FACTORS AFFECTING PERFORMANCE OF SME'S IN MTWARA MIKINDANI MUNICIPALITY

ELINEEMA BARIKI MCHOME

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF REQUIREMENTS FOR THE DEGREE OF MASTER OF PROJECT MANAGEMENT (MPM) OF THE OPEN UNIVERSITY OF TANZANIA

2016

CERTIFICATION

The undersigned certifies that he has read and here by recommends for acceptance by the Open University of Tanzania a dissertation entitled, "*Assessment of the Factors Affecting Performance of Small and Medium Enterprises in Mtwara Mikindani Municipal*ity" in partial fulfilment of the requirements for the award of Degree of Masters in Project Management (MPM) of the Open University of Tanzania.

....

Dr. Jacob Lisakafu

(Supervisor)

....

Date

COPYRIGHT

No part of this Dissertation may be reproduced, stored in any retrieval system, or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the author or The Open University of Tanzania in that behalf.

DECLARATION

I, Elineema Bariki Mchome, do hereby declare that, the work presented in this dissertation is original. It has never been presented tom any other University or Institution. Where other people's works have been used, references have been provided. It is in this regard that I declare this work as original mine. It is hereby presented in partial fulfilment of the requirement for the Degree of Master of Project Management.

....

Signature

....

Date

DEDICATION

This academic work is dedicated to my beloved parents who always advise me to study very hard but also to my beloved Aunt Joyce Chambua who always assist me in my studies. I thank God that, I'll always remember what you did to me.

ACKNOWLEDGEMENT

First, I would like to thank God for everything in my life. Thanks to my family as well for their support at all times. Mom and Dad, I am proud of you! I would like also to thank my supervisor, Dr. Jacob Lisakafu, for his support, guidance and encouragement which has made this research report possible. Secondly I would like to thank Prof Samuel Chambua of The University of Dar es Salaam (IDS), for his support especially editing, during preparation of proposal for this work.

Thirdly, I would like to thank my fellow students who provided their insights and guidance during face-to-face research methodology presentations.

Fourthly, I would like to thank Dr. Irene Tarimo, Dr. Gerome J. Chilumba for their advice during face-to-face research methodology presentations.

Lastly, thanks to all who provided their support to accomplish this research project who could not be mentioned their name.

ABSTRACT

The main objective of this study was to assess the factors that affect the performance of Small and Medium Enterprises in urban centres as an effort towards progressing Small and Medium Enterprises in Tanzania. The study focussed on SMEs dealing with retail shops, bars, restaurants and stationeries in Mtwara Mikindani Municipality. Mtwara Mikindani Municipality was chosen as an area of study because of great opportunity to SMEs in the region, which if could be well utilized could add high Gross Domestic Product (GDP) of the country. To achieve the intended objective, the researcher developed three research questions that were aimed at assessing the factors affecting performance of SMEs, contributions and solutions to SMEs. Data were collected from cross-sectional sample of 70 respondents of which 60 were owner managers from eight wards that include; Magomeni, Majengo, Chikongola, Likombe, Vigaeni, Chuno, Shangani and Railway and 10 from financial institutions and government officials. The study findings indicated that access of capital, information network, and good credit policy, entrepreneurial skills to owner manager, well business records and technology has great influence to the performance of SMEs. The findings shows that most of the entrepreneurs fail to progress due to problem in accessing capital due to poor business records and failure to meet banks requirements. The research finding conforms to the studies done by other parts of the country and other developing countries in the world as it reviewed in literature.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

BOA   Bank of Africa

CBA   Commercial Bank of Africa

CRDB   Cooperative Rural Development Bank

DFID   Department for International Development-United Kingdom

GDP   Growth Domestic Product

IDS   Institute of Development Studies

LGA   Local Government Authority

MBA   Master of Business Administration

MIT   Ministry of Industry and Trade

MSMEs   Micro Small and Medium Business Enterprise

NBS   National Bureau of Statistics

NMB   National Microfinace Bank

OUT   Open University of Tanzania

TPHDR   Tanzanian Poverty and Human Development Report

REPOA   Research on Poverty Alleviation

SACCOS   Saving and Credit-Cooperative Society

SMEs   Small and Medium Enterprise

STEMMUCO   Stella Maris Mtwara University Collage

TFDA   Tanzania Food and Drugs Authority

TIA   Tanzania Institute of Accounts

TPSC   Tanzania Public Service Collage

TRA   Tanzania Revenue Authority

UNIDO	United Nation-Industrial Development Organization
URT	United Republic of Tanzania
USAID	United States Agency for International Development
WTO	World Trade Organization

CHAPTER ONE

INTRODUCATION

1.1   Introduction

This study focuses on Small and Medium Enterprises performance in Southern Tanzania, seeking to understand factors that affect performance of SMEs in Mikindani Municipal. This is because there are more opportunities in the region but still these SME do not perform well. The study specifically focused on socio-economic aspects that prevailing in the region and opportunities available for developing SME sector from 2010-2016, which will be achieved through analysing SME performance, programmes and policies where used, aiming to shed light on such issues.

1.2   Background of the Study

Small and medium business enterprises or small and medium sized enterprise (SME's, small and medium sized-business SMB's and variations thereof) are companies whose personal numbers fall below certain limits. There are various categories of SMEs according to various countries and perspectives. Table 1.1 shows the classification according to The United Republic of Tanzania.

Table 1.1: **Categories of SMEs in Tanzania with Capital Investments**

Category	Employees	Capital investment in machinery (Million Tshs)
Micro enterprise	1-4	Up to 5
Small enterprise	5-49	Above 5 below 200
Medium enterprise	50-99	Above 200 below 800
Large enterprise	100+	Above 800

Source: Omar (2008:6) and URT (2012b:23)

The observation of 'SME' is also used in the European Union and by international organizations such as the World Bank, the United Nations and the world trade organizations (WTO). According to Storey (2000) the term small and medium business enterprises or SME's is predominantly used in the United State of America (USA) where SME's are said to be responsible for driving innovation and competition in many economic sectors.

According to URT (2002), Small and medium enterprise (SMEs) in Tanzania started as early as in 19 century as trade liberalization took place. SME in Tanzania is practiced in urban and rural areas where it is more common in urban centres URT (2012). According to the economic reform programme implemented by the Tanzania government have been based on the philosophy that Tanzania is committed to a market economy where by the private sector will take the lead in creating incomes, employment and growth. On the other hand, the state will be the producer of public goods, play a regulatory role to level the playing field and create conducive environment for the private sector to take the lead in driving economic growth. This philosophy is evident in almost all policy statements made since 1986 and in particular after 1996. The private sector has started playing an ever-increasing role in creating incomes and employment URT (2002).

According to the 19th annual research workshop (ARW) presented at REPOA by Venkatakrishnan (2013:2), The Tanzanian Poverty and Human Development Report (PHDR) 2011 stated that 'survey of the manufacturing sector has shown that out of the 25,000 manufacturing enterprises operating in the country, 88% are microenterprises that engage 1-4 persons (60.3% engage 1-2 persons and 27.7%

engage 3-4 persons). The PHDR 2011 further admitted that broad-based growth can only be realized through the effective participation of MSEs in the growth process.

According to URT (2003), has provided the basic data about the SME's in Tanzania, where it shows that SMEs constitute vast number of businesses; there were estimated to be more than 3 million SMEs which 45% were located in urban and the remainder in rural areas. SMEs account for a large share of the enterprises active in Tanzania URT (2002). Mtwara Mikindani being in particular SMEs came into more practice from 2010 as most people were interested to do various businesses within the town.

This is due to the increasing number of students in various academic institutions in the area, which led to high demand of various services and goods. These institutions include Stella Maris Mtwara University College (STEMMUCO), Open University of Tanzania (OUT), Tanzania Institute of Accountancy (TIA), Tanzania Public Service College (TPSC), Elizabeth computing centre, Vocational Education and Training Authority (VETA) and Mtwara Teachers Training College (TTC). Before 2010 most of these institutions enrolment of students were small due to number of programme being delivered from each institute and level of education being delivered (Interview with Seni, E. STEMMUCO, Feb 2016). For example STEMMUCO started to enrol students in September 2009 after being established in Mtwara Mikindani Municipal.

Not only that but also due to increasing number of financial institutions like banks such as Diamond Trust Bank (DTB), Commercial Bank of Africa (CBA), Bank of Africa (BOA) and Eco bank which have been established recently from 2010. Formerly before 2010, banks which were found include; Co-operative Rural

Development Bank (CRDB), Exim Bank, National Bank of Commerce (NBC), National Microfinance Bank (NMB) and Tanzania Postal Bank (TPB). There are other financial services like Savings and Credit Co-operative Society (SACCOS), Maboto, Musoma enterprises, Tunakopesha Ltd, M-Pesa, Tigopesa and Airtel money.

Also according to National Bureau of Statistics NBS (2002) the number of people was estimated to be 92, 602 in Mtwara urban where in the national census of 2012 the number of people increased to reach (108,299). It can also be seemed that there is increasing number of workers in different institutions within the region for example in government schools, where the government employs teachers every year. Therefore the increased number of people led to the higher demand of various goods and services, which in turn opened the opportunity to the SMEs of Mtwara Mikindani Municipal.

Therefore all these named institutions will boost SMEs activities as the result the economic growth of the region will take place due to income tax generated by these SMEs. In Mtwara Mikindani Municipal large number of people in the region is employed because of these activities of SMEs, which use low capital to start up the business (Myowela, F. Personal communication, 2016).

The research was directly dealing with those businesses, which have more than two years experience since start of the business and those which established since 2010 to 2016. The study was specifically dealing with four kinds of business; Bars, stationeries, retail shops and restaurants. The mentioned types of SMEs have been

observed that they don't provide good services to the customers. It have been observed that a customer may ask services and the server is slept in the shop without taking care for the customer.

1.3   Statement of the Problem

Small and medium business enterprises play a big role in economic growth of the country; SMEs create employment opportunities, contribute to the growth domestic product (GDP) of the country and promote international relationships URT (2002). In Mtwara Mikindani municipal there are a number of SMEs doing various activities like selling fish, stationeries, hookers, retail shops and Bodaboda, Bajaj, restaurants, glossary, bars and whole sales shops.

According to statistics at Mtwara Municipal shows that the number of registered SME's reaches 2334, this is according to personal interview with the business officer (Myowela, F. 2016). The number shows that people who engage in SME's activities in Mtwara Mikindani municipal are very small compared to the real number of people found in the area. But the area has greater opportunity due to increasing demand of goods and services. The greater demand of goods and services shows that there is less supply of the demanded goods. Thus this can be concluded that the SME's within the region do not perform well since they cannot satisfy the demand.

It can also be seen that SME's do not perform good since the contributions made by these SME's is very small compared to tax that comes from big companies and tax from workers which count large percent (Interview with Flavian, B. TRA Feb 2016). For example the contributions of these SME's in the year 2013/14 was as follows;

target was 628,114,078.50 actual was 421,749,651.67 deficits was 206,364,426.83 and the performance was 67.1%. In the year 2014/15, target was 335,028,102.55 actual was 277,423, 921.37 deficit was 57,604,181.18 performance was 83% (TRA 2013/14) and (TRA 2014/15). Thus considering the two years shows that there is no good performance in SME's since the previous year shows that SME's performed well than the following year. This is simply because tracing at the target amount and what collected gives the picture that economy changes but also there are greater number of SME's who dropped out.

Thus, the study was to assess what are the factors that highly affect the performance of SME's in Mtwara Mikindani municipal. This is because there are greater opportunities in the region but still these SME's do not perform well. It can be evidenced also that the SME's in Mtwara Mikindani lack customer care simply because once a customer buy a commodity or a good and a seller do not have a change he/she can return the money to the customer and let him go to another shop (self observations).

There are a number of studies, which have been done on developing SME sector in Tanzania mostly done by Economic and Social Research Foundation (ESRF) and REPOA. Others include; Ndesaulwa, (2016), The impact of innovation on performance of small and Medium Enterprise (SMEs) in Tanzania, Isaga (2002), Entrepreneurship and growth of SMEs in the Furniture Industry in Tanzania, Kazimoto (2014), Assessment of challenges facing small and medium enterprises towards international marketing standards; a case study of Arusha region Tanzania and another study done by Ngendabanka (2010), Factors Affecting Growth of Small

and Medium Enterprises in Tanzania. The findings that have been shown by other researchers suggested that credit helps SMEs to expand their business, information network to SMEs also play significant role in SMEs performance. Constraints for SMEs performance include financial constraints which hinder SMEs to develop and obtain more advantages, failure to access bank loans due to lack of securities needed by the banks, low level of education with bank services, poor information networks and poor keeping records of their business (Venkatakrishnan 2003).

Most of the mentioned studies except that of Ngedabankwa (2010) have been done in the regions of northern part of Tanzania and other parts of Tanzania and not in the southern part of Tanzania. Also some studies were based on rural SMEs for example that done by Olomi (2005), Opportunities and challenges for rural SMEs development in Tanzania, Economic and Social Research Foundation in Tanzania, Kazimoto (2014), Assessment of factors affecting small business' performance in Nyamagana District, Tanzania and Calcopieto (1999), Tanzania small and medium enterprise; Policy proposed Report. UNIDO, Vienna. Therefore there was a gap between this study which done in Mtwara Municipal and those which have been done in other areas. The study focused on socio-economic aspects that prevailing in the region and opportunities available for developing SME sector.

1.4   General Objectives

The general objective was assessment of the factors affecting performance of SME's in Mtwara Mikindani municipal. The study was specifically deal with such SMEs established since 2010 to 2016 simply because it is the time when various opportunities within the region have been discovered.

1.4.1 Specific Objectives

The general objective can be categorized into the following specific objectives so as to build the significant of assessing the factors that affect performance of SMEs. The following objectives aimed at knowing such factors and to what percent do they affect SMEs performance and what are the advantages of knowing such factors and if they affect SMEs performance what could be the possible solutions towards such factors.

(i)   To assess the factors affecting performance of small and medium business enterprises in Mtwara Mikindani municipal.

(ii) To examine the contributions of small and medium business enterprises to the economy of Mtwara Mikindani municipality.

(iii) To suggest possible solutions towards such factors affecting small and medium business enterprises in Mtwara Mikindani municipality.

1.5   Research Questions

Following above explanations SMEs in Mtwara Mikindani do not perform well. Perhaps the most significant problems of SMEs in the region is low capita, poor infrastructure for facilitating performance of SMEs and poor business records. This suggests that, there is lack or inadequate of capital and skills to access bank loans, and secondly they do not have good information network, credit facility and entrepreneurial skills.

These weaknesses highlights the problem of SMEs in Mtwara Mikindani manifested at lack of viable policy to facilitate growth of SMEs sector in Tanzania. Arising from

the aforementioned research problem, this study was sets out to answer three research questions listed below which guide this study in finding reasons for the poor performance of SMEs in Mtwara Mikindani. These are:

(i)   What are the challenging factors that affect performance of SME's in Mtwara Mikindani?

(ii)   What are the contributions of SME's to the economy of Mtwara specifically Mikindani?

(iii)   What are the possible solutions towards factors affecting SME's in Mtwara Mikindani municipal?

