

**AN ASSESSMENT OF CHALLENGES FACING MICRO-ENTERPRISES IN
MBALIZI TOWN COUNCIL**

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

2020

CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation entitled: “**An Assessment of Challenges Facing Micro-Enterprises in Mbalizi Town Council**” in partial fulfilment of the requirements for the Degree of Master of Project Management (MPM) of the Open University of Tanzania.

.....

Dr. Emmanuel M. Tonya

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.....

Date

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DECLARATION

I, **Florianus Lameck Gabagambi**, do hereby declare that, the work presented in this dissertation is original. It has never been presented to any other university or institution. Where other people's works have been used references have been provided. It is here by presented in partial fulfilment of requirement for the Degree of Master in Project Management (MPM) of the Open University of Tanzania.

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Signature

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Date

DEDICATION

I dedicate this dissertation work to Almighty God my Creator, my strong pillar, my source of inspiration, wisdom, and knowledge. He has been the source of my strengths throughout this programme and on his arms only have I risen. I also dedicate this dissertation to my wife: Inviolata Kajanjabo who inspired me all the way and whose encouragement was a tremendous force behind my accomplishing the programme I had started. To my children Miss Frida, Mr. Frank, Mr. Fredy and Mr. Fridolyne who have been affected in one way or another possibly by this mission. However, hearty support from friends, lecturers and fellow workers will remain invaluable forever, and my love for them can never be quantified. God bless them.

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ABSTRACT

This study assessed the challenges facing micro-enterprises growth in Mbalizi Town Council in Mbeya region. The study targeted a population of 1200 from the Mbalizi Town Council database. From the population, a sample of 110 respondents was targeted for data collection. The study was qualitative in nature. Data collected by the use of structured interview and research assistants were used as supporters to collect data from the target group. Data were analysed by the use of content analysis. The key findings of the study on challenges facing micro-enterprises were: lack of training, inability to access credit, and poor or unintended use of accessed micro-enterprise loans. The study also found that the training has done by financial institutions tended only to target on how to lend money. Therefore, they did not match with the need assessment of the business owners. The study recommends to the business owners to form business groups where the government can use them to deliver micro finance and entrepreneurial training and other support services. Likewise, the study recommends to the local government that, the operation and growth of micro-enterprises does not only rely on access to loans and other sources of fund, but also the creation of favourable business environment. The study also recommends to the local government specifically the Trade Department to make use of available resources for training micro-enterprises owners so that they manage their businesses such that they may become SME and later on Medium and large enterprises.

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LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
BDS	Business Development Services
BRELA	Business Registration and Licensing Agency
GAFSP	Global Agriculture and Food Security Programme
GDP	Gross Domestic Product
GNP	Gross National Product
ILO	International Labour Organization
JICA	Japan International Cooperation Agency
MIT	Massachusetts Institute of Technology
MPM	Master of Project Management
SIDO	Small Industries Development Organisation
SMEs	Small and Medium Enterprises
TAZARA	Tanzania Zambia Railway
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TIN	Taxpayer Identification Number
TRA	Tanzania Revenue Authority
UNIDO	United Nations Industrial Development Organisation
URT	United Republic of Tanzania
VICOBA	Village Community Bank

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The governments of developed as well as developing countries have acknowledged the reality that micro-enterprises form the nucleus of any economy (Greenbank, 2001; Phillipson, *et al.*, 2006). There is a universal agreement on their major participation to the economic growth, employment creation, social cohesion, poverty alleviation and local and regional development (Vibha 2005). Micro-enterprises is the largest group of enterprises in any economy under Small Business Management. Micro-enterprises make significant contributions to the socio-economic and political environment of most of the developed and developing nations as well as to countries in transition are from a command economy to market economy. Healthy and growing micro-enterprise sector is considered important in obtaining sustainable competitive advantage and economic development at local, regional, and national levels.

According to the United Nations Industrial Development Organisation (UNIDO) approximates micro-enterprises approximately consist of more than 90 per cent of all enterprises in the world and on an average are accountable for 80 to 90 per cent percent of total employment. In the whole of Asia Pacific, more than 95 per cent of companies were in micro-enterprises sector, Japan 99 per cent, Singapore 99.7 per cent, Malaysia 96 per cent, (Federico and Gabriel, 2009). Experts believe that good management, strong leadership, skilled work and innovation are among the major forces that contribute to the success of this vital sector (Donu and Siti, 2016).

The importance of Micro-enterprises contribution in Tanzania cannot be neglected. It is known that micro-enterprise is the main source of employment and income generation for majority and is considered a key policy instrument for poverty reduction in United Republic of Tanzania (URT, 2010). The government of Tanzania initiated the development of policies, which foster micro-enterprise development and its sustainability. These policies include: SMEs policy (2003), business policy (2003) and empowerment policy. The Micro-enterprises fall under the SME (2003). Despite all the government's efforts to encourage micro-enterprises, the number of employment and contribution to economy is still not promising for Micro-enterprises growth.

Micro-enterprises are very crucial contributions to job creation and income generation and they account for two-thirds of all jobs worldwide (ILO, 2015). In developed countries, micro-enterprises contribute nearly 64 per cent to the gross domestic product (GDP) and 62 per cent to employment. For example, micro-enterprise is the backbone of Japan's economy because it contributes to 70 per cent of all employees, and more than 50 per cent of the amount of value added (Vuvor, 2011). The micro-enterprises sector is crucial to Africa's growth, as it contributes more than 45 per cent to employment and 33 per cent to GDP. In Uganda, the micro-enterprises sector employs 2.5 million people, accounting for 90 per cent of the entire private sector and contributing 20 per cent to the GDP (Amri, 2014).

In Tanzania, there are about 2.75 million micro-enterprises with approximately 3.16 million employments and the sector was estimated to contribute about 27 per cent of the country's GDP and employs more than 5.2 million people (URT, 2002).

Manufacturing, being a part of micro-enterprises, has been contributing to the rise of GDP in Tanzania; agricultural sector being the main source of raw materials (Hind *et al.*, 2016). The government and private sector have been making a number of efforts to improve productivity of edible oilseeds in Tanzania (URT, 2016; GAFSP, 2016).

In Mbeya region the number of micro-enterprise practices from different sectors of the economy include; agricultural products, forest products, agro-processing, buying, and selling of products. The micro-enterprises policy acknowledges a small business, which has up to four employees and or capital of Tshs. 200m. It was learnt that, majority of businesses in Mbalizi Town Council in Mbeya do qualify to be micro-business as per Table 1.1 which gives business classification in Tanzania.

Table 1.1: Categories of Business in Tanzania

Category	Employment level	Capital structure
Micro- business	Up to four employees	Up to 5,000,000/=
Small Business	Four up to 49 employees	5,000,000 – 200,000,000/=
Medium Business	Fifty up to 99 employees	200,000,000- 800,000,000/=
Large Business	More than 100 employees	Above 800,000,000/=

Source: SME Policy, 2002

The micro-enterprises policy explains the constraints of small businesses and hindrances to the business growth that they are confronted with unique problems including heavy costs of compliance resulting from their size (Flynn *et al.* 2015). Other constraints include insufficient working premises and limited access to finance.

In addition, business development services, namely services related to entrepreneurship, business training, marketing, technology development and information are underdeveloped and not readily available. On the other hand, micro-enterprises operators lack information as well as appreciation for such services and can hardly afford to pay for the services. As a result, operators of the sector have rather low skills. Also, there are no umbrella associations for micro-enterprises. At the same time, the institutions and associations supporting micro-enterprises are weak, fragmented and uncoordinated partly due to lack of clear guidance and policy for the development of the sector (URT, 2002).

Despite its importance to the national economy, the growth rate of the Micro-enterprise and its sustainability in Tanzania is doubtful (Tonya, 2015). Several studies have been conducted to discover the reasons for micro-enterprises not growing for a long period or becoming large businesses. The constraints that face micro-enterprise growth include: anti-entrepreneurial culture, undercapitalization, inadequate business training, poor policies, uniformalised frameworks and poor leadership practices including poor succession planning (URT, 2012; Tonya, 2015). The study by JICA (2015) indicates that Tanzanian micro-enterprises have been economically underperforming due to poor leadership skills. Emphasizing on importance of succession planning, Gumbo *et al* (2013) reveal that succession planning plays a 42 per cent role to the sustainability of micro-enterprises after the exit of the founders.

Therefore, succession planning is an activity that most micro-enterprises would be required to institutionalize. Unfortunately, succession planning efforts are all too often

woefully underdeveloped, unevenly executed, and sometimes simply ignored (Miles & Dysart, 2007).

1.2 Statement of the Research Problem

Despite their importance to economic development and efforts made by government and private sectors to support micro-enterprises in Tanzania, they are still economically underperforming (MIT, 2014). Several studies have been conducted to discover the reasons for micro-enterprises' underperformance (URT, 2002; Tonya, 2015).

Basing on the recommendations from the past studies, the government and private sector have been taking a number of initiatives to curb the micro-enterprises underperformance problem. Among the efforts that have been taken include: formulation of micro-enterprises policy, building roads, supplying electricity, improving telecommunication sector, financing micro-enterprises, capacity building, upgrading and modernizing agro-industry sector and establishing organisations which support micro-enterprises such as SIDO and TCCIA.

Despite all these efforts, micro-enterprises are still economically underperforming compared to the expectations; an indication that the problem is still pervasive (Mashenene, 2016). Underperformance of micro-enterprises not only threatens new job creation to youths but also encourages unstable economy contrary to the national vision that manufacturing must reach a minimum of 40 per cent of the GDP for Tanzania to be a semi-industrialized country by 2025 (Mashenene, 2016).

