

**ASSESSMENT OF THE FACTORS THAT AFFECT THE
PERFORMANCE OF SMALL AND MEDIUM ENTREPRISES (SME's) A
CASE STUDY OF HAIR CUTTING AND BEAUTY SALONS IN DAR-ES
SALAAM REGION**

BY

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**Thesis Submitted in Partial Fulfilment of the Requirements for the Award
of Master's Degree of science in entrepreneurship of Mzumbe University**

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a thesis entitled **Assessment of the Factors that Affect the Performance of Small and Medium Enterprises (SME's): The Case of Hair Cutting and Beauty Salons in Dar-es Salaam region**, in partial/fulfillment of the requirements for award of the degree of Masters of Science in Entrepreneurship of Mzumbe University.

Signature

Major Supervisor

Signature

Internal Examiner

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DEAN SCHOOL OF BUSINESS

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I, George Jerome Kifaru, declare that this thesis is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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George J. Kifaru

LIST OF ABBREVIATIONS

- SMEs - Small and medium enterprises
- ME - Management Experience
- PS - Power shortage
- TECH - Technology
- BL - Business location
- EDU - Educational level
- TZS -Tanzania Shilling (Local currency of Tanzania)
- ESRF - Economic and Social Research Foundation
- MKUKUTA II - National Strategy for Growth and Reduction of Poverty II
- SIDO - Small Industries Development Organization
- URT - United Republic of Tanzania
- IFC – International Finance Corporation
- IFM – Institute of Finance Management
- ILO – International Labor Organization
- MSME – Micro, Small and Medium Enterprises
- NBS – National Bureau of Statistics
- PCCB – Prevention and Control of Corruption Bureau
- SADC – Southern African Development Community
- TCCIA – Tanzania Chamber of Commerce, Industry and Agriculture
- THA - Tanzania Harbors Authority
- TSHS - Tanzanian shillings
- U.K. – United Kingdom

UDBS – University of Dar es salaam Business School

UNDP – United Nations Development Program

UNIDO – United Nations Industrial Development Organization

USA – United States of America

USD – United States Dollars (Currency of the United States of America)

VLC - Virtual Learning Centre Tanzania

ABSTRACT

The aim of this research was to assess the Factors affecting the performance of Small and Medium Enterprises (SME's). The research is a cross-section research design employing the use of questionnaires. The research was conducted in Dar es Salaam regional in Tanzania, covering 110 small and micro-enterprises. The hypothesis was level of education of business owners and management experiences have a positive relationship with a enterprise's performance except one variable, power shortage, that has a negative relationship. The results obtained show the existence of a positive correlation between variables. Although theoretically, power shortage has negative correlation with enterprise's performance in this study the scenario is caused by the following factors that most of the salons now days are using other source of energy like solar and generators. So when the national grid goes off, the ventures shift to other sources and the one which don't have other source of energy are closed up and customers go to those which have energy. Not only that, but also many saloons which are near the industrial areas and factories receive many customers during this time because people who are working in those industries and factories are out of their working area when national grid goes off so they get ample time for other activities near their working area. It shows that at that time they go out for hair cutting and dressing in salons which have other source of electricity.

From the discussions with the owners and workers of the salons the researcher found that not only the mentioned and discussed factors affect the performance of small and medium enterprises, there are other factors which can be categorized as internal and external factors which other researchers can study in this areas.

The internal factors include workers behavior, business fund management and proper financial control of the business. The external factors include government support, many taxes, lack of credit, national policy and regulatory environment, scanty market information and many others. This area needs to be researched so that we can get the clear picture of what are the factors which really are the main cause of poor performance of small and medium enterprises.

The government must see the effort of her people in their daily activities and help them to secure good working environment for them to attain their business goals. The government should remove the taxes on other source of energy like generators and solar equipment which will help in making sure that all the business ventures afford to buy other sources of energy for their firms and stop relaying only on hydroelectric power.

The government of Tanzania must empower Small Industries Development Organization to be able to introduce as many short time courses as they can for owners of the business and their workers so that they will increase their business understanding and help them to go hand in hand with the fast growing science and technology.

CHAPTER ONE

INTRODUCTION

Introduction

This chapter is an introduction and intended to provide background information on the nature of the present study and its objectives and purpose. It is divided into eight sections including background of the study, problem statement, the objective, and research questions, significance and scope of the study.

Background of the study

The private sector of Uganda is still in its infancy, covers a broad range of areas, and predominately consists of micro, small, and medium enterprises (SMEs). According to the Bank of Tanzania Sector Report (2009), SMEs contribute to economic development through job creation, innovation, and the competitive disciplining of markets. This is justification why both developed, developing and emerging economies like Tanzania have continued to recognize SMEs as a major economic entity, and SME performance, an opportunity for accelerating the country's sustainable economic growth (Bank of Tanzania Sector Report, 2009).

It is increasingly recognized that Small and Medium Enterprises (SMEs) play a crucial role in employment creation that leads to income generation in Tanzania (SMEs Development policy, 2003, Wangwe, (1999), Massawe (2003),

Nenzhelele, (2009) and also extended its importance in creating global employment thereby reduce poverty

In Tanzania it is estimated that about a third of the GDP originates from the SME sector. According to the informal sector survey of 1991, micro enterprises operating in the informal sector engaging 1.7 million small business consisted of about 20% of the labour force (3 million people then), and more recent data show the contribution of SME to account for a significant share of 30% of the GDP, (policy brief, 2008). Though data in Tanzania, especially in the SME sector, are somewhat unreliable and sketchy, the above data serves to show how crucial the SME sector is to the Tanzania economy, (Nkonoki, 2010).

SME is growing fast in Tanzania however the main challenge has been on the nature of employment itself in this sub-sector. In all developing countries, self-employment comprises a greater share of informal employment than wage employment and specifically, self-employment represents 70% of informal employment in Sub-Saharan Africa (Becker, 2004). The Government has expressed its aspirations through designing and implementing a number of policies and programs to support the development of SMEs. Examples of policy development includes the Tanzania Development vision 2025, The Sustainable Industrial Development Policy- SIDP, 1996, National Microfinance policy (2000), Mineral Policies (1997) and the National Economic Empowerment Policy of 2004 which all together supports the improvement of the Small and Medium Enterprise (SME) sector, in order to boost economic growth of the national at large and business in the informal sector where the majority can be employed.

Despite the growth of SMEs in Tanzania, the full potential of the sector is yet to be tapped due to the existence of a number of constraints hampering the

development of the sector. This research will serve as advice to small business enterprises stakeholders to stimulate new enterprises to be established and existing ones to come with better strategies to boost their profit.

Statement of the Problem

Several negative features are postulated in Tanzania small enterprise sector, including production of poor quality products; a lot of labour turnover, poor management and failure to reach targeted goals, Nkonoki (2010). Most SMEs in developing countries operate without set standards of production and proper planning systems. This results in large amounts of inventories and failure to meet customer demand thus failure to grow from small to medium and medium to large, Nenzhelele (2009)

Failure of firm's internal environment are no doubt the reason for the poor performance of the firm, these are factors such as finance (especially internal finance such as owner's equity contribution and collateral), managerial competency of the owner, location, investment in information technology, cost of production and networking (Cassar, 2004; Barbosa and Moraes 2004). Nevertheless, external factors like contractual and informational frameworks, macro-economic environment, social factors and technology are major influence on firm performance especially new SMEs, Beck,(2007).

