

**AN ANALYSIS OF STRATEGIC FACTORS HINDERING THE
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN
TEXTILE INDUSTRY:**

A Case Study of Friendship Textile Co Ltd Dar es Salaam Tanzania.

By

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A Dissertation Report Submitted to the School of Business in Partial Fulfillment of the
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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, An Analysis of Strategic Factors Hindering the Performance of Small and Medium Industries in Textile in Dar-Es-Salaam case study of Friendship Textile Company Ltd. (FTC), in partial/fulfillment of the requirements for award of the degree of Masters of Science in Accounting and Finance (MSc A&F) of Mzumbe University.

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I, Daud H. Msemo, declare that dissertation is my own original work and that it has not been presented and was not be presented to any other University for a similar or any other degree award.

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DEDICATION

I dedicate this Dissertation to my beloved parents, my lovely Mother Sunna Abdallah Msuya and my late father Haji Abrahaman Msemo who pass away in may 2nd 2012 when I was in my studies, my prayers always is for Allah to grace his soul now and ever (amin). Another persons who bear a greater in my academic is my aunt Zukra Abdalah and my uncle Ummary Msuya .

ABBREVIATION AND ACRONYMS

BSD.	Business Service Development.
CBE:	College of Business Education
FTC.	Friendship Textile Company.
GDP.	Gross Domestic Product
KMC.	Kinondoni Municipal Council
MIT:	Ministry Of Industry and Trade
MSEs:	Micro and Small Enterprises
MSMEs:	Micro, Small and Medium Enterprises
NDC:	National Development Organization
NEDF:	National Entrepreneurship Development Fund
NMB:	National Microfinance Bank
NSIC:	National Small Industries Corporation
PRIDE.	Promotion of Rural Initiative and Development Enterprises
RTC:	Regional Trading Centre
SACCOS:	Savings and Credit Corporative Societies
SELF:	Small Entrepreneurs Loan Facility
SIDO:	Small Industries Development Organization
SIPD.	Small Industry Development Policy

SMEs:	Small and Medium Enterprises
SMI.	Small and Medium Industry
SWOT:	Strengths, Weaknesses, Opportunities and Threats
TBS.	Tanzania Bureau of Standard
TFDA.	Tanzania Food and Drugs Authority
UK:	United Kingdom
USA:	United State of America
WDF:	Woman Development Fund
YDF:	Youth Development Fund`

ABSTRACT

In Tanzania Small and Medium Enterprises operations are facing challenging issues for their (SMEs) growth and survival in a competitive environment. This study has assessed strategic factors hindering the performance of SMEs in Textile Industry, SMEs in Tanzania are increasing in number due to unemployment, poverty, and availability of funds from different sources such as SACCOS's and bank.

However, the government through the Ministry of Industry and Trade in its SMEs Development Policy (2002 and 2012) tries to set better business environment. The challenge to SMEs entrepreneurs is how to start a business, grow and sustain in the business environment. Competitive pressure range from micro-businesses to large businesses in each business industry an entrepreneur prefers to run business. The objective of this study was to assess hindering factors that lead to SMEs poor performance in Dar es Salaam.

The research methodology used case study research design. A sample size of 35 respondents who comprised of Friendship Textile Company employees involved. Data collected was analysed by SPSS computer software

The findings from the study on analysis on strategic factors hindering the performance of SMEs showed that, 50% of the respondents showed that FTC encounter competent personnel. On other hand, 69.3% of respondents showed that the SME facing lack of technology and expertise 42.3% of the respondents say SMEs facing financial limitation. However, 42.2% of respondents showed that fuel and power breakup are the most factors that hindering the growth of SMEs especial in startup stage while 46.2% of respondents indicated that lack adequate personnel in SMEs is another problems.

The research adds to the argument for the majority of Tanzanian SMEs which are still need ,financial support to access credits from financial institutions and appropriate technology so as utilize the investment opportunities available for their economic development

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CHAPTER ONE

INTRODUCTION AND BACKGROUND INFORMATION

1.1 Introduction

The MSMEs nomenclature is used to mean micro, small and medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs). The SMEs cover non-farm economic activities mainly manufacturing, mining, commerce and services. There is no universally accepted definition of SMEs. Different countries use various measures of size depending on their level of development. The commonly used yardsticks are total number of employees, total investment and sales turnover. In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tshs.5.0 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings engaging between 5 and 49 employees or with capital investment from Tshs.5 million to Tshs.200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs.200 million to Tshs.800 million. This is illustrated in the table below:

Table 1.1. Categories of SMEs in Tanzania

Categories	Number of Employee	Capital invested in machinery (Tsh)
Micro enterprises	1 - 4	Up to 5 million
Small enterprises	5 - 49	Above 5 million to 200 million
Medium enterprises	50 - 99	Above 200 to800 million
Large enterprises	100+	Above 800

Tanzania started to recognize the importance of small businesses since 1966 when it established National Small Industries Corporation (NSIC) under the National Development Corporation (NDC) to promote the small industries corporation sector.

Thereafter, the Small Industries Development Organization (SIDO) was established in 1973 to promote and offer every form of service to small industries. Currently, the Government of Tanzania has established SME development policy as increasing recognition of the role of small and medium enterprises in employment creation, income generation and stimulation of growth in both urban and rural areas.

Some of the ideal issues for SMEs establishment in Tanzania is caused by the persistent increase of unemployment, staff retirement and retrenchment, poverty issues, globalization that brings in opportunities as well threats, financial incentives such as SACCOS as well Government step out in doing business due to either management of financial constraints for instance, the death of Region Trading Company (RTC), Small and Medium Enterprises are engining of economy development in Tanzania. Recently the Deputy Minister of Industry and Trade Hon. Gregory G. Teu told Small and Medium Entrepreneurs (SMEs) who attended the Lake Zone Exhibition which took place in Mwanza City Nyamagana stadium, that they are important segment in the Tanzanian economy. He said, "SMEs contribute about 27% in the national income". He said that the government is making strides to create conducive environment to enable them achieve their goals through improving policies and strategies in the areas of finance, products certification and packaging materials. He however cautioned SMEs to comply with all taxes so that the collected revenue is used by the Government in the construction of other socio and economic infrastructures.

He said this during the official opening of the exhibition early December 2012. During the official closing of the lake zone exhibition, the Regional Commissioner of Mwanza Hon. Eng. Evarist Ndikilo was very impressed with machinery and other products displayed at the exhibition grounds.

He said “Our products can compete effectively using zone exhibitions because; at that juncture many people get an opportunity to view varieties of many SME products at one area. In addition, he said that SMEs are required to make efforts of getting TBS mark, TFDA certification, Bar code etc, to create confidence of consumers to use their products”. On the other hand the SIDO Board Chairman Mr. Japhet Mlagala told the Regional Commissioner that during exhibitions SIDO conducts training programs to enable exhibitors acquire new skills on running their enterprises. He also said that exhibition is the execution of activities among four pillars that SIDO executes to promote Small and Medium Enterprises. The pillars are technology and product development, training and extension services, marketing and information and financial service.

Tanzania economy (trade current journal 2006:21). It is now increasingly recognized that the Small and Medium Enterprises (SMEs) play crucial role in employment creation and income generation in Tanzania. SMEs all over the world and in Tanzania in particular, can be easily established since their requirements in terms of capital; technology, management and even utilities are not as demanding as it is the case for large enterprises.

1.1 Statement of the Problem

In most developing countries, SMEs face constraints both at start up phases and after their establishment. In Africa, for example, the failure rate of SMEs is 85% out of 100 enterprises due to lack of skills and access to capital (Fedahunsi, 1997:170-186). It is typical of SMEs in Africa to be lacking in business skills and collateral to meet the existing lending criteria of financial institutions (World Bank, 2004:29). This, according to World Bank, has created finance gap in most markets. The SMEs are able to source and obtain finance mostly from informal sectors like friends and relatives while medium or large enterprises obtain funds from banks.

This unequal access to finance by SMEs and medium and large enterprises has undermined the role of SMEs in the economic development in African countries (World Bank, 2004:29).

In Tanzania the small Industrial Development Policy - SIDP (1996 - 2020) places specific emphasis on promotion of small and medium industries through the following measures: supporting existing and new promotion institutions, simplification of taxation, licensing and registration of SMEs and improving access to financial services. In addition, SIDP encourages informal sector businesses to grow and be formalized.

Furthermore, the policy identifies measures to enable indigenous entrepreneurs, women, youth and people with disabilities to take part in economic activities. The National Micro Finance Policy covers the provision of financial services to small and micro enterprises in rural areas as well as in the urban sector that are engaged in all types of legal economic activities. Furthermore the Agricultural and Livestock Policy is aimed at the development of agricultural and livestock activities that are performed by both small farmers and livestock keepers. The priority is given to resources-based enterprises particularly activities that add value to agricultural products. Nevertheless, agriculture is still the backbone of our economy. It contributes more than 50% of the country's GDP and accounts for about 60% of the country's foreign earnings.

Today's Tanzania, industries, particularly small and medium industries (SMIs), operates under various conditions and constraints, which stand on the way to the achievement of organizational goals. There are, for example, high cost and shortage of materials, shortage of funds, inability to recruit competent staff.

Due to its size, the individual firm neither has control over input factor costs or the prices at which it sells its output with the result that inefficient and high cost firms are forced out of business.

This makes cost saving devices essential for economic survival. Gone were the days when owners of the businesses concerned themselves with returns, or employees with salaries and wages only; their interests are now also focused on the efficient operation of the business and utilization of invested resources. This study therefore has assessed strategic factors hindering the performance of SMEs industries in Tanzania.

1.3. Objective of the Study

1.3.1 General Objective

The general objective of the study is to find out the challenges posed by industrial competitive forces to SMEs.

1.3.2 Specific Objectives

In order to come up clear with the major objective, these studies concentrate on other specific objectives as follows

- (i). To assess how human resource contribute to effective performance of SMEs
- (ii). To assess the extent application of information technology affect the performance of SMEs
- (iii). To assess the extent the market information contribute to performance of SMEs
- (iv). To assess how SMEs cope with the challenge of early start failure as most of SMEs fail in their first two years of establishment and measure to be taken to prevent from collapse?

1.1 Significance of the Study

This study would among other things high light the importance of SMEs in Tanzania. The study was also provide the general public with relevant information in relation to textile industry activities in Tanzania as well as adding to available literature in the area of performance of textile industry in Tanzania.

The study would enable the researcher to come up with Dissertation paper (i.e. report) for the submission to Mzumbe University as a partial fulfillment for the award of Master Degree of Accounting and Finance. The study put in light the present problems in the Institution hence avoiding it from the possible subsequent lawful consequences. The study was enable the management to be aware on the existing situation thus taking appropriate measures on the weaknesses observed hence retaining their managing reputations. A finding of the study was serve as the reference to the subsequent researchers on the same field. At the end of the research study, the researcher gained potential knowledge on the area of his study.

1.5. Limitations of the Study.

- (i). The following are considered to be limitations of this study: On basis of financial aspect, respondents' wer reluctant to provide actual information as the study involves asking matter relating to financial issues especially the use of credits.
This problem were overcome by using indirect questions that may cause respondent not to feel that she has reveal something which should not be known to other people.
- (ii) Due to time and budget constrain, one industry was chosen to enable the researcher draw valid conclusion from the survey as applicable to small and medium size textile industry.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter consists of three sub-sections; the Theoretical literature review, Empirical literature review and Conceptual Framework of this study. Many literatures have been written on the subject of SMEs performance, its impact. To understand that factors a researcher has to find the general phenomenon of the same by studying what other scholars of Factor which hinder the performance of SMEs have explored in the world, Africa, and Tanzania in general. Finally, the conceptual frame work has established the cause-effect relationship of indicators variables of the study.

2.1. Theoretical Literature Review

In the context of Tanzania, micro enterprises are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tshs.5 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalized undertakings. According to Tanzania SMEs Policy and definition of SMEs that classified SMEs into: Micro enterprise – (1 to 4 workers) ,Small enterprise – (5 to 49 workers) ,Medium enterprise – (50 to 99 workers) ,Large enterprises-(100+ workers). However in the event of an enterprise falling under more than one category, then the level of investment was be the deciding factor. In the 1950s and 1960s, small firms were written off as out -or" -date forms of the economic activity. By the late 1970s and 1980s, they were hailed as a new savior of ailing western economies and by the 1990s SMEs were recognized as the key fuller employment (stokes 2002:9). These are factors that are within the control of the enterprise's management.

2.1.1. Technical Skills and Management Competencies

Technical skill relate to an understanding of the products of services on offer and the market and industry environment in which they exist. Management competencies relate to managing key functions of the enterprise such as marketing, finance and management of people (human relation).

2.1.2. Personal Attributes and SMEs Strategy

Personal attributes make the difference between entrepreneurial and other styles of management and form the basis of a successful approach to owner-management. (Stokes 2002:44-45) state the following as personal attributes: Innovative, Determined, External focus and Team leader. It has further been argued that strategic management's main teachings are: first look at the future, know what markets you are in and want to be in. second, pay ongoing attention to external factors-technological, economic, political and social factors. Third, establish and keep a match among those external factors and internal organizational variables. Fourth, remember that strategic management is an interactive process. Research shows that firms that frequently engage in strategic management generally outperform those that do not (Analoui and karami 2003:7-8) .

2.1.3. Macro Environmental Factors of Business Entry

The potential for a small business to enter a given industry sector is determined initially by the barriers to that exist. Barriers to entry work both ways for small firms: at first, high entry barriers act to keep a new venture out, but once a small firm has entered to the market, they can protect it from too many new competitors (Certo & Peter 1991).

(i). Buyers

Buyer or customer compete within the small firm by trying to get the best possible deal for them, they was try to negotiate discount, additional service higher quality, sakes support and other benefit which are added cost for the supplying business.

(ii). **Rivalry**

Rivalry between established firms is evidenced by traditional forms of competition: selling and promotional campaigns, discount offers, new product launches, extending distribution channels and so on.

Small firms may do this in sprits of rivalry which range from collaborative and co-operative to fiercely competitive. The intensity of rivalry is affected by the exit barriers in the industry.

(iii). **Threat of Substitute Products or Services**

Industries where there are fewer real substitute tend to be more stable than those that can be easily substituted by other product or services, or those that rely on disposable income

(iv). **Economic Factor**

Economic factors concern with the nature and direction of the economy in which a firm operates. Because consumption patterns are affected by the relative affluence of various market segment, each firm must consider economic trends in the segment that affect its industry. On both the national and international level, managers must consider the general availability of credit, level of disposable income, and trends in growth of the gross to spend.

(v). **Social Factors**

The social factors that affect a firm involve the belief, values, attitude, opinions and lifestyles of persons in the firms external environment as developed from cultural, demographic, ecological, religious, educational, and ethic conditioning.

(vi). **Political Factors**

Political factors define the legal and regulatory parameters within which firms must operate. Political constraints are placed on firms through fair trade decisions, antitrust laws, tax programs, minimum wage legislation, pollution and pricing policies, administrative jawboning, and many other actions aimed at protecting employees, consumers, the general public, and environment. Since laws and

regulations are most restrictive, trend to reduce the potential profits of firms. However, some political actions are designed to benefit and protect firms. Such actions include patent laws, government subsidies, and product research grants.