The micro-enterprises are playing a positive role in the developing countries through creating job opportunities for all the social classes in the community. The entrepreneur persons will contribute to increasing the personal income thus achieving partial self-satisfaction in providing some of the goods and service necessary for the community. Additionally, this contributes to solving poverty problems as well as creating employment opportunities. In addition, these projects are distinguished from the large firms by their low investment size, which reduces their risks. They are also considered as a good sphere to develop the managerial, technical, productivity, and marketing skills, and open a fertile scope for entrepreneurial individual initiatives, and enhance the self-depending culture, to the extent that they reduce pressure on the public sector to create new job opportunities.

In Mbalizi for example, the failure rate of micro-enterprises has been experienced. It is known that, entrepreneurs in Mbalizi lack several support services to let them advance to next level of business management. The known factors affecting growth of micro-enterprises in Mbalizi include poor business network, knowledge of business management, inability to access loans from the local government fund and regulatory issues like licensing.

This critical problem of micro-enterprises' underperformance calls for further studies to discover more what is not known on the problems facing micro-enterprises growth. Several studies mention the failure or underperformance of micro-enterprises to be lack of business skills, leadership skills, capital and the like (URT, 2002). Thus, the major inquiry for this study was to find out and contribute to the body of knowledge

the factors hindering micro-enterprises in Tanzania specifically in Mbalizi Town Council in Mbeya region.

1.3 Research Objectives

The general objective of this study was to assess the challenges facing micro-enterprises growth in Mbalizi Town Council in Mbeya region.

1.3.1 Specific Objectives

The following specific objectives guided the study to understand the challenges of micro-enterprises growth in Mbalizi Town Council:

- (i) To identify sector wise micro-enterprises businesses undertaken by micro-enterprise owners in Mbalizi Town Council in Mbeya region.
- (ii) To find out the lacking skills for micro-enterprises growth in Mbalizi Town Council in Mbeya region.
- (iii) To identify the critical factors for business failure in Mbalizi Town Council in Mbeya region.

1.3.2 Research Questions and or Hypotheses

The study was guided by the following research questions:

- (i) What are the sector wise Micro-enterprises operating in Mbalizi Town Council in Mbeya region?
- (ii) Does the Mbalizi Town Council in Mbeya region have facilitating skills to micro-enterprises?
- (iii) What are the factors for micro-enterprises establishment in Mbalizi Town Council in Mbeya region?

1.4 Justification/Rationale/Significance

The contribution of this study is that the knowledge obtained from it will help smoothening business management, improving business performance and hence having the growth micro-enterprises to large enterprises. To policymakers such as councilors, the findings from this study will attract the stakeholders to establish the policy dialogue to supplement the policy on business management practice. Similarly, this study gives researchers and practitioners empirical evidences to link the growth of micro-enterprises and their sustainability towards performance and hence contribute to improving the theories related to business sustainability and performance.

1.5 Organisation of the Study

This study is organised into five chapters. Chapter one presents the background of the study, statement of the problem, research objectives, research questions and relevance of the study. Chapter two presents the review of literature concerning some studies related to this study. It starts with the presentation of terms and their definitions as used in the context of this study as well as theories and findings from previous studies that in some way or another influenced the general framework of this study. Chapter three discusses the research design and methods used in this study. The chapter covers the research design, the research area, sampling procedures, and data analysis methods. The chapter concludes with the discussion of the reliability and validity of measures and ethical issues of this study. Chapter four presents a detailed discussion and analysis of the findings of this study with much of the emphasis being put on the responses received, the findings of the study and presentation of the results. Finally, chapter five gives the summary of the findings, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter reviews the existing literature in relation to the study at hand. Also the chapter analyses the theoretical and empirical literatures with the aim of gathering and assessing material related to micro-enterprises, business sustainability and business performance. The chapter also identifies the research gap from the reviewed literature. The chapter begins with a discussion about characteristics of micro-enterprises and their sources of funding.

2.2 Conceptual Definitions

2.2.1 Micro-enterprises

The micro-enterprises, nomenclature means small and medium enterprises. The commonly used yardstick in defining micro-enterprises is total number of employees, total investment and sales turnover. For this study, micro-enterprises mean all businesses employing up to 4 employees or with a capital investment up to 5 Tshs million (URT, 2002).

2.2.2 Leadership

Leadership is defined as the ability to influence a group of people toward the achievement of goals (Robbins, 2005). Leadership is said to be the key to 99 per cent of all successful effort in the organisation (Northouse, 2007). For this study, leadership means the capability of a person to lead cluster of individuals for the

completion of a certain specified enterprise's mission and objectives through grooming high-potential followers with the aim of succession management so that no flaw can be created after the exit of the owner-manager.

2.2.3 Business Growth and Sustainability

Sustainable development is a kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs. For this study, business sustainability means economies of scale and maintaining the enterprise's cleanliness without compromising the product quality and employees' social welfare.

2.2.4 Business Performance

According to Chaharbaghi *et al.*, (1999), business performance is viewed from two perspectives namely, objective and subjective measures. For this study, business performance means financial performance, which includes the aspects of the capital growth, number of employees and sales revenue growth. Performance is a good indicator of business growth and sustainability.

2.3 Literature Review

The private sector specifically the micro-enterprises are the engine of growth of the economy therefore they must be given the necessary tools to increase their growth. Economic development is a process of economic transition involving the structural transformation of an economy through industrialization, raising GNP, and income per head. Economic growth on the other hand, contributes to the prosperity of the economy and it is desirable because it enables the economy to consume and contribute

to more goods and services by increasing investment, labour force, facilitating efficient use of inputs to expand output, and technological progressiveness. Any nation that experiences economic development and growth will benefit from improvement in the living standards of its people especially when the Government assists in growth by implementing complementary and growth-enhancing monetary and fiscal policies (Hufford, 2017).

The micro-enterprises sector is considered very important in many economies because it provides jobs, pays taxes, is innovative thus very instrumental in countries as it makes them participate in the global market. On this regard, Beck and Kunt (2004) state that micro-enterprises activity and economic growth are important because of the relatively large share of the micro-enterprises sector in most of the developing nations and the substantial international resources from sources like the World Bank group, that have been channelled into the micro-enterprises sector of these nations. Micro-enterprises account for nearly 93 per cent of the registered businesses and therefore play an important role in economic development as they provide employment opportunities, open up new business opportunities, enhance entrepreneurship, and foster creativity among many other things. Micro-enterprises are recognized as the engines through which the growth objectives of developing countries can be achieved and are potential sources of employment and income in many developing countries (Ogundele, 2012).

URT (2002) made the analogy that micro-enterprise/SMEs act like sponges by soaking up surplus labour thus providing a large share of employment and income.

Many researchers have observed that micro-enterprises enhance competition and entrepreneurship therefore, they suggest that direct government support to micro-enterprises can boost economic growth and development. Also micro-enterprises growth boosts employment more than large firms because they are labour intensive and make better use of scarce resources with very small amount of capital. Regarding the same, Ogundele (2012) stated that developing countries should be interested in micro-enterprises because they account for large share of firms and development in these countries. It was also contended that micro-enterprises are not only important because they are a source of employment but also because they are a source of efficiency, growth and economic decentralization.

Finally, it is argued that they are very important in the fight against poverty as they help in the poverty reduction strategy for most government especially those in the developing countries where poverty was most severe. Since they employ poor and low-income workers and are sometimes the only source of employment in the rural area, their contribution cannot be overlooked.

Many scholars agree that micro-enterprises are carefully tailored to ensure that the micro-business develops next large scale businesses to fulfil the economic development targets (Lekhanya, 2015). Given this context, micro-enterprises are required to be creative with challenging activities for equipping them with necessary working and leadership skills. In an ideal world, micro-enterprises are supposed to grow in incomes, thus ensuring that there is continuity and strengthening business sustainability and performance.

Singhry (2010) argued that business planning is critical to ensuring the continuity of any business and stresses that an effectively developed business plan provides for a smooth growth of business. Similarly, it has been revealed that lack of business planning could put large numbers of micro-enterprises at undue risk and consequently have serious impact on the national economy. Magasi, (2016) argues that the impediments to micro-enterprises success includes numerous and varied obstacles. By embedding a structured approach to enterprise risk management within micro-enterprises, potential benefits such as reducing the over-management of risks and organisational alignment towards the micro-enterprises' vision can be realized.

The study by Maduenyi *et al.* (2015) revealed that organisational structure has an impact on organisational performance and that organisations should endeavour to have the well-defined structure in place in order to achieve the set objectives. Sundaramurthy, (2008), is of the idea failing and trying again for micro-enterprises encourages a broad array of new ideas, experimentation, and creativity. However, Gumbo (2012) shows that the level of training has the least effect to the survival of micro-enterprises especially; this was noted after retirement/death of the first generation entrepreneur. Generally, growth of business is essential for taking a long-term perspective in making decisions; fostering systemic innovation aimed at increasing customer value; developing a skilled, loyal and highly engaged workforce; and offering quality products, services and solutions (Andebe, 2016).

The study by Chen (2015) revealed that sustainable improvement practices had a positive impact on company performance and that some environmental and social improvement practices had a direct and positive correlation with product and process

innovation. According to triple bottom line model by Elkington (1997) business growth and sustainability are measured by using the economic, social, and environmental lines. Similarly, Chen (2015) used strategic, environmental, social, and economic factors to measure the growth and sustainability in businesses. These scholars laid down the foundation for the understanding the challenges of the micro-enterprises growth and development. These challenges include lack of management skills, innovative ideas, and shortage of capital and marketing of the products.

2.4 Theoretical Review

2.4.1 Transformational Leadership Theory

Over the past 30 years, transformational leadership theory has been the single most studied and debated idea with the field of leadership by linking it to organisational success and sustainability (Diaz-Saenz, 2011). James McGregor Burns developed this theory in 1978. A transformational leader continuously influences and transforms the followers thinking by raising their consciousness, vision articulation and encouraging them to align their self-interest with that of the organisation as well as motivating them to learn in achieving the desired collective goals and outcomes (Burns, 1978). Followers are motivated and empowered to think differently about their processes, procedures, knowledge and decision-making in adapting with the changes they face in order to sustain the organisation's successes. Burns (1978) highlights that transformation of the required competences and shared vision from the leader to the followers assists at an effective leadership transition from the leader to the followers to enhance sustainability. In this transformation way, the organisation maintains its success and sustainability if not to survive.