Many researchers have studied SMEs business environment and their contribution in economic development, for example, (wines, 2007; hobohm, 2009; nenzhelele, 2009) distinguishing between strategies associated with high

and low performance, but little is known on the relationship that exists between the factors and firms productivity as this study intends to achieve.

Therefore answers to this proposal research questions are very important in developing strategies for both new and existing SMEs as there is a potential for improving SMEs performance when the relationship that exists between the success factors and firms productivity is known.

Objectives of the Study

1.3.1 General Objective

The overall objective of the study was to assess the critical factors affecting the performance of Small and Medium Enterprises (SMEs)

Specific Objectives

- i. To assess the impact of power shortage on small and medium enterprises performance
- ii. To assess the contribution of education level to the SMEs performance
- iii. To determine the relationship between management experience and SME performance

1.4 Research Questions.

- i. What are the impacts of power shortage on small and medium enterprises performance in Tanzania?

- ii. What is the contribution of education level to the SMEs performance?
- iii. What is the relationship that exists between management experience and SMEs performance?

Significance of the Study

This study is important as it comes at a point in time when SME performance is of widespread concern in both developed and developing countries. A study of the current approaches to SME performance is needed to establish the attention paid to the effectiveness and efficiency of SMEs. Unless sufficient attention is paid to SME performance, SMEs can fail to deliver their intended services and goods to the public. The study aims at benefiting the policy makers at both national and institutional levels through policy formulation and change of policies in regard to organizational learning, innovation and SME performance.

Likewise, the results of the study will be used as a basis for further research by other academicians in the field of SME performance. on the other hand, the study aimed at providing a descriptive analysis on the relevance of SME performance theories for economists and Tanzanian small scale firms. It is hoped that the study will make contributions and add useful information to that which already exists in regard to determinants of SME performance of the different firms. Similarly, the study aimed at opening avenues for opportunities in business consulting.

Limitation of the study

Some of the respondents were reluctant to be interviewed for the fear that the information will be shared with Tanzania revenue Authority for the purpose of tax collection. Also the interviewed groups were small as most of the SME's did not want to be interviewed however this does not nullify the results of this study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a clear meaning of different terms and concepts used in this study and also review the findings of previous scholars. This helps to clearly identify the gaps by comparing this work with previous researchers' works thus justifying the need for this study.

2.1 Theoretical literature review

This section provides a clear definition of terms and concepts that were used in this work. In order to avoid misunderstandings and should help the reader understand the basic concepts on which this research work will be based on.

2.1.1 Small and medium enterprises

The definition of small and medium sized enterprise (SME) varies. Because of the diversity of small business, every simple definition is subject to criticism. According to Institute For Small and Medium Enterprises Development enterprises in Thailand have been defined according to 3 broad categories: 1. Production Sector are Agriculture Processing, manufacturing and Mining, 2. Trading Sector are Wholesale and Retail, and 3. Service Sector. Type of SME in Tanzania has been defined according 1. Value of assets of each type of enterprises 1.1 Production Sector : medium size not exceeding 200 million bath and small size not exceeding 50 million bath 1.2 Service Sector: medium size not exceeding 200 million bath and small size not exceeding 50 million bath. 3.

Trading Sector medium size: wholesale not exceeding 100 million and small size not exceeding 50 million. Medium size: retail not exceeding 60 million and small size not exceeding 30 million. 2 number of full-time employees of each type of enterprises 2.1 Production Sector: medium size not exceeding 200 employees and small size not exceeding 50 employees. 2.2 Service Sector: medium size not exceeding 200 employees and small size not exceeding 50 employees. 2.3 Trading Sector: wholesale medium size not exceeding 50 employees, retail medium size not exceeding 30 employees and small size not exceeding 15 employees (Norlaphoompipat, 2008). An enterprise is considered to be an SME based on value of assets or number of full-time employees, In terms of the total number of SMEs in the country.

Despite all the efforts by governments and many of the multinational organizations targeting the SMEs for special financial business support, there seems to be no single definition for an SME both at national and international level. Although the definition varies worldwide, in general, definitions of SMEs use one or more of three defining measures, i.e. number of employees, turnover, and size of the balance sheet. The number of employees is the most frequently used yardstick to determine the size of an enterprise in several countries (Hasyim and Wafa, 2002; Yusof, 2000).

Definitions of SME size vary from one country to another. Consensus is neither possible nor practicable, as SMEs operate and cater to a nation's diverse socio-economic and market needs (Hallberg, 2000; Upadhyay, 2007). In India, for example, different economic groups, trade bodies, banks, and employer organizations have adopted definitions to suit their needs. Most definitions of SME size are based on the value of SME's assets and revenues, their employee

numbers, or a combination of both. Definitions based on asset valuations are problematic, especially when historical asset values are used. Defining enterprise size on the basis of revenues is equally problematic for enterprises that export services of high value, as in most cases the firms do not fit with the lower revenue threshold suited for domestic SMEs. (Upadhyay, 2007).

SMEs are usually enterprises that employ no more than 250 employees. The technical definition varies from country to country in the Asia-Pacific region but is usually based on employment, assets, or a combination of the two. Some countries have different definitions for SMEs in the manufacturing and services sector and may exempt firms from specialized industries or firms that have shareholdings by parent companies. Figure 1 illustrates the range of SME definitions in the Asia-Pacific region.

Figure 1: Sample of SME Definitions in the Asia-Pacific Region

Country	Definition of SME	Measurement
China	Varies with industry, usually less than 100 employees	Employment
Hong Kong	Manufacturing – 100 or fewer employees Other – 50 or fewer employees	Employment
Indonesia	Less than 100 employees	Employment
Japan	Wholesale – less than 100 employees or JPY 100 million assets Services – less than 100 employees or JPY 50 million assets Retail – less than 50 employees or JPY 50 million assets Other – less than 300 employees or JPY 300 million assets	Employment and Assets
Malaysia	Manufacturing – less than MYR 25 million or 150 employees Services – less than MYR 5 million or 50 employees Different for Bumiputra enterprises	Shareholders, Funds and Employment
Philippines	Less than 200 employees or PHP 60 million assets	Employment and Assets
Republic of Korea	Manufacturing – less than 300 employees, or KRW 8 billion assets Wholesale – less than 100 employees or KRW 10 billion annual sales revenue	Employment, Assets and Sales Revenue
Singapore	Manufacturing – fixed assets worth SGD 15 million or less Services – less than 200 employees	Employment and Assets
Taiwan	Manufacturing – less than TWD 80 million of paid-in capital or less than 200 employees Other – less than TWD 100 million annual sales revenue or less than 50 employees	Sales Revenue and Employment
Thailand	Manufacturing and services – less than 200 employees or THB 200 million assets Wholesale – less than 50 employees or THB 100 million assets Retail – less than 30 employees or THB 60 million assets	Employment and Assets

Source: White Paper on Small and Medium Enterprises in Taiwan, 2006.

