

**CONTRIBUTION OF MICRO AND SMALL FOOD PROCESSING INDUSTRIES IN
POVERTY REDUCTION IN TANZANIA: A CASE OF SIDO, MWANZA**

**CONTRIBUTION OF MICRO AND SMALL FOOD PROCESSING INDUSTRIES IN
POVERTY REDUCTION IN TANZANIA: A CASE OF SIDO, MWANZA**

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**A Thesis Submitted to School of Business in Partial Fulfilment of the requirements of the
Award of Master of Business Administration (Corporate Management) degree 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 dissertation entitled **Assessment on the contribution of Micro and small food processing industries in poverty reduction in Tanzania: A Case Study of SIDO, Mwanza city**, in partial fulfilment of the requirements for the award of Master of Business Administration degree of Mzumbe University.

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DECLARATION

I, Jacqueline Nehru Yondani declare that the contents of this thesis are the results of my own work and that to the best of my knowledge it has not been presented either for an award of the master of business administration or any other profession in any university or higher learning institution. And it should not be reprinted or copied without the permission of Mzumbe University.

Signature.....

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DEDICATION

This work is dedicated with much love and appreciation to my lovely and caring husband, Mr. Raymond Elias Nzali, who sacrificed a lot of things to encourage and support me during studies. I also dedicate this work to my lovely daughter, Hertha Raymond Nzali who missed my love and care during my studies.

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ABREVIATION

GDP: Growth Domestic Product

ILO: International Labour Organisation.

MSE: Micro and small enterprises

REPOA: Research on poverty alleviation

SIDO: Small Industries Development Organisation

SME: Small and medium enterprises

SPSS: Statistical Package for Social Science

TASAF: Tanzania Social Action Fund

UN: United Nations

URT: United Republic of Tanzania

US\$: United States dollar

WHO: World Health Organisation

ABSTRACT

For many years, poverty has been a problem in Tanzania. Unemployment in Tanzania has made poverty rate to decline in a very small level. Knowing that, the government through its organisation known as Small Industries Development Organisation (SIDO) made efforts to encourage and promote entrepreneurship especially through establishment of micro and small industries so as to reduce poverty. The government also made some policies such as the SME policy with the same intension as elaborated above. The aim of this study is to assess the contribution of micro and small food processing industries in poverty reduction in Tanzania and the study was conducted at SIDO Mwanza regional office.

The study's objectives were as follows, to identify operations of micro and small food processing industries operating in the economy of Tanzania, to assess the contribution of micro and small food processing industries in poverty alleviation in Tanzania and to identify the strategies for improving the contribution of micro and small food processing industries in poverty reduction in Tanzania.

The population of the study involved 4 staffs from SIDO (who are concerned in entrepreneurial aspects such as the Manager, Credit Officer, Business Development Officer and Technical Officer). The study also involved 60 micro and small food processors who receive services from SIDO in one way or another. Sampling techniques involved in the study are purposive, random and convenient sampling. The techniques for data collection included questionnaires, interviews and observation. Qualitative data were analysed using content analysis and elements coded accordingly for analysis and presented. The data collected were all analysed using basic mathematical calculations that were presented in tabular, pie chart and bar chart forms.

Study findings reveal that, income generation, improve living standard, employment creation and source of government revenue are the contributions of micro and small food processing industries to food processors, the government and the society at large. The contributions are as a result of availability of resources such as water, electricity, raw materials, employees and other resources in these industries. Also the contributions are resulted by proper utilisation of the services offered to entrepreneurs by SIDO. These are such as trainings, advisory and consultancy

services, marketing and information services, technology development services and financial services offered to entrepreneurs.

In the context of recommendations, the researcher recommended that the government should restructure and strengthen policies that favour and support micro and small entrepreneurs. Financial institutions should fully support entrepreneurs whenever they need credits for their businesses. And also entrepreneurs should understand that doing business is not all about money, rather it is about being ready to learn and understand business terms that may develop their knowledge and skills on entrepreneurial matters. Also dealing with entrepreneurs should not be the government task only but other investors should also support and promote micro and small food processing industries that operate in Tanzanian economy. Generally, the government is the central support of almost everything concerning micro and small industries. But other organisations are also encouraged to support entrepreneurs without waiting for the government. Reduction of poverty in Tanzania is the responsibility of every Tanzanian.

CHAPTER ONE

BACKGROUND OF THE STUDY

1.0 Introduction

This chapter presents background of the problem, statement of the problem, research objectives and research questions, significance of the study, scope of the study and limitations of the study.

1.1 Background of the study problem

Tanzania is among the least developing countries which still struggle to eradicate extreme poverty to its citizens. From a broader perspective, poverty is defined as “the state of being extremely poor” and is understood by many to mean the lack of basic necessities such as food, clean water, shelter, healthcare, and primary education (*World Bank* 2013).

Per capital income in Tanzania is estimated to be \$ 250 per annum when the country population is about 45 million people. The World Bank (2013) reveals that, Tanzania’s economic growth is driven by a number of industries predominantly located in the cities, in the communication, transportation, construction and retail trade sectors. The country’s Household budget survey shows that 12 million Tanzanians are still trapped in poverty today. At least 4.2 million of these constitute the extreme poor for whom life means constantly choosing between difficult options, such as keeping the eldest child in school or pulling her out of class permanently to help grow more food in the family farm. Without access to targeted safety nets, most extreme poor households in Tanzania depend on their relatives or use other social ties to survive in times of hardship (Dongier 2013).

According to the World Bank (2013), the developing countries including Tanzania has already attained the first Millennium Development Goal (to eradicate extreme poverty) target to cut the 1990 poverty rate in half by 2015. The 1990 extreme poverty rate - \$1.25 a day in 2005 prices – was halved in 2010, according to new preliminary estimates. 1.22 billion People lived on \$1.25 a day in 2010, compared with 1.91 billion in 1990 and 1.94 in 1981. Notwithstanding this achievement, even if the current rate of progress is to be maintained, some 1 billion people will still live in extreme poverty in 2015. In some developing countries, we continue to see a wide

gap between the rich and poor or between those who can and those who cannot access opportunities. That means access to good schools, healthcare, electricity; safe water and other services remain elusive for many people who live in growing economies.

Tanzania's real GDP recorded an average growth rate of about 7 percent over the period of 2001 – 2010. Growth slowed down in 2009 to 6.0 percent, largely due to the sharp deceleration of the global economy. However, it bounced back to 7 percent in 2010. The sectors that recorded growth rates of more than 10 percent in 2010 were Communications, (22.1 percent), followed by Construction, Electricity and Gas (10.2 percent) and Financial Intermediation (10.1 percent). In 2010, the sectors with the largest contribution to GDP growth were Trading and Repairs, Agriculture, Manufacturing and Real Estate and Business Services.

Moreover, the economy depends heavily on agriculture, which accounts for more than one quarter of GDP, provides 85% of exports, and employs about 75% of the work force (Government Portal Content Committee 2013).

Efforts have been made by the government and other stakeholders since 1961 by identifying three enemies of development that is poverty, ignorance and diseases and then embodied them in the vision of Arusha Declaration as part of struggle to emancipating Tanzanians from the yoke of underdevelopment, where as different sector policies and programmes were prepared to assist these efforts. For instance, the government of Tanzania is committed in the development of small scale business through Small Industrial Development Organisation (SIDO), which gives small grants to people who wish to carry out such small businesses. However it is generally acknowledged that informal sector is playing an important weapon of fighting against poverty not only in study area but also the country at large. Labour force survey (1991) reported that, informal sector is the employer of last resort evidence. In addition, informal sector accounts for substantial and increasing share of urban employment in most of the developing countries depending on informal activities for their livelihood.

Countries which have succeeded in reducing poverty through micro and small industries are such as India. In India micro and small industries play a vital role in the growth of economy. Micro and small industry has a 40 percent of share in industrial output, producing over 8000 value added products. They contribute nearly 35 percent share in direct export and 45 percent in

overall export from the country. They are the ones of the biggest employment providing sector after agriculture providing employment to 28.28 million people. (Abhilash 2013)

Countries like South Korea, Taiwan and China have developed not by suddenly perfecting their institutions, but by coming up with policies that overcame market obstacles that their investors faced in modern tradable industries. Almost all governments use industrial policy in practise to reallocate public resources to specific economic actors whether or not they explicitly recognise it as such. Provision of tax incentives to foreign investors and the establishment of Export Processing Zones are some common examples in SSA, as in the case of Tanzania for example (World Bank, 2005a).

Poverty impacted major problems in Africa which include hunger. People do not have sufficient income to purchase enough food. Conflicts and drought, for example, are certainly important causes of hunger, but the most typical situation is that people just do not have enough income to purchase food that they require to sustain their life.

According to Somavia (2012), the principle route out of poverty is work. Building that route requires harnessing of the unique power of governments, employers and workers, all of them working together globally and especially at the national level to bring progress and hope to our societies.

1.2 Problem Statement

For many years, poverty has been a problem in Tanzania. Poverty has impacted individual MSEs as well as the national economy at large. The 2007 poverty estimates indicated significant economic growth since 2000/01 had not translated into income poverty reduction. The proportion of the population below the basic needs poverty line declined only slightly from 35.7% in 2000/1 to 33.6% in 2007, and the incidence of food poverty fell from 18.7% to 16.6% over the same period. Poverty rates were highest in rural areas; the overwhelming majority (74%) of poor Tanzanians remained primarily dependent on agriculture. Since 2007, growth has more or less continued at the same pace except with a slight dip as a result of the global financial crisis. Based on past trends and with a slight slowdown in the growth rate, it is likely that the poverty reduction target under MKUKUTA I was not met and the country is off track in meeting the Millennium Development Goals target of poverty reduction by 2015.

In response, the second phase of MKUKUTA (2010-2015) seeks to accelerate the reduction of income poverty by adopting an inclusive growth strategy focused on productivity gains and decent employment which can be contributed by the small and medium industries.

According to the URT (2013), poverty has caused the Tanzanian citizens to miss the opportunities to get basic needs, good education, health facilities, clean water and sanitation and electricity hence hinders the development of the country. Poverty has also caused the country to depend on aids and loans from other countries which sometimes are provided with high interest rates and therefore increase the burden to the citizens. The Tanzanian government does not get high revenue because people are poor and therefore they cannot contribute fully to the government revenue.

URT proceed that, due to poverty, the individual MSEs have not been able to advance the technology they use in their industries since they do not have enough capital to run their businesses as well as to cope with the modern technology as other countries are doing. MSEs fail to employ the educated employees since they fear of paying them with high salaries while they do not have such amounts to pay them. Also individual MSEs fail to produce in better qualities that may be marketed in international markets. This is because they do not have enough capital for that.

If the above impacts are not solved, then there may not be any reduction of poverty in Tanzania since the impacts may continue affecting individual Tanzanians and the national economy at large.

In Tanzania there are many strategies imposed by the government so as to reduce poverty and even eradicate it. These strategies are such establishment of Small Industries Development Organisation (SIDO) in 1973. The introduction of the Poverty Reduction Strategy Paper (PRSP) in 2005 and the second in 2010, which aims at reducing poverty in Tanzania these papers, are prepared by member countries in broad consultation with stake holders and development partners, including the staffs of the World Bank and the IMF. Updated with annual progress reports, they describe the countries macroeconomic, structural and social policies in support of growth and poverty reduction, as well as associated external financing needs and major sources of financing (IMF country report of January 2011).

Another strategy is the introduction of SME policy. The policy introduced with the aim of encouraging small and medium enterprises in doing their business through making conducive environment for them to get loans. It has been designed to revitalize the sector to enable it contribute to the objective of the national development vision 2025 and creating a mechanism to put in place an effective institutional framework for its implementation, coordination, monitoring and evaluation. The ultimate objective is attaining rural industrialization in line with poverty reduction strategy and the vision 2025 (SME Development Policy 2002).

The government of Tanzania is taking measures to introduce a comprehensive social protection program to the country which is managed by TASAF. Scaling up the existing condition cash transfer program to achieve the national coverage could result in real, significant improvements to the quality of life of the Tanzania's poorest citizens, potentially facilitating transformation in their lives that could allow them to escape the poverty trap. The program will cost approximately \$250 million per year, equivalent to approximately 2.5% of the government's budget. This is a significant expenditure but one that would be justified for a program that is potentially transformative (World Bank 2012).

1.3 Objectives of the study

1.3.1 Main Objective

The main objective of this study was to assess the contribution of micro and small food processing industries in reducing poverty in Tanzania.

1.3.2 Specific Objectives

- i. To identify the operations of micro and small food processing industries operating in the economy of Tanzania.
- ii. To assess the contribution of micro and small food processing industries in poverty alleviation.
- iii. To identify the strategies for improving the contribution of micro and small food processing industries in poverty reduction.

1.4 Research questions

- i. What are the operations of micro and small food processing industries operating in the economy of Tanzania?
- ii. Is there any contribution of micro and small food processing industries in poverty alleviation?
- iii. Are there any strategies for improving the contribution of micro and small food processing industries in poverty reduction?

1.5 Significance of the study

- i. Since poverty is a major problem in Africa and mostly in Tanzania, then this study analysed the contribution of micro and small food processing industries in reducing poverty to Tanzanians especially the poor. Hence the Tanzanians who still suffer due to poverty will understand the ways which may help them reduce poverty or eradicate it completely either through being employed in micro and small food processing industries or establishing their own industries.
- ii. If more Tanzanians will have success through micro and small food processing industries then the government will encourage and put more efforts in making sure that more micro and small food processing industries are established so that Tanzanians can improve their living standards through being employed in those industries, owning the industries and so forth.
- iii. This will then be a good opportunity for policy makers since the policy makers will make good policies and strategies which will be encouraging Tanzanians to establish more micro and small food processing industries and also the policies which will simplify the ways of getting loans as capital for those who will be interested in establishing and even developing micro and small industries.
- iv. If micro and small food processing industries will give out a positive result, then it will be a good chance for the government to allocate more funds in this sector and encourage more people to join in those industries so as to reduce the level of poverty in Tanzania.

1.6 Scope of the study

The study was undertaken at SIDO in Mwanza city. Mwanza city is the second largest city in Tanzania. Main concern was on micro and small food processing industries that work With SIDO Mwanza especially those within Nyamagana and Ilemela districts.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This part presents theoretical literature review, empirical literature review and the conceptual framework of the study.