Although Burn's (1978) initial work is important for establishing the new transformational paradigm, really, it did not develop the concept into a coherent theory (Sashkin & Rosenbach, 1998). It was through the subsequent efforts of Bass that Burn's concept on transforming leadership was fleshed out and turned into a cogent measurable theory for the development field (Bass, 1985; Sashkin & Rosenbach, 1998). Thus, Bass (1985) made the outstanding knowledge contribution to transformational leadership theory by advancing it into four measurable components namely: inspirational motivation, idealized influence, individual consideration and intellectual stimulation behaviour. Bass' (1985) components enable leaders to influence their followers thus increasing commitment to their organisation and their greater motivation towards achieving the long-term goals (Waldman *et al.*, 2009).

The study by Trang (2016) gives solid evidences to prove that transformational leadership theory is suitable for explaining sustainability planning as follows: the theory's reflection on how leaders are supposed to implement the micro-enterprise/SMEs vision in relation to sustainability since the vision endures when leadership changes (Palestini, 2009).

Transformational leadership refers to the need to foster empowerment with regard to organisational restructuring (Conger, 1999). Empowerment is believed to play a major role in how leaders undertake sustainability planning processes (Westhuizen, 2014). Transformational leadership continuously motivates employees to look beyond their own self-interest and to be of benefit to the organisation or work-centre (Parry, 1996). Transformational leadership is the process that changes and transforms people with shared values, standards and long term goals (Northouse, 2007; Westhuizen,

2014). Finally, transformational leadership creates valuable and positive change in the followers with the end goal of developing followers into leaders (Lin, 2012).

Transformational leadership theory has a number of strengths. Scholars in the leadership field including sustainability planning and with many positive examples (Westhuizen, 2014; Trang, 2016) have heavily researched one of the strengths of the theory. The theory aligns with sustainability planning definition by insisting that leaders must continuously create a vision (inspirational motivation); empower and motivate their subordinates to implement the exemplary and role models (idealized influence), and encourage different thinking and innovation within the organisation (intellectual stimulation) in order to attain the desired present and future organisational goals (Bass *et al.*, 1994). However, one of the weaknesses of the transformational leadership theory is that it fails to explain clearly the interacting variables between transformational leadership and positive work outcomes (Yukl, 1999).

Despite this argument, studies on the impact of the dimensions of transformational leadership on the survival or sustainability of micro-enterprises have been successfully done (Ogola *et al.*, 2017). This is because Bass (1985) developed Burn's (1978) transforming leadership theory into a convincing measurable theory for the field of leadership (Bass, 1985; Sashkin & Rosenbach, 1998). Hence, this theory is also suitable and applicable in explaining sustainability planning in this study as also revealed by (Tan, 2009; Trang, 2016).

2.5 Empirical Review

Amri (2014) did a study on the challenges and barriers encountered by micro-enterprises ownership in Muscat, Oman. The study used a quantitative study with a sample size of 35 micro-business owners. In this study, random sampling used to determine the number of the respondents. The study used questionnaire to collect data and ANOVA tool in the SPSS used to analyse data. The study found that, majority of the micro-enterprises was facing policy and administrative challenges followed by marketing and financial issues. The study suggested an improved framework and regulation for establishing and enabling business growth in competitive market. The study was very relevant to the study as it showed clearly the challenges of the micro-enterprises in Muscat. However, the weakness of the study is that, being a quantitative study, the minimum respondents should not have been less than 150, while this study had only 35 which is not simple to transfer the findings as representative of majority of the businesses (Kothari, 2009).

Vuvor (2011) did a study on the challenges of micro-enterprises in obtaining credits from financial banks in Ghana. In that study, the quantitative approach was adopted. Data were collected using Questionnaires and a sample size was 80 micro-enterprises owners in the Accra and Tema metropolis selected through a convenience sampling technique. The study revealed that, there were institutions such as bank and non-bank financial institutions that were willing to provide funds to micro-enterprises but the Ghanaian micro-enterprises were not able to meet the requirements of these financial institutions. The most requirements were the issue of collateral; which most micro-enterprises were not able to provide. Secondly, those who were able to access credit

were also faced with high interest rates and short repayment periods thus making it very difficult for them to embark on any developmental or expansion projects.

Another interesting finding with regard to the high rate of defaulters in repayment of loans contracted, relates to the tight Cash flow situations of these micro-enterprises that was mostly due to difficulties in the management of the account receivables of the respective micro-enterprises surveyed. The study concluded with some recommendations to help free up capital or credit to the micro-enterprises sector. Among the recommendations were encouraging financial institutions (banks & nonbanks) to establish factoring services, enforcement of the credit reporting act and finally provision of tax incentives for banks that lend to micro-enterprises to encourage others to do the same (Vuvor, 2011).

The study was interesting and is related to the study in hand, however, the sample size contradicts from those, which is acceptable for a quantitative study. Regarding this, Kothari (2009), notes that, for a study to be representative of a sector, it should have a minimum sample of 100 and above. The study could be very interesting if it was done by using a qualitative approach.

Micro-enterprise in the economy has been constrained by a number of factors. Prominent among these are limited management and entrepreneurial skills of the owners/ managers, marketing problems due to the poor quality of the products and poor market research, lack of adequate infrastructure and modern technology and lack of adequate access to credit.

Jantjie and Mathew, (2014), did a study on sustainability development and start-ups and micro-enterprises. The study was a qualitative and it assessed the practical contributions of micro-enterprises to the national development. The study dwelt on investigating the growth of micro-business growth after start-up. Therefore, the aim of this paper was identify the appropriate sustainability measures for start-ups and micro-enterprises and their growth in IT. The study revealed that growth and sustainability was a big factor for failures in SMEs. The paper recommended for structured trainings for management skills, loan management and business skills for business sustainability.

Ponts and Alexander, (2017), did a study on how financial literacy and role models contribute to explaining the performance of micro-enterprises in the informal economy. The study had 739 respondents and quantitative study was used. Grounded in human capital reasoning and social learning theory, it was argued that financial literacy and personal knowledge of role models lead to improved firm performance. Regression analysis was used to analyse data. The study found that financial literacy is an important predictor of financial performance but not growth, and the use of role models predicts return on assets but not other performance metrics. These findings have implications for future work on micro-enterprises and the nature of the human and social capital of their founders. The study seems to suggest that learning and social interactions have impact on business management for growth.

Daniel, (2013), did a study to identify how small and medium sized enterprises define success, and the goals with factors influence the setting of these goals. The study was qualitative with 86 respondents. Data were collected using interview guide

administered by research assistants. The data was analysed by thematic analysis. The results showed that, majority of the micro-enterprises did not have clear definition of success. However, they identified factors for failures of success among others to be low skills in management, record keeping, and regulations. The results also revealed that there was no association between company's goals and those factors except for one particular type of ability, namely the marketing ability. This makes us believe that in small and medium sized enterprises, the entrepreneur has the most important role in setting the company's goals. Having known that, majority of the enterprises do have related challenges in the business management for sustainability the study in hand has to come up with solution in solving the problem of poor sustainability of Micro-enterprises.

2.6 Research Gap

Worldwide, academicians and researchers agree on the emergence of knowledge as the critical resource expounded by micro-enterprises. The micro-enterprises are the key contributors to international economy, trade and employment. Several studies have done in addressing challenges facing micro-enterprises growth and development. The studies done were either from different economic setups where economies were different hence the definition of micro-enterprise differs. However, majority of the studies used quantitative study, which might have limited the respondents' expressions and had access to reach information on the micro-enterprise challenges. This study therefore addressed the Gap by taking a qualitative study as preparatory study for other scholars to do a quantitative study to confirm the results using quantities.

2.7 Theoretical Framework

Theoretical framework is a written or visual presentation that explains graphically, diagrammatically or in narrative form the main things to be studied – the key factors, concepts or variables - and the presumed relationship among them (Miles & Huberman, 1994). In this study, the theoretical concepts included:

2.7.1 Sectors for Micro-business in Mbalizi

Sectors in which micro-businesses operate in Mbalizi Township: the sectors included agriculture, business, small industries and grinding. These variables were important, as the study was qualitative. Therefore, there was a need to identify the factors for allowing other studies to take on from there.

2.7.2 Management Skills

Management skills are a collection of abilities that include things such as business planning, decision-making, problem solving, communication, delegation, and time management. In top management, these skills are essential to run an organization well and achieve desired business objectives. Business management is the act of organizing people to accomplish the desired goals and objectives of a business. Business management comprises of organizing, planning, and leading, staffing or controlling and directing a business effort for accomplishing the entity's listed goals. This variable is important be dealt with in studies for success factors thus leading to growth.

2.7.3 Growth and Success Factors

What Makes a Winning Business Owner? Decisiveness is, demonstrating a strong sense of leadership is important even in very small teams. Given this fact, business

owners need to be able to show that they are capable of making hard decisions on a daily basis. Business owners are expected critical thinking through and take calculated risks. Business must develop and refine products or services that meet customers' needs, even before the first sale. Packaging and pricing your product is essential for your business' growth and success therefore, small businesses need to be creative in the use of public relations to reach potential customers. Building successful marketing planning can support to drive long-term success. These are the issues to be looked at Micro-enterprises for success or failure.

2.7.4 Success or Failure Factors

Key Success Factors of Your micro/Small Business was the key dependent variable intended by the study. The key variables, required by the Micro-enterprise consideration include, sell each unit at a profit; continue to reduce overhead costs. Develop new products while maintaining the high quality of the existing products. Find and retain high-value customers. Create and maintain the highest level of customer satisfaction. The factors for the small business seem to be theoretical. For micro-businesses, the variables for success/failure of business will mean including training all of the factors for success/failure to understand them for comprehension and use them for growth strategies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This chapter looks at how data of the research were gathered, the research method employed in the study, the data collection techniques used and the target population, the sample size and sampling techniques as well as the data analysis method employed. It finally looks at the procedures and the limitations faced in gathering these evidence.