<http://www.moeasmea.gov.tw/eng/2006whitepaper/2006white.asp>

Small and medium enterprise or small and medium-sized enterprise (SMEs, small and medium-sized businesses, SMBs and variations thereof) are companies whose personnel numbers fall below certain limits. The abbreviation "SME" is used in the European Union and by international organizations such as the World Bank, the United Nations and the World Trade Organization (WTO). In most economies, smaller enterprises outnumber large companies by a wide margin. SMEs are said to be responsible for driving innovation and competition in many economic sectors

Small and Medium Enterprises or SME in Tanzania is a term usually used to stand for all business with the following attributes: Micro enterprises are businesses with less than 5 employees and operate with a turnover of less than TZS. 5M. The Small Enterprises are business with staffs between 5 to 49 and operating with a turnover between TZS. 5M to 200M. The Medium Enterprises operate with between 50 to 99 employees and have a turn over between TZS 200m to TZS 800m (Tanzania SME Policy 2012). In this research the Tanzanian perspective meaning will be adopted and used.

According to experts, most of Tanzania's SMEs are generally unable to meet business standards required to deal with trans-national corporations (TNCs) on production issues such as price, quality, and consistency in volumes (Keasi, 2011).

It is generally recognized that SMEs (Small and Medium Enterprises) face unique challenges, which affect their growth and profitability and hence,

diminish their ability to contribute effectively to sustainable development. In this article, the following challenges are briefly discussed: lack of managerial training and experience, inadequate education and skills, lack of credit, national policy and regulatory environment, technological change, poor infrastructure and scanty market information, lack of managerial training and experience.

Many SMEs owners or managers lack managerial training and experience. The typical owner or managers of small businesses develop their own approach to management, through a process of trial and error. As a result, their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept (Hill 1987). Although this attitude is the key strength at the start-up stage of the enterprise because it provides the creativity needed, it may present problems when complex decisions have to be made. A consequence of poor managerial ability is that SME owners are ill prepared to face changes in the business environment or to plan appropriate changes in technology.

The majority of those who run SMEs are an ordinary lot whose educational background is lacking. Hence they may not be well equip to carry out managerial routines for their enterprises (King and McGrath 2002).

Significance of small businesses in the Tanzanian

SMEs are known to play a major role in social economic development which is the case also to Tanzania. In Tanzania SMEs contribute significantly to employment creation, income generation and stimulation of growth in both urban and rural areas, In-turn contributing to the development

of the country as a whole economically, socially and even politically.

In Tanzania it is estimated that about a third of the GDP originates from the SME sector. According to the informal sector survey of 1991, micro enterprises operating in the informal sector engaging 1.7 million small businesses consisted of about 20% of the labor force (3 million people then). Though data in Tanzania especially in the SME sector are somewhat unreliable and sketchy, the above data serves to show how crucial the SME sector is to the Tanzanian economy.

Since SMEs tend to be labor intensive, they create employment at relatively low level of investment per job created. With the current unemployment rate standing at a record high of 12.7 (NBS 2009 est.), most of these unemployed people opt for entrepreneurship which falls in the SME sector. Given the situation and the fact that Tanzania is characterized by low capital formation, SMEs are the best option to address to this problem.

Moreover, SMEs tend to be more effective in the utilization of local resources and affordable technology. To a large extent they add value to the resources. Another importance is that SMEs facilitates distribution of economic activities within the economy thus promoting equitable distribution of resources.

The technology applied by SMEs is easier to acquire, transfer and adopt. Also SMEs are better positioned to satisfy limited demands brought about by localized and small markets due to their low fixed and overhead costs. In addition SMEs owners tend to show more resilience in face of hardships holding on to their businesses since they are prepared to be compensated lower temporarily.

Through business linkages, partnerships and subcontracting relationships, SMEs have great potential to complement large industries requirements. This is in terms of supplements of raw materials and other factors of production like labour and entrepreneurial skills. Since the linkages of large enterprises and SMEs in Tanzania are relatively weak, this advantage has not been realized per se.

2.1.2 Power shortage and productivity

In Tanzania, the most important factor inhibiting growth and decline in the small and medium enterprise sector are not well known. Based upon research conducted in Africa on micro-enterprises, it is possible to identify specific micro-enterprises that are most likely to either survive or close. The findings show that those SMEs that had added employees since their start-up were more likely to survive than those that had retained the same number of employees. A key finding was that the majority of micro-enterprises do not grow at all, as measured by indicators of employment. Among the estimated 20 percent that do grow, most grow only a little by adding workers not more than ten people (Rogerson, op.cit (2001).

Many researchers don't consider electric crises as among the factors which cause decline in the small and medium enterprise sector. As Tanzanians we depend more on hydroelectric power, which is mostly affected by climate change which causes the decrease in the amount of rainfall per annum. TANESCO, the Tanzania electric supply company, has recently been struggling to solve the problem by relying on other sources of electricity by introducing heavy generators to reduce the dependence on hydroelectric.

SME sector experiences an increase in production cost due to the fact that they are supposed to buy some generators as an alternative supply of electricity when

the TANESCO power goes off. This is an increasing expense to them as the fuel price is increasing day after day. In solving this problem many SMEs tend to reduce number of workers and some end up closed. (The guardian, April 15, 2010)

The impact of the electricity crises was quite extensively felt by those businesses, and most reported loss of trade or productivity due to carrying the cost of overheads while not trading, (Daily news of may 5, 2011) this implies that the firms were not operated and yet they are supposed to pay for salaries and other running costs to cover their daily activities.

The SIDO report of 2010 shows that the majority of SMEs (95%) are heavily dependent on the TANESCO electric supply. The overwhelming majority also felt that they had lost business due to the lack of stable electricity.

A power shortage (also power cuts, blackouts, or power failures) is a short- or long-term loss of the electric power to an area. There are many causes of power failures in an electricity network. Examples of these causes include faults at power stations, damage to electric transmission lines, substations or other parts of the distribution system, a short circuit, or the overloading of electricity mains.

The energy situation in Tanzania is characterized by low per capital consumption of commercial energy sources and a high dependence on non-commercial energies, including biomass fuels in the form of firewood, charcoal and bio-waste, which are the main source of energy to both urban and rural areas. Biomass-based fuel accounts for more than 90% of primary energy supply. Commercial energy source i.e. petroleum and electricity account for

about 8% and 12%, respectively, of the primary energy used. Coal, solar and wind account for less than 1% of energy used (URT, 2003)

Energy is a prerequisite for proper functioning of nearly all sub-sectors of the economy. It is an essential service, whose availability and quality determines success or failure of development endeavors (URT, 1992). This argument is valid particularly when we consider supply of energy to manufacturing firms, where power is used as an input in the production process rather than a final consumption service. The importance of the energy as a sector in the national economy cannot be over emphasized. Energy policies and plans must be consistent with the national economic planning and their implementation should be synchronized with other policies, plans and strategies of the rest of sectors in the economy.