1.6   Delimitation and Limitation of the Study

The study was delimited to the factors affecting the performance of SME's, contributions of SME's to the economy and possible solutions of such factors affecting the performance of SME's in the region. The study was dealing with three kinds of business of retail shops, bars and restaurants. These three kinds of business mentioned are small to medium whose capital do not exceed eight hundred million as classified by United Republic of Tanzania URT (2002) SME's policy.

1.7   Dissertation Outline

As mentioned at the outset, this study explores the performance of SMEs in Mtwara Mikindani with a primary focus on the factors affecting such performance, contributions and solutions towards such factors, explored in five chapters. **Chapter one** serves as an introduction to the study, including the background of the study, statement of the problem, objectives, research questions, delimitation and limitation of the study, conceptual framework and dissertation outline.

Following the introduction **Chapter two** addresses literature review, which will include; theoretical literature review, models of the study (Churchill and Lewis Growth model, SME Sector Development model and Static Approach) and empirical studies. **Chapter three** deals with research methodology in which it involves; research design and its justification, geographical area of study, target population, sample size, sampling strategies, data collection methods used, data analysis, reliability and validity of the research, ethical considerations and limitations in the research.

Chapter four deals with findings and discussions under which it address the background of respondents, results and discussions of the research questions. **Chapter five** serves as conclusions and recommendations, which include; summary and conclusions, recommendations and suggested areas for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1   Introduction

This section contains theoretical literature review and empirical literature review. It is also present statistical relationships between various studies done and what's gap of knowledge still exists between this study and others.

2.2   Theoretical Literature Review

There are various theories/models and approaches that explain SME's development in both developing countries and developed nations. The following theories explain various stages that SMEs will pass through its growth. There are three theories that discussed under this chapter. The theories/model includes; Lewis Growth Model, SMEs sector development model and static approach. In Lewis growth model it explains stages under which a firm is to develop and the constraints that he/she will pass through. In Static approach it base much on what constraints may hinder SMEs not to develop. The aim of the study was to assess what factors affect SMEs performance. Thus basing on these theories the framework under which the research was build is found at the end of this chapter.

Despite of this theories and models there are various opinions from various companies and individuals who believe that SME's are very important in any successful economy. This study portrays three models that are presented under this section that helped to form the basis of the study. These models/theories includes; Lewis Growth Model Arthur (2002), SME's sector development model Kameyama

(2000) and Life cycle models by Salvador (1998) which of both explain the dynamic approaches. The study also will use informality and formality under static approach, which specifically explain the development of SME's in developing countries. Under dynamic approach where there are so many models explaining the growth and development of SME's, most of the models explain different stages under which small and medium enterprises develop.

2.3   The Churchill and Lewis Growth Model

Halttunen (1999), many scholars have described the growth path of SME's as a life cycle model which is usually based on the size of the business and its maturity where the chronological stages in the model represent the growth phases in the firms development. Churchill and Lewis (1983) developed a framework for identifying and studying the issues that occur in small businesses over time and particularly through growth. They observed that businesses of widely varying industries and sizes nevertheless experienced similar problems and challenges at similar stages of development.

Their model identified these key issues at five stages of growth, beginning with the struggle for Existence, followed by Survival and Success. Success is the stage at which the business is both profitable and stable, could lead to either disengagement by the owner or to Take-off, which if successful, could lead to Resource Maturity. For each stage, Churchill and Lewis identified the managerial challenges/factors that they felt were critical in determining success or failure at each stage Churchill and Lewis (1983).

In the existence stage, the key focus is on obtaining customers and as such the extent of formal systems is minimal and in some cases non-existent. The organizational structure is flat and therefore the owner manager adopts a management style where there is direct supervision of those working in the business.

As the business progresses to the second stage, survival, the business begins to employ some formal systems as the organizational structure develops more levels and hence, the owner manager begins to delegate some of the responsibilities to employees. The success stage is characterized by the owner-manager deciding either to keep the business at its current operational level or to use the business to launch into some form of growth. The decision to, will be driven by the owner manager's motivation, opportunity recognition and resources. Functional managers are usually used in this stage, as the business would normally have grown for the organization to have employees taking even more management responsibility.

The business has basic systems such as finance, marketing and operations. In the fourth stage, take-off, the key management issues confronting the owner-manager includes determining the rate of growth and financing of the desired growth. Embedded in making these decisions are issues of delegation where the owner-manager would have to allow for even greater delegation to functional managers to improve organizational effectiveness and availability and access to financial resources required to support the desired growth.

The final stage is resource maturity where the main concern for owner managers includes managing the financial gains resulting from growth and maintaining the

benefits associated with small business such as flexibility, responsiveness to customers' changing needs and entrepreneurial behaviour. A business in this stage would typically have well-established organizational systems.

Several researchers have noted that the firms going through these transitions will be faced with certain management issues. The key issue is how the entrepreneurs/owner managers actually cope with these transitions (Timmons, 1994). Hall (1995) suggests that the transitions that a firm might go through are of internal nature and usually occurs as the firm grows in size. Therefore this study was based on different stages of growth, which SMEs in Mtwara Mikindani passed, through the information, which was obtained from owner managers.

Despite many studies in factors affecting performance of small and medium business enterprises in many countries, there is still a lack of understanding regarding the processes of management of small firms within the developing countries. In Tanzania SMEs started in 19 century where various policies made for the purpose of promoting SMEs URT (2002). For instance the policies made in 1986 and in particular after 1996 where the government or state was to produce public goods and play a regulatory role to level the playing field and create conducive environment for the private sector to take the lead in driving economic growth URT (2002).

The policy preparation process in Tanzania was basically participatory. Between 1998 and mid 2001, several zones workshops were held to discuss the status of the sector and to lay down strategies for boosting the development of the sector. Based on the inputs received, a draft policy document were prepared and again discussed by

stakeholders in zone workshops held at Dodoma, Mbeya, Mwanza, Arusha, Kibaha and Dar esSalaam.

2.4   SMEs Sector Development Model

This model explains different stages of growth of an SME. It analyses the constraints that are involved during growth period. According to Kameyama (2001) SME sector development model is one of the key issues for many countries both advanced countries and developing countries. Tanzania being one of the developing countries in the world, SME sector in Tanzania faces various constraints during its stages of growth. Series studies done by Kameyama (1999-2001) shows that almost all countries are like that more than 90% of the companies are SME in all countries. Having seen the importance of SME sector there is a need to analyse those constraints that faces SME sector and also identify the tools for SME sector development.

Aikaeli (2007) pointed out constraints to SMEs development in Tanzania. The constraints include; limited access to financial services where most of the SMEs can't easily borrow from commercial banks due to high credit risks and even failure to meet banks security. Another constraint is limited production capacity. According to Aikaeli (2007) pointed that knowledge and capability of managers and entrepreneurs are very significant factors for firms competitiveness. Thus there is poor technological progress for most of SMEs.

Inadequate infrastructure. In Tanzania there is poorly developed infrastructure, notably roads, electricity, water supply and telecommunication networks. Thus poor

infrastructure limits the development of the sector. Another constraint is information barriers. According to Aikaeli (2007) said "most of the studies point out asymmetric market information as a limiting factor to producers in Tanzania. Thus cost of getting information on preferences and quality of goods needed oversees is a problem to most SMEs in Tanzania.

He also mentioned little economies of scale and scope as limiting factor to SMEs development simply because of disadvantaged in production. Other constraints are problems associated with supply of factors of production, high transactions cost, inadequate innovation, remaining investment climate impediments and unfavourable international trade interrelationships. Thus all the factors above are the major constraints to SME development. There are those which affect the firm internally and those which affect externally. Having seen the constraints for SMEs performance in Tanzania the following are the tools for SME development.

According to Kameyama (2001) tools for SME sector development can be categorized into five categories, which include; finance, management reform, strengthening of management infrastructure, environment and micro-enterprise. Under finance there is lending direct finance and taxation for SME and incentive tax. Presence of these tools can help the SMEs to develop and perform well. In the management reform the tools include; creation of new business and creation of new technology. Another category is strengthening of management infrastructure in which the tools include; management resource, cooperative, industry integration, commerce integration, labour issue, fair trade, support industry and government procurement (Kameyama 2001).

The tools mentioned above are very useful in strengthening of SME sector. For example under the category of strengthening of management infrastructure, there is a need to emphasize cooperatives to SMEs so as to strengthening SME organization. Also as mentioned above, there is a need to have trade fairness in terms of laws and regulations. This will support the industry and perform well. For example in Japan there is an anti-monopoly law but it is not specific for SME Kameyama (2001). Thus this should be done also in Tanzania so as to develop SME sector.

2.5 Static Approach (SME Growth)

Under static approach there are four argument that explain why a small enterprises will not pursue growth strategy these are; delimited market niche, the owner manager values the disadvantages and risks of growth higher than the advantages and new opportunities, special person reason and fourth informality in developing countries Stamm *et al,* (2002). Thus all these arguments explain how small enterprises may not progress. For many instance many SME in the industrialized world as well as in emerging markets and developing countries pursue an explicit strategy that implies a clear limitation to growth. The typical case in an SME that offers standardized products and services on a local or regional market for example; SME in the retail, restaurant sector, bakeries as well as services like hair cutting or repair Stamm *et al.,* (2002).

Study done by Storey (2000) in South Africa on SMEs sector development reveals that, younger firms are more likely to fail than older ones and states that 50 percent of firms cease trading within the first three years. He noted that politicians around the globe have, over the past decade, emphasized the importance of small enterprises

as mechanisms for job creation, innovation, the long-term growth and development of economies. Since the study was done in South Africa this have been done in Mtwara Mikindani Municipal. And this is entitled assessment of the factors affecting performance of SMEs in urban centres.

Another study done by Shafeek (2003) in India on 'An investigation of the challenges is facing SMEs in urban canters' shows that the major reasons for SME failure are a lack of financial management acumen. It can be seen that in terms of skills, the weakness in strategic management, human resources management, general management and administration, are manifested in the significant weakness in financial management. The study indicates that a severe weakness in the area of strategy is cause for concern.

Study done by Kameyama (2000) in developed nation including USA and Japan, developing countries include; Indonesia, the Philippines and China on effectiveness of SMEs development tools and policies reveals that Japan is one of the successful country in SME sector development where 99% of Japanese companies are SME and SME sector hired 78% of the labour force.

According to the study done by Rwigema (2004) in South Africa on factors that lead to business failure shows that in most countries the rate of business failure far exceeds that of success, in South Africa, a survey indicate that between 70 to 80 percent of start-ups fail within five years, the overriding reason for failure is lack of management skills in running the ventures. Thus according to Rwigema (2004) the factors affecting performance of SMEs are; burdensome government regulations,

market structure, age and size, personal characteristics, outside assistance and motivation.

2.6 Empirical Studies on Performance of SMEs

Following the above explanations on models that mostly used by researchers to describe SMEs growth and development, this section presents the empirical studies on SMEs performance. This aims to enlighten the research on the existing results and conclusions thereon which is useful in research gap identification. In this stance this section discusses the concept of SMEs, factors that affect SMEs performance and contributions made by these SMEs in Tanzania and other countries.

2.6.1 Concept of SMEs in Tanzania

Ndesaulwa (2016) argues that, there is no universally accepted definition of SME. Different countries define SME differently depending on their level of development. However, the commonly used criteria in defining SMEs include the total number of employees, the total investment and sales turnover. The Tanzania Government, on its part, defines SMEs according to sector, employment size, and capital invested in machinery. Accordingly, in Tanzanian context, SMEs are defined as micro, small and medium size enterprises in non-farm activities, which include manufacturing, mining, commerce and services URT (2003).

2.6.2 Factors that Affect SMEs Performance

Kuzilwa (2005) suggests that there is a significant role of credit for small business success since credit helps SMEs to expand their business and obtain large profits. He also suggested that most of the Enterprises fails to access bank loan which can

expand they are businesses simply because of low education with banks services. Thus it can be found that in Mtwara Mikindani Municipal the role of credit is significant in developing SMEs.

Also according to Venkatakrishnan (2013) suggests that information network to SMEs play a significant role in SMEs performance. For example the use of mobile phones helps SMEs to have access with information on goods and services to customers. It contributes more than 48% in their performance. Omar (2008) found that SMEs face a lot of financial constraints, which hinder them to develop and obtain more advantages. These constraints include failure to access bank loans due to lack of securities needed by the banks, low level of education with bank services, poor information network and poor keeping records of their business.

There are factors that can be considered in measuring SMEs performance or firm performance these include sales per employee, export per employee, and growth rate per employee, total sales, total employment, operation profit ratio and return on investment Ndesaulwa (2016). These factors are useful in measuring performance of SMEs since a firm will progress if he/she sales much and obtain operation profit. Also a firm can progress if there is growth rate of sales. The challenges facing entrepreneurs and small medium enterprises in Africa are varied and many; lack of financial support, weak economic infrastructure, and lack of policy coherence, and lack business support Kazimoto (2014).

Insufficient awareness may originate lacking relevant knowledge, or a failure to communicate effectively, and no involvement of SMEs in income growth,

entrepreneurial training, and creation of technological capabilities Katrak and Strange (2002); Weeks, (2002). Hamisi (2011) indicates that SMEs have the necessary wherewith to improve its situation, not only in terms of their resources, but also in terms of supply chain strategy for international regulations and standards.

Therefore it can be summarized from the above findings of different scholars that factors that affect performance of SMEs are; capital/finance support, education, information network, infrastructure, credit policy, technology and poor business records. In this study the researcher needed to find whether the same factors affect performance of SMEs in Mtwara Mikindani Municipal or there are other factors, which add to those, which, discussed.

Basing on these studies the researcher presented the factors that really affect performance of SMEs in Mtwara Mikindani Municipal, contributions and possible solutions since the studies above were done in most of the rural areas and not urban areas and if it was urban it was not Mtwara Mikindani. But also many studies were specifically dealt with how one constraints or one factor affects the development of SMEs and not assessing all factors that affects the performance of SMEs in urban centres.

Thus the research has filled the gap which was existed between this study and others. But also the researcher has provided other areas that need to be studied since during research there are so many areas of concern which needs to be studied and provide the solution or ways forward. These areas have been analysed in chapter five which specifically deals with conclusions and recommendations.

2.6.3   Contributions of SMEs

Recent studies find that SMEs play a significant role in generating national income, creation of employment and improves living standard of the people URT (2012). In Tanzania SMEs contribute 27% to the GDP and 23.4% of the total labour force URT (2012). This statistics suggests that if SMEs are considered well and get support to the constraints that limit them, they will generate more income to the government.

According to URT (2002), it is now increasingly recognized that the Small and Medium Enterprises (SMEs) play a 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 eventualities are not as demanding as it is the case for large enterprises. These enterprises can also be established in rural settings and thus add value to the agro-products and at the same time facilitate the dispersal of enterprises. Indeed SMEs development is closely associated with more equitable distribution of income and thus important as regards poverty alleviation.