2.1.4. Technical Factors

To avoid obsolescence and promote innovation a firm must be aware of technical change that might influence its creativity. Creative technological adoptions can suggest possibilities for new products, for improvement in existing products or in manufacturing and marketing techniques. A technological breakthrough can have a sudden and dramatic effect on the firms' environment. It may spawn sophisticated new markets and product or significantly shorten the anticipated life of a manufacturing facility.

An internal influence is as the following such as: Owner-manager motives, Personal attributes, Technical skills and Management competencies especially in, Marketing, Finance and Management people.

(i) External Influences

Social and Technological Micro-environment is as the following such as: Local economy, Market sector, Competitors and Customers. Source: stokes (2002:52) small business management.

(ii) Characteristics of Successful Entrepreneurs

Factors affecting business success among SMEs: Empirical evidences from various studies abstract in research, despite the fact that some SMEs have been declining or stagnant, some others have been successful and growing. What factors affect business success among SMEs? The recent study aims to answer this main question explain 38.6% of the total variances. These findings suggest that to be successful SMEs, the owners of the SMEs should pay more attention to improve marketing strategy, to advance technology, and to get capital access.

Other interested parties with development of SMEs such as government agencies, universities, and Business Service Development (BSD) should also be prepared for giving assistances in those fields.

(iii) Length Time in Operation.

Length time in operation may be associated learning curve. Old players most probably have learned much from their experiences than have done by new comers. Kristiansen, Furuholt, & Wahid (2003) found that length time in operation was significantly linked to business success.

(iv) Flexibility and Innovation

Successful entrepreneurs are creative and have dreams and goals. They are flexible, listen to their customers and adapt to meet those needs. They do not operate exclusively on their own preconceived notions about the market place. They use innovative approaches to deal with organizational issues.

(v) Risk takers, previous Experience and Technical Knowledge.

Successful entrepreneurs are able to determine the level of risk and have courage to take risk. They are aware and accept that their decisions may have positive or negative outcomes. Accordingly, successful and experienced entrepreneurs have better understanding of the market place.

The more experience individuals have, the better able they are to understand what it is that customer want and value and then devise a competitive strategy to serve those customers. Successful entrepreneurs have managerial and technical knowledge of their business. They know how to manage the business and have the balance of skills required for running the business.

2.1.5. Factors hindering the Growth of SMEs.

It is generally recognized that SMEs (Small and Medium Enterprises) face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development. In fact, there are several ways to classify and describe the factors and mechanisms affecting firm failure. The basic classification divides the reasons into two categories: (a) firm-internal causes; and (b) firm-external causes. In addition to firms falling into these categories, there are also businesses that never start trading. Moreover, some firms cease to trade due to health problems, ageing or other reasons related to the person of the entrepreneur.

2.1.6. Poor Infrastructures

Poor infrastructures pose a major challenge to small enterprises in Tanzania. In Tanzania, the provision of better infrastructures has lagged behind over years. There are poor roads, inadequate electricity supply. According to the proceedings of the National Investment Conference, November 2006, Tanzania still stands in need of better infrastructures. It has been the pledge Kikwete government (when it took over from Mkapa in 2005) to improve the infrastructures, but there is yet much to be done.

2.1.7. Analysis of Liquidity Position of SMEs Performance

Liquidity is a prerequisite for the very survival of a firm. The short-term creditors of the firm are interested in the short-term solvency or liquidity of a firm. Liquidity means the ability of an asset to be converted into cash without a significant price concession.

Liquidity has two dimensions: the time required for converting the asset into cash and the certainty of the price realized. The liquidity ratios measure the ability of a firm to meet its short-term obligations and reflect the short-term financial strength/solvency of a firm. It is very important for a firm to meet its current obligations as they become due. Though, liquidity analysis is better understood by cash budget and cash flow.

From these ratios, much insight can be obtained into the present solvency of the firm and the firm's ability to remain solvent in the event of adversity. Liquidity implies that funds are idle or they earn very little. A proper balance should be maintained between two contradictory requirements liquidity and prodigality.

A firm suffers from lack of liquidity cannot meet its obligations in time, which results in poor creditworthiness, lack of creditor's confidence, closure of company due to legal tangles. If a firm keeps higher level of liquidity, the firms fund was be unnecessarily tied up in current assets, which earn nothing. Therefore, a firm should maintain proper balance between lack of liquidity and high liquidity.

2.2. Empirical Literature Review

2.2.1. Historical perspective of Entrepreneurship in Tanzania's

The rise of the urban informal sector in Africa is particularly associated with the postcolonial period, when rapid urbanization tended not to be accompanied by concomitant growth in urban formal economies.

The urban people adopted diverse self-help initiatives to create employment and incomes. However, both rapid urbanization and this entrepreneurial response have their roots in the late-colonial period.

For example, the planned solution to what was seen as the problem of urban growth was to attempt to limit it. Restricted numbers of more skilled employees – being paid salaries which were for the first time high enough to make permanent urban residence an option were to replace scores of indigenous and temporary migrant labourers. Such thinking plainly failed to address what was evident in towns and cities throughout the continent, that ever-growing numbers of people were opting to move to the urban areas.

According to Lome Convection, SME employ more than 10 persons operating mainly in the formal sector.

Craft enterprises are mainly found in the semi formal sector carrying out simple transformation of primary products; while Micro enterprises are normally formal sectors with as many as 10 workers although the usual number is one or two with or without some part-time assistants.

Even with this categorization, yet one can face difficulty in identifying the locus of itinerant hawker (*machinga*) who buys and walks long distance with few finished merchandize. All in all we offer our pessimistic and subscribe to other analysts the view that defining and fitting petty traders within the defined realm of SME is hard! The space limits us to expound the long list of traditions and schools' prescribing what entrepreneurship is and is not. Suffice it to conclude that entrepreneur is a person or group of persons who compete through innovation; discover through networks; persuade resource owner and indeed bear risk.

While it is important to define and identify who is an entrepreneur, it is unfortunate that the question of factors and environment necessary for entrepreneurship especially small business to prosper has not attracted much attention from scholars. One probable reason is that many people including scholars take entrepreneurial activity as given and probably activity involving informal sector and private sector. It is important to note that ventures exist and operate in the environment that is characterized by many variables/factors. Such factors are like legal requirements in force at a particular administrative area, security and safety reliability in the business area, customer and consumer attitude toward the merchandize and environment, pricing and capitalization structure of the venture and many more. These variables may determine the success, growth and failure of any business establishment.

It is essential that entrepreneur set forth the effort to understand these factors by using various approaches like scanning the environment. The entrepreneur should as far as possible identify strengths, weaknesses, opportunity and threats of his venture before and after he has started the enterprise.

On the factors that lead to success of entrepreneurship and business venture, various analysts provide different framework and factors. The critical examination and analysis of them provide the following as common factors: Formation of business organization, developing training programme for individual entrepreneur, mechanism to enhance availability of capital fund to entrepreneurs and small business (access to credit?), linking entrepreneurs to information and technology (Kimeme et al:) and provision of access to market (UN Economic Commission for Africa).

2.2.3. Main Challenges Facing SMEs

These challenges are grouped into four broad groups, access to technology, access to finance, and access to human capital.

(i) Access to Financing

For many SMEs, while banks and the Government alike are making available funds for business expansion, the reality is – it is getting tougher to secure "financing. The global "financial crisis have caused “non financial institutions to be more cautious and credit processing has become so complex, that very often SMEs "and it difficult to both understand the procedures and decisions when it comes to loan processing.

It is getting harder to secure "financing from banks and they always set very high requirements for us to achieve in order to get "financing. That is the most polite way to reject your loan “There are currently no government incentives for our data centre site infrastructure. There is also a lack of government assistance or "financial aid to help SMEs. As long as "financial institutions in this country rely on the current antiquated secured-lending principles, business simply won't grow. In more advanced countries, unsecured lending is fast becoming the rule rather than exception and there's plenty our SME banking operations have to catch up on.

(ii) Access to Human Resource

Many SMEs such as Vista Vision Specialist has put in placed numerous practices to attract and retain talents including paying above market average salary, annual bonuses, continuous training and a conducive and supportive working environment.

So it is not true that working for SMEs is not attractive. But the fact is, given a choice, candidates would prefer to work for larger companies. This is where the government could step in and put incentives to returning talents to work in SMEs and provide more incentives to SMEs to provide greater benefit. Most capable young adults would prefer to work in MNCs as it looks more promising, not to mention more glamorous.

A research by Adnan, Abdullah and Ahmad (2011) indicated that HRM practices did have some effects on Malaysian firm bottom line performance.

Islam and Siengthai (2010) found that most of the core processes of HRM, namely, recruitment and selection, performance appraisal, training and development, as well as compensations have a momentous and positive impact on firm performance.

(iii) Access to Technology and Information.

At a time when the country is preparing to move into high technology industries aggressively, not only as a consumer but also as developers of technology many SMEs still have a challenge to acquire or develop new technology. While we want to move forward to become a global hub for biotechnology among others, we need to admit that many of the leading research and technological developments are coming out from Europe and North America.

Funding partners and vendors who are wasing to transfer these technologies to Tanzania is tough enough let alone transferring these technologies to SMEs. Again, this is an area that many SMEs hope the government was play a facilitating role. “Business or product life cycle has become shorter due to market competition. Apulu and Latham (2011) found that the competitiveness of SMEs was be increased through adopting Information and Communication Technology. Subrahmanya, Mathirajan, and Krishnaswamy (2010) summed up that those SMEs which have technological innovation have a higher growth compared to the SMEs which are not creative in the sales turnover, investment and job

(iv) Access to Market and Information.

Although Tanzania’ entry into technologies has promised to open up new markets for our SMEs, many of our SMEs are instead facing such intense challenge that many has

even considered folding up. The year 2010 in particular has seen marked increase in competition. As the country recovers from the global "financial crisis of 2008 / 9, many companies resort to cutting price to secure lost businesses and to get back on track. This has resulted in stiff competition in almost all industries. The rising cost of goods did not help, as this has resulted in razor thin margins like never seen before.

A research has been conducted by Cacciolatti, Fearne, and McNeil (2011) indicated that SMEs that make good use of structured marketing information presented a higher probability of growth. The research of Mahmoud (2011) concluded that the higher the level of market orientation, the greater the level of performance in Ghanaian SMEs. The study of Keh, Nguyen, and Ng (2007) showed that there was a positive relationship between information utilization and the firm performance in fact, the business comes from the challenges that you could manage or overcome.

2.2.4. Policy and Recommendation to SMEs

The government must ensure that initiatives funded with public money are responsive to business demands, address market failure, and provide added value. It must also see to it that the business support network provides the targeted service to businesses. Policymakers, both at the national and regional levels, must recognize that the process of business growth has significant policy implications for government services, and determine ways to address these implications. Aside from ensuring that employers get high-quality training from colleges and private institutions provider's brokerage services on training are often key for many small firms.

2.2.5. SMEs in Tanzania

For years the Government of Tanzania has been adopting various measures for economic development through fiscal and monetary policies. In the early 1980's, Tanzania's economy was not doing well in many sectors including industries:

By 1982, the recorded annual growth rate of the GDP was 2%. To arrest this trend, deliberate efforts have been taken to revise policies.

These policies include the Economic and Social Action Programme or Economic Revival Programs I & II, (ERP-1989/90 and 1991/92), the 2nd Union Development Plan 1992/93, and the Rolling and Forwarding Budget 1993/94-1995/96. Under these economic changes the Government has initiated private sector development through liberalization of the economy, market decontrolling measures, etc. The Central Government has pulled out of productive activities, and instead the private sector is encouraged to invest in these activities. These measures have brought a direct impact on SME development. However, the sector has not yet developed due to various bottlenecks such as weak financial infrastructure, poor communication, lack of entrepreneurial culture etc.

2.2.6. The Role of SME in Tanzania's Economy

There is no official operational definition for the SME sector in Tanzania which caters for all stakeholders. However, promoters have their own working definitions that suit their purposes for day to day operations. The Small Industries Development Organisation, SIDO, classifies small scale industries as those establishments which employ people not exceeding 50 while micro enterprises are those projects which employ 10 people or less. Informal sector projects also are small units but not officially registered. In addition, these have no working premises and are not in official records. Financial institutions have their working definitions. The National Bank of Commerce is defining a small scale enterprise as a project with capital investment not exceeding US\$ 250,000. In October 1996, the Government of Tanzania had launched a revised industrial policy namely the Sustainable Industrial Development Policy (SIDP) 1996-2020 to replace the Basic Industry Strategy (BIS) 1975-1995.

Under the new SIDP, SMEs and the informal sector were earmarked as a major vehicle for future industrial growth. To ensure their growth the emphasis was be put on creating a favorable environment. Immediate promotional measures include:-

(a).Taxation and Duties

A reasonable and special taxation regime on income and sales was have to be introduced for the early stages of enterprises growth. In addition to that, imported machinery, start up raw materials, inputs and required tools for SMEs should be exempted from duties in order to facilitate investment growth.

(b).Market and Trade Incentives

The Government, through Industrial Support Organizations (ISO's), was provide market services, training, market information, and export consultancy to ensure that the stakeholders meet market standards for their products on both local and foreign markets.

(c).Business and Financial Infrastructure

Preferential treatment in development plans and financial services was be provided to ensure that potential entrepreneurs find a conducive environment with respect to finance and credit.

(d).Credits

The SME sub-sector was be provided attractive credit terms and conditions. For example, the financial restructuring taking place aims at splitting the National Bank of Commerce into two banks, namely Trade Bank and Micro Finance Bank. This is a step ahead towards solving SMEs' credit problems.

(e).Promotion

Existing promotional institutions and new ones was be supported, through their strengthening or restructuring in order to enable them address the current economic requirements.

(f).Licensing and Registration

The policy stipulated the need of Government to assist SMEs and the informal sector by removing bottlenecks which hinder the development of the sector. This includes the simplifying of the licensing and registration procedures.

(g). Entrepreneurship Development

Measures recommended to foster entrepreneurship development include the provision of techno-economic information on product profiles, and the establishment of a business advisory service facility

2.2.7. The Role of the SME Sub-sector for Tanzania's Economy

The SME sub-sector's contribution to the national and socio-economic development can be seen as follows:-

- (a).It generates income and employment.
- (b).Is a major supplier of goods and services to the people.
- (c).It contributes about 50% of industrial products' GDP.
- (d).It is a main creator of new products, new services, and new entrepreneurs.

In actual fact, the SME sub-sector is contributing most to job creation especially currently where formal employment is no longer in the position to absorb the job-seekers. For example, the retrenchments in the civil service and parastatal sectors have eroded the capacity of the public sector as a predominant employer. This led to many retrenches resorting to other income generating opportunities in the SME sub-sector employed in the SME sector, while in urban areas it was estimated to be 34%. The average number of school leavers who join the labour market is estimated at 700,000 annually whereas the formal economy creates about 22,000 new post annually. Based on this prevailing economic situation there is no doubt that small and micro businesses was provide an alternative solution.