Many businesses especially salons, welding firms, and hotels were forced to close down their business due to long hours of power rationing. Welding personnel said that, their work (production) involved the use of a huge amount of electricity and they cannot afford to use generator because they are too expensive. As the results of power crisis, automatically productivity went down and some did not even produce. Due to power outage the workers in the salon fail to work, their productivity per labourer approached zero (Rutatina 2012)

Despite the integral necessity of energy in the economy, the Tanzanian electricity supply is not yet consistent with the stalwartly determination made in the national energy policy. The problem of intermittent power supply, low voltage, frequent rationing and outages appear to be among the hindrances hindering manufacturing performance in the country. This dilemma raises production costs as manufactures are sometimes forced to resort to expensive

alternatives for temporally sources of energy to avoid discontinuities in the production process. Among other costs power supply strain affects the competitiveness of manufacturing firms in Tanzania (Komba 1999).

Also, the decline of productivity and service delivery was caused by the destruction of assets like refrigerators in the hotels and restaurants and juice maker machines. The frequently cut off the electricity caused some assets to catch fire and burst. This made the process of providing services to the people to be limited considering the majority of business people in SMEs have limited resources in terms of money. (Rutatina 2012)

Shortages of power have been the impediment on the efforts made by the Tanzania Government on SMEs development. Consequently, it became an obstacle to achieve the national goal of economic growth and poverty reduction in MKUKUTA II by affecting productivity. Electricity has not only conditioned rapid industrialization and economic growth in many parts of the world but also, continues to play a role in various aspects of everyday life (Winther, 2008). Electricity is a key productive input in economic growth working together with machines, natural resource, human capital in the production basis (Winkler, et al., 2011). Majority of SME's in Tanzania such as food vendors, welding, restaurants and bars, salon and petty traders specializing in ice cream and soft drinks were affected by power outage since the operation of these business depend hugely on power availability. Lack of access to reliable, high-quality electricity can be a major constraint on economic growth and improved living standards (Barnes 1988) since it a necessary input when combined with other in production function.

2.1.3 Managerial experience

Managerial experience is defined as experience managing people, projects and/or budgets, and may include supervisory or professional experience with management-level responsibilities. Managerial experience plays a very important part in entrepreneurship as it brings along analytical competence, operational competences, strategic competences and relationship competences. (Elmaawy, 2010)

2.1.4 Education

Education and skills are needed to run micro and small enterprises. Research shows that majority of those carrying out micro and small enterprises in Tanzania are not quite well equipped in terms of education and skills. Study suggests that those with more education and training are more likely to be successful in the SME sector (King and McGrath 2002). As such, for small businesses to do well in Tanzania, people need to be well informed in terms of skills and management. SMEs in ICT appear to be doing well with the sprouting of many commercial colleges offering various computer applications. Further, studies show that most of those running SMEs in this sector have at least attained college level education (Wanjohi and Mugure, 2008).

When talking about education we don't rely only in formal education but also informal education system. Education and skills are needed to run micro and small enterprises.

Education in its general sense is a form of learning in which knowledge, skills, and habits of a group of people are transferred from one generation to the next through teaching, training, research, or simply through auto

didacticism. Generally, it occurs through any experience that has a formative effect on the way one thinks, feels, or acts.

In this study the definition of education which was adopted is the one that refers education as formal schooling. This is to say that education will be regarded as attending formal system of education which is primary school, secondary school, tertiary education, colleges as well as university level.

2.1.5 SMEs productivity

Covin and Slevin (1991) posit that SME performance is a fundamental feature for SME survival and sustainability where performance factors such as innovation and organizational learning have been found to spur business expansion, technological progress, and wealth creation in both start-up and existing firms hence being a key aspect of management of the organization. SME firms that innovate tend to achieve organizational visions and goals independently (Lumplin & Dess, 1996). Whereas, those found to be poor performers, lack innovation, organizational learning, have limited access to information on market opportunities, unaffordable business development services and lack of finance, adequate technical and management support services. Keizer et al. (2002) affirmed that the effects of organizational learning on SME performance are direct and indirect where SMEs found to incorporate innovation into their strategies are able to maintain market share, competitive prices level, and tend to be flexible and durable organization. According to Kasekende and Opondo (2003), despite SME importance and improvement in economic development in Tanzania, these economic agents seem to operate in a

business environment characterized by fragmented and incomplete organization structures where an awareness of markets, technology, policies, regulations and finance is limited yet SMEs are perceived to perform better in innovative and better organized environments.

In this study performance was referred to as the number of customers attended to per day. This implies that how many customers the SME attended per day.

2.2 Empirical literature Review

Performance in SMEs is important for creating value for owners of those SMEs. Performance was found to have a significant impact on profitability in studies in different countries.

Nenzhelele T. (2009) studied factors influencing the productivity level and the use of programs and actions for productivity enhancement in the Garankuwa, as well as Babelegi industrial areas. A survey methodology has been applied for this investigation to nineteen (19) manufacturing industries using questionnaires. The targeted sample for the study project was fifty-nine (59) SMEs throughout the Babelegi and Garankuwa industrial areas. Only 19 SMEs, 10 from Babelegi and 9 from Garankuwa responded. This represented 32% of the targeted study sample size.

The survey findings indicate that the surveyed SMEs do not offer enough benefits and incentives that could increase both morale and motivation of their employees. The recommendations of this study includes that there should be a significant improvement of skills in all SMEs. Workforce training, incentives

and benefits could enhance the performance of individual workers within the surveyed SMEs.

Pushpakumari and Watanabe (2010) studied on the performance differences and business strategy orientation of small and medium sized Enterprises (SMEs) in two Asian economies. Data for the research were obtained from a survey of SMEs in manufacturing industry in Japan and Sri Lanka. Results indicate that the performance of SMEs varies with the choice of strategy orientation that owner-managers adopt. The findings and implications of this study would be useful to owners and managers of SMEs, while contributing to the literature on SMEs as well.

Onugu B.A.N (2005) studied Small and Medium Scale Enterprises (SMEs) in Nigeria: Problems and Prospects, was undertaken to find out if the SME sub-sector in Nigeria has performed its critical role of driving the country's industrial transformation and development as it has done in other developed countries; and if not, why, and also to identify remedial measures. A total of 300 SMEs were randomly selected from a cross section of a population of 1,500 SMEs spread among all the states of Nigeria including Abuja and covering virtually all forms (Sole Proprietorship, Partnership, Private and Public Limited Companies etc) and kinds (Services, Manufacturing, Processing, Oil & Gas, Educational etc) of business took part in the study. Eleven banks were also selected for the study. Participants were selected through a simple random sampling process.

The major findings of this study include the following: the top ten problem areas of SMEs in Nigeria in decreasing order of intensity include: management, access to finance, infrastructure, government policy inconsistencies and bureaucracy, environmental factors, multiple taxes and levies, access to modern technology, unfair competition, marketing problems and non-availability of raw materials locally. Thus managerial problems represent the greatest problem facing SMEs in Nigeria while non-availability of raw materials locally is the least problem. The potential and opportunities for SMEs in Nigeria to rebound and play the crucial role in being the engine of growth, development and industrialization, wealth creation, poverty reduction and employment creation are enormous. The realization of this requires a paradigm shift from paying lip service to a practical radical approach and focus on this all-important sector of the economy by the government realistically addressing the identified problems. While SMEs themselves need to change their attitude and habits relating to entrepreneurship development, the governments (Local, State and Federal) need to involve the SMEs in policy formulation and execution for maximum effect. There is also the dire need to introduce entrepreneurial studies in our Universities in addition to emphasizing science, practical and technological studies at all levels of our educational system.

