

**RELATIONSHIP BETWEEN DONORS FUNDING
AND BUSINESS PERFORMANCE IN TANZANIA**

**By
Flanswazi A. Msinga.**

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in Partial Fulfillment of the Requirement for the award of the degree Masters of
Business administration on corporate Management of Mzumbe University.**

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation/thesis entitled ***Relationship between Donors funding and Business Performance in Tanzania:*** in partial fulfillment of the requirements for award of Masters of Business Administration (Corporate Management) of Mzumbe University.

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DEDICATION

To the Lord God Almighty, My favorite Benson Kitembe, my dear parents, Mr. G. Nkini, Mr. R. Shoo, Mr. Mwanuzi Babyegeya, General Kaduma for their support and all my beloved friends May God reward you abundantly.

LIST OF ABBREVIATION

ADB	:	African Development Bank
BDG	:	Business Development Gateway
EU	:	European Union
GDP	:	Gross Domestic Product
ICT	:	Information Computing Technology
ICTI	:	Information and Communication Technology Institute
IFC	:	International Finance Company
IMF	:	International Monetary Fund
MBA	:	Masters of Business Administration
NMB	:	National Microfinance Bank
SIDO	:	Small Industry Development Organization
SMEs	:	Micro and Small Enterprise
TPSF	:	Tanzania Private Sector Foundation
UNDP	:	United Nations Development Program
UNIDO	:	United Nations Industrial Development Organization
URT	:	United Republic of Tanzania (URT-2003 means SMEs policy)
VETA	:	Vocational Education Training Authority
WB	:	World Bank

ABSTRACT

Given the increasing donor funding to most of the SMEs in Tanzania; there has been an increase desire overtime to know whether or not there is any relationship between this donor funding and business performance. The main purpose of this research therefore was to identify the relationship between donor funding and business performance. This study was guided by three research objectives.

The general Objective was to determine if there is any relationship between donor funding and business performance. Specific research objectives were; to identify the relationship between donor funding and business performance in Tanzania. Other objectives are to identify other factors rather than donor funding that may contribute to business performance in Tanzania and lastly is to identify challenges facing business performance in Tanzania.

Data collection methods comprised both primary and secondary sources. Questionnaires were distributed to SMEs that received funds and those who did not receive such funding. Both open and closed ended questions were used to collect demographic and data related to donor funding and business performance to SME's. Qualitative and quantitative techniques were employed for collecting, collating and analyzing data.

The research findings indicated that donor funding has both positive and negative contribution to business performance. The negative effect of donor funding to business performance is due to various reasons such as inability to utilize funds received, seasonal variation, weak economic climate or business competition and lack of business experience.

The study also found that; the other factors that contribute to business performance apart from business donor funding includes availability of ready markets, availability of raw materials, establishment of microfinance institutions, training on Business and Entrepreneurship, skills and experience in current Business.

It is recommended that microfinance institution should play a key role in helping SMEs rather than depending on donor funding. Also there is need of business skills training on how to properly manage business so that they can use the loans received for the benefit of their business. The government should also put in much effort to create conducive environment for optimum SME's performance.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE PROBLEM

1.1 Introduction to the Study

This chapter presents the introduction to the research report and is divided into different sections including the background of the study, statement of the research problem, objectives of the study, research questions, justification and significance of the study. Delimitations of the study and conceptual framework definitions of key terms are also included.

This study was conducted within the Tanzania Private Sector Foundation under Business Development Gateway programme (BDG). The study focused on participants who have received funds since 2009 to 2011 and engaged in food processing in Dar es Salaam Region and who did not receive donor funds.

1.2 Background to the Problem

During the 1960s and 1970s donors were more than willing to extend the amounts of aid to Tanzania due to the development policies that the country was pursuing at that period. During the 1970s aid was largely delivered in terms of project aid. However, due to the unsatisfactory performance of project aid, donors shifted emphasis from project to programme aid in the 1980s. After experiencing years of declining economic growth and the financial crisis in the early 1980s, Tanzania agreed to adopt an economic recovery programme. However, the programme and the conditionality's attached to it created tensions between Tanzania and its donors, thus forcing donors into reconsidering their aid relationship.

Tanzania remains one of the third world's countries, with a per capita GNI of US\$400 and one third of the population (over 12 million people) living below the poverty line. Inequality is high and urban/rural income disparities are evident. Lack of access to health and education services, lack of agricultural inputs, lack of opportunities to diversify to non-farm activities, dependency and powerlessness are the defining characteristics of the poor. Tanzania's economy relies heavily on

agriculture, employing 80 percent of the work force and accounting for half of GDP. Close to 40 percent of the current state budget is financed by outside donors and this reflects a dangerous aid dependency relationship.

The reconsideration of aid relationship motivated more donors to invest in different sectors such as business sector. For example the Tanzania Private Sector Foundation in collaboration with World Bank has been funding small and medium business owners and entrepreneurs through the Business Development Gateway (BDG) program.

Kessy and Urio (2006) argued that in many parts of the world, micro credit is a potential tool for any effective poverty reduction strategy. It is always envisaged that with improved access and efficient provision of savings, credits, and insurance facilities to SME's can help them manage their risks better, gradually build their asset base, develop their micro enterprises, enhance their income earning capacity, and in that way improve the quality of their lives Pilipinas (2002). The availability of credits to small businesses and low-income households can also help enhance their economic strength. This is important because, eventually it helps break the vicious circle of low income, low savings, and low investment Yunus (1994).

The increased participation and contribution of micro credit enterprises to economic development has led to increased need for financial services in Tanzania. It has been reported that micro credit institutions contributed about 12% of urban employment, 34% of rural employment and up to 32% of the GDP Wangwe and Semboja (1997). It is also believed that the percentile contribution might have mounted greatly since then (URT; NSGRP, 2006).

The Government of Tanzania developed the National Micro Finance Policy along with the overall financial reforms initiated in 1991, which aimed at enabling low-income earners to access financial services easily (URT, 2000). With respect to the policy outline, micro finance institutions became the alternative solution for financing Small and Medium Enterprises (SME's), since owners were regarded as

too poor to save, having low borrowings and carrying a default risk (Makombe, *et al*, 1999). Through the National Strategy for Growth and Reduction of Poverty (NSGRP), popularly known as MKUKUTA, coupled with Millennium Development Goals (MDGs), the micro credit policy aimed at reducing income poverty and promoting economic growth through access to financial services and sustainable use of other resources easily with no tough barriers. (URT, NSGRP, 2006). From the 1990s, financial institutions began providing credit to SME's who fulfilled the following conditions: owning a business not less than six months from the day it is provided and belonging to a SME's group comprising of six to ten members (who were familiar to each other). These conditions were intended to minimize risks on the side of the financial institutions Wasiam (2005). Projects to which credit was provided must have had the aim of poverty reduction and not otherwise. In addition, the obtained credit could be strictly used for the business stated in application forms. Starting up a new business other than one mentioned in the application forms, with the obtained credit was strictly prohibited. The financial institutions instituted the foregoing conditions in order to avoid direct risks which are likely to face a new business due to lack of experience, type of business and time, compared to an existing one that already had a history of sales, loss and profits Asheri (2003)

A study by Asheri (2003) examined whether micro financing of SME's businesses played an active role in solving SME's problems particularly those related to their welfare. These studies revealed that most SME's were involved in credit schemes in order to reduce their economic hardship. A study by Rweyememu, Kimaro and Urassa (2003) evaluated the performance of and constraints facing semi-formal micro finance institutions currently providing credit in Mbeya and Mwanza regions respectively. This study found out that both credit programmers experienced poor repayment rates, especially in the first years of operation, with farmers citing poor crop yields, low producer prices and untimely acquisition of loans as reasons for non-payment.

Despite the recognition of the dynamic role of credit to small enterprises, few SME's business owners have access to, and benefit from, the available financial services.

Microfinance Institutions have placed hard conditions in making loans accessible. Chijoriga,(2000).

Overall, it appears that there are many empirical studies that have been done on SME's and micro credit finance in Tanzania, but very few have attempted to explore the role of donor funds in developing SMEs, That is way BDG also engaged a lot in helping SME's in training them how to excess the loan and business management.

1.3 Statement of the Problem

When donors provide funding to the government or NGO's to finance development projects and programs, they expect these funds to be well managed. The main objective of the donors to fund organizations is to see and ensure that development projects and program are achieving their objectives. It's the responsibility of the organization responsible to make sure the granted funds are used effectively in a way that its results are seen. Most of the projects fail to meet their objectives claiming to have insufficient funds.

In few studies conducted, it has been established that SME's play a major role in household production and income generation. For a number of years, SME's in Tanzania have been marginalized by being denied opportunities such as grants due to a lack of collateral and other reasons including deep rooted traditional cultural barriers and existing social norms. The mobilization of SME's groups, who guarantee each other, in order to access grants, has raised interest in accessing grants from NGO's. It is important therefore to understand their involvement in microfinance programs.

Most NGO's concentrate on offering grants services only without putting into consideration a long lasting business prosperity aspect in the program. More importantly, there was a need to evaluate the positive and negative impacts of the grants offered by the NGO's to entrepreneurs running small business in Tanzania in order to offer strategies for their business development. However this study aims at identifying the relationship between donor funding and business performance.

1.4: Objectives of the Study.

1.4.1 Main objective

The main aim of the study is to identify the relationship between donor funding and business performance in Tanzania.

1.4.2 Specific objective

Specifically, the study aims to attain the following:

1. To determine the level of funding in Fixed Capital and Working Capital.
2. To find out whether the funding done timely or not?
3. To find out whether funds were provided wholesome or in piece meal.
4. To find out whether thorough supervising, monitoring of the operations was made.
5. To find out whether entrepreneurs were given enough and effective training on him to manage small and medium business.

1.5: Research questions.

1. What are the contributions of donor funds to your business performance?
2. What are the challenges that donor fund face when needed feedback from business performance?
3. What are the factors that donor fund consider in business performance?

1.6 Justification and Significances of the Study

The study findings are intended to help SME's as the major beneficiaries of grants to understand the better way of using donor funding and micro credit to improve their living standards. On the other hand, the study will help NGO's and micro credit institutions to design gender sensitive monitoring and evaluation tools for use before and after issuing micro credit to SME's. For instance, NGO's might wish to grant only to SME's that are operating successful businesses only.

Also the study findings will be of great use by other institutions such as Formal Financial Institutions (FFI), which finance different development activities in order to improve people's ability to invest in business. To the NGOs that spearhead SME's development, the findings of this study will create challenges on how to improve

SME's ability through the use of donor funds and micro credit. To the development partners who play a very important role in development, these findings will expose them to a number of constraints and challenges which are faced by SME's as they use donor funding grants. With this light, they will be able to design strategies to solve such problems.

Research institution dealing with poverty alleviation such as Research on Poverty Alleviation (REPOA), can use the study findings to find out other means of alleviating poverty through donor funding. The Economic and Social Research Foundation (ESRF) can use this study to strengthen capabilities in policy analysis and development management and enhancing the understanding of policy options in the government, the public sector, civil society, and the donor community as well as the growing private sector. Furthermore, the government, mainly through policy makers and implementers will benefit from the study findings since they remind them to make policies which will enhance development among entrepreneurs. This is given the fact that the study findings have provided qualitative data which is of great use in decision making. Individual micro credit institutions will be in better position to understand behaviors of their clients so that they could educate them before providing credits so that the beneficiaries utilize the credits for the intended purposes. Institutions will also give technical means of improving their businesses in order to get super profits. Also SME's will be in position to understand why some entrepreneurs are able to improve their life standards soon after getting donor funding or bank loans, while others fail to do the same.

1.7 Limitation of the Study

Problems in the source of data: some of the data are kept as confidential to the organization only. Some of the important information was not disclosed due to privacy, security and policy of an organization.

Maximum cooperation within the organization: other respondents were not able to provide data as needed by the researcher because they didn't want to give any information regarding the business.

Lack of funds during research process: due to the increasingly cost of living the study was confronted with the shortage of funds to carry out data collection effectively and efficiently. Due to limited time and funds the study was done in one region hence the data collected may not be representative of all food processors' SME's in Tanzania.

1.8 Scope of the study

This study will be conducted within the Tanzania Private Sector Foundation under Business Development Gateway programme (BDG). The study will only focus on SME's participants who have received funds since 2009 to 2011 and those who did not receive fund from BDG. The study mainly engaged in food processors in Dar es salaam Region.