2.7   Conceptual Framework

Figure 1 describes the key factors or variables depicting the relationships between factors that affect performance of SMEs and SME performance/development. The conceptual framework postulates that, the factors that affect performance of SMEs needs to be improved so that SMEs can perform well. For example if SMEs are able to acquire enough capital they can expand their business and perform well. Also if they have good business record they can have access to bank loan and perform well.

On the other hand infrastructure and provision of entrepreneurial skills will affect performance of SMEs if all are being considered.

Therefore lack of capital, low technology, access market, low entrepreneurial skills, poor infrastructure, and poor credit policy, and poor information network, location of market, poor business records and high tax among other factors can affect performance of SMEs. But if mentioned factors are taken into consideration SMEs will perform well. This will be seen if there is good infrastructure, good customer care, and good location of market, well business records, one combined tax, good information network, technological innovation and stable price.

Factors that affect performance of SME's (independent variables)	Performance of SMEs
• Capital • Technology • Location of market • Entrepreneurial skills • Infrastructure • Information network • Age and size of business • Credit policy	• Creation of employment • Profit/loss • Diversification of the business • Good living standard • Growth of GDP • Technological innovation • Good customer care

Figure 2.1: Conceptual Framework

Source: Self-conceptualization (2016)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1   Introduction

This chapter represents the methods used in research and a description of data analysis. It describes the research procedures in details, namely; general research design, geographical area of study, target population, sample size, sampling strategies, data collection methods, data analysis techniques, limitations in the research and conclusion.

3.2   Research Design and its Justification

Kothari (2003:31) describes research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data Kothari (2004:31). The study used longitudinal design simply because it is typically found in the social science subjects. But also longitudinal design represent distinct form of research design because of the time and cost involved, it is a relatively little-used design in social research, so it is not proposed to allocate a great deal of space to it Bryman (2004:46).

3.3   Geographical area of study

The study conducted in Mtwara Mikindani Municipality in Mtwara region. The region is found in Southern part of Tanzania and is bordered by Lindi region to the

North, Ruvuma region to the West, Mozambique to the South and Indian Ocean to the East. The study was used some of the wards around the municipal these wards includes; Magomeni, Majengo, Chikongola, Likombe, Vigaeni, Chuno, Shangani and Railway. The reasons for selecting mentioned areas includes; first most business are located in such areas, second proximity of the areas, and third large population of immigrants from other region of Tanzania and outside Tanzania.

3.4   Target Population

The targeted population was the businesses of the capital not more than 800 million and not less than 5 millions. Target people also were those businessmen with at least two years of experience from the start of the business specifically 2010 to 2016. The researcher was mainly concern with only SMEs dealing with retail shops, stationeries, restaurants and bars.

3.5   Sample Size

Based on longitudinal design (panel study) the sample size was selected randomly on the focus of data collection, the decision about sample size is not a straightforward one; it depends on the number of considerations and there is no one definitive answer. This is frequently a source of great disappointment to those who pose such questions Bryman (2004:97). Thus the study used a total sample of 70. Thus the study included retail shops, stationeries, bars and restaurants.

3.6   Sampling Strategies

Kothari (2004) defined sampling as the process of obtaining information about entire population by examining only a part of it. The study used probability and non-

probability sampling specifically purposive sampling and snowball sampling. Purposive sampling was used because units were selected subjectively by the researcher based on prior experience and knowledge. Snowball sampling base on the number of initial contacts who are asked for the names and addresses of another people who might fulfil the sampling requirement. Thus snowball was used by researcher to know those SMEs who have more than two years of experience.

3.7   Data Collection Methods

The study used different qualitative methods which helped to gather both primary and secondary data. These methods include questionnaires, interview and observation. The reasons for using selected methods are as summarized below.

3.7.1   Questionnaire

The researcher used this method of data collection because of time which was limited to use interview to all respondents. The questionnaire was given to those managers owning the business or to the sellers who have experience with such business concern. The questionnaire was given to respondents who are expected to read and understand the questions and write down the reply in the space meant for the purpose in the questionnaire itself. The respondents were to answer the questions on their own by selecting the best answer from the given alternatives. The objective of the questionnaire was to identify the best practice in the management of small businesses in Mtwara Mikindani Municipal.

3.7.2   Interview

The interview method of collecting data is very essential as it helps to gather huge information. The researcher used this method so as to have information from

government officials who concern with registering the businesses and those who understand well about SMEs. Personal interview was also used to interview different personnel found in the municipal office and in TRA offices at Mtwara who have experience with SMEs activities.

The researcher used both structure and semi-structured interview. This was simply because the advantage of using a structured interview include firstly, the level of incomplete questionnaires will be reduced because all the questions will be asked and answered Kumar (1996). Secondly, the researcher would be able to clarify any queries concerning the questions Kumar (1996).

3.7.3   Observation

The researcher was put himself in the environment that made him to observe the way services are being provided and observe what cultural factors exist which affect the performance of SMEs. This method of observation helped the researcher to answer the questions focused on what are the factors affecting the performance of SMEs in urban centres but also it helped the researcher to observe some cultural behaviours that affect the performance of SMEs in Mtwara Mikindani Municipality.

3.8   Data Analysis

The data after being collected was processed and analyzed in accordance with the outline laid down for the purpose at the time of developing the research plan Kothari (2004:129). Mugenda (1999), data analysis is the process of bringing order and meaning to the mass of the information collected. In this study qualitative approach was employed in handling the data, where by results from respondents was analyzed

using Microsoft word (2007) and using Statistical Package for Social Scientist (SPSS) version 16.0 the data defined verbally using the percentages of the responses.

3.9   Reliability and Validity of the Research Design

Kitchin and Tate (2000:34) describes validity as soundness, legitimacy and relevance of research theory and its investigation; therefore to ensure validity of the study appropriate methodology along and technique of data generation in line with the objective of the study was used to collect correct and valid data, if that is the case this study is valid in the sense that instruments which was used to measure the aspect under study like questionnaire, interview and observation are useful to insure cooperation of people who are participating in the study that is researcher and SMEs. Reliability is connected with repeatability or consistence of the study. The researcher evaluated the performance of two or more individuals to ensure the reliability of the study. The researcher also considered different instruments, which used in different occasions if they will give the same results.

3.10   Ethical Considerations

Ethical practice is defined as moral stance that involves conducting research to acquire not just high professional standards of technical procedures but also respect and protection for peoples actively involved in the study. Thus the researcher ensured confidentiality and anonymity of the respondent.

3.11   Limitations in the Research

The researcher faced some challenges like time, which was so limited as he was suppose to use it wisely. The researcher also faced other challenge of financial

problem, which could support him during research process. For instance, accommodation and transport costs were serious challenge to the researcher. Therefore this research was conducted in the basis of research design and more information about factors affecting performance of small and medium enterprises was given out in chapter four.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1   Introduction

This chapter presents findings or results and discussion of the findings. It presents

the analysis of the views and opinions of the people about factors affecting the

performance of small and medium enterprises in Mtwara Mikindani Municipality as

well as the contributions of SMEs and ways forward towards such factors affect

performance of SMEs negatively.

4.2   Background of the Respondents

The respondents involved in this study were 70 where a total of 10 respondents were

interviewed and 60 were given questionnaires. Those who interviewed include;

government officials from municipal and TRA who were five and others from

financial institutions like Bank of Africa (BOA Bank), National Microfinance Bank

(NMB), Cooperative Rural Development Bank (CRDB), Commercial Bank of Africa

(CBA), Savings and Credit Co-operative Society (SACCOS) and Tunakopesha

limited. The respondents who was given the questionnaires were from the following

wards; Majengo, Chikongola, Likombe, Railway, Shangani, Vigaeni, Chuno and

Ufukoni. Each ward provided at least 5 respondents and covered all the four types of

business that is stationeries, restaurants, bars and retail shops.

The following Tables 4.1 to Table 4.4 shows the background of the respondents. It

shows the categorical data for respondents, which include age of the respondents,

marital status, education level and gender. The first Table 4.1 shows the age of the

respondents. The ages were categorized into the interval size of 16 where the researcher examined the age under which youth start to engage in business. The groups are three where the first two groups are for youths and the last group is for elders having more than 55 years.

Table 4.1: Respondents Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20 years	3	4.3	4.3	4.3
	20-35	40	57.1	57.1	61.4
	36-54	24	34.3	34.3	95.7
	55+	3	4.3	4.3	100.0
	Total	**70**	**100.0**	**100.0**	

Source: Field Data (2016)

From Table 4.1 it shows that most of the people who engage in SMEs activities are those who are between 20-35 years which is 57.1%% followed by those who are between 36-54 years which is 34.3%.

The Table 4.2 shows the marital status for the respondents. It subdivided into those who married, single, widow and divorced. It analyses the data into frequency and percent to responses.

Table 4.2: Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	36	51.4	51.4	51.4
	Single	30	42.9	42.9	94.3
	Divorced	2	2.9	2.9	97.1
	Widow	2	2.9	2.9	100.0
	Total	**70**	**100.0**	**100.0**	

Source: Field Data (2016)

From Table 4.2 it shows that most of the respondents are those who have got married followed with those who are single. This suggests that most of the people engage in business to sustain their family. It also shows that youths who are not engaged participate in SMEs activities to fight for their future. Table 4.3 shows the results for respondent's education level.

Table 4.3: Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	15	21.4	21.4	21.4
	Secondary	31	44.3	44.3	65.7
	College	20	28.6	28.6	94.3
	None	4	5.7	5.7	100.0
	Total	**70**	**100.0**	**100.0**	

Source: Field Data (2016)

From Table 4.3 shows that most people who engage in SME activities are those who have the level of secondary education. The table indicates that 44.3% are those SMEs who have the level of secondary education while college is 28.6% primary 21.4% and none 5.7%. This has impact to SME activity since in secondary education there is no provision of entrepreneurial skills. Table 4.4 shows the gender of respondents. It analyses into frequency and percent.

Table 4.4: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	24	34.3	34.3	34.3
	Male	46	65.7	65.7	100.0
	Total	**70**	**100.0**	**100.0**	

Source: Field Data (2016)

Table 4.4 shows gender for the respondents involved in the study where 34.3% are females and 65.7% are males. The data suggests that most of the SMEs are males. Only few women are involved in SMEs activities.

4.3 Results and Discussions of the Research Questions

Under this section it contains the results and discussions or explanations of what found in the field. It analyses each question and the answers obtained from what was given as alternative answers. Therefore in each question it represents more than one table depending on the variables, which was presented as observations.

4.3.1 Research Question One: Factors for SMEs Performance

The following Tables from 4.6 to 4.15 shows the responses in each factor that affect the performance of SMEs in Mtwara Mikindani Municipal. Each table shows the percentage of the responses to the specific factor. Table 4.5 shows the results of respondents who responded on capital. The tables analyses the data into frequency and percent, which discussed below.

Table 4.5: Capital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	39	65.0	65.0	65.0
	Agree	17	28.3	28.3	93.3
	Disagree	2	3.3	3.3	96.7
	Indifference	2	3.3	3.3	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

Table 4.5 shows that 93.3% cumulative agree and strongly agree on the factor. This suggests that capital affects the growth of SMEs in Mtwara Mikindani. Thus if the is adequacy capital given to these SMEs it can accelerate their development and make them to perform well. But if there is inadequacy capital it discourage the growth of these SMEs. This is as shown in the following bar chart (Figure. 4.1).
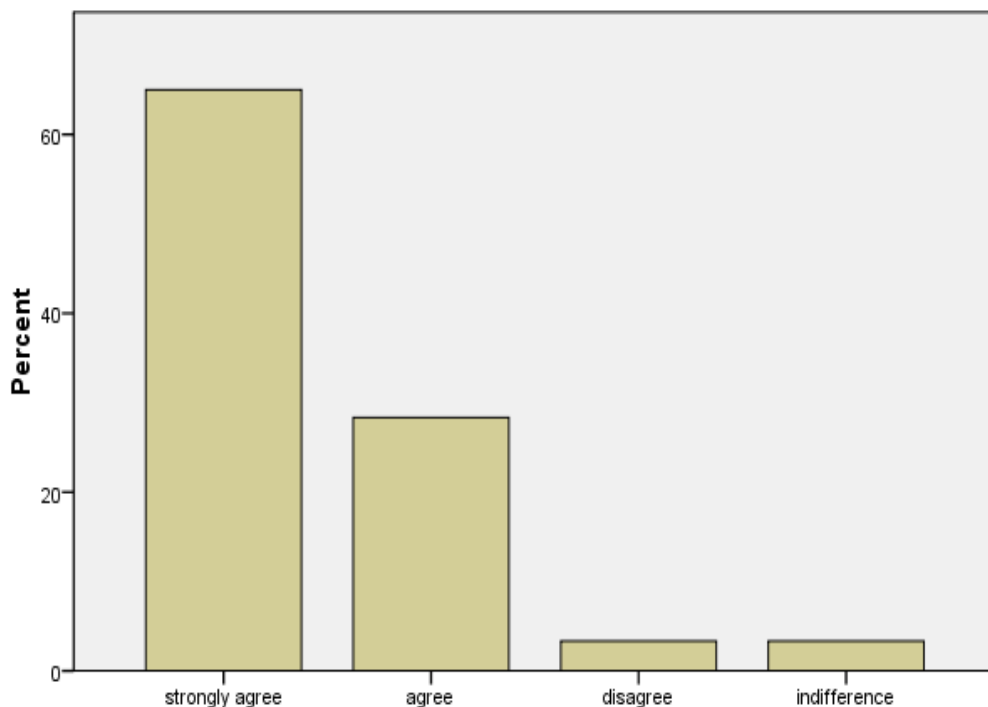
Figure 4.1: Lack of Capital

Source: Data Field (2016)

From Figure 4.1 it clarifies more on the responses that capital affects performance of SMEs where 65% strongly agree and 28% agreed that capital affects SME performance. This suggests that capital play significant role in SMEs performance. Thus government should take measures to ensure that capital is acquired by SMEs so that they can progress.

Table 4.6: Technology

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	19	31.7	31.7	31.7
	Agree	36	60.0	60.0	91.7
	Disagree	4	6.7	6.7	98.3
	Indifference	1	1.7	1.7	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

Table 4.6 presents the responses on technology to affect the SMEs performance. Results show that 91.7 cumulative percent's of the respondents agreed that technology affect their performance. There are only 8.4% of the respondents who disagreed on the factor. This is also shown in the Figure 4.2.
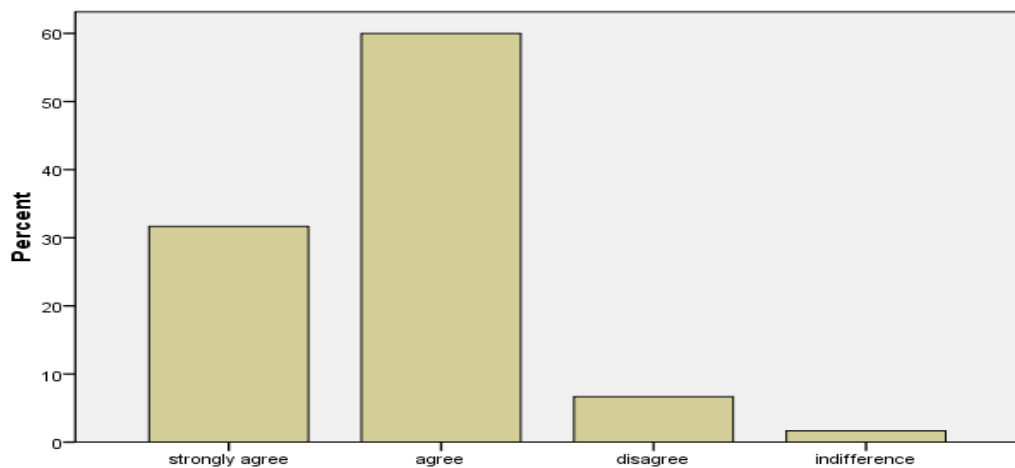
Figure 4.2: Technology
Source: Data Field (2016)

From Figure 4.2 shows that large respondents strongly agree and agree that technology affects the performance of SMEs. This suggests that if there is innovation in technology it can improve SMEs sector and lead to well performance.