Enock Nkonoki (2010) studied the factors limiting the success and/or growth of small businesses in Tanzania. Nine interviews were conducted which included six small business owners and three officials representing three organizations.

The results obtained identified a number of limiting factors to small firm growth. The author saw it as a merit to group the results into two groups; limiting factors that are internal to the firm (Inadequate education and training, lack of a proper business plan, capital constraint etcetera) and those that are

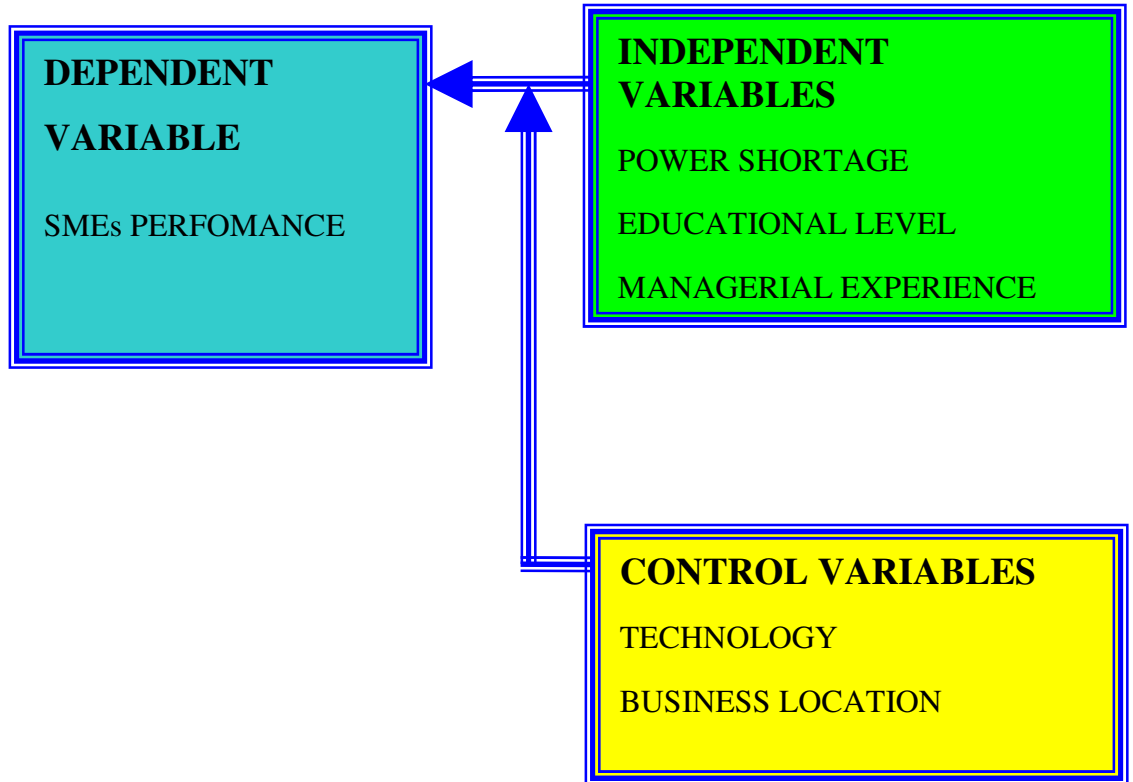
external to the firm (comprising things like corruption, government policy, bureaucratic processes etcetera). The author concludes by making the following main recommendations; firstly a reform of the SME policy by the government, a search of an adequate business education by the small business community and trying to develop services and the maintenance of good relationships with small business owners by other stakeholders like the financial institutions.

Godwin.C.Maleko (2005) Studied impact of electricity services on microenterprise in rural areas in Tanzania. His findings were that in rural areas of Tanzania there were problems and barriers experienced by micro-enterprises in accessing and using electricity services in rural areas. Some of these barriers are due to lack of connection materials like fuses, cables, poles and transformers from electric supply utility, complicated and expensive tariff structure for rural people, illegal connection and vandalism of cables and theft of cooling transformer oil, which result low voltage and fluctuation of power this discourage new customers to apply for connection. He also discussed that even the small number of people who got grid electricity are affected more by power cut. These affect the performance of their businesses and hence decrease their income and some of the end up closing those businesses.

2.3 Conceptual Framework

A conceptual framework is an assembly of a set of research concepts cum variables together with their logical relationships often presented in the form of diagrams, charts, graphs, pictographs, flow charts, organogram or mathematical equations (Nduguru P,C 2007). Below is a diagram that shows the required relationship among the variables in this study.

Figure 2.1: Conceptual framework



CHAPTER THREE

RESEARCH METHODOLOGY

The study considers the impoverishment concept on the analysis of the impact of power rationing to micro, small and medium enterprises. The study will carry the information related to power shortage, productivity, employment, and how people become impoverished.

3.1 Study area

The study area was Dar es Salaam city. The reason for choosing this area for the study was accessibility and the target being SMEs. In addition, Dar es Salaam is one of the regions with many barbershops and salons.

3.2. Unit of analysis

The study covered barber shops and salons in Dar es Salaam, in the districts of Kinondoni, Ilala, and Temeke.

3.3. Sample size and procedure

The study used the probability sampling method, where by the salon and barbershops to be interviewed were randomly selected. The sample size for this study was 110 respondents.

3.4. Data collection and Analysis

The study relied on primary and secondary data sources. The secondary data was collected by reviewing similar studies from other scholars to have clear

understanding of the subject. Direct interviewing Owners of the firms and employees enabled the researcher to collect the primary data.

Statistical Package for Social Science computer software was used to simplify the analysis of data, and furthermore, both qualitative and analyses were used. Descriptive statistics such as mean, percentages, standard deviation and coefficient of variation were used to analyze data. The following regression models was used to analyze the data

$$\text{PER} = \beta_0 + \beta_1 (\text{TECH}) + \beta_2 (\text{BL}) + \beta_3 (\text{ME})$$

$$\text{PER} = \beta_0 + \beta_1 (\text{TECH}) + \beta_2 (\text{BL}) + \beta_3 (\text{EDU})$$

$$\text{PER} = \beta_0 + \beta_1 (\text{TECH}) + \beta_2 (\text{BL}) + \beta_3 (\text{PS})$$

Where:

PER – Performance of small and medium enterprises

TECH – Technology used by small and medium enterprises

BL – Business location of the venture

ME – Management experience of the owner of SME

EDU – Education level of owner of SME

PS – Power shortage affecting the SME

3.5 Research instrument and design

The primary research instrument in this study was questionnaires. The questionnaire was comprised of both open and close-ended questions in order to extract as much information from the respondent as possible.

This study was designed in a way that the interviewed people were randomly selected in the field because power shortages affects firm differently and employs few people. The technique that was used for selection based on all beauty salons and barbershops in Dar es Salaam region. The interviews were conducted using open questionnaire covering socio-economic information to allow people to express their views. Business owners and employees were interviewed. In supporting information obtained from desk review and interview, focus group discussion was carried with the workers in salons.