1.9 Delimitation of the Study

1. The researcher tried to contact the respective person to get the required information i.e. grants receiver and non grants receiver.
2. The researcher tried to work hard together with the employees of BDG to receive maximum Cooperation.
3. To reduce cost and shortage of time the researcher used a case study design which concentrated in Dar es Salaam only.
4. The researcher tried to make sure that all respondents understand what kind of information/data was required by explaining the importance of the study to them (receiver and non grants receiver). Also the researcher used Swahili questionnaire to the clients, who did not understand English language to make them understand clearly what was required to be answered.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature of the study. It focuses on the theoretical and empirical review. Under theoretical perspectives, major concepts are discussed and defined. These include donor funding, micro and small enterprises (MSE's) and entrepreneurship development. Furthermore, the empirical literature was presented. This deals with evidence from other researches and previous studies on relationship between business performance and donor funding.

2.2 Theoretical Literature Review

2.2.1 Definition of Key Terms

This section presents definitions of key terms which were used in this research:

2.2.1 Donor funding

Donor funding is the process of individual, organization or government providing financial resources, training, or skills through a trust or a charitable contribution in order to support effective locally-driven programs.

2.2.2 Reason for funding

For many years the donor community has seen and considered Tanzania as the “darling” of developing countries. Focus has been on the country’s macroeconomic stability, good governance and its continuing development.

However donors funding has contributed in improving standard of living of the country, reducing unemployment level through creation of self employment in the different funded projects and programs. For example TPSF has since 1998 to 2013 managed 5 projects, namely Best AC, Matching Grants, and Business Development Gateway. Cluster Competitiveness Program – CCP, and Insurance Tanzania Agency. All these projects have created a lot of opportunities to Tanzanian.

2.2.3 Donor Funding Management

When donors provide funding to an organization or government in order to finance development projects and programs, they expect these funds to be well managed. It is the responsibility of the organization concern to make sure that funds are being well allocated and used as expected.

In Tanzania many organizations have been facing the problem of securing donor funds due to mismanagement or misallocation of the funds received. Most of the fund seekers provide wrong information when seeking the fund and during the assessment is discovered that the funds received are misallocate. Therefore the objective of the donor can't be met. For example most of participants who received grants from TPSF under MGP programme did not use grants as expected.

2.3 Business Performance Concept

Business performance can be defined both in terms of processes (start-up, resource acquisition, development and employment (the strategic direction of the business) and outcomes (sales, profit, asset value, intrinsic work satisfactions)

Many researchers have conducted different researches regarding business performance. For example, in the past decade, a steady stream of research has focused on the impact of market orientation upon business performance. Studies using samples of US companies (Jaworski and Kohli, 1993; Kumar Examining the market orientation performance relationship (1998), Slater, 1990; Pelham, 1997; Pelham and Wilson, 1996; Raju et al., 1995; Ruekert, 1992; Slater and Narver, 1994; Van Egeren and O'Connor, 1998) found undeniable support for a positive association between market orientation and performance.

Atkinson, ("A stakeholder approach to strategic performance measurement1997) has explained emerging management paradigms such as marketing is emphasizing a stakeholder perspective. However all authors despite considering the business performance issue, none of them has considered the relationship between business performance and donor funding.

2.3.1 Indicator of Business Performance

Performance indicators are measurements that reflect the strength of the business, and the business specific purposes, they connect the business goals and strategies to its activities and outcomes, keeping management informed of overall strength: past, current, and future of the business. Performance Indicators are commonly used by an organization to evaluate its success or the success of a particular activity in which it is engaged.

There is a need of identifying the most important indicators for any business performance as these will help you to identify the level of success or failure of your business. Some of the more mainstream indicators include:

Sales when measuring the business performance we need to consider the number of orders received, and volume of sales qualified: The more the sales volume and high number of orders it is a good indicator for successful business performance. The vice versa is true.

Finance: is the heart indicator for any business performance. With this indicator there is a need to access the total revenue contributed from the business, expenses has to be identified too and the profit. With these identifications it's easy to access the performance of your business

Manufacturing: For a manufacturing business it's important to access the number of units manufactured, the time used in manufacturing and number of defects occurred during the manufacturing process. By accessing all these will help to identify whether your business has failed or succeeded.

Human Resources: Employee satisfaction is the key indicator of any business performance. Employees play a key role to the success or failure of the business because they are the ones that are directly involved in the business operation. It is assumed that the more the employees are satisfied, the more they will perform better and hence help the business to grow and perform better. The reverse is equally true. If they are not satisfied this may encourage high employees' turnover which affects the business performance.

Information Technology: In this era of information, the technology has been of great impact to any success of the business. The use of modern and updated technology helps to improve the quality of the product/services through product innovation.

2.3.2 Why Measure Business Performance?

Business performance measurement has a variety of uses. Biotitic, Carrie and Turner (2002) list the following reasons companies' measure business performance:

- To monitor and control
- To drive improvement
- To maximize the effectiveness of the improvement effort
- To achieve alignment with organizational goals and objectives
- To reward and to discipline

Simmons (2000) looks at business performance measurement as a tool to balance five major tensions within a firm:

1. Balancing profit, growth and control
2. Balancing short term results against long-term capabilities and growth opportunities
3. Balancing performance expectations of different constituencies
4. Balancing opportunities and attention
5. Balancing the motives of human behaviour

2.4 Challenges to Business Performance

Business performance especially in food processing in Tanzania faces a lot of challenges. These challenges left unattended hinder businesses from meeting their goals and donor expectation. These challenges include uncertainty, globalization, innovation, regulations, technology diversity, complexity, supply chain, lack of information and problem solving.

Uncertainty

Uncertainty in the global economy and the current recovery, uncertainty in the credit markets, uncertainty in how environmental regulations will affect business. Most of

the business owners have short term plans and do not think of the future. The reason for this is due to being risk averse.

Globalization

The challenges of globalization have great impact to any business. Understanding foreign cultures is essential to everything from the ability to penetrate new markets with existing products and services, to designing new products and services for new customers, to recognizing emergent, disruptive competitors that only months earlier weren't even known. The problem to be solved is to better understand international markets and cultures through better information gathering and better analysis of what it all means. For example most local products do not have barcodes. Barcodes make doing business much more efficient for companies. Barcodes provide a method to track and store information about goods, from individual items to large stocks. They serve an important role and provide advantages compared with manual information entering and storage.

Innovation

Most businesses are struggling with innovation. Better innovation process is at the top of the agenda for most business owners but the idea of a more innovative culture appears too frightening to many. The problem to be solved is how to become more innovative while still maintaining a sense of control over the organization.

Regulation

A changing regulatory environmental is always of concern in certain industries, but uncertain energy, environmental and financial policy is wreaking havoc for nearly all companies today. Whether a demand from customers or shareholders to become more "green," or the threat of increased costs due to new taxes, the problems to be solved are to understand the meaning of regulation in the industry, its implications for the business, and to develop the skills necessary to deal with it.

Technology

The speed of technological improvement is running at an exponentially increasing rate. Most of the businesses in Tanzania are still using outdated technology and

therefore end up producing poor quality products. Most of the time is wasted using manual work instead of technology, hence affecting the production and therefore the performance of the business.

Diversity

Most of the Tanzanian businesses face diversity problem due to the need of producing different products and thus leading to management problems. Most diversity brings many challenges, as it makes it far more likely that managements do not agree, and the lack of agreement makes execution very difficult.

Cash Flow and Financial Management

Good cash flow control is important for any business. For a growing business, cash constraints can be the biggest factor limiting growth and overtrading can be serious. The best use of finances is the key element in business planning and assessing new opportunities. With limited resources, the business needs to pass up promising opportunities.

Every element of working capital should be carefully controlled to maximize cash flow. Effective credit management and tight control of overdue debts are essential. Good stock control and effective supplier management tend to become increasingly important as a business grows. Planning ahead helps the business anticipate its financing needs and arrange suitable funding. For many growing businesses, a key decision is whether to bring in outside investors to provide the equity needed to underpin further expansion.

Supply Chains

Uncertainty in supply, driven by wildly changing commodity prices, an apparent increase in weather-related disturbance, and increasing competition for raw materials, makes raw materials planning more challenging. Smaller suppliers that can no longer get the credit they need to keep up with their larger customers' demand worsen an already unwieldy situation. The problem to be solved is to develop a

supply-chain strategy that not only ensures the lowest costs, but that also minimizes the risk of crippling supply-chain disturbance.

Problem Solving

The lack of a sophisticated problem-solving competency among today's business leaders is limiting their ability to adequately deal with other business performance challenges. In order for the business to perform well into the future, business owners must resolve that problem-solving is the key to business, then develop a strong problem-solving capability at all levels.

2.5 Microfinance Policy

Microfinance in Tanzania is one of the approaches that the government has focused its attention in recent years in pursuit of long term vision of providing sustainable financial services to majority of Tanzanian population. In Tanzania, before the current financial and banking restructuring took place, most financial services for rural, micro and small enterprises were offered by the NBC and (CRDB).

Since 1991, the government has been implementing financial sector reforms aimed at putting in place a competitive, efficient and effective financial system. Although the reforms have had reasonable success in bringing about the growth of competitive and efficient mainstream banking sector, it has not brought about increased access to basic financial services by the majority of the Tanzanians, particularly those in rural areas.

The realization of the above shortcoming led to the Government's decision to initiate deliberate action to facilitate alternative approaches to the creation of a broad based financial system comprising of a variety of sustainable institutions with wide outreach and offering diverse financial products. The government's choice of microfinance was influenced by the conviction that, given adequate attention, microfinance has the potential to contribute considerably to the economic development of the country because it is more adapted to the needs of the low-income population which makes up the majority of Tanzanians (ibid). Chijoringa (2000).

2.6. Objectives of Donor Funding

The main objectives of donor funding in Tanzania include the following,

2.6.1 Reduce poverty and increase standard of living through increased income.

Poverty is a multi-dimensional concept that includes income and non income development features such as access to education, health, nutrition, safe water and social welfare services.

The established NGO's enable the poor and especially the poor households and MSEs to have access to donor funding because they lack access to the formal financial institutions (FFIs). The availability of donor funding to low income households and MSEs is greatly enhancing their economic strength and eventually break the vicious circle of low income, low saving, low investment Chijoringa (1999).

Donor funding enable the poor to increase and diversify incomes, build human, social and economic assets, and improve their lives in ways that reflect the multidimensional aspects of poverty.

2.6.2 SME's Empowerment

Other donor funding programmes are dedicated to SME's empowerment. Advocates of such programmes believe that offering funds to SME's offers them power to control resources. SME's are believed to be trustworthy and have high repayment rate and NGO's face less adverse selection and moral hazards by offering funds to SME's. Moreover, involvement of SME's in projects and income generation activities has increased their job content on top of their traditional roles (ibid).

2.6.3 Develop the Business Sector through Growth Potentials.

Advocate of these believe that, if entrepreneurs are offered credit/funds more business was be set up and developed and this was result in business development and growth. They believe on the trickledown effect, whereby if you concentrate on a few there was be positive externality on the others in terms of increasing

employment and wealth. It also has an effect on increasing GDP and hence improving the standard of living (ibid).

2.6.4 Develop a Parallel Financial Sector

Donor funding are dedicated to fill the gap of market inefficiency that is created by commercial banks and financial institutions for them being providing the services to large business only. Poor people in most countries have virtually no access to formal financial services. Small loan/funds can help break the cycle of poverty when it is invested in economic activities that generate increased earnings. Similarly, saving money in a safe place provides the poor a cushion against sudden shocks, such as illness or a bad harvest, which could easily push them into destitution.

A recent study by the BOT on the demand and supply of financial services in the country concluded that the demand for micro – finance services is overwhelming. This is largely because commercial banks place high regard to the possession of collateral as one of the main criteria for prospective borrowers to qualify for loans. Since most of the economically active low income people cannot meet these conditions, they resort to group borrowing. The groups severally and jointly guarantee the repayment of the loan. (Tadeo, 2003).

2.6.5 Regulatory Environment

The government is concerned about the state of poverty in Tanzania. It is therefore, actively involved in providing some poverty alleviation interventions. The government views donor funding not only as an effective tool for poverty alleviation but also as an important ally in that direction. To this end the government has been keen to improve and develop the Private Sector industry. It has established a fully fledged directorate of microfinance within the central bank - the Bank of Tanzania (BOT), which spearheaded a number of key processes towards the development of the industry. One of the unique aspects as a first step was the formulation of the National Microfinance Policy in year 2002 to guide the microfinance activities in the country.

The policy gave rise to the formulation of legal, regulatory and supervisory framework for microfinance activities. It is important to point out that the entire

process starting from policy formulation to the development of legal, regulatory and supervisory framework was highly participatory involving all the stakeholders in the industry including NGO's. The legislation was concluded in year 2003 by an amendment of the Banking and financial Institutions Act 1991, Bank of Tanzania Act 1995 Cooperative Societies Act 1991 and other related statutes giving the Bank of Tanzania (BOT) the mandate to license, regulate and supervise deposit taking equity-based microfinance companies to be established.