2.2.8. SME Policy in Tanzania

Given its diversity, the SME sub-sector requires effective policies that can address the variety of developmental issues involved. A good SME policy should act as a guiding document and show a vision towards the sector's development.

Furthermore, the SME policy should have the following main objectives:-

- (i). As guidance for state action, the policy was advise all activities of the stakeholders, Government, the donor community, the private sector and entrepreneurs themselves.
- (ii). It should consolidate the scattered regulations on promoting the small business activities in a single legal instrument whose enforcement shall require minimum institutions that was achieve a proper utilization of resources.

This could result in the establishment of a national institutional framework, i.e. a SME Board, associations and promotional institutions etc.

- (iii). The SME policy should facilitate intersectional linkages. Thus, a successful SME policy was enhance linkages with large scale industries, medium industries, agriculture, etc.
- (iv). The SME policy was facilitate the recognition of the sector and thus be considered in the national planning process.
- (v). An effective SME policy should be a check point for the participation of the lower income group in the processes of political decision and economic development. A good policy should ensure that all participants are involved and effectively coordinated.

2.2.9. SME - Efforts Towards Policy Formulation in Tanzania

Up to this point there is no official SME policy which has been formulated to guide the activities of all stakeholders supporting the SME sector in Tanzania.

Nevertheless, various policy papers have been prepared in favor of this sector. Such initiatives include:-

- (i). Vice President's Office: Papers on Poverty Eradication
- (ii). Ministry of Industries and Trade: Sustainable Industrial Development Policy (SIDP); SME policy preparation by the Commonwealth Secretariat
- (iii). Ministry of Community Development, Women Affairs and Children: Gender Policy
- (iv). Ministry of Labour and Youth Development: National Policy for Micro Enterprise and Informal Sector Promotion; Revised Draft Youth Policy; National Employment Policy
- (v). A major concern is that the efforts were not unified to have a national SME policy or document. Thus, all these efforts have turned out to be ineffective with respect to SME development. However, there are a few acts which have been effective. These are the Human Resources Development Act of 1983, and the SIDO Establishment Act of 1973.

2.2.10. Small Industries Development Organization (SIDO) Act, 1973

Following the Party Directive on Small Industries Development of 1973, an Act was enacted that led to the establishment of the Small Industries Development Organization (SIDO). This is a parastatal organization in charge of the development of small industries in Tanzania. Up to this point, SIDO remains a government arm for implementing SME promotion activities in the country. Its main functions are:-

- a) The promotion of SME activities in the form of technical advice, training in management, book-keeping and marketing etc.;
- b) The provision of credits for working tools and start-up capital;
- c) The provision of common facilities through industrial support programmes.
- d) Industrial extension services.

e) **Hire Purchase Programme**

SIDO introduced urban, rural, women and micro credit schemes aimed at the provision of a meaningful assistance to the small and micro enterprises sectors. Under the Urban Hire Purchase Programme, the entrepreneur is assisted with machinery and working tools. Credit terms include a down-payment of between 10 and 25%, and a grace period of up to five years. These loans attract an interest rate of about 30% (i.e. marginally above the inflation rate) and amounts disbursed range from 100,000 to 6,000,000 Tanzanian shillings.

(i). Extension and Advisory Programme

SIDO has 20 regional offices, one in each region which cater for SME support. Services offered by these offices include technical support in machinery, installation maintenance, repairs and parts fabrication. Also these offices give advisory services in management aspects. Regional offices are administrative centers and are empowered to make decisions on SME support programmes in a particular region.

(ii). Technology Acquisition and Transfer

SIDO is also involved in technology development through improvement of locally available technologies as well as acquisition of technology from abroad which suites Tanzania's environment. The Sister Industry Programme and the Sister Daughter Programme are typical examples of SIDO involvement in technology acquisition and transfer.

2.2.11. Role of Stakeholders in SME Development

The roles of different actors in the SME sector change according to political and economic environment changes in the country at a particular time. In Tanzania the government has changed its role from economy controlling to facilitation, while private sector is encouraged to participate actively in economic ventures.

(a). Government Role

The government has recognized its role in creating an enabling environment for the emergence of the private sector and its participation in economic activities. It has committed itself to reduce its direct involvement in productive activities. Instead, the private sector is encouraged to invest into these areas. To provide necessary infrastructure for SME development; to set up institutions which support SME activities and to strengthen the existing ones, e.g. SIDO, CARMATEC, TEMDO, through the national budget; to ensure equal access to employment for women, youth, and the disabled.

(b) Private Sector

The current economic environment in Tanzania has provided room for the private sector to actively participate in investment activities as opposed to previous socialist policy, when investment activities were under state control. This new atmosphere has created substantial incentives for private investors.

Meantime, the private sector in Tanzania is viewed as an engine of growth, opposite to the former view in which it was regarded as an enemy to socialism. Despite of this, however, organizations of the private sector remain unorganized, weak and hesitant to play their roles effectively. They tend to react rather than taking an initiating role in the process of policy formulation. They are centrally operating from headoffices in Dar es Salaam without having strong branches at regional or zonal levels. Private membership organizations include:- Tanzania Chambers (CTI and TCCIA), Tanzania Exporters Association, and Tanzania Co-operative Union (CUT). In general the private sector in Tanzania has so far been too modest and disorganized to articulate its interests in the policy making process. NGOs' Role Between 1954 and 1997 about 8,837 NGOs have been registered in Tanzania in different areas including SME support. In recent years, the country witnessed a mushrooming of NGOs. From 1995 to 1997 more than 1,000 NGOs were registered thus indicating that the economic reform taking place in Tanzania has a great impact.

NGOs promoting the SME sector include MEDA, PRIDE Africa, Business Care Ltd., CDTF, Presidential Trust Fund, Gatsby Trust, SERO, SWISS CONTACT, AMKA, FAIDA Oxfam, Plan International, etc. The NGOs which are involved in SME support are operating without co-ordination which resulted in a low impact on the sector. Other factors which contributed to the poor performance include:- Poor management; Too broad objectives; Lack of experience; Duplication of efforts and outright competition among the NGOs; Piece-meal programmes that fail to meet the full range of social and economic needs. Apart from the Ministry of Industries and Trade there are at least seven ministries which are involved in SME activities, namely the:- Ministry of Community Development, Women and Children Affairs; Planning Commission; Vice President's Office; Ministry of Higher Education, Science and Technology; Ministry of Finance and Prime Minister's Office. Unfortunately, there is no inter-ministerial committee or board which co-ordinates these efforts.

2.3. Research Questions

2.3.1. General questions

What are the challenges posed by business competitive forces to SMEs?

2.3.2. Specific questions

- (i). How does human resource contribute to the effective performance of SMEs ?
- (ii). To what extent does the applications of information technology affect the performance of SMEs?
- (iii). How does market information contribute to performance of SMEs?
- (iv). How do SMEs cope with the challenge of early startup as most of SMEs fail in their first two years of establishment and what measure to be taken to prevent from collapsing?

CHAPTER THREE

THE ANALYTICAL FRAMEWORK FOR STUDY

3.1. Conceptual Frame work

The study focused on five main variables that formed the conceptual frame work. These include; Appropriate Human Resource, Use of market information Use of technology, Financing and credit liquidity and Effective entrepreneurship. The SMEs performance is the dependent variable, while the five variables above are independent variable. The model of the performance of small and medium enterprises depends on the relationship between dependent variable and independent variables

3.1.1. Independent variables

. The framework mentions five dimensions of small and medium enterprises and their relationship. These are five core factors which act as the dependent to performance of small and medium.

(i). Effective Entrepreneurship

From this research study researcher examine the relationship between ineffective entrepreneurship and performance of SMEs in the textile industry in Tanzania.

(ii). Appropriate Human Resources

The researcher look if there close relationship between inappropriate HRM with performance of SMEs. This is consistent with the findings of past researches in the context of appropriate HRM affect the performance of SMEs such as Adnan et al., (2011) and Islamet al., (2010).

(iii). Use of Market Information

The researcher also indicates that if there is a significant positive relationship between use of marketing information and performance of SMEs. This result is supported by studies carried out by Keh et al.,(2007) and Cacciolatti et al., (2011

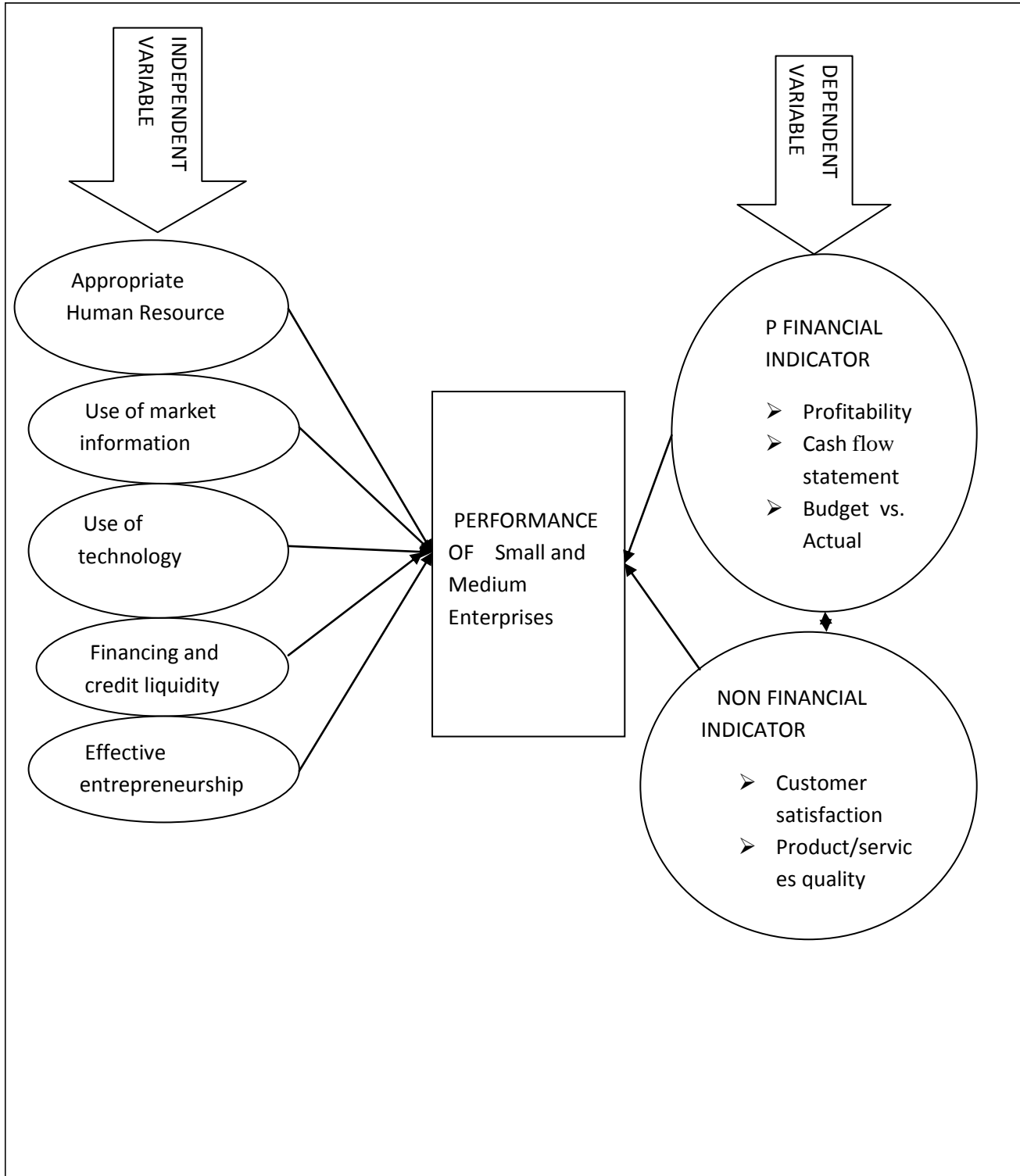
(iv). Application of Information Technology

From previous research found that, applications of IT have a significant positive relationship with increased performance of SMEs. This result is consistent with the prior researches' findings (Levy & Powell, 2000) where an application of information technology was.

3.1.2. Dependent Variable

Based on the evidence from existing literature and the discussions on the performance measurement for companies and SMEs, three distinguishing financial indicators have been identified namely, profitability, cash flow position and budget versus actual performance. With regard to the non-financial category, two indicators, namely customer satisfaction and product or service quality have been identified.

Figure 3.1. Diagrammatic Presentation of Conceptual Framework



Source. Adopted from Indrat & langenberg (2004) and Erdil & Aye (2010)

Above diagram shows that, two categories have been identified to determine the performance measurement indicators for SMEs Organization.

They are the financial factors and non-financial factors.

Both categories was be used as the basis for this study on the performance measurement for Farmer Organization.

The arrows that connect the financial factors and non-financial factors show that each element under both groups is related with one another and therefore they build a strong relationship. The framework mentions five dimensions of small and medium enterprises and their relationship. These are five core factors which act as the dependent performance of small and medium

3.2 Research Hypothesis

In order to set a good base for carrying out the research, the following hypotheses and questions were posed, believing that by the time adequate answers had been provided, the study would have covered necessary grounds. To achieve this, we intend to test two hypotheses in this research. In conduct of the study, the following hypotheses was be tested.

Ho: Effective entrepreneurship, appropriate human resource, use of market information and application of technology do not affect the performance SMEs.

H1: Effective entrepreneurship, appropriate human resource, use of market information and application of technology affect the performance of SMEs.

These hypotheses are to be tested using Chi-square test for independent samples and through descriptive analysis method. In testing the hypotheses, the confidence level, which was be the critical value, is set at 5%. If the calculated value is less than the critical value.

3.3 Operational Definition

a) Effective Entrepreneurship

Provision of overall strategic direction for the firm, often with the assistance of a team of vice presidents, provision of strategic management decisions on what products to market, provision of strategic management decision on what market segments to target, provision of strategic management decisions on what business model to employ, provision of strategic management decisions on what geographical areas to operate in. However Researcher Examine The Effectiveness of The Entrepreneurship through interview with some of the manager of FTC during this Study.

b) Access to Human Resource

The employee satisfaction, development, communication skills, Evidence of regular training programmes for staff, number of university graduates employed, to assess staff performance and has accountable and transparent managers ,this was attain trough the questionnaire.

Islam and Siengthai (2010) found that most of the core processes of HRM, namely, recruitment and selection, performance appraisal, training and development, as well as compensations have a momentous and positive impact on firm performance.

c) Access to Technology and Information

Has SMEs set aside more money for technological expansion, solving business problems that help it maintain competitiveness and generate profit growth, implementing technology for technology's sake, doing important joint research with research institutions, Sponsoring staff for training, involvement of consultants for new ideas and formation of strategic alliances aso this was attain through questionnaire.

However funding partners and vendors who are willing to transfer these technologies to Tanzania is tough enough let alone transferring these technologies to SMEs.