3.2 Research Design

According to Kothari (2008), research design is the conceptual structure within which research conducted. It constitutes the blueprint for the collection, measurement and analysis of data. As such, the design includes an outline of what the researcher did from writing the hypothesis. Research design is a framework of methods and techniques chosen by the researcher to combine various components of research in a reasonably logical manner so that the research problem handled. It provides insights about “how” to conduct research using a particular methodology. This was a case study because the study was not very structured. A case study is a research strategy and an empirical inquiry that investigates a phenomenon within its real-life context (Kothari, 2008). Case study is based on an in-depth investigation of a single individual, group or event to explore the causes of underlying principles.

This study was a qualitative survey research where a less structured research methodology was used to gain in-depth information about people's underlying

reasoning and motivations towards micro-business. Often, qualitative surveys are used to come up with a hypothesis, which are then tested using quantitative research. Case studies are often used in exploratory research (Kothari, 2008). They can help us generate new ideas (that might be tested by other methods). They are an important way of illustrating theories and can help show how different aspects of a person's life are related to each other.

To achieve the research objective of highlighting the specific challenges inhibiting micro-enterprises growth in Tanzania specifically in Mbalizi Town Council in Mbeya region, the qualitative research method was adapted. This is often the most efficient and cost-effective research method (Kothari, 2009). Many researchers had looked at the issues of micro-enterprises growth in Tanzania. Information is known on micro-enterprises must be sustainable no matter where they are located. The study expected to face the same conditions in terms of growth and sustainability challenges. In view of this, a case study approach was adapted, which focused on micro-enterprises in Mbalizi Town Council in Mbeya region.

3.3 Area of the Study

This study was done in Mbeya region, specifically in Mbalizi Town Council. The selection of Mbalizi as case study was due to growing business population in this town as per Mbeya regional data. It was thought that using data from Mbalizi Township gave better representation of the challenges facing Mbeya regional micro-enterprises. Several studies have been done in Tanzania concerning micro-enterprises; however, these studies focused on performance and number of employments. The given this gap, the study at hand intended to look at the factors influencing growth

thus leading to larger businesses. The study was been motivated to be done in Mbalizi because of promising number of Micro-business in the Township coming in and others exiting. This study therefore wanted to establish the reasons for individual entering business and soon exit.

3.4 Target Population

Micro-enterprises were scattered across the length and breadth of the council with most of them were located in Mbalizi town. These regions were identified to have high concentration of micro-enterprises. In adopting a case study method in a research, the selection of the research site is the most important (Yin, 1994). With this in mind, Mbeya region was selected due to the following reasons: most of the micro-enterprises were located in this area of the Town Council. The population of the target micro-enterprises varies depending on the season. For example, during rainy season majority of the micro-enterprises, operators join the farming activities and during dry season, they come back to trade. It is established that, the population of business owners of micro-enterprise in Mbalizi Township Council was approximately 1,200 (Unpublished Town Council Report, 2018).

Secondly, it was easier for the researcher to approach these micro-enterprises operators since the researcher was also located in the same region. Choosing any other region would mean travelling a long distance just to make contact with the micro-enterprises operators, which would have been very difficult considering the time frame of writing and completing this dissertation. However, the sampling frame for this study chose a few micro-enterprises in the Mbeya region, specifically those in the Mbalizi because of easy access to these micro-enterprises.

3.5 Sample Size

A sample size of 110 participants was target for responses. This targeted sample was purposive selected from the businesses basing on convenience of availability. Interview guides were used to collect data by using the research assistants selected from among the Community Development Officers of the wards in Mbalizi Township Council. The sample size was a judgmental approach depending on availability. The response rate acceptable is anything above 70%, however the response rate for this study was 90 per cent of the respondents targeted, which was impressive study. The reason might be the nature of respondents were they are easily reached in their business places.

3.6 Data Collection Techniques

The data for this study were collected using primary data sources. The primary data source for this study involved the use of interview guide administered by the research assistants. The research assistants undergone training of about a day on how to ask questions guided by the interview guide to get systematic data from the respondents. Most of the information needed was open-ended questions from a key question of the direct quotation. The assistants were required to record whatever they got from the respondents as per guide.

3.7 Sampling Techniques

The method of convenience sampling was employed in arriving at the 110 respondents from micro-enterprises, which the researcher believed possessed the experience relevant for this study and who had sufficient time and were willing to participate in the study (Kothari, 2009). This technique, that is, convenience sampling,

involved obtaining responses within the sample frame from the willing respondents and their availability for the study. The advantage here was that respondents participated on their own accord and not selected against their will. This technique was chosen to boost response rate because respondents in this sector were reluctant to give information since they believed that in one way or the other, the information they would give about their businesses might leak through to competitors and might be exposed to tax authorities.

3.8 Data Analysis

Data Analysis refers to computation of certain measures along with searching relationship patterns existing among data groups (Kothari, 2009). Veal (1997) explained that, data analysis involves sorting and evaluating gathered information in relation to posed questions and identified concepts. On his part, Yin (2003) points out that analysis of data involves examining, categorizing, tabulating or otherwise combining the evidence to address the initial propositions of a study.

This study analyzed data by using content analysis. Content analysis is a research tool used to determine the presence of certain words, themes, or concepts within some given qualitative data (Obaid, 2011). Using content analysis, the researcher can quantify and analyze the presence, meanings and relationships of such certain words, themes, or concepts. Then, the researcher can then make inferences about the messages within the texts, the writer(s), the audience, and even the culture and time of surrounding the text. The study analyzed the collected data by the use of excel to relate the concepts and determine the relationship of constructs towards growth of micro-enterprises.

3.9 Ethical Issues

The interview guide firstly introduced the aim of the study to participants. Anonymity and confidentiality were highly observed as suggested by Saunders *et al.* (2012). Participants were assured that the information they would give would be for the study purposes and not otherwise. Given this assurance, the participants were asked to freely choose to participate or not and decide to quit at any time in the interview when they felt like doing so. The researcher obtained the research clearance from the directorate of research, publications and studies of the Open University.

3.10 Reliability, Validity, Conformability and Transferability

Demscombe (2010) argues that instead of assessing validity, reliability, generalizability and objectivity as in quantitative data; in qualitative research, the focus should be on data credibility, dependability, transferability and conformability. When conducting research, reliability and validity of research instruments and information are very crucial (Msabila and Nalaila, 2013). Reliability refers to the degree to which a research instrument can be able to elicit consistent results or responses from the respondents while validity refers to the accuracy or truth of information collected by the instrument (Mason, 2002; Msabila and Nalaila, 2013) In order to ensure that the research instruments could collect the required data, reliability and validity were determined.

3.10.1 Validity (Credibility)

This is important in developing and evaluating measuring instruments. The focus of views of validity will not be on the instrument itself but on the interpretation and meaning of the score from the instrument. Regarding this, the researcher ensured that

the data collected data related with the investigated topic and were measured correctly. A test to be validity in one situation and for one purpose may not be valid in different situations or for different purposes.

In this study, the researcher used instruments such as interviews and documentary review guide. In that case, one instrument covered the area in which another instrument failed to capture information. The instrument (Interview guide) was tested to another area that is, Uyole ward to test if the document tested the intended issue under study.

3.10.2 Reliability (Dependability)

The researcher ensured that research instrument produced a different research on different occasion. In the qualitative analysis research, the researcher reflects the procedures and decisions documented by other researchers. If the procedures and decisions of the current research are credible, other researchers can use it to.

To ensure reliability/dependability in this study, the researcher gauged the questions in the instruments to the study objectives to ensure that, all-important aspects were taken into consideration. In the study application of reliability criteria, the questions of major issues of research problem were asked to all categories of the respondents and the sample of the study included representatives from each category of the micro-business owners from Mbalizi Township. Furthermore, the researcher clarified well the statement of the problem as well as research objectives. He also adhered to ethical issues.

3.10.3 Conformability (Objectivity)

Data objectivity describes the absence of bias meaning that the results are free from the researcher's influence (Robert, 2015). Despite the fact that the analysis of qualitative data depends on identifying values and beliefs of the researcher, the researcher needs to analyze the qualitative data with an open mind. In the study, the researcher ensured that all of the scenarios were confirmed. From data collection, the names of the respondents were not disclosed to avoid bias.

3.10.4 Transferability (Generalization)

Transferability is the possibility of applying findings from the qualitative research to explain similar phenomena or instances. Kitula (2012) pointed that survey strategy used in studies of large samples aims at producing generalization about population. In this study, the researcher ensured that the findings could be transferable.

The qualitative researcher can enhance transferability by doing a thorough job of describing the research context and the assumptions that are central to the research (Kothari, 2008). The person who wishes to "transfer" the results to a different context is then responsible for making the judgment of how sensible the transfer is. In communication research, generalization is an important criterion of evaluating the study quality and significance, especially when the researchers aim to apply the findings (and implications of the findings) to individuals who are not included in their studies. In this study, transferability was adhered to as the information can be shared among the local government to improve micro-business performance.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Overview

This chapter presents the findings of the study with much emphasis on the data collected from the field. The chapter presents detailed discussions on the findings from Mbalizi Town Council's micro-enterprises activities to gauge the possibility of their growth and sustainability. The presentation of the findings presented descriptively and supported with texture analysis and discussion to give meaning for decision-making purposes.

4.2 Responses Rate

The study wanted to know the rate of the responses completed from the interviews administered to micro-enterprises operators in Mbalizi Town Council. The study designed to administer 110 interview guides, however during the actual conducting of the interview, not all targeted business owners were available and ready to respond. Table 4.1 shows that, out of the 110 intended interviews only 99 were conducted which is equal to 90% of the response rate.