The legislation also empowers BOT to regulate and supervise cooperative based institutions whose sizes are above a certain threshold. Therefore under the framework, MFIs could now be licensed to take public deposits and hence carry out financial intermediation just like banks. Under the legal framework, the credit only NGOs was not be subjected to prudential norms but was be required to abide by non prudential guidelines and supervised under the Ministry of Finance. On the other hand, cooperative based microfinance institutions other than those to be regulated by BOT would be regulated and supervised under the Ministry responsible for Cooperatives. However, up to the time of this discourse, the regulatory framework had not been made public and therefore it is still unknown as to when the licensing, regulation and supervision of MFIs by the Bank of Tanzania was take place.

The microfinance industry in Tanzania is still young. The fact that only around 5% of the market is being served by all institutions involved in microfinance combined is an indication that there is a huge demand for microfinance services in Tanzania particularly in the rural areas, which is prone of high risks and costs. There are only a handful of MFIs that operate in the market mostly concentrated in the urban centers an aspect that has left the rural areas grossly under-served. The government has played its part by creating an enabling environment. All in all, it can be concluded that the microfinance market in Tanzania promises a potential avenue for investment of patient capital. (Severine S. A. Kessy and Fratern M. Urrio , 2006).

2.7 Micro and Small Enterprises

There is a wide range of definitions for MSEs, but for the purpose of this study, MSE is defined as a productive activity either to produce or distribute goods and or

services, mostly undertaken in the informal sector. A typical micro enterprise employs fewer than five workers, usually family members and has very limited fixed assets.

A small enterprise on the other hand, employs more than five workers and most of them are in a formal sector with much higher fixed assets compared to micro enterprise. According to the Small and Medium Enterprises Development Policy, small enterprises are formal undertakings engaging between 5 and 49 employees, or with capital Investment ranging from Tshs. 5 million to Tshs. 20 million (URT, 2003).

A micro entrepreneur is therefore a person who began and owns a business employing no more than five (5) persons Otero (1987).

In their study on gender patterns in Tanzanian micro and small enterprises, Mbilinyi & Shundi (1999) defined micro enterprises as those employing 1-5 paid or unpaid employees including the owner.

2.8 Tanzania Private Sector Foundation (TPSF)

The Tanzania Private Sector Foundation (TPSF) was established on 4th November 1998 as a result of multi-folded efforts by various stakeholders of the Private Sector. The TPSF was established as a company limited by guarantee to promote private sector-led social and economic development in Tanzania by:

- providing member organizations with services they value
- understanding and representing their common interest; and
- Engaging in effective advocacy with the Government

Since its founding, TPSF has served as apex and focal point for private sector advocacy and lobbying on behalf of the private sector.

TPSF is currently running the following project

The Business Development Services Center is a one-stop entrepreneurial platform of integrated and comprehensive business development support for public servants

and the youth through Providing entrepreneurship and business management training services to support long-term business sustainability for long-term impact on economic transformation and poverty reduction.

This comes as a response to address the issue of most of civil servants retiring without proper preparations and end up using their final gratuity either irresponsibly or responsibly but in non-productive activities, as a result they quickly run into money problem, cash flow inadequacies, and might even make unwise decisions at this very desperate situation and age as well as addressing the youth unemployment condition by empowering the youth with creativity and innovation through applying science, technology and innovation to stimulate the development and growth of competitive micro, small and medium-size enterprises.

The Centre's major objective is to provide training that will help public servants and the youth not only build their entrepreneurial capacity, but also prepare them with both theoretical and practical skills on how to start and manage their own businesses successfully.

The Center offers 2 comprehensive programs namely:-

1. The Duo- Career Development Program:

This is an intensive 5 day program that instills theoretical and practical skills of entrepreneurship to Public Servants through a structured methodological training approach that enables participants to identify, analyze and develop their ideal business. The Duo- Career Development program aims on imparting entrepreneurship skills that will serve as an exit strategy for Public Servants. The 5 days Training will involve presentations, practical games and continuous sharing of ideas which provided each participant an opportunity to learn from one another.

2. The Business & Enterprise Start-up Tool:

This is a youth empowerment program specifically targeting the youth aged between 23-35 years old to learn how to be innovative in job creation. The 5 day program equips youths with the confidence and practical skills to start and run successful enterprises. This program offers six modules comprising of Orientation, Behavioral

traits, how to discover business opportunities, Source of Capital, Partnership Principles and Business Plan writing.

3. After Care Services

After the training, after-care services are provided by the Center (through BDSC Staff in collaboration with the trainers) which is strategized, according to the specific needs and demands of the clients. These follow-up's are intended to evaluate the progress, understand the needs and subsequently advise on the way forward for participants whom after receiving the training and have started implementing their business ideas.

A typical range of fee-based services includes:

- Business plan preparation to turn entrepreneurs' drafts into bankable project proposals.
- Industrial/Business management consultancy, both technical and management experts, who are attached to individual enterprises.
- Accounting assistance, through collaboration with selected accountants or accounting firms, to install a credible bookkeeping and advanced financial practices.
- Analytical studies for companies to identify key problem areas.
- Credit sourcing, helping companies to identify and evaluate alternative sources of financing, prepares relevant documentation and negotiate suitable terms.
- Business Opportunity Identification Profile - Assist prospective entrepreneurs who do not have an existing business to identify and analyze a variety of business opportunities and interest.
- Business Formalization: - Assist entrepreneurs to register the businesses, obtain a TIN and License.

Business Development Gateway

The objective of the Business Development Gateway (BDG) is to strengthen the entrepreneurial culture of Tanzania by providing entrepreneurs with business ideas and start-up firms with risk grants, thereby enabling them to either start or upgrade a business. To attain this objective, the BDG will provide practical training on business growth and business planning. Over 2,100 Hard working participants will

be awarded competitive business grants per year starting 2009 to 2012. The award size ranges from the grants of \$800 to grants of \$24,000.

The BDG program has three (3) integrated main components each of which is founded on entrepreneurship training;

- Business Plan Competition (BPC)
- Business Diagnostic Program (BDP)
- After Care Services.

Program Results

BDG received over 25,000 applications in first three years

Over 6,000 trained in practical business development

TZS 15 billion disbursed in seed grants in 3 years

4, 320 Winners awarded SEED grants

40% youth participants

52% SME's in Business Plan top winners

40 BDSPs are being trained on BDG methodology

Impact of BDG to Businesses

18% of grant recipients started new businesses, 84% expanded businesses

59% injected additional capital to top seed grant

74% Increased in sales

51% Employment creation, 451 jobs

Membership to BDG Alumni Clubs at 80%,

Cluster Competitiveness Program

The Tanzania Private Sector Foundation (TPSF) Cluster Competitiveness Programme (CCP) is a three year program organized through the multi-donor trust fund managed by the World Bank with funding from DFID and DANIDA. The aim is to improve the competitiveness of Tanzanian economy in food processing, horticulture, and tourism. The ultimate purpose of the Cluster Competitiveness Project is sustainable increased competitiveness of strategic clusters of Tanzanian private enterprises.

TPSF-CCP provides assistance through a combination of industry specific training, institutional capacity building of associations and universities, improved public

private dialogue between government and industry, and grants targeted at industry gaps.

Competitiveness largely refers to the productivity a company, industry cluster, or an entire country achieves. This can be measured by the prices realized against the cost to produce – the higher the ratio, the more productive the company, industry, and/or country. A cluster is a group of companies and associated institutions working in a common industry, usually benefiting from being located in the same geographic region.

Highlights to Date

TPSF-CCP has made substantial contributions to further competitiveness in Tanzania. Over 3,700 participants have received training or technical assistance. This includes competitiveness training delivered to 500 Stakeholders led by our subcontractor from the University of Dar es Salaam College of Engineering and Technology (COET).

Developed a National Competitiveness Task Force (NCTF) Framework designed to institutionalize a national competitiveness building agenda. Managed the development of the first Tanzanian National Competitiveness Report (TNCR) designed to be a vital flag to rally various private sector stakeholders to support key programs and reforms to advance Tanzanian's competitiveness. This was developed alongside a competitiveness toolkit enabling local institutions to sustain its continued annual release that helped improve capacity of fourteen associations to serve their members and extend their services in line with stated member needs. Also improve curricula and skills delivery at four universities which will benefit thousands of students, while bringing the universities/training institutions closer to the private sector. Piloted an exciting model of public-private dialogue (PPD) called competitiveness partnerships. TPSF-CCP PPD initiatives include: the Tanzania Mainland Tourism PPP Forum, the Zanzibar Competitiveness Forum, and with the Tanzania Dairy Board (TDB), each moving toward sustainable public private consensus building. With the TDB, TPSF-CCP wrote a policy brief to eliminate 7 redundant licensing & inspection registrations.

Horticulture Cluster Strengthened

Crafted a National Horticulture Development Strategy with the Horticultural Development Council of Tanzania (HODECT) and sanctioned by the major industry associations (now assisting with the process of tactical action planning).

Organized the development of a draft code of conduct for the horticulture industry, which will offer benchmarks to strive for and improve attainment of new standards like Global G.A.P. (below).

Conducted a GLOBAL G.A.P. training workshop for Tanzanian horticulture specialists on adherence of GLOBALG.A.P Integrated Farm Assurance General Regulations and Control Points and Compliance Criteria.

Assisted the horticulture industry in compiling data about the size, segmentation, employment, productivity, and performance of the horticulture sector to serve as a model for regional duplication across Tanzania.

Provided farming as a business training to fifty farmers and farmer group managers in Arusha and Kilimanjaro to address the need for basic business acumen.

Food Processing Cluster Strengthened

Delivered assistance to evaluate and improve six food processing associations which helped them formulate their vision, mission, and objectives, as well as develop strategic action plans, working plans, and cash flow statements.

Helped to establish a Tanzanian food technologists community of practice aimed at professional development and knowledge sharing.

Helped facilitate cluster development of dairy processors in Arusha.

Approved grant assistance to Morogoro processors to join forces in a processing facility.

Tourism Cluster Strengthened

Engaged with emerging, underserved tourism clusters in Tanzania, most notably Pemba, Tanga, Mwanza, Bagamoyo, and Dar es Salaam to broaden Tanzania's product offering.

Trained journalists with an interest in the tourism industry and helped them organize into a public affiliation (club). This is helping strengthen local capacity to regularly educate the public and policy makers via news media concerning the importance of the sector to the economy. In cooperation with the government and the private sector organized and facilitated tourism events including World Tourism Day with the themes of: promoting coastal cultures and buying local Tanzanian produce/processed foods.

Provided custom tailored trainings to Tour Guides and Tour Operators in Zanzibar, including certification to international tour guiding standards.

Worked with the Hotel Association of Tanzania, the Chefs Association of Tanzania, and suppliers of fresh produce to develop practical strategies for increasing the local procurement of high-value fruits and vegetables. Spearheaded by the TPSF-CCP's Tourism Cluster Specialist a task force has been created to form a new professional organization dedicated to SME's in tourism

Matching Grants

The Matching Grants Programme (MGP) ran from 2008 to 2011 and consisted of two matching grant schemes, the Tanzania Business Development Scheme (TBDS) and the Technical Innovation Applied Research Scheme (TIAS), both managed under a single management contract housed in TPSF.

a) TBDS was aimed at improving the competitiveness of private firms within Tanzania, both in export markets and also in domestic markets. It provided standard 50% cost-sharing grants to private firms, for the use of outside services & travel, within a properly-formulated business development plan, aimed at improving competitiveness, and thus boosting sales.

TBDS OUTCOME

Cost Sharing Grant; Grants amounting to USD 5.5 Million were awarded to different 910 companies. 75% completed staff training programmes 69% of companies have already increased sales 56% predicted increase of on current turnover 42% opened new markets 39% achieved new export sales 32% equipped with new promotional

techniques of which 9% new web based promotion 23% developed new or adapted existing products 7% increased employment 5% received Quality Certification 5% achieved increased access to finance 4% put new packaging in place. 100% of companies supported now have a business plan or at least a planned approach to business development

- b) TIAS is aimed at developing the marketplace for paid-for services provided by technical institutions & vocational schools. The main service considered in this scheme is training courses, primarily technical, sold either to individuals or to private firms.

TIAS OUTCOME

24 Technical Training Institutions started negotiations with TIAS, 14 completed feasibility studies and 9 different technical institutions registered under NACTE providing technical and entrepreneurial studies were awarded grants amounting to more than USD 10.3 million to improve the capacity of the institutions through provision of equipments and trainings to boost the productivity and competitiveness of the private sector.50 New Degree and Diploma Courses were created 9,240 Student Intake (3 yrs)

The following are the schools benefiting from full TIAS rant support:

- Dar es Salaam Maritime Institute
- College of Business Education
- Institute of Tax Administration
- Zanzibar Institute of Financial Administration
- Mbeya Institute of Science and Technology
- University Computing Center Limited
- College of Engineering and Technology
- Dar es salaam Institute of Technology
- National Institute of Transport

TPSF will be examining the possibility of re-instituting a matching grant programme under negotiations currently underway with donors and other stakeholders. This would be within a holistic approach to the development of the vibrant SME sector within the Private Sector now recognized universally as the engine of growth.

