IMPACT OF FOREIGN DIRECT INVESTMENT ON THE GROWTH OF SMALL AND MEDIUM ENTERPRISES IN TANZANIA: A CASE STUDY OF SELECTED MANUFACTURING INDUSTRIES IN DAR ES SALAAM CITY

DIDAS BALIMANYA

A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF ARTS IN INTERNATIONAL COOPERATION AND DEVELOPMENT

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2025

CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance by The Open University of Tanzania a dissertation entitled: "***Impact of Foreign Direct Investment on the Growth of Small and Medium Enterprises in Tanzania: A Case Study of Selected Manufacturing Industries in Dar es Salaam City*****"** in partial fulfillment of the requirements for the degree of Master of Arts in International Cooperation and Development of The Open University of Tanzania.

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Dr. Felician Mutasa

(1st Supervisor)

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Date

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Dr. Jacob Lisakafu

(2nd Supervisor)

……

Date

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DECLARATION

I, **Didas Balimanya,** 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 in this regard that I declare this work as original mine. It is hereby presented in partial fulfilment of the requirements for the degree of Master of Arts in International Cooperation and Development of The Open University of Tanzania.

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Signature

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Date

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ABSTRACT

In recent decades, Foreign Direct Investments (FDI) have been considered as the key driver of trade, economic growth and foreign technology transfer in the recipient countries, especially Sub-Sharan Africa. This study sought to establish the impact of FDI on the growth of small and medium enterprises (SMES) in Dar es Salaam City. Specifically, the study concentrated on how technology, equipment transfers and knowledge transfers through FDIs influence SMEs growth in Dar es Salaam City. This study employed descriptive research design. 178 people were chosen as a sample size, however during data collection only 120 respondents effectively participated in the study. Data was collected through close-ended questionnaires and analyzed through descriptive and inferential statistical analysis methods. The Statistical Package of Social Sciences (SPSS) (version 25.0) tool was used as the data analysis tool. The results revealed that majority of the respondents argued that the new production techniques adopted from FDI had a positive effect on the growth of SMEs. In addition, findings indicated a positive significant of FDI and equipment transfer to SMEs in Dar es Salaam City. Moreover, the results indicated that there was a positive significant effect of FDI on knowledge transfers to SMEs in Dar es Salaam City with a p-value of .982. This indicates that effective knowledge transfers through FDIs have significant impact on the growth of SMEs in Tanzania. Finally, the study recommends that the government should initiate special capitation to support the import and acquisition of modern technology and equipment to SMEs.

Keywords: *Foreign direct investment, manufacturing enterprises, SMEs, Dar es Salaam City*

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

BOP	Balance of Payment
FDI	Foreign Direct Investment
GDP	Growth Domestic Product
GMM	Generalized Method of Moments
MVA	Manufacturing Value-added
NBS	National Bureau Statistics
OECD	Organization for economic cooperation and Development
SIDO	Small Industries Development Organization
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Science
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organizations

CHAPTER ONE

INTRODUCTION

1.1 Chapter Overview

In this chapter, the background of the study, the problem statement, the study's objective, the research questions, the study's significance, and the study's organization are explained.

1.2 Background of the study

Foreign Direct Investments (FDIs) have attracted the attention of many scholars nowadays. This overarching pattern is driven by the global economic and political changes we are currently witnessing (WTO, 2019). In all industries, there have been changes in how and why FDIs manufacture and distribute goods and services globally. These changes are a result of advancements in communications and transportation technologies. Prior to the middle of 1990, FDIs' primary goals were to gather natural resources or get around trade restrictions. However, as the number of FDIs decentralized their production across nations to take advantage of cheaper production costs, this trend began to change (Blancu and Bibu, 2013).

In addition to the benefits that may be obtained from accepting FDI from multinational businesses of all sizes, host countries can also get additional benefits from accepting FDI from small and medium-sized firms. First, through attracting FDI, SMEs that produce metal and machinery as well as suppliers of parts and components, which, although essential for promoting industrialization, are often

inadequately established in developing nations (UNCTAD, 2015). A study by Bozsik et al (2023) in Vietnam found that foreign direct investment (FDI) is one of the most important elements influencing countries' international economic integration. FDI establishes direct, consistent, and long-lasting interconnections between economies as well as encouraging innovative technology and know-how transmission across territories while allowing host economies to offer their goods more extensively on global markets (Ibid).

FDI is also a source of investment financing that creates the climate for appropriate policies (Nikoloski, 2020). According to Mohamed et al. (2018), FDI can occasionally have a detrimental impact on the development of domestic SMEs in host countries because the majority of MNCs use transfer pricing to their own advantage, which has a negative impact on the profits that remain there and has a significant negative impact on tax revenue because the majority of profits are returned to shareholders in the home country, leaving the host country with little profit. Aside from the obvious advantages for all economic sectors, attracting FDI in small and midsize enterprises (SMEs) has a variety of additional benefits (Nikoloski, 2020). For example, an opportunity to participate in the global supply chain for parts and components; an opportunity not yet wholly established in most developing nations but is critical for industrialization and improving income distribution through job creation for low-skilled employees (Bozsik et al, 2023)

It is essential to seek technology transfer considering the role that entrepreneurship plays in a nation's economic development and the absence of suitable technology in

developing countries. Particularly in developing countries, small and medium-sized businesses need expertise and market access for sustained success (WTO, 2019). Small and Medium Enterprises (SMEs) may ensure their competitiveness and the competitiveness of the nation as a whole by acquiring the latest technologies and making wise investments due to access to information (Subair & Salihu, 2011). Technology can progress due to the positive knock-on effects of foreign direct investment. This is because foreign direct investment (FDI) is one of the most significant channels for spreading advanced knowledge and technological developments (UNCTAD, 2018).

More small and medium enterprises in industrialized countries are expanding abroad through direct investment than ever before, and virtually all economies now compete to attract multinational enterprises (MNEs). In Nigeria, Idehen & Iguisi (2020) argued that the value of foreign private investment and foreign portfolio investment had an adverse association with SME development. The role that foreign direct investments (FDIs) play in supporting local small and medium-sized businesses has been a topic of contention (Pandya and Sisombat, 2017).

Due to the high expectations that macroeconomic decision-makers and society at large had for the restoration of the local manufacturing sector, which ultimately helped boost small and medium-sized businesses and economic growth (UNCTAD, 2018), This indicate that to large extent FDIs have contributed to the development of SMEs in in most of developing countries including Tanzania (WTO, 2019). In Rwanda, according to Keza, (2022) FDI expressed as percentage of GDP affects

positively the SMEs growth through the indicators of net profit margin, annual turnover growth and return on equity. Finally, the study concluded that there is a significant and positive relationship between the FDI and SMEs growth in Rwanda. (Keza, 2022)

Tanzania is one of the most preferred destinations for foreign direct investments in Africa; it counts among the 10 biggest recipients of FDI in Africa (WTO, 2019). According to UNCTAD's 2020 World Investment Report, the FDI inflow in Tanzania reached USD 1 billion in 2019 and showed an increase compared to the previous year (World Development Indicators, 2021). In 2019, the FDI stock was estimated at USD 21.8 billion. The mining sector, the oil and gas industry, as well as the primary agricultural products sector (coffee, cashew nuts, and tobacco) draw the most FDI. The country's primary investors are China, India, Kenya, the United Kingdom, Mauritius, Oman, the United Arab Emirates, Canada, the United States, the Netherlands, South Africa, and Germany (BoT, 2018).

According to the Doing Business 2020 report published by the World Bank, Tanzania ranked 141st out of 190 countries with high foreign direct investments (FDIs) inflow Investors are drawn to the country's commitment to implementing sound macroeconomic policies, its efficient privatization program, and its abundant natural resources. Tanzania enjoys an abundance of natural wealth, which offers tremendous investment opportunities, particularly in agriculture, mining, energy, and tourism (UNCTAD, 2018). The country has 44 million hectares of arable land, with only about 5% currently under cultivation. Resources include diamonds, gemstones,

gold, coal, iron, nickel, forest products, domesticated livestock, wildlife, fisheries, marine products, natural gas, and possibly oil (BoT, 2018). Primary exports in terms of value include tobacco and gold, while key imports are capital and consumer goods (African Development Bank, 2021).

However, aggressive revenue-raising measures and unfriendly investor legislation have made investment less attractive in recent years. Labor regulations make it difficult to hire foreign employees, even when the required skills are not available within the local labor force (Paul and Milanzi, 2016). Corruption, especially in government procurement, privatization, taxation, and customs clearance, remains a concern for foreign investors, though the government has prioritized efforts to combat the practice. Government of Tanzania-funded infrastructure development offers investment opportunities in rail, real estate development, and construction (BoT, 2018).

However, low levels of industrial development, environmental concerns, a lack of transparency, and poor compliance with legislation are barriers to investment. The business environment remains hampered by ineffective regulations. Labor regulations are not flexible enough to support a dynamic labor market. Foreign investment in land is limited, and investment in other sectors can be screened (Mjema, 2017). Therefore, this study explored how foreign direct investments affect the growth of small and medium-sized enterprises (SMES). in Tanzania using the case of selected manufacturing industries in Dar es Salaam City. This study was

guided by the Eclectic Paradigm, or O-L-I model developed by Dunning & McQueen (1981) and The Product Life Cycle Theory developed by Raymond Vermon in 1966.

1.3 Statement of the Problem

Foreign direct investments have been proven to have a significant role in the economic growth of host countries and the expansion of local businesses in developing nations through FDI (Mjema, 2017). Due to the government's decision to pursue a socialist course of economic development from 1967 to around the middle of the 1980s in response to the Arusha Declaration, foreign direct investment (FDI) is a sort of investment that is still relatively new in Tanzania (BoT, NBS, and TIC, 2004: 23–24). The increased flow of foreign companies into the country plays a significant role in the growth of small and medium enterprises. These foreign companies from developed countries like the USA, China, Italy, and Germany came up with new technologies and advanced tools of production for local firms (BoT, 2019).

Unfortunately, there are very few studies on the impact of FDI on SMEs in Tanzania. The few available studies like that of Mjema (2017) revealed that intra-firm technology transfer through the acquisition of parastatal companies by MNEs. This form of technology transfer includes upgrading production and marketing processes at the acquired firms that occur as a result of the greater technological strengths that foreign investors could potentially bring in as a result of the firm-specific assets of parent companies (Ibid).

