the questionnaire, interview and documentary review, there is indication that there is direct relationship on supply of power and water with the growth of SME's.

4.11 The use of Security Cameras (CCTV Cameras)

The study wanted to find out whether SME's uses security cameras (CCTV cameras) in Mbeya city. There was employment of questionnaire, interview and documentary review on the some respondents.

4.11.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning the use of security cameras by SME's for security purposes.

The analysis showed that 66 respondents (73.3%) said yes they are using hidden security cameras for security purposes, while 24 respondents (26.7%) said no they do not use security cameras for security purposes.

Table 4. 10 The use of security cameras (CCTV) influences growth of SME's

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	66	73.3	73.3	73.3
Valid no	24	26.7	26.7	100.0
Total	90	100.0	100.0	

4.11.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on the availability of security cameras (CCTV) and the influence on the growth of SME.

The analysis showed that, some of the respondents argued that they need hidden cameras so as master the movement of people (customers) and layout of the premises while others argued that they need only for protection.

4.11.3 Summary on Availability of Security Cameras (CCTV) and the Influences on SME's Growth

With the help of analysis from the questionnaire, interview and documentary review, there is indication that, there is no strong evidence that with those security cameras there will be no growth of SME's.

4.12 Record are Kept Electronically

The study wanted to find out if the SME's are keeping records electronically. There was employment of questionnaire, interview and documentary review on the some respondents.

4.12.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning preservation of records by the SME's.

The analysis showed that only 21 respondents (23.3%) said yes, their businesses were keeping the records electronically while 69 respondents (76.7%) said no records were kept manually and not electronically.

Table 4. 11 Records Are Kept Electronically

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	21	23.3	23.3	23.3
Valid no	69	76.7	76.7	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.12.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on whether records are kept electronically.

The analysis showed that, some of the respondents argued that they are not even aware with the use of computers so it is difficult for them even to assess the records that are kept electronically.

4.12.3 Summary on the Process of Keeping the Records Electronically

With the help of analysis from the questionnaire and interview, it is clear that many of the SME's has congestion of files and records since they are kept in files or shelves.

4.13 Electronic Transactions by SME's

The study wanted to find out if the SME's were using electronic transactions during day to day activities. There was employment of questionnaire, interview and documentary review on the some respondents.

4.13.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning electronic transactions during day to day operations.

The analysis showed that 57 respondents (63.3%) said yes, their business uses electronic transaction during day to day, while 33 respondents (36.7%) said no they do not use electronic transactions.

Table 4. 12 Business uses Electronic Transactions

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	57	63.3	63.3	63.3
Valid no	33	36.7	36.7	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.13.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond on whether there is electronic transaction by entrepreneurs.

The analysis showed that, some of the respondents argued that entrepreneurs conduct electronic transactions through payments such as mobile transfer of money such as M-pesa, Tigo-Pesa or airtel money.

4.13.3 Summary on whether these SME's are involved in Electronic Transactions

With the help of analysis from the questionnaire and interview it is clear that electronic transactions helps a lot the entrepreneurs to accomplish their activities hence helps to the development and growth of SME's

4.14 SME's Meets their Legal Obligations

The study wanted to find out if SME's meet some legal obligations in Mbeya city. There was employment of questionnaire, interview and documentary review on the some respondents.

4.14.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions if these SME's meet legal obligations required.

The analysis showed that 76 respondents (84.4%) said yes SME's meet legal obligations, while 14 respondents (15.6%) said no the SME's do not meet legal obligations as required.

Table 4. 13 Business Meets Its Legal Obligations

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	76	84.4	84.4	84.4
Valid no	14	15.6	15.6	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.14.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond whether the business meet legal obligations.

The analysis showed that, some of the respondents argued that they pay taxes and run their businesses according to the rules and regulations, others went further explaining that they are registered under the authorities such as TRA as well as TFDA.

4.14.3 Analysis for Documentary Review

The documentary review was managed in this study with the question whether they meet legal obligations. Some of the documents reviewed were business licenses and other receipts of payments as per rules and regulations.

One of the critical issues that has a great influence on performance of the SME's is legal issues (rules and regulations) set by the authorities (OECD, 2006).

4.14.4 Summary on Whether the SME's Meets Legal

With the help of analysis from the questionnaire, interview and documentary review, there is indication that with the business following all the procedures and meet the legal obligations it will help to those businesses to growth since they will not be harassed by the authorities.

4.15 Availability of Business Plan by SME's

The study wanted to find out if SME's do possess business plans. There was employment of questionnaire, interview and documentary review on the some respondents.

4.15.1 The Analysis of Questionnaire

The questionnaires were directed to 90 respondents where by those respondents were required to respond to some questions concerning the availability business plans by SME's in Mbeya city.