African Trade Insurance Programme

CIDF Programme

The programme which has been in operations for the past two years has since achieved the following;

1. Prepared a Concept Paper on empowerment of the Construction Industry Development Fund and Submitted to PMO
2. The work plan, budget and recruitment of Fund Director has also been finalized,
3. The systems, procedures and operations manual of the fund has been developed.

2.9 Empirical Literature Review

SME's especially SME's outside their domestic duties engage into micro enterprises. It has been noted that activities that take a woman outside the domestic sphere could be more crucial in raising her bargaining power than income per se. This implies that involvement in micro enterprise activities, even if they do not generate substantial income, has a liberating effect on SME's. Such activities provide SME's with public exposure and support networks outside the family are fostered (Schuler et al, 1996). Consistent with the objectives of this study, this sub-section explores evidence from the field with regard to SME's's micro enterprises and empowerment.

2.10 Conceptual Framework

Figure 2.1 shows relationship between donor funding and Business performance. The business performance is greatly influenced by donor funding, this is because the availability of these funds help the SME to run their business in a good environment and therefore influence them to performance.

Other variables such as microfinance and small business loan have also contributed to business performance since they have affordable requirement for entrepreneurs when accessing the loan for their business.

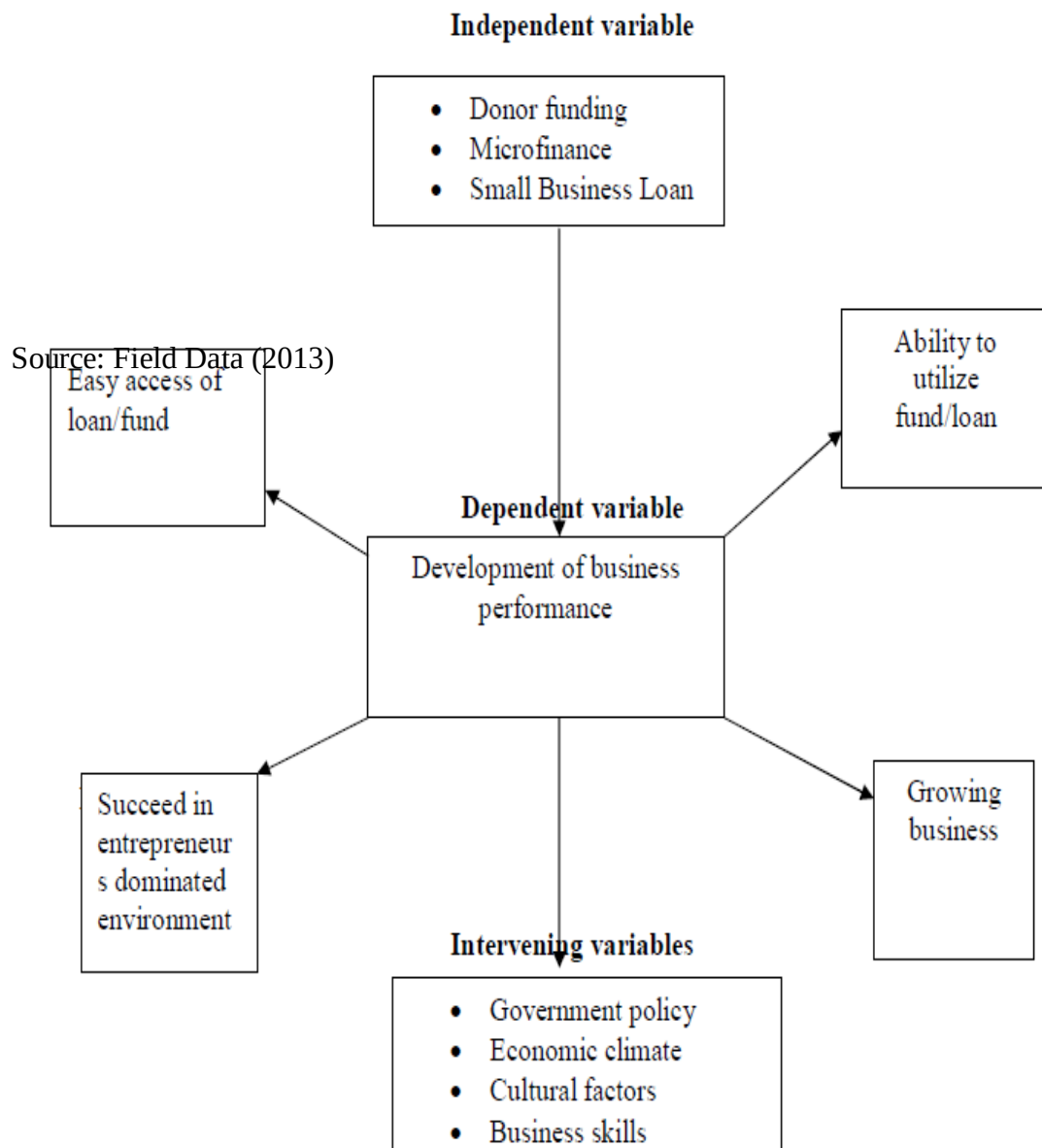
Ability to utilize fund or loan given also has contribution to business performance. Not all entrepreneurs have ability to utilize fully the fund given and therefore those with ability to utilize fund effectively end up succeeding and therefore enjoy the business performance. Growing business has the high possibility of performing better when they receive fund this because most of them already set up the plan for their business and they are aware of the business environment and therefore easy for them to perform better.

Intervene variables such as government policy contributes to business performance, for instance the Tanzanian government has encouraged the introduction of SACCOS which has helped the entrepreneurs to be able to borrow easily. Economic climate, culture factors and business skills are also other variables that contribute to business performance.

All these variables stemmed from literature that had shown relationship between donor funding and Business performance Thus, figure 2.1 gives a framework below variables. The researcher aimed at finding whether there is relationship between donor funding and Business performance.

Figure 2.1 conceptual work for the relationship between donor funding and Business performance

Figure 2.1: Conceptual framework for the relationship between donor funding and Business performance



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodologies and procedure(s) used in conducting the study. It describes the research design, population of the study and study units, Sampling techniques and Sample size. In addition, methods of data collection are indicated together with data analysis. Furthermore, validity and reliability of research design procedures; limitation in the research, ethical consideration was finally indicated.

3.2 Research Design

Research design is all about how the research is being discovered in order to find out the solution to the problem. The research design strategy that was used in this study is descriptive research design. Descriptive research is defined by Frankfort and Nachmias (1996) as a type of research that enables the researcher to summarize and organize data in an effective and meaningful way. It provides a tool for describing collections of statistical observations and reduces information to an understanding form. Descriptive method is employed in this study as it allows generalization in a quantitative research which is the one to be done in this study. On the other hand qualitative technique was used so as to capture complexities of phenomena by carrying out an in-depth interview on the target population.

Qualitative approach was enabling the researcher to collect information that is not easy to capture through a structured instrument and that required probing. Different questionnaires have been used to make the answers given from respondent site the solution for the research project findings. For this study both structured and non structured questionnaires were used at the same time in order to get reliable information from the interviewer. A structured questioner helps the researcher to ensure that all respondents reply to the same set of questions. Unstructured questioners were used to give an opportunity to the interviewer to give out the opinions to the questions.

3.3 Population of the Study and Study Units

The study populations consisted of entrepreneurs involved in food processing business in Dar es Salaam city that have been in business for at least three years (2009-20011) and accessed small loans/grants from BDG and those who have not accessed such funds.

3.4 Sampling Techniques

Sampling technique is defined as procedure used to select some elements of population in such a way that they represent the actual characteristics of the total population from which it is drawn. A sample is considered representative if the analysis made using the researchers sampling units produce results similar to those that would have been obtained had the researcher analyzed the entire population Frankfort and Nachmias (1996).

There are two categories of sampling techniques; probability (systematic random sampling, random sampling, stratified sampling, and cluster sampling) and non probability (purposive sampling, judgmental sampling, convenient sampling and snow ball sampling). In this study, purposive sampling method was applied in realizing the sample such that only food processing micro entrepreneurs supported and not supported by BDG in Tanzania Dar es Salaam region in 2009-2011 were selected.

3.5 Sample Size

A sample is one of the four inter-related features of a study design that can influence the detection of significant differences, relationships or interactions Peers (1996). The determination of sample size is a common task for any researcher as inappropriate, inadequate, or excessive sample sizes continue to influence the quality and accuracy of research.

Generally these research designs try to minimize both alpha error (finding a difference that does not actually exists in the population) and beta error (failing to find a difference that actually exists in the population) Peers (1996). There are several ways of estimating a sample size including that of using formula size,

determining tables or regression analysis techniques. In this study, a sample size of 200 was selected out of the target population of 1600 food processing entrepreneurs. This was considered to be the appropriate sample since this was not statistical research.

3.6 Data Collection Methods and Instruments

There are various methods of data collection, but for this study the researcher used questionnaires, interview and documentary review to gather information needed.

3.6.1 Data Collection Methods

a) Interview

Guiding questions for interview was being prepared in advance. This gave the researcher the opportunity to explore the desired information. This interview method applied to BDG and non BDG beneficiaries selected in Dar es Salaam City to obtain details of individual's experiences about effect of donor funding on business activities.

The reason for using interview was to get in-depth data and probe further on information given through other methods (questionnaire and observation). The method also assisted in getting data from some respondents who were illiterate and the respondents who did not have the time to go through the questionnaire. Appendix II shows the interview guide used in this research.

b) Documentary Review

Some of the review involved statistical annual reports on BDG winner's reports 2012. The researcher obtained statistics of the population food processing entrepreneurs who accessed business funds from BDG and information pertaining to those who didn't accessed funds

3.6.2 Instruments

3.6.2. (a) Questionnaires

A questionnaire is defined as an impersonal survey method in which the researcher

prepares questions and sends them to the respondents Frankfort and Nachmias (1994). Appendix I shows a questionnaire which was used in the study to capture needed information from food processing entrepreneurs'. These questionnaires were translated from English into Swahili (Tanzania national language) to make it easy for respondents who were not conversant in English to participate in the research.

3.6.2. (b) Documentary review schedule

Data Analysis procedure

Qualitative and quantitative techniques were used to analyze the collected data from the in depth interviews on all population categories.

Under qualitative data, narrative and content analysis technique was used for summarizing the findings in terms of themes and main issues raised by respondents and describing the data. Specific responses to the research questions were analyzed as per their contribution to research objectives.

Quantitative data was analyzed using the descriptive method by using frequency tables, percentages, and cross- tabulation of responses, histogram, and graphs. Reports, charts, and then perform descriptive statistics and conduct statistical analyses.

3.7 Validity and Reliability of Research

Validity and reliability relates to the quality of research design.

Validity relates to how internally and externally valid to make generations about the research results McClung (1998). Furthermore, according to Joppe (2000), validity determines whether the research truly measure, intended to measure or how truthful the results are. In this research validity was ensured by pre-testing the questionnaire in pilot study in order to validate the questions and to correct ambiguities in the local language (Swahili). This reduced the chances of misinterpreting the questionnaire.

Reliability is the degree to which the same results would be obtained in repeated

attempts of the same test Gall & Gall in Ballinger (2000). That is, reliability refers to whether “the measurements obtained from variables of interest are stable Ott & Larson in (Ballinger, 2000). With regard to ensuring the reliability of the study, the researcher took several measures including personally administering in-depth interviews, asking questions exactly as they appear in the questionnaire without paraphrasing them, and consistently recording scoring for all respondents. Other measures included conducting interview one week period at the respondents’ convenience, striving to control variability in respondents’ reactions to questions by asking the same questions and finally giving the opportunity to every respondent to fully answer each question and make appropriate probing.

3.8 Ethical Considerations

The major ethical considerations in a study are privacy, confidentiality and anonymity Enomy and cooper (1991). This study dealt with these issues as follows:

The researcher obtained research approval from Mzumbe University (DBS), before embarking on the study and there after the researcher informed the respondents/interviewees that the study is for academic purposes.

During the data collection phase, the researcher ensured ethical consideration by being responsible for maintaining the dignity, privacy and welfare of the participants. This obligation entails protecting participants, from harm, unnecessary risks and physical discomfort that may be inherent in the research procedure.

The researcher ensured as much as possible that there are voluntary participation of the respondents/interviewees and respected the right of individual to withdrawal from questionnaire or interview process at any time. Confidentiality assurance was used to encourage interviewees to talk without fearing that readers would identify them.

CHAPTER FOUR

FINDINGS, DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents research findings including, data analysis and discussion of the results. The purpose of the study was to show the relationship between donor funding and Business performance.