However, the real value of FDI happens as a result of general knowledge spilling over to local manufacturing companies. This may occur when foreign direct investors create linkages with local SMEs and become integrated into the host economy, thereby pulling up local technological capabilities. In Tanzania, very little is known about the extent to which FDIs are integrated into the local economy and, consequently, their impact on small and medium enterprises, particularly in small and medium manufacturing industries. For instance, Matonya (2017) studied the impact of foreign direct investment on manufacturing industries in Tanzania using the case study method where only two manufacturing industries were involved. In addition, the study employed the secondary data. While the study by Utouh et al (2024) and Taylor (2020) examined the role of foreign direct investment in economic growth using time series data. Therefore, in order to the gap, this study examined the impact of foreign direct investments (FDIs) on the growth of small and medium-sized enterprises (SMES) at Dar Es Salaam city, in Tanzania using only primary data.

1.4 Objectives of the Study

1.4.1 General Objective

To determine the impact of foreign direct investment on the growth of small and medium enterprises (SMES) in Tanzania the case of Dar es Salaam City.

1.4.2 Specific Objective

i) To examine the impact of foreign direct investment on production technology transfers to SMEs in Dar es Salaam City

ii) To examine the impact of foreign direct investment on equipment transfer to SMEs in Dar es Salaam City

iii) To examine the impact of foreign direct investment on knowledge transfers to SMEs in Dar es Salaam City.

1.5 Research Questions

i) To what extent do foreign direct investment technology transfers of production skills affect the growth of SMEs?

ii) What are the relationships between foreign direct investment and equipment/tools embodied technology transfer to SMEs?

iii) To what extent does foreign direct investment affect knowledge transfer to SMEs?

1.6 Significance of the Study

The findings of this study will offer information on the influence of foreign direct investment on the growth of manufacturing SMEs This will motivate policymakers to formulate constructive and effective policies on role of foreign direct investments on the growth SMEs organizations involved in the strategic implementation of technologies will also be motivated to facilitate national and international experiences, technical know-how, and the dissemination of information on best practices. Scholars will understand the linkage between SMEs in manufacturing sectors and economic growth and the use of foreign direct investment. The community will also benefit indirectly from the study. This will be realized through access to information on the positive influence of technology transfer by

entrepreneurs. Owners of small and medium manufacturing enterprises will also have access to information on the benefits of technology transfer.

This will help them to seek and use technology transfer continuously for maximum profit and growth of their enterprises. It is also hoped that this study will add to the body of knowledge and increase the understanding of how technology transfer supports the production of better-quality products and services at lower prices. The community's role in building the entrepreneur’s capacity to organize, generate, and utilize technology transfer more effectively will be enhanced. Findings will also assist civil society in carrying out its role of advocacy, which will ensure that barriers to technology transfer are addressed.

1.7 Scope of the Study

This study examined foreign direct investment on the growth of small and medium manufacturing enterprises in Dar es Salaam City where Azania Mills Company, Azam Mills Manufacturing, Metro Plastic Industries Limited, Erimat Industries Limited, Wilmar Tanzania Limited, Azania Polybag Industries Limited were visited. A total of 320 respondents from all six manufacturing industries were selected including owners, managers and employees within the Dar es Salaam City. Questionnaires with a list of close-ended questions were distributed to 178 respondents. The collected data was analyzed using descriptive analysis and inferential statistics methods through Statistical Package of Social Sciences (SPSS) (version 25.0) tool.

1.8 Organization of the Study

The study is organized into five chapters: Chapter One presents an introduction to the study, covering background information about the study, a statement of the problem, research objectives, research questions, and the significance of the study. Chapter two contains a literature review comprising a theoretical literature review, empirical literature review, research gap and conceptual framework. Chapter three presents the research methodology, while Chapter Four presents the research findings and discusses the results. Chapter five summarizes the results, gives a conclusion and recommendation, and sheds some light on further studies. Lastly, extensive bibliographies, references, and appendices are included.

CHAPTER TWO

LITERATURE REVIEW

2.1 Chapter Overview

The chapter examined studies done by various academicians in relation to the effect of foreign direct investment on the growth of small and medium-sized enterprises (SMES). The chapter specifically explores theoretical and empirical reviews in order to determine what has been done and what is missing. In so doing, the study identified the knowledge gap and what was required to be filled. The chapter also presents the conceptual framework of the study.

2.2 Definition of Key Concepts

2.2.1 Foreign Direct Investment

A foreign direct investment (FDI) refers to the investment made by a firm or individual in one country into business interests located in another country (Bhattacharyya, 2012). FDI is the sum of equity capital, long-term capital, and short-term capital, as shown in the balance of payments. FDI usually involves participation in management, joint ventures, the transfer of technology, and expertise (Grazia, 2012). Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets in a foreign company.

According to UNCTAD (2005), foreign direct investment (FDI) is an investment made by a corporation established in another country that takes a controlling interest in a company in another country. FDI occurs when a company establishes a new

wholly owned subsidiary in one nation, buys a local business, or forms a joint venture in the host economy to establish a business operation in another nation. Board participation, joint ventures, technology transfer, and knowledge transfer are frequently included in FDI.

2.2.2 Small and Medium Enterprises (SMEs)

According to OECD (2005) small and medium enterprises (SMEs) are non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, workers.

However, since 1976, the World Bank has defined SMEs as any company with fixed assets (excluding land) worth less than US$250,000. While Grindle et al. (1989:9–10) defined small and medium manufacturing enterprises as companies with fewer than or equal to 25 permanent members and fixed assets (excluding land) worth up to US$ 50,000. For the purposes of USAID, SMEs are defined as companies with fewer than 50 employees for whom at least half the output is sold (also refer to Mead, 1994). According to UNIDO, the definition of an enterprise should consider its location and economic status (Elaian, 1996).

2.2.3 Manufacturing Industries

Manufacturing industries are those that use a variety of automated machinery, chemical processing, tools, human labor, and other comparable processes to produce goods of various types (Segreto & Teti, 2014). Manufacturing often starts with raw materials and works its way up to the primary stages of fabrication, processing, and preparation, in order to create commodities that may be sold through B2C or B2B channels (*Ibid*).

2.3 Theoretical Review

2.3.1 The Eclectic Paradigm Theory of Dunning

The Eclectic Paradigm or O-L-I model was developed by Dunning. This theory explains why TNCs (Trans-National Corporations) invest in foreign countries. It also tries to explain that organizations will always opt to have in-house transactions rather than have them in the open market because of the charges that will accrue. These trans-national corporations need to gain three advantages over other foreign companies. They include location advantage. This is where the host country must grant some location advantage such as placing the corporation in a very good geographical area. This would make the firm have advantages such as closeness to raw materials, cheap labor and qualified enough as well as providing some incentives. On this, there should be some political and economic benefits such as the market size (Kyrkilis & Moudatsou, 2011).

Secondly, a foreign investor would need some ownership advantage. This would help them get possession of some resources which would make them have some

advantage over other foreign companies. To overcome the liability of foreignness, the company would need to have some strength such as a strong brand, some technological advantages or a great reputation. Lastly, the internalization advantage. It is usually more appropriate and attractive to perform all activities of an FDI in-house (Kyrkilis and Moudatsu, 2011). Outsourcing can be recommended if it is cheaper, the firm that is being tasked knows the local market better or when the FDI's management wants to focus on other projects. The theory was valuable for this study as assisted on knowing why foreign companies decide to invest in the country and set up firms for their operations. The theory furthermore tried to show the effect of FDIs towards the positive growth of an economy when it illustrates the reasons as to why investors come into the foreign market.

The relevance of this theory to the study is that the country normally offers some attractive deals to the TNCs and FDIs that want to join the market such as good land. At the same time, these companies also look for the same deals (Alfaro et al, 2004). In this case, the country tries to attract the FDIs, and the investor also tries to get a good deal which is the case for the Kenyan market. However, the criticism of the theory is that the theory does not account for the role of managers effectively in the FDIs meaning that they are not assigned any specific tasks or roles. Furthermore, the theory does not explain on how the dynamic evolution of FDIs in the foreign market is handled. This possesses many questions as to what extent the theory explains the movement of firms into new markets.

2.3.2 The Product Life Cycle Theory of Vernon

This theory was developed by Raymond Vermon in 1966. It meant that a product has four stages; introduction, growth, maturity and decline. The theory postulates that firms invest abroad to enjoy some benefits such as cheap labor, tax incentives and a new market for their products (Latorre, 2008). As time moves, the local market competition grows gradually as the product matures. During the introduction stage then product is brought into the market to create demand and raise awareness about its existence. At this stage the competition is usually low and so are the profits. When it graduates to growth the demand increases, production cost decrease and higher profits are achieved. Once the product hits maturity it already has many customers, and the competition is usually very high.

The products start declining in price and start to source for innovations. At some point, the market becomes crowded, and the goods become unpopular and decline in sales and profit occur (Latorre, 2008). The theory explains why most foreign companies try to seek for markets and invest in other countries. As the theory suggests, at some point their market gets crowded and they have to seek alternatives for them to grow and sustain the small and medium manufacturing enterprises. This therefore makes them go into the new countries and as they produce, they improve the economy as well. In this study, the theory's relevance is that it is used as means of explaining how FDIs come to be. It aids the study gauge the direction of the impact; when firms find new markets their aim is to grow.

The growth means that several determinants of economic growth such as GDP are

affected and thus the estimation of the direction becomes easy. However, several scholars have come out with criticisms to the theory, and they argue that not all products follow the same trend as they differ in one way or another. The business world is full of rollercoasters, and this means that the trend that might be wanted might not actually happen, and this possesses a valid criticism to the Product Life Cycle Theory of Vernon.

2.4 Empirical Review

2.4.1 Studies from Global Context

Awaad (2020) investigated the impact of foreign direct investment spillovers namely (Finance, Technology & Skill spillovers) on small and medium enterprises' performance. A sample of 30 respondents was selected from juniors, seniors, and top staff who worked at Zain in various departments, including marketing, human resources, finance, and customer services, using a convenience sampling technique in which a Structured questionnaire was distributed among them. To test the significant impact, Statistical Package for Social Science (SPSS) used multiple linear regression to test the significant impact. The finding suggests both Finance and Skill spillovers have a statistically significant impact on small and medium enterprises' performance; however, it showed that Technology spillovers have no statistically significant impact on small and medium enterprises' performance

Pandya and Sisombat (2017) examined FDI inflows and their impact on economic growth in Australia using multiple regressions. The results highlighted that FDI inflows contribute to the Australian economy, including growth in GDP, export

performance, and employment. Also, results reflected the absence of a relationship between FDI and the economic growth of Australia since two variables out of three showed a poor relationship with FDI. The study gave Australian decision-makers crucial information so they could make wise decisions regarding attractive investment sectors and policies, as well as encouraging foreign investors to invest in the country. In conclusion, the study suggested that the government should be selective in choosing FDI, such that FDI that increases exports or reduces imports can be welcomed and avoided for the rest of the flow.