The remaining 10% could be described as those who other had scheduled activities or were not ready to respond to the interview due to different reasons. In researches, such a discrepancy between the actual turn up of the respondents and the expected is normal however, a 90% response rate is acceptable. This response rate shows that, micro-business owners were active and ready to support this research.

Table 4.1: Response Rate of the Micro-enterprises

Type of Business	Sample	Respondents Received	Responses Rate (%)
Micro-enterprises	110	99	90

Source: Field Survey, 2019

4.2.1 Micro-enterprises Business Ownership

The study wanted to establish the ownership of micro-business practitioners. Regarding this, the results show that, 86% of the respondents were owner-managers, 14% were employed by other owners. This is as shown in Table 4.2. These results signify that many micro-enterprises were being run by their owners. This fact implies that, employment level by the use of micro-business was very low due to the reason that the owners were the very ones operating their businesses thus denying any possibility for the potential and unemployed young people to be employed in these businesses. This goes contrary to the strategy of Tanzania enshrined in the micro finance policy of making sure that businesses operate in line with increasing employment.

Table 4.2: Business Ownership

Ownership	Number of the Respondents	Percentage
Own business	85	86%
Employed	14	14%
Total	99	100%

Source: Fieldwork, 2019

On the other side, the study wanted to establish the gender/sex of the micro-business practitioners, and the results show that, 66 per cent of the micro-business practitioners were men and 34 per cent were females as Figure 4.3 below shows

These results signify that majority of the micro-enterprises in Mbalizi Township Council, were owned by men in The study assumes that, majority of the businesses in the study area were dominated by males perhaps because of the traditional notion that business in Tanzania should be undertaken by males. These results contrast with the results found in the study done by Salomey *et al.*, (2013) who did a study on SME and the results showed that 69% of the respondents were females who therefore dominated the businesses compared to men. The findings of this study also contrast with the findings from the study done by Momba, (2013) on the impact of microfinance on small and medium enterprises growth in Morogoro which concluded that more female entrepreneurs dominated the micro-business than the male entrepreneurs by the ratio of 77% to 23%.

The business trend in Mbalizi signifies that the implementation of Empowerment Policy has not well supportive to micro-enterprises. One would expected to see equal number of male and women operators in the micro- enterprises. This is substantiated by the publication of UNIDO, to celebrate 50 Years Anniversary in Tanzania known as *Together for sustainable Future* in which the Tanzania Government promised to ensure that gender mainstreaming was enhanced in all initiatives pertaining to micro-enterprises development.

The study wanted to establish the sources of capital for starting micro-businesses in the Mbalizi Town Council. The results show that, 48% of the respondents had started their businesses from their own sources; 31% got capital from the loans they applied for in banks/financial institutions and 21% had started their businesses from family members' funds.

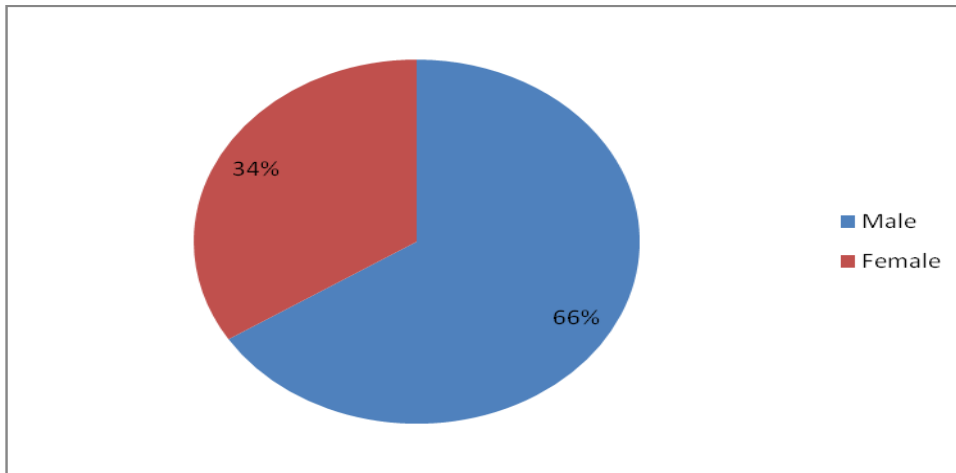


Figure 4.1: Distribution of Business by Sex

4.2.2 of Capital for Establishment of Micro-enterprises

Table 4.3 shows the distribution of sources of capital for starting of the businesses in the study area. The results show that majority of the micro-enterprises in Mbalizi had started by use of the operators own financial sources.

These results correspond to a study done by Daniel, (2015) on the challenges facing Small and Medium scale enterprises in accessing credit in Kumasi Metropolis where it was concluded that, majority of the micro-business started up their projects with their own capital (personal savings) and with assistance from relatives and friends.

The findings of this study also relate with the findings by study done by Salomey (2013) on the impact of microfinance on small and medium scale enterprises in Ghana which revealed that majority (51%) of the operators had started their enterprises from the loans they got from other financial institutions as start-up capital. This implies that majority of the micro-enterprises businesses start business by using funds from other sources.

Table 4.3: Sources of Capital for Establishing Micro Businesses

Source of Capital	Number of the Respondents	Percentage
Family members	21	21%
Loan (Financial Institutions)	31	31%
Own Source Fund	47	48%
Total	99	100%

Source: Fieldwork, 2019

The study also wanted to establish the amount of capital investment at the start of the business. Regarding this, the study results show that, majority (38%) of the businesses in micro-enterprises were established starting with capital ranging from Tshs 100,000 to Tshs. 500,000; followed by range of capital from Tshs.500,001 to Tshs. 1,000,000 which accounted to 24% of the total micro enterprises. Figure 4.2 shows the capital startup for micro-business. This signifies that majority of the enterprises normally started operating with less than 1,000,000 as capital. This is in line with a study done by Jonathan and Jonathan (2011) titled 'is micro too small?: microcredit vs. SME finance' which concluded that majority of the micro-enterprises started up using alternative sources of capital and this start up capital was generally very small. It was concluded that, the act of micro-enterprises having small capital signified that, the growth and sustainability might be very slow or take too long to be realised.

Micro-enterprises have alternative sources of financing even when formal sector financial Institutes are limited. Vandenberg (2003), for example, shows that micro-enterprises and small manufacturing enterprises in Kenya have limited access to the formal banking system and to general trade credit. But these firms make active use of

other mechanisms to finance their operations and growth, such as pre-payments from customers on large orders, bank overdraft facilities, purchasing equipment by installments, and purchase orders to obtain trade credit from their suppliers.

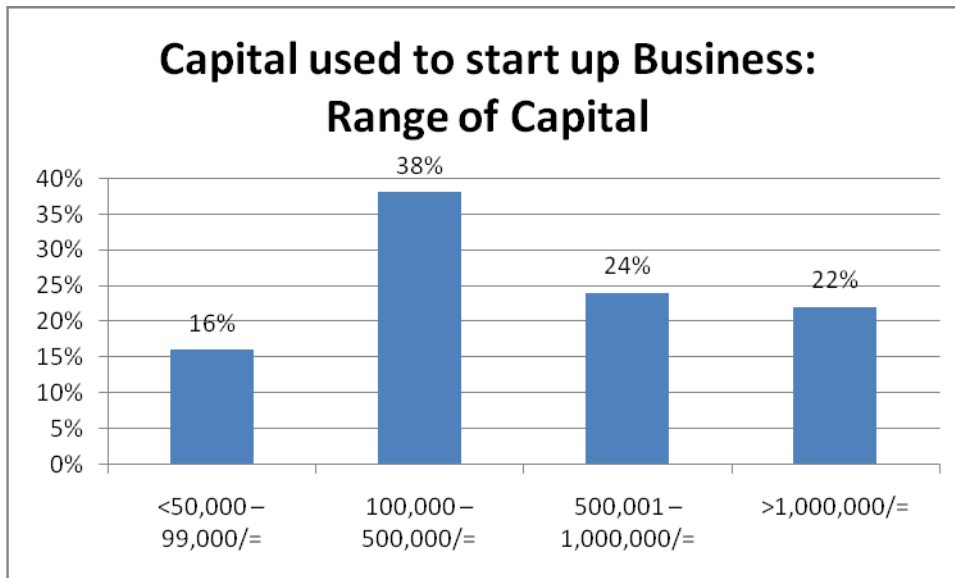


Figure 4.2: Range of Capital to Start-up Business

Source: Fieldwork, 2019

4.2.3 Owning Business and Access to Financial Services

The study also wanted to establish whether micro-businesses in the study area had a tendency of joining hands in business. The results show that 64% of the micro-entrepreneurs were individually owned and 36% were joint business as per Figure 4.3.

This implies that those businesses owned jointly were likely to sustain in case one shareholder became disabled or got any problem that could cause inability to participate in business activities. Conversely, business individually owned are at very risk on sustainability because of depending on a single person. These results are related to a study done by Daniel, (2015) in a study of challenges facing Small and

Medium Scale Enterprises in Accessing Credit done at Kumasi Metropolis in Ghana.

The study concluded that, majority of the micro-business were individually operated enterprises and only a few of them were in the form of partnership or joint-venture.

These results also relate to the study done by Moris (2013) on the impact of microfinance on small and medium enterprises growth in Morogoro. The study concluded that almost all the joint-venture in the business were jointly contributing to the growth of the micro-enterprises in the Morogoro Municipality. The implication of the study is that, majority of the businesses had no culture of joining hands in business management.