Table 4.7 shows the responses on location of market. It analyses the data into the number of respondents who responded on the factor and the percent of each response.

Table 4.7: Location of Market

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Strongly agree	20	33.3	33.3	33.3
	Agree	38	63.3	63.3	96.7
	Disagree	2	3.3	3.3	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From Table 4.7, result shows that 96.7% cumulative agreed that location of market affects performance of SMEs. This result indicates that in Mtwara Mikindani Municipal SMEs activities are affected by place of selling their goods. That is most of the respondents have no good location of market to reach their customers. This suggests that poor location of market affects sales per firm and access of goods and services.
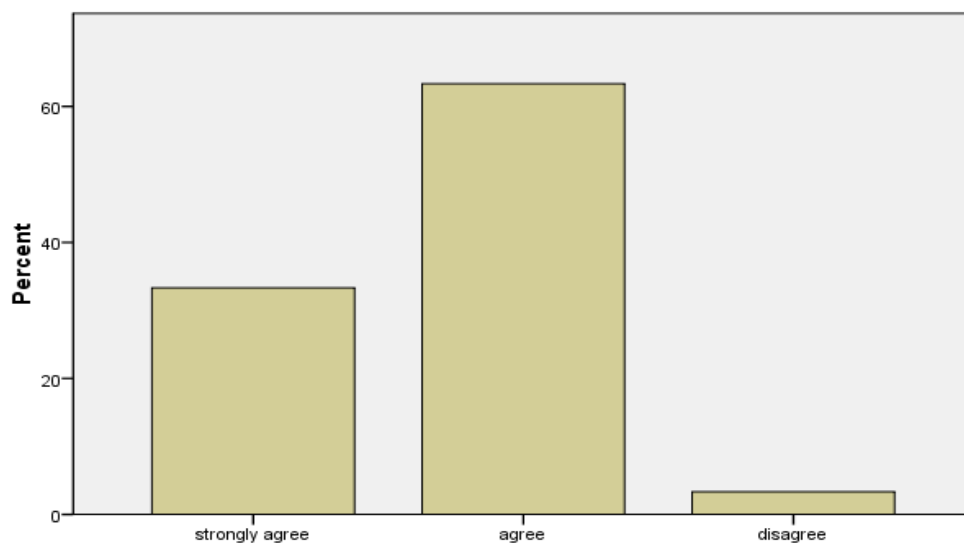
Figure 4.3: Location of Market

Source: Data Field (2016)

From Figure 4.3 indicates that 33.3% strongly agreed and 63.3% agreed that location of market is important in SMEs performance. There is only 3.3% of the respondents who disagreed on the factor. This suggests that SMEs have to consider the location of their business and where necessary the government should locate places for SMEs activities.
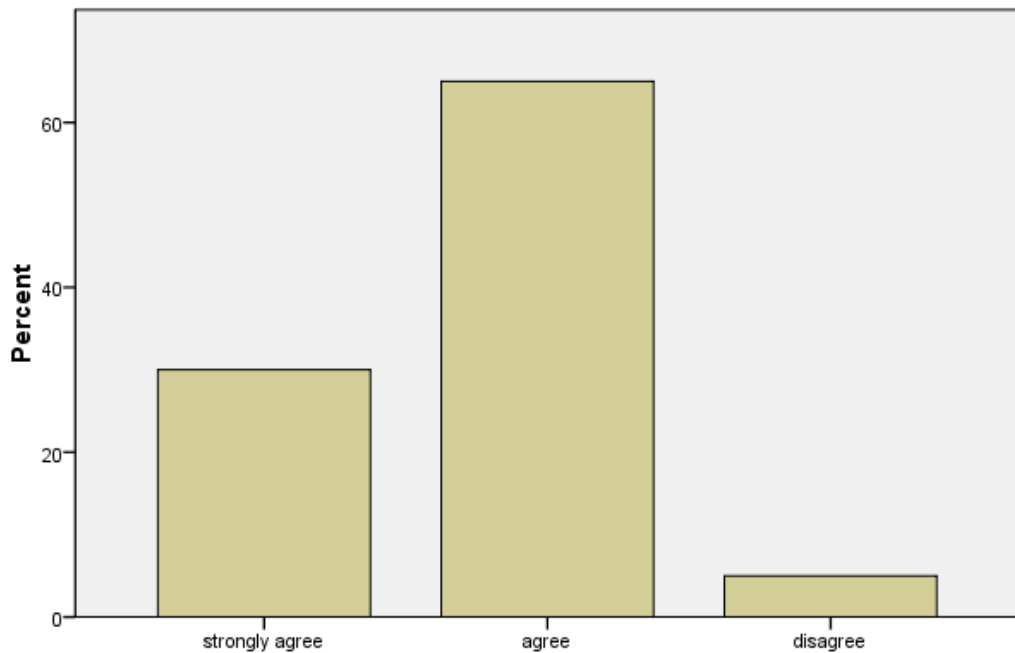
Table 4.8: Entrepreneurial Skills

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	18	30.0	30.0	30.0
	Agree	39	65.0	65.0	95.0
	Disagree	3	5.0	5.0	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From the Table 4.8, it shows that 95 cumulative percent strongly agree and agree that entrepreneurial skills affects the performance of SMEs. It also suggests that most of the SMEs in the region do not have such entrepreneurial skills.

It also indicates that those SMEs who reached college did not get entrepreneurial skills. Thus only 5% of the respondents disagreed on such factor, which is small percent, compared to those who agreed. Under this factor there is no respondents who shown indifference or strongly agreed. This suggests that an entrepreneurial skill is very important to SMEs sector. The Figure 4.4 clarifies more about the responses of the respondents.

Figure 4.4: Entrepreneurial Skills

Source: Data Field (2016)

Again in Figure 4.4 30% of the respondents strongly agreed and 65% agreed while

5% of the respondents disagreed that entrepreneurial skills has no effect on SMEs

activities.

Table 4.9: Infrastructure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	6	10.0	10.0	10.0
	Agree	45	75.0	75.0	85.0
	Disagree	7	11.7	11.7	96.7
	Indifference	2	3.3	3.3	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

Table 4.9 shows that 85 cumulative percent of the respondents strongly agree and agree on the factor of infrastructure. This suggests that if there is good infrastructure SMEs can perform well unless if there is poor infrastructure it affects performance of SMEs.
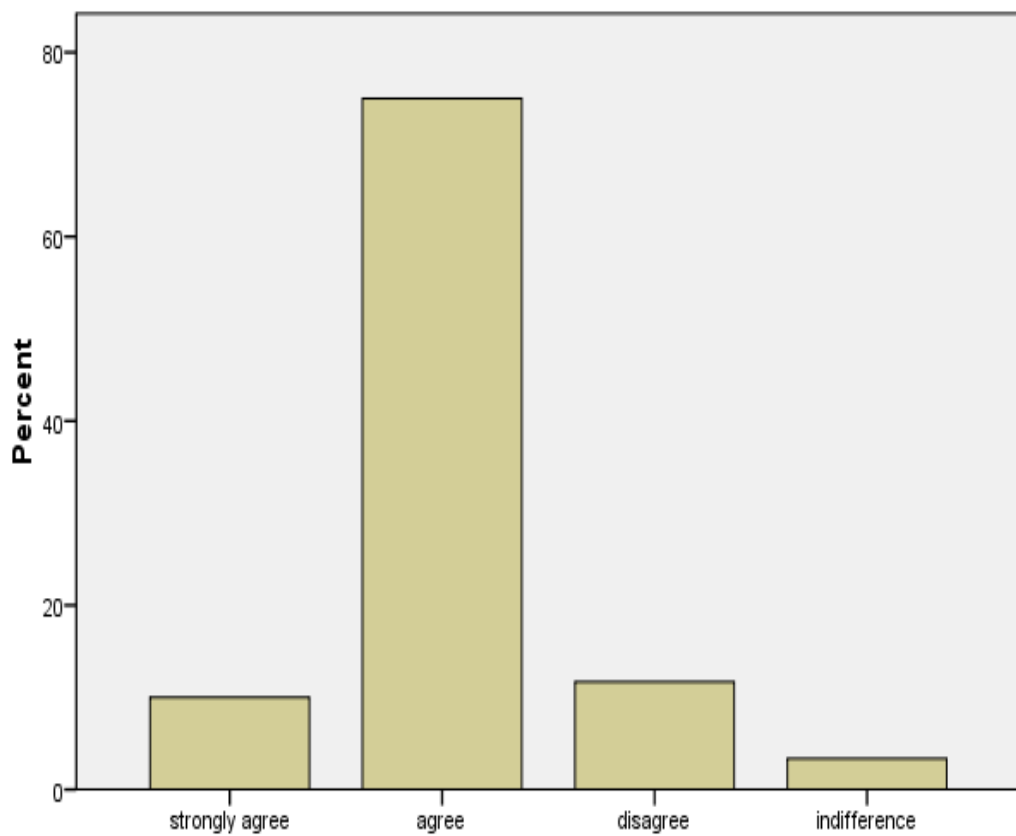
Figure 4.5: Infrastructure
Source: Data Field (2016)

Figure 4.5 indicates that 75% agreed and 10% strongly agreed that infrastructure affects SMEs activities. This suggests that there is a need to improve various infrastructures within the region so as to improve SMEs activities and increase growth domestic product of the country. These infrastructures include railways, airports, roads and harbours.

Table 4.10: Information Network

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	11	18.3	18.3	18.3
	Agree	43	71.7	71.7	90.0
	Disagree	5	8.3	8.3	98.3
	Indifference	1	1.7	1.7	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

The Table 4.10 shows that 18.3% strongly agree and 71.7 agreed that information network has an influence on performance of SMEs. This shows that 90 cumulative percent of the respondents in the region get some problems in access of information relating with goods and services. But also it suggests that information network play a significant role in improving SMEs sector. The Figure 4.6 shows the responses made by respondents on information network. The longest bar shows that most of the respondents agreed on information network that it influence performance of SMEs.
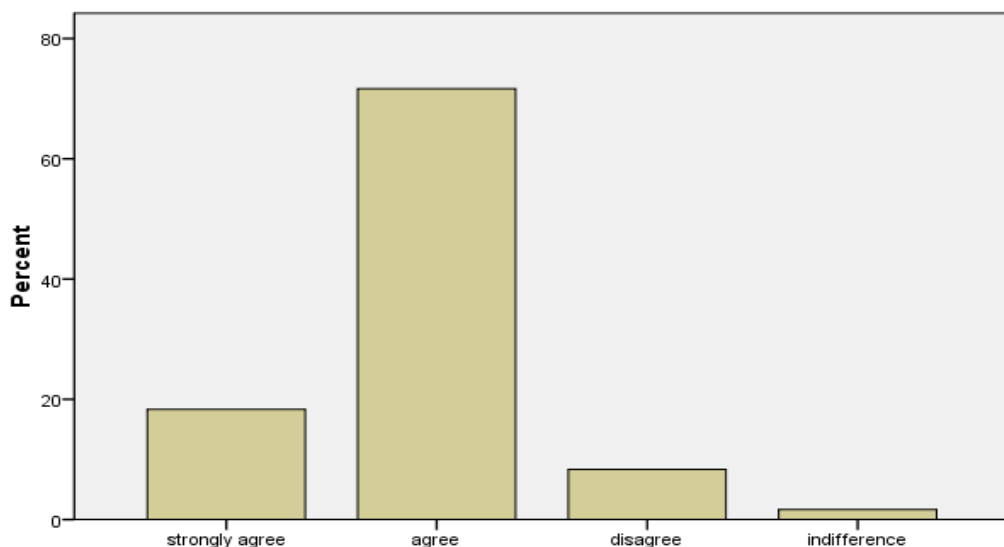

Figure 4.6 Information Network
Source: Data field 2016

Table 4.11: Credit Policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	26	43.3	43.3	43.3
	Agree	19	31.7	31.7	75.0
	Disagree	3	5.0	5.0	80.0
	strongly disagree	1	1.7	1.7	81.7
	Indifference	11	18.3	18.3	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

The Table 4.11 represents responses on credit policy. From the table it can be seen that large percent of the respondents agreed on credit policy, which influence SMEs performance. The data shows that 75 cumulative percent agreed that if there is good credit policy it can accelerate SMEs performance unlike if there is poor credit policy which hinder SMEs to access bank loans it affect the SMEs in negative way to progress and perform well. The data are presented by using statistical Figure 4.7.
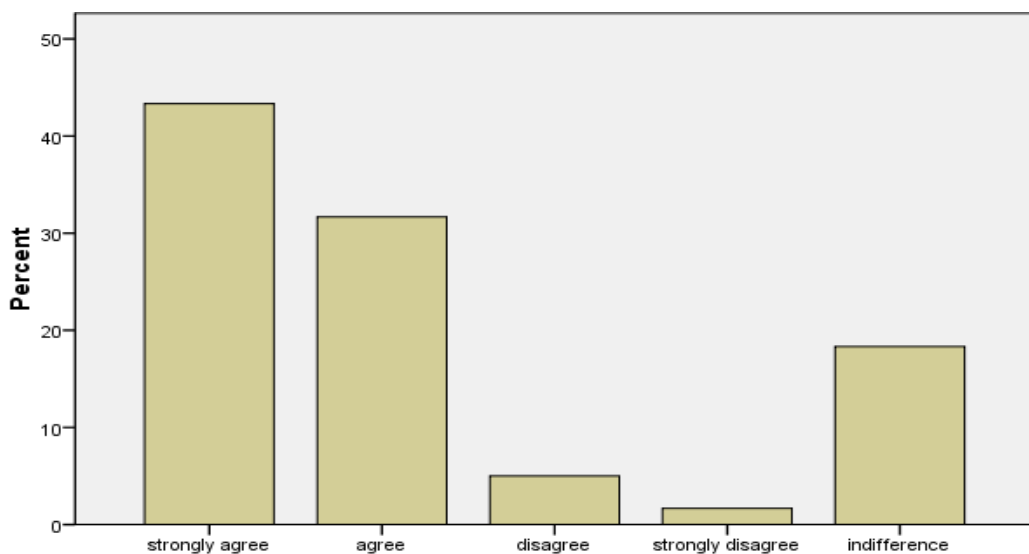
Figure 4.7: Poor Credit Policy
Source: Data Field (2016)

From Figure 4.7 it can be seen that 43.3% strongly agreed and 31.7% agreed that is the first two bars indicates that credit policy can affect SMEs activities in one way or another. That means if there is good credit policy SMEs can perform well simply because they can have access with loans with minimum security requirements. But if there is poor credit policy it can hinder SMEs activities and as the result it can lead to poor performance of these SMEs. This is because most SMEs do not have enough capital to progress their business so they need credits from banks so as to boost their business.