Sohail & Mirza (2020) used data from 1996 to 2015 to observe the influence of FDI on economic growth of Pakistan. The findings showed that FDI and GDP had a significant relationship. Independent variables that influenced the country’s economic growth including exports, domestic capital, the human capital index, and the amount of terrorist strikes. Dinh et al. (2019) looked at the influence of FDI on economic development in developing nations. The findings of this study demonstrated that FDI helped to promote economic growth in the long term. Other macroeconomic factors also had a part in explaining these countries' economic progress. Economic growth in the long-run was also influenced by money supply, human capital, total domestic investment and private sector domestic credit.

Hussain (2017) examined the impact of FDI on local firm’s productivity in Pakistan. The findings showed that foreign direct investment, capital intensity, economies of scale, company size, and firm age all had a direct and substantial influence on productivity of labor in Pakistan.

Kirti and Prasad (2016) did a study on the impact of FDI in India on employment generation capacity and GDP growth for the period 1992–2012. The findings revealed that FDI in India contributed to its growth in multidimensional ways. Also, GDP growth and employment generation had a positive relationship with a decreasing rate of growth in labor employment and a further reduction in the elasticity of employment. The study concluded that, although the agriculture sector doesn't contribute much to India's GDP, it might work wonders if capital-intensive technology is provided to this sector.

2.4.2 Studies from Africa Context

Mwika et al. (2018) studied the linkage between SMEs and globalization in Zambia. Globalization had a detrimental impact on these SMEs. In light of the findings, the general assumption that globalization had a substantial influence in developing nations. Oladimeji et al. (2017) investigated the association between globalization and SMEs performance in Nigeria. The influence of globalization on performance of SMEs was investigated using a co-integration model. Interest rates, bank lending, and trade openness were shown to have partial effect on the production of SMEs.

Saddimbah (2014) did a study on the effect of FDI inflows about Kenya's GDP, exports, and BOP for the years 2002–2011. The study employed a descriptive design and secondary data. The results revealed that FDI inflows have a causally positive association with GDP and BOP but a negative relationship with exports. The findings advised the Kenyan government to stop a portion of FDI inflows in important sectors

like agriculture, which would speed up the government's top export and the nation's economy.

Another study by Nyaga (2013) looked at how FDI affected Kenya's economic growth from 1982 to 2012. He used correlation analysis to analyze his data, which resulted in a correlation coefficient of 0.0565, indicating that FDI and GDP have a statistically significant positive relationship. Hence, the study recommended some policies that would enhance the attraction of FDI and increase economic growth (GDP): Firstly, the country should engage in bilateral and multilateral trade agreements. Second, the quality of infrastructure should be improved, and finally, the government should demonstrate greater political will in the fight against corruption to instill greater confidence in foreign investors.

Moreover, Wang (2018) examines the impact of FDI on local interest in cutting-edge and developing nations in a board data focus. The investigation takes a gander at enduring and short-term effects, and it also coordinates industrialized nations with less developed nations. An example of fifty nations from 1970–2004 shows that the results indicate that in the short run, FDI jams out nearby interest in industrialized nations, but has a fair-minded result in creating nations. All things considered, in industrialized nations, the enduring effect is nonpartisan, while FDI swarms in neighborhood interest in job creation and capital transfer.

2.4.3 Studies in Tanzania Context

Milanzi and Paul (2016) examined the causal relationship between economic growth,

FDI, trade, and domestic investment in Tanzania for the period 1970–2012 using co-integration and causality analyses. The results of the Granger causality test revealed strong support for the hypothesis of FDI-led exports, growth-driven FDI, export-driven FDI, export-led growth, and growth-driven exports in Tanzania.

In addition, based on a few case studies, Kabelwa (2006) investigated the potential effects of FDI on Tanzania's economic development. The study used qualitative analysis to examine certain FDI-related topics, including capital formation, job creation, trade abroad, technology transfer (spillovers), and tax income. The study concluded that, in order to attract and make FDI work for economic development, there was a great need for effective policy. It was also suggested to encourage domestic private investment in the larger development agenda.

Furthermore, Utouch & Rao (2016) conducted an empirical study on foreign direct investment (FDI) and how it affected job development in the manufacturing sector from 1980 to 2012. OLS was the method used to test the variables, and the Augmented Dickey-Fuller test was used to test the co-integration of the variables. The results showed that FDI significantly affected the creation of jobs in Tanzania.

2.5 Research Gap

The impact of FDIs on the growth of small and medium enterprises in manufacturing industries is promoted along the lines of capital formation, employment, and revenue generation. Most of the reviewed studies focus more on the direct effects of FDIs, but some studies have gone further and reviewed the importance of FDIs in

increasing host country domestic firms' productivity through technological inheritance (Sohail & Mirza, 2020; Kirti & Prasad, 2016; Oladimeji et al. (2017)). However, most of the reviewed literature applied secondary schools, for instance Milanzi and Paul (2016) examine the causal relationship between Economic growth, FDI, trade and domestic investment in Tanzania using time series data from 1970 to 2012 using the Co-integration and causality analyses, also Utouch and Rao (2016) did investigate FDI and its effects on job growth, as in the case of the manufacturing sector using time series data from 1980 to 2012. Therefore, the current study examined the impact of foreign direct investment (FDI) on the growth of small and medium-sized businesses (SMES) in Tanzania using primary data and analyzed using descriptive analysis and inferential statistics methods.

2.6 Conceptual Framework

According to Adam and Kamuzora (2008); Ndunguru (2007) a conceptual framework is intended to highlight the significant and narrow scope of the study. This study aimed at examining the role of technology transfer on the growth of small and medium manufacturing enterprises in Dar es Salaam City, Tanzania. The independent variables for the study were production embodied technology transfer, equipment embodied Technology Transfer, knowledge embodied through the inflow of FDIs. Enterprise growth (customer turnover, profit margins, intangible assets, employment, revenues and financing resources were treated as dependent variables.

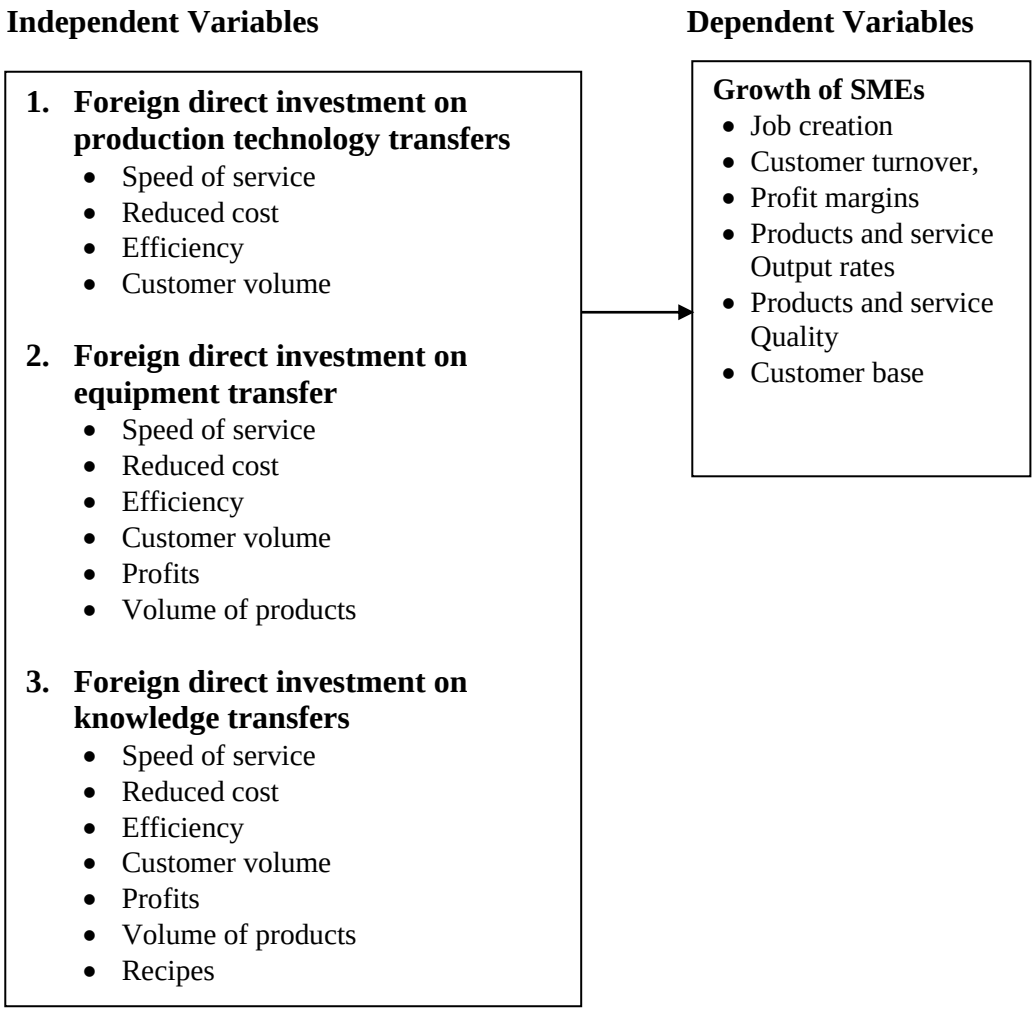

Figure 2.1: Conceptual framework

Source: Researcher (2024)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Chapter Overview

This chapter describes the procedures that were used in conducting the research. Therefore, it presents research design, research approach, study population, sampling technique and method used in data collection. Also, it presents the area of the study, unit of measure and data analysis.

3.2 Research Philosophy

A research philosophy is a framework that directs how research should be carried out in accordance with beliefs regarding reality and the nature of knowledge (Creswell, 2014). This study employed a pragmatic research philosophy. The pragmatic research philosophy focuses on reality. This philosophy involves research designs that incorporate operational decisions based on ‘what will work best’ in finding answers for the questions under investigation and this enables pragmatic researchers to conduct research in innovative and dynamic ways to find solutions to research problems Kumar, 2019). Through this philosophy the researcher has a room to apply both quantitative and qualitative approaches (Cooper & Schindler, 2013).

3.3 Research Approach

The study employed a quantitative research approach. It was conducted using a survey, which is quantitative in nature. The study was conducted through the administration of questionnaires. It was beneficial to this tool for assessing the

opinions and knowledge held by the target population about the impact of foreign direct investment on the growth of small and medium enterprises in Tanzania. In addition to this, the survey was chosen as it enables the researcher to measure the attitudes and orientations of larger populations (Cresswell, 2014).

3.4 Research Design

A research design is the plan and structure of investigation conceived so as to obtain answers to research questions (Saris & Gallhofer, 2014). This study adopted a descriptive research design. This design was adopted because can be used to investigate the background of a research problem and get the required information needed to carry out further study (Kothari, 2014).