Again, this is an area that many SMEs hope the government will play a facilitating role. “Business or product life cycle has become shorter due to market competition. Apulu and Latham (2011) found that the competitiveness of SMEs will be increased through adopting Information and Communication Technology.

d) Access to Market and Information

Customers need, sufficient marketing skills, marketing strategies, core concepts of marketing, a marketing plan. Although Tanzania’ entry into technologies has promised to open up new markets for our SMEs, many of our SMEs are instead facing such intense challenge that many has even considered folding up. The year 2010 in particular has seen marked increase in competition. As the country recovers from the global "financial crisis of 2008 / 9, many companies resort to cutting price to secure lost businesses and to get back on track. This has resulted in stiff competition in almost all industries. The rising cost of goods did not help, as this has resulted in razor thin margins like never seen before.

The research of Mahmoud (2011) concluded that the higher the level of market orientation, the greater the level of performance in Ghanaian SMEs. The study of Keh, Nguyen, and Ng (2007) showed that there was a positive relationship between information utilization and the firm performance in fact the business comes from the challenges that you could manage or overcome.

e) Access to Technology and Information

At a time when the country is preparing to move into high technology industries aggressively, not only as a consumer but also as developers of technology many SMEs still have a challenge to acquire or develop new technology. While we want to move forward to become a global hub for biotechnology among others, we need to admit that many of the leading research and technological developments are coming out from Europe and North America.

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3.3.2 .Analysis of Dependent Variable

This review was evaluated how the performance of small and Medium Enterprises can be measured in dependent variable, this was be done by indicate the financial indicator and non financial indicators of Small and Medium Enterprises.

The performance measurement is fundamental to SMEs' improvement, measurements are used to control and keep track of how the SMEs is performing and whether it is meeting its objectives.

The importance of measurement has increased with the realization that to be successful long-term requires meeting with the owners' needs such as the customers, consumers, employees, suppliers and local community stakeholders. While the performance measurement is difficult to quantify it is evident that in virtually all texts, research, and case studies on company improvement the performance measurement plays a central role.

(i). SME Performance Measurement: Financial Indicator

The review of the literature was identified five financial indicators for the performance measurement used in the SMEs' environment: profitability, cash flow position, return on investment, inventory turnover and budget versus the actual performance (Nelly, 2002; Luther et. al, 2005; Chen and Shimerda, 1981; Matsumoto et. al, 1995; Sun and Li, 2006).

(ii) SME Performance Measurement: Non-Financial Indicators

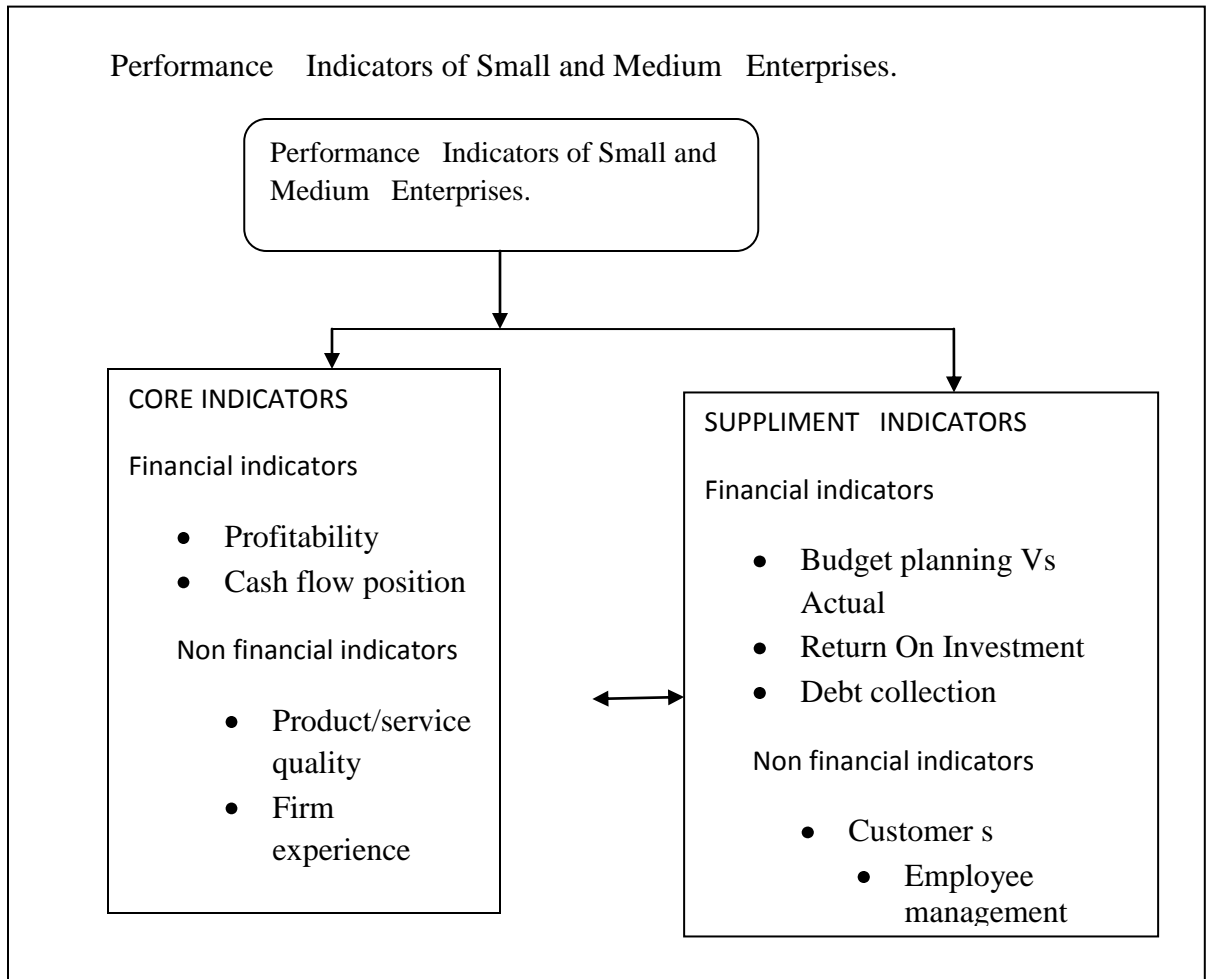
Under this studies four elements of non-financial indicators have been identified which are the company's performance measurement. Now, these elements were used to identify the non-financial indicators for SME in order to measure its performances.

(iii). Measurement Model for SMEs Organization

This model lists the 9 indicators comprised of 5 financial indicators and 4 non-financial indicators. Moreover, these factors are divided into two categories: core and supplement indicators. From the 9 indicators listed, 3 were grouped under the core indicators and 6 were grouped under the supplement indicators.

For this studies the researcher was take more time investigate core indicator of performance of small and Medium Enterprises and little time on supplement indicator due to time constrain.

Figure 3.2 Performance Indicators of Small and Medium Enterprises.



Source. Researcher own Design.

For this studies the researcher was taken more of time investigate core indicator of performance of small and Medium Enterprises and little time on supplement indicator due to time constrain.

CHAPTER FOUR

RESEARCH DESIGN

4.1 Name of the Research Design

The study was involved the process of evaluating the role of internal enterprises management in achieving the targeted performance of small and medium enterprises in the agriculture sector. More over research design was enabled the researcher to achieve the objectives set out. A researcher chosen FTC as case study is hence its appropriate because the research asses how an entrepreneur was analyze factors which hinder the performance of small and medium enterprises.

4.2. Data collection strategy

In collection of data was provided answer to research objectives ,as case study was used to explain the performance of small and medium enterprises .The study was conducted together with a descriptive study in so as to attain deeper understanding of the research problem. In understanding the research the interest mainly on the performance of SMEs goals at a level of national .This is the area that believe contribute to strong or poor the achievement of SMEs.

4.2.1. Study Area

SMEs are scattered across the length and breadth of the country with most of them located in Temeke and Kinondoni in Dar es Salaam Tanzania. These regions wasa identified to have high concentration of SMEs. In adopting a case study method in a research, the selection of the research site is most important (Yin, 1994). With this in mind, Kinondoni (Ubungo) was selected for the following reasons. Firstly, most of the SMEs are located in this area.

With the objectives of the study in mind, selecting this region afforded the researcher the opportunity to contact SME operators who have made numerous contacts with different banks for financial support and therefore have a lot of experience to share.

Secondly, it was easier for the researchers to approach these SMEs operators since the researchers are also located in the same region. Choosing any other region would mean travelling a long distance just to make contact with the SMEs operators, which would have been very difficult considering the time frame of this Thesis. The sampling frame however for this study chose one SMEs in kinondoni region.

4.2.2 Sample Size

The data for study was collected from Friendship Textile Company Ltd (FTC)

According to Tanzania SMEs Policy and definition of SMEs that classified SMEs into: Micro enterprise – (1 to 4 workers) ,Small enterprise – (5 to 49 workers) ,Medium enterprise – (50 to 99 workers) ,Large enterprises-(100+ workers)

A sample size of the 35 participants was targeted for responses. 35 questionnaires was distributed to these SMEs.

Table 4.1. Group of persons Served with questionnaires

Category	Population	Percentages (o/o)
Finance manager and accountant	5	14
Managers from various department	10	29
Experienced staff/worker from operation level	20	57

In carrying out this study, the questionnaire was distributed in three group or categories of respondents who are the finance manager and accountant, manager from various department and experienced staff or worker from operation level.

4.2.3. Data collection and Analysis Techniques.

The researcher was used both quantitative technique and qualitative technique during the research study because it was help the researcher to evaluate answers of the questions of numerical nature as well as to study how the individuals, groups and organizations behave and interact. The researcher was applied both quantitative and qualitative techniques so as to come up with clear findings and analysis

4.2.4. Method of Data Collection

Frankel et al (1990) defined data as the kind of information that a researcher obtains on the subject of his/her research. Demographic information like age, income, region and so forth are examples of such data. Answers to researcher's questions in an oral interview or written replies to a survey questionnaire are other kind of data. This study used both primary and secondary data. Primary data have collected been collected through self administered questionnaires.

4.2.4.1 Primary Data Collection Methods

Primary data was obtained from the FTC and method was used by the researcher to collect data from the field whereby interviews, questionnaires and observations were employed data gathered was analyzed and presented using descriptive statistics. Primary data was capture using Census and processed using Statistical Package for Social Sciences (SPSS).

a) Interview

This is a verbal conversation between two or more people through direct contact either face to face, through telephone or video conferencing for the purpose of soliciting information (Adam and Kamuzora, 2008). The researcher used interview to the FTC manager, commercial and marketing officers in order to obtain information's regarding the strategic factors hindering the performance of FTC in textile industry.

According to Yin (1994) the interview tool is very important source of getting information's and it is helpful in handling case study related matters as the research design indicated.

b) Questionnaires

This is the instrument of data collection from individuals using a formally designed schedule of questions (Veal, 1997). Questionnaires with both close and open ended questions were used to collect primary data. Thus, the researcher used questionnaires as the data collection instrument, so as to allow respondents to express independently. Before the questionnaires being administered, they were tested to the respondents to ensure clarity (Adam and Kamuzora, 2008) as to remove sensitive and non response questions and redrafting ambiguous questions. The study used self administered questionnaire where respondents were requested to fill in the questionnaires. These complemented and supplemented information's obtained under interview, observation and documentary review. The reason was to obtain consistency of responses to the questions asked in repeated measurements (Carmines & Zeller, 1979)

c) Observation

The researcher used observation method in data collection to all respondents in order to capture what were not obtained from the interview and questionnaires by observing the behaviors of respondents while performing their activities. This was involving how the employees attend their jobs, the reason for using this method was the ability to obtain faithful answers from the respondents exactly when performing their particular jobs and making sure that what is observed is what is reported.

4.2.4.2 .Secondary Data Collection Methods

Secondary data involve data that have already been collected by someone else, and have already been processed (Kothari, 1996).

These data are available in the libraries, In the office of the researcher, University library and internet secondary data is data that has been collected by others for their own purposes, but which may be used by a researcher for his or her different purposes.

However researcher used different documents in order to access accurate and reliable data. Documents comprised of personal profiles to assess the qualification of employees, guidelines policies so as to check the SMEs goal and objective, audited financial statement so as to assess the financial position toward financial access and FTC management performance reports so as to check return on investment.

4.3. Data Analyses Strategy and Decision Criterion

The data analyses strategy used questionnaire to distribute to internal staff of FTC as small and Medium Enterprises and secondary data.

4.3.1. Descriptions of Plan of Work

The interest of researcher was mainly on the performance of small and medium enterprises. This study was conducted in Dar es Salaam especially in Kinondoni. The study covered each necessary department of enterprises, The researcher was used questionnaires to collect the primary data from all the targeted respondents.

4.3.2. Sampling Techniques

In the field study, consideration of the time and cost in variability, lead to selection of respondents who are representatives of the total population, was selected in order to produce a miniature cross-section. The selected respondents constituted what was technically called a sample and the selection of process was called sampling technique.

4.3.3. Sampling Procedures

In the field study the researcher was used non-probability and random sampling techniques. The non-probability method was help to deliberately choose the particular

units of the universe the sample .In the study Ubungo was deliberated selected as representative of kinondon Municipal. The researcher was used stratified sampling to identify classes of interests with in the population under study. These strata are Rank, position in the work place, experiences and responsibility.

4.3.4. Data Analysis and Presentation of Finding

In this study, the researcher used both qualitative and quantities methods to analysis data collected. More specific descriptive methods of data analysis were used to explain the relationship between variables. The decision criterion at least for primary data analyses was set at > 80% cumulative most important and important frequencies

Table 4.2: A Framework Upon Which Data Collection Strategy Can Be Construed and Implemented

Variable		Measurement/ indicator		Type of Data	Carriers of data (Sources)
1	Profitability	1	Return on investment	(i) Operating profits	Income statement
				(ii) Total assets	Balance sheet
		2	Cash flow	(i) Company sales for two consecutive year from 201 to December 2013	Monthly sales reports for two year
2	Effective Entrepreneurship	1	Knowledge and experience on entrepreneur	(i) Ability to explore entrepreneurship opportunities	MBA(CM) Graduate
					Abilities to calculate and forecast financial risk
3	Quality of an IT technician	1	Knowledge and skills in Information Technology	(i) Abilities to make innovation	Bachelor in IT Graduates

Source. Adoped from Kasilo (1997)

CHAPTER FIVE

DATA ANALYSES AND DISCUSSION OF FINDINGS

5.1 Introduction

This chapter discusses the major findings and descriptive information derived from questionnaires gathered from Friendship Textile CO. Ltd (FTC) ,the findings are discussed to provide the answer to each of the research questions in order to meet the objectives of the study. The major of the objective of the study is to make analysis of strategic factors hindering the performance of small and medium industries in textile in Dar as Salaam.

5.2. Background Information on Respondents

With a questionnaire as the main research tool to gather data from the respondents, the first section was intended to gather data on the background of the respondents. Frequency tables were used in analyzing the data gathered from the respondents.

5.2.1. Level of Education of Respondents

The researcher established the level of education of the respondents. The objectives of this analysis were to determine whether or not level of education is one of the factors that influence the performance of the industry. According to the finding its show that achievement of industry depend much on qualification and education of managers in performing day to day managerial activities in FTC. The following are the finding from the study as shown below.