2.1. Terms and concepts

2.1.1. Definition of poverty

Poverty occurs when a person or group of people suffers from lack of the essential resources for minimum standards of well being and life, like material resources such as food, clothes and shelter. Also they may be social resources such as access to information, education, health care, social status and political power. According to the United Nations there are two kinds of poverty, absolute poverty and relative poverty. The absolute poverty is measured by poverty line which is the minimum level of income in a given country. The common understanding of poverty line is significantly higher in developed countries than in developing countries. The common international poverty line has been roughly US\$ 1 a day. Relative Poverty is a condition of having fewer resources or less income than others within a society or country or compared to worldwide averages.

According to Mtatifikoh (2012), poverty is defined as "the state of being extremely poor" and is understood by many to mean the lack of basic necessities such as food, water, shelter, healthcare, and primary education.

2.1.2. Poverty reduction

Matthew (2009) argues that, "poverty reduction is often used as a short hand for promoting economic growth that will permanently lift as many people as possible over poverty line".

Poverty reduction describes the strategies to eradicate poverty. It is any process which seeks to reduce the level of poverty in a community, or amongst a group of people or countries. Poverty reduction programmes may be aimed at economic or non economic poverty. Some of the popular methods used are education, economic development and income redistribution. (www.wiser.org)

2.1.3. Meaning of micro and small industries

Micro and small industry means an industry where the creation of products and services is home-based rather than factory based. While products and services created by cottage industry are often unique and distinctive given the fact that they are usually not mass produced, producers in this sector often face numerous disadvantages when trying to compete with much larger factory-based companies. Revealed by Coolrahul, (2011)

According to Kessy and Urio (2006), MSEs can be defined as a productive activity either to produce or distribute goods and or services, mostly undertaken in the informal sector. The Tanzanian government define MSEs according to sector, employment size and capital investment in machinery. A micro enterprise is one with less than five employees. A small industry in Tanzania includes those industry which engage 5 to 49 people and the capital above 5 millions up to 200 million Tanzanian shillings. This is according to the (SME policy of Tanzania of 2002). But the definition of micro and small industry differs from country to country depending on the level of development of the country. Parker (1995), the business firms were stratified according to type. In European Union, SMEs is defined by looking three things, the head count, annual turnover and an annual balance sheet. Micro enterprises are those with head count of less than 10, an annual turnover of less than 2 million Euros and an annual balance sheet of less than 2 million euro. Small enterprises are those with head count of less than 50, an annual turnover of less than 10 million Euros and an annual balance sheet of 10 million Euros. Medium sized enterprises have head count of less than 250, an annual turnover of less than 50 million Euros and an annual balance sheet of less than 43 million Euros (European commission, 2005:14).

Micro, Small and medium –sized enterprises (SMEs) play a central role in the European economy. They are the major source of entrepreneurial skills, innovation and employment. In

enlarged European Union of 25 countries, some 23 million SMEs provide around 75 million jobs and represent 99% of all enterprises (European commission, 2005:5).

Industrialisation has long been considered the substance of economic development: producing new goods with new technologies and transferring resources from traditional activities to new ones Limbs and Wacziarg, (2003). Industrial policy is therefore more than a narrowly defined group of policies focusing on industrialization, but is a set of policies to stimulate specific economic activities and promote structural economic change Rodrick, (2007).

2.2. Theoretical literature review

2.2.1. Factors contributing to poverty in Tanzania are;

According to the URT (2012), the factors contributing to poverty in Tanzania are as follows,

- i. Unemployment that leads to lack of money.
- ii. Poor education.
- iii. The willingness of the government to give full pledge poverty, raise the cost of living and hence making the people poor.
- iv. Lack of access to birth control methods.
- v. Lack of work opportunities that cause the talented people drive away leading to brain drains.
- vi. Poor health and education that affects productivity.
- vii. Farmers and pastoralists wars

2.2.2. How to reduce poverty

According to Yunus, (2007), poverty is a long lived problem in this world. As we all can see people are still struggling to live, especially in the rural areas. In the developing countries, third world and even developed countries, poverty is still a big issue and discussions regarding it, is never ending (how can we reduce poverty level is still a big issue).

While free market capitalism is thriving globally almost unopposed now and bringing unprecedented prosperity to many, half of the world is living on 2 dollars a day or much less.

Eradication of poverty remains the biggest challenge before the world. Colossal social problems and deprivations, mostly poverty-related and very unevenly distributed around the globe, continue to shame us every day.

Yunus, (2007), proceeded that, obviously the free market has failed much of the world. Many people assume that if free markets cannot solve social problems, governments can. After all the government is supposed to represent the interests of society as a whole. But decades and even centuries of experience has shown that while government must do its part to help alleviate our worst problems, it alone cannot save them.

Landes, (1998), elucidates the reasons why some countries and regions of the world experienced near miraculous periods of explosive growth while the rest of the world stagnated. He compared the long term economic histories of different regions of the world. In addition he gives substantial credit to such intangible assets such as culture and enterprise in the different societies he examines in order to explain economic success or failure.

Sachs, (2005) argues that, “extreme poverty is defined by the World Bank as incomes of less than one dollar per day. Can be eliminated globally by the year 2025, through carefully planned development aid”. Sachs presents the problem as an inability of very poor countries to reach the bottom rung of the ladder of economic development, once the bottom rung is reached, a country can pull itself up into the global market economy, and the need of outside aid will be greatly diminished or eliminated.

According to the World Bank’s score card (2012), in Sub-Saharan Africa, the region with the most recalcitrant poverty is finally experiencing a notable decline from 58 percent 1999 to 49 percent 2010. Economic growth and hence market economy is vital. Africa’s poverty is declining in part because its growth rate picked up from 2.3 percent per year during the lacklustre years of 1990-2000 to 5.7 percent during 2000-2010. Without economic growth, there cannot be sustained gains in income, health and other areas. Continued progress depends on heavy investments in major infrastructures such as water, electricity and waste management. And these in turn depend on large scale private financing, hence a sustainable market framework.

According to Sachs, (2013), anti-market sentiment is not friendly of poverty reduction. But neither is free market fundamentalism. Economic growth and poverty reduction cannot be achieved by free markets alone.

Implicit in Singer's, (2009), argument for helping others is the idea that you know how to do it. The moral imperative to ruin your suit is much less compelling if you do not know how to swim. This is why, (Singer) takes the trouble to offer his readers a list of concrete examples of things that they should support, regularly updated on his Web Site.

Kristof and Dunn (2010) reveal that, talking about the problems of the world without talking about some accessible solutions is the way to paralysis rather than progress.

This is why it is really helpful to think in terms of concrete problems which can have specific answers, rather than foreign assistance in general; "aid" rather than "Aid". To take an example, according to The World Health Organisation (WHO), malaria caused almost 1 million deaths in 2008, mostly among African children. One thing we know is that sleeping under insecticide-treated bed nets can help save many of these lives. Studies have shown that in areas where malaria infection is common, sleeping under an insecticide-treated bed net reduces the incidence of malaria by half. What then is the best way to make sure that children sleep under bed-nets.

2.2.3. The role of small industries in poverty reduction

Green (2006:1018) investigated the role of micro and small enterprise (MSEs) development in contributing to poverty reduction and the general achievement of millennium development goals. For example, it has been argued that a dynamic and growing MSE sector can contribute to the achievement of a wide range of development objectives, including, attainment of income distribution and poverty reduction (DIFD 2000), creation of employment (Daniels 1999), provision of the seedbed of industrialization (World Bank 2004) and production of goods and services that meet the basic needs of the poor Cook and Nixson (2005)

Green et al (2006:1022) reveal that a crucial link between financial development and poverty reduction is through the growth of MSEs. Inadequate access to credit and other financial services from formal financial institutions has long been recognised as a constraint on the expansion of

the MSE sector. In response to what is seen as a failure of the market to provide small firms with adequate access to external finance, significant resources continue to be channelled into the financing of the MSE sector in developing countries.

The promotion of MSEs is one of the policy strategies for achieving national development goals such as poverty reduction, economic growth, increasing people's participation in economic activities, employment creation and income generation. It also includes strengthening the industrial base and a number of other socio-economic objectives. Tolentino, (2005) reports that the potential socio-economic benefits of MSEs are attributed to their capacity to achieve the following: create jobs at low investing cost, contribute significantly to the economy by increasing output of goods and services and improve linkages between economically, socially and geographically diverse sectors.

The World Bank and other development experts have tried to examine the potential for job creation and other benefits from small industries and to look for ways to assist financially and by other means. It has been argued that small enterprises can create more jobs per unit of capital invested and have more intimate contact with the poor. Based on these arguments developing countries have been encouraged to change their national policies and procedures in favour of the development of small industries (Dachi M.S 1992).

Focusing on job creation, entrepreneurship and promotion of small and medium enterprises can reduce poverty and boost inclusive and sustainable industrial development across Africa continent (UN report, 2013).

Poverty and welfare of the people in the world today has become a pre-occupation in the policy discourse of international bodies and in interventions of the civil society. A lot of work has been done in research, policy formulation and in launching of global, regional and local level programmes aimed at reducing poverty (REPOA 2004). In spite of the fact that for the past three decades, poverty reduction has been the country's policy agenda, almost half of the population live below poverty line of less than USD 1 per day and over a quarter are poor people (Msangi 2002). With a GDP per capital of about USD 40 per annum incomes and consumption of many Tanzanians are too low to meet the best minimum requirements of life. Consequently, makes Tanzania to be one of the poorest countries in the world (*PRSP 2002*).

2.2.4. Problems faced by micro and small food processing industries in Tanzania

Despite its contributions to income and employment creation, generally MSEs in Tanzania are currently faced with a lot of problems (Calcopietro and Massawe 1999).

In determining barriers to MSEs growth, rural program on Enterprise Development (RPED) surveys found two levels of constraints facing MSEs in Tanzania: those acting as barriers to general operations and those impeding growth. The report concludes with a list of factors impeding the development of MSEs as follows,

- i. Lack of access to credit,
- ii. Low education level of entrepreneurs,
- iii. The lack of managerial, marketing and production skills, and
- iv. Regulatory constraints stemming from the difficulty of obtaining legal status.

2.2.5. Theories of poverty

2.2.5.1. Individualistic Theories of poverty

Rainwater, (1970:16) critically discusses individualistic theories of poverty as a moralizing perspective and notes that the poor are afflicted with the mark of Cain. They are meant to suffer, indeed must suffer because of their moral failings. They live in a deserved hell on earth. Rainwater goes on saying that, it is difficult to overestimate the extent to which this perspective under girds our visions of poverty, including the perspective of the disinherited themselves.

According to Assen (2002:29-3), a less widely critiqued version of individualistic theory of poverty comes from American values of individualism. The Horatio Alger myth that any individual can succeed by skills and hard work, and that motivation and persistence are all that are required to achieve success.

2.2.5.2. Cultural theory of poverty

According to Lewis and Farge (1959), the cultural theory of poverty explains the persistence of poverty as a product of the culture of poverty. The culture of poverty presupposes that the poor

has unique characteristics always cause them to be trapped by poverty. That is a set of values are transmitted through the process of socialization and have become the sub cultural determinants of the lower social economic status of the poor and this leads to a vicious cycle of poverty.

2.2.5.3. System theory of poverty

In terms of system theory of poverty, politically progressive thoughts attribute the cause to inequalities perpetuated in political, economic and social systems. According to the theory, poverty can occur among certain segments of the population due to discrimination and systems that make it very difficult for the segment to cope. Some of it occurs as a result of poor infrastructure in certain geographic areas. The quality of education may be poor or inadequate in certain regions, which puts those citizens at a disadvantage when it comes to securing higher paying, skilled jobs. www.academia.com (04 February 2014).

2.2.5.4. Cyclical theory of poverty

Cyclical theories of poverty combine both system and individual forces to explain why certain groups remain disadvantaged. www.academia.com (04 February 2014).

Several studies have supported the role of small businesses in economic growth, job creation and poverty alleviation. Gebremariam et al (2004) demonstrated a positive relationship between small businesses and economic growth. Furthermore, they found that the strong relationship also existed between the incidence of poverty, small business and economic growth. Beck et al (2003), found that, while small businesses were a characteristic of fast growing economies, cross country analysis did not support the view that small business exerted a causal impact on long run growth, a significant relationship between small industries and poverty reduction did not exist. Specifically they found that the size of SME sector was not associated with the income levels and growth of the poorest quantile of society, the percentage of the population living below the poverty line, or the poverty gap.

In this section, the researcher will use the system theory of poverty in the study as already being elaborated above.

2.3. Empirical literature review

In the study conducted by Kessy and Urrio (2006), on contribution of microfinance institutions on poverty reduction in Tanzania. The researchers covered four regions in Tanzania which are Dar es Salaam, Zanzibar, Arusha and Mwanza. Data were collected in 352 MSEs and interviews were conducted at PRIDE as a concerned microfinance institute. The study findings pointed out that to large extent microfinance operations in Tanzania has brought positive changes in the living standard of people who access their services, clients of microfinance institutions complained of high interest rates charged, the weekly meeting was pointed out as barrier as time spent in a weekly meeting could be used to other productive activities. The study recommended the microfinance institutions to lower their interest rate, increase grace period and provide proper training to MSEs.

Wanzirai, (2011) assessed the community conditions that facilitate implementation of participatory poverty reduction strategies. The findings showed that inadequate skills and organisational levels limited the ability of communities to fully utilize protected areas as poverty reduction initiatives. Key determinants of community participation were the ability to mobilize and also to undertake detailed analysis of local situation. Community mobilization depended on the relationship between the mobilizing agent and the community, social cohesion and gender.

The study conducted by Mnenwa and Maliti in 2005, on assessing institutional framework for promoting the growth of MSEs in Tanzania. The researchers used a sample of 136 respondents in Dar es Salaam. Among them are micro and small enterprises, microfinance institutions, government agencies, government ministries, commercial banks, private sector providers, business associations, NGOs. They found out that, MSE entrepreneur's awareness of the services provided by various MSE support institutions varied depending on the type of service. Also it was noted that some of the respondents were not aware of the government and its agencies were responsible for policy coordination, regulations and standards. Although most of the respondents were aware of some of the MSE support services, very few accessed services due to a number of reasons including lack of information, bureaucratic procedures, lack of collateral, high interest rates and conditions on forming groups especially for accessing services from microfinance institutions.

The role of small industries in poverty alleviation was the research done in 2008 in Dar es Salaam by Mnenwa and Maliti. The sample size used was 225 small businesses and data was collected to both owners and the employees in those small industries. The results were, 60 % of the respondents indicated that small industries improved their living standards since they are the source of disposable income, 29% indicated the declining income and 11% saw no changes in income. Also, potential for employment creation correlates with firm size, and the percentage of firms with declining or static employment was higher than the percentage of firms that increased their employment levels. In measuring income generation for employees, the results were, salaries paid to employees were above both the food and basic need poverty lines. Low salaries signified low job quality in the small business landscape. Higher salaries correlated positively with the size of the enterprise. In profit margins and profitability trend, the majority of the surveyed businesses generated profit above the average salaries. And, 57% of the owners were not engaged in other income generation activities. Also results indicated that socio economic factors influence the contribution of small industries in poverty reduction since the profit levels generated by enterprises are influenced by these factors which are owner's sex, education level and motivation for establishing the businesses as well as the source of initial capital.