The analysis showed that only 21 respondents (23.3%) said yes, the SME's do have business plans, while majority of them that is 69 respondents (76.7%) said no the SME's do not have business plans.

Table 4. 14 Business Has A Business Plan

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	21	23.3	23.3	23.3
Valid no	69	76.7	76.7	100.0
Total	90	100.0	100.0	

Source; Field Data, 2018

4.15.2 Analysis for Interview

The interview was direct to respondents with the use of interview guide. Respondents were required to respond whether they do have business plan for their business.

The analysis showed that, some of the respondents argued that they run their business with experience and that they don't see the need of having such a thing while other said they a subject to funds therefore they need such a plan in order to obtain funds.

4.16 Summary on whether the Business has a Business Plan

With the help of analysis from the questionnaire and interview the business plans are very helpful to SME's thou they are not yet aware of that.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The chapter gives a review of the most important results, conclusion as well as advice given the stated intention. It as well presents suggestion on where to concentrate on upcoming studies. The intention as for this study was to examine the challenges of SME's towards their growth in Mbeya city in Tanzania.

5.1 Recommendations

Based on the study results as well as presented literatures, researcher suggests the following approaches to SMEs as well as government that can be used to conquer such challenges.

The study stood on the following objectives: to examine if technology control the growth of SMEs in Mbeya city; assessing the way access to finance brings about the growth of SMEs in Mbeya city; finding the way socio-cultural factors influence growth of SMEs in Mbeya city; finding out how infrastructure affect the growth of SMEs in Mbeya city as well as assessing the level of technology that has been invested by the SMEs in businesses in Mbeya city.

Most of respondents had diploma level of education which was the highest percentage as well as those with degree. This shows that recently there have been educated entrepreneurs that manage the SME businesses.

Higher percentage showed that unfavorable transportation system (infrastructures) took responsibility for unfavorable growth of the businesses; meaning too much valuable time is being wasted while carrying goods as well as increasingly cost of moving those goods. The high cost of transportation led to losses or even delay in delivery of goods which sometimes are perishable.

The findings show that most entrepreneurs whose working experience is between 5-10 years of which it is remarkable owing to business accomplishment for such a long per time. Though, a very small number have been operating their businesses for more than 15 years. Meaning, most of entrepreneurs fail inside the range of 5-10 years of providing services.

Basing on socio-cultural aspect, code of conduct had the highest percentage meaning that most entrepreneurs believing in ethical issues for the business to succeed

Basing on the influence of the technology towards development of SMEs, the results discovered most of the businesses do not engage in the computerized technology to manage their businesses. The use of CCTV cameras or computerized system in managing the business is not that much to the SME's

Also many of the business do not have business plan, they manages their business locally that they don't see the importance of having the business plan. This might cause them to denial of important services such as loan.

Business people promotional camping specifically for female need to be done so that other female involvement in business will increase in numbers. So, adjustment of attitude is a significant step for development of entrepreneurial environment.

provision of training to the owners of the businesses and managers of the businesses that has been registered most especially to the owners of small business on the importance of keeping books of accounts soon as they have been registered

5.1.1 Recommendations for internal related factors which affect SMEs performance

- i. The SME's advised to obtain additional investment chances as a substitute of single one, have a business before to borrow the money as well as not to make use of credit to establish investments however to enlarge or spread investments.
- ii. SMEs are supposed to make sure that they do have the good habit on managing finances, distinguishing the products as well as services to meet the desires of customer's needs; location as well as excellent networking would create a variation amid succeeding as well as failing.
- iii. In additional, it is necessary to develop ways of assembling clients' information that are important for the use of marketing as well as service activities it will be easy for the owner of the business to meet the need for his or her customers if he or she knows about them.

5.1.2 Recommendations for External related factors affect SMEs performance

- i. It is the duty of the central government is urged to set in and to influence the level of interest rate, making the interest rates the same for all the MFIs as well as monitoring the services of the MFIs. Furthermore, financial institutions should build up improved lending conditions that will enable small and medium businesses to gain from them. Therefore, services of these financial organizations should be developed ensuring their reliability as well as stability in eradicating the setback of financial limitation to small and medium business.
- ii. To investment in research and development in order to discover different issues to be done so as to develop the small and medium firm's conditions both by concentrating in keen on how the other rising countries accomplished or to come up with latest ideas.