Table 5. 1. Distribution of Respondents by Level of Education

Education level	Frequency	Percentage (%)
Secondary	2	7.7
Certificate	3	11.5
Diploma	12	46.2
Bachelor degree	7	29.9
Master degree	2	7.7
Total	26	100

Source: Field data, 2013

The finding from respondents shows that majority of FTC (46.2%) had Diploma, followed by (29.9%) of respondents who hold Bachelor degree,(11.5%) of respondents who hold Certificate (7.7) who hold Secondary education and (7.7%) respondent had Master Degree. According to the decision criteria these findings suggest that the level of education among respondents minimum sufficient to enable them to be effectively in their daily activities.

5.2.2. Level of Work Experience and Skills of Respondents

From questionnaires filled by respondents, the researcher analyzed the level of work experience that usually links with skills of respondents to determine whether or not effectiveness of employee is measured by level of work experience of respondents. The feedback is shown in the table 5. 2.

Table 5.2: Level of work experience and skills of respondents.

Number of years working	Number of respondents	Percentage
1-3 years	4	15.3
4-6 years	7	26.9
7-9 years	5	19.2
More than 10 years	10	38.4
Total	26	100

Source: Field data, 2013

The finding of the survey shows that total of 61.6% of respondents have work experience of 9 or less years compared to total of 38.45% of respondents who have work experience of 10 more years. These finding suggest that the FTC staff has qualified to be able to execute their daily activities in the industry especial when they shared experience with 38.4% of Senior staff.

5.3 Decision criterion

The decision criterion for findings from primary data is showing cumulative frequencies definitely agree and agree scores and do not agree and definitely do not agree is at $\geq 80\%$.

5.4 Findings and Discussion on Analysis Factors Hindering the Performance of Friendship Textile Co.Ltd.In Dar Es Salaam.

This section indicates the ability of Friendship Textile Co. Ltd. staff to perform their day to day activities as part of management goal and objectives, This findings are from respondents on level of education, experience and skills and scope of work.

5.4.1. Discussion on the Role of Human Resource Management in Performance of Friendship Textile Co. Ltd.

In this study, the researcher developed a dual-concern (i.e., maintenance and performance) model of human resources (HR) application, hence the first objectives of this research is to examine how human resource affect the performance of FTC. This study contributes to the understanding of how HR practices relate to firm performance and offers an improved test of the argument that valuable and firm-specific HR provide a source of competitive advantage.

However in this objective researcher examined the , organization recruitment and training scheme, organization job performance appraisal and compensation scheme, and lastly but not least skillful and competent of FTC staff

5.4.1. 1. Role Of Good Recruitment and Training Scheme to FTC Performance.

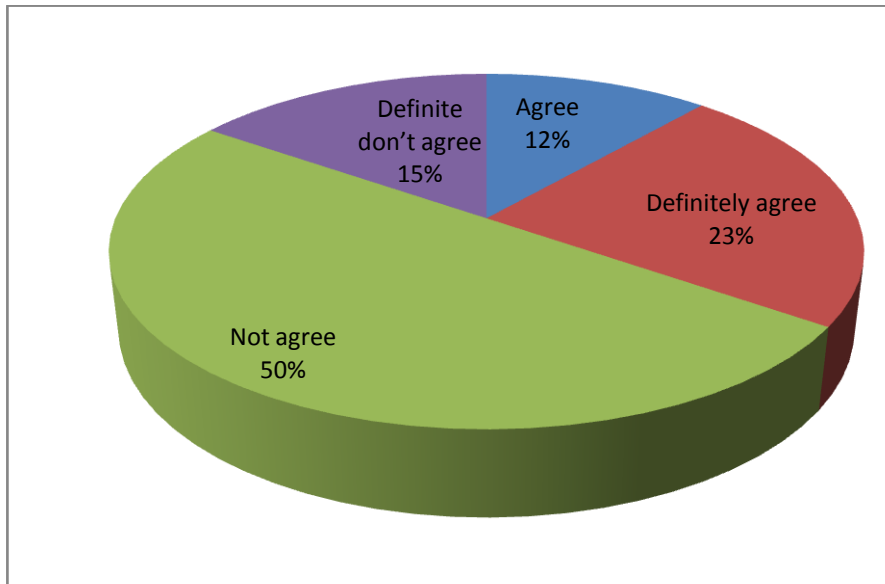
The organization recruitment and training scheme was enable the management to have potential staff who was be objective toward the achievement of the organization goals. The employees are expected to be qualified to their position so far training are key to innovation in the organization.

Table5.3. Tested of Organization Recruitment and Training Scheme .

Extent of Contribution	Frequency	Percentage (%)	Cumulative agree(%)
Agree	2	7.7	7.7
Definitely agree	10	38.5	46.2
Not agree	13	50	50
Definite don't agree	1	3.8	53.8
Total	26	100	

Source: Field data, 2013

Figure.5.1. Testing of organization recruitment and training scheme



The table 5.3 and figure5.1. show that the results or findings; are (7.7%) of respondents agree, (38.5%) of respondents definitely agree, (50% or 12) of respondents not agree and (3.8%) of respondents definitely do not agree on the role of recruitment and training scheme toward the performance of FTC. However, given the decision criteria of at least 80% the results or findings of the survey are still lower: suggesting that the FTC management should reviews its scheme so as to have a clear and potential scheme.

5.4.1.2. Discussion on Organization Performance Appraisal to FTC Performance

Appraisals are a process developed to provide regular reviews of employee performance, potential, and developmental needs. They are carried out by appropriate ‘appraisers’ within your organization (usually managers) to provide a great opportunity to support employees and assess how they contribute and fit to the current and future aims of organization In FTC job appraisal scheme that settled by the management, however the

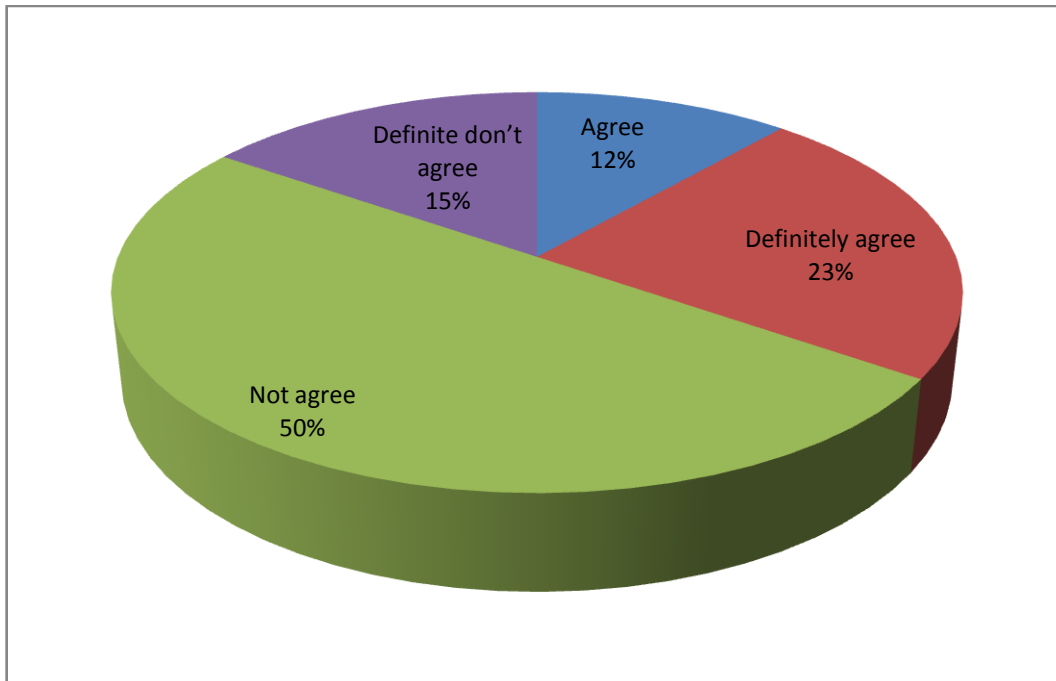
scheme is most applied to lower level where the performance is settled in unit of production each department. The findings are presented in the following table 5.4.

Table 5.4. Testing of Job Performance Appraisal and Compensation Scheme.

Responses	Frequency	Percentage (%)	Cumulative agree(%)
Agree	14	53.8	53.8
Definitely agree	7	26.9	80.7
Not agree	2	7.7	7.7
Definitely don't agree	3	11.5	19.2
Total	26	100	

Source: Field data, 2013

Figure.5.2. Testing of Job Performance Appraisal and Compensation Scheme



Source.FTC field data 2013

The table 5.4 and figure 5.2e above show the findings are; (53.8) of respondents agree, (26.9%) of respondents definitely agree, (7.7%) of respondents not agree and (11.5%) of respondents definitely do not agree on the role of recruitment and training scheme toward the performance of FTC. However given the decision criteria of greater than or equal to 80% the findings of the with survey cumulative agree and definitely agree of 80.7% is reasonable, suggesting that the FTC management should keep that scheme.

5.4.1.3. Contribution Of Skillful And Competent Employee to FTC Performance.

Though a classic topic in organization studies (Roethlisberger, 1945), the role of production supervisors and, more generally, middle managers, becomes a “hot topic” in management literature in the early 1980s, when, eventually, a series of studies begin to

analyze systematically these actors and the potential relevance of their contribution to organizational performance.

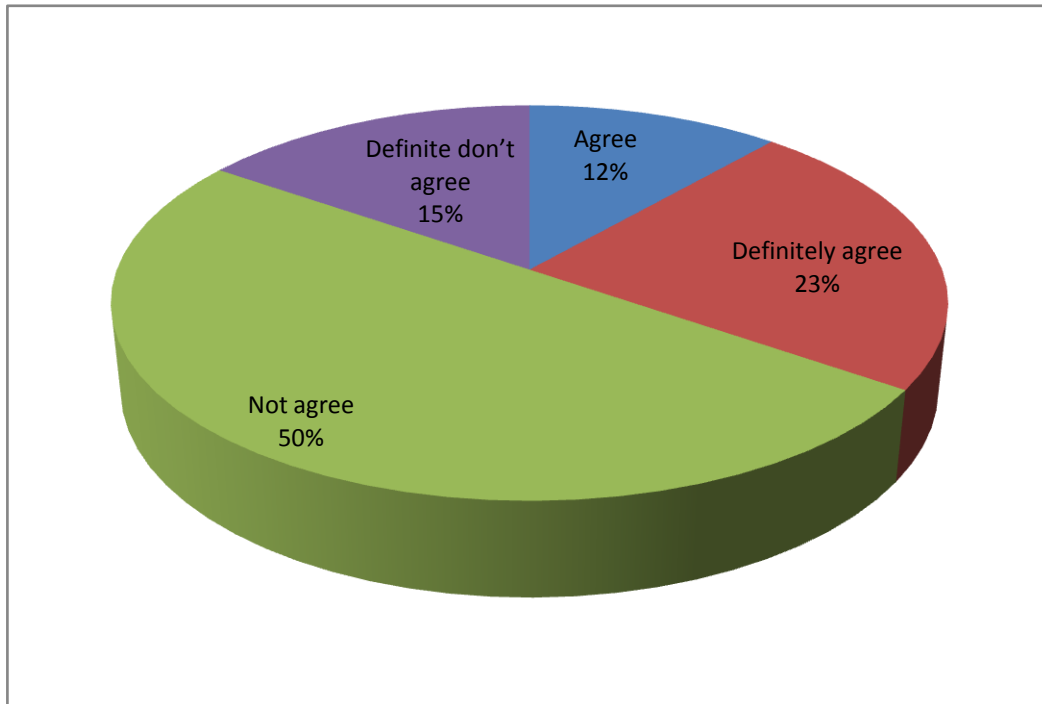
However, while it is the top managers who come up with strategic visions and missions, it is middle managers who, designing products and services, interacting with customers, or supervising operations, according to FTC finding the only staff who graduate from various university are only 9% who are in top management in decision level while other have less qualification and are those who in operation level. The result from the finding presented in table 5.5 below.

Table 5.5. Discussion of Organization Skill ful and Competent Employee.

Respondent.	Frequency	Percentage (%)	Cumulative agree
Agree	3	11.5	11.5
Definitely agree	6	23.1	34.6
Not agree	13	50	50
Definitely don't agree	4	15.4	65.4
Total	26	100	

Source: FTC field data, 2013

Figure 5.3 Discussion of organization skill ful and competent employee.



The table and figure above show the results of findings; (11.5%) of respondents respond to agree (23.1%) of respondents definitely agree, (50%) of respondents do not agree and(3.8%) of respondents definitely don't agree .However, the decision criteria > 80% the results of findings survey with cumulative agree and definitely agree 34.6 still lower: suggesting that more effort needed in order to enable FTC staffs to maintain and enter complete skillful knowledge in their position

5.4.2. Discussion on the Role of Information Technology to FTC Performance.

The capacity of firms to innovate depends on a multitude of factors, not least the efforts they make to create new products or improve production processes, the extent of skills in their work force, their ability to learn, and the general environment within which they

operate. However all the innovation-related activities of firms, design, marketing,, hiring of skilled personnel so as to attain the organization goal it was be waste if the firm do not have a wide spread technology. To be able to show that, the researcher of this study focused on the important of I.T as a role to performance of any industries the following area was be examine, level of I.T ,financing of I.T, source of I.T. and needs of I.T to FTC

5.4.2. Extent of Information Technology at FTC.

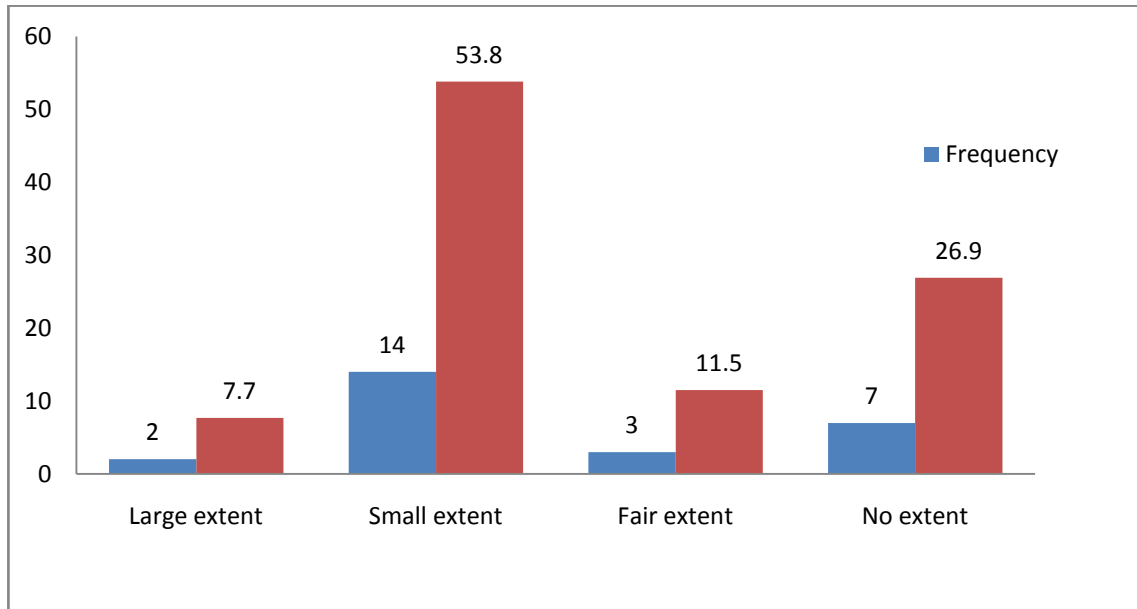
According to this finding it’s found out that FTC does not use a appropriate technology to support its daily need hence many department still operate in many way without computer assistant. This finding presented in table 5.6 below.