Also, observation on how the different factors had affected SME's performance were done by visiting their sites, for both licensed and non-licensed enterprises and observation of the number of people employed, type of products they produce and the services they provide.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the findings obtained from the study conducted in Dar es Salaam regional. The aim of making data presentation is to find answers to the research's objective and questions as formulated in chapter one. The main objective of this study was to assess the critical factors affecting the performance of Small and Medium Enterprises (SMEs). The findings have been presented with reference to the study objectives and research questions which were developed by the researcher.

Correlation between dependent and independent variables

An attempt is made here to find the relationship between independent variable and dependent variables used in the models given in the methodology chapter so as to know the direction of the impact of independent variables on the performance of SMEs (PER). For the purpose, Pearson's Coefficient of correlation analysis is applied to find the relationship between the effect of independent variables and SMEs performance (PER). The study analysis and results are presented hereunder objective wise i.e. the relationship between Power shortage (PS) and SMEs performance; Educational Level (EDU) and SMEs performance; Management experience (ME) and SMEs performance.

4.3.1 Relationship between Power shortage and SMEs performance

As stated in review of literature, if power shortage comparatively decreases over a period of time it enables higher performance of SMEs. Hence the expected

relationship should be positive. In addition the relationship between SMEs performance and control variables as well as power shortage and control variables is also calculated. This is because change in power shortage is also impacted by control variables like Business Location (BL) and Technology (TECH). The calculated relationship between these two variables along with control variables is presented in the following table.

Correlation between PS, control variables and PER

	PER	PS	TECH	BL
PER	1.000	0.830	0.705	0.624
PS		1.000	0.686	0.616
TECH			1.000	0.417
BL				1.000

From the analysis of the above table the following observations can be made:

1. The correlation between PS and PER is 0.830 which indicates that decrease in PS is resulting into decrease in PER and vice versa. This is an unexpected relationship.

2. The correlation between TECH and PER is 0.705, which indicates that low technology is associated with poor performance and vice versa. This is as per the expected relationship.
3. The correlation between BL and PER is 0.624, which indicates that highly populated location is associated with high performance and vice versa. This it is as per the expected relationship.

4.3.1 Relationship between Education level and SMEs performance

As stated with other researchers, if education level (EDU) comparatively increases over a period of time it leads to the increasing performance of SMEs. Hence the expected relationship should be positive. In addition the relationship between SMEs performance and control variables as well as education level and control variables is also calculated. The relationship between the independent and dependent variable along with control variables are presented in the following table.

Correlation between Educational Level and SMEs performance

	PER	TECH	EDU	BL
PER	1.000	0.705	0.700	0.624
TECH		1.000	0.862	0.417

EDU			1.000	0.520
BL				1.000

From the analysis of the above table the following observations can be made:

4. The correlation between EDU and PER is 0.7 which indicates that increase in EDU is resulting in an increase in PER and vice versa. This is the expected relationship.
5. The correlation between TECH and PER is 0.705, which indicates that low technology is associated with poor performance and vice versa. This is as per the expected relationship.
6. The correlation between BL and PER is 0.624, which indicates that highly populated location is associated with high performance and vice versa. This it is as per the expected relationship.

4.3.3 Relationship between Management experience and SMEs performance

As stated with other researchers, if management experience (ME) comparatively increases over a period of time it leads to the increasing performance of SMEs. Hence the expected relationship should be positive. In addition, the relationship between SMEs performance and control variables as well as management experience and control variables is also calculated. The relationship between the independent and dependent variable along with control variables are presented in the following table.

Table 6; Correlation of Management experience and SMEs performance

	PER	TECH	ME	BL
PER	1.000	0.705	0.263	0.624
TECH		1.000	0.192	0.417
ME			1.000	0.345
BL				1.000

The results show that there is positive relationship between management experience and SMEs performance. This implies that the number of years someone has in business influences the performance of the business in small parts.

Multiple regressions

In this section, the empirical findings on the relationship between independent variables and SMEs performance were presented. Each of the three independent variables was treated independently along with the control variables. Four regression models were employed and below are the results obtained

Impact of Power shortage on SMEs performance

As the other reviewed researchers' findings stated, if power shortages comparatively increases over a period of time the SMEs performance (PER)

would decrease. Therefore the expected relationship should be negative. The relationship between PER and control variables as well as PS and control variables was calculated using multiple regressions. The calculated relationship between these two variables along with control variables is presented in the following table.

Table 3 OLS Regression estimates on impact of PS on PER

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.086	0.145		0.591	.556		
PS	0.398	0.058	0.540	6.904	.000	0.396	2.525
TECH	0.186	0.104	0.189	1.800	.075	0.220	4.554
BL	0.176	0.075	0.157	2.348	.021	0.541	1.849

The following observations can be made from the table:

1. The coefficient of PS in the regression was 0.398 which implies that an increase in the power shortage is associated with an increase in Salons performance 39.8%. In other way around, when the PS decreases then the Salon's performance (PER) by 39.8%. This is unexpected relationship; unlike most of the study results in Tanzania Salons that increase their marginal profit during power shortage period by shooting high their service prices.

2. The regression coefficient of Technology (TECH) was 0.186, which implies that the use of higher TECH is associated with an increase in performance of Salons by 18.6% and vice versa.
3. The coefficient of Business Location (BL) in the regression was 0.176 which implies that as the population of the Location increases by 1 is associated with an increase in Salon performance by 17.6%. In other way round, when the BL population decreases by 1 then the performance decreases by 17.6%

The ascertained regression equation is:

$$\text{PER} = 0.086 + 0.398\text{PS} + 0.186\text{TECH} + 0.176\text{BL}$$

Impact of Education level on Salons performance

As the other reviewed findings stated; if education level (EDU) comparatively increases over a period of time the Salon's performance (PER) would increase. Therefore the expected relationship should be positive. The relationship between PER and control variables as well as EDU and control variables was calculated using multiple regressions. The calculated relationship between these two variables along with control variables is presented in the following table.

Table 3 OLS Regression estimates on impact of EDU on PER

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF

(Constant)	0.086	0.145		0.591	.556		
TECH	0.186	0.104	0.189	1.800	.075	0.220	4.554
EDU	0.039	0.049	0.085	0.806	.422	0.217	4.608
BL	0.176	0.075	0.157	2.348	.021	0.541	1.849

The following observations can be made from the table:

1. The coefficient of EDU in the regression was 0.039 which implies that an increase in the educational level is associated with an increase in Salon's performance 3.9%. In other way around, when the EDU decreases then the Salon's performance (PER) decreases by 3.9%.
2. The regression coefficient of Technology (TECH) was 0.186, which implies that the use of higher TECH is associated with an increase in performance of the Salon by 18.6% and vice versa.
4. The coefficient of Business Location (BL) in the regression was 0.176 which implies that as the population of the Location increases by 1 is associated with an increase in Salon performance by 17.6%. In other way round, when the BL population decreases by 1 then the performance decreases by 17.6%

The ascertained regression equation is:

$$\text{PER} = 0.086 + 0.039\text{EDU} + 0.186\text{TECH} + 0.176\text{BL}$$

Impact of management experience on Salon's performance

As the other reviewed researchers' findings stated; if management experience (ME) comparatively increases over a period of time the Salon's performance (PER) would increase. Therefore the expected relationship should be positive. The relationship between PER and control variables as well as ME and control variables was calculated using multiple regressions. The calculated relationship between these two variables along with control variables is presented in the following table.