The following research objectives guided the investigation. They form the basis for presentation and discussion of findings:

1. To identify the relationship between donor funding and business performance in Tanzania.
2. To identify other factors other than donor funding that may contribute to business performance in Tanzania.
3. To identify challenges facing business performance in Tanzania.

The chapter is organized as follows; first, the background information of the respondents is given. This includes information relating to age of respondents, their education level, type and form of business ownership, nature of business conducted, other sources of capital as well as other support received from financial institutions. Next, data relating to specific research objectives is presented and discussion of these findings follows

4.2 Background information of respondents and other units of Analysis

The findings in this section give a general picture or characteristics of the study population. They are presented as follows.

i) Categories of Respondents

This study involved micro entrepreneurs in Dar es Salaam City involved in food processing activities. According to BDG statistics, there were 600 SME's and among them only 400 accessed donor funds during the period early August, 2009-2011 and

this is the number, which was considered the right population for this study. However, out of these 600 clients, only 120 were selected to participate in the study. Regardless of the type of business, clients from different businesses face the same challenges in accessing funds from MFI's.

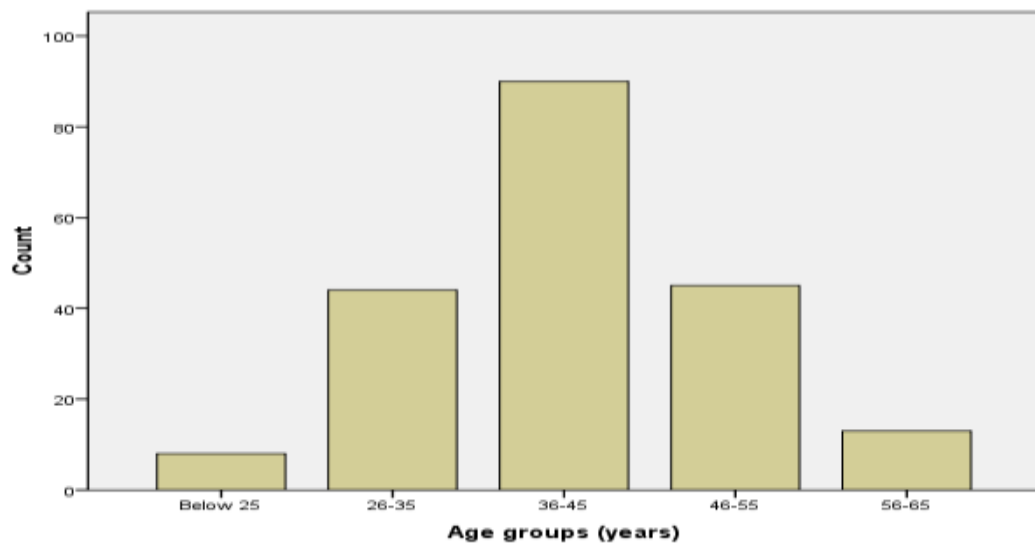
In this study, 250 questionnaires were sent to respondents and 200 were returned completed. Due to time constraint, it was impossible for the researcher to reach the entire population (400clients), so a reasonable sample was selected (200 clients) to mitigate the problem. This represents a 54% of response rate that is far better than industry average of 20-40% (Mugenda and Mugenda, 1999).

ii) Characteristics of Respondents

a. Age of SME's respondents

During the study, it was justified that the age of the respondents ranged between 25 to 65 years old. The study found that large groups of SME's running micro entrepreneurial business were less than 45 years. This group is considered to be the active group with high business drive. Furthermore, this is the age group that is thought to have entrepreneurial skills and do easily learn with time and it is the group that represent well our population (it forms 93.5% of our sample size) Table 4.1 and figure 4.1 indicate that 4% of the respondents were of the age below 25 years while 22% of the respondents were in the age of 26-35 years. On the other hand, 45% of the respondents fall in the age group of 36-45 years, and respondents between 46-55 are 22.5% while for the age of 56-65 are 6.5% of the respondents. The results suggest that most SME's who run their own businesses are of the 25-45 age range (71 %). Table 4.1 supports this observation.

Figure 4.1: Age of SME's respondents



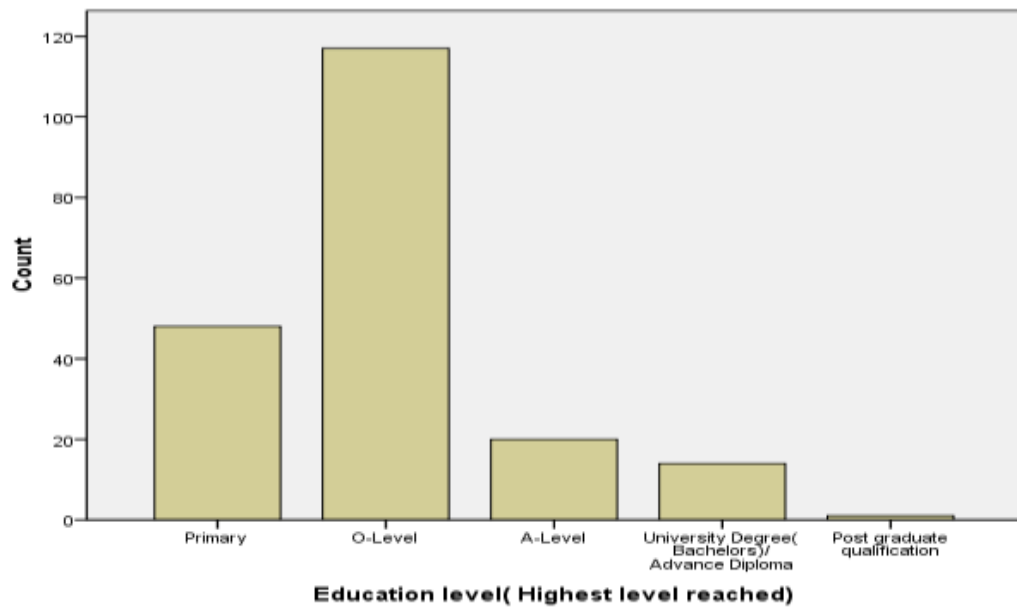
Source: Field Data (2013)

-Bar chart above show how age group in years that the count rises in the middle of 36-45 are more in SME's respondents'

b. Education of SME's Respondents

Figure 4.2 show that the majority of respondents have secondary education with at least O-level certificate, which represents 58.5% of the sample. This means SME's participation in micro-entrepreneurial activities have been partly influenced by their levels of education, which stimulated the development of SME's competencies including entrepreneurship.

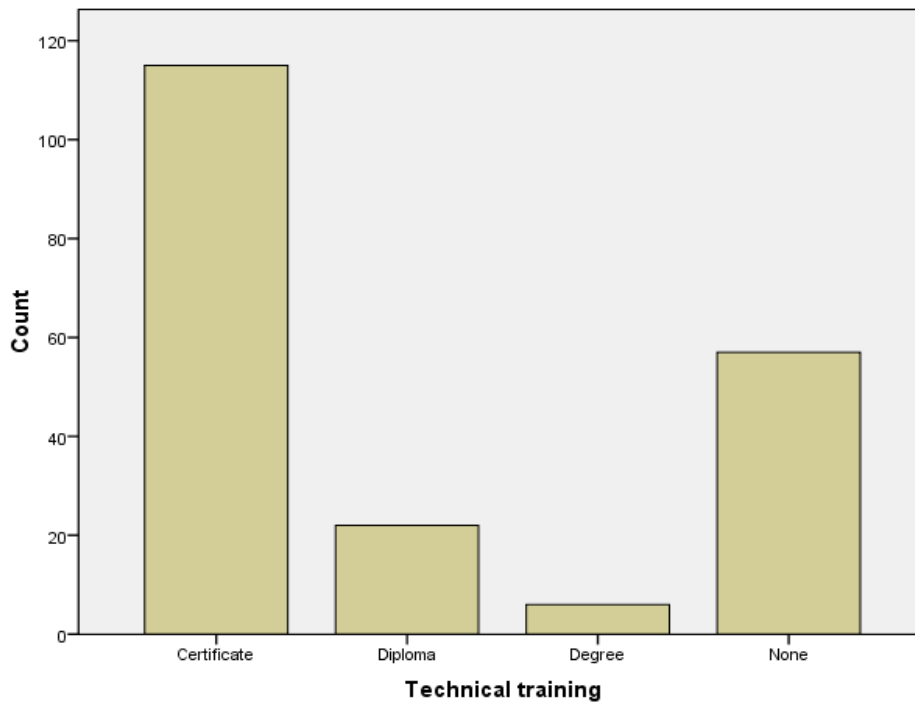
Figure 4.2: Level of education



Source: Field Data (2013)

-The figure above shows as the count rises in o-level compared in primary but continue decreasing in count as educational level increases.

Figure 4.3: Level of Technical training



Source: Field Data (2013)

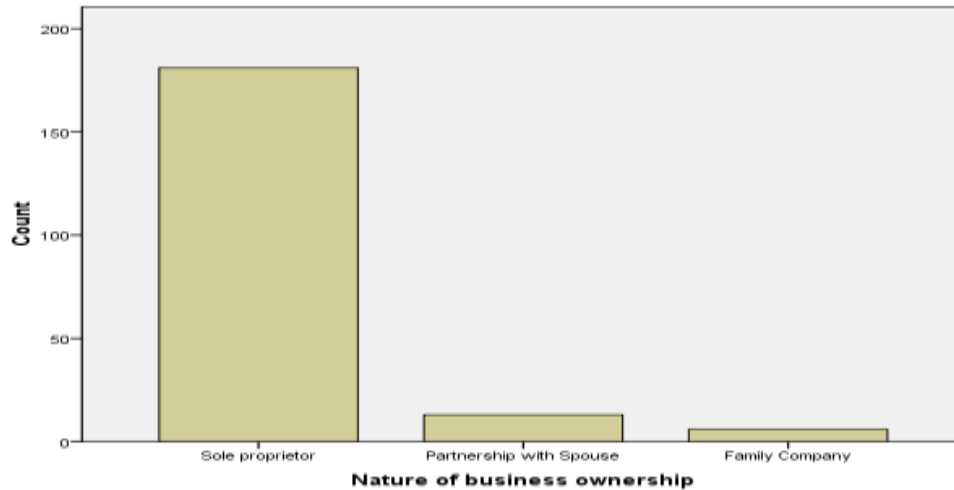
-Figure above shows the count in certificate in has high frequency compared to diploma and degree but lessen again in non technical training.

However these results are in line with those of Lugalla (1995), who indicated, that SME's who tend to be involved in business are of primary/secondary school level education, where they acquire minimal skills. This finding also is similar to that of Kibas (2001), who indicated that the majority of micro-enterprises are conducted by people who have primary/secondary level education.

c. Business ownership

Figure 4.3 show that; about 90.5% of the respondents organized their ventures as sole proprietors and 6.5% of the respondents indicated to be operating their businesses in partnership while 3% of the respondents indicated that they are only supervising family business. These results suggest that SME's tend to get involved in businesses that are simple and easy to start and run such as sole proprietorship and partnership as their knowledge of other types of business is limited.