Onuorah (2010), in his study the role of micro and small scale enterprises for economic growth done in Nigeria, found that while MSE businesses are profitable problems of policy inconsistency and poor infrastructural development continuously undermine the potentials of the market. Though the presence of MSEs has attracted infrastructural development, such developments in most cases are community effort or privately driven which limits the amount of developments achieved. For example their efforts could be limited to patching and maintaining existing bad road networks but not expanding or creating new road networks. The study also revealed that financial institutions like banks are attracted to areas where MSEs are established but getting funds through these institutions via loans has not been easy due to high interest rates and harsh conditions like types of collateral to present. It was also established that MSEs are good employers of labour but not without required support and facilities. MSEs will not engage more people to work for them when their businesses do not thrive. For their businesses to thrive they need government to encourage them and develop more opportunities such opportunities could be in terms of providing infrastructures like stable power supply and good transport networks (rails and roads), easy access to finance (low interest rates), stable government policies,

reducing multiple taxations, ensuring availability and access to modern technology and raw materials locally. The result of the study confirms existing theories in the field which support the belief that Mses remains a tool for economic growth in Nigeria.

Sarpong (2012), in his study micro and small scale enterprises in Ghana. Challenges and prospects. The study revealed that, high female and youth domination, low level of education among entrepreneurs, lack of qualified personnel, poor co-ordination methods used by supporting institutions, high percentage of self-financing of SMEs, lack of access to credit and dominance of importation of foreign goods are challenges facing MSEs in Ghana.

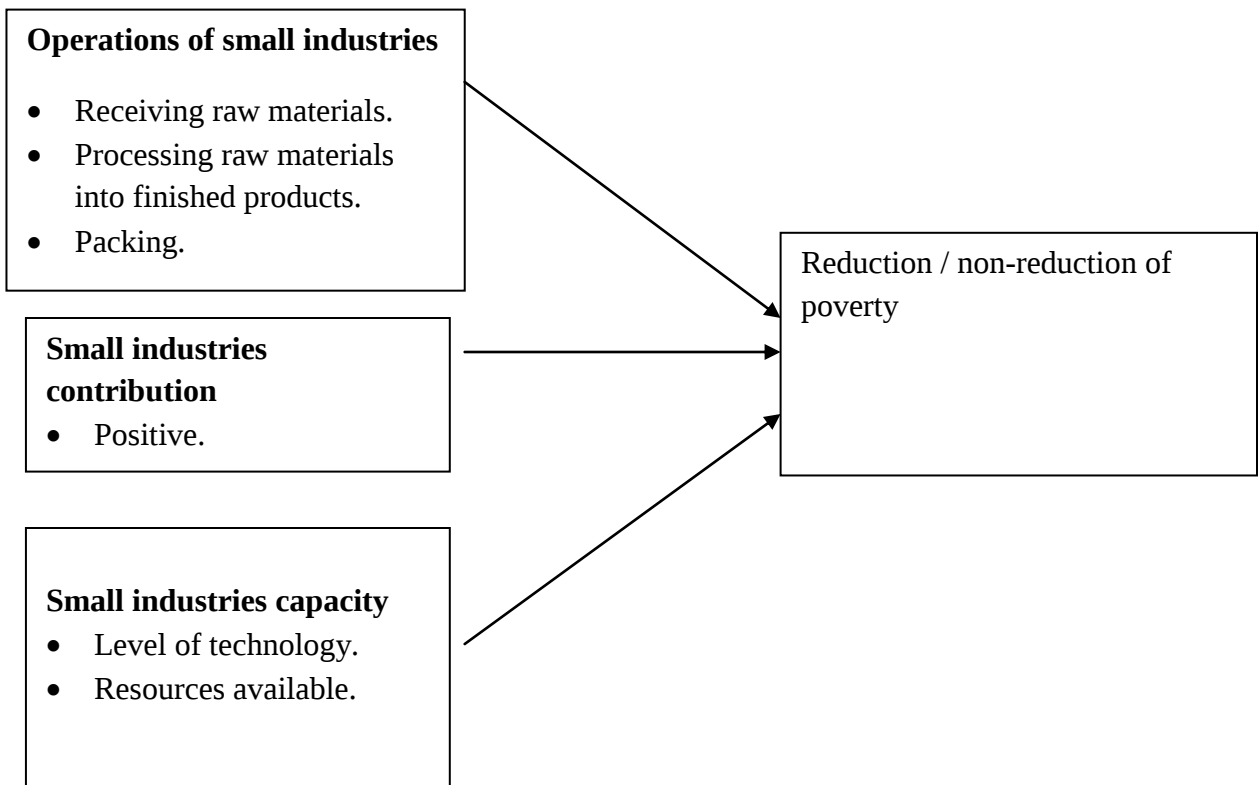
All the studies conducted focused on challenges, strategies, promotion of growth of MSEs and the role of micro and small industries in poverty reduction in Tanzania. They did not cover the contribution of micro and small food processing industries in poverty reduction in Tanzania. The area under MSE still not covered well and the role of this study was to assess the contribution of micro and small food processing industries in poverty reduction in Tanzania.

2.4. Conceptual framing

This part shows the diagrammatic presentation of the interaction of the variables which the researcher used for analysis in the study and identification of the independent and dependent variables and their relationship.

In this study the independent variables will be the operations of micro and small industries, the contribution of micro and small industries and micro and small industries capacity. And the dependent variable will be poverty, meaning that poverty can be reduced or increased by the operations of micro and small industries, the positive contribution of micro and small industries in the economy and the capacity of those micro and small industries. The diagram below shows the dependent and independent variables and their relationship.

Figure 2.1: Conceptual framework



Source: Researcher, (2014)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methods which were applied during the execution of the research. This included area of study, research design, sampling procedures and sample size, data collection methods and data analysis plan.

3.1 Geographical location

SIDO Mwanza is located at Ilemela district in Mwanza city. Mwanza is one of the cities in Tanzania. It is located in the northern part of Tanzania dominated by Africa's largest lake, the Lake Victoria. According to the 2012's national census, Mwanza Region had a population of 2,772,509 among them men are 1,360,381 and women are 1,412,128 with household size of 5.7. (Sensor report 2012).

3.2 Research design

This was the plan of action that showed how data were collected both efficiently and effectively and specific how to analyse the collected data. The researcher used the case study design in collecting data. This design adopted its flexibility in data collection methods and in depth breath study and it was not complicated compared to survey research design.

3.3 Targeted population

The targeted population was food processors in micro- small food processing industries which are in Nyamagana and Ilemela districts in Mwanza city. According to SIDO there are 65 micro and small food processing industries in these 2 districts. The researcher also targeted to get information from SIDO employees. And there are 8 employees at SIDO who can give out information concerning this study.

3.4 Sample size and sampling techniques

3.4.1 Sample size

Category of respondent	Expected sample	Available number
▪ MSE owners	60	65
▪ SIDO employees	04	08
Total	64	73

3.4.2 Sampling techniques

According to Saunders, (2003:170), it is the process of contacting the entire population, that is the whole list of clients and management team, simply is not worthwhile from a cost-benefit point of view. Nearly in all cases, it is costly and unnecessary, since adequate reliability usually can be obtained from a sample. In this case, non-probability sampling is mostly preferred for it works best in “case study research and provide a range of alternative techniques based on subjective judgment”. Judgmental or purposive sampling was used to select a sample of owners of micro and small industries and SIDO employees. The reason for using judgmental sampling technique was its “workability in facilitating selection of reliable samples on matters that require illustrative and an in-depth explanation”. (Saunders, 2003:172). A sample cannot be randomly selected; instead personal judgments were required to select a suitable sample. The sample size included the following categories listed below;

3.5 Data collection methods

The methods for collecting data involved informal interviews, observations, questionnaires and fieldwork investigation. Avoiding the non-response and difficulties in feedback, it was necessary to have different methods of collecting data; the following instruments guided the study;

3.5.1 Interview

Interviews were carried out on the owners of micro- small industries and employees from SIDO. This is because these people were so busy that they had no time to fill the questionnaires. Also

for more clarification of information it was a good idea to interview them. Discussions were held with targeted population and their comments were recorded and analysed. This aimed at obtaining the primary data from each part as to how they were influenced either positively or negatively by the contribution of micro- small industries. An interview guide or interview schedule was used.

3.5.2 Questionnaires

Questionnaires were directed to the owners of micro- small industries. This was important since it was not possible to carry out an interview to the entire sample selected, others were uncomfortable with interview, but they were comfortable with questionnaires. Also it is because other people had no time for interviews and therefore they preferred filling questionnaires.

3.6 Types of data collected

Both primary and secondary data were necessary to this research. Primary data accounts for the new data collected based on the interviews, observations and questionnaires. Secondary data was important too since it “provides a useful source from which to answer, or to begin to answer, research questions” Saunders, (2003:188). Secondary data represented periodic reports and performance data that organizations collect regularly and store for the purpose of their own back-up and for the advantage of the interested parties as far as the rules and regulation of the organization are concerned.

3.6.1 Primary data

The researcher used the following methods; interviews, questionnaires and observation to collect primary data.

3.6.2 Secondary data

The researcher used the following readings; books, journals, Hansards, articles.

3.7 Data Management and Analysis

Based on the research techniques, the researcher used graphs and charts techniques and analysed data using specified software known as SPSS. The data collected were accurate and reliable since the sources which provided those data were reliable.

3.8 Reliability and validity

Data collected were reliable, valid and accurate since the researcher pre-tested the questionnaires before the study. Also data reliability, accuracy and validity depended on consideration of the ethical issues during data collection. These were such as asking someone politely, avoiding asking questions which make a person uncomfortable (such as asking of age of a person), seek consent from respondent and other ethical issues.

3.9 Results Presentation

The research findings or results were presented in the form of tables and bar charts since they are suitable presentation systems that seem to be clear for the research users and for academic purposes.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF RESEARCH FINDINGS

4.0 Introduction

This chapter specifically focuses on three functions, first is the presentation of the study findings whereby data collected from the field through questions, interviews, observation and documentary reviews were analysed through SPSS and presented in tables and figures in next sections.

Secondly, data interpretation, the study findings were interpreted using methods identified in chapter three and finally the discussion of findings from the study that was conducted at SIDO Mwanza for the purpose of finding out the contribution of micro and small food processing manufacturing industries in poverty reduction in Tanzania.

The sample size used is as follows

Table 4.1: Sample size used

Category of respondent	Expected sample	Sample size
MSE owners	60	65
SIDO employees	04	08
Total	64	73

4.1 Profile of respondents

4.1.1 Response rate

The researcher aimed at collecting data from 60 entrepreneurs. All respondents responded well in some questions and others did not respond in some questions.

4.1.2 Sex of the respondents

Both male and female respondents were involved in finding out the required information for the study since both sexes are being provided services by SIDO in one way or another for the purpose of reducing poverty. More importantly, sex of the respondents was involved because not both sexes may be interested in food processing activities. So one sex may be much involved in food processing while the other sex may not.

Table 4.2: Sex of respondent

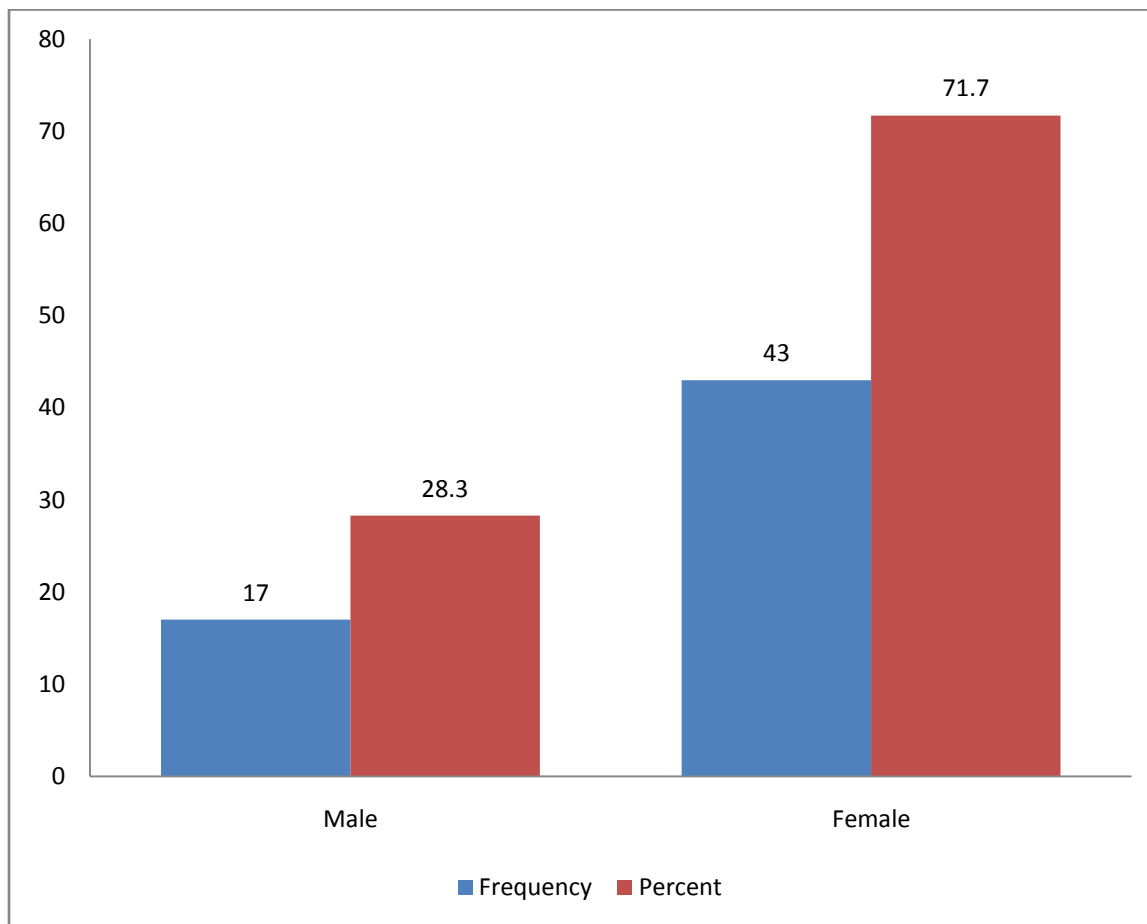
Response	Frequency	Percent
Male	17	28.3
Female	43	71.7
Total	60	100.0

Source: Study findings, (2014)

- **Female:** 43 respondents (71.7%) of the respondents were female.
- **Male:** The findings in table 4.1 above show that, only 17 respondents (28.3%) of the respondents were male.