Table 5.6. Testing Level of Information Technology in FTC .

Extent of Contribution	Frequency	Percentage (%)
Large Extent	2	7.7
Small Extent	14	53.8
Fair Extent	3	11.5
No extent	7	26.9
Total	26	100

Source: Field data, 2013

Figure 5.4 Testing Level of information technology in FTC



Source.FTC field data 2013

The findings of survey shown in the table and figure above shows that (7.7%) of respondents respond to large extent, (53.8%) of respondents say small extent, (11.5%) of respondents respond to fair extent and (26.9%) respond to no extent. The 60.8% of respondents results cumulative of respond to small extent and to no extent this shows that FTC do not have sufficient money. The effort is needed by FTC management to acquire and implement new technology in the organization.

5.4.2 Discussion on How FTC Financing its Technological Need.

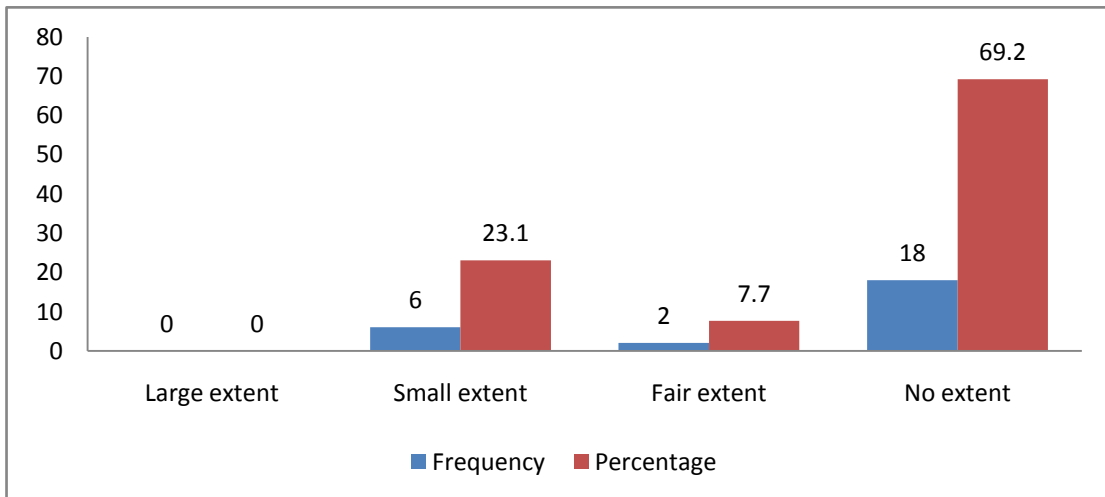
Financing the I.T program and technical need it's very important for any organization, the I.T was enable FTC to carry their daily activities hence the changes in market need is very close to change in technology so it's so important to set aside amount of money to finance the I.T needs, the process was reduce the number of problems that require management attention such as market need and create a smoother running, more profitable operation. The respondents answer is shown on the table 5.7.

Table 5.7. Financing level of information technology financing in FTC

Extent of Contribution	Frequency	Percentage (%)
Large Extent	0	0.00
Small Extent	6	23.1
Fair Extent	2	7.7
No extent	18	69.2
Total	26	100

Source: Field data, 2013

Figure 5.5. Financing level of Information Technology Financing in FTC



The findings of survey shown in the table above shows that (23.1%) of respondents respond to small extent, (7.7%) of respondents to fair extent, and(69.2% or) of respondents not agree at any extent. This indicates that internal audit staffs are not enhancing their skills and knowledge to enable the FTC shall take a necessary move to set aside each year amount of fund in order to support its technological need.

5.4.2.3 Discussion on Contribution of Information Technology to FTC Performance.

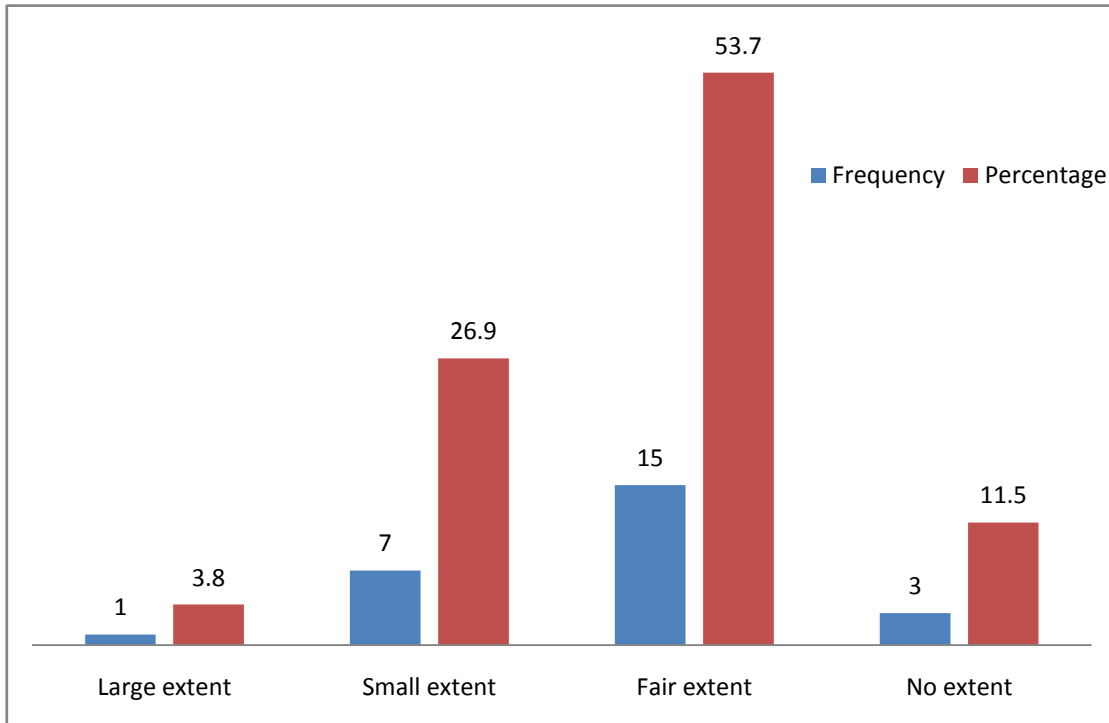
The development of new products and processes is crucial for improvements in productivity, but innovating firms are not the only ones to profit from successful innovations; instead, as these advances are diffused, they ultimately contribute to higher productivity, competitiveness, employment and standards of living in the economy as a whole. The capacity of firm to innovate depends on a multitude of factors; not least the efforts they make to create new products or improve production processes, the extent of skills in their work force, their ability to learn, and the general environment within industries .Looking into Friendship Textile Co. Ltd we found the management its self does not have any effort that employ to invest in new technology even though they know the effect of I.I to FTC performance. According to this finding the following data were found and presented in table 5.8. bellow.

Table 5.8. Testing extent technology need to FTC .

Extent of Contribution	Frequency	Percentage (%)
Large Extent	1	3.8
Small Extent	7	26.9
Fair Extent	15	53.7
No extent	3	11.5
Total	26	100

Source: Field data, 2013

Figure 5.6. . Testing extent technology need to FTC



The findings of survey shown in the table and figure above shows that (3.8%) of respondents agree that the FTC is read to invest in I.T in large extent, (26.9%) of respondents say small extent (53.7%) of respondents say just fair extent and (11.5%) of respondent do not agree that FTC is read to adopt or invest in new technology. The effort in needed for a government to invest in FTC technology hence the Tanzania government work as a partner with a Chinese government.

5.4.2.4. Discussion on Application of I.T Solution to FTC Operation

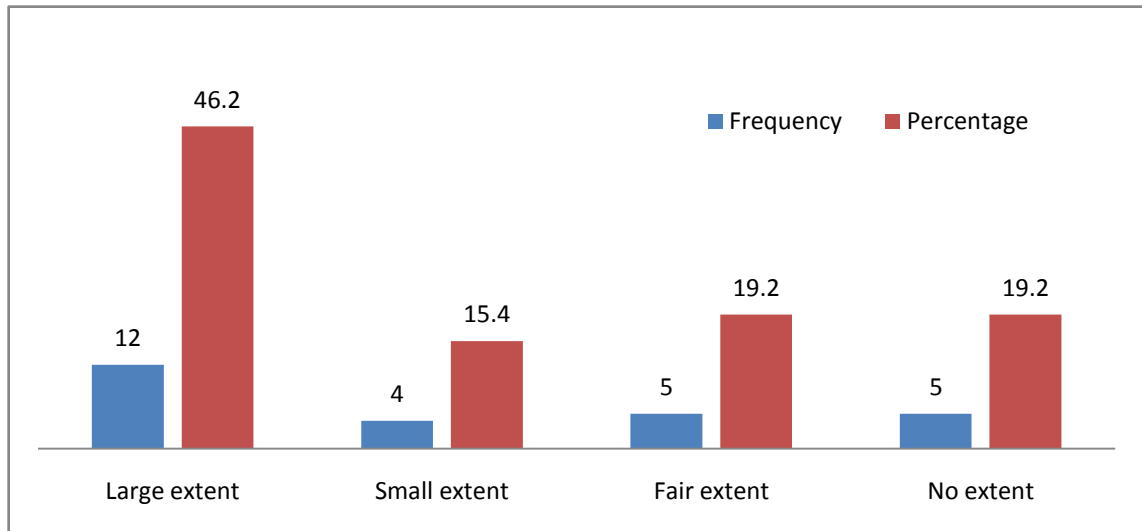
In the development and implementation of new innovative technologies one should take into account the competence of employees of organizations. For example, researcher conducted a survey of staff of FTC, in which the respondents were asked to self-assess their knowledge on computer program for business use on a scale of 1 to 4 (1 – the respondent has never used the device, 2 - the respondent wants learn how to use the device, 3 - the respondent has experience in using the device, 4 - the respondent is an advanced user). However when researcher ask the interviewed respondent how the work without an I.T expertise, the following find were found and presented in table5.9.

Table 5.9. Testing Extent of Technology out Source by Management of FTC.

Extent of Contribution	Frequency	Percentage (%)
Large Extent	12	46.2%
Small Extent	4	15.4%
Fair Extent	5	19.2.7%
No extent	5	19.2%
Total	26	100%

Source: Field data, 2013

Figure 5.6. Testing extent of technology out source by management of FTC



The findings of survey shown in the table above shows that (46.2) of respondents agree that the firm outsource all its technological needs, (15.4%) of respondents respond that the management its I.T need in small extent while (19.2%) fair extent and (19.2%) no extent.

5.4.3. Contribution of Marketing and Market Information Toward FTC performance

One of the objective of carry this study is to analyze the importance of market information to the performance of FTC, however marketing starts with market research, a learning process in which marketers get to know everything they can about the needs and wants of consumers, and it ends when somebody buys something. Many companies feel that services provided to customers after the purchase also are an important part of marketing. All of these enterprises production, advertising, transportation, processing, packaging, and selling are included in the marketing process. The exploitation of market potentials is the key to success for any manufacturing enterprise that aims to increase its sales and achieve a sustainable competitive advantage. Even more so, profit seeking entrepreneurs who consider investing in industry was only do so if an attractive market attracts their attention.

Accordingly, market demand can be considered a key driving force for the emergence of a competitive manufacturing sector in Tanzania. In this study the researcher was examine how the market departments play its role, industrial experience in the market, challenge of foreign product to FTC product, effectiveness of internal market.

5.4.3.(i)Contribution of Market Department to Performance Of FTC.

The main Source of markets and customers of Urafiki (FTC) came mainly from Dar es salaam Mwanza and Arusha areas, however its clearly most its competitor like KTM and NIDA within this area but the FTC high pose a challenge due to two reason, its produce a quality product and its kitenge has been in the market long enough to crate good reputations for the entire product produced under the name of urafiki, however it is important that businesses look beyond their local catchment area (Ronge *et al.*, 2002) by doing so they need to consider markets beyond their national and regional boundaries not as what Urafiki deal with it now. The following are the response of respondent when they were asked on how market department obtain data and how such data are used to identify what customer need.

Table 5.10. Test contribution of market department to performance of FTC.

Level of Contribution	Frequency	Percentage (%)	Cummulative (%)
Most important	10	38.5	38.5
Important	4	15.4	53.9
Neutral	7	26.9	26.9
Less important	5	19.2	46.1
Total	26	100%	

Source: FTC field data, 2013

It has been identified that (38.5%) of respondents were satisfied with how the market department work,(15.4%) respond to important,(26.9%) neutral and (19.2%) do not agree with how the market department handle the customer order, however most of the respondent who were interviewed during this studies says that the Urafiki product in the market depend more on past reputations of its kitenge and not the current effort of the department so they don't agree that the department have a great role to play.

5.4.3.2 The Contribution of FTC Experience in Textile Industries in Dar Es Salaam.

The Tanzania China Friendship Textile Company, located in Dar es salaam, Tanzania, is a textile producer originally founded as Friendship Textile Mills Limited, by the Tanzanian government with assistance from the People Republic of China during a period of socialism in the former country. It is the first plant in Tanzania built with Chinese aid, and also the largest textile mill in the country.

The company was established as a parastatal (Public Company), however due to economic reforms in Tanzania it is owned privately, with Chinese (Changzhou state) investors holding the most shares since 2nd October 1996,FTC is fully integrated mill which produce 100% cotton product which make FTC a unique and experienced textile mill in Tanzania. The following are the finding from this studies when carried out, find are presented in table 5.11. below.

Table 5.11. Testing contribution of market department to performance of FTC.

Level of Contribution	Frequency	Percentage (%)	Cumulative (%)
Most important	13	50	50
Important	9	34.6	84.6
Neutral	3	11.5	11.5
Less important	1	3.8	15.2
Total	26	100%	

Source: Field data, 2013

Its show that (50%) of respondents respond that the industries experience in the market play most important role in product sale (34.6%) also agree its play important role,(11.5%) stay neutral and only(3.8) disagree. However given the decision criteria of greater than or equal to 80% the finding of the survey with cumulative very important and important of 84.6% cumulative frequency of respondent its show that the experience of FTC in the market its build by its previous goodwas

5.4.3.3. Challenge of Foreign Product (mitumba) to Performance of FTC Product.

According to various studies find that imported clothes are retarding the growth of the local textile industry in Tanzania hence people would not see the necessity of buying clothes from the local manufacturers, hence, our textile industries products have a limited market.

However mitumba started to enter Tanzania before and after independence, they were imported mainly by charitable organizations for donating to the poor/needy people they were freely distributed by charitable organizations to the people in need but today they are sold in the open market.