3.5 Study Area

The study was conducted in Dar es Salaam where six manufacturing industries were visited including Azania Mills Company, Azam Mills Manufacturing, Metro Plastic Industries Limited, Erimat Industries Limited, Wilmar Tanzania Limited, Azania Polybag Industries Limited. Dar es Salaam, located on the east coast of Tanzania, lies between latitude 6.45oS and 7.25oS, and longitude 39^{o}E and 39.55^{o}E. It borders the Indian Ocean to the east, and the Coast (Pwani) on the other sides. It stretches about 100km between the Mpiji River to the north and beyond the Mzinga River in the south, comprising a total land area of 1,630.7 km2 (about 0.2% of the entire Tanzania mainland's area). Administratively, this is divided into five municipalities (or citys), namely Dar es Salaam City (Ilala), Kinondoni, Ubungo, Kigamboni and Temeke. The main economic activities are trade and manufacturing industries. The

researcher decided to conduct the study in Dar es Salaam City (Ilala) because many small manufacturing industries including drinking, goodss and catering industries are located. Dar es Salaam City, being the business city of Tanzania represents people of various origin.

3.6 Study Population

Population is a set of people, services, elements, events, and groups of households that are being investigated (Majid, 2018). When it is not possible to study an entire population, but the population is known, a smaller sample is taken using a random sampling technique (Bryman, 2012). The population for this study were owners, managers and employees in the small and medium scale entrepreneurs in the manufacturing sector within Dar es Salaam City. A total population of 320 respondents from all six manufacturing industries were employed as illustrated in Table 3.1 below.

Table 3.1: Population distribution

S/N	Category	Population
1.	Azania Mills Company	85
2.	Azam Mills Limited	110
3.	Metro Plastic Industries Limited	40
4.	Erimat Industries Limited	30
5.	Wilmar Tanzania Limited	35
6.	Azania Polybag Industries Limited.	20
	Total	**320**

Source: Researcher, 2024

3.7 Sample Size

A sample size is a selected group of some elements from the totality of the population (Schindler and Cooper, 2011). The sample size of this study was obtained

based on the mathematical model formulae developed by Taro Yamane (1967). In the study that employs primary data and seeks responses from the use of questionnaires, the Taro Yamane approach plays a crucial role in determining sample size.

$$n=\frac{N}{1+N(e^2)}$$

Where;

n = sample size. N=population of the study and e = level of significance or error term which is equal 0.05. N=320

$$n = \frac{320}{1 + 320\ (0.05^2)} = 177.7$$

$$= 177.7$$

Therefore, a sample size comprised 178 respondents as distributed in Table 3.2 below in the respective groups.

Table 3.2: Distribution of the study sample

S/N	Category	Population	Sample size
1.	Azania Mills Company	85	47
2.	Azam Mills and drinking Manufacturing	110	62
3.	Metro Plastic Industries Limited	40	22
4.	Erimat Industries Limited	30	17
5.	Wilmar Tanzania Limited	35	20
6.	Azania Polybag Industries Limited.	20	10
	Total	**320**	**178**

Source: Researcher, 2024

3.8 Sampling Technique

Sampling is the process of selecting elements of a population so as to make them

representative of the entire population (Kothari, 2014). Simple random sampling was used to pick 76 respondents from the six visited manufacturing industries. Simple random sampling is a part of a sampling technique in which each sample has an equal probability of being chosen (Kothari, 2019). Simple random sampling was used in this study since it removes all hints of bias (Ibid).

3.9 Data Collection Methods

Data collection is the process of collecting information from all the relevant sources to find answers to research problems, test the hypothesis, and evaluate the outcomes (Kumar, 2019). Data can be divided into two categories: secondary and primary data. However, this study used primary data collected directly from respondents. The study employed only a questionnaire as the primary data collection instrument.

3.9.1 Questionnaire

A questionnaire is a research instrument that consists of a set of questions or other types of prompts that aim to collect information from a respondent (Saris and Gallhofer, 2014). In this study, a list of close-ended questions was distributed to 178 respondents. This instrument was utilized because it typically provides respondents with the freedom and time to consider the questions and provide detailed answers (Kothari, 2019).

3.10 Data Analysis

Data analysis involves the processes of coding, editing, classification, and tabulation of collected data so that they enable the computation of certain measures along with

searching for patterns of relationships that exist among data groups (Kumar, 2019). Prior to the data analysis, the collected data were edited for the purpose of detecting and correcting errors and omissions. This study employed inferential statistics and descriptive analysis methods to analyze the collected data. For inferential statistics, correlations and regression analysis were used to test relations between independent variables and dependent variables. The Statistical Package of Social Sciences (SPSS) (version 25.0) was employed to analyze the data collected because these tools are user-friendly, easy to use for the data computation, and they also help in the analysis even when the large volume of data. The data presentation was done through frequency tables and percentage.

The following regression model was used.

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Whereby:

Y = Dependent Variable (Small and medium manufacturing enterprises growth (SMEs))

β_0 = y intercept (Constant)

β_1 = regression coefficient for Technology Transfers

β_2 = regression coefficient for Equipment Transfers

β_3 = regression coefficient for Knowledge Transfers

Where;

X1 = Technology Transfers

X2= Equipment Transfers

X3 = Knowledge Transfers

3.11 Validity and Reliability of Data

3.11.1 Validity

Validity refers to the extent to which the concept one wishes to measure is measured by a particular scale or index. That is the extent to which an account accurately represents the social phenomenon to which it refers (Creswell, 2014). In this study, validity tests such as content validity and face validity were conducted.

Content Validity: Here the questionnaire was formulated and operationalized as per the study variables to ensure the adequacy and representativeness of the items in each variable in relation to the purpose and objectives of the study. To reduce the threat to content validity, the researcher consulted the supervisor, who also gave his opinions on the instrument to judge its appropriateness. The expert's opinions were used to confirm to the researcher that the content's depth and breadth are suitable for the study.

Face Validity: Here the questionnaire was subjected to expert analysis and opinions from external experts in information security and cybercrime issues as well as the supervisor, who thoroughly checked the representativeness of the data collection instrument.

3.11.2 Reliability

Reliability refers to the consistency with which repeated measures produce the same result across time and across observers (Saris and Gallhofer, 2014). Reliability denotes how consistent a researcher or instrument is. Cronbach's alpha was used to

determine the Reliability of the instrument by establishing how the variables of the study are related to each other. As shown in Table 3.3, the Reliability of the variables ranged from 0.793 to 0.851, indicating a high degree of Reliability. According to the findings, all variables satisfied the Cronbach Alpha value requirement of more than 0.7, as suggested by Fraenkel and Wallen (2006), and were therefore taken into consideration for further analysis. Therefore, it was determined that the internal consistency was high enough to link all the variables, enabling the researcher to proceed with further analysis.

Table 3.3: Reliability test

Variables	Number of items	Cronbach's Alpha (α)
Production Skills	10	0.793
Equipment	10	0.851
Knowledge	10	0.851

Source: (Field data, 2024)

3.12 Ethical Considerations

Before the data collection, relevant and responsible authorities were consulted to give the permission namely the Open University of Tanzania and all respective Dar es Salaam city Administrative Offices. In this study, all participants were informed about the purpose of the study, and their permission for participation was considered with written informed consent. In addition, confidentiality was ensured for all respondents' information. Privacy was also an important ethical issue that was considered as the researcher ensured that there was no unauthorized access to the information provided by respondents.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Chapter Overview

This chapter provides explanations of the observed results according to the research objectives from chapter one. The findings were obtained based on primary data sources. In accordance with the study questions, the data results were shown and evaluated using frequency tables and percentages (charts).

4.2 Demographic Information

4.2.1 Response Rate

In this study, from the sampled of 178 respondents, 120 managed to fill and give back the questionnaires thus yielding a response rate of 67.4%. This was consistent with researchers among them Babbie (1990) who observed that in descriptive research, a response rate of above 50% is adequate for analysis.

Table 4.1: Questionnaire return rate

Organization support on EDMS	Questionnaire issued	%	Questionnaire returned	%
Azania Mills Company	47	26.4	36	30
Azam Mills and drinking Manufacturing	62	34.8	48	40
Metro Plastic Industries Limited	22	12.4	12	10
Erimat Industries Limited	17	9.6	8	6.7
Wilmar Tanzania Limited	20	11.2	12	10
Azania Polybag Industries Limited.	10	5.6	4	3.3
Total	**178**	**100**	**120**	**100**

Source: Researcher, 2024

The study involved respondents from six groups in which Azam Mills and drinking Manufacturing obtained a high response rate of 40% in the study, followed by Azania Mills company which accounts 30% of the response rate. While the questionnaires from other Metro Plastic Industries Limited and Wilmar Tanzania Limited all had the return rate (10%), Erimat Industries Limited had 6.7%, and Azania Polybag Industries Limited had the lowest return rate (3.3%).

4.2.2 Respondent's Gender

In this study, gender is a crucial demographic factor since it enables the researcher to ensure that the findings obtained are free from gender bias and hence, they are valid. The results show that, out of the 120 participants, 60% were males and 40% respondents were females as illustrated in Table 4.2. This implies that most of the respondents reached by the researcher are male in gender.

Table 4.2: Distribution of respondents by gender

		Frequency	Per cent
'Valid	Male	72	60
	Female	48	40
	Total	**120**	**100.0**

Source: Researcher, 2024

The results revealed that the majority of respondents were men. This research anticipated an equal number of male and female participants in government institutions due to government advocacy of women's empowerment and equal opportunities. This slight difference in gender composition may result from historical and cultural background that to a large extent favored male than female engagement

in education. According to Aina (2004), traditional cultural practices and high educational expenditures make it challenging to increase access to education and training in developing countries like Tanzania.

4.2.3 Respondent's Age

The results show that the majority of the respondents (over 43.3%) had age range of 36–45 years, followed by 36.7% who were in the age range between 26-35 years. These findings imply that the majority of respondents were responsible adults (36-45) who were familiar with the subject of the study. Age is another trait or factor which influences participation in economic activities including involvement in small businesses. Older participants are keener to acquire information on the impact of FDIs on the growth of local firms in the country.

Table 4.3: Distribution of respondents by age

		Frequency	Percent
Valid	18 – 25	10	8.3
	26 – 35	44	36.7
	36-45	52	43.3
	46-55	12	10
	Above 55	2	1.7
	Total	**120**	**100**

Source: Researcher, 2024

4.2.4 Respondent's Level of Education

The level of education is a crucial demographic factor in this study since it allows the researcher to determine if each worker's profession match with the type of work that he or she does to ensure maximum employee performance that will enable the organization to achieve its goal. The results show that 3.3% of the respondents had

only completed their secondary education, 21.6% of the respondents did certificates in different disciplines, 31.7% of the respondents did diploma, 36.7% of the respondents completed bachelor's degree and a small number of 6.7% completed master's degree level (Table 4.4). Moreover, these findings show that large number of respondents were educated and as a result this implies that entrepreneurs have skillful personnel that deliver the required quality of service in each manufacturing industry sector.