Table 4.12 shows the frequency and percents for responses on government regulations. These government regulations include fiscal and monetary policies. For example taxations and government spending/expenditure.

Table 4.12: Government Regulations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	8	13.3	13.3	13.3
	Agree	31	51.7	51.7	65.0
	Disagree	9	15.0	15.0	80.0
	Strongly disagree	4	6.7	6.7	86.7
	Indifference	8	13.3	13.3	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From Table 4.12, which presents results on government regulations, 13.3% and 51.7 strongly agree and agreed that government regulation also affects the performance of SMEs. That means instabilities in the regulations of the government leads to low

performance of SMEs. The data shows that 65 cumulative percent's of the respondents agreed that government regulations affects performance of SMEs. This suggests that if there is stability in government regulations it can help the SMEs to progress unless where there is instabilities. This is also presented in the Figure 4.8.
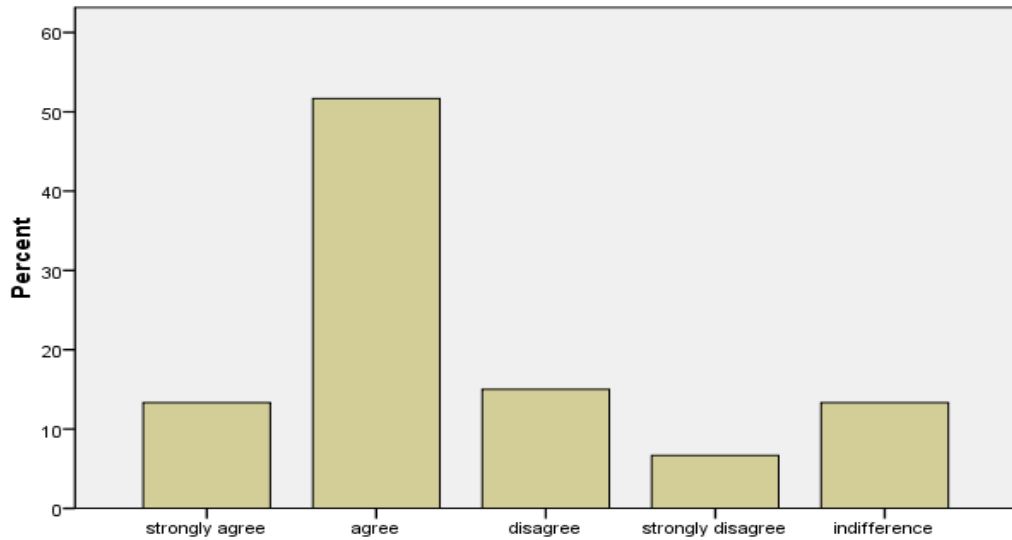
Figure 4.8: Government Regulations

Source: Data Field (2016)

Figure 4.8 shows that people who agreed on government regulations are so many than those who disagree. This is as indicated in the second bar from Figure 4.8.

Table 4.13: Bureaucracy in Registering the Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	5	8.3	8.3	8.3
	Agree	17	28.3	28.3	36.7
	Disagree	24	40.0	40.0	76.7
	Strongly disagree	7	11.7	11.7	88.3
	Indifference	7	11.7	11.7	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From the Table 4.13 it shows that large percent of the respondents disagreed on the factor that there is bureaucracy in registering the business. The data shows that 51.7 cumulative percent's disagree and strongly disagree on such factor. This suggests that there is no bureaucracy in registering the business within the region. 11.7% also has shown indifference under this factor. This also is as presented in the Figure 4.9.
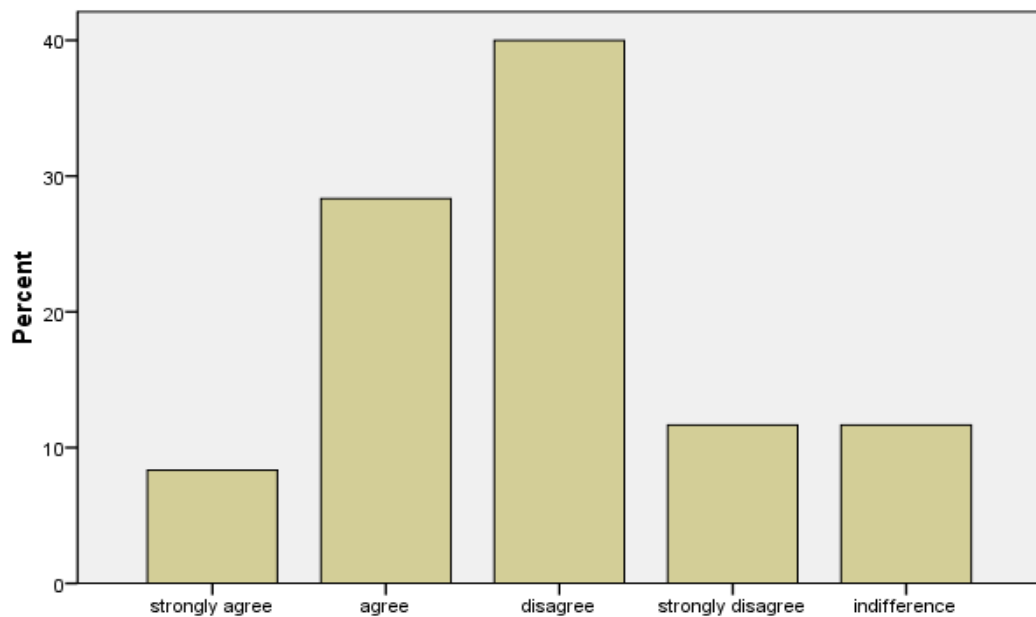
Figure 4.9: Bureaucracy in Registering the Business

Source: Data Field (2016)

Table 4.14: Corruption by Government Officials

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	6	10.0	10.0	10.0
	Agree	16	26.7	26.7	36.7
	Disagree	14	23.3	23.3	60.0
	Strongly disagree	15	25.0	25.0	85.0
	Indifference	9	15.0	15.0	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From Table 4.14 it shows that 36.7% agreed on corruption by government officials while 48.3% disagreed on such factor and those who shown indifference is 15%. This also suggests that there is no high corruption in the region in registering the business and in doing SMEs activities. The data above is presented in the Figure 4.10.
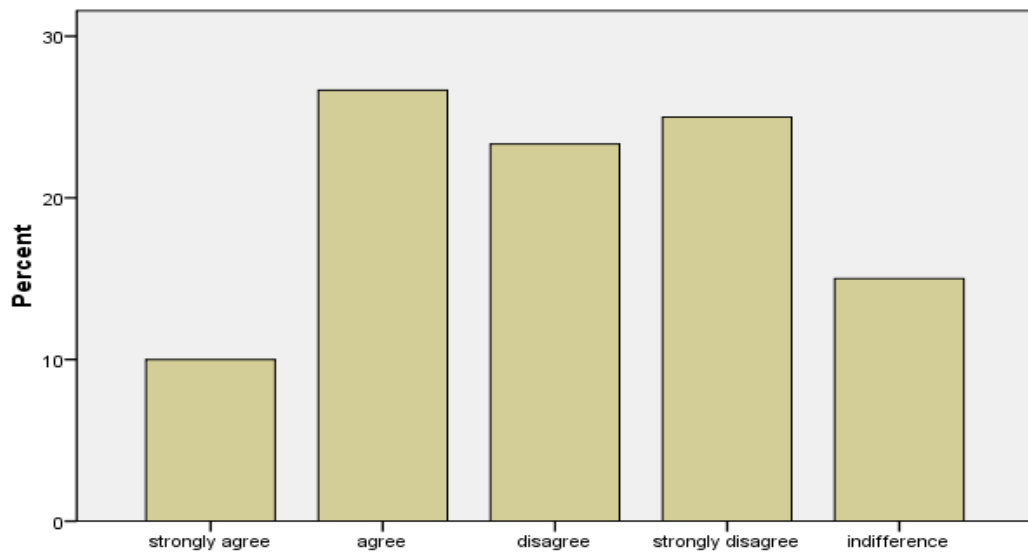
Figure 4.10: Corruption by Government Officials
Source: Data Field (2016)

Figure 4.10 shows that people who strongly disagreed and those who disagreed are many than those who strongly agree and agree on the factor. This suggests that corruption by government officials does not have effect on SMEs performance. This can also be explained that in the region there is no corruption relating with SMEs activities.

4.4   Conclusions

From the Tables above that is Table 4.5 to Table 4.14 they show the responses to each factor. The alternatives were; strongly agree, agree, disagree, strongly disagree and indifference. The respondents were required to respond on such alternative

given. Thus the results can be discussed by using the responses of each factor but also by combining those who strongly agreed or agreed in one part and those who disagreed and strongly disagree in the other part and those who were not having any response to the specific factor.

Thus from the analysis above it shows that 96.6% of the respondents strongly agreed and agreed on poor location of market where 33.3% strongly agreed and 63.3% agreed, 95% on low entrepreneurship skills where 30% strongly agreed and 65% agreed, 93.3% respondents agreed on lack of capital where 65% strongly agreed and 28.3% agreed that poor performance of SMEs is contributed by inadequacy of capital to expand the business. Poor information network also affect the performance of SMEs where by 90% of the respondents agreed on this factor. Thus as discussed in each table it can be concluded that all factors that have more than 50% of respondents who agrees or strongly agreed affect SMEs performance in one way or another. And if 50% of the respondents disagreed or strongly disagreed on the factor it indicates that such factor has no much influence on the performance of SMEs.

On the other hand, other factors, which were thought by the researcher to affect the performance of SMEs like bureaucracy in registering a business and corruption by government officials was negated by most of the respondents since the large percent of respondents disagreed on both two factors. Other factors that affect the performance of SMEs were responded by large percent of the respondents.

Other factors that have been raised from the questionnaires mostly by the respondents includes; more tax that taxed by the TRA and other authorities like

Local Government Authorities (LGA), TFDA, registering a business or business licence, rent of a frame, posts of the business mostly known as Bango and other contributions like keep the Municipal clean. The responses on factors that affect the performance of SMEs in Mtwara Mikindani Municipal as responded by government and non-government officials include:

(i) Poor business records. Most of the SMEs get problem in business records thus fail to prepare the financial report, which can help them to access bank loan when needed.

(ii) Getting credit is also a challenge to most of the SMEs. Most of the SMEs do not have education on how to acquire bank loans and they don't have securities needed by the bank so as to access bank loans. They have traditional ways of searching for help.

(iii) Imitation of one's business. Most of the businesses fail to progress due to lack of information about a business he or she do. One can get money from bank and do a business which he or she does not have enough information only because someone does it.

(iv) Failure to register the business. This also is another factor that affects SMEs performance since most of them they don't register their business thus fail to access bank loan but also their business can be closed by government officials once they are caught. This becomes a challenge to one who starts a business without following the procedures.

(v) Lack of bank relationships. This is when a businessman doesn't have education to keep money in banks thus limiting him or her to get bank loan but also security becomes low.

(vi) Borrowing money from different financial institutions more than one can affect his or her performance.

4.4.2 Research Questions Two: Contributions of SMEs

Small and medium enterprises play a big role to the economy of the region and to the country in large since it contributes to the following advantages as responded by the respondents during data collection. The following tables show the responses frequency and percent of each advantage, which was put by the researcher during formulation of research questions. At the end of these tables it explains the results but it also adds the advantages raised by the respondents who were given the questionnaires and those who were interviewed by the researcher.
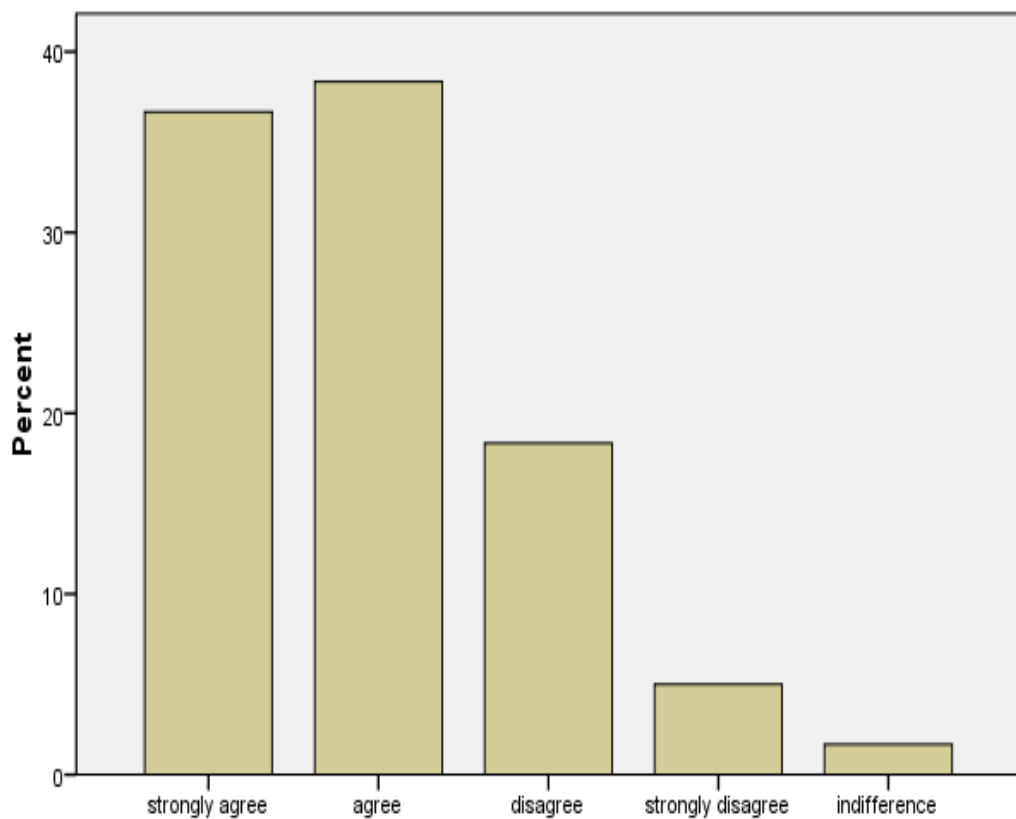
Table 4.15 shows the responses on good infrastructure. It analyses the data into frequency and percent of respondents who agreed on the influence of SMEs to good infrastructure.

Table 4.15: Good Infrastructure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	22	36.7	36.7	36.7
	Agree	23	38.3	38.3	75.0
	Disagree	11	18.3	18.3	93.3
	Strongly disagree	3	5.0	5.0	98.3
	Indifference	1	1.7	1.7	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From the Table 4.15 it shows that SMEs sector contributes to good infrastructure. The results shows that 75 cumulative percents strongly agree and agree that SMEs contribute to good infrastructure like roads, markets, railways and communications network while 23.3 cumulative percents strongly disagree and disagree on such factor. The following Figure 4.11 shows the results of the responses under this factor of infrastructure.