These shows how female are more interested in food processing industries than how males are. Many people have the ideology that food processing is only for women and that is the reason as to why the big numbers of food processors in SIDO Mwanza are women compared to few men. Men are more interested in other types of industries apart from food processing.

Figure 4.1: Sex of respondents



Source: Study findings, (2014)

4.1.3 Age of the respondents

Age was another considered factor in the study. Not all age groups may develop interest in food processing industries and since SIDO services are offered to different groups of age, the researcher grouped age of the respondents into five age distributions so as to identify which age group is more involved in food processing industries.

Table 4.3: Age of the respondents

Response	Frequency	Percent
Below 25 years	6	10.0
26-35 years	24	40.0
36-45 years	18	30.0
46-55 years	11	18.3
56 years and above	1	1.7
Total	60	100.0

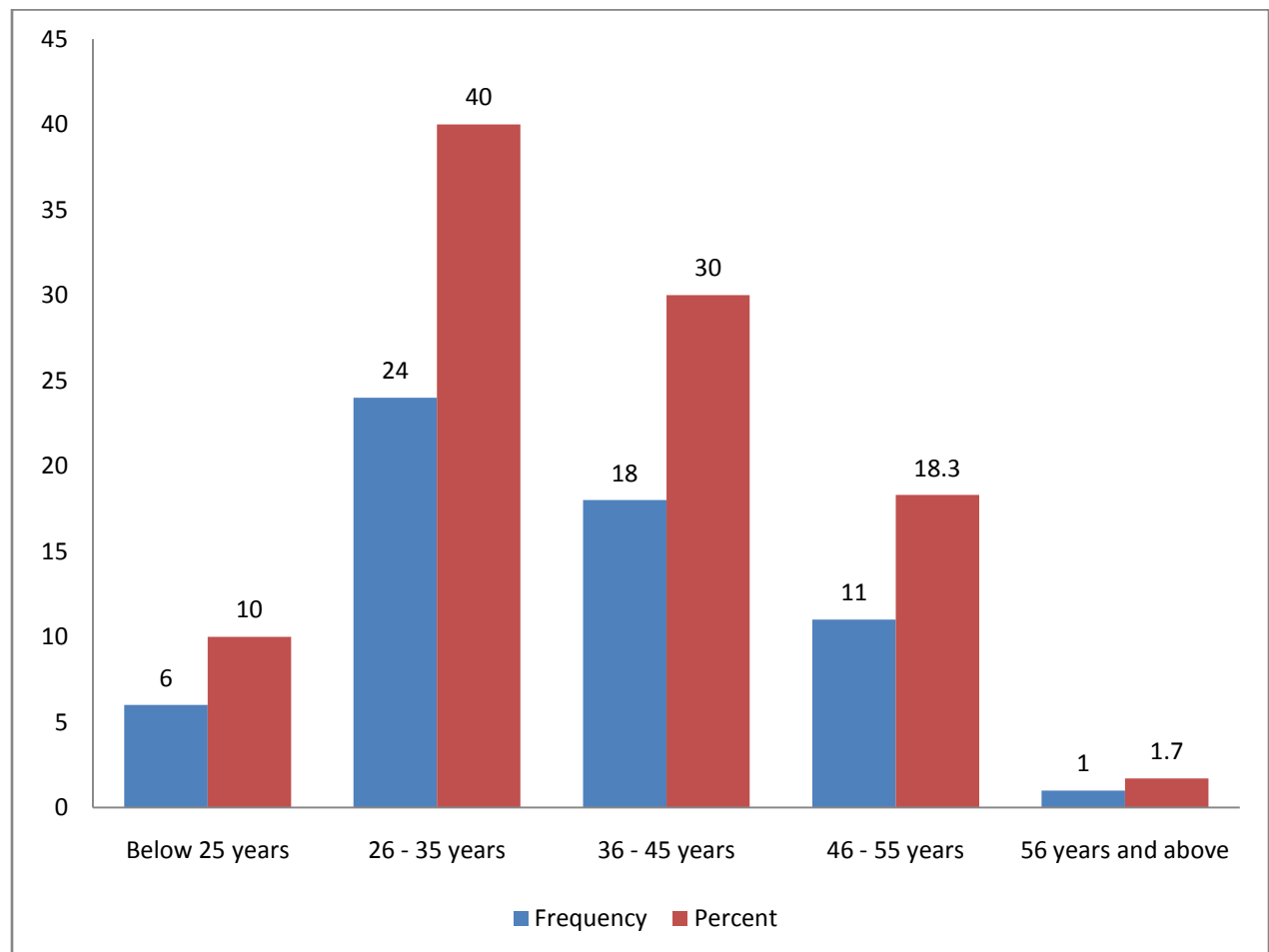
Source: Study findings, (2014)

- **26-35 years:** 24 respondents out of 60 respondents (40%) were aged between 26 and 35.
- **36-45 years:** Only 18 respondents out of 60 respondents (30%) were aged between 36-45 years.
- **46-55 years:** 11 respondents (18.3%) were aged between 46-55 years.
- **Below 25 years:** The study reveals that, only 6 respondents (10%) of all 60 respondents were aged below 25 years.
- **56 years and above:** There was only 1 respondent (1.7%) aged from 56 years and above.

This shows that age groups mostly involved in food processing industries are the respondents aged between 26 to 35 years because they are energetic enough to perform day to day activities in their industries and because most Tanzanian families do depend on this group for daily bread.

Another group with high response rate was the group between 36 to 45 years. This can be due to the same reasons stated above. Another group is that of 46 to 55 which had 18.3%. The group with few respondents was that of 56 years and above. This group had only one respondent due to the fact that, a person with this age is too tired to run the business.

Figure 4 .2: Age of respondents



Source: Study findings, (2014)

4.1.4 Education level of the respondents

Education was an important factor to consider in measuring the contribution of micro and small industries in reducing poverty. Different levels of education affect the performance of these industries. Knowing this, the researcher categorized education levels into four major categories which were primary school education, secondary school education, certificate and diploma and lastly was graduate education. The response was as seen in the table below;

Table 4.4: Education level of the respondents

Response	Frequency	Percent
Primary school education	16	26.7
Secondary school education	31	51.7
Certificate	5	8.3
Diploma	7	11.7
Degree level	1	1.7
Total	60	100.0

Source: Study findings, (2014)

- **Secondary education:** The results reveal that, out of 60 respondents, respondents with secondary school education were 31 equals to 51.7%.
- **Primary education:** Primary school education had 16 respondents' equals to 26.7% of all respondents.
- **Diploma:** Out of 60 respondents, Diploma education had 7 respondents' equals to 11.7%.
- **Certificate education:** The study also reveals that, certificate education had 5 respondents (8.3%).
- **Degree:** There was only 1 respondent (1.7%) with degree level education.

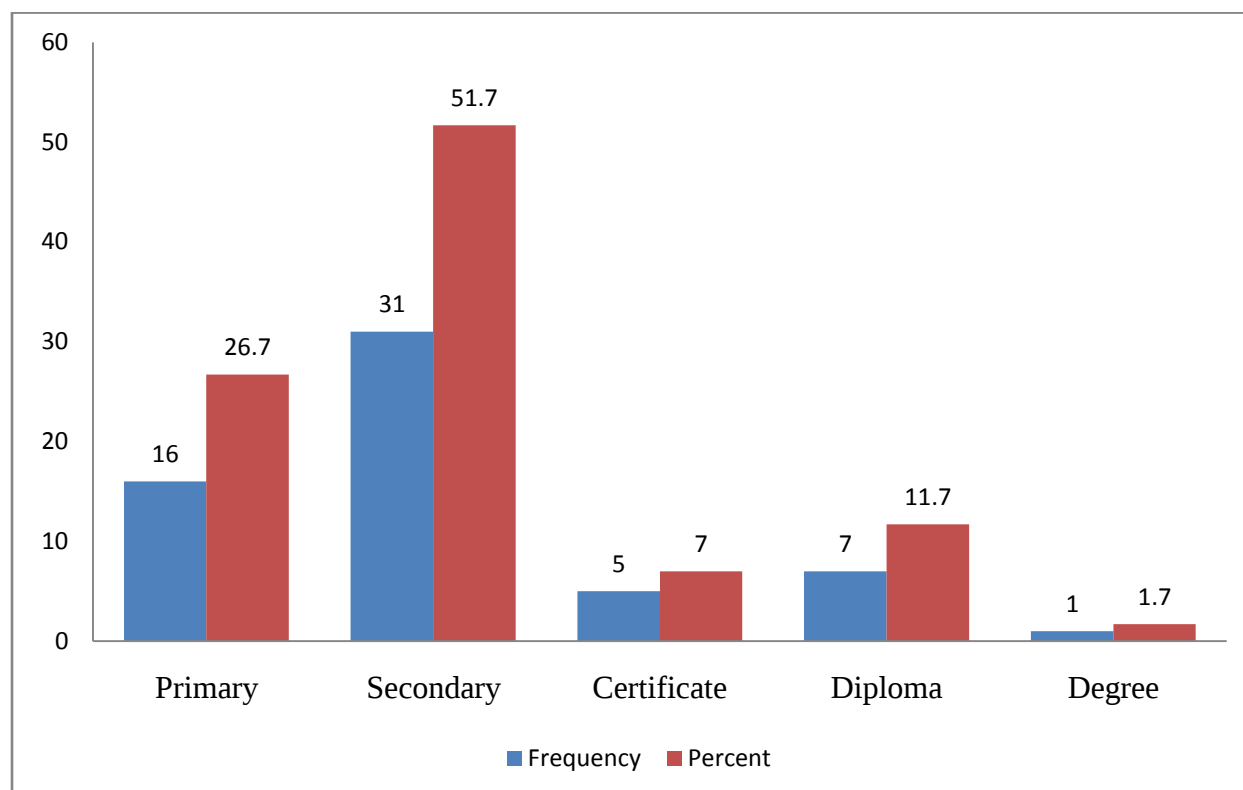
Therefore the results show that most contributors of these micro and small industries are the people with primary and secondary education. This is due to the fact that, most of respondents with primary and secondary educations decide to be entrepreneurs because they cannot be employed anywhere due to the low level of education they have.

Most of those with certificate and diploma involve themselves in these businesses since they aim at increasing their income, so they have their jobs and still have food processing industries. Others had resigned from their jobs due to various reasons and decide to engage themselves in food processing activities.

Degree level education had only one respondent because in Tanzania, graduates are not prepared to employ themselves since the entrepreneurial education they are given is too theoretical hence this makes it difficult for them to become entrepreneurs. So even when they have well and good business ideas, they fail to be entrepreneurs since they do not have capitals and the conditions of

getting capital from financial institutions do not favour them (they do not have either an existing business or collateral so as to get loans for their businesses).

Figure 4.3: Education level of respondents



Source: Study findings, (2014)

4.1.5 Experience of respondents in the business

Experience of the respondents in their business was considered since it helps in knowing how long these entrepreneurs have worked through so as to be sure with their awareness on SIDO services which guide and assist them in making through their businesses and also the awareness of various business logistics and activities. So the longer the time one has received SIDO services the greater the experience and not necessarily the success, and the longer the time one has been a food processor the greater the experience. The distribution by experience was categorized into four categories. These groups are less than 5 years, 6-10 years, 11-15years and 16-20 years groups. See the table below;

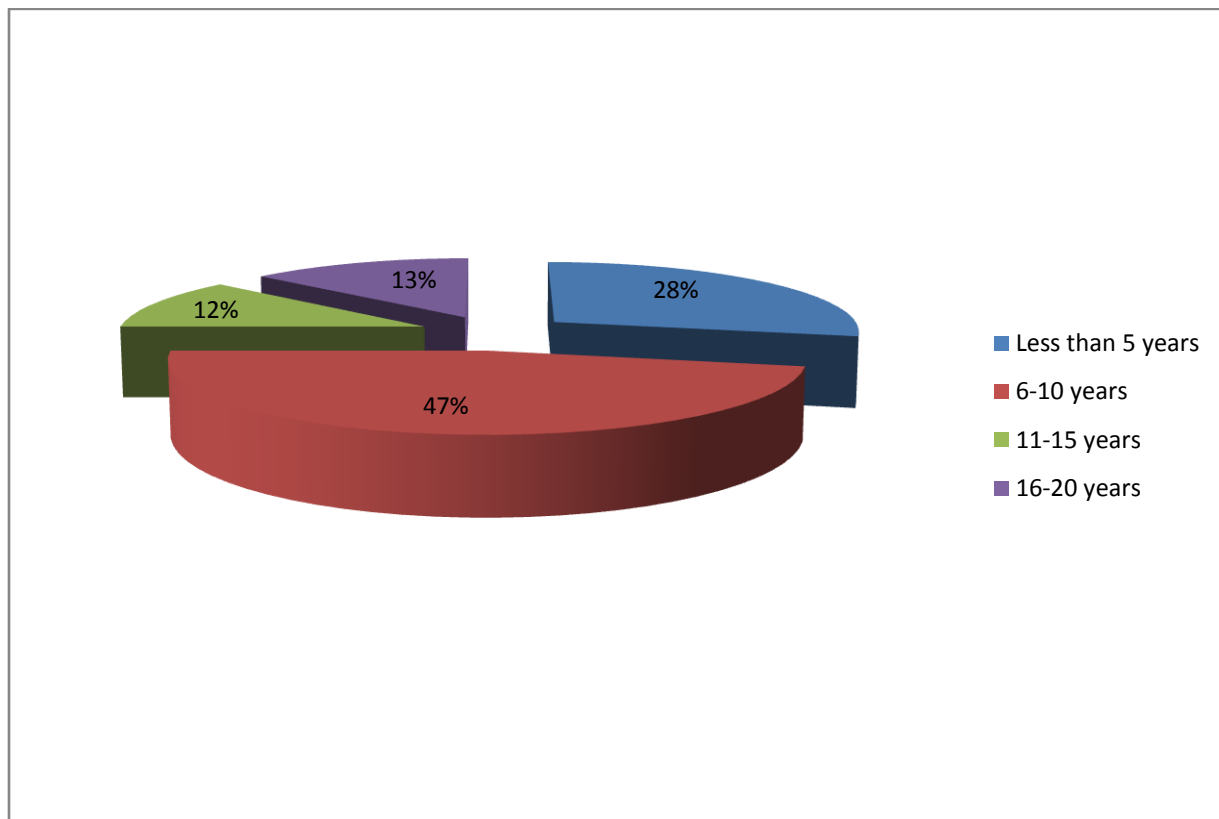
Table 4.5: Experience of the respondents in the business

Response	Frequency	Percent
Less than 5 years	17	28.3
6-10 years	28	46.7
11-15 years	7	11.7
16-20 years	8	13.3
Total	60	100.0

Source: Study findings, (2014)

- **6-10 years:** The results reveal that, respondents with experience of 6 to 10 years had high response rate of (46.7%), 28 respondents.
- **Less than 5 years:** Results show that, respondents with less than 5 years of experience had 17 respondents (28.3%).
- **16-20 years:** Other respondents are those with 16 to 20 years of experience who responded to 13.3%
- **11-15 years:** Respondents with experience of 11 to 15 years were 7, they responded to 11.7%.
- The above results reveal that respondents with high rate of experience are those with 6-10 years of experience, followed by those with less than 5 years of experience. The remaining groups had few respondents. The results show that business in micro and small food processing industries is growing as years pass by. People are now aware of the importance of being entrepreneurs.