Table 4.4: Education level of the respondents

		Frequency	Per cent
Valid	Secondary education	4	3.3
	Certificate	26	21.6
	Diploma	38	31.7
	Bachelor's degree	44	36.7
	Master's Degree	8	6.7
	Total	**120**	**100.0**

Source: Researcher, 2024

4.2.5 Experience of Respondents in the Job

Level of working experience is an important demographic variable in this study because it enables the researcher to find out the respondent's perception on how employee's relations could influence and organization performance. The findings revealed that among the surveyed respondents about 28.3% were in the particular manufacturing industry for less 0-5 years, 44.7% were in the city for 6 to 10 years, 15% were in city for 10 to 15 years and 12.5% of the respondents were in city for more than 15 years as shown in Table 4.5.

Table 4.5: Distribution of respondents by length of service in the organization

	Years	Frequency	Percent
Valid	0-5 years	34	28.3
	6-10 years	53	44.2
	11-15 years	18	15
	More than 15 years	15	12.5
	Total	**120**	**100.0**

Source: Researcher, 2024

The findings revealed that the majority of the respondents (over 72%) involved in the study were working within the selected manufacturing industry for more than five years. This implies that, the researcher selected respondents who were experienced and had a fairly long period of providing relevant information related to impact of foreign direct investment on the growth of small and medium enterprises in Tanzania.

4.3 Results for Objective 1

4.3.1 The Impact of Foreign Direct Investment on Production Technology Transfers

To obtain information about the first objective; the impact of foreign direct investment on production technology transfers to small and medium manufacturing industries in Dar es Salaam City, several statements were asked and the respondents required to provide feedback on a Likert scale of one (1) to five (5), for 1 being strongly disagree, 2 being disagree, 3 being neutral, 4 being agree and 5 being strongly agree to the statements. On the statement “This company uses foreign technology in its production and service operations”, 5.6% of the respondents disagreed to the statement, 23.5% of the respondents neither agreed nor disagreed to

the statement, 57.8% of the respondents agreed to the statement whereas 13.1% of the respondents strongly agreed to the statement, with a mean of 3.78 and standard deviation 0.739.

On the second statement “Foreign technology has ensured that products are produced and served on time”, 19.1% of the respondents neither agreed nor disagreed to the statement, 41.0% of the respondents agreed to the statement while 38.9% of the respondents strongly agreed to the statement, with a mean of 4.21 and standard deviation 0.741. On the statement “Foreign technology ensures goods production and service costs are reduced”, 2.8% disagreed with the statement, 38.6% of the respondents neither agreed nor disagreed to the statement, 32.3% of the respondents agreed to the statement whereas 26.3% of the respondents strongly agreed to the statement, with a mean of 3.82 and standard deviation 0.885.

Regarding the statement “Foreign technology ensures that goods production and service is fast”, 10.4% of the respondents disagreed to the statement, 23.9% of the respondents neither agreed nor disagreed to the statement, 35.5% of the respondents agreed to the statement whereas 17.1% of the respondents strongly agreed to the statement, with a mean of 3.33 and standard deviation 1.251. Finally, on the statement “Foreign technology embodied has enabled the organization grow in terms of customers” 10.4% strongly disagreed to the statement, 14.3% of the respondents disagreed to the statement, 26.7% of the respondents neither agreed nor disagreed to the statement, 37.5% of the respondents agreed to the statement whereas 11.2% of

the respondents strongly agreed to the statement, with a mean of 3.25 and standard deviation 1.150.

Table 4.6: The Impact of foreign direct investment on production technology transfers

Statement	SD	D	N	A	SA	Mean	Std Dev.
This company uses foreign technology in its production and service operations.	-	5.6	23.5	57.8	13.1	3.78	.739
Foreign technology has ensured that products is produced and served on time.	-	-	19.1	41.0	38.9	4.21	0.741
Foreign technology ensures goods production and service costs are reduced.	-	2.8	38.6	32.3	26.3	3.82	.885
Foreign technology ensures that goods production and service is fast.	13.1	10.4	23.9	35.5	17.1	3.33	1.251
Foreign technology embodied has increased customer satisfaction.	6.0	-	13.1	41.0	38.9	4.21	0.741
Foreign technology embodied has enabled the organization grow in terms of profit.	-	2.8	38.6	32.3	26.3	3.82	.885
Foreign technology embodied has enabled the organization grow in terms of size.	13.1	10.4	23.9	35.5	17.1	3.33	1.251
Foreign technology embodied has enabled the organization grow in terms of customers.	10.4	14.3	26.7	37.5	11.2	3.25	1.150

Source: Researcher, 2024

4.4 Results for Objective 2

4.4.1 The Impact of Foreign Direct Investment on Equipment Technology Transfer

To obtain information about the second objective; the impact of foreign direct investment on equipment technology transfer to small and medium manufacturing industries in Dar es Salaam City, several statements were asked and the respondents required to provide feedback on a likert scale of one (1) to five (5), for 1 being

strongly disagree, 2 being disagree, 3 being neutral, 4 being agree and 5 being strongly agree to the statements. On the statement “This company has acquired new and modern equipment for its production and service operations”, 15.1% strongly disagreed to the statement, 13.9% of the respondents disagreed to the statement, 35.5% of the respondents neither agreed nor disagreed to the statement, 24.7% of the respondents agreed to the statement whereas 10.8% of the respondents strongly agreed to the statement, with a mean of 3.02 and standard deviation 1.195.

On the statement “New and modern equipment embodied have ensured that goods are produced and served on time”, 13.5% strongly disagreed to the statement, 8.8% of the respondents disagreed to the statement, 10.8% of the respondents neither agreed nor disagreed to the statement, 43.8% of the respondents agreed to the statement whereas 24.1% of the respondents strongly agreed to the statement, with a mean of 3.54 and standard deviation 1.306. On the statement “New and modern equipment have enhanced efficiency in production and service methods”, 5.2% strongly disagreed to the statement, 23.9% of the respondents disagreed to the statement, 19.1% of the respondents neither agreed nor disagreed to the statement, 20.7% of the respondents agreed to the statement whereas 31.1% of the respondents strongly agreed to the statement, with a mean of 3.49 and standard deviation 1.291.

Regarding the statement “, New and modern Equipment has enhanced the quality of goods”, 4.8% strongly disagreed to the statement, 15.9% of the respondents disagreed to the statement, 7.6% of the respondents neither agreed nor disagreed to the statement, 47.0% of the respondents agreed to the statement whereas 24.7% of

the respondents strongly agreed to the statement, with a mean of 3.71 and standard deviation 1.145.

On the statement “New and modern Equipment has improved the overall performance of the organization”, 4.8% strongly disagreed to the statement, 29.9% disagreed to the statement, 5.2% of the respondents neither agreed nor disagreed to the statement, 41.8% of the respondents agreed to the statement whereas 18.3% of the respondents strongly agreed to the statement, with a mean of 3.39 and standard deviation 1.223. On the statement “New and modern Equipment/object has enabled the organization grow in terms of output”, 8.4% strongly disagreed to the statement, 2.0% disagreed to the statement, 13.9% of the respondents neither agreed nor disagreed to the statement, 55.4% of the respondents agreed to the statement whereas 20.3% of the respondents strongly agreed to the statement, with a mean of 3.77 and standard deviation 1.062.

On the statement “New and modern equipment embodied has enabled the organization to come up with better production methods of goods”, 2.8% strongly disagreed to the statement, 4.8% disagreed to the statement, 12.7% of the respondents neither agreed nor disagreed to the statement, 33.5% of the respondents agreed to the statement whereas 46.2% of the respondents strongly agreed to the statement, with a mean of 4.16 and standard deviation 1.006. Finally, on the statement “

New and modern Equipment embodied has enabled the organization grow in terms of customers base”, 10.8% strongly disagreed to the statement, 10.4% disagreed to

the statement, 21.9% of the respondents neither agreed nor disagreed to the statement, 33.5% of the respondents agreed to the statement whereas 21.5% of the respondents strongly agreed to the statement, with a mean of 3.47 and standard deviation 1.240.

Table 4.7: The impact of foreign direct investment on equipment technology transfers

Statement	SD	D	N	A	SA	Mean	Std Dev..
This company has acquired new and modern equipment for its production and service operations.	15.1	13.9	35.5	24.7	10.8	3.02	1.195
New and modern equipment embodied have ensured that goods is produced and served on time.	13.5	8.8	10.8	43.8	24.1	3.54	1.306
New and modern equipment have enhanced efficiency in production and service methods.	5.2	23.9	19.1	20.7	31.1	3.49	1.291
New and modern Equipment has enhanced the quality of goods	4.8	15.9	7.6	47.0	24.7	3.71	1.145
New and modern Equipment has improved the overall performance of the organization.	4.8	29.9	5.2	41.8	18.3	3.39	1.223
New and modern Equipment/object has enabled the organization grow in terms of output.	8.4	2.0	13.9	55.4	20.3	3.77	1.062
New and modern equipment embodied has enabled the organization to come up with better production methods of goods	2.8	4.8	12.7	33.5	46.2	4.16	1.006
New and modern Equipment embodied has enabled the organization grow in terms of customers base	10.8	10.4	21.9	35.5	21.5	3.47	1.240

Source: Researcher, 2024

4.5 Results for Objective 3

4.5.1 The Impact of Foreign Direct Investment on Knowledge Transfers

To obtain information about the third objective; the impact of foreign direct investment on knowledge transfers to small and medium manufacturing industries in

Dar es Salaam City, several statements were asked and the respondents required to provide feedback on a Likert scale of one (1) to five (5), for 1 being strongly disagree, 2 being disagree, 3 being neutral, 4 being agree and 5 being strongly agree to the statements. On the statement “The knowledge embodied ensures that good is produced and served on time” 2.0% strongly disagreed to the statement, 2.8% of the respondents disagreed to the statement, 11.6% of the respondents neither agreed nor disagreed to the statement, 30.7% of the respondents agreed to the statement whereas 53.0% of the respondents strongly agreed to the statement, with a mean of 4.30 and standard deviation 0.922.

On the second statement, “The knowledge embodied ensures goods production and service methods are standard”, 5.6% strongly disagreed to the statement, 7.2% of the respondents disagreed to the statement, 5.6% of the respondents neither agreed nor disagreed to the statement, 53.8% of the respondents agreed to the statement whereas 27.9% of the respondents strongly agreed to the statement, with a mean of 3.91 and standard deviation 1.058. On the statement “The knowledge embodied enhances efficiency in production and service methods”, 5.6% strongly disagreed to the statement, 27.1% of the respondents disagreed to the statement, 19.1% of the respondents neither agreed nor disagreed to the statement, 27.5% of the respondents agreed to the statement whereas 20.7% of the respondents strongly agreed to the statement, with a mean of 3.31 and standard deviation 1.229.