Figure 4.11: Good Infrastructure

Source: Data Field (2016)

From the Figure 4.11, it shows that the responses of SMEs who strongly agree and agree are large compared to those who strongly disagree and disagree.
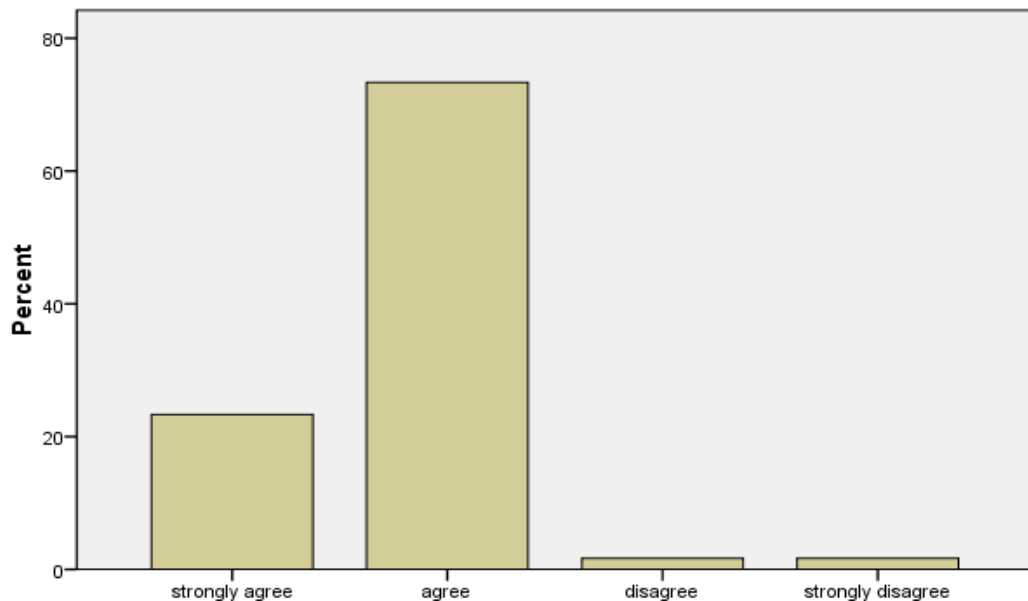
Table 4.16: Good Living Standard

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	14	23.3	23.3	23.3
	Agree	44	73.3	73.3	96.7
	Disagree	1	1.7	1.7	98.3
	Strongly disagree	1	1.7	1.7	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field 2016

Table 4.16 shows the responses on good living standard. The results indicates that 96.7 cumulative percent strongly agree and agree on SMEs contribution to good living standard and only 3.4% of the respondents who disagreed on the factor. The following Figure 4.12 represents the results above.

Figure 4.12: Good Living Standard
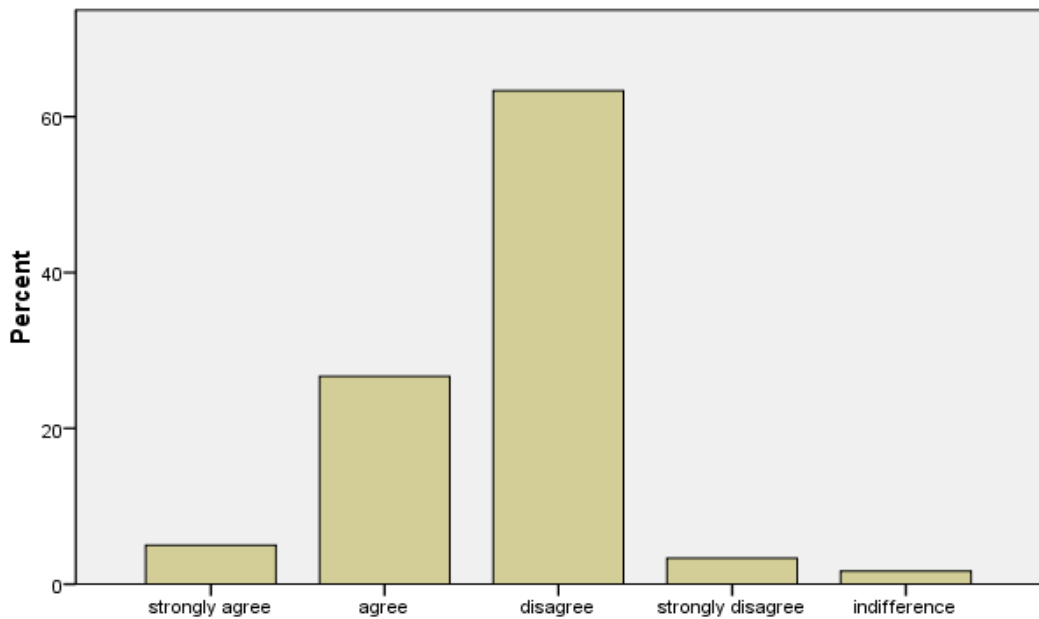
Source: Data Field (2016)

Figure 4.12 shows that most respondents agreed that SMEs activities contribute to good living standard. As shown from the figure 73.3% agreed on such advantage and 23.3% strongly agreed while there only 1.7% disagreed and 1.7% who strongly disagreed. This suggests that SMEs activities play a big role in promotion of the living standard of the people.

Table 4.17: Diversification of Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	3	5.0	5.0	5.0
	Agree	16	26.7	26.7	31.7
	Disagree	38	63.3	63.3	95.0
	Strongly disagree	2	3.3	3.3	98.3
	Indifference	1	1.7	1.7	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From the Table 4.17 shows that 95% of the respondents agreed that SMEs can lead to the diversification of the business. This suggests that if SMEs perform well it can lead to the diversification of the business. But most of the respondents were shown that their businesses are not diversified simply because they don't perform well. The data above can be also presented in the following Figure 4.13, which indicates that people who disagreed are many than those who agreed. This is as shown on the longest bar.

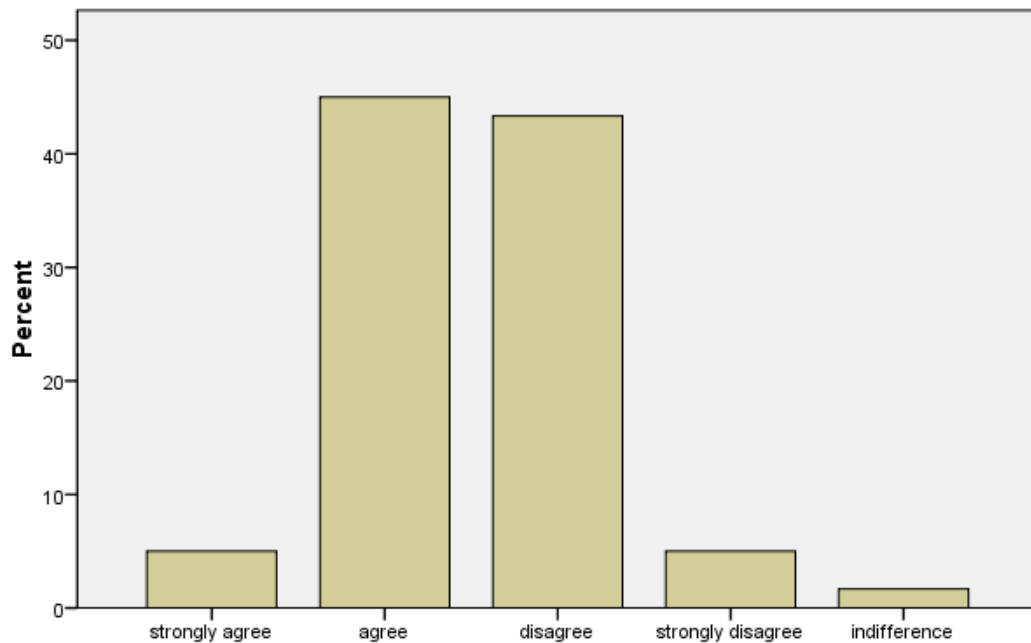**Figure 4.13: Diversification of Business**

Source: Data Field (2016)

Table 4.18: Improvement in Technology

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	3	5.0	5.0	5.0
	Agree	27	45.0	45.0	50.0
	Disagree	26	43.3	43.3	93.3
	strongly disagree	3	5.0	5.0	98.3
	Indifference	1	1.7	1.7	100.0
	Total	60	100.0	100.0	

Source: Data Field 2016

From the Table 4.18 it shows that 50% of the respondents agreed on improvement in technology and 48.3 disagree on such factor. This suggests that improvement in technology can influence SMEs performance but within the region it shows that

technology is low, thus SMEs do not perform well. On the other hand the data suggests that SMEs in the region can perform well without improvement of the existing technology, thus why large percents of the SMEs disagreed on such factor. The following Figure 4.14 shows above results.

Figure 4.14: Improvement in Technology

Source: Data Field (2016)

Table 4.19: Good Relationships

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	25	41.7	41.7	41.7
	Agree	34	56.7	56.7	98.3
	Disagree	1	1.7	1.7	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From the Table 4.19 shows that 98.3% agreed that SMEs sector contribute much on good relationships among businesses within and outside the country. This suggests that if SMEs are well managed they will lead to strong relationships among the citizens but also outside the country. The Figure 4.15 presents the data above.
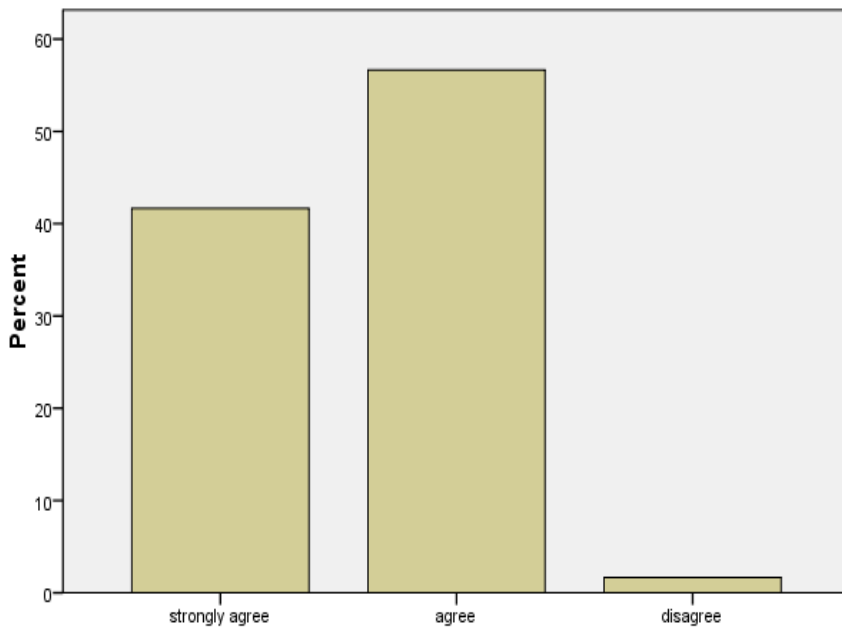
Figure 4.15:Good Relationships

Source: Data Field (2016)

Table 4.20: Creation of Employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	45	75.0	75.0	75.0
	Agree	15	25.0	25.0	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

Table 4.20 represents contribution on employment opportunities. The data shows that all the respondents agreed in this factor that SMEs sector contributes to generation of

employment opportunities. The result shows that 75% strongly agree and 25% agreed under this factor. This suggests that most of the respondents employed because of these activities. The following Figure 4.16 presents the data above.
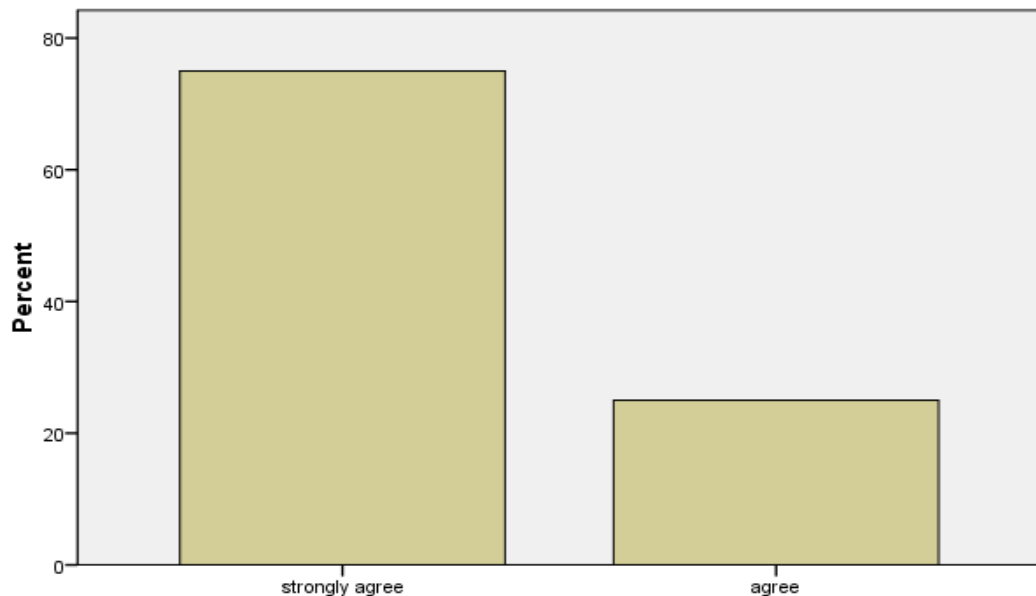
Figure 4.16: Creation of Employment

Source: Data Field (2016)

It can be concluded that from the findings above it can be seen that SMEs play a big role in creation of employment as it shows that all the respondents were strongly agree or agree to such advantage thus 100% of the respondents have shown that small and medium business enterprises create employment to the people of the region. Results also show that 98% of the respondents have benefited from having good relationships with people within the region and outside the region. SMEs also have led to the promotion of good living standard as people responded on it by 96%. SMEs also has contributed to the improvement of infrastructure to the region as large percent of the respondents shows that SMEs has led to the construction of good market which formerly were not present.

On the other hand it can be seen from the findings that SMEs do not perform well since small percent of the respondents that is 31% have responded on diversification of the business but also half of the respondents that is 50% have shown there is no technological innovations. This also can show that there is a greater opportunity to the region but it is not utilized effectively since only three respondents who were strongly agreed on technological innovation.

Other advantages that raised by the respondents who were given questions and those who were interviewed include; SMEs lead to growth of the town, family income which helps to send children to school, social services become simple, revenue to the government which lead to Growth Domestic Product (GDP) of the country, for example the contributions made by SMEs in 2013/14 was as follows; target was 628,114,078.50 actual was 421,749,651.67 deficits was 206,364,426.83 and the performance was 67.1%. In the year 2014/15, target was 335,028,102.55 actual was 277,423, 921.37 deficit was 57,604,181.18 performance was 83%. Thus considering the two years shows that there is no good performance in SME's since the previous year shows that SME's performed well than the following year. This is simply because tracing at the target amount and what collected gives the picture that economy changes but also there are greater number of SME's who dropped out. But if SMEs are emphasized it can generate more income to the government.