Figure 4.4: Experience of respondents in doing business



Source: Study findings, (2014)

4.2 Description of Micro and Small food processing enterprises

4.2.1 Source of initial capital

The researcher was interested to know where and how entrepreneurs got initial capital of their businesses so as to understand the financial support provided by SIDO and other financial institutions to entrepreneurs who are about to start business. And the results are as follows;

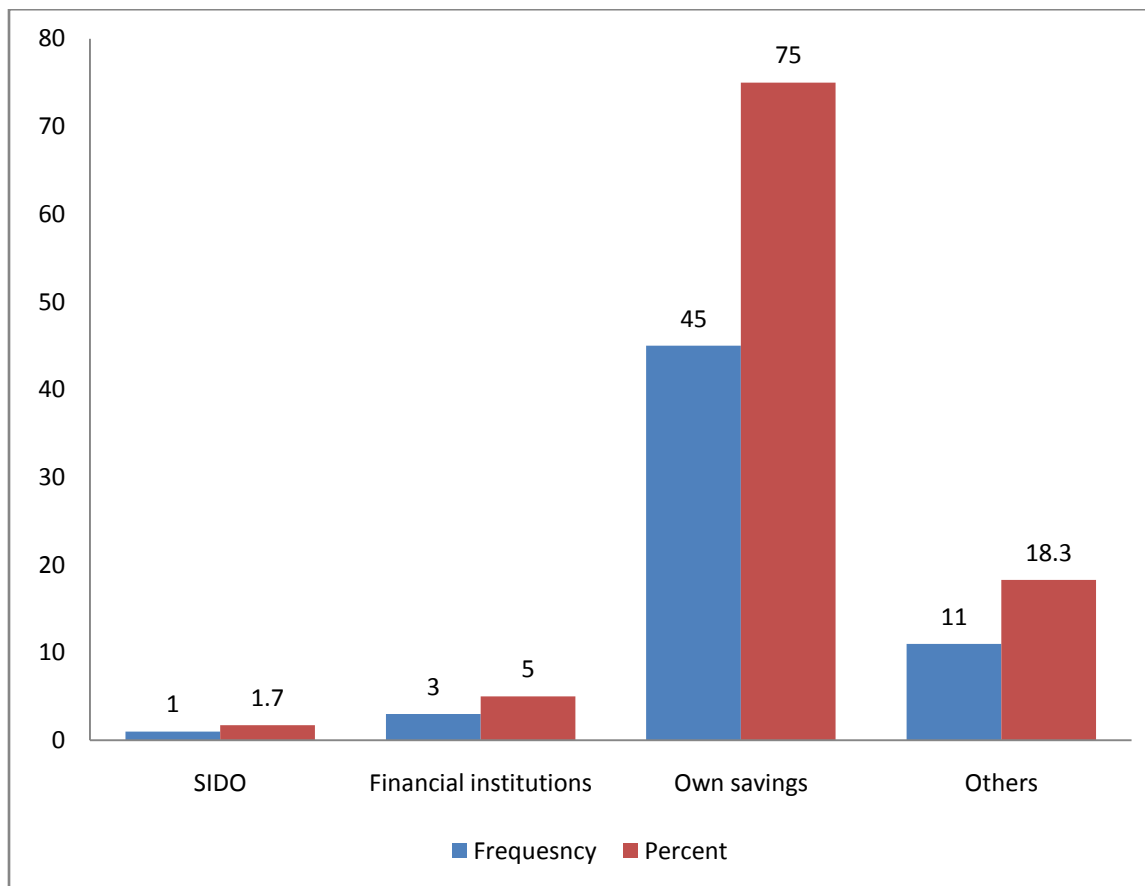
Table 4.6: Source of initial capital

Response	Frequency	Percent
Loan from SIDO	1	1.7
Loan from financial institutions	3	5.0
Own savings	45	75.0
Others	11	18.3
Total	60	100.0

Source: Study findings, (2014)

- **Own savings:** Results show that, most of food processing entrepreneurs start, their businesses through their own savings as initial capital. 45 (75%) of all 60 respondents, reveal to get their initial capital from own savings.
- **Other sources:** 11 respondents (18.3%) got their initial capital from other sources such as contributions from relatives and friends.
- **Loan from financial institutions:** 3 respondents (5%) got loans from financial institutions as their initial capital. It is rather difficult to get loans financial institutions if the business is not yet started unless there is collateral to give to financial institutions so as to get the required loan.
- **SIDO:** Results reveal that, 1 respondent (1.7%) out of 60 respondents got initial capital from SIDO.
- Results show that many entrepreneurs got their initial capital from their own savings as the above analysis shows. 75% of them used their own savings as their initial capital. 18.3% of them got their initial capital from other sources such as contribution from their friends and relatives. Financial institutions rarely provide loans to entrepreneurs who just started or who are about to start doing business as it is so revealed in the above results. 3 respondents got their initial capital from financial institutions.

Figure 4.5: Source of initial capital



Source: Study findings, (2014)

4.2.2 Other sources of income

Income from other sources apart from food processing is the factor considered so as to study to what extent food processing contributes income to micro and small food processors.

Table 4.7: Other sources of income

Response	Frequency	Percent
Yes	35	58.3
No	25	41.7
Total	60	100.0

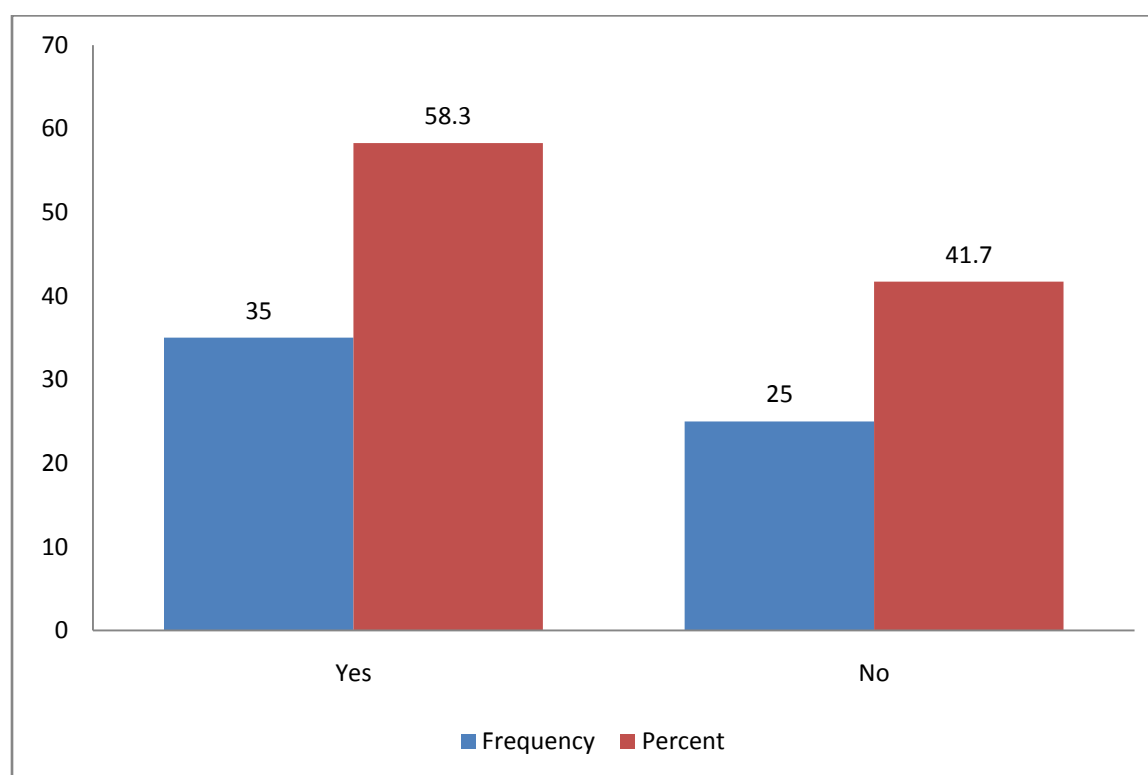
SOURCE: Study findings, (2014)

The findings reveal that, 58.3% of all respondents have other sources of income apart from food processing enterprises. Others have other sorts of business other than food processing and others have salaries from the offices they work for.

The remaining 25 respondents (41.7%) reveal to have no other sources of income apart from food processing enterprises. So everything in their lives depends on income obtained from food processing.

Many respondents have other means of generating income apart from their micro and small food processing industries. Others are employees from various offices, others have other sorts of businesses and the like.

Figure 4.6: Other sources of income



Source: Study findings, (2014)

4.2.3 Duration of receiving SIDO services

The researcher also worked on knowing how long these entrepreneurs have been getting SIDO services for the purpose of knowing what kind of services they get and also to understand their awareness on services provided by SIDO. Also, to study the increase or decrease of the efforts done by SIDO in promoting entrepreneurs.

Table 4.8: Duration of getting SIDO services

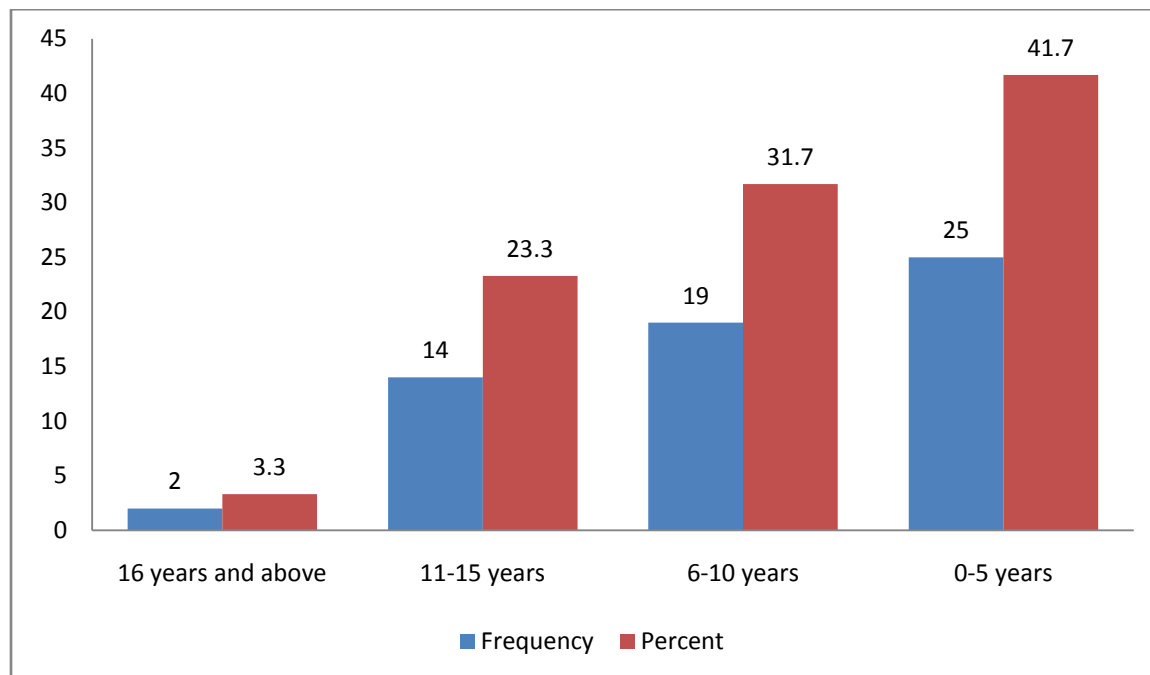
Response	Frequency	Percent
16 years and above	2	3.3
11-15 years	14	23.3
6-10 years	19	31.7
0-5 years	25	41.7
Total	60	100.0

Source: Study findings, (2014)

- **0-5 years:** 25 respondents (41.7%) of all respondents have experience of 0 to 5 years of getting SIDO services.
- **6-10 years:** The findings also reveal that, 19 respondents (31.7%) of all respondents have 6 to 10 years of getting SIDO services.
- **11-15 years:** 14 respondents (23.3%) have 11 to 15 years of working with SIDO.
- **16 years and above:** The findings reveal that, only 2 respondents (3.3%) have 16 years and above of working with SIDO.

Results in table 4.8 show that many respondents have 0 to 5 years of working with SIDO followed by those with 6 to 10 years. Results show the trend is increasing. This implies awareness on entrepreneurship to the society is increasing hence increase the number of entrepreneurs in Tanzanian society. It also shows that people are now aware that through working with SIDO there are so many things to gain such as trainings, technology, loans and other services provided by SIDO.

Figure 4.7: Duration of getting SIDO services



Source: Study findings, (2014)

4.2.4 Services offered by SIDO to entrepreneurs

The study also considered the types of services being offered by SIDO to entrepreneurs with the aim of getting to know exactly services that entrepreneurs receive from SIDO and measure whether these services are appropriate to entrepreneurs or not. The findings shows that there are four types of services that are given to entrepreneurs by SIDO. These are training, consultancy and advisory services, financial services, technology development services and marketing and information services.