Regarding the statement “The knowledge embodied has improved the overall performance of the organization”, 5.6% strongly disagreed to the statement, 7.2% of

the respondents disagreed to the statement, 5.6% of the respondents neither agreed nor disagreed to the statement, 53.8% of the respondents agreed to the statement whereas 27.9% of the respondents strongly agreed to the statement, with a mean of 3.91 and standard deviation 1.058. Finally, the statement "The knowledge embodied has enabled the organization grow in terms of output", 10.4% strongly disagreed to the statement, 2.8% of the respondents disagreed to the statement, 19.1% of the respondents neither agreed nor disagreed to the statement, 41.8% of the respondents agreed to the statement whereas 25.9% of the respondents strongly agreed to the statement, with a mean of 3.70 and standard deviation 1.188.

Table 4.8: The impact of foreign direct investment on knowledge transfers

Statement	SD	D	N	A	SA	Mean	Std Dev..
The knowledge embodied ensures that good is produced and served on time.	2.0	2.8	11.6	30.7	53.0	4.30	0.922
The knowledge embodied ensures goods production and service methods are standard.	5.6	7.2	5.6	53.8	27.9	3.91	1.058
The knowledge embodied enhances efficiency in production and service methods.	5.6	27.1	19.1	27.5	20.7	3.31	1.229
The knowledge embodied has increased customer satisfaction.	10.4	2.8	19.1	41.8	25.9	3.70	1.188
The knowledge embodied has enhanced the quality of products.	2.0	2.8	11.6	30.7	53.0	4.30	0.922
The knowledge embodied has improved the overall performance of the organization.	5.6	7.2	5.6	53.8	27.9	3.91	1.058
The knowledge embodied has enabled the organization grow in terms of output.	10.4	2.8	19.1	41.8	25.9	3.70	1.188
The knowledge embodied has enabled the organization to come up with better production methods.	2.0	2.8	11.6	30.7	53.0	4.30	0.922

Source: Researcher, 2024

4.6 Inferential Analysis

Both correlation and regression analyses were performed to find out the degree of relationship between the variables and the contribution of independent variables towards the dependent variable for correlation and regression respectively.

4.6.1 Correlation Analysis

Correlation analysis identified the existence or otherwise of relationship between small and medium manufacturing industries growth (SMEs) and all the other variables. Pearson Product Moment Correlation coefficient was used; the correlation coefficient (r) was used to establish whether there was linear relationship between the variables of interest in the study. The coefficient of determination (r2) was used to check for goodness - of - fit. The value of r ranges between -1 and +1, r = 0 implies no correlation, r = 1 means perfect correlation.

4.6.1.1 Correlation Analysis for SMEs Growth

From table 4.9 below, there is a positive significant relationship between small and medium manufacturing enterprises growth and technology transfers. The Pearson's correlation coefficient was 0.653, p- value <0.001. This implied that 65.3% of SME manufacturing growth in Dar es Salaam City is explained by technology transfers. Likewise, there was a strong positive significant relationship between foreign direct investment on equipment transfer to SMEs in Dar es Salaam City, with a Pearson's correlation coefficient of 0.763 and a p-value<0.001, implying that 76.3% of SMEs growth in Dar es Salaam City is explained by equipment transfer. Between small and medium manufacturing enterprises growth and knowledge transfers, the Pearson's

correlation coefficient was 0.800 and a p- value <0.001, which implied a strong positive significant relationship. The results imply that 80.0% of small and medium manufacturing enterprises growth in Dar es Salaam City is explained by knowledge transfers.

Table 4.9: Correlation matrix for SMEs growth variable

Correlations						
		Y	X_1	X_2	X_3	M
Y	Pearson Correlation	1	.653**	.763**	.800**	.712**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	120	120	120	120	120

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher, 2024

4.6.1.2 Summarized Correlations for All Variables

Table 4.10 below illustrates a summary of correlations of all the variables.

Table 4.10: Correlation matrix for all variables

Correlations						
		Y	X_1	X_2	X_3	M
Y	Pearson Correlation	1	.653**	.763**	.800**	.712**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	120	120	120	120	120
X_1	Pearson Correlation	.653**	1	.598**	.780**	.540**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	120	120	120	120	120
X_2	Pearson Correlation	.763**	.598**	1	.804**	.817**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	120	120	120	120	120
X_3	Pearson Correlation	.800**	.780**	.804**	1	.741**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	120	120	120	120	120
M	Pearson Correlation	.700**	.617**	.1202**	.760**	.841**
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	120	120	120	120	120

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher, 2024

4.6.2 Regression Analysis

The study adopted both simple linear regression and multiple regression to examine the relationship between the independent variables (Technology, equipment and knowledge transfers) and the dependent variable (Small and medium manufacturing enterprises growth). Table 4.11 shows the regression model of the relationship between Foreign Direct Investment on the Growth of Small and Medium Enterprises. As indicated in table 4.15(i) the coefficient of determination R square (R2) is .685 and R is .827. The statistic R which is 0.827 is the correlation coefficient, which implies a strong positive relationship between the joint relationship of Foreign Direct Investment on the Growth of Small and Medium Enterprises.

The coefficient of determination R square (R^2) implied that 68.5% of the variation on the Organizational Performance in Dar es Salaam City was explained by the variation of the Employee Relation practices. The other 31.5% of the variation in Organizational Performance is explained by other factors not included in the model. The results show that Employee Relation practices influenced the Organizational Performance in Dar es Salaam City.

The regression results were presented in Model $Y= \beta0 +\beta1X1 +\beta2X2 +\beta3X3 +e$. Table 4.16 presents beta coefficients of employee relation practices and organizational performance ($\beta1 = 0.090$, $\beta2 = 0.232$, $\beta3 = -0.001$; t-values of 1.723, 4.192, 0.023 and p-values of 0.086, <.001, and .982 respectively).

Therefore, the Model equation is;

$Y= \beta0 +\beta1X1 +\beta2X2 +\beta3X3 +e$.

Where;

Y = Small and medium manufacturing enterprises growth (SMEs)

X1 = Technology Transfers

X2= Equipment Transfers

X3 = Knowledge Transfers

Table 4.11: Regression analysis for SMEs growth

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.827[a]	.685	.679	.33462

a. Predictors: (Constant), X_1, X_2, X_3,

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.146E-005	.021		-.001	.999
	X_1	.090	.052	.100	1.723	.086
	X_2	.232	.055	.347	4.192	.000
	X_3	-.001	.062	-.002	-.023	.982

a. Dependent Variable: SMEs growth in Dar es Salaam City

Source: Researcher, 2024

4.6.2.1 Analysis of Variance (ANOVA)

Table 4.16 indicates the results of Analysis of Variance (ANOVA) on foreign direct investment on the growth of small and medium enterprises (SMES) in Tanzania. From the ANOVA results, the p-value of the F statistic is less than 0.001 (p-value<.001), an indication that the model was statistically significant, thereby implying that the data was excellent for making a conclusion. This therefore implied that the impact of foreign direct investment on the growth of small and medium enterprises (SMES) in in Dar es Salaam City.

Table 4.12: Analysis of variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	59.783	4	14.946	172.010	.000[a]
	Residual	27.545	317	.08689		
	Total	**87.328**	**321**			

a. Predictors: (Constant), Technology Transfers, Equipment Transfers, Knowledge Transfers

b. Dependent Variable: SMEs growth

Source: Researcher, 2024

4.7 Discussion of the Study Results

4.7.1 Foreign Direct Investment on Production Technology Transfers

The study findings revealed that production technology transfers as the predictor, which was measured by speed of service, reduced cost, efficiency and customer volume constitutes a significant outcome towards growth of small and medium manufacturing enterprises as the predictor with $p<0.05$. These findings imply that there was a positive significant impact of foreign direct investment on production technology transfers in Dar es Salaam City**.** These results are similar to what was highlighted by Awosusi and Awolusi's (2014) in Nigeria, that there is direct relationship between FDI and technology transfer. The authors added that FDI may result to in-active domestic investment in a particular country.

In the same vein, Mwika et al. (2018) in their study on the relationship between SMEs and globalization in Zambia revealed that globalization had a significant effect on SMEs growth. According to the resource based firm theory of Ghoshal et al., (2002), the firm comprises of differentiated technological skills, complementary assets and organizational routines and capacities. Normally enterprises owners shift

from the old traditional methods of production of goods and drink to faster and more efficient methods to meet the customer demands (Dedrick et al., 2003).

4.7.2 Foreign Direct Investment on Equipment Transfer to SMEs

The study results indicate that equipment transfer as a predictor has a significant effect on the growth of small and medium manufacturing enterprises, with $p<0.05$ as the dependent variable. The research findings imply that there was a positive significant effect of equipment transfer through FDIs on the growth of small and medium manufacturing enterprises in Dar es Salaam City. These results are similar to those of Dinh et al. (2019) who further noted that the application of technological manufacturing equipment and preparation techniques tremendously increased the goods production.

The findings revealed that a mean 3.39 of respondents said the new production equipment had a significant effect on production techniques in small and medium manufacturing enterprises. The mentioned positive effects of new production equipment where the new equipment was useful in enhancing the quality of products, improving the quality of services to customers, increasing profit margin, and increasing customers per day, increasing speed of production, enhancing efficiency of employees, improving satisfaction of employees, increasing the rate of output per hour and improving overall performance.

According to Sohail & Mirza (2020), small and medium manufacturing industries have moved from the old methods of production to faster and efficient processes where new technologies have been used by professionals. This implies that most of

the entrepreneurs in the manufacturing services try to adopt new technology for the purpose of increasing production of their enterprises. This is similar to the idea of Pandya and Sisombat (2017) who considers the entrepreneur as an agent who tries to copy various techniques of production at certain prices to add them into a new product. This implies that technology transfer enhances production skills among the owners and employees in small and medium manufacturing enterprises. According to the resource based firm theory of Ghoshal et al., (2002), the firm comprises of differentiated technological skills, complementary assets and organizational routines and capacities. Normally manufacturing owners shift from the old traditional methods of production of goods.

4.7.3 Foreign Direct Investment on Knowledge Transfer to SMEs

The results of the study revealed that knowledge transfer as a predictor constitutes a significant outcome on the growth of small and medium manufacturing enterprises with $p < 0.05$. These results indicated that there was a positive significant effect of the impact of foreign direct investment on knowledge transfers and growth of small and medium manufacturing enterprises. This implies that excellent knowledge transfer has a direct positive impact on the growth of small and medium manufacturing enterprises in Dar es Salaam City. These results are similar to those of Hussain, (2017) that the dynamic processes of creating, combining and sharing information are a key to generate new knowledge in production processes. These findings are also similar with Pakistan, Kirti and Prasad (2016) who argued that the capacity to make use of external knowledge is a function of the level of prior related knowledge.