4.3.3   Research Questions Three: Solutions to SMEs

The question was formulated with the alternative answers so that a respondent can put a tick to such solution that might solve the factors that affect the performance of SMEs. The responses were strongly agree, agree, disagree, strongly disagree and

indifference. The following table shows the number of respondents under this question of solutions toward developing SME sector.

Table 4.21: Statistics

	Financial assistance	Improvement of infrastructure	Provision of entrepreneurship skills	Emphasize on cooperatives	Transparency in registering business	Technological innovations
N Valid	60	60	60	60	60	60
Missing	0	0	0	0	0	0

Source: Data Field (2016)

Table 4.21 shows the frequency in each solution, which was put forward. From table 4.22 to table 4.27 they show responses in terms of frequency and percent's in each factor. At the end of each table there is short discussion of the results. At the end of all tables there is discussion on other raised solutions by the respondents who were given questions and those who were interviewed.

Table 4.22 shows the responses on financial assistance to SMEs.
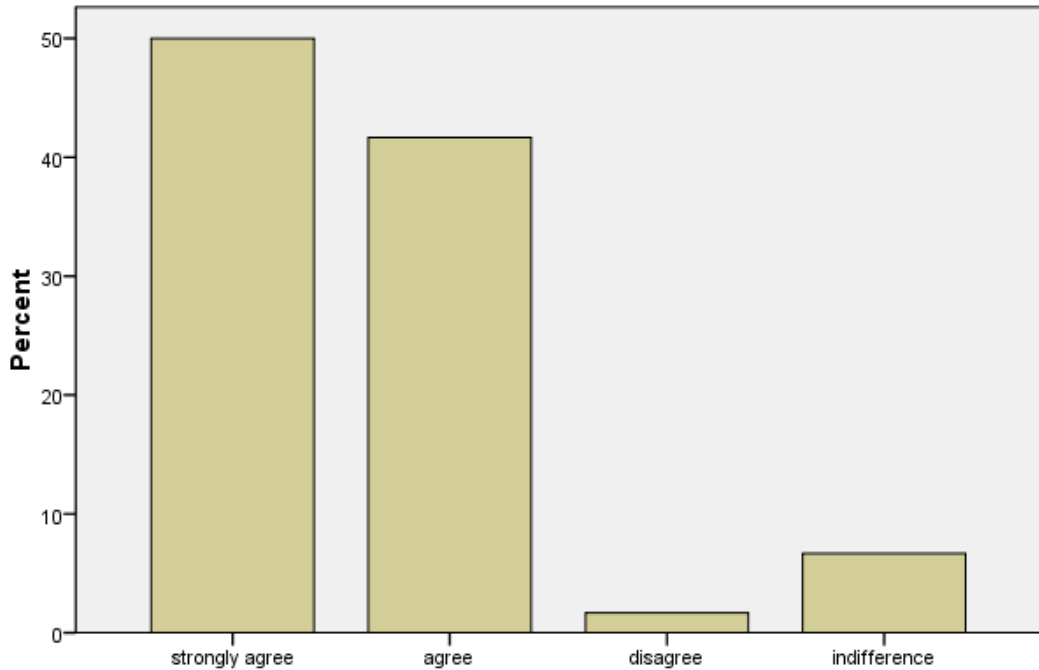
Table 4.22: Financial Assistance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly agree	30	50.0	50.0	50.0
Agree	25	41.7	41.7	91.7
Disagree	1	1.7	1.7	93.3
Indifference	4	6.7	6.7	100.0
Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From the Table 4.22 it shows that 91.7 percent's of the respondents strongly agreed and agreed on financial assistance of the SMEs. This suggests that if SMEs will be

assisted in terms of finance it will lead to good performance of SMEs sector. The

following Figure 4.17 presents the data above.
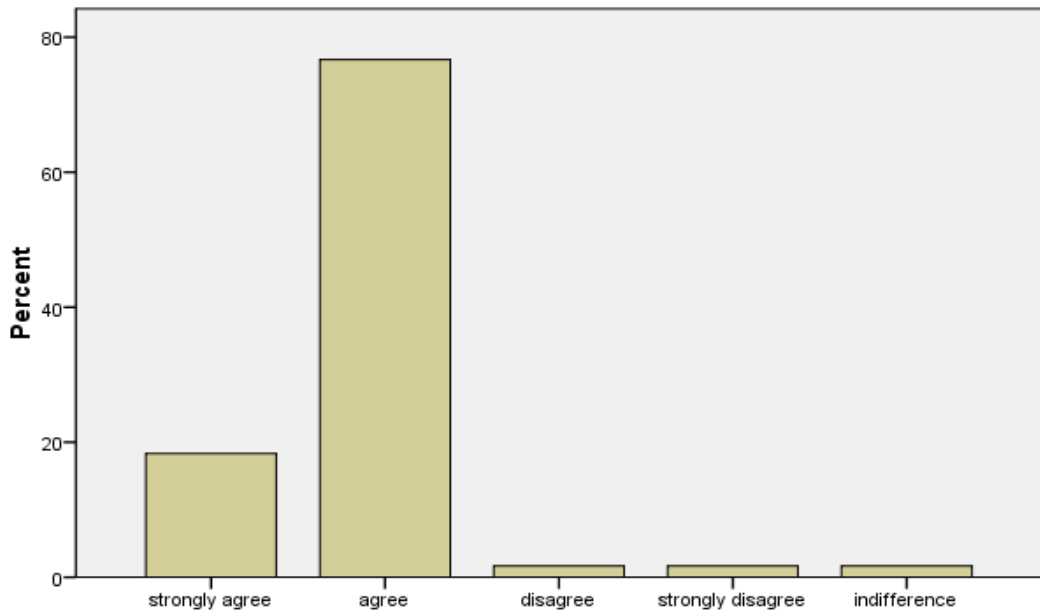

Figure 4.17: Financial Assistance

Source: Data Field (2016)

Table 4.23: Improvement of Infrastructure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	11	18.3	18.3	18.3
	Agree	46	76.7	76.7	95.0
	Disagree	1	1.7	1.7	96.7
	strongly disagree	1	1.7	1.7	98.3
	Indifference	1	1.7	1.7	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From the Table 4.23, it shows that 95% of the respondents agreed on the improvement of infrastructure. This suggests that if infrastructure will be improved it will lead to good performance of SMEs sector. Figure 4.18 represents the data above.

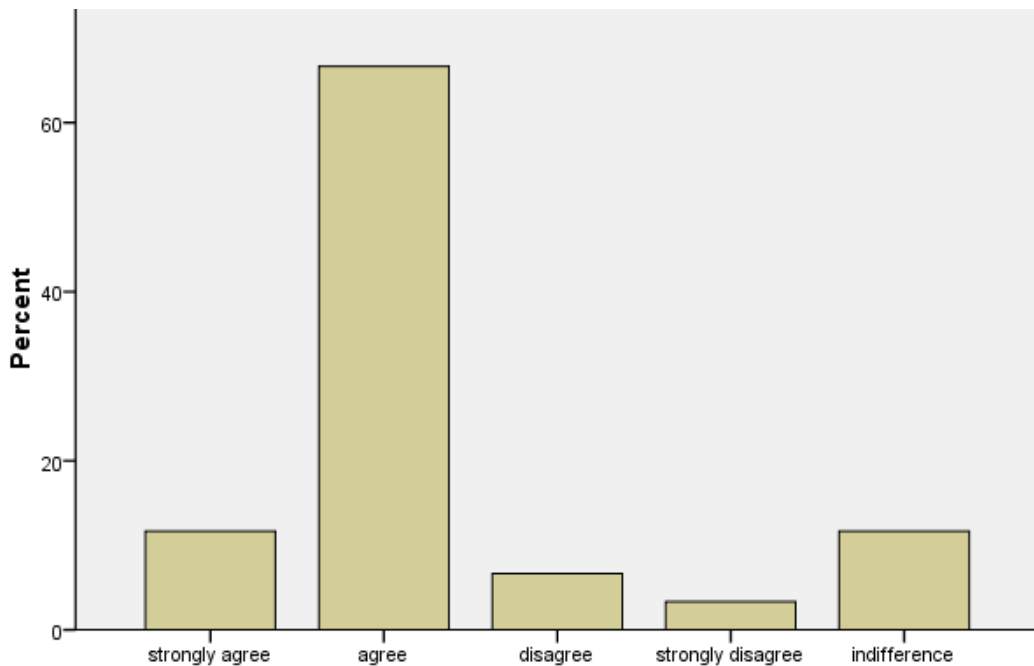**Figure 4.18: Improvement of Infrastructure**
Source: Data Field (2016)

Table 4 24: Emphasize on Cooperatives

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	7	11.7	11.7	11.7
	Agree	40	66.7	66.7	78.3
	Disagree	4	6.7	6.7	85.0
	strongly disagree	2	3.3	3.3	88.3
	Indifference	7	11.7	11.7	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

Table 4.24 emphasizes on cooperatives where 78.3% suggests that SMEs sector will perform well if cooperatives are emphasized. It shows that if cooperatives are encouraged to SMEs it can improve the sector. The data are presented in Figure 4.19.
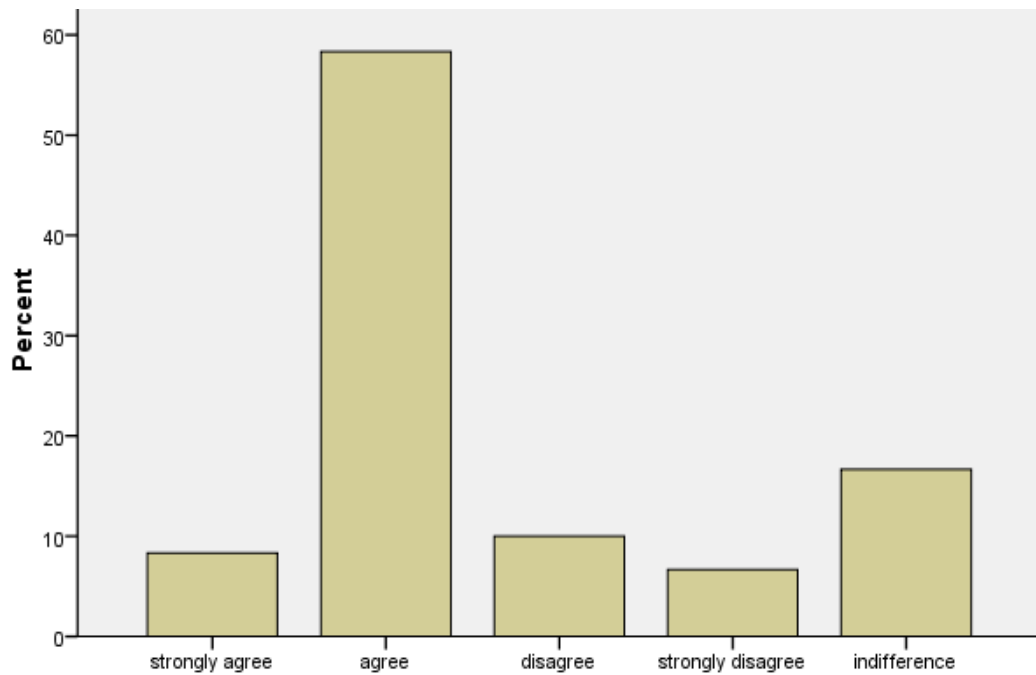

Figure 4.19: Emphasize on Cooperatives
Source: Data Field (2016)

Table 4.25: Transparency in Registering Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	5	8.3	8.3	8.3
	Agree	35	58.3	58.3	66.7
	Disagree	6	10.0	10.0	76.7
	strongly disagree	4	6.7	6.7	83.3
	Indifference	10	16.7	16.7	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From the Table 4.25 it shows that 66.7% of the respondents suggested that there should be transparency in registering the business. The following Figure 4.20 presents the data above.

Figure 4.20:Transparency in Registering Business

Source: Data Field (2016)

Table 4.26: Technological Innovations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	9	15.0	15.0	15.0
	Agree	38	63.3	63.3	78.3
	Disagree	5	8.3	8.3	86.7
	strongly disagree	3	5.0	5.0	91.7
	Indifference	5	8.3	8.3	100.0
	Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From Table 4.26 shows that 78.3% agreed that technological innovations can be one of the solutions towards factors that affect performance of SMEs. The government should invest much on technological innovations so as to improve SMEs sector. The following Figure 4.21 represents the data above.
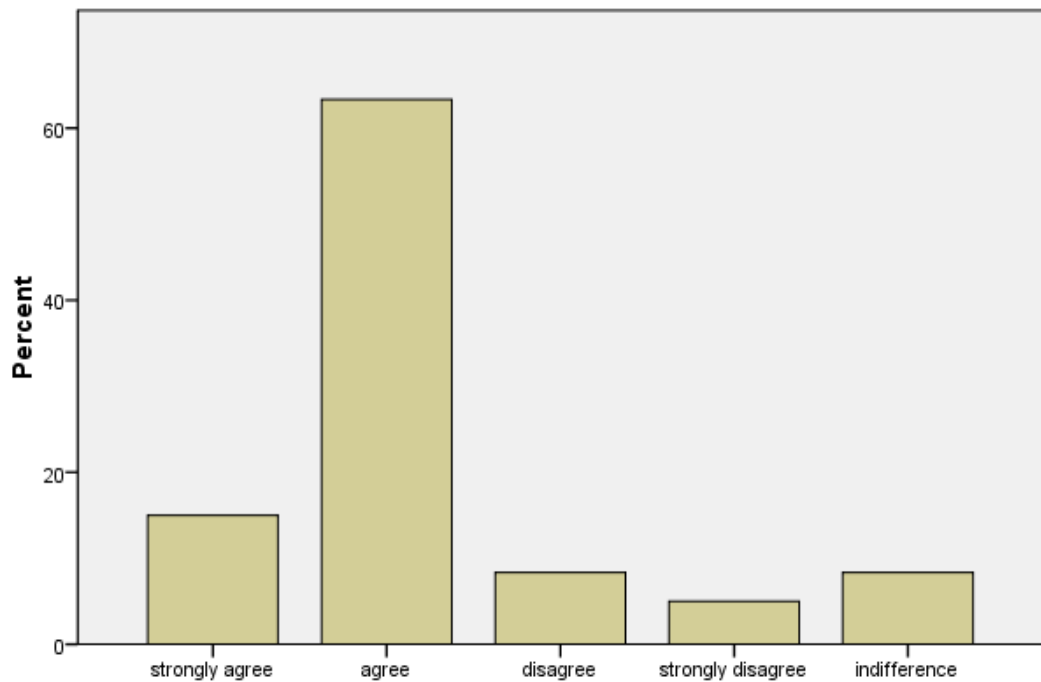
Figure 4.21: Technological Innovations

Source: Data Field (2016)

Table 4.27 Provision of Entrepreneurship Skills

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	6	10.0	10.0	10.0
Agree	48	80.0	80.0	90.0
Disagree	2	3.3	3.3	93.3
strongly disagree	1	1.7	1.7	95.0
Indifference	3	5.0	5.0	100.0
Total	**60**	**100.0**	**100.0**	