5.2 Conclusions

The following conclusions have been considered:

- i. The study finding revealed that the accessible funds as well as credit services to high extent affects the development of SMEs within Mbeya city. Insufficient capital for development led to fall down of many firms.
- ii. Unfavorable infrastructure such as poor roads system largely affects negatively towards development of SMEs because to delivering in delays, too much transportation costs. That's why some of the entrepreneurs relocate at central for easily accessibility places hence they lose some of the previous customer's base.
- iii. Though respondents has agreed that Socio-cultural issues affects business, others dis agreed and went further to say there is no much effect on the development of SMEs because there is modernity as well as diversity of Tanzanian culture.
- iv. Demographic personalities had superior persuasion towards on the development of firm. The findings show that education mostly influences the growth of SMEs in Mbeya city.

- v. Modernization of the technology at some levels helps in managing the businesses, the use of computerized technology such as CCTV cameras will make easy to manage business.
- vi. After examining the data, researchers conclude that female participation in SME's is less in compared to male participation. The study discovered some of the businesses do not keep records of their accounts therefore, it is hard for the people to compute their business profitability. Absence accounting information makes it difficult for decision making by the owners and managers of the business.

5.3 Suggestions for Further Research

The following suggestions were made for further research:

- a) Other researchers should concentrate on conducting a study on the impact of demographic characteristics on growth of SMEs particularly in Mbeya city or any other regions on
- b) Since the study picked a case study of one district in urban area, further studies can be conducted in the same study basing in rural area. Moreover, further research could be carried out on the factors that contributing to SMEs failure in Tanzania.

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APPENDICES

QUESTIONNAIRES

This study is being conducted as part of the requirements for the award of Master Degree of Business Administration in Corporate Management by the Mzumbe

University. The research topic is “Examining the Challenges of SME’s towards their Growth in Tanzania” a Case of Mbeya City. The information you provide will therefore be used for academic purposes only and will be treated with confidentiality. Please answer the questions which are stated below.

PART A: Business Profile:

1. Gender

- a) Male ()
- b) Female ()

2. Your job position in the firm:

- a) Owner ()
- b) Manager ()
- c) Employee ()
- d) Others (specify)

3. What is your level of education?

- a) Standard VII ()
- b) Form IV ()
- c) Form VI ()
- d) Diploma ()
- e) First degree ()
- f) Postgraduate ()

4. What is the type of your firm?

- a) Manufacture ()
- b) Service ()
- c) Whole sales ()
- d) Retailer ()
- e) Others (specify)

5. How many years has your firm been in business?

- a) 5 – 10 years ()
- b) 11- 15 years ()
- c) 16 – 20 years ()
- d) 20 – 25 years ()
- e) 25 – 30 years ()
- f) Above 30 year ()

6. Please estimate the number of employees in the firm.

- a) 5 – 10 ()
- b) 11- 15 ()
- c) 16 – 20 ()
- d) 20 – 25 ()
- e) 25 – 30 ()
- f) Above 30 ()

7. Identify the sector that represents the main activity of your business

- a) Food processing industry ()
- b) Bakery industry ()
- c) Wood products industry ()
- d) Furniture works industry ()
- e) Metal works industry ()
- f) Machinery works industry ()
- g) Food vendors (Mama Lishe) ()
- h) Second hand clothes ()

8. Have you registered your business?

- a) Yes ()
- b) No ()

SECTION B

8. Availability of fund helps your business to grow

- a) Yes
- b) No

9. There is availability of micro credit services around your business area

- a) Yes
- b) NO

10. Diversity of culture helps business to grow

- a) Yes
- b) No

11. Population has influence on growth of you business

- a) Yes
- b) No

12. Attitude and behaviors of population affects your business growth

- a) Yes
- b) No

13. The living way of population has influence in business growth

- a) Yes
- b) No

14. Good communication system influences business growth

- a) Yes
- b) No

15. There is sufficient supply of power and water

- a) Yes
- b) No

16. Business uses CCTV cameras for security

a) Yes

b) No

17. Records are kept electronically

a) Yes

b) No

18. Business uses electronic transactions

a) Yes

b) No

19. Business meets its legal obligations

a) Yes

b) No

20. Business has a business plan

a) Yes

b) No

Interview guide

1. What is the purpose of the loan that entrepreneurs lend?

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2. Mention the number of Banks and other Financial Institutions available in your area

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3. Explain how micro credit services are useful to some of the entrepreneurs

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4. Explain how the diversity of culture affects the growth of SME's in Mbeya city

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5. Explain how population affects the growth of SME's in Mbeya city

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6. Explain shortly how the attitude and behavior of people affect the growth of SME's

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7. What is the general outlook of the infrastructures around the city

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8. How is sharing of information influences growth of SME's

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9. Explain the overall use of power and water in the city

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10. What are the general use of security cameras

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11. Explain the general condition with the record keeping

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12. Explain the methods used for electronic transactions by the entrepreneurs

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13. What legal obligation that entrepreneurs in Mbeya city need to meet

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14. Explain the general perception of entrepreneurs about business plan

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