Table 4.9: Services offered by SIDO

Response	Responded	%	Not responded	%
Technology development services	32	53.3	28	46.7
Training, consultancy and advisory	60	100.0	0	0.0
Marketing and information	25	41.7	35	58.3
Financial services	60	100.0	0	0.0
Average percentage		73.8		26.2

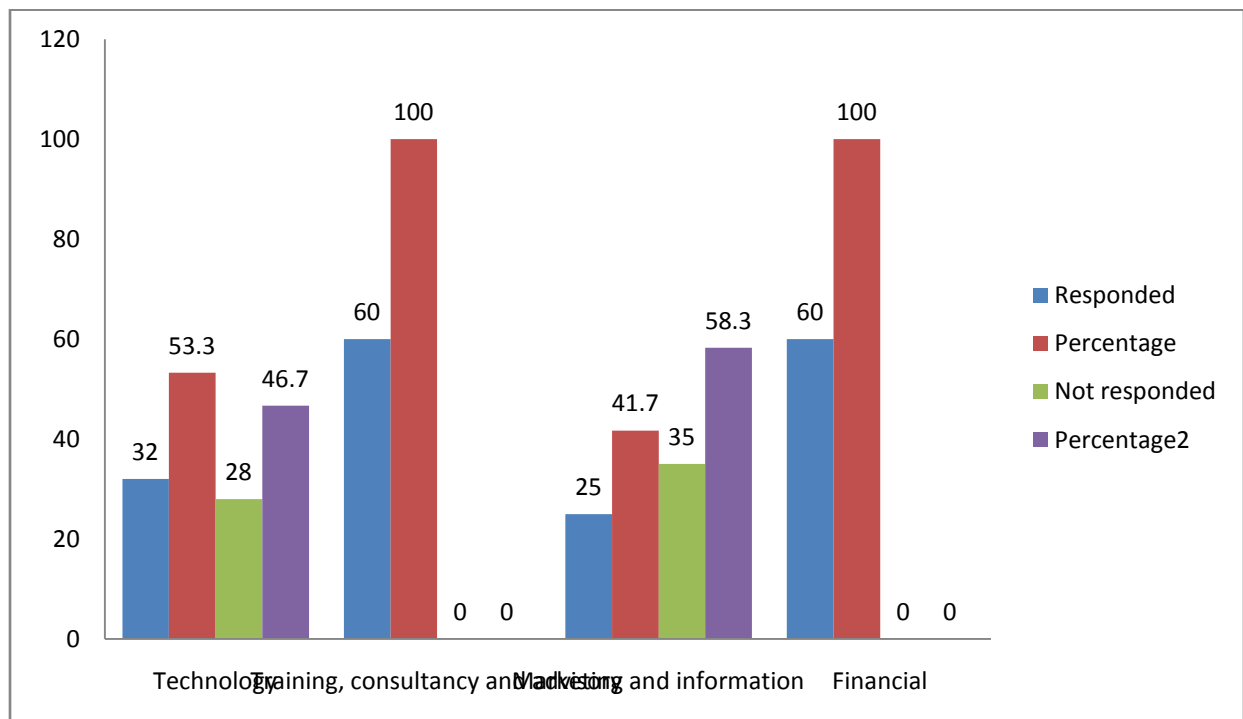
Source: Study findings, (2014)

- **Financial services:** All respondents (100%) responded well on financial services, saying that loans are provided though the amounts depend on the nature of food processing industry that an entrepreneur possesses. To individuals loans provided range from 500,000 Tanzanian shillings to 2,500,000 Tanzanian shillings and in groups loans depend on the capacity of the group and how large it is.
- **Training, consultancy and advisory services:** Results reveal that, all 60 respondents (100%) are served with consultations, advices and trainings concerning the type of food processed. Advices are freely provided when an entrepreneur asks for it or when there is a necessity to advice an entrepreneur. Consultations are also freely provided to entrepreneurs. But in trainings, entrepreneurs are supposed to contribute 20,000 Tanzanian shillings each as training fee.
- **Technology development services:** Only 53.3% of respondents reveal to the provision of technology development services. Technology development is done to entrepreneurs in terms of introducing new machines to them, and new and advanced ways of processing so as to allow processing of better quality products and enhance winning markets. The remaining 46.7% did not respond on this question.
- **Marketing and information services:** Results reveal that 41.7% of all respondents report on being provided with marketing and information services. SIDO provided various marketing information to entrepreneurs as a way of promoting and supporting micro and small industries. These include information about various exhibitions and other entrepreneurship aspects valuable to food processors. And when there is a market of certain product SIDO employees do find a responsible food processor to cover that available market. And also

SIDO encourages entrepreneurs to process quality products to allow availability of external markets.

- This was so supported by SIDO staffs that were interviewed and revealed that they provide the above services in accordance to the available funds.
- Financial services and training, consultancy and advisory services are the services which are being fully provided by SIDO as the results above show that, no entrepreneur has never got loan from SIDO when needed. And also SIDO employees are ready to help entrepreneurs when they need trainings, consultation and advice concerning the types of food they process.
- But more efforts should be done to improve marketing and information services as well as technology development services since they are being provided but not meet the requirement of international markets and they even do not satisfy all entrepreneurs especially those whose industries are far out of SIDO premises.

Figure 4.8: Services offered by SIDO



Source: Study Findings, (2014)

4.2.5 Resource problems facing MSEs

The researcher also worked on finding out resource problems available in micro and small food processing industries in order to know whether the available resources are sufficient enough for entrepreneurs to allow efficiency and effectiveness in their processing industries. The answers are mainly on availability of electricity, water, employees, raw materials and packing materials.

Table 4.10: Resource problems facing MSEs

Response	Frequency (responded)	%	not responded	%
Electricity	20	33.3	40	66.7
Water	5	8.3	55	91.7
Employees	17	28.3	43	71.7
Raw materials	20	33.3	40	66.7
Packing materials	60	0.0	0	0.0
Average percentage		25.8		74.2

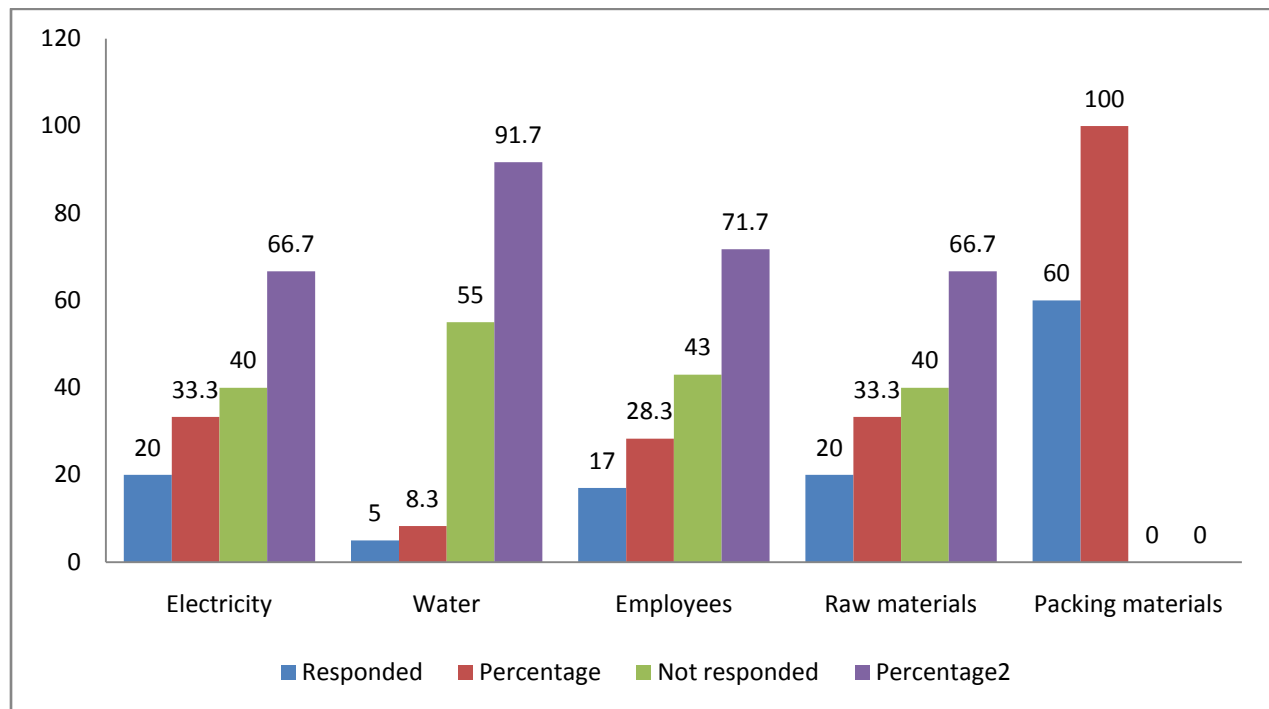
Source: Study findings, (2014)

- **On packing materials:** All 60 (100%) respondents reveal on having problems with packing materials. Packing materials are available but very expensive since they are taken from Nairobi to Mwanza. There are packing materials sold at SIDO but the problem is, there are no varieties. All packing materials are made of glass materials. So food processors are having difficulties in getting packing materials even though they are available. This was also revealed by SIDO employees who reported on entrepreneurs having difficulties in getting packing materials since they are expensive. The packing materials sold at SIDO are also expensive and there are no varieties of them and also there are no many of them to satisfy all entrepreneurs, so others make own efforts to go for them in Nairobi and Arusha.
- **On electricity:** 33.3% (20) of all 60 respondents reveal on having problems with electricity in their industries. Food processors whose industries are not within SIDO estates do face this problem since their micro and small industries are not located in industrial areas where there

is no break off of electricity every now and then. So these processors use domestic electricity in their micro and small industries, so sometimes the electricity becomes low, sometimes it go off and other sorts of electricity problems in Tanzania. 66.7% (40) are quiet about this question.

- **On raw materials:** 20 respondents (33.3%) of all respondents reveal to have difficulties in getting raw materials. These are especially honey processors since they have to travel to Tabora or Singida and in villages of Shinyanga to seek for honey as raw material in their industries and coffee processors too. So seeking for raw materials becomes hard since it consumes time and also it consumes money for transportation, legal permits and other procedures, accommodation and other things. The remaining 66.7 (40) reveal nothing on this question.
- **On employees' problems:** 28.3% (17) of all respondents reveal on having problems with employees. Employees do not stick in one industry; they look forward to where they are highly paid. So every now and then these food processors seek for new employees. Others reveal to have this problem since they have low capital for their industries; therefore they usually look for temporary employees whenever there are lots of tasks to perform in industries and after that an entrepreneur remain with just one or two employees.
- **On availability of water:** Only 5 respondents (8.3%) of the respondents reveal to have water problems in their industries.
- **The average percentage of respondents with resource problems in their industries is low (25.8%)** compared to those who did not reveal on having resource problems in their industries. This shows that there are no huge and heavy problems in the industries and the problems do not affect food processing industries in such a great extent.
- In availability of packing materials has been a great problem to entrepreneurs since they use lots of money to seek for packing materials which mainly available at Nairobi and Arusha. Others are available at Mwanza but they are sold with high prices which forces entrepreneurs also to raise the prices of their products so as to cover the costs.
- Electricity is also the problem since there is the break off and on of electricity in such a way that affects processing generally.
- Also some of raw materials are hard to get due to poor infrastructure in villages where these raw materials are available.

Figure 4.9: Resource problems facing MSEs



Source: Study findings, (2014)

4.2.6 Technology in micro and small food processing industries

The researcher was interested in knowing whether technology used in micro and small food processing industries is sufficient enough to allow logistical efficiency and safety processing of the products so as to get a clear measurement of quality of the products. And the results are as follows;

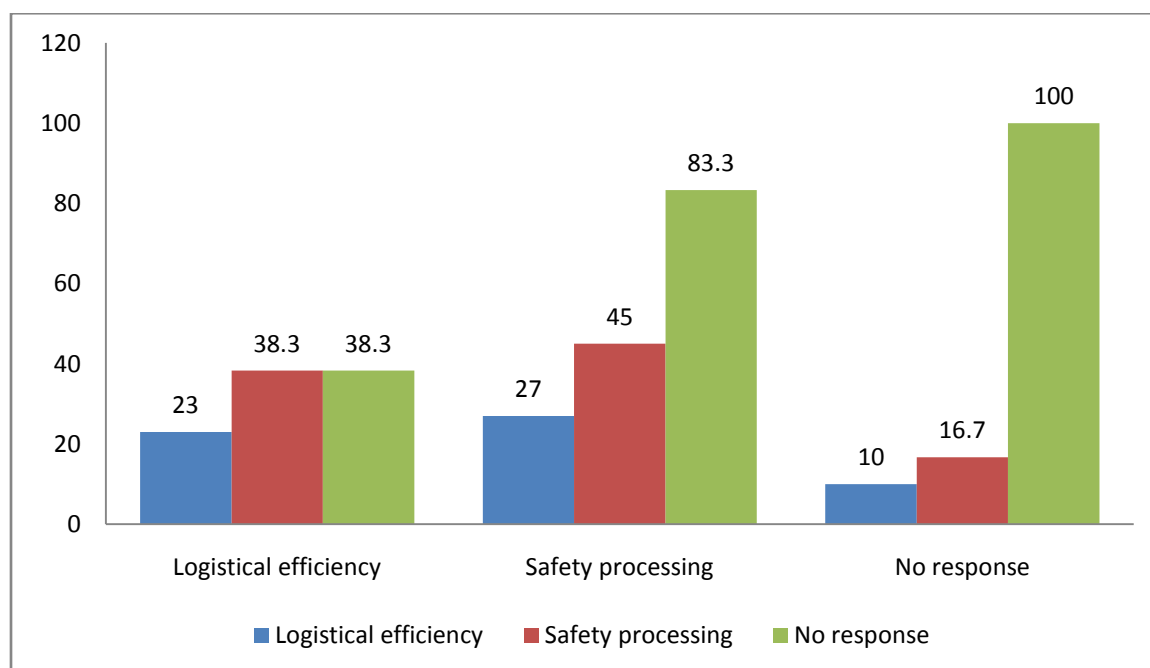
Table 4.11: Technology in MSEs

Response	Frequency	Percent
Logistical efficiency	41	68.3
Safety processing of the products	19	31.7
Total	60	100.0

Source: Study findings (2014)

- **On logistical efficiency:** The study findings reveal that, technology available in micro and small food processing industries is sufficient only to allow completion of the logistics which are necessary for processing of a particular product. This was so revealed by 68.3% of the respondents (41 respondents).
- **On safety processing:** 19 respondents (31.7%) reveal that the technology available in their industries allows safety processing of their products. So products are processed putting in regard safety of the products as well as safety of the processors.
- Generally, results show that, technology in micro and small food processing industries is mostly sufficient enough to cover logistics for food processing to take place rather than to assure safety processing of those products.