Table 3 OLS Regression estimates on impact of ME on PER

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.086	0.145		0.591	.556		
TECH	0.186	0.104	0.189	1.800	.075	0.220	4.554
ME	0.033	0.057	0.031	0.587	.559	0.847	1.181
BL	0.176	0.075	0.157	2.348	.021	0.541	1.849

The following observations can be made from the table:

1. The coefficient of ME in the regression was 0.033 which implies that an increase in the ME is associated with an increase in the Salon's

performance 3.3%. In other way around, when the ME decreases then the Salon's performance decreases (PER) by 3.3%.

2. The regression coefficient of Technology (TECH) was 0.186, which implies that the use of higher TECH is associated with an increase in performance of the Salon's by 18.6% and vice versa.
3. The coefficient of Business Location (BL) in the regression was 0.176 which implies that as the population of the Location increases by 1 is associated with an increase in Salon performance by 17.6%. In other way around, when the BL population decreases by 1 then the performance decreases by 17.6%

The ascertained regression equation is:

$$\text{PER} = 0.086 + 0.033\text{ME} + 0.186\text{TECH} + 0.176\text{BL}$$



Figure 8: A photo of a person with ten years experience in action in his salon

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.0 Introduction

This chapter aims to discuss the findings based on the study “Assessment of the Factors Affecting the Performance of Small and Medium Enterprises (SME’s)”.

5.1 Discussion of the findings

From the findings in chapter four it can be observed that there is positive relationship between variables. This implies that both independent and control variables affect the performance of small and medium enterprises in a positive way.

It shows that when power shortage increases the number of customers attending the salons increases the researcher was also curious to know what the reasons are for this. It comes out that most of the salons now-a-days are using other source of energy like solar and generators. So when the national grid goes off, the ventures shift to other sources and the one which doesn't have other source of energy are closed up and that's when customers go to those which have energy. Not only that, but also many salons which are near the industrial areas and factories receive many customers during this time because people who are working in those industries and factories are out of their working area when national grid went off so they get ample time for other activities near their working area. It shows that at that time they go out for hair cutting and dressing in salons which have other source of electricity.

CASE, 1:

I was owning and working in the Salon. My salon was for both female and male. I had three assistants, two female and one male. Electricity rationing was disastrous in both income and equipment too. Our dryer was destroyed which reduces our productivity and costs of providing service, as a result, we closed up the salon.

Previous research predicted the limiting factors to small firm growth were divided into two groups; limiting factors that are internal to the firm (Inadequate education and training, lack of a proper business plan, capital constraint etcetera) and those that are external to the firm (comprising things like corruption, government policy, bureaucratic processes etcetera).

The finding shows that educational level affects the performance of the small and medium enterprises and power shortage affects one group of firms which are using poor technology in their day to day activities.

Onugu B.A.N in his study: Problems and Prospects, which were undertaken to find out if the SME sub-sector in Nigeria has performed its critical role of driving the country's industrial transformation and development as it has done in other developed countries; and if not, why, and also to identify remedial measures.

He identifies management education as one of the problems of many Small and Medium Enterprises. In his study he mentioned that many of the owners of the ventures didn't have any experience in business which causes the business to fail to operate properly but they didn't study the management experience as the problem. The study found that having management experience in the field or venture you are dealing with increases your performance but also education is

needed but it is not necessarily management education. Education is a key constituent of the human capital needed for business success. It is argued that education and training provides the basis for intellectual development needed by entrepreneurs in business to be successful. Moreover, they provide the entrepreneurs with confidence to deal with clients. (D.J. Storey 1994). As seen in the study, the educated entrepreneurs showed more promising results in terms of how their business is doing. It is always argued also that business ownership is not an intellectual activity rather entrepreneurship is an opportunity for the less academically successful to earn high incomes. It may even be that individuals with the highest academic attainment are likely to be insufficiently challenged by many of the mundane tasks associated with business ownership (Mike Simpson et al 2004).

Business location and management experience has an impact on the performance of small and medium enterprises and hence lack of it reduces productivity. Enock Nkonoki (2010) studied the factors limiting the success and/or growth of small businesses in Tanzania. In his report he wrote that one of the factors which limit the success of the business is the failure to locate the business in a good business area but in his study he is only concerned about the business environment in terms of availability of raw materials. He didn't mention the availability of customers to purchase those products. In this report the findings shows that the venture which are in areas with large populations receive many customers and hence perform better than those in less populated environment.

It happens that when the venture is located in places where there is high population the performance of that venture is good compared to those found in areas with low populations. The findings shows that the ventures which are located in populated areas have many customers but the findings shows that this

also can be affected by technology used, level of education, management experience and power shortage.

Godwin C. Maleko (2005) Studied the impact of electricity services on microenterprise in rural areas in Tanzania. In his findings he discussed the availability of electricity in rural areas of Tanzania and its challenge. He mentioned that the performance of small and medium enterprises is negatively affected by power cuts. To him when power goes out the ventures which use electricity are not working so they are not producing but this study shows that there is positive relationship between power shortage and small and medium enterprises performance, This implies that when power goes out the performance of small and medium enterprises increases. The reasons behind this scenario are most of the salons which are found in urban areas and big cities now days are using other source of energy like solar and others are using generators. So when national grid went off the ventures shift to other sources and the one which doesn't have other source of energy are closed up that's when customers go to those which have energy. Not only that but also many salons which are near the industrial areas and factories receive many customers during this time because people who are working in those industries and factories are out of their working area when national grid went off so they get ample time for other activities near their working area. It shows that at that time they go out for hair cutting and dressing in salons which have other source of electricity.

Pushpakumari and Watanabe (2010) studied the performance differences and business strategy orientation of small and medium sized Enterprises (SMEs) in two Asian economies. The results indicated that the performance of SMEs varies with the choice of strategy orientation that owner-managers adopt. In this

scenario they mentioned that management experience is not necessary for the venture to perform better and attain the venture's goals and objectives. This study finds that the business firms whose owners have more experience in managing the business have higher performance compared to the others whose managers or owners don't have experience in the business.

They also mentioned the technology used in production by small and medium enterprises doesn't affect its performance. Instead, the commitment of the workers to what they perform day to day activities for the ventures success but the findings from this study show that the higher the technology the more the venture is performing.

CHAPTER SIX

SUMMARY, RECOMMENDATION AND CONCLUSIONS

6.1 Introduction

This chapter is divided into three main parts. The first part gives the summary of the research findings and discussions and the second part gives recommendation and the last part is conclusion based on the results of the findings and discussion.

6.2 Summary

In reducing poverty, productivity and employment are the key element in poverty reduction strategies in sub Saharan African economies since they are characterized by generalized poverty. The decline in labour productivity cannot increase per capita income even employment opportunities declines too. The SMEs are the major source of employment to many Tanzanians.

From the findings and discussion above, the performance of small and medium enterprises have a positive relationship with power shortage, business location, management experience, level of education of the owners and management experience of the owners and their managers. This tells us that when these variables increase the number of customer attending those SMEs also increases and vice versa.