When the researcher interviewed some of respondent on the effect of imported clothes to the performance of local textile especial FTC , the following were found and presented in table 5.12.below

Table 5.12. Performance of market department

Level of challenge	Frequency	Percentage (%)	Cummulative (%)
Most important	5	19.2	19.2
Important	7	26.9	46.1
Neutral	12	46.2	46.2
Less important	2	7.7	53.9
Total	26	100%	

Its show that (19.2) of respondents most important (26.2%) important,(46.2%) neutral and only(7.7%) less important. According to this find its implies that the FTC staff do not aware of the market hence the (46.2%) do not vote to any side , some say its difficult to see the effect of imported product hence the FTC product such as kitenge, shuka, and kaniki are demanded locally and not imported as mitumba.

5.4.4..Discusion on Access of Finances on Performance of FTC

Access to finance remains a major problem in Tanzania. Focus is Micro-Finance (MF) – which is not what SMEs typically need to develop and grow. Even though many banks claim to have SME windows, access remains difficult. There is a big gap (high spread) between the savings interest rate (3%) and the lending interest rate (ranging between 18-22% or even higher and considered high, notwithstanding inflation rate levels).

A survey conducted by a business organization indicated that the same sectors and the same people tend to be served in terms of access to finance.

Banks are said to focus on traders. For manufacturers the cost of finance is (too) high. However, not all business finance is external/commercially supplied through the market. Much finance is internally generated by businesses out of their own earnings and/or supplied informally as trade credit, that is, delays in paying for purchases of goods and services. During this study the researcher examined four parameters: effect of cash flow management, Source of finance to FTC, debts collection procedure and the leading capacity of FTC to financial institution.

5.4.4.1. Contribution of Cash Flow Management to FTC Performance

Cash flow is one of the most common challenges entrepreneurs face. Fortunately, prudent cash flow analysis and management can help ensure you'll be able to weather the tight times, whether you have a startup with limited revenues or a well-established enterprise confronting a sudden cash shortage. Stay Current: The foundation of good cash flow management knows precisely how much cash you have on hand today. According to FTC sales manager the cash flow is determined by weekly order that received from regular thirteen agents located in Dar es Salaam, Mbeya, Morogoro and Mwanza, also from any special order that based on customer request. However the following were respondents' responses when they were asked if the success or failure of FTC performance is determined by cash flow management, the finding presented in table 5.13. below.

Table 5.13. Testing cash flow management

Response	Frequency	Percentage (%)	Cummulative(%)
Agree	19	73.1	73.1
Definitely agree	1	3.8	76.9
Not agree	4	15.4	15.4
Definitely don't agree	2	7.7	23.1
Total	26	100%	

Source: Field data, 2013

The Findings shown in table5.13. (73.1%) of respondents agree, (3.8%) of respondents definitely agree, (15.4%) of respondents not agree and (7.7%) definitely do not agree that the performance of FTC is determined by cash flow management. However due to this finding its implies that FTC performance is hardly relay on cash flow management hence it's the only main source of income.

5.4.4.2. Source of Finance on FTC Operation.

The main sources of startup and expansion finance or funds for most MSEs are internal financing since the formal financial institutions have not been able to meet the credit needs of the MSEs and the supply of credit from the informal institutions is often so limited to meet the credit needs of the MSEs. In some cases this problems may be the inability of many operators to meet formal financial institutions requirements for example business plan, governance systems and other accountability issues which are linked to business risk. According to finance manager of FTC financing daily operation of the industry is through retain earning from both partner which are Tanzania and china, however the finding during this studies when the respondent asked how FTC financed its daily operation presented in table 5.14 below.

Table 5.14. Testing Of Financing Source on FTC Operation.

Response	Frequency	Percentage (%)	Cummulative (%)
Agree	7	26.9	26.9
Definitely agree	11	42.3	69.1
Not agree	7	26.9	26.9
Definitely don't agree	1	3.8	30.7
Total	26	100%	

Source: Field data, 2013

The Findings shown in table 5.14 above (26.9%) of respondents agree, (42.3%) of respondents definitely agree, (26.9%) of respondents not agree and (3.8%) definitely do not agree that the FTC finance its operation through internal source. However due to this finding it implies that finance manager and (69.2%)of respondent agree and definitely agree that FTC finance its operation internally due to the fact that since incorporation which take place 2nd October 1996 there no large expansion on the industry that need a large amount of fund rather than purchases of spare part only.

5.4.4.3. Testing of Procedure Used by FTC in Securing and Collecting Debts

To speed up the receipt and processing of receivables, need a clear and strong procedure, it involves ask customers to pay with depository transfer checks, a relatively cheap fund transfer also by offering discounts to customers if they pay bills quickly .or the case of However FTC credit policy is rely on regular agent who payable their debts within three month and for the customer special order the payment along with the order when placed .All receipts from debtor a directly banked to FTC account which verified each monthly by the Chief accountant office and copy sent to head of commercial department for verification of receivable from each agent before pledge another order from him/her.

The respondents to this questionnaire are twenty; the sample of that answer is shown on the table below 5.15.

Table 5.15 Test for debts collection procedure.

Response	Frequency	Percentage (%)	Cummulative (%)
Agree	5	19.2	19.2
Definitely agree	12	46.2	65.4
Not agree	9	34.6	34.6
Definitely don't agree	0	00.00	34.6
Total	26	100%	

Source: Field data, 2013

The Findings shown in table above that (19.2%) of respondents agree, (46.29%) of respondents definitely agree, and (34.6%) of respondents not agree. These indicate that there strong policy that imposed in debts collection by FTC management. However by looking to this find there need to examine debts collection even by reduce the number of month from three to one or two so as to be safe and to earn full 100% trust of all respondent especial (34.6%) who are not agree.

5.4.4.4. Test of Lending Capacity Of Bank To FTC

The availability of external finance for small and medium enterprises (SMEs) is a topic of significant research interest to academics and an issue of great importance to policy makers around the globe. The conceptual framework to which most of the current research literature adheres has proven to be quite helpful to advancing our understanding of the markets for providing funds to SMEs in both developed and developing nations. As well in this study the researcher examine the capacity of FTC to lend fund from financial institution.

When this studies were carried out the researcher interviewed with the head of finance on the possibility of major expansion of FTC hence its still use the old equipment that some of them are outdated, in his repay he mention a lot of reason by fail to do so but the most obstacle was availability of such fund , for the external source he says for the current financial health of FTC its hard to secure loan for such expansion, hence the bank was need many approves from both partner and equilateral securities such as audited financial statement and progressive cash flow ,the cash flow of FTC are highly depend on availability of cotton in market. The following are finding from respondent when they were asked if there limited capacity of bank to lend the business, finding are presented in table 5.16 below.

Table 5.16. Test for Financial lending capacity to the business.

Response	Frequency	Percentage (%)	Cummulative (%)
Agree	11	42.3	42.3
Definitely agree	8	30.8	73.1
Not agree	7	26.9	26.9
Definitely don't agree	0	00.00	26.9
Total	26	100%	

Source: Field data, 2013

The Findings shown in table above that (42.3%) of respondents agree, (30.8%) of respondents definitely agree, and (26.9%) of respondents not agree. However given the decision criteria of greater than or equal to 80% the findings of the survey with cumulative agree and definitely agree of 73.1% cumulative percentage find they agree that there limited capacity of bank to lend fund to FTC.

5.4.5. Discussion of Challenges and Reasons Of SMEs Downfall After Startup.

When studies of a challenge which facing SMEs in another hand you look for the reason for why SMEs not success ,however SMEs facing challenge and when fail to finds the solution for such challenges then the reason for the downfall of SMEs was caused by such challenges . Maas and Herrington (2006) suggested that if the government wants to sustain economic growth that was create wealth for all, efforts should be made to increase new business start-ups. Start-ups for the purpose of this research shall be defined as new businesses that have been in operation for a period of 1 to 3.5 years.

There are a variety of reasons why a small business often fails. There are some steps that small business owners can do to avoid them. From this finding the respondent gives out several reasons but in most case was repetition on different way so the research molds it to have common appearance. Poor management is the most commonly occurring 'internal' factor in business failure among SMEs. Even other internal causes of business failure are often inevitably linked to poor management.

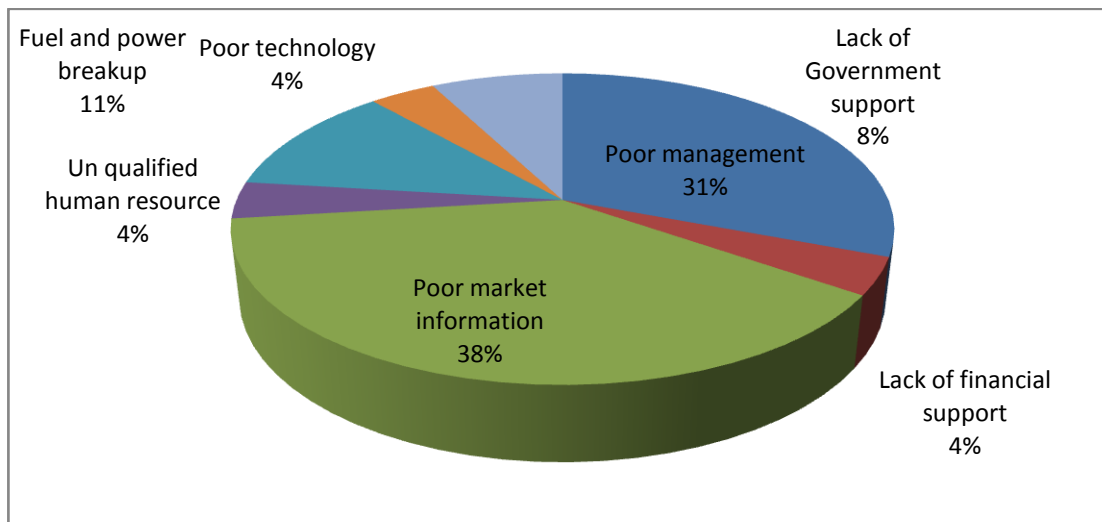
This term is used here in a broad sense to refer to the failure of the management of an SME to be able to ensure that problems are identified promptly and the correct solutions applied, so as to give the company the best possible chance of survival and growth. When this studies were carried out the respondents were asked to list the challenges and reasons facing their businesses and the following challenges featured prominently: lack of markets, lack of capital for expansion, lack of government support, fuel and power breakup and lack of knowledge on the latest technology, and strong competition from established enterprises .The find are presented in table 4.17 below.

Table. 5.17. Testing of Challenges and Reasons Facing SMEs after Start

Challenges	Frequency	Percent	Cumulative Percent
Poor management	8	30.8	30.8
Lack of financial support	1	3.8	34.6
Poor market information	10	38.5	73.1
Un qualified human resource	1	3.8	76.9
Fuel and power breakup	3	11.5	88.5
Poor technology	1	3.8	92.3
Lack of Government support	2	7.7	100.0
Total	26	100.0	

Source: Field data, 2013

Figure 5.7 Testing of challenges and reasons facing SMEs after start



Source: Field data, 2013

The findings of survey shown in the table and figure above shows how the respondent list such challenges (38.5%) poor market information, (30.5%) poor management,(11.5%) fuel and power break up and(7.7%) government support, while each of the rest(3.8%) for access to finance, non qualified human resource and competition. The causes of business failure are many and varied and may stem both from the external environment and from factors internal to the business. Internal causes of business failure may in many cases be capable of being foreseen in advance, while on the other hand some external causes are not so predictable. In most cases, a complex mixture of causes contributes to business failure; it is very rare for one single factor to be involved.

5.4.6. Discussions of Preventive Measure to Cope with all Challenges and Reason of Early Start up of SMEs.

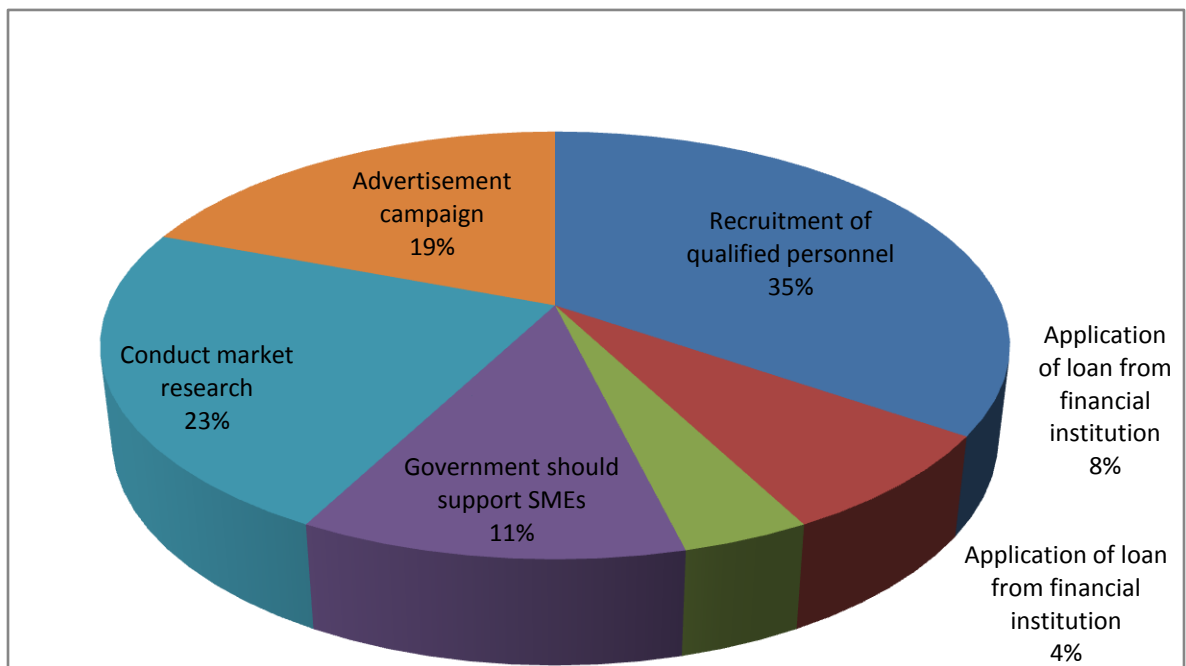
Among the challenges are issues such as SMEs are perceived as risky investments, they lack sufficient skills and knowledge of effectively running their businesses, they lack adequate collateral security, and they fail to furnish sufficient information about their business propositions, among other challenges.

In the first few years of this century we have seen a series of major SMEs collapses, which have had far-reaching consequences for the whole business community. Several of these collapses have occurred in Dar es Salaam city, but others are from different area. Among of the objectives of these studies is to provide practical guidance to entrepreneurs of SMEs by analyzing the most appropriate preventive measures to avoid business failure. However according to this studies the following are the suggested method to cope with problems associated to SMEs.

Table 5.18. Preventive Measure for the Challenge and Reasons Facing Early Start of SMEs.

Suggestions	Frequency	Percent	Cumulative Percent
Recruitment of qualified personnel	9	34.6	34.6
Application of loan from financial institution	2	7.7	42.3
Application of loan from financial institution	1	3.8	46.2
Government should support SMEs	3	11.5	57.7
Conduct market research	6	23.1	80.8
Advertisement campaign	5	19.2	100.0
Total	26	100.0	

Figure 5.7 Preventive measure for the challenge and reasons facing early start of SMEs.