Normally, there are several ways to increase the knowledge and competence, e.g. education, recruitment, through consultants and e-learning (Nyaga, 2013). According to Foray (2004), knowledge is absorbed by another person or a group than the inventor, is used in new dimensions and this stimulates economic growth.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Chapter Overview

This chapter provides the description of the study, and conclusions of the study that have been taken from the study results. This chapter also suggests recommendations for research in the field of improvements and areas for further studies.

5.2 Summary of the Key Findings

The study sought to establish the impact of foreign direct investment on the growth of small and medium enterprises (SMES) in Dar es Salaam City. Specifically, the study concentrated on how technology, equipment transfers, knowledge transfers through FDIs influences small and medium manufacturing enterprises (SMEs) growth in Dar es Salaam City. This study employed a descriptive research design. The target population in this study were small and medium scale entrepreneurs in the manufacturing sector including owners, managers and employees within the Dar es Salaam City.

The researcher used a population of 320 respondents from all six manufacturing industries visited. 178 was chosen sample size, however during data collection only 120 effectively participated in the study. Questionnaires were used to collect data from the field. Inferential statistics and descriptive analysis methods were used to analyze the collected data. For inferential statistics, correlations and regression analysis were used to test relations between independent variables and dependent

variables. The Statistical Package of Social Sciences (SPSS) (version 25.0) tool was used as the data analysis tool. The summary of the findings is shown as follows:

5.2.1 Foreign Direct Investment on Production Technology Transfers to SMEs

The first objective sought to examine on what extent foreign direct investment affects production technology transfers to SMEs in Dar es Salaam City. The study's results revealed a p-values of 0.086, that majority of owners (who participated in the current study were of the opinion that the new production techniques adopted from foreign direct investments had a positive effect on growth of small and medium manufacturing enterprises. This implies that there was a positive significant foreign direct investment on production technology transfers to small and medium manufacturing enterprises in Dar es Salaam City.

5.2.2 Foreign Direct Investment on Equipment Transfer to SMEs

The second objective sought to establish the impact of foreign direct investment on equipment transfer to SMEs in Dar es Salaam City. To test this variable, eight (8) items of dichotomous type questions were used, and analysis carried out using descriptive statistics, correlation and logistic regression to establish whether technology transfer on equipment/objects influenced growth of small and medium manufacturing enterprises. The research findings showed that there was a positive significant foreign direct investment and equipment transfer to SMEs in Dar es Salaam City.

On a mean average (3.49), majority of manufacturing firm owners stated that their industries had adopted technology transfer through acquisition of new and modern

equipment and objects. Consequently, the introduction of such new and modern equipment had an influence on the growth of micro and small manufacturing enterprises.

5.2.3 Foreign Direct Investment on Knowledge Transfers to SMEs

The study third objective was intended to examine the impact of foreign direct investment knowledge transfers to SMEs in Dar es Salaam City. The research results indicated that there was a positive significant effect of foreign direct investment on knowledge transfers to SMEs in Dar es Salaam City with a p-value of .982. This indicating that effective knowledge transfers through FDIs has significant impact on the growth of small and medium manufacturing enterprises in Tanzania.

5.3 Conclusions

The study concludes that that technology transfer through foreign direct investments leads to the growth of small and medium manufacturing enterprises in Dar es Salaam City, Tanzania. The growth was measured in the form of operation efficiency, increase in employees, increase in customers, enlargement in firm size and enhancement in quality of products and services. All the predictor variables making up technology transfers of production skills i.e. Efficiency Enhancement, Organization Techniques and Quality Service were all found to be positively and significantly associated with the growth of small and medium manufacturing enterprises. The equipment/objects embodied technology transfers comprised of four variables, namely, Effective Equipment, Employees Satisfaction, Customers Care

and Role of Equipment. All these variables were found to be highly and positively associated with the growth of small and medium manufacturing enterprises.

Moreover, the study concludes that technology transfer processes lead to the growth of small and medium manufacturing enterprises in Dar es Salaam City. The growth was measured in the form of profit margin, increase in employees, increase in customers, enlargement in firm size and enhancement in quality of products and services. Knowledge Embodied Transfers with two component variables, namely: Standard Production Process and Production Process Effect were all positively associated with the growth of small and medium manufacturing enterprises that had adopted Process Embodied Technology Transfers had acquired Standard Production Processes with a positive influence on their growth.

5.4 Recommendations

The current study recommends that the government initiates special capitation through budgetary allocations should be introduced in setting up additional technical colleges for the acquisition of the skills that are required for production and service in and medium manufacturing enterprises. Since development of skills is an important ingredient for the growth of the small and medium manufacturing enterprises. The technology resides in the product itself.

Access to finance continues to be an area that warrants further attention and requires effective initiative. This study recommends that the government should initiate special capitation through budgetary allocations to support the import and acquisition

of modern technology embodied equipment to small and medium manufacturing enterprises.

It will be of great interest to manufacturing enterprises training providers, institutions of higher learning, policy makers and scholars to know the nature and types of training offered to enhance manufacturing enterprises growth, factors that influences the transfer of technologies and skills among small and medium manufacturing enterprises and the extent to which training leads to their growth. Institutions of higher learning should be encouraged to develop curriculums that are specific to the manufacturing enterprises so as to create continuous dialogue between the instructor and learner pertaining to the intrinsic nature, diffusion, and utilization of certain scientific forms that are relevant.

5.5 Area for Further Study

Despite the remarkable results depicted in this study, there is a high possibility that all foreign direct investment aspects are not exhausted and therefore other studies are needed. To begin with, the selection of foreign direct investment variables included in the conceptual framework was not exhaustive. In addition, another study research should be carried out in other s to establish the Impact of foreign direct investment on the growth of small and medium enterprises Secondly; the study concentrated on the growth of small and medium manufacturing enterprises. Similar studies should be carried out to find out the influence of technology transfer on the growth of other micro and small enterprises.

Thirdly: The study concentrated on only five variables (profit margin, increase in employees, increase in customers, enlargement in firm size and enhancement in quality of products and services) that affect the growth of small and medium manufacturing enterprises due to time limitation. There are other variables that influence the growth of small and medium manufacturing enterprises and further researches should be carried out in future so as to avail information on the same

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APPENDICES

Appendix 1: Questionnaires

Dear Sir/Madam,

My name is **Didas Balimanya**, a student pursuing a master's degree in International Cooperation and Development at the Open University of Tanzania (OPEN) with registration of **……..**, I am conducting research titled "***Impact Of Foreign Direct Investment On The Growth Of Small And Medium Enterprises in Tanzania: A Case Study Of Selected Manufacturing Industries in Dar es Salaam City*".** I request you to give me your time in participating to this study. I assure you that the information you provide will be used only for the purpose of this study.

PART A: DEMOGRAPHIC INFORMATION

1. Please indicate the category of your age from the list below by ticking in the space provided.
   a) 18-25 [ ]
   b) 26-35 [ ]
   c) 36-45 [ ]
   d) 46-55 [ ]
   e) Above 55 [ ]

2. Please indicate you gender.
   Male [ ] Female [ ]

3. Please indicate your education level.
   a) Primary education [ ]
   b) Secondary education [ ]
   c) Certificate [ ]
   d) Diploma [ ]
   e) Bachelor [ ]
   f) Other [ ] Please specify.....

4. The period for the existence of the business
   a) Less than 3 years [ ]
   b) 4- 10 years [ ]
   c) 11- 15 years [ ]
   d) More than 15 years [ ]

PART B:

The impact of technology transfer on SMEs growth is scored on yes-1 and no-0 scale

I. The role of foreign direct investment on production technology transfers this is scored out of a 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree as shown below. Please tick where appropriate.

S/N	Role of foreign direct investment on production technology transfers	1	2	3	4	5
1.	This organization uses foreign technology in its production and service operations.					
2.	Foreign technology has ensured that products is produced and served on time.					
3.	Foreign technology ensures goods production and service costs are reduced.					
4.	Foreign technology ensures that goods production and service is fast.					
5.	Foreign technology embodied has increased customer satisfaction.					
6.	Foreign technology embodied has enabled the organization grow in terms of profit.					
7.	Foreign technology embodied has enabled the organization grow in terms of size.					
8.	Foreign technology embodied has enabled the organization grow in terms of customers.					

PART C

The impact of equipment technology transfer on SMEs growth this is scored out of a 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree as shown below. Please tick where appropriate.

S/N	The impact of foreign equipment embodied on SMEs growth	1	2	3	4	5
1	This has acquired new and modern equipment for its production and service operations.					
2	New and modern equipment embodied have ensured that goods is produced and served on time.					
3	New and modern equipment have enhanced efficiency in production and service methods.					
4	New and modern Equipment has enhanced the quality of goods					
5	New and modern Equipment has improved the overall performance of the organization.					
6	New and modern Equipment/object has enabled the organization grow in terms of output.					
7	New and modern equipment embodied has enabled the organization to come up with better production methods of goods					
8	New and modern Equipment embodied has enabled the organization grow in terms of customers base					

PART D

The impact of foreign direct investment knowledge transfers to SMEs this scored out of a 1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree as shown below. Please tick where appropriate.

S/N	The impact of Knowledge embodied on SMEs growth	1	2	3	4	5
1.	The knowledge embodied ensures that good is produced and served on time.					
2.	The knowledge embodied ensures goods production and service methods are standard.					
3.	The knowledge embodied enhances efficiency in production and service methods.					
4.	The knowledge embodied has increased customer satisfaction.					
5.	The knowledge embodied has enhanced the quality of products.					
6.	The knowledge embodied has improved the overall performance of the organization.					
7.	The knowledge embodied has enabled the organization grow in terms of output.					
8.	The knowledge embodied has enabled the organization to come up with better production methods.					

Appendix 2: Research Timeframe

The duration of the study is 8 months as shown below.

S/N	Activity	2023		2024					
		Nov.	Dec	Jan	Feb	Mar	April	May	June
1	Concept note Preparation								
2	Full Proposal Preparation								
3	Proposal Presentation								
4	Data collection								
5	Data editing and Analysis								
6	Report Writing								
7	Dissertation Presentation								
8	Submission								

Appendix 3: Ethical Documents

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

THE OPEN UNIVERSITY OF TANZANIA

Ref. No OUT/PG202000502 **8th May, 2024**

Regional Administrative Secretary (RAS),

Dar es salaam Region,

P.O.Box 5429,

DAR ES SALAAM.