Figure 4.4: Business ownership



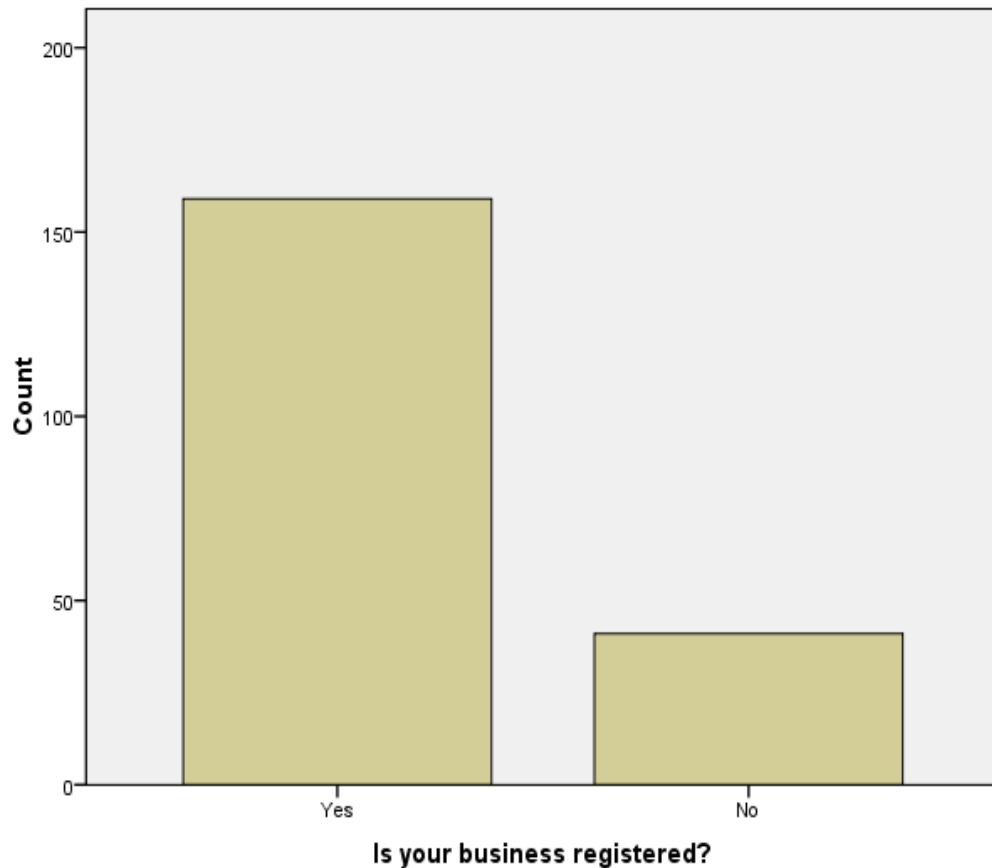
Source: Field Data (2013)

-Figure above shows the nature of business ownership has high count in sole proprietor compared to partnership and family company

d. Nature of Business conducted by the Respondents

Figure 4.4 shows the registration of business. Most of the businesses were licensed. (79.5%) while 20.5% of the respondents were running unlicensed. These results disapprove the studies conducted by GEM (2003, 2005, and 2006) which indicated that most entrepreneurial activities in Africa are in the informal sector. These results further suggest that most SME's in Tanzania who received donor funds from BDG are engaged in the formal business sector something that is rather new and characteristic of business activities in developing countries.

Figure 4.5: Licensed Business



Source: Field Data (2013)

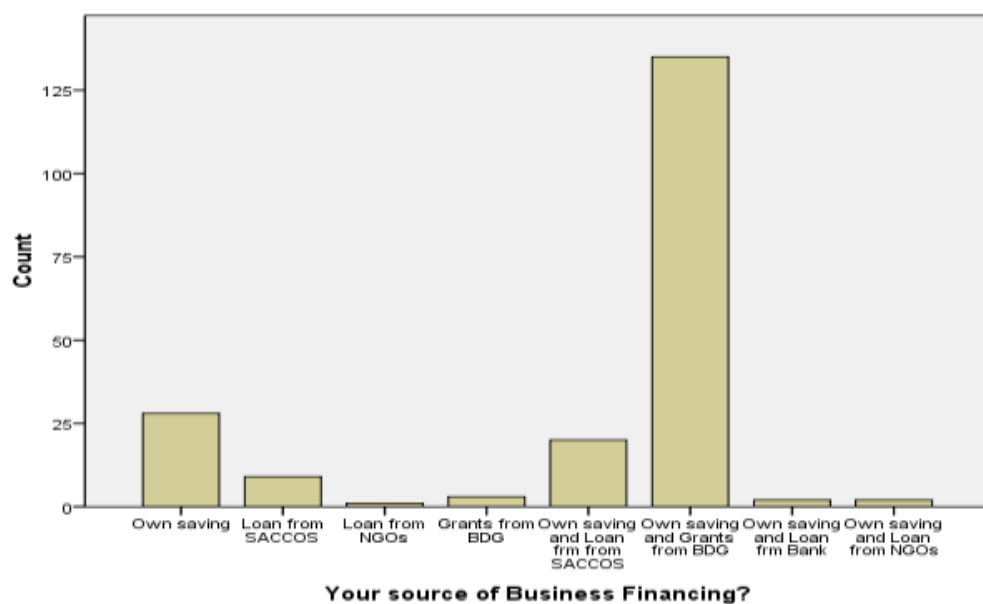
-Figure above shows the registered business has high count compared to non registered business.

e. Source of Capital to Respondents

Figure 4.5 shows that SME's also get capital for financing their business apart from established NGO's such as BDG. This study revealed that (14%) got capital from own saving, 4.5% of the respondents argued that they got loan from SACCOS, and 5% of the respondents claimed to have received additional capital from NGO's. Furthermore, 1.5% of the respondents said that they got donor funds from BDG, while on the other hand some of the respondents commented that they acquired their capital from own saving, taking loan from Financial Institution/NGO's and grants

from BDG (67.5%). These results suggest that SME's go to Financial Institutions that offer small business loans for their start-up capital or for expanding their existing businesses because these financial institutions such as FINCA, PRIDE, BDG and others were established to service these kinds of activities.

Figure 4.6: Source of capital



Source: Field Data (2013)

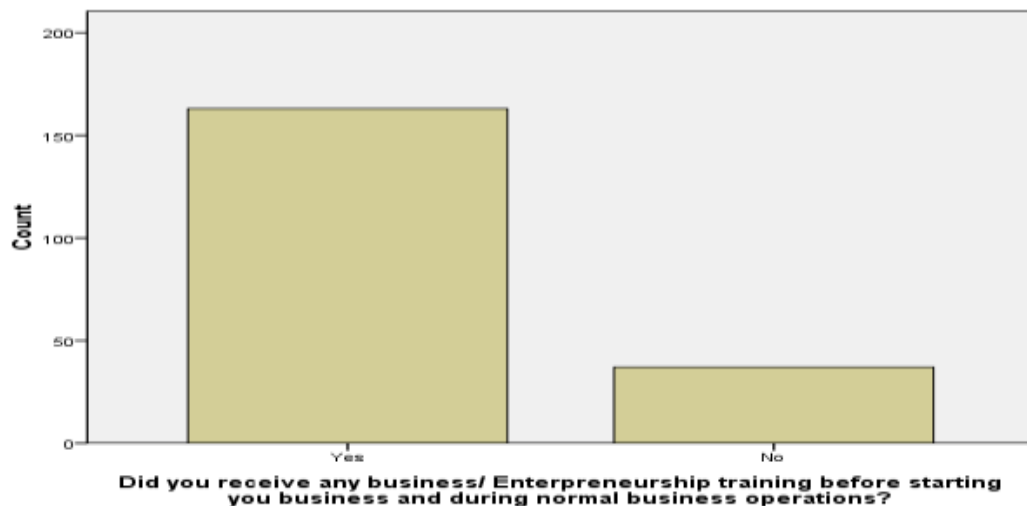
-Figure above shows the source of business financing has high count in own saving and grants from BDG. This means that most of SME's starts the business by depending on their own saving and letter they seek the help like that grants.

g. Other Support Services Received by the Respondents from BDG other than donor funds.

Figure 4.6 revealed that, BDG provide business training to all SME's before receiving the funds. This is to make sure that the SME's use that money as they plan in their business plan, because 81.5% of the respondents indicated that they did get support of training services from BDG/SIDO while 17.5% of the respondents

indicated they did not get any training by microfinance institutions on business related issues including business management and Financial management aspects.

Figure 4.7: Other support than funds given to SME's



Source: Field Data (2013)

-Figure above shows that majority of SME's received training support from BDG before receiving Grants as shows YES has high count than in NO.

4.3 Research Objectives

Three research objectives were investigated in this study. The results on each objective are discussed next.

4.3.1: To identify the relationship between donor funding and business performance in Tanzania

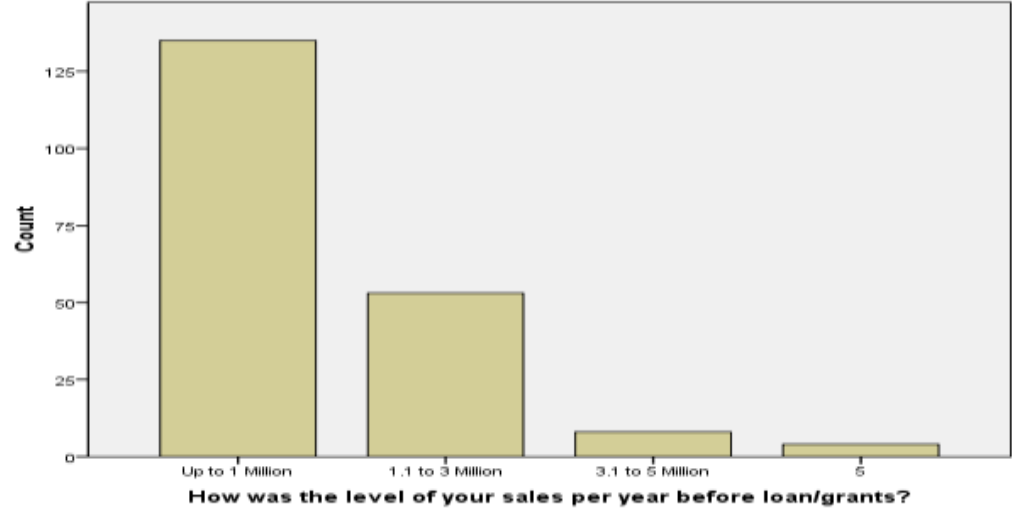
Respondents in this study felt that BDG had a positive impact on their business development, because they saw an increase in their sales volume, profit margin, capital assets, and increase the number of customers. This conclusion was revealed from the following analysis:

i) Sales volume Increase in Respondents Business.

Figure 4.8 shows that 70.5% of the respondents' sales volume increased after accessing business grants, while 28.5% of the respondents indicated that their sales

volume has remained stagnant and 1% of the respondent's sales volume deteriorated despite accessing grants/loan from BDG Tanzania. These results suggest that the application of donor funding/loan into the business may have both positive and negative impact on sales performance, but most respondents recorded positive increase. Those who experienced negative sales could be due to other reasons such as seasonal variation, weak economic climate, business competition or being in wrong business at the time.

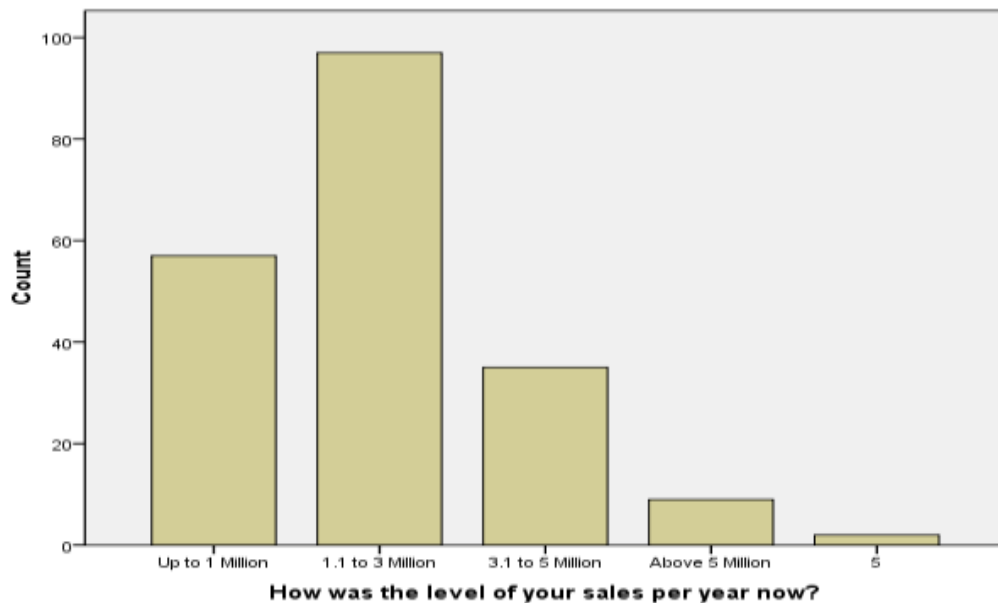
Figure 4.7 Sales before grants/loan



Source: Field Data (2013)

Figure above shows the sales before grants/loan has high count up to 1million.

Figure: 4.8 Sales levels after donor funds/loan



Source: Field Data (2013)

-Figure above shows how level sales level after donor fund/loan in bar chart that shows is high from 1.1 million to 3 million compared to other.

Contribution of Donor Funding in Business Performance

The findings show that 60% of the respondents who received donor funding were able to improve their business performance that is 49 % with High and 11.5% with Very high. While 27.5% shows that donor funding did not contribute in their business performance.