The finding of the survey shows that total of 34.6% of respondents suggest that recruitment of qualified personnel 23.1% suggest to market research, 19.2% advertisement, 11.5% government support, application of loan and 3.8% respond to improvement of technology

5.5. Discussion of Finding From Friendship Textile Co. Ltd.

The purpose of this part is to discuss the findings obtained in 5.4 above by analyzing each research objectives and also to test the hypothesis given in chapter three.

5.5.1 Access to Human Resource at FTC .

Access to human resource is one of the objectives of this research which analyzes the trend of human access to TFC. When the researcher was interviewed the human resources manager about the sklii and experience of the FTC he provide some information on how the worker classified in FTC, however through questionnaire most respondent show that they have low professional where by more than 69% of respondent have either diploma or certificate based on their professional which their were employed the rest have either bachelor degree or postgraduate degree. However when respondent were asked if FTC have qualified personnel to meet their position, the following were found (50%) say there fair extent,(23.1%) small extent,(15.4%) no extent means respondents do not agree at all and (11.5) agree to large extent, with exceptional of the top management the rest of staff of FTC are workers who obtain their experience in the field, there no formal training from any college that training textile industries professional in Tanzania for now.

5.5.2. Efficient of Information Technology at FTC.

The second objective of this study was to assess the efficient of information technology at Friendship Textile Company. Questionnaires were issued and the respondents filled the data according to table 4.6, 4.7.and 4.8.

By considering the above study findings, it can be generally concluded that majority of the respondents were on the opinion that, FTC have difficult in access the technological need however when the respondent asked on the access of information technology responds were (53.8%) small,(11.5%) fair and (26.9%) responds say no however its only (7.7%) agree. Even though the FTC is despred in need of IT solution by the management still reluctant, this concluded when the respondent asked if FTC is set aside fund to financing IT expansion or investment, the following were founded as presented in table 4.7.(69.2) did no agree (no extent) that FTC is set aside fund (23.1) small extent(7.7%) fair extent and no respondent say large extent. This show that the entire performance of FT C is backed down due to low technology.

5.5.3. Contribution of Marketing to Performance of FTC

The third objective of this study was to examine the contribution of market and marketing information to performance of FTC. All of the respondents were asked to what extent the market department contribute to the performance of FTC,(38.5%) most important,(15.4%) important ,(26.9%) stay neutral and (19.2%) respond by say less important. However when the same respondent another question on how the FTC experience in the market of textile in Tanzania favor the FTC product in the market against its competitors,(50%) most important,(34.6%) important,(11.5%) neutral and (3.8%) less important. This finding was supported by the deputy commercial manager when he was interviewed, the research deputy commercial managers how the industries survive in the market without any commercial add? He say that FTC compete in market by using is previous reputation on its kitenge and 100% khanga.

From the general findings it was concluded that there were a positive relationship between working capital management and organization performance for component of cash, account receivables, account payables and other receivables. This would indicate that the second (H1) was true. FTC fall under textile sector and this it indicate that there high relationship between, appropriate human resource, use of market information and application of technology with the performance of FTC.

CHAPTER SIX

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION.

6.0 Introduction

The previous chapter has discussed the findings of the study on the “An Analysis of Strategic Factors Hindering the Performance of Small and Medium Industries in Textile”. This chapter aims at presenting the summary, conclusion, recommendation and limitations for the study, as well as the areas for future study. The chapter starts by presenting summary of the study on the main findings, followed by conclusion and finally recommendations

6.1. Summary of the Study.

In developing countries like Tanzania, SMEs are confronted with unique problems including heavy costs of compliance resulting from their size. Other constraints include insufficient working premises and limited access to finance, market information, technological and information are underdeveloped and not readily available. On the other hand, SME operators lack information as well as appreciation for such services and can hardly afford to pay for the services. As a result, operators of the sector have rather low skills. Also, there is no umbrella association for SMEs. At the same time, the institutions and associations supporting SMEs are weak, fragmented and uncoordinated partly due to lack of clear guidance and policy for the development of the sector.

This study confirms the findings of other researches that small and medium sized industries are faced with difficulty in obtaining finance and capital; inadequate competent personnel with requisite managerial skills; inadequate market and market services; inadequate infrastructure; inability to control costs/rising cost of input; problems of policies, incentives, operating environment and dumping of foreign products(Mitumba).

However the researcher established t the major problems and constraints that hinder the performance of FTC textile industries

are, in order of importance, as follows:-

In adequate competent personnel	50% of respondent
Lack of technology and expertise	69.3% of respondent
Financing limitation	42.3% of respondent
Fuel and power	42.2% of respondent
Lack of adequate	46.2% of respondent

All this problems identified above are largely exogenous to the industries and differ from one manufacturing sub-sector to another. Some of these problems are peculiar to specific companies. This means that some ways of managing resources, avoiding waste and reducing costs, are inevitable. Some problems, however, particularly the lack of competent and adequate Personnel, affect the application of sound management techniques in businesses, and are known to inhibit the adoption by these industries of appropriate cost control techniques.

6.2. Conclusion

The finding confirmed that FTC performance is highly affected by in appropriate human resource management practices, poor market information, poor application of technology and poor financial support from financial institution. However the findings show that the financial manager plays a major role in analyzing these challenges. Since senior levels of management are more concerned with strategy and policy, according to the theory of management.

6.3. Recommendations

In light of the above findings, the researcher has proposed the following actions to be taken by Government and other stakeholders to improve the performances of SMEs in Dar es salaam and in Tanzania in general.

(i) Tanzania governments at all levels and other stakeholders must take a consecutive effort to help the SMEs not folded their arms and watch the SMEs being overtaken by constraints and problems. Even though, the government fully appreciates the contributions of SMEs to employment creation, economic growth and development of the country. This explains why the government has established various support institutions and relief measures specially structured to render assistance to SMEs but that assistance must go hand to hand with conducive policy for SMEs.

However globalization and trade liberalization is having greater impacts on the sub-sector. The World Trade Organization protocols provide awareness to the SMEs to produce competitively and access international markets. The African Growth and Opportunities Act (AGOA), which favors and gives incentives to exporters from African countries to the United States of America, represents another opportunity to expand the frontiers and contribution of the Tanzania SMEs. Similarly, EAC, COMESA has provided other growth opportunities for the SMEs. The intensified activities of the Institute (IPI) and Board of External Trade(BET) must cover government efforts towards taking advantage of globalization for Tanzanian SMEs.

However other international agencies like the United Nations Industrial Development Organization (UNIDO), the United States Agency for International Development (USAID) and the World Bank's International Development Agency (IDA) have provided and was continue to provide good support-base for SMEs development in Tanzania.

(ii) The study recommends that, regular training sessions on the FTC staff in order to enhance the performance, the training can be arranged by the government and its partner(Chinese government) by allow their staff to have frequently workshop in others countries which have more experience in textile industries such as China its self, Indonesia, Malaysia, India etc.

(iii) Effective performance management requires good organization and legal frameworks. However, the legislation is a necessary but not sufficient condition for

organizational using the tools for managing performance. Both the hard (laws) and soft measures, including counseling and training are required to enforce compliance with performance management requirements. The government is called to see and implant this fact.

(iv) The on-going reforms (Big Result Now) especially in the power sector should be effectively and efficiently implemented without further delay so as to address crises epileptic power supply problem in the country. Adequate incentives should be given to encourage investment in the energy sector. This will help in addressing shortfalls currently witnessed in power supply. Adequate investment incentives should be put in place to encourage investment in Independent Power Project . This could be patterned along the line of clusters (micro grids), which will produce power and feed the national grid. This is important, given the current short fall in energy generation and the need to boost capacity expansion in future. The manufacturing sector could participate in this scheme through energy Service Companies.

(v) For the small and medium sized industries to improve their performance, some improvements in the use of appropriate cost control technique are quite necessary. The cost control techniques are not fully developed due to the problems associated with personnel. In order to enhance the adoption of appropriate techniques and profitability, small and medium sized industries should employ personnel with adequate professional knowledge and experience. Where government controls these industries (e.g. FTC) it should allow the management to recruit their own staff rather than merely posting staff from the ministries to manage the SMEs.

6.4. Policy recommendations

Based on the findings of this study, the researcher found it important to make some recommendations to guide policy-makers and other researchers:

(i) Policy issues were mentioned earlier in connection with the sessional papers, development plans and the 2025 strategic vision. These documents have provided the issues needed within the SMEs sector.

- (ii) After interviewing, the managers who are the implementers, the results reflect great need to have policies that guide action at the business levels.
- (iii) Some of the major issues obtained from the results of the study were government issues dealing with interventions. Issues to do with regulation and policy, incentives are the domain of the government. These came out strongly in the focus group discussion too where business managers felt that an enabling environment should be created so as to allow the micro and small businesses in particular to grow and perform.
- (iv) The education profile of the respondents indicated that managers were about 26.9% to 46.2% possess higher education. However most of owner managers / executives lack specialized education. There ought to be a policy to train these individuals. Whereas such training is available in colleges and universities, it should be noted that those avenues are very expensive. A way of getting the business skills required scanning environment, keeping proper records, getting market for goods and produce standard products that compete globally should be established.

6.5. Areas for Further Research

The findings assessed on the analysis of strategic factors hindering the performance of small and medium enterprises in textile industry. Generally management decisions must be made but accurate decisions must be based on the right information. This can be achieved by having more research being conducted

- (i) The focus for this study was the textile industries, future research could therefore investigate the other sectors like retail, agriculture and come up with specific findings since the price of raw material used by textile industries are controlled by cotton manufacturer.

- (ii) This study dealt with management strategies and factors impacting on the performance of the SMEs. Further research could target the larger firms that have dominated the markets having graduated from the SMEs status.
- (iii) The field of MSMEs is large and very diverse. It is an interesting area with many unresolved issues. It would be encouraging to get more evidence on how the effective entrepreneurship affects the SMEs performance.
- (iv) The comparative study of the research should be conducted in order to assess the which influence the performance of SMEs on various sectors such as manufacturing industries, financial sectors like Saccos, Vicoba which operate in Dar es salaam Tanzania.

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APPINDIX I

QUESTIONNAIRE FOR SMALL AND MEDIUM ENTERPRISES.

I am a graduate candidate in the Department of Accounting and Finance at, Mzumbe University at Morogoro Tanzania (MU). I am in my research year focusing on “Analysis of strategic factors hindering the performance of small and medium industries in textile in Dar as Salaam. Please take few minutes to answer the following questions listed below. No individual’s responses was be identified as such and the identity of persons responding was not be published or released to anyone. All information was be used for academic purposes only.

Thank you very much for helping with this important study.

Sincerely,

Msemo Daud H ., Mobile: +255-719-868-641 /788-868-641.

Mail.Dawood1485@mail.com/ dawood1485@gmail.com

PART I: RESPONDENT’S AND ORGANIZATIONAL PROFILE

1. (a)General information

Organization name.....

Job title.....

(a) Gender. Male Female

(b) Age (in years) – circle one:

Below 20	21-30	31-40	41-50	51-60	Over 60
1	2	3	4	5	6

2. Level of education

O-level	A-level	Diploma	Bachelor degree	Post graduate
1	2	3	4	5

3. To what extent this enterprise has been in operation?

5 year ago	10 year ago	15 year ago	20 year ago	Above 25 year
1	2	3	4	5

4. Number of employees in the enterprise?

Less than 5	5-49	50-99	more than 100
1	2	3	4

5. What is the legal ownership status of the establishment?

Sole ownership	Joint ownership	Family business	Other (specify
1	2	3	4

PART II. GENERAL INFORMATION ON BUSINESS PERFORMANCE

6. To what extent does your management play the following Human Resource Roles required by managers in your business?

The Human Resource Roles	Large Extent	Small Extent	Fair Extent	No Extent
(a)Does the organization has clear recruitment and training scheme of employee.				
(b) Is the organization has job performance appraisal scheme and compasation tendency.				
(c)The current business managers can listen to their supervisors <i>and</i> to their workers				
(d)Is the current business managers can hear recommendations and complaints on a				

regular basis				
(e) Does the current business manager can understand different personality types and cultures				
(f) Does the industry have potential and skillful employees who are qualified technician toward the organizations standard and goals.				

7. To what extent have the following Technological Factors contributed to the performance of your business among the many SMEs in Dar es Salaam?

Technological Factors (tick extent)	Large Extent	Fair Extent	Small Extent	No Extent
(a) Does the industry has a Competence IT Expert, and qualified IT expert team who lead to creativity and innovation of new products.				
(b) The business venture has set aside more money for technological expansion				
(c) The use of technology in the business venture is widespread				
(d) The business sometimes outsources its technological needs in order to focus more of its attention on doing what it does best rather than diverting it to another area.				
(e) Is the organization read to adopt new technologies to copy with market needs?				
(f) The business does not have IT professionals, because technology industry seems to be so				

complicated and more expensive.				
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8. To what extent have the following Marketing Factors contributed to the performance of your business among the many SMEs in Tanzania? Answer the following questions by ranking the different options on a Likers scale of 1– 5, where: (1) = Most important, (2) = Important (3) = Neutral,(4) = Less important

Marketing Management Factors	1	2	3	4
(a)Does marketing obtains information on what customers need and want by identifying value, providing it, communicating it and delivering it				
(b)Is the marketing department planning budget and actual budget have great variation?				
(c)Does marketing in the business is strategically concerned with the direction and scope of the long-term activities performed by the business to obtain a competitive advantage				
(d) Is overall marketing strategies intended to deliver value to the customers through marketing research				
(e)Access to markets and lack of market information is one of the most critical constraints to the growth of the business				
(f) Is business competes in a market that views domestic products as vastly inferior to foreign-made products				
(g). How effective are firm current marketing efforts? Does it need improvement?				

9. To what extent have the following financial Factors contributed to the performance of your business among the many Small and Medium Business Enterprises in Tanzania?

Finance/accounting factors(tick one option)	Large Extent	Fair Extent	Small Extent	No Extent
(a)Success and failure are often determined by poor cash flow management?				
(b)Are there any well established accounting procedures to manage cash flow and payment?				
(c)Is the business mainly rely on own savings and reinvested profits to finance the business				
(d)Management Accounting and Cash Control skills are used as performance measures in the business				
(e)Does the industry has a appropriate and countable means to collects pending debts?				
(f)How Interest rates, inflation, fuel and power affect the performance of the industry?				
(g)There is limited capacity of banks to lend to the business				

PART III: CHALLENGES FACING SMEs OWNER ENTREPRENEUR

10. What the challenges are after start your businesses?(briefly explain

- (i).....
- (ii).....
- (iii).....

11. How did you cope with all challenge early start up challenge in your industry?

(i).....

(ii).....

(iii).....

12. According to your experience in this field, can you describe?

(a) Five possible reasons for down fall off SMEs in Tanzania?

(i).

(ii).....

(iii).....

(iv)

13. Can you suggest the way to prevent such situation?

(i).

(ii).....

(iii).....

(iv).....

THANKS FOR YOUR COOPERATION AND YOUR VALUABLE TIME