Figure 4.10: Technology in MSEs



Source: Study findings, (2014)

4.2.7 Challenges faced by MSEs in their operations

The research was also interested in knowing the challenges facing food processing entrepreneurs before the strategies to improve. The study found main challenges which are shortage of internal (Tanzanians) customers, packing materials, in availability of processing areas, financial problems, competition and technological problems.

Table 4.12: Challenges faced by MSEs in their operations

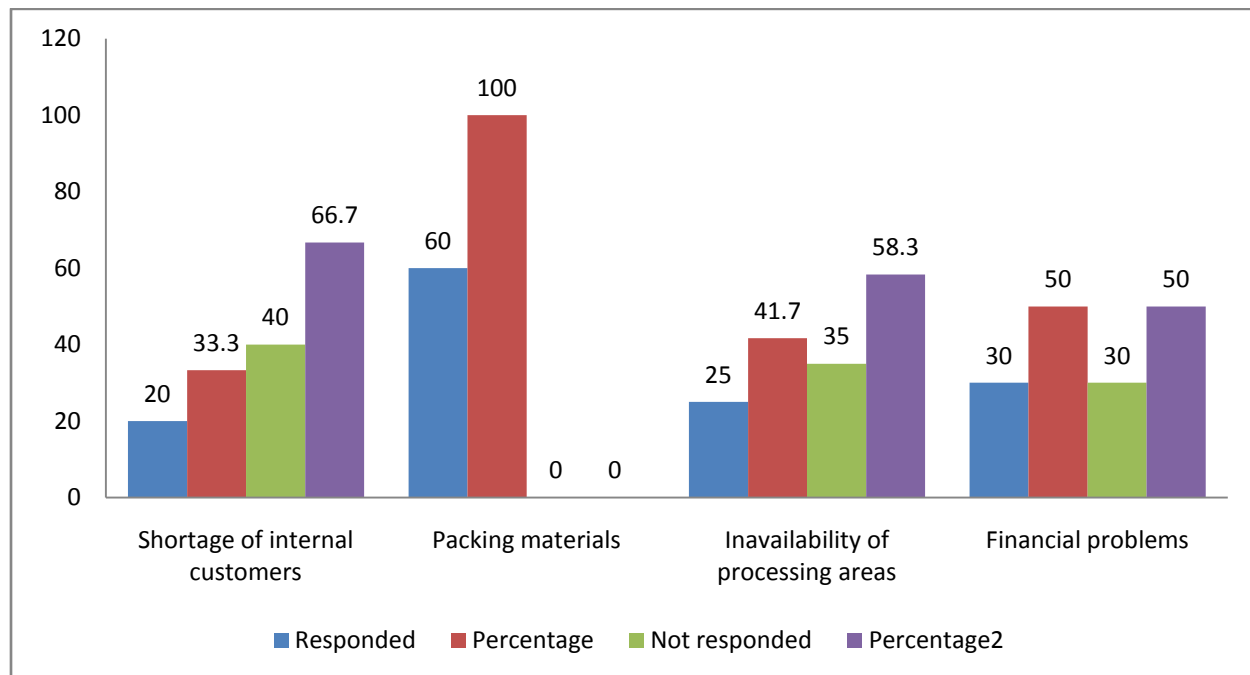
Response	Responded	%	Not responded	%
Shortage of internal customers	20	33.3	40	66.7
Packing materials	50	83.3	10	16.7
In availability of processing areas	25	41.7	35	58.3
Financial problems	20	33.3	40	66.7
Competition	40	66.7	20	33.4
Technological problems	28	46.7	32	53.3
Average percentage		50.8		49.2

Source: Study findings, (2014)

- **On packing materials:** 50 respondents (83.3%) reveal on packing materials being a challenge to their industries since packing materials are produced in Nairobi and Arusha and buying them and transporting them require huge amounts of money.
- **Competition:** 40 (66.7%) respondents reporting on facing competition from other countries such as Kenya, Uganda, India and other countries and also from other entrepreneurs within the country.
- **Technological problems:** 28 respondents (46.7%) revealed to have technological problems in their micro and small food processing industries. The remaining 32 (53.3%) were silent on this question.
- **Availability of processing areas:** 25 respondents out of 60 (41.7%) reveal on having problems with processing areas. The areas can be prepared, but they are expensive and entrepreneurs are not provided with high capitals so they fail to prepare those areas (houses) on their own instead they seek for government support.

- **Financial problems:** 20 respondents (33.3%) report on financial problems. The study reveals that, credits are provided but with both high interest rate and the amounts are limited depending on nature of industry.
- **On shortage of internal customers:** 20 respondents (33.3%) reveal that Tanzanians are not supporting Tanzanian food processors. They normally go for products from other countries and ignore the home made products.
- Generally, the average percentage between challenges in food processing industries and contribution of these industries do not differ at a large extent. Those who revealed the availability of challenges in their industries had 50.8% and those with no challenges had 49.2%.
- Packing materials and competition have been revealed to be the challenges with high influence in affecting entrepreneurs from doing their businesses. This may be due to the fact that Tanzania imports processed food from other countries such as Kenya and other countries. And due to the fact that we do not have packing materials, then we face great competition from other countries and other Tanzanians who have enough capital to run their businesses such as Bakhresa.

Figure 4.11: Challenges faced by MSEs in their operations



Source: Study findings, (2014)

4.3 Description of the operations of MSEs in poverty reduction

The researcher was interested in knowing the type of food processing that each respondent is involved in so as to know what they do and the scale of their industries.

Table 4.13: Operations in micro and small food processing industries

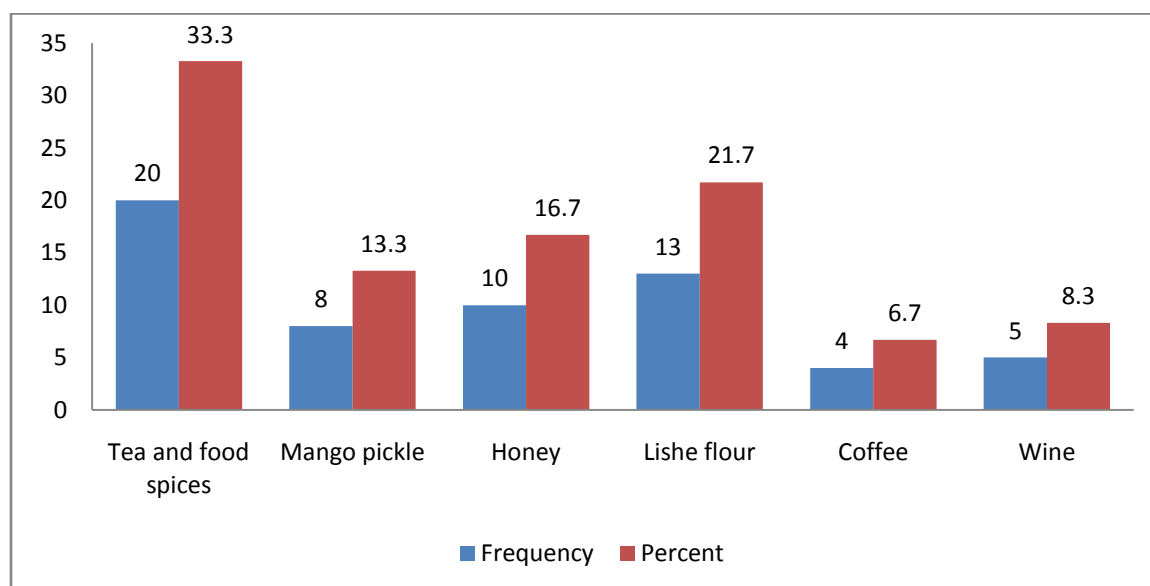
Response	Frequency	Percent
Tea and food spices	20	33.3
Mango pickle processing	8	13.3
Honey processing	10	16.7
Lishe Flour processing	13	21.7
Coffee processing	4	6.7
Wine processing	5	8.3
Total	60	100.0

Source: Study findings, (2014)

- **Tea and food spices:** The study reveals that, tea and food spices processing have many respondents. 20 respondents out of 60 respondents (33.3%) of all respondents' process tea and food spices.
- **Lishe flour processing:** Lishe flour processing also had many respondents. Out of all 60 respondents, Lishe flour processing had 13 respondents (21.7%)
- **Honey processing:** Honey processing had 10 respondents' equals to 16.7%.
- **Mango pickle processing:** Mango pickle processing had (13.3%), 8 respondents out of 60 respondents.
- **Wine processing:** Wine processing also had few respondents just like Coffee processing. Only 5 respondents (8.3%) are wine processors.
- **Coffee processing:** Results show that Coffee processing had only 4 respondents (6.7%).

Results show that many entrepreneurs in food processing enterprises deal with processing of tea and food spices and Lishe flour. And processing of coffee and wine have few entrepreneurs since they demand high capital as compared to other processing like Lishe flour or Mango pickle processing. Also there are so many types of coffee and wine imported from foreign countries and therefore many Tanzanians prefer imported products than home made products.

Figure 4.12: Type of business that respondents are involved in



Source: Study findings, (2014)

4.4 Description of the contribution of MSEs in poverty reduction

The study included the contribution of micro and small industries to food processors since it is the main aim of the study. And the results were as follows;

Table 4.14: Contribution of MSEs in poverty reduction

Response	Frequency	%	No response	%	Total %
Employment creation	50	83.3	10	16.7	100
Improve living standard	60	100	0	0.0	100
Source of income	60	100	0	0.0	100
Reduce dependence	38	63.3	22	36.7	100
Source of government revenue	42	70	18	30	100
Total number of respondents		60			

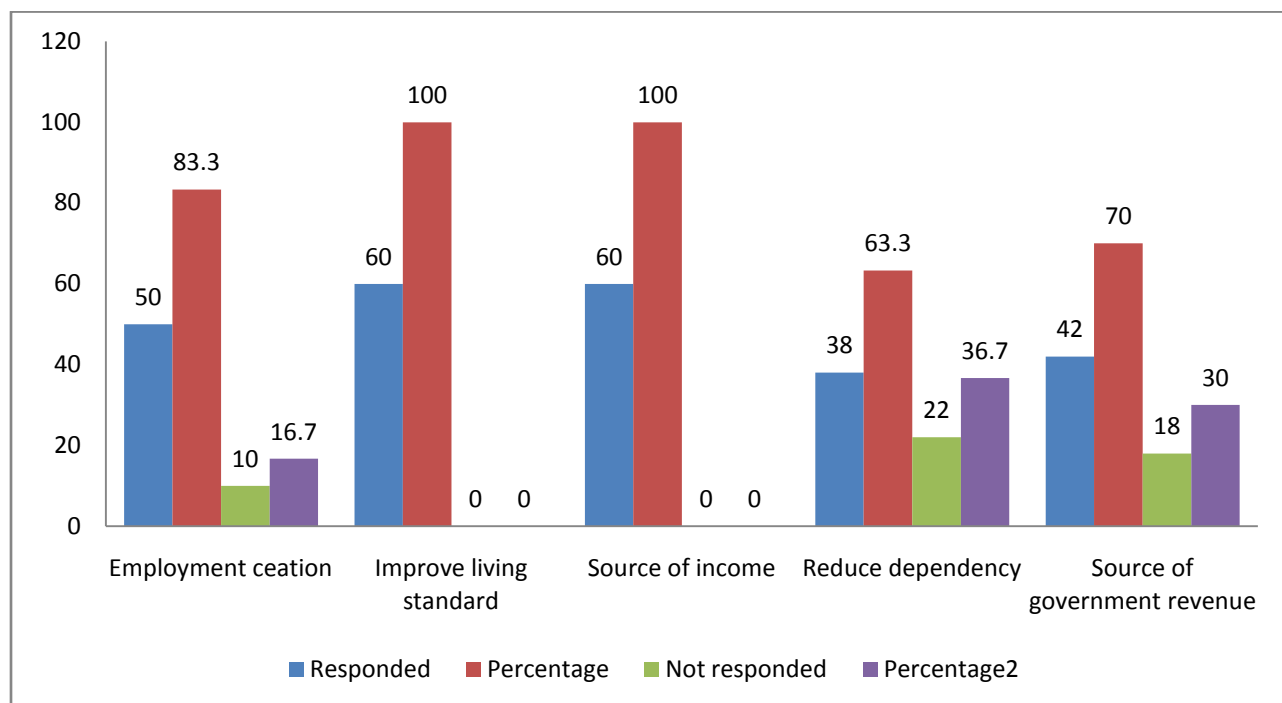
Source: Study findings, (2014)

- **On improving living standard:** 100% (60) report to improve their living standard through micro and small food processing enterprises. That means, all respondents had the same answer concerning this question.
- **On source of income:** On micro and small enterprises being source of income, all 60 respondents (100%) reveal that food processing is the source of income. Through micro and small food processing industries they generate income which is then used for various issues.
- **On employment creation:** Results reveal that, 83.3% (50) of all respondents report to have created employment (to themselves as well as to others in the society). Others have permanent employees and others do find employees only during processing activities in their enterprises so as to reduce cost. 16.7% (10) of the respondents did not respond on employment creation.
- **Source of government revenue:** On micro and small food processing enterprises being source of government revenue, the study reveal that, 70% (42) of all 60 respondents report that, the micro and small food processing enterprises they have are good source of

government revenue. The government generates income from various taxes and licenses imposed on them. The remaining 30% (18) of the respondents did not respond this question.

- **Reduce dependence:** Concerning reduction of dependence as a contribution of micro and small food processing industries, results show that, 63.3% (38) of the respondents report to have reduced dependence as a result of having food processing industries. Respondents can no longer depend on people they used to depend. The remaining 36.7% (22) of the respondents did not respond on this question.
- **Micro and small food processing industries have shown a great contribution as seen in the above analysis.** Many employees have managed to generate income, improve living standards of their families and the society in general, create employment to the society and reduce dependence. But the results show that not all entrepreneurs especially in micro and small industries do contribute to the national income since others do not pay the required taxes and others even do not have business licenses of the businesses they conduct.

Figure 4.13: Contribution of MSEs in poverty reduction



Source: Study findings, (2014)

4.5 Description of strategies for improving the contribution of MSEs in poverty reduction

The researcher was concerned with the strategies for improving the contribution of micro and small food processing industries in Tanzania so as to look forward for proper solutions to improve and develop this industry in Tanzania. And the strategies are as here under explained.