However in relation to the above findings of sales volumes after receiving donor funding it is proves that donor funding has a great impact to business performance, and those who experienced negative sales could be due to other reasons such as seasonal variation, weak economic climate or business competition, inability of utilizing donor funding and lack of business performance.

ii) Level of profit growth

Another indicator of SME's development was the level of profit growth. The findings show that 79.7% of the respondents indicated that their business has been growing after receiving business grants. 16.3% of the respondents indicated that their businesses have remained stagnant while 3.9% of the respondents claimed that their businesses profit has been deteriorating despite accessing grants from BDG and loans from MFI's for their business activities. These findings suggest capital is not the only factor responsible for growth of the business and that other elements are at play.

iii) Level of customers

The findings indicate that the level of customer's patronage of SME's changed upon receiving funds from BDG. The study shows that 69.3% of the respondents experienced increase in customer patronage after receiving donor funds while 24.2% of the respondents claimed that the level of customer patronage remained stagnant, and 6.5% of the respondents experienced decrease in customer patronage despite accessing donor funding from BDG. These results further indicate that accessing funds from BDG, which enables SMEs to increase stock, does not necessarily translate into increase in customer patronage; rather there might be other factors such as quality of services, location of business and seasonal variation.

iv) : Rate of business capital Increase

The findings indicate how the level of capital of the respondents has been changed. Essentially, 95.4% of the respondents fall in the category of 1 to 5 million capitals while the rest 4.6% relied on above 5 million categories where customers increase in greater. The large increase in the 1 to 5 million categories is expected since most SME's activities are of small scale nature and hence their capital also increase is small.

v) Number of workers employed

The findings in Table 4.12 show that about 96.1% of the respondents have not changed thus remaining at micro level of employing not more than 4 workers while only 3.9% of the respondents have been in the position to employ more than 4 workers. This suggests that the level of capital in SMEs limits the number of employees a micro entrepreneur can hire.

vi): Level of Personal Assets

Another aspect was to find out how the level of personal assets has changed following increase from micro business as a result of accessing donor funds. Table 4.13 shows that about 69.3% of the respondents experienced increase in their level of personal assets, and 24.2% of the respondents claimed to have remained stagnant in terms of personal assets increase while 6.5% of the respondents indicated to have been decreasing their personal assets accumulation. These results show that although some respondents experienced increase or no changes in personal assets, some of them even lost some of their personal assets to repay the loans they received from MFI's. This was summed by a comment from one respondents "Grants from BDG used by SME's to improve their earnings especially and personal assets but some SME's, when they get business they use most of it on personal items instead of applying it to a business. That is why they fail to stay on their business plan"

In conclusion, accessing capital for start up or expansion can have positive impact such as increase in sales volume, level of profit growth, level of customers and non business assets. However, still most of them have been having horizontal changes within micro business and only few of the respondents have managed to shift from micro to small business level in a period of three years of getting donor funds from BDG.

4.3.2: To identify other Factors than Donor funding that may contribute to Business Performance in Tanzania.

There are other factors which could bring a significant effect on business development besides increase in capital from donor funding. These factors include self motivation of the respondents, quality of management, skills applicable policies and regulations from the MFI's application of marketing strategies and access to market information, business and financial management training.

The findings show that most of the entrepreneurs at the beginning of the services fund their business through personal savings. Most SMEs during the start of their businesses do not obtain loans from the financial institutions; the findings show that a higher percentage has low and other none to the extent that the loans from financial institutions have contributed to the business performance. And a few SMEs borrow from friends and families. The reason for not obtaining the loan includes lack of collateral/ mortgage for securing the loan, and high interest rates from commercial banks.

4.3.3: To identify contribution business performance to SME's in Tanzania.

The findings indicate various socio-economic changes that have occurred in SME'S activities following accessing donor funds from BDG Programme. The study shows that 92.8% of respondents agreed to have observed a positive impact on their lives, because they saw an increase in their incomes, they had an opportunity to save money, they could contribute to children's education, and they were better able to purchase household assets. Additionally, they were able to receive appreciation from family members in recognition of their achievements. Most SME's respondents reported that they felt empowered because their self-confidence has risen, leading to an enhanced ability to exchange and learn new ideas from fellow group members.

The majority of the respondents (70.5%) expressed that their participation in the BDG program have given them an opportunity to accumulate savings, something which they could not have done in the past. They felt empowered because they owned this money even though it was small, and they still could accomplish gender specific roles and responsibilities within their household's. One woman respondent

dais: “Before I joined BDG, I did not have a single cent in my pocket that I could call savings. I could not open a bank account because just the idea of walking to a bank was something I couldn’t do. I had a feeling banks are for certain class of people but now I can walk to the bank to deposit some money on regular basis”. These findings are similar to those of Rutherford (1999) who noted that poor people have the ability to save and they need a savings mechanism in order to turn their savings into a functional lump-sum of money.

Another substantial contribution was that of enhancement of education to their children. Apparently 92.8% of the respondents had children or grandchildren in school ranging from nursery (kindergarten) school age to higher education age. The respondents gained the ability to pay for basic school needs, such as school uniforms, exercise books, pens/pencils, bus fare and lunch (since children spend almost nine hours in school) relieved them from the tensions and worries of how to pay for their children’s education. One possible explanation for this could be the fact that these SME’s have realized the importance of investing in education as a form of upward mobility, which became easier for their families to achieve with the assistance of the additional income provided from their micro-loans.

Most of the respondents (69.3%) reported an increase in their non business assets from the time they accessed donor funds from BDG. Program participation has shown an increase in access to cash income, which has enabled most of them to use their income in conducting economic activities for the well-being of their families. Increased incomes from the businesses were channeled into enhancing facilities such as housing, education, food and health. These findings are similar to those of Mayoux (1999), who reported that in the case where loans were given to SME’s who were already in business, and who has the basic skills, increases of incomes were evident.

Respondents felt that the ability to purchase assets, such as household assets and plots of land for building houses or farming, greatly improved their quality of life. Some of them have built their own houses and have been able to do a number of

home improvements (5.9%). This observation is important because other studies have found out that SME's are more likely to spend their income on household assets such as homestead land, while males tend to invest in further productive activities (Kabeer, 2001). Kibas (2001) also confirmed that SME's micro-entrepreneurs who were borrowing could purchase fixed assets such as commercial plots, business premises, tools and equipment for production.

The improved status of the respondents in their families has been appreciated by their family members and by their partners. The respondents believe that because they were contributing to the well-being of the family and increasing the family's income they received better treatment from their spouses. This suggests that the level of SME's economic contribution to the family may be important in building relationships within the family. One woman pointed out that the funds made a big difference in her house. She said: "My relationship with my children is now very good and they are all proud of my achievement. It is as if the whole family is taking a donor funds from BDG. Before I had taken a grants, my children used to ask me for school money but I told them that I had none. I was always telling them to go and ask their father for money. But now it is me who is providing them with school money and they are excited because they are sure to have lunch money". When discussing with the group about lending methodology, some respondents believe they have learned a lot through group interactions and through exchanging ideas with fellow members. One member commented proudly on the success of her fruit juice business:

4.3.4: To identify Challenges facing Business Performance in Tanzania.

The findings indicate various challenges BDG beneficiaries face. For example, in processing donor funds, 23.5% of the respondents claimed to be taking a long time to receive grants and 39.2% were faced with problems of poor business plan writing. On the other hand, 26.1% of the respondents claimed to be facing mistreatment while 11.1% experienced other problems like failure of meeting grant requirements.

Interview discussion with SME's revealed several challenges SME's face. All these challenges that micro-entrepreneurs face can be grouped into four main constraints as follows:

i. Business-related constraints

Major constraints pertaining to SME respondent businesses are customer- related complaints. This is possibly due to the nature of the businesses which the respondents conducted especially those involved in food business and food vendor. Problems encountered included complaints from customers on quality of service, quality and quantity of goods supplied. For instance, the SME respondents who were in food vending business claimed their customers wanted to be served with big portions of food with more meat pieces for a small amount of money. The SME respondents allowed the largest part of their customers to buy from them on credit. Collecting money from customers is a big problem according to the SME respondents, since customers do not pay at the agreed time. However, when the researcher spoke to the interviewees, they acknowledged that credit is a normal thing in all sorts of business operations in Tanzania.

ii. Seasonality in the market

Seasonality in the market is another problem that respondents faced. Some of the businesses relied heavily on climatic and weather conditions. Fish vending is best done during the dry season, whereas during the rainy season, availability of fish is a problem and wholesale prices go up. The roads to the fish areas are also bad and this adds to the problem of accessing fish from the water source. They claimed that one has to be extra careful in requesting donor funds especially during the rainy season and also the seasonality of the business. One needs to carefully plan to ensure there is always enough to pay back the loan in bad times.

iii. Government Policies-related Constraints

Most of the respondents acknowledged that there was no government policy that appeared to affect them as micro-entrepreneurs as they were free to engage in any business they liked. A possible reason for this is that the majority of the respondents

have types of businesses which are operated as home based enterprises. Most of the informal sector activities in Tanzania do not operate according to the rules and regulations of the government. Although the government of Tanzania is advocating a support for micro and small enterprises, in real sense directives at local councils have not favored the development of such enterprises. Micro and small enterprises that are operating in urban premises are often considered to be out of place. Thus, the micro-enterprise activities which are in the informal economic sector remain vulnerable to harassments from agents of local government. In this case, most SME's based micro-enterprises tend to shy away from areas where they face such harassments.

iv. Family Constraints

In this study, a very small percentage of SMEs confessed that they were denied access to funds from BDG by their spouses. Some said they were denied in the beginning, however, after the members went against their spouse's directives and went ahead to get donor funds anyway, their spouses noted good outcomes from the grants. Now their husbands are supporting them in their business endeavors. Some respondents confessed that they have kept their grants a secret from their spouses - that is, taking grants without their spouse's knowledge. However, one woman commented, "If you see SME's staying at home and not engaged themselves in any business, they might have been hindered to do business by their husbands. This has nothing to do with government policies." Interviewees pointed out that by accessing donor funds they have increased heavy burdens on their responsibilities because they have to work hard balancing household responsibilities and enterprise activities. The involvement of SME's in business and accessing loans or grants has added an additional responsibility on top of traditional multiple roles they had in the society. During the interview, one respondent commented that she had to reduce the size of her loan and withdraw part of her voluntary savings in the previous loan cycle because she was pregnant. She commented that soon after delivering her baby, the business would suffer because she would not be able to manage the business while nursing her child. However, SME's organized in groups tend to help each other. A woman whose group is making repayments on biweekly basis commented that: "I

appreciate this arrangement because at least I have one week of being around home. When my children come back from school they find food is ready and my children are always happy to find me at home. When I am attending to BDG club meetings, I normally close the door. So when they come back from school they have to wait for me outside”.

These findings indicate that family relationships are constrained by the fact that mothers spend a lot of time on enterprise activities and loan servicing activities. Some SME’s respondents indicated that by accessing loans/grants it has reversed gender roles placing heavy burdens on them. Several implications can be drawn from the reversed gender roles within households. For example as stated by one respondent, “an additional responsibility on top of traditional gender roles is a challenge to most SME’s in Tanzania. SMEs are also most likely to spend lesser time with their family including interactions and free spare time to enjoy”.

4.4 Other issues from the Research

The interviews with the BDG Officers and TPSF Manager which cantered on criteria for giving grants, the type of help/assistance they give to the SMEs, and how they ensured that the grants are used well revealed several interesting insights. In relation to the question “Whether they feel there is an impact of the donor funding on SME’s lives” officers had the opinion that donor funds had a positive impact on SME’s lives. However, they acknowledged that a number of challenges face SME beneficiaries. One BDG officer who has been with the organization for three years had this to say: “I have seen dramatic changes among the SMEs. Their lives have simply changed because of the donor funds. I have visited households before accessing funds and after receiving funds and I have witnessed changes”.

Another BDG Officer added; “The SMEs themselves are proud and appreciate the donor funds a lot. They talk about the positive changes in every meeting. They could go on and on with their stories. They would tell you that they have bought a sofa set, a plot of land, they would talk about building a house, sending their children to school, etc”. In general, the BDG Officers felt that the donor funds helped a lot to boost the capital base of SMEs and as a result, the SMEs get more income. In return,

SMEs are able to accumulate assets and cover other family expenses. The BDG officers stressed the point that these SMEs get a certain amount of money at once, which is not easy to get from other sources, and this definitely helped them to solve both their personal and business problems. However, on the other hand, one BDG staff member commented that: “Despite the fact that these donor funds help these SMEs, there are a number of SMEs who have experienced minimal changes or have not experienced changes at all. There are others who are worse off than they were before which may be due to sheer bad luck or lack of business skills”.

There were a number of reasons which resulted in negative effect of the donor funds on SME’s business performance. First, some SMEs had no viable businesses or had no business ideas at the time they applied for funds from the organization. The outcome of such actions is that they failed to manage that fund.

Secondly, there was a problem of diverting funds to non business activities; donor funds were not directly invested into the businesses and this had an effect on SME’s ability to maintain funds obligations on time. These findings reinforced by comments from the BDG officers who mentioned that for those with sound businesses there was no problems if they diverted the funds, they would still maintain their businesses even if they used the funds for other activities. However, it was an obvious problem for those with businesses because they failed to maintain the donor funds.