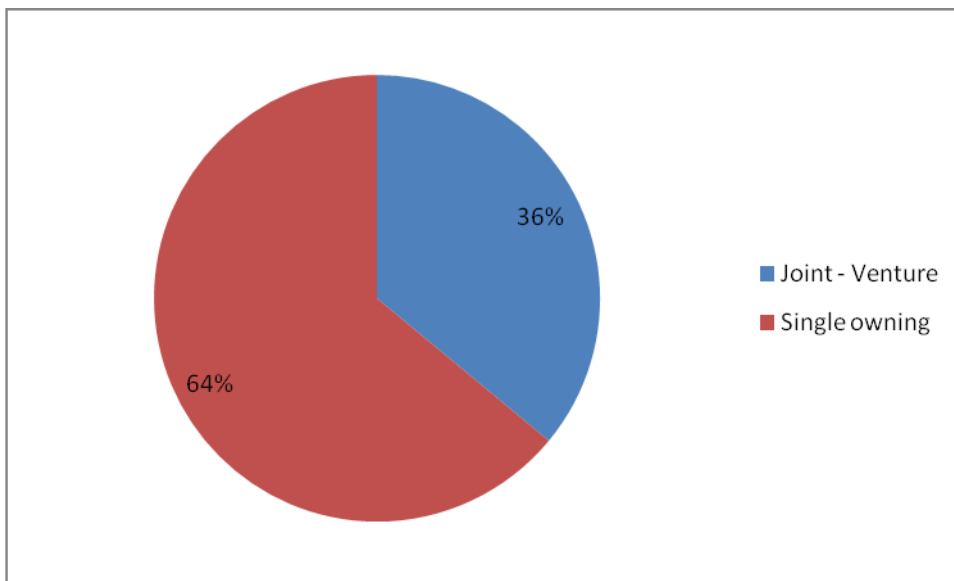


Figure 4.3: Categories of Business Setup

4.2.4 Capability of Accessing Finance

The study further wanted to establish the capability of micro-enterprises to access financial services. The results revealed that 53% of the micro-entrepreneurs were able to access financial services while 47% were not able to access financial services as shown in Table 4.6. The results show that, majority of the micro-enterprises in

Mbalizi Town Council can access financial services. For the purpose of growth, additional capital to Micro-enterprises is important to expand a business. The government of Tanzania sets aside 5% of its local collection for supporting small business holders at lower level, micro-enterprises inclusive. However, this amount is minimal when it comes to promoting business growth for sustainability purposes.

These results contradict with those by the study done by Daniel (2015) on challenges facing Small and Medium Scale Enterprises in Accessing Credit done at Kumasi Metropolis in Ghana which concluded that, majority of the micro-business 76% had access to financial services while 24% had no access to financial services. The study revealed that those 53% who managed to access financial services, their businesses were inclined to growing compared to those 47% who were not able to access financial services. These findings support those by the study done by Sayed and Trivedi (2017), on the small business growth and sustainability; which revealed that most business had expanded their income and physical assets as a result of accessing loans. The results further show that the capital of the businesses increased significantly as a result of having taken microfinance loans. In this study therefore, the findings show that micro-businesses increase business sales, business profits and business physical assets when they get loans from microfinance.

Table 4.4: Micro-Business Accessibility to Financial Services

Financial Service Accessibility	Number of the Respondents	Percentage
Able to access financial services	52	53%
Unable to access financial services	47	47%
Total	99	100%

Source: Fieldwork, 2019

4.2.5 Micro-enterprises Challenges in Business Development

The research wanted to establish micro-enterprises experience challenges for business development in Mbalizi Township Council. The outcomes show that 66% of the micro-entrepreneurs were experiencing challenges in their business development while 34% were not experiencing any challenges as shown in Table 4.5. The study realised that this 34% of the operators were reluctant to expose the reality of the situation. Those acknowledged to have challenges made 66% in business development. The major areas of challenges cited were insufficient capital, lack of education on businesses and taxes knowledge, many taxes and levies, high loan interest rates and loan recoveries within a short period. The results shows that many loan conditions are very strict, hence, few customers and high tax rate were another issue raised. In addition, respondents said that the business location for micro-entrepreneurs was also a challenge. On the other hand, respondents argued that no grace period granted for paying government fees and taxes on starting up business.

The Council was not immediately removing dumped debris from business areas thus affecting these businesses. Customers normally come and buy items in businesses that is in dirty environment which returned purchase is not expected. These findings relate to study done by UNIDO (2012) on Tanzania SMEs Development Policy 2003, which uncovers different challenges facing micro-enterprises in their process of growing. However, as this study noted, some of the challenges can be addressed just by training and supporting the business owners. Others were not challenges but simply needed some amount of awareness raising in the owners or operators of the micro-enterprises.

Table 4.5: Scale of Challenges Facing Micro-Businesses in their Growth

Experiencing challenges in Business development	Number of Respondents	Percentage
Experiencing Challenges	65	66%
Not Experiencing Challenges	34	34%
Total	99	100%

Source: Fieldwork, 2019

Micro-businesses like any other segment of the economy, as it is noted in the study are burdened by basic issues, which normally deter them from growing and developing. These challenges possibly attributed by numerous aspects including the business surroundings and background, nature and other community factors. However, it should be noted that these vary from one business place to the other although there may exist certain likeness. This study wanted to establish the challenges facing micro-businesses in Mbalizi Township Council. The study revealed that there were different categories of challenges such as business management problem, capital problem, marketing problem, regulatory constraints and competition challenges. These challenges relate to those facing SMEs as highlighted in the study done by Salomey *et al.*, (2013), regarding the impact of microfinance on small and medium scale enterprises in Ghana. In the context of this study, majority of the respondents On c “find out were of the view that development and growth might be a dream when so many challenges face micro-business enterprises:

We have been doing business for quite long without having any justification as to why we are not growing. What we have noted is that we are facing many challenges which make us hardly able to survive economically. We find ourselves doing a hand to mouth kind of business.

These challenges as highlighted by the respondents are each presented and discussed as follows:

4.2.5.1 Management Challenges

Regarding these challenges, the findings show that majority of micro-enterprises in Mbalizi Township Council lacked management skills. It was learnt that these micro-enterprises had poor supervision and record keeping. It should be noted that operation a business without keeping any record is likely to make a person consume one's capital with an assumption that one has realised a profit. The study revealed that 78% of the micro-entrepreneurs were not keeping even simple records of their daily transactions. On the issue of managerial skills, 89% had no knowledge if micro-enterprises needed managerial skills needed in running businesses thus affecting their businesses in terms of growth. The study revealed that this was the case because many micro-business were being operated by their owners and family members who treated them as family sources of income.

These findings are similar to the study done by Salomey *et al.*, (2015) in Ghana who concluded that micro-enterprises were facing various constraints such as input materials, financial problems, labour markets, equipment as well as technology. It was especially noted that international markets were very obstacles to many micro-enterprises in Ghana. However, the study particularly noted the issue of record keeping as the major challenge facing the owners or operators of these businesses. It should be borne in mind that record keeping is one of the conditions for one to qualify to access additional capital for extension. Regarding this, some respondent noted:

Keeping record needs to be done by those who have financial loans not us with small items which we sell for our survival only.

4.2.5.2 Capital Challenges

The study revealed that many micro-businesses were stagnant because of difficulty in accessing capital. This was because of cumbersome loans terms and conditions which majority of the micro-entrepreneurs failed to meet. The study noted that some of the loan terms and conditions were about securing the loan something that required the loanee to provide mortgages such as fixed assets i.e. house or land or Car (Salomey, 2015). These had to have ownership certification, of which majority of the business entrepreneurs did not possess and if they possessed they were family documents, which needed all family members' approval or authorization for them be used for loan securities. On this particular regard, one of the respondents noted:

Whatever you see we are doing as business, it is a family business. Despite being the manager, the family has decision on the business. It is sometimes not simple to get loans *without the family blessing the plan*.

The study noted that majority of the micro-entrepreneurs were starting up businesses to subsidise their family needs, and for this reason, the capital invested was being slowly eroded through meeting the family needs. This was discouraging those managers who would like to see the businesses they were supervising expanding since they were very often interrupted by family members in what they were doing or had planned to do for the expansion of the business.

These findings correspond with the study by UNIDO (2012) on Tanzania SMEs Development Policy 2003 "Ten Years After" Implementation Review in which it suggested that the challenges facing micro-enterprises be addressed through concerted efforts to ensure availability of credit at affordable cost; strengthening of Business Development Services (BDS). As one of the business development services, SIDO

was cited as the most effective industrial support institution. However, the report showed that SIDO alone could not meet all BDS needs by micro-businesses and industrial development.

In that study UNIDO concluded that strengthening the business associations to respond to members needed effective lobbying and advocating for a better business environment. This was seen as a solution for provision of business premises for micro-businesses. UNIDO's report also noted the problem that micro and small enterprises were vulnerable to local government harassments. This finding is in line with the study done by Salomey *et al.*, (2015) who emphasised on business solidarity groups as well as the creation of a vibrant force to seek for the welfare of micro-enterprises. The implication is that, the family members taking care of a family member business can be a good solidarity group which can help to rescue the business during difficult times.

4.2.5.3 Marketing Challenges

Marketing is the process of making sure the customers get what they need at affordable prices and definite destination. Regarding this, study revealed that many micro-enterprises were facing difficulties in selling or promoting their products because of having few customers who were interested in buying the commodities they were producing and selling. The study especially noted that many micro-enterprises lacked market and business knowledge.

The findings relate to study done by UNIDO (2012) on Tanzania's SMEs Development Policy 2003, Implementation Review that recommended that marketing

management related training, micro-business engaged in food processing found as top three training needs (enterprises): market research; brand management and product development. However, few enterprises surveyed in this study engaged as Business Development Services providers without subsidisation through external assistance projects and a gap was detected between the needs of enterprises and the services offered by BDS providers. The implication of the challenge is that satisfying customers were noted to be a weak area of micro-enterprises.