6.3 Recommendation

It is very important for the small firm community to get proper guidance and support in order for their particular businesses to grow. But to do that the small firm community (private entrepreneurs and companies) has to do the following;

Seek first an adequate knowledge of business before rushing into doing any kind of business idea they have. Small business owners can do this by enrolling into training programs and courses on business administration conducted by various educational institutions in the country like Mzumbe, UDBS,CBE and IFM just to name a few. Also there are a number of training programs on small business management subsidized by the government run by organizations like SIDO, BIT and TCCIA. Furthermore apart from undertaking courses and training, small firm owners can first acquire experience in running a business by working first in a similar line of business for a number of years before establishing their own businesses. They should also try to work with what best suits them and their personalities as this will ensure good motivation and drive making their own businesses a success. Training and education will motivate and strengthen small business owner's views of running successful businesses while equipping them with adequate business knowledge. This will eliminate the problems of lack of education and training, lack of motivation and drive, lack of background and experience, improper record keeping and business plan unawareness as raised by the business owners in response to the questions posed about the issues.

In addition, they should reform unions or organizations that are active in looking after their rights and address to their needs to appropriate authorities. These reformed unions or organizations should work under government 'watch-dogs' like the PCCB to ensure transparency, efficiency and effectiveness of their

activities. This will ensure that the small business communities have a common voice concerning problems, challenges and issues that affect their respective business growth progress.

The government as it is plays a major role in promoting growth of small firms. In order to obtain good results in doing this the government should; First, make a major reform on SME policy which will harness the breeding environment for small firms to grow. This can be by reducing corporate taxes charged to small firms, reducing fees for registering small firms etc. Government policy constraints would be curbed to a large extent if these reformed policies are implemented in the economic system and they are non-discriminatory and non-exempted to some big wigs in the country. As an example, there have been cases were some firms owned by politicians and other well-known figures, being exempted from business license fees, taxes and so on. This is not a fair policy, which in turn makes the ordinary tax payers to avoid these statutory fees and taxes.

Secondly, the government should concentrate on creating macroeconomic framework that firstly promote products that are produced locally and also which is suitable for encouraging the small firms to grow. This can be by creating government schemes which support special types of firms or the central bank's special packages for SME's working within a particular industry for example technology/science or agriculture. Also by imposing tariffs on goods imported from abroad which compete with products that are produced locally. In addition to this is the corruption policy which is a major constraint to many small firms

Thirdly, the government should invest in research and development so as to explore what can be done to improve the small firm's situations either by looking into what other developing countries have done or by coming up with new ideas. This in general will help in improving the challenges faced by small businesses in the country

Lastly the government should develop parastatal organizations which oversee activities of small firms and address to their problems. These organizations will provide financial assistance, information/advice and also conduct training courses for small firms. If these are adhered to by the government, it is a good starting point for the small firms to start growing rapidly as the grounds for growth are improved.

6.4 Conclusion

Having identified some of the challenges facing SMEs in Tanzania, we prescribed some strategies that the government, its agencies of the SME's responsible for SMEs, and SMEs themselves may adopt. The government should play a leading role in educating SME practitioners on the incentives available to them and how to access them. These incentives should be delivered through an establishment that really cares for the success and sustainability of SMEs in the country. On the other hand, SMEs in Tanzania should not totally rely on government agencies; they should attempt to find their own path of progress by relying on strategies which allow them to access new markets, increase their revenue and expand their customer base. First, SMEs facing challenges arising from a more integrated and liberalized world (for example

from AFTA, or the ASEAN-China free trade agreement), should consider networking and forming strategic alliances as viable options.

Not only that but also the government should make sure that there is reliable availability of electricity. Power shortage favors only a small group of SMEs which have modern technology and not the majority.

The mentioned and discussed factors affect the performance of small and medium enterprises but there are other factors which can be categorized as internal and external factors which other researchers can study in this area.

The internal factors include workers' behavior, business fund management and proper financial control of the business. The external factors include government support, many taxes, lack of credit, national policy and regulatory environment, scanty markets information and many others. This area needs to be researched so that we can get the clear picture of what the factors are which really are the main cause of poor performance of small and medium enterprises.

The government must see the effort of her people in their daily activities and help them to secure good working environment for them to attain their business goals. The government should remove the taxes on other source of energy like generators and solar equipment which will help in making sure that all the business ventures afford to buy other sources of energy for their firms and stop relying only on hydroelectric power.

The government of Tanzania must empower Small Industries Development Organization to be able to introduce as many short time courses as they can for owners of the business and their workers so that they will increase their business understanding and help them to go hand in hand with the fast growing science and technology.

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APPENDIXES

QUESTIONER

SOCIAL DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Please circle the appropriate answer

Saloon/ barber shop

1. Sex 1) Male 2) Female
2. Location of the business
 - a. Populated
 - b. Medium population
 - c. Crowded population
3. What is your age group? (Owner/manager)
 - a. 18-25 Years
 - b. 26-35 Years
 - c. 36-45 Years
 - d. 46-55 Years
 - e. 55 and older
4. Nature of ownership (single, family, cooperate).....
5. Is your business registered? 1) Yes 2) No

POWER SHORTAGE ON SMALL AND MEDIUM ENTERPRISES PRODUCTIVITY

6. How do you rate the quantity/ quality of the electricity services you are using in terms of
 - b) Reliability (i) bad (ii) average (iii) good (iv) excellent
 - c) Affordability (i) bad (ii) average (iii) good (iv) excellent

- 7. Is the enterprise share the electricity bill with household? 1) Yes 2) No
- 8. Please give reason for your answer above;
- 9. Have you ever been affected by power shortage?

a) In the past 1) Yes 2) No

b) To date 1) yes 2) No

10. If yes how did/ do you cope with the situation in terms of;

a) Alternative sources of energy.....

b) Working hours.....

C) Customer charges.....

11. What can you say about operation cost during power rationing?.....

.....
.....

12. How does it affect productivity in general?

.....
.....

CUSTOMER CARE AND SMES PRODUCTIVITY

13. On average how many customers can you receive per day?.....

- a) Shaving the beard
- b) Adults
- c) Children

14. what strategy are using to attract customers?.....

15. How do you rank yourself on the number of customers you receive around this area a) First b) middle c) last

16. What do you think is the reason for this

17. What type of modern tools/technology are you using in your business to keep it up to date and competitive in line with the existing technological era?.....

Observation to be made;-If the saloon has partition for males and females, cleanliness; if their uniforms, gloves, males and females attendants.

EDUCATION LEVEL TO THE SMES PRODUCTIVITY

18. What is your level of education

- a. Primary school drop out
- b. Standard seven leaver
- c. Secondary school drop out
- d. Form four leaver
- e. High school
- f. University or collage education

19. what criteria are using in recruiting your employees

- a) Education related to the industry

a) Experience working in the industry

c) Both education and experience

20. Others.....(please mention)

21. Do you think there is relationship between education level of your employees and their performance?1.)Yes 2.)No

22. Please give reason for the answer in 21) above.....
.....
.....

MANAGEMENT EXPERIENCE AND SME PRODUCTIVITY

23. What is your level of education and experience in line with the business you are in?.....
.....
.....

24. . How many years do you have in this business?

0 < 2 Years

2 < 5 Years

More than 5 Years

25. Do you think there is a relationship between management experience and the performance of your saloon/ barber shop?.....
.....
.....

26. What are the challenges you come across within your line of business?
.....
.....
.....