In summary, SMEs faced enormous challenges and constraints in running their businesses. Some of these constraints are institutional, while others are self-imposed. They must be recognized and precautions taken to ensure the beneficiaries and NGOs continue to function.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of each research objective as well as conclusion based on research findings. The chapter starts with summary and conclusions followed by recommendations. It closes with suggestions of areas for future research based on important emerging issues from this study and areas related to this research.

5.2 Summary and Conclusions

The overall objective of the study was to find out the role of relationship between donor funding and business performance. More specifically, the study identified the factors that resulted from entrepreneurs establishment and running micro business and how these factors had clearly been influenced by the opportunity to receive donor funding from BDG. Factors identified were that the SME's respondents felt important in their lives, at the family level and in the community as a whole.

The findings revealed that most of the SME's funds accessed from BDG had brought major positive changes in business development. These includes rise of the level of customers increase such as increase in number of employee and an increase in income after accessing funds from BDG. Additionally, SME's recognized that their business developed and that enabled them to acquire an ability to purchase household assets, contribution towards their children's education, house construction and rise in their standard of living. Furthermore, SME's improved their social status, self-esteem and they gained more confidence, something, which could never have happened before. Members of the household and the community viewed these groups of SME's differently and appreciated their contribution to their families. On the other hand, some of the SME's respondents indicated that the funds had little positive effect on their welfare and in some cases; accessing business funds worsen their socio- economic status.

Overall SME's acknowledged that they had gained capacities to control, access, and develop their business after receiving donor funds from BDG. Some of BDG officers confessed they have noticed positive effect of the donor funds on SME's at individual level of the beneficiaries. They found that SME's who have significantly experienced positive changes on their business while other experienced some negative effects from receiving funds. BDG officer observed that some of the SME's who took funds for personal consumption purposes under the pretext of business failed to make business growth because the activities they engaged in could not generate sufficient cash.

The study indicated that the majority of the SME's secured their initial donor fund capitals from their friends and loans from MFI's was supplementary the findings of this study are not different from studies done by other researchers. The question of whether small funds from BDG contributed to micro entrepreneurs' business development is difficult to answer and to measure. It is not just enough to conclude from the food processing SME's declarations, field observation and results that they have experienced positive changes in their business development.

A lot of research still remains to be done regarding how it impacts SME's businesses. The study is still incapable to provide an answer on the total effect of donor funding on SME's business. Microfinance is especially noted in the study as beneficial to SME's beneficiaries. The majority of respondents' registered positive outcomes as a result from donor funding still the improved income level is use for survival purposes such as household consumption, enough to educate children, and accumulation of few non business assets, little money is saved for further re-investment.

This further confirms with other researchers (GEM 2003, 2005, 2006) that most of entrepreneurial activities are survival and do not arise due to opportunities identified in the market. Nevertheless, it can be argued that activities like education and nutrition have a long-term pay-off for individual lenders and their families. By providing education to their children, these entrepreneurs are breaking the cycle of desperation which they were caught in due to poverty. Likewise, increased income

makes them gain access to healthcare and improved nutrition to the members of the household. SME's relieved themselves from burdens of taking care of the sick so that; they can spend ample time on improving and maintaining their businesses.

The research also revealed that, the SME's respondents are motivated by the fact that they can see positive changes in their businesses, especially those changes they considered important in their business such as self-esteem and confidence that increased due to access to cash income. In turn the SME's activities have improved and enhanced SME's's empowerment within households, communities. Other positive outcomes are giving their children better education, ability to purchase food that was nutritious and borrower's ability to accumulate some household assets including the ability to construct own houses.

However, not all SME's who access donor funding from BDG experience positive outcomes. It is all to do with the financial discipline exercise and business acumen that differentiates winners and losers, and it is something the BDG have little control of. The research findings revealed that SME's respondents faced lots of challenges: business, family constraints, and institution-related constraints. The major concerns raised by the SME's regarding institution-related constraints included issues on joint liability, interest rates, weekly meetings, grace period, and loan terms. There was also complaining about government policies due to corruption and unnecessary procedures and normally operate outside government controls. Thus SME's to a larger extent operated their business from homesteads or roadsides where vendors have no permanent business location.

At an aggregate level, the microfinance sector has involved economic participation of the majority of citizens, particularly marginalized groups, such as SME's who had been previously not considered as potential borrowers by lending institutions. The SME's in this study are the society group that had been left out by formal financial institutions because they lack certain characteristics required such as collateral to qualify for business loans. The outcome of this research on relation between donor funding and business performance indicate that even marginalized groups such as

SME's has the capacity to contribute to socio-economic development of their local communities if enabling environment is established. For example, access to affordable business loan can lead positive change in income generation and standard of living which leads to break the vicious and chronic cycle of poverty that has stalled development in underdeveloped world such as Tanzania. This study did not suggest that if these SME's were left out by formal financial institutions, they would not have been developed their business. However, future research would explore in-depth the conditions of entrepreneur's who have not received funds.

5.3 Recommendations

The findings indicated that donor funding facilities alone are not a panacea for poverty alleviation among SME's. That is, other factors have to be incorporated into the equation. In this regard, the following sections present some recommendations on issues of concern as identified in this research. The research findings revealed that the methodology used to assess grants applicants was somehow deficient, as many granters especially in groups did not appreciate the value of establishing BDG clubs which provide loan to members. BDG funding division should device ways and strategies that will keep educating its members on clubs benefits. This will ensure that every member understands their role and obligations within the group. This will minimize friction among members in their SME's and result in developing appropriate donor funding schedules.

From the research findings, SME's found BDG inflexible in their donor funding policy. For example, lack of receiving wholesome of grants on time. BDG should revise their donor funding policies to accommodate legitimate hardships of receivers by giving them the wholesome to help them to stabilize in their business rather than being forced to make receive in piecemeal before business takes off. This will enable receivers to have breathing space to earn enough money and make business performance. This will also reduce high default rates among BDG clubs clients.

Furthermore, BDG clients complained about the time since applying for fund up to receiving it .it take a long time which at the end it not helping. BDG should change

the procedure of giving fund, it should develop innovative products (grants) for SME's (such as subsidized by government) to lessen the burden of beneficiaries. This will enable SME's to access affordable loan, grow their businesses at sustainable pace and reduce the default rate. BDG should also be more flexible with weekly interview requirements, especially for members with large grants. Most of the members attributed their success on pre-fund training and raised concerns about members who joined the groups without training. BDG should introduce a fund management-training program as one of its primary responsibility to participants and this should include, business planning training, record keeping and practicability in their micro-entrepreneurial activities. This would compliment funds services and ensure entrepreneurs are able to manage their business better and able to service their grants more careful.

SME's expressed the view that Tanzanian government has given them less support to their business endeavors. In addition, their nature of operation in informal sector precludes them from accessing some of government incentives. The government should make recognition of these micro-entrepreneurs rather than the only registered SMEs, because the micro-entrepreneurs make the bulk of Tanzanian economy. Furthermore, government should develop "micro-entrepreneurship program" to encourage marginalised groups like SME's to help them move from informal to formal sector. This would encourage more SME's to formalize their business undertakings and meaningfully contribute to socio-economic development of their communities and the country at large.

5.4 Suggestions for further research

This study identified other areas for further research and each is explained. This research revealed that grants from TPSF such as BDG has an impact on the development of micro-enterprises in Dar es Salaam city. The socio-economic climate and market condition in Dar es Salaam are not the same as other parts of Tanzania. Extensive survey needs to be carried out in other regions such as Arusha, Dar es Salaam, Tabora, Iringa or Kigoma to see if the research can be generalized to the entire country. The study only looked mainly on the relationship between donor

funding and business performance from BDG on development of micro-entrepreneurial activities. Further research is required on other variables such as support services, attitude of municipality or city officials and training services. This will help to get a more balanced picture of the enabling environment that is required to support micro-entrepreneurial activities.

This research is a cross-sectional study that used questionnaire and interview methodologies at one point in time and it was not possible to make generalization of the results. Trend analysis or longitudinal studies including focus group discussions and observations need to be used for three- 5-year period in order to understand the nature of micro-entrepreneurial activities. Such studies will throw more light on issues of business performance and the types of funds would best suit micro-enterprises.

One of the issues identified in research was presence of BDG clubs and their role of providing joint liability. There is a need to investigate this phenomenon in the Tanzanian context for its potential usefulness as means of “self monitoring of loan repayment strategy”. This is particularly useful for NGOs who gives credit or revolving fund to entrepreneur’s groups.

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APPENDIX

APPENDIX 1: BUSINESS OWNER QUESTIONERS

Please circle the statement that answers the right answer.

A. RESPONDENTS PROFILE:

1. Status

i. Male ()

ii. Female ()

2. Age groups (years):

i 18-25 ()

ii 26-35 ()

iii 36-45 ()

iv 46-55 ()

v 56-65 ()

vi 66-75 ()

vii Above 75 ()

3. Education level (Highest level reached)

i Primary ()

ii Secondary ()

iii Tertiary ()

iv University Degree (Bachelors) ()

v Post graduate qualification ()

vi Technical training ()

vii Business training ()

viii No Formal Education ()

4. Occupation Status:

i Self Employed ()

ii Employed ()

iii Unemployed ()

iv Part Time Employment ()

5. Is your business registration

- a. Yes..... b. No.....

B. BUSINESS PROFILE

6. Previous Business and Entrepreneurship background and experience:

- i Nature of business ownership
 - a. Sole proprietor
 - b. Partnership with Spouse
 - c. Public company
 - d. Family Company
- ii How long have you been in this Business?
 - a. 1-3 years –
 - b. 4-6 years –
 - c. 7-10 years –
 - d. 11-15 years –
 - e. Above 15 years –
- iii Sources of Funds/Finance in starting and running your Business:
 - a. Used own funds (100%) –
 - b. Loan from Banks/MFI (100%) –
 - c. Own funds (50%) + Banks/MFIs loans (50%) –
 - d. Used family funds and other resources –
 - e. Grants

7. Business size and performance

- i Did you receive any business/entrepreneurship training before starting your business and during normal business operations? a. Yes – b. No ---
- ii How would you describe the present size of your Business?

Number of employees

- i. 1 to 5 ()
- ii. 6 to 10 ()
- iii. 11 to 20 ()
- iv. 20 to 50 ()
- v. 50 and above ()

iii What is the annual turnover or gross income for your Business?

- a. Less than Sh 1 million –
- b. Less than Sh 5 million
- c. Sh 6 to 10 million –
- d. Sh 15 to 25 million
- e. Sh 26 to 50 million
- f. Sh 55 to 100 million –
- g. Above Sh 100 million –

C. SPECIAL QUESTIONS

8. Individual factors that influence business performance?

i. To what extent could the following individual or personality factors have affected your success or failure in business performance? (Place a tick ✓ where appropriate)

Factor	Rating				
	Very High	High	Mode rate	Low	None
1. Your Gender/Sex					
2. Age					
3. Level of Education					
4 Geographical location					
5. Ability to interact easily with other people, to seek information from various sources and ease of communication in Kiswahili, English, etc					

9. Essential, factors contributing in your business performance

i To what extent could the following factors can have contribution to your business performance? (Place a tick ✓ where appropriate)

Resource	Rating				
	Very High	High	Mode rate	Low	None
1. Skills and experience in current Business					
2. Training on Business and Entrepreneurship					
3. Access to credit (Bank/MFI loans)					
4. Support and advice from donor					
5. Demand and readily available market for your products and services					
6. Availability of MFIs that are willing to support Entrepreneurs					
7. Good infrastructure and communication channels					
8. Suitable weather conditions which could have specific influence on your Business performance					

10. Limiting factors to business performance

(i) To what extent did the following factors had limited to business performance?

Limiting Factors to business start-up, growth and performance	Rating				
	Very High	High	Mode rate	Low	None
1. Access to finance/loans					
2. Level of education					
3. Training in Business/Entrepreneurship					
4. Previous experience on current business					
5. Lack of a suitable Market					
6. support from donor					
7. Competition for resources					
8. Lack of needed resources					
9. Social problems - Spouse, family, clan or community opposition and discouragement					
10. Government policies – Provide support or lack needed support; Biased policies					

A. General Information

1) How long have you been employed by your company.

(Month/Year.....)

2) Position of respondent.....

What are your functions in your institution/department

.....
.....
.

Specific discussion questions

1. Mention five factors that were the key driving forces for business performance

i. -----

ii. -----

iii.-----

iv. -----

v. -----

2. Mention five problems that hinders many projects to meet donors expectations

i. -----

ii. -----

iii.-----

iv. -----

v. -----

vi. -----

3. Do you believe that donor funds help in business performance? Yes ☐ No ☐

a. If the answer is Yes, mention reasons how donor funds helped the business to perform

i. -----

ii. -----

iii.-----

iv.-----

4. Generally, how would you rate the relationship between donor funding and business performance?

5. Mention and briefly explain 5 factors to be considered in order to improve business performance

i. -----

ii. -----

iii.-----

iv.-----