4.2.5.4 Regulatory Challenges

The study wanted to establish if the regulatory means one had to go through during start-up of micro-business were friendly and not cumbersome to micro-enterprises. The results show that on start up of micro-business, one needed first, to have a business licence, which was given basing on the type of business. The study noted that one could not get a business licence until she or he got Taxpayer Identification Number (TIN) and Tax Clearance from Tanzania Revenue Authority (TRA). The study noted that sometimes a person wishing to do business had to register one's business name with Business Registration and Licensing Agency (BRELA). For the case of BRELA, the study noted that these offices were very far from each other and therefore made the person wishing to start a business get high costs in the process.

These findings relate to the study done by Salomey *et al*, (2013), on the impact of microfinance on small and medium scale Enterprises in Ghana, which concluded that high start-up costs for firms, including licensing and registration requirements impose excessive and unnecessary burdens on micro-enterprises. This implies that one micro-

business with an initial capital in the first stage might fail even before it has started. This is a big challenge for growth of micro-enterprises.

4.2.5.5 Competition Challenges

The study wanted to establish the status of competition among micro-enterprises in Mbalizi Township Council if they had any impact on business growth. The results show that there was stiff competition in the micro-businesses operating in the study area. The result shows that competitions were both internal and external. With internal competitions, it means that when one had started a certain business, a few days later another micro-entrepreneur would start doing the same business. In circumstances like these, one would find the supply becoming high but the demand would be low or few consumers. In the case of external challenges, many products were coming in the market from large firms and other from nearby districts or countries like Zambia and Malawi.

These products were highly competing with the products produced in Tanzania and were being sold by entrepreneurs in Mbalizi Township Council. These findings relate to the study by Salomey *et al.*, (2013), on the impact of microfinance on small and medium scale Enterprises in Ghana; where it was found that many micro-enterprises were facing greater external competition and therefore, there was a need to protect micro-businesses from international and large firms competition. The implication of these findings is that, primary producers for the case of food products for example, have access to the same market with those of the micro-enterprises. By doing so, it is difficult to the micro-businesses to grow.

4.2.5.6 High Interest Rates and Taxes Challenges

The study also wanted to establish the interest rates the financial institutions were charging the micro-businesses in processing and servicing loans; and to hear from the micro-entrepreneurs about the magnitude and number of taxes they encountered in starting and doing their businesses. The results show that they were facing high interest rates from loan providers and the Tax rate is high compared to their business turnover. The findings further revealed that there were many taxes such as levy fees, debris collection fees, and business and licence fees. All these taxes are being charged to a single micro-entrepreneur. It was noted that these charges were eroding potential profit thus making micro-entrepreneurs feel uncomfortable and sometimes making some of them quit business or the growth of their businesses was retarded.

The results relate to Daniel (2015) study on challenges facing small and medium scale enterprises in accessing credit; a case study of Kumasi Metropolis in Ghana. From which the inference drawn here is that the micro-businesses have major challenges, which explain the reason for most of the micro-entrepreneurs being indebted to financial institutions, something retards their growth. The study noted that taxes and levies were a big burden to micro-enterprises was just starting to grow. The implication of these tax challenges is that majority of the operators opted to have informal business avoiding tax payment. One respondent said;

The government needs taxes especially from micro-enterprises. However, these are far too big. Just imagine one has just started a business say with a capital of 200,000/= and be required to pay a tax of 35,000/= daily business levy of 500/= and cleaning charges of 1,000/=. How can such a person grow in one's business? This makes majority of the entrepreneurs do business informally and when time for farming comes, they go to shamba.

4.2.5.7 Financial Challenges

The study wanted to establish whether the micro-businesses in Mbalizi Township Council were facing any financial challenges. The results revealed that the problem of access to finance and capital was a serious challenge to many micro-entrepreneurs in Mbalizi Township Council. This affected their businesses growth. Credit limitation related to running of business and inputs to the business were mentioned by the respondents as basic components of the financial challenges.. Pertaining to these, one of the respondents noted:

It is very difficult to get loans from the financial institutions because of collateral as a condition fixed to the loan facility. It is difficult because the financial institutions need one to have a savings account, while the micro-business capital is only for business circulation

The results show that, there are difficulties experienced in getting financial support for business development of micro-businesses. The findings relate to findings by the study done by Salomey, (2013) on the impact of microfinance on small and medium scale enterprises in Ghana. The study concluded that between 24-52% of the respondents mentioned credit as a major constraint, and the situation did not relate to countries only in the West African sub-region but in Malawi, where financial constraints accounted for 17.5% of the major constraints for business development and growth.

4.2.5.8 Raw Material Challenges

The study wanted to establish the availability of inputs to the micro-business in Mbalizi Township Council to feed micro-enterprises. The raw materials were into various categories such as manufacturing, processing, tailoring, keeping chicken etc.

It was noted that insufficiency of some raw materials was not a problem because in Mbalizi Township Council, there was availability of reliable transport such as TAZARA railways. The study noted also that modes of transport had better infrastructure in Mbalizi including the Tanzania- Zambia main road. Also there was air transport as the Songwe International Airport was very near as well as the feeder roads which were passable throughout the year.

However, what was noted as the main problem to the micro-entrepreneurs in Mbalizi Township Council was the transport cost. This result contrasts with that by study done by Salomey *et al.*, (2013) on the impact of microfinance on small and medium scale enterprises in Ghana where it was concluded that cost and unavailability of raw materials to feed micro-business into manufacturing was the most common constraint. The implication of the results is that, having raw materials and the better supply could be an engine for business growth if well managed.

4.2.6 Business Training Support

In order to develop and enable micro-business sustain as a going concern, the micro-entrepreneurs should be given training to keep them update with new emerging business knowledge. Therefore, the study wanted to establish if micro-enterprises were getting training from the Government. The study results show that 68% had never attended any entrepreneur-training programme conducted by the Government while 32% commended that they had ever attended the programme as shown in Table 4.5. The respondents mentioned the lessons learnt for those who had attended the training. The programme attended on different occasions and different topics were

manufacturing soap, fertilizer and manure; keeping chicken, fish, and layers and broilers; customer care; business development and management.

The study found that human resource management, financial management and management small capital were challenges. However, the respondents had view that majority of the micro-enterprise owners or operators were doing businesses of which they had never attended training. This study result relates with the observations by UNIDO (2012) on Tanzania micro-businesses Development Policy 2003 where the study recommended that training offered to enterprises had inspired request for certification, although not all of them made it in the process of certification. The report suggested a plan to strengthen cooperation with SIDO and others with a view to doing more handholding of micro-enterprises and as a continuous process.

Table 4.6: Access to Training for Business Development

Training from Government	Number of the Respondents	Percentage
Received Training	32	32%
Not Received Training	67	68%
Total	99	100%

Source: Fieldwork, 2019

4.2.7 Fundamentals of Obtaining New Financial Services

The study assumed that, for micro-business to have access to financial services is core for business development and growth. In that regard, the study wanted to establish the basics of micro-business to obtaining financial services. The results revealed that 28% of the micro-entrepreneurs had managed to acquire loans from financial institutions and with training on financial management. However, 72% had not obtained financial

services and or training on finance and its management as revealed in Figure 4.4. The challenge for accessing financial training was knowledge of the training and the products of the financial services. Another challenge was known to be security or guarantee of accessing loans as compulsory for specific kind of credits or loan facilities which hindered micro-business from access training and financial loans.

The study learned that, for micro-business, some of the micro-financial services such as VICOBA did not require any form of security at all but rather funding credit based on the savings capacity and reputation of the client/member. In circumstances where security it was established that, the financial services asked for any of the following: land, car, house etc., i.e. fixed assets of the borrower. The implication here was that, micro-enterprises could use the VICOBA facilities to acquire additional capital for business development. VICOBA may be used by the local government as bridge for the micro-enterprises training facilitation and to support them with financial support.

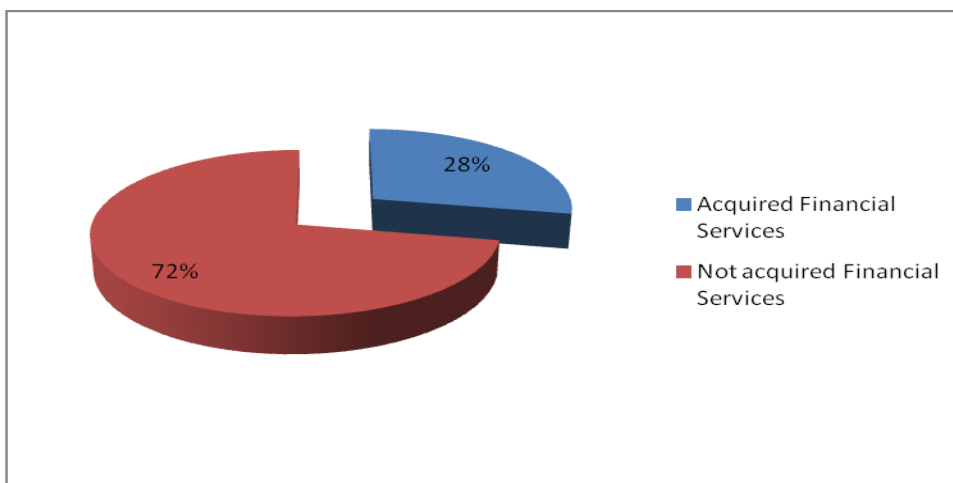


Figure 4.4: Access to Financial Services by Micro Enterprises

4.2.8 Operating Business Environment and Government Taxes

The business environment is important for business development and success. On this, the study wanted to know how the micro-enterprise operators felt about the

business environment in Mbalizi. The results show that majority of the micro-entrepreneurs cited poor infrastructure and debris on the business sites. In addition, they complained on the new levy and fees introduced without involving them, and which was a burden to them. The study observed that micro-entrepreneurs were complaining of high tax rates and many taxes on their businesses. However the taxes and levies charged had involved them in the process of establishing them although many of the micro-business owners did not attend the meetings which were geared for making decision on such levies and taxes.