Source: Data Field (2016)

From Table 4.27 show 90% of the respondents suggested on provision of entrepreneurial skills as one of the ways towards such factors that affect SMEs performance. The following Figure 4.22 represents the responses above.
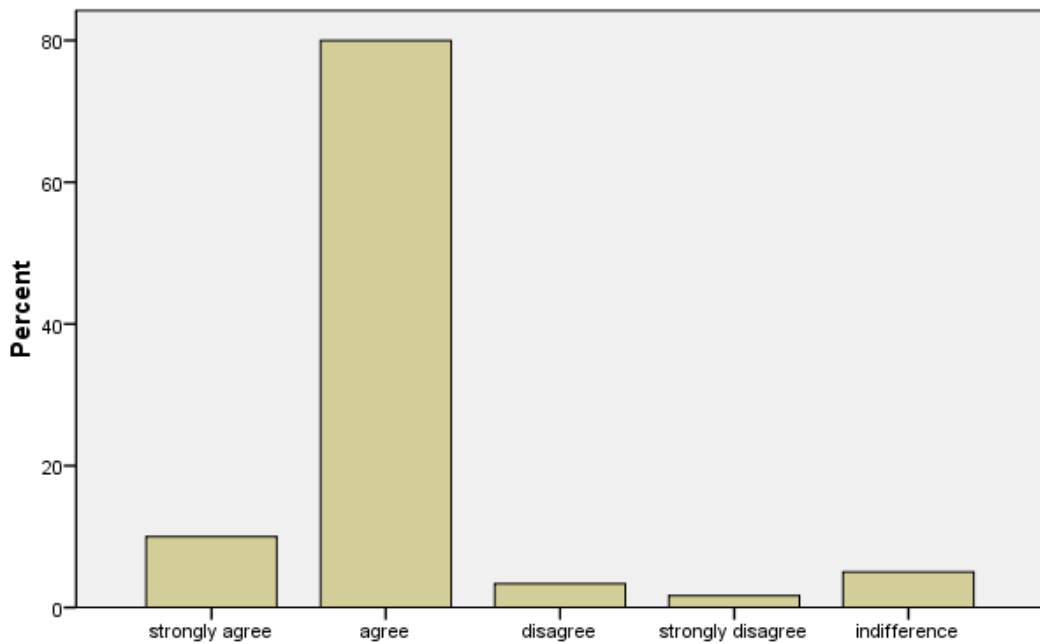
Figure 4.22: Provision of Entrepreneurship Skills
Source: Data Field (2016)

From the findings above it shows that large percent's (91%) of the respondents strongly agreed and agreed on financial assistance as one of the way to solve the problem of insufficient capital to expand the business so as to perform well. Improvement of infrastructure is also another way towards SMEs performance where 95% of the respondents strongly agree or agree. Other solutions include emphasize on cooperatives which count 88%, technological innovations 78% and transparency in registering the business.

Other solutions which were raised by the respondents who were given the questions and those who interviewed include; provision of entrepreneurial skills, education to

the SMEs on registering business and keeping money to the bank, minimization of security to access bank loan, time to know the SME should be reduced to access bank loan, there should be cooperation of sectors and institutions like TRA, TFDA and financial institutions this will help to identify factors that affect SMEs performance.

Other solution that was raised by most of respondents is tax reduction. Under this solution most of the SMEs suggested that it is better if all the payment is combined and taxed by one authority. That is all the payments made to TFDA, TRA, local government authorities, municipality that is keep municipal clean, business licence, posts and others should be under one authority. Also tax should be taxed from the profit like large companies and not from sells as what is done by TRA.

Therefore it can be concluded that small and medium business enterprises play a big role in the economy of the country they create employment, generation of GDP, promote living standard of the people and diversify the economy. The mostly factor that affect the performance of small and medium business enterprises in urban centres is capital. Most of the SMEs fail to progress due to insufficient capital which cannot expand their business and obtain more advantages.

Other factors that affect the performance of SMEs which count large percent more than 80% include; low technology, location of market, low entrepreneurial skills poor infrastructure, poor information network and poor credit policy. The next chapter presents conclusions and recommendations of research findings. It also represents areas for further studies, which were seen during the field.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1   Introduction

As discussed in previous chapters, this study is designed to determine on the Small and Medium Enterprises performance in Southern Tanzania, seeking to understand factors that affect performance of SMEs in Mikindani Municipal. The study specifically focused on socio-economic aspects that prevailing in the region and opportunities available for developing SME sector from 2010-2016, which will be achieved through analysing SME performance, programmes and policies where used, aiming to shed light on such issues. This chapter contains the summary and conclusions, recommendations and the suggested areas for further studies. The following section is research summary followed by conclusions, recommendations and suggestions on areas for future research will conclude this thesis.

5.2   Research Summary

It has seen that Small and medium business enterprises play a big role in the economy of any country. It create employment opportunities to the people, it generate the gross domestic product of the country and promote good living standard of the people. The main objective of this study was to assess the factors that affect performance of Small and Medium Enterprise. The study was developed under three research questions, which aimed at assessing the factors for SMEs performance, contributions of SMEs and solutions to SMEs. To meet the goal of these three research questions, the researcher employed questionnaires, interview and observation as tools for data collection. The researcher used a sample of 70

respondents to gather information whereby 60 were owner managers and 10 respondents were from financial institutions and government officials. Financial institutions included because they provide loan and support SMEs activities.

These financial institutions include; National Microfinance Bank (NMB), Bank of Africa (BOA Bank), Cooperative Rural Development Bank (CRDB), Tanzania Postal Bank (TPB) and Commercial Bank of Africa (CBA). Government officials interviewed were business officer (Mtwara Mikindani Municipal) and TRA officials Mtwara region. The data after being collected were analysed by using Statistical Package for Social Scientists (SPSS version 16.0) and Microsoft Word 2007. Using bar charts used SPSS to compute frequency and percents but also to portray the information.

The findings indicated that mostly factors that affect performance of SMEs include low capital (93.7%), poor infrastructure (85%), and poor location of market (96.7%), low entrepreneurial skills (95%), government regulations (65%), low technology (91.7%), poor information network (90%) and poor credit policy (75%) which hinders most of the SMEs not to access bank loan. Field observations also shows that most SMEs do not have good records of sales and purchases but also most were complaining about high tax and other contributions to various institutes and authorities. These contributions include; rent, posts, TFDA, business licence, tax and fire. This shows that there is a need to have one authority, which can be responsible for combining all these contributions to one charge then distributing to others. But also findings indicate that the support being provided by these financial institutions is not there for helping SMEs progress rather it is there for benefiting themselves. Even

though SMEs contribute to the national economy and has an advantage of creating employment it faces a lot of challenges, which hinder them to perform well as discussed. There is a need to solve these challenging factors so as to benefit more from SMEs activities as explained in previous chapters.

5.3   Conclusions

Conclusively, the research was aimed at assessing the factors that affect the performance of SMEs in Mtwara Mikindani Municipal. The purpose being establishing SMEs' capability to perform well in their activities and contributes more to the national economy. From the foregoing discussion it can be concluded that, the SMEs in Mtwara Mikindani do not perform well due to the following reasons: The findings show that 93.7% of the respondents fail to progress smoothly due to low capital, 85% due to poor infrastructure, 96.7% poor location of market, 97% low entrepreneurial skills, 65% government regulations, 91.7% low technology, 90% poor information network and 75% due to poor credit policy. These facts affect SMEs performance negatively. Therefore there is a need for various stakeholders like financial institutions to work on them so as to create conducive environment to SME sector.

On the other hand, the financial institutions and other stakeholders are not faring well the SME sector simply because they are unable to meet the aforementioned hindering factors. The government agents also fail to solve the challenging factors to solve the problem because they are not equipped well with enough resources needed to progress the SME sector.

5.4   Recommendations

It have been put clear that the factors that affect small and medium business enterprises in Mtwara Mikindani Municipal includes; low capital to expand the business, low technology, poor location of market, poor infrastructure, poor information network, lack of entrepreneurial skills, poor business records, low level of education about bank services, poor credit policy and high tax.

It is therefore recommended that, there should be provision of entrepreneurial skills from low level to high level of education, emphasize on cooperatives, improvement of infrastructure, financial assistance, technological innovations and good information network. It is already seen that there are various model which explain the growth of SME but the growth will happen if there are good infrastructure, good location of market, good information network, sound policies on SME sector development and provision of entrepreneurial skills from lower level to higher level of education. It is also advised that there should be only one authority (TRA) to charge all contributions. All other charges should be included to this authority and the authority should revise on all the charges being charged and come up with effective way. If the government agents and various stakeholders will abide on these ways it will help to create a vibrant SME sector.

5.5   Suggested Areas for Further Studies

Since the study was limited itself on the factors that affect the performance of SME there are other areas that the researcher considers for further studies. There is a need to investigate the role of information and communication technology in the SME sector simply because during data collection the researcher observed that there is a

problem in keeping records about what sold and what is left in store. Another area for future study is challenges on tax collection towards SME sector. Tax collection to SMEs is a problem simply because of remoteness of areas and the resources being used to collect tax from SMEs can be large compared to what is going to be collected. Last area which seen by the researcher is the role of financial institutions toward progressing SME sector. It is true that there are financial institutions, which support SMEs, but still there is problem of accessing loan and even education on entrepreneurial skills is not provided well, it is being provided to their customers only and not frequently. Therefore the researcher was limited himself on assessing factors that affect SMEs performance.

REFFERENCES

ACS, Z. J. (1994). *Small Business Economics: "A Global Perspective". Challenge,*[http://www.google books.com] site visited on Jan 2016.

Aikaeli J (2007). Improving competitiveness for SMEs to Harness Available Trade and Investment Opportunities; The case of Tanzania. A paper presented in the international conference on SMEs and international trade: Dar es salaam-Tanzania.

Bagachwa, M.S.D. (1993). *Small Scale Urban Enterprises in Tanzania Results from a 1991 survey.* Policy program.

Bryman, A. (2004). Social Research Methods. (2nd edit), OUP Oxford: London.

Calcopietro, C. M. (1999). *Tanzania small and medium enterprise; Policy proposed report.* UNIDO, Vienna.

Churchill, N. C. and Lewis, V. L. (1983). "The five stages of small business growth", *Journal of Harvard Business, Review, Vol. 61 No.* (3): pp 30-50.

Creswell, J. W. (1994). *Research design: qualitative and quantitative approaches.* Sage publications, London: UK.

Fetterman, D.M. (1998). *Ethnography step-by-step (2nd edit).* Thousand Oaks, CA: Sage publications. London: UK.

Hamisi, S. (2011). Challenges and opportunities of Tanzanian SMEs in adapting supply chain management*; African Journal of Business Management* Vol. 5(4), pp. 1266-1276. [http://www.academicjournals.org/AJ] visited on May, 2016.

Kameyama S. (2001). *Model for SME sector Development.* [http://www. systemdynamics.org/conferences/2001/papers/kameyama-1.pdf] visited on May, 2016.

Katrak, H. and Strange, R. (2002). *Introduction and overview of small scale enterprises in developing and transition economies.* Basingstoke (UK): Palgrave (285-304).

Kazimoto, P. (2014). Assessment of factors affecting small business' performance in Tanzania. Faculty of business, University of Arusha, Tanzania.

Kazimoto, P. (2014). Assessment of challenges facing small and medium enterprises towards international marketing standards; a case of Arusha Region .*International Journal of Academic Research in Accounting Finance and Management Sciences.*Vol.4, No.2pp.303-311.

Kothari, C. R. (2004). *Research Methodology: methods and techniques*. (2nd Rev edits). New Delhi: New age International (P) Limited publishers,.

Kuzilwa, J. A. (2005). The role of credit for small business success; a study of the National Entrepreneurship Development Fund in Tanzania*, Journal of Entrepreneurship; Vol. 14:* 131-161.

Matumbalya, F. and Wolf, S. (2001). The role of ICT for the performance of SMEs in East Africa; Empirical evidence from Kenya and Tanzania; ZEF Discussion Papers on Development Policy, No.42, Bonn. Germany.

Maziku, M. (2012). Credit rationing for small and medium scale enterprises in the commercial loan market. REPOA's 17th Annual Research Workshop, Dar es Salaam.

Ndesaulwa, A.P. (2016). The impact of innovation on performance of small and medium enterprises (SMEs) in Tanzania.A review of empirical evidence..*Journal of Business and Management Sciences Vol.4 No. 1*, pp 1-6.

Mnenwa, R. and Maliti, E. (2008). The role of small business in poverty alleviation: The case of Dar es salaam Tanzania, Research Report No. 08.2, REPOA, Dar es Salaam: Tanzania.

Mugenda, M. O. and Mugenda, A. (1999). *Research Methods Qualitative and Quantitative Approaches*. Nairobi Act Press. Nairobi: Kenya.

Ngedabanka, S. B. (2010). Factors affecting growth of small and medium enterprises in Tanzania. A case study of food processors in coast region. Dissertation submitted in partial fulfilment of the requirements for the degree of MBA of the Open University of Tanzania. pp.1-3.

Norris, F. K. (2002). *Entrepreneurship: critical prospective on business and management*, volume 3, Rutledge II New Fetter Lane, London EC4P 4EE.

Olomi D. R. (2006). Policy dialogue seminar paper on opportunities and challenges for rural SMEs development in Tanzania, Economic and Social Research Foundation (ESRF), Dar es Salaam.

Olomi, D. R. (2005). Position Paper on Enhancing SME's access to government procurement and food standards, presented at the stakeholder workshops, Regency Park Hotel, Dar es Salaam, Tanzania.

Omar, M. S. (2008). Financial constraints and structural characteristics of small and medium enterprises (SMEs). The case of Tanzania, Master thesis submitted for cooperate Finance, School of economics and Management, Lund University, Sweden.

Rwigema, H. and Venter, R. (2004). *Advanced entrepreneurship*. Cape Town. Oxford University Press.

Shafeek, S. (2009). *An investigation in problems facing SMEs in achieving growth in the Eastern Cape*. Rhodes University.

Storey, D. J. (2000). *Understanding the small business sector*. London, Thompson learning.

Timmons, J. A. (1990). *New venture creation, entrepreneurship in the 1990s* (3rd edit), Boston: Irwin.

Timmons, J. A. (1994). *New venture creation*, (4th edit). New York: Irwin.

Timmons, J. A. and Spinelli, S. (2003). *New venture creation: entrepreneurship for the 21st century*. Boston, McGraw-Hill.

URT, (United Republican of Tanzania). (2002). *Small and Medium Enterprise Development Policy 2002*.URT: Ministry of Industry and Trade. Dar es salaam. (http//www.sme_policy) visited on 12/08/2015.

URT, (United Republic of Tanzania). (1999). *Population and housing censuses*: Key statistics by regions. (www.nbs.go.tz) visited on 17/06/16.

Venkatakrishnan, V. (2013)."Mobile phones and micro and small enterprises (MSE) performance and transformation in Dodoma, Tanzania "Ledger Plaza Bahari Beach Hotel, Dar es Salaam, Tanzania