Table 4.15: Strategies for improving the contribution of MSEs in poverty reduction

Response	Responded	%	Not responded	%
Government support	60	100	0	0.0
Encourage investors	43	71.7	17	28.3
Appropriate education	13	21.7	47	78.3
Areas for entrepreneurs	11	18.3	49	81.7
Reduce bureaucracy	23	38.3	37	61.7
Improve infrastructure	35	58.3	25	41.7
Support from financial institutions	42	70	18	30
Average percentage		50.0		53.7

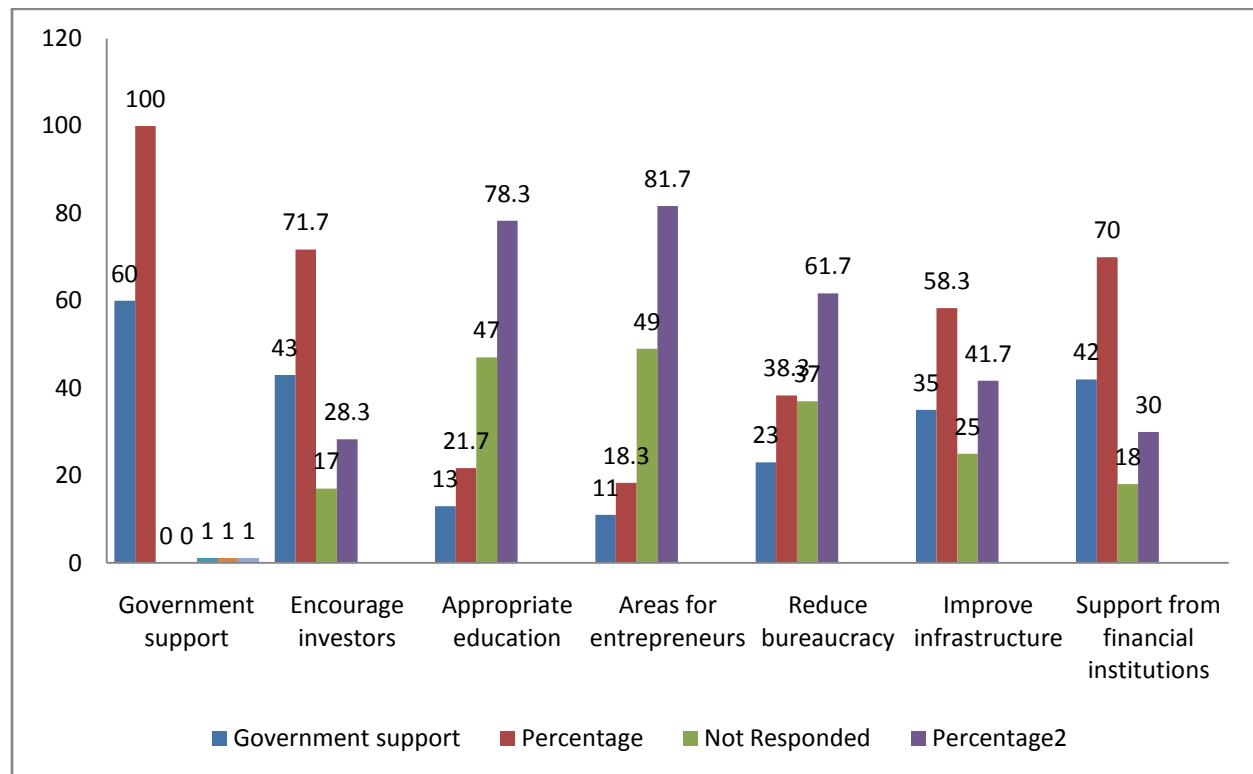
Source: Study findings, (2014)

- **Government support:** 60 respondents (100%) reveal on the government support as one of the strategies for improving more contribution of micro and small food processing industries. The government should support in financing food processors, imposing modern technology so that entrepreneurs can be involved the global marketing of their products, imposing policy that promote micro and small industries and promoting them in various aspects.

This was also revealed by interviewed SIDO staffs who said there is a need for the government to put more efforts in supporting micro and small industries for growth of the national economy.

- **Encouraging investors:** 43 respondents (71.7%) report that, investors should be encouraged so as to invest in production of packing materials, provision of grants, donations and other business aids and other entrepreneurship aspects. SIDO staffs also supported the point.
- **Support from financial institutions:** Financial institutions should support entrepreneurs through reduction of credit terms such as reduction of interest rates and collaterals when in need of credits. This was so supported by 42 respondents (70%).
- **Improve infrastructure:** Infrastructure such as roads and transportation, electricity, water should be improved to simplify transportation of raw materials and other entrepreneurship products and also to simplify processing of products. This was so revealed by 35 respondents (58.3%). This was also supported by SIDO staffs who revealed that the credits they provide to entrepreneurs are not enough hence need support from financial institutions.
- **Reduction of bureaucracy:** The study reveal reduction of bureaucracy during licensing of businesses, seeking for TBS stamp or TFDA certifications and even during various business transactions is another strategy to improve the contribution of MSEs in poverty reduction. This was so revealed by 23 respondents (38.3%).
- **Appropriate education:** 13 respondents (21.7%) of all respondents reveal that there should be appropriate education in schools and other institutions concerning entrepreneurial matters so as to improve more contribution of micro and small food processing industries.
- **Areas for entrepreneurs:** Results show that 11 respondents (18.3%) of all respondents reveal that there should be promotion of food processing entrepreneurs through building processing areas for them unlike now that others do processing in the houses they live in. Also the point was spoken by SIDO staffs who were interviewed since their estate is not big enough to cover for all entrepreneurs, therefore the government should work on building areas for processing so as to promote this industry and allow entrepreneurs share various aspects under one area.
- Many respondents revealed that government support, encouraging investors, appropriate education and support from financial institutions are better strategies which may influence more contribution of micro and small food processing industries in Tanzania.

Figure 4.14: Strategies for improving the contribution of MSEs in poverty reduction



Source: Study findings, (2014)

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The main objective of this study was to assess the contribution of micro and small food processing manufacturing industries in poverty reduction in Tanzania. Specific objectives were

- i. To identify the operations of micro-small food processing industries operating in the economy of Tanzania.
- ii. To assess the contribution of micro-small food processing industries in poverty alleviation.
- iii. To identify the strategies for improving the contribution of micro-small food processing industries in poverty reduction.

These objectives were made to answer the following questions

- i. What are the operations of micro-small food processing industries in the economy of Tanzania?
- ii. Is there any contribution of micro-small food processing manufacturing industries in poverty alleviation?
- iii. Are there any strategies for improving the contribution of micro-small food processing industries in poverty reduction?

Generally, all the questions were answered properly in this study as seen in the study findings in chapter four. This chapter is dealing with conclusion and recommendations of the study based on the study findings.

5.1 Conclusion

As the above chapter of the study show the findings of the study, it is seen that MSEs are of great importance towards poverty reduction in Tanzania due to the fact that through MSEs, food processors generate income, they have created employment opportunities to other Tanzanians who had no jobs, they have improved their living standards as well as their employees living

standards and they have generated the government revenues through various taxations and seeking of various business licenses.

MSE food processors have been able to succeed through being assisted by SIDO in various aspects such as providing credits to them, finding market linkages and information to them when possible, training, advising and consulting them on processing of their products such as Lishe flour, Wine making, tea and food spices processing and other types of food processing available at SIDO Mwanza. Sometimes MSE processors are provided with technology for better processing of the products.

Also the available resources such as availability of employees, raw materials and other resources have allowed micro and small food processors to contribute in poverty reduction in Tanzania due to effective use of these resources.

Micro and small food processing industries have also contributed to poverty reduction in Tanzania since employments are few and graduates are so many in streets with no employment. So the youths from schools and universities, are now looking forward to establish their own industries and not wait to be employed. Therefore micro and small food processing industries have reduced employment problem in Tanzania.

However, all the above contributions are hindered by a number of factors as follows;

- i. Packing materials have been a major challenge to entrepreneurs. They are very expensive since they come from far places such as Nairobi and Arusha. In SIDO, packing materials are available but there are no varieties and also the available packages are not enough since processors are many. Therefore, entrepreneurs who can at least travel for packing materials decide to do so as to get packing materials for their products as well as selling other packing materials to other MSE food processors. And by doing that they increase sources of income as well as their capital.
- ii. Moreover, capital is another challenge to food processors. They are provided with credits for capital, but these credits are not enough to sustain all their requirements. And another problem is, credits are provided with high interest rates, therefore instead of developing the industries they end up thinking of how to pay back their credits. This is rather difficult to those who are new in these industries since credits are given to those who are

already in business. They are supposed to give out their business licences as collateral for them to get credits. Therefore there are so many people in streets who would like to be entrepreneurs but they have no capitals and collateral for them to be given credits.

- iii. Competition is another challenge faced by food processors. MSE food processors face competition from other processors within the country and even the competitors from other countries especially the East African Countries. And as already explained above, Tanzanians prefer imported products as products from their country, so food processors face a great competition from other nations and it should be noted that other countries have already developed in technology. This makes the business in Tanzania to be so hard.

So generally, MSE food processors can make wonders in their industries and they can even transform their industries into medium industries but the challenges above allow them to have little contribution. If the government and other stake holders can work through all these challenges then Tanzanians can be able to develop their food processing industries and even those who fail to start processing due to one barrier or another can have opportunities to start their own industries.

5.2 Recommendations

Based on the study findings and the above conclusion, the following recommendations are put through.

- i. In Tanzania, micro and small industries is now a growing industry. And a big challenge facing Tanzanians is unemployment. Therefore the following should be done so as to encourage and promote the industry even more than it is by now.
- ii. The government should allocate more funds in this sector so as to support entrepreneurs in increasing capital which may allow them change their industries into modern ones and process better quality products which will then allow internal and external marketing.
- iii. The government should also consider the fact that, there are so many Tanzanians in the society who are neither employed nor employ themselves in micro and small industries due to one reason or another, therefore the government is supposed to create an environment which will allow that group to work for any business opportunity available.

- iv. The government should assist MSEs in providing effective marketing and distribution channels for MSEs products to penetrate sub-regional and even global market.
- v. The government through the ministry of Industry and Trade should insure support to MSEs in the areas of capacity building and skills upgrade, identification of sources of funds with attractive interest rates, electronic and printed information on raw materials, markets, equipment sources, regulatory, legal and tax matters, developing financial records etc.
- vi. The government should establish a National Entrepreneurial Institute to train, develop and promote entrepreneurship. In every local government within the Industrial Development Clusters there should be an Education department to be responsible for public enlightenment, training and education of entrepreneurs (prospective and existing) on relevant skills and developments in technology, markets, research findings and assist them with appropriate linkages to large scale producers, markets, services, sources of raw materials, plant and machines and spares.
- vii. The government should tackle corruption and bribery and institutionalise transparency, accountability and due process in the conduct of government business such as tax and levies collection.
- viii. The government through the Central Bank of Tanzania should establish the National Credit Guarantee Scheme for SMEs, which should guarantee all loans needed by small and medium enterprises in Tanzania.
- ix. There is a need to restructure and strengthen policy in favour of a rapid growth and development of SMEs so that they could serve as the hub for industrial transformation. SMEs are expected to champion local sourcing of raw materials and export drive if the environment is enabling enough.
- x. Entrepreneurs and prospective entrepreneurs should appreciate that funding is not the most important element in the successful development of an enterprise. Funding is necessary but not a sufficient condition for success in enterprise development. SMEs promoters should not be thinking only about money but should be prepared to learn so that they can enhance their capacity to sustain their enterprises

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APPENDICES

APPENDIX I

MZUMBE UNIVERSITY

SCHOOL OF BUSINESS- MWANZA CENTRE

Dear respondent,

This questionnaire aims at collecting information concerning the study on An Assessment of The contribution of micro-small food processing manufacturing industries in poverty reduction in Tanzania. A case of SIDO Mwanza.

The study is conducted as a partial fulfilment for the award of the Masters' degree in Business Administration according to Mzumbe University requirements. The purpose of this questionnaire is to request you to share with the researcher about your understanding on whether micro-small food processing industries contribute in reduction of poverty in Tanzania or not. Note that all these information will be treated only for academic purposes and not otherwise, so you're requested to feel free when filling this questionnaire.

Jacqueline Yondani

Cell phone: 0717 320375

RESEARCH QUESTIONNAIRE FOR OWNERS OF MICRO-SMALL FOOD PROCESSING MANUFACTURING ENTERPRISES

(English version)

Instructions

1. Instructions are indicated as per requirement of the specific questions.
2. If you feel, you have something more to tell the Researcher about the problem, you may write in a plain paper attached at the end of this questionnaire.

PART I

Personal Information

1) What is your sex?

Male	
Female	

2) Which of the following categories best describes your age?

I	Below 25 years	
Ii	26- 35 years	
Iii	36- 45 years	
Iv	46- 55 years	
V	56 years and above	

3) How long have you been in the business?

I	Less than 5 years	
Ii	6 to 10 years	
Iii	11 to 15 years	
Iv	16 to 20 years	
V	More than 20 years	

4) What is your level of education?

Primary school education	
Secondary school	
Certificate	
Diploma	
Degree level	

5) What is your occupation (type of business) are you involved

Type of food processing business you are engaged in	Tick the appropriate
Jam making	
Mango pickle processing	
Honey processing	
Lishe flour processing	
Coffee processing	
Others (specify)	

PART II

Issues of micro-small food processing manufacturing industries:

1.) For how long have you been getting SIDO services

- a) 0 - 2
- b) 2 - 4
- c) 4 - 6
- d) 6 and above

2.) Where did you get your initial capital?

- a) SIDO
- b) Loan from financial institutions
- c) Own savings
- d) Others

3.) In what areas have you been served by SIDO?

- a) Technology development services
- b) Training, consultancy and advisory services
- c) Marketing and information services
- d) Financial services
- e) Others

4.) Do you have other sources of income apart from your business?

- a) Yes
- b) No

5.) In what ways does your business contribute in reducing poverty?

- a) Employment creation
- b) Improve living standard
-

- c) Source of income
- d) Reduce dependence
- e) Source of government revenue

6.) What negative contribution does your industry contribute to you and the whole society?

- a) Environmental pollution
- b) Health problems

7.) What problem do you face on resources?

- a) Electricity
- b) Water
- c) Markets
- d) Employees
- e) raw materials
- f) packaging materials

8.) Is technology in your industry sufficient enough to allow:-

- a) logistical efficiency
- b) Safety processing of your products

9.) What are the challenges faced by MSEs in their operations?

- a) Shortage of internal customers
- b) Shortage of packing of materials
- c) In availability of processing areas
- d) Financial problem
- e) Competition
- f) Technological problem

10.) What should be the strategies for improving the contribution of MSEs in poverty reduction in Tanzania?

a) Government support

b) Encourage Investors

c) Appropriate Education

d) Area for entrepreneurs

e) Reduce bureaucracy

f) Improve infrastructure

g) Support from Financial institutions