Apart from the Government's efforts to enact and implement various laws and create good business environment supported by essential policies , actions and institutional measures, these efforts were seen to have not brought conducive business environment to micro-business in Mbalizi Township Council. These findings of the study relate to the suggestions made on publication by UNIDO, 50 Years Anniversary in Tanzania titled together for Sustainability Future (2012) which concluded that the Government should ensure that environmental considerations were given due emphasis in all micro-business development interventions. The implication here is that the business environment is very important for business growth and sustainability. This is because, as the business grows, it will attract tax payment for social and economic development.

4.2.9 Creation of Employment

Micro-enterprises and small businesses create commendable job in employment (Daniel, 2015). With this in mind, the study further wanted to establish the extent of

creation of employment by micro-businesses in Mbalizi Township Council. The study learnt that 76% of those employed in micro-enterprises were relatives of the owners. The results show that most of the micro-businesses were labour-intensive, they created employment at relatively low levels and low labour charges.

However, they were serving as mentors of others in field work and entrepreneurship and management for young people and new participants. Daniel (2015) concluded that micro-enterprises contribute 64% of the employment in Africa. These statistics show the importance of micro-businesses at the employment level. It is important therefore to support the micro-businesses to make them grow in order to encourage their owners for the development of African countries' economies.

4.2.10 Experiences of Micro-Enterprises

The study wanted to understand the experience of business operators to see if the experience in Mbalizi could be supported as competitive advantage for growth and sustainability. The study grouped these enterprises from greater than 5 years and those of less than 5 years as shown in Table 4.7.

Table 4.7: Experience with Micro-enterprises

Experiences with micro-enterprises	Number of Respondents	Percentage
Experience: More >5 Years	75	76%
Experience: Less <5 Years	14	14%
Total	99	100%

Sources: Fieldwork, 2019

The study revealed that 75(76%) of the micro-enterprise operators had business experience of more than 5 years while 14(14%) had experience of less than 5 years. The findings of this study on this particular regard are contrary to those of Daniel et al, (2015) which revealed that 49% of the micro-enterprise operators had experience of more than 5 years while 51% had business experience of less than 5 years. From the foregoing, it should be noted that the experience of business operators is important to understanding the business venture.

Experience is knowledge or skill in a particular job or activity, which you have gained because you have done that job or activity for a long time. Experience is used to refer to the past events, knowledge, and feelings that make up someone's life or character. The study noted that there are not many shortcuts to gaining a competitive advantage against rivals. Rather, knowledge and insight learned from experience are what makes one company better than it makes another. Having business experience means, you know your sector intimately. No one can live life without learning something. What you learn and experience can often determine your success or failure in life. Effortful learning combined with real life on the job experience is a winning formula for success. For the micro-business, experience helps the owner to change accordingly with the changes of the market place.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Overview

This chapter gives the summary of the findings, conclusion and recommendations. It includes summary of the study and of the major findings. It also gives suggestions for implementation and for further research where other researchers can investigate on.

5.2 Summary of the Findings

The study objective was to assess the challenges facing micro-enterprises: A case of Mbalizi Township Council in Mbeya region. The main findings of the study on the challenges of micro-enterprises included, training and development, financial support, capital for expansion of business, planning and development, higher taxes and levies. The study summarized that 66% of the micro-enterprises were experiencing challenges in the business development, which is a sign that there are challenges when it comes to the business launching and operating.

The study found that the sources of fund for the micro-entrepreneurs/SMEs were only of three kinds. The results demonstrated that these sources included microfinance institutions, relatives and the entrepreneur's own source fund. The major sources of funds for the micro-enterprises /SMEs were the own source fund which accounted 48% of the total, followed by bank loans (31%) and lastly, was financial empowerment from family members which accounted for 21%.

The study learnt that men than women at 66% and 34% respectively owned many micro-businesses in Mbalizi Township Council more. It was learnt running of micro-businesses was 86% by business entrepreneurs themselves and 34% consisted of employed operators who ran businesses on behalf of the owners. The study showed that many micro-entrepreneurs (37%) started business with the capital ranging from TShs. 100,000 to 500,000. Others started with capital ranging from TShs. 500,001 to 1,000,000, which was 24%; followed by 22% who had started business ranging from TShs. 1,000,000 and above.

The study also revealed that the 53% of the micro-business owners were able to access financial services while 47% were unable to access financial services. The study figured out that 68% of micro-entrepreneurs had not attended any entrepreneur programmes that are normally conducted by Government. This is a sign that micro-enterprises do not depend on trainings in their business running and growth. Also the study found that, 72% of the micro-entrepreneurs did not attempt to acquire new financial services, at the same time 28% micro-entrepreneurs managed to acquire new financial services. This is an indication that majority of them were not using financial institutions for the growth of their businesses.

However, those who had accessed financial entrepreneurs in their businesses were very few. The inaccessibility of loans was due to non-security for the financial assistance for additional operation costs leading to business growth. The study revealed that high Tax rate and many taxes were cumbersome to micro-enterprises in Mbalizi, which caused some to exit from business.

5.3 Implications of the Study Findings

This study intended the stakeholders of the micro-business both government and people doing business to be aware that in this micro-business world, there are many regulations, taxes and obstacles. That these things are the ones which made the researcher to do study and come up with the suggested solutions.

5.3.1 Implication for Policy Maker

The Government should realise the importance of micro-enterprises as the backbone of potential entrepreneurial talent, its significance in employment and its contribution in the inclusive growth of the country. Therefore, there are policies, support measures and institutions established for promotion and development of micro-enterprise, policies (2012). The study calls for the government structure to establish new business policy for Micro-business instead of basing on SME policy, which has contradictions in its implementation.

5.3.2 Implications for the Micro-businesses

Micro-enterprises sector strong contributor to the country economy. The sector needs to be strong to support Tanzania development agenda. The sector need to strengthen their operation by looking for better management skills, learning for business skills to make them sustain for long and contributing to employment of majority.

5.4 Limitations of Study

This research work is limited by time of doing the study as required with the examining board. If given long time could get more information to support other studies in future. However, the respondents were very busy to support us in data

collection which took us long to just get data from respondents. However, it was not easy to get permission from the local government as the permission was supposed to be issued by minutes from committee of the LGA. The process was not simple for the study done in time.

5.5 Conclusion

Through observation of the research carried out in the Mbalizi Township Council on the assessment of challenges facing micro-enterprises, the study concluded that there were several challenges for the growth of micro-enterprises in Mbalizi, which needed joint efforts. The study also concluded that many micro-entrepreneurs were facing challenges on business development, which included difficulties in accessing new financial services. However, the study was satisfied that there was good relationship between financial institutions and micro-enterprises when it came to the issue of loans. However, there were issues to be attended to support micro-entrepreneurs development and growth. The failure of business enterprises were sometimes caused by terms and conditions of loans; high loan interest rates and short period of loan recovery.

5.6 Recommendations:

Based on the research findings, the subsequent recommendations are made so as to address the challenges facing micro-enterprises in the Mbalizi Township Council and also sustain the progress and possibly improve the growth of the micro-enterprises.

- (i) The growth of micro-enterprises does not only rely on access to loans and other sources of fund, but also on the creation of favourable conditions in doing all business environments.

- (ii) The Mbalizi Township Council being representative of other Councils in Tanzania in the demarcated area has all responsibility of making sure that all business obstacles are improved to support Micro-business sustainability.
- (iii) The Mbalizi Town Council should involve micro-enterprises in making decision about issues of conducting business in the area.

5.7 Area for Future Research

- (i) The study should attempt to establish the linkage with micro-business with enterprises growth with culture and gender of micro-enterprise in Mbalizi.
- (ii) Studies on the contribution of Micro-enterprises to the development of local communities

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APPENDICES**Appendix I: Interview Guide Micro-enterprise Mbalizi Town Council**

Sample questionnaires to Micro-enterprise operators

1. Do you own your own business?
 - Yes
 - No

2. Sex
 - Male
 - Female

3. How did you first start up your business?
 - Empowered by family members
 - Loan
 - Own source of fund

4. What was the capital used to start your business?
 - <50,000 – 99,000/=
 - 100,000 – 500,000/=
 - 500,001 – 1,000,000/=
 - >1,000,000/=

5. Is your business a joint - venture?
 - Yes
 - No

What is the relationship with your joint partner?

6. Do you have to access financial Service?

Yes

No

7 Do you experience any challenge in business development?

Tell us what do you suggest to alleviate the challenges you experience in business.....

8. Have you ever attended entrepreneur program conducted by government?

Yes

No

What were the topics lent in the training, mention as many as possible.....?

9. Did you attempt to obtain new financing?

Yes

No

If yes explainand if no explain.....

10 What experience do you have in micro-business?

11. What difficulties do you encounter in your business especially on the following:

Capital:.....
.....

Environment:.....

Taxation.....

.....

O Other Taxes.....

.....

Suggest the ways to improve.....

Thank you for your co-operation with answering these questionnaires.

Population 1,200

Sample of 110

Appendix II: Summary of the Findings

S/N	DESCRIPTION: Respondents		99	%
Q1	Do you own your own business?	YES	85	86
		NO	14	14
Q2	Gender/sex	MALE	65	66
		FEMALE	34	34
Q3	How did you first start up your business?	Empowered by family members	21	21
		Loan	31	31
		Own source of fund	47	47
Q4	What was the capital used to start your business?	<50,000 – 99,000/=	16	16
		100,000 – 500,000/=	37	37
		500,001 – 1,000,000/=	24	24
		>1,000,000/=	22	22
Q5	Is your business a joint - venture?	YES	36	36
		NO	63	64
Q6	Do you have to access financial Service?	YES	52	53
		NO	47	47
Q7	Do you experience any challenge in business development?	YES	65	66
		NO	34	34
Q8	Have you ever attended entrepreneur programme conducted by government?	YES	32	32
		NO	67	68
Q9	Did you attempt to obtain new financing?	YES	28	28
		NO	71	72

Source: Field Survey, September, 2019