Dear Regional Administrative Secretary,

RE: RESEARCH CLEARANCE FOR MR. DIDAS BALIMANYA, REG NO: PG202000502

2. The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1st January 2007.In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

3. To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. Didas Balimanya, Reg. No: PG202000502),** pursuing **Master of Arts in International Cooperation and**

Development (**MAICD).** We here by grant this clearance to conduct a research titled **"Impact of Foreign Direct Investment on the Growth of Small and Medium Enterprises in Tanzania: A Case Study of Selected Small and Medium Manufacturing Industries in Dar es salaam."**. He will collect his data at your area from 9th May to 30th June 2024.

4. In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam. Tel: 022-2-2668820.We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours sincerely,

THE OPEN UNIVERSITY OF TANZANIA

Prof.Gwahula Raphael Kimamala

For: VICE CHANCELLOR

JAMHURI YA MUUNGANO WA TANZANIA
OFISI YA RAIS
TAWALA ZA MIKOA NA SERIKALI ZA MITAA

MKOA WA DAR ES SALAAM
Anwani ya Simu:
Simu:2203156/2203158/286371
Barua pepe ras@dsm.go.tz

OFISI YA MKUU WA MKOA,
3 Barabara ya Rashidi Kawawa
S.L.P 5429,
12880 DAR ES SALAAM.

Unapojibu Tafadhali taja:

Kumb. Na. EA.260/307/02B/140

15 Mei, 2024

Mkurugenzi wa Jiji,
Halmashauri ya Jiji la Dar es Salaam,
Dar es Salaam.

Yah: **KIBALI CHA KUFANYA UTAFITI**

Tafadhali husika na somo tajwa hapo juu.

2. Ofisi ya Mkuu wa Mkoa wa Dar es Salaam imepokea barua **Kumb. Na. OUT/PG202000502 ya tarehe 08 Mei, 2024** kutoka Chuo Kikuu Huria ikimtambulisha na kumuombea kibali cha utafiti Ndg. Didas Balimanya katika Halmashauri yako.

3. Mwanafunzi huyu anafanya utafiti kuhusu ***''Impact of Foreign Direct Investment on the Growth of Small and Medium Enterprises in Tanzania: A Case Study of Selected Small and Medium Manufacturing Industries in Dar es Salaam.''***

4. Kwa barua hii, kibali kimetolewa kuanzia 09 Mei, 2024 hadi 30 Juni, 2024.

5. Asante kwa ushirikiano wako.

Samwel R. Magweiga
Kny: **KATIBU TAWALA MKOA**
DAR ES SALAAM

Nakala: Makamu Mkuu wa Chuo,
Chuo Kikuu Huria,
S.L.P 23409
Dar es Salaam.

Ndg. Didas Balimanya

JAMHURI YA MUUNGANO TANZANIA

OFISI YA RAIS
TAWALA ZA MIKOA NA SERIKALI ZA MITAA
HALMASHAURI YA JIJI LA DAR ES SALAAM

Kumb.Na.DCC/AF.3/ **Tarehe** 20/May 2024

Mkuu wa Kata
Kariakoo / Buguruni /
Gerezani

YAH: RUHUSA YA NDUGU DIDAS BALIMANYA **KUFANYA**
PROJECT/FIELD/RESEARCH

Tafadhali rejea somo tajwa hapo juu.

Mtajwa hapo juu ni mwanachuo katika chuo cha Open university of Tanzania.

ambaye amekubaliwa kufanya Project/Field/Research juu ya Impact of foreign direct investm. on growth of SME · case study Azania food company. katika ofisi yako kuanzia tarehe 22 hadi tarehe 15/June/2024.

Hivyo mpokee na kumpa ushirikiano kulingana na mahitaji yake.

Nakutakika kazi njema.

Tafadhali wape ushirikiano.

Kny: MKURUGENZI WA JIJI
HALMASHAURI YA JIJI LA DAR ES SALAAM

Kny: MKURUGENZI WA JIJI
HALMASHAURI YA JIJI LA DAR ES SALAAM

Appendix 4: Manuscript

Impact of Foreign Direct Investment on Technological Transfer to Small and Medium Enterprises in Tanzania: A Case Study of Manufacturing Industries in Dar es Salaam City

Didas Balimanya[1], Felician Mutasa[2] and Jacob Lisakafu[2]
[1]Corresponding Author: dbalimanya@yahoo.com
[2]Senior Lecturer, The Open University of Tanzania

Abstract
In the recent decades, Foreign Direct Investments (FDI) have been considered as the key driver of trade, economic growth and foreign technology transfer in the recipient countries especially Sub-Sharan Africa. This study sought to establish the impact of foreign direct investment on the technology transfer to the growth of small and medium enterprises (SMES) in Dar es Salaam City. This study employed a descriptive research design. 178 people were chosen as a sample size, however during data collection only 120 respondents effectively participated in the study. Data was collected through close-ended questionnaires and analysed through descriptive and inferential statistics analysis methods. The Statistical Package of Social Sciences (SPSS) (version 25.0) tool was used as the data analysis tool. The results revealed a positive and significant relationship between technological transfer through foreign direct investments and the growth of small and medium manufacturing enterprises in the recipient country since p-value was >0.05. This indicates that effective technology transfers through FDIs have significant impact on the growth of small and medium manufacturing enterprises in Tanzania. Finally, the study recommends that the government should initiate special capitation to support the import and acquisition of modern technology and equipment to small and medium manufacturing enterprises.

Keywords: *Foreign direct investment, Manufacturing enterprises, SMEs, Dar es Salaam City*

1.0 INTRODUCTION

Foreign direct investment (FDI) is one of the most important elements influencing countries' international economic integration. FDI establishes direct, consistent, and long-lasting interconnections between economies as well as encouraging innovative technology and know-how transmission across territories while allowing host economies to offer their goods more extensively on global markets (Ibid). FDI is also a source of investment financing that creates the climate for appropriate policies (Nikoloski, 2020). According to Mohamed et al. (2018), FDI can occasionally have a detrimental impact on the development of domestic small and midsize enterprises (SMEs) in host countries because the majority of foreign companies use transfer pricing to their own advantage, which has a negative impact on the profits that remain there and has a significant negative impact on tax revenue because the majority of profits are returned to shareholders in the home country, leaving the host country with little profit (Nikoloski, 2020).

FDI has emerged from multinational corporations (MNCs) in creating positive externalities in economic growth by providing financial resources, creating jobs, transferring technological know-how, managerial and organizational skills, and enhancing competitiveness (Bozsik et al, 2023). Today, the importance of FDI has increased as it is a form of technology transfer and market network that can affect global production and sales (UNCTAD, 2018), According to the United Nations Conference on Trade and Development (UNCTAD) data, it is evident that foreign capital globalization and enormous FDI inflow were stable in developing countries during the last years compared with developed countries. By 2019, the share of global FDI to developing countries accounted for 54 percent (UN, 2019). Most developing countries believe that FDI's principal benefits are embodied in increasing their technological and scientific capacities and narrowing the technological gaps between them and developed countries. FDI contributes to technological progress in developing countries (Zeng & Zhou, 2021).

It is essential to seek technology transfer considering the role that entrepreneurship plays in a nation's economic development and the absence of suitable technology in developing countries. Particularly in developing countries, small and medium-sized businesses need expertise and market access for sustained success (WTO, 2019). Small and Medium Enterprises (SMEs) may ensure their competitiveness and the competitiveness of the nation as a whole by acquiring the latest technologies and making wise investments due to access to information (Subair & Salihu, 2011). The technology can progress due to the positive knock-on effects of foreign direct investment. This is because foreign direct investment (FDI) is one of the most significant channels for spreading advanced knowledge and technological developments (UNCTAD, 2018). In Nigeria, Idehen & Iguisi (2020) argued that the value of foreign private investment and foreign portfolio investment had an adverse association with SME development. The role that foreign direct investments (FDIs) play in supporting local small and medium-sized businesses has been a topic of contention (Pandya & Sisombat, 2017).

Due to the high expectations that macroeconomic decision-makers and society at large had for the restoration of the local manufacturing sector in terms of technology and knowledge transfer, which ultimately helped boost small and medium-sized businesses and economic growth (UNCTAD, 2018), This indicate that to large extent FDIs have contributed to the development of SMEs in in most of developing countries including Tanzania (WTO, 2019). In Rwanda, according to Keza, (2022) FDI expressed as percentage of GDP affects positively the SMEs growth through the indicators of net profit margin, annual turnover growth and return on equity. Finally, the study concluded that there is a significant and positive relationship between the FDI and SMEs growth in Rwanda. (Keza, 2022)

Tanzania is one of the most preferred destinations for foreign direct investments in Africa; it counts among the 10 biggest recipients of FDI in Africa (WTO, 2019). According to UNCTAD's 2020 World Investment Report, the FDI inflow in Tanzania reached USD 1 billion in 2019 and showed an increase compared to the previous year (World Development Indicators, 2021). In 2019, the FDI stock was estimated at USD 21.8 billion. The mining sector, the oil and gas industry, as well as

the primary agricultural products sector (coffee, cashew nuts, and tobacco) draw the most FDI (Ibid). The country has been received investors from China, India, Kenya, the United Kingdom, Mauritius, Oman, the United Arab Emirates, Canada, the United States, the Netherlands, South Africa, and Germany (BoT, 2018).

According to the Doing Business 2020 report published by the World Bank, Tanzania ranked 141st out of 190 countries with high foreign direct investments (FDIs) inflow to the country's commitment that implements sound macroeconomic policies, its efficient privatization program, and its abundant natural resources. Tanzania enjoys an abundance of natural wealth, which offers tremendous investment opportunities, particularly in agriculture, mining, energy, and tourism (UNCTAD, 2018). The country has 44 million hectares of arable land, with only about 5% currently under cultivation. Resources include diamonds, gemstones, gold, coal, iron, nickel, forest products, domesticated livestock, wildlife, fisheries, marine products, natural gas, and possibly oil (BoT, 2018). All these resources have been attracted many investors to invest in the country by establishing small and medium enterprises including manufacturing industries, where in one way or another helped local firms in terms of technology and other production skills (African Development Bank, 2021). According to Mjema (2017) the inflow of the foreign investors resulted to the intra-firm technology transfer through the acquisition of parastatal companies by MNEs. This form of technology transfer includes upgrading production and marketing processes at the acquired firms that occur as a result of the greater technological strengths that foreign investors could potentially bring in as a result of the firm-specific assets of parent companies (Ibid).

However, the real value of FDI happens as a result of general knowledge spilling over to local manufacturing companies. This may occur when foreign direct investors create linkages with local SMEs and become integrated into the host economy, thereby pulling up local technological capabilities (Utouh et al, 2024). In Tanzania, very little is known about the extent to which FDIs are integrated into the local economy and, consequently, their impact on small and medium enterprises, particularly in small and medium manufacturing industries. For instance, Matonya (2017) studied the impact of foreign direct investment on manufacturing industries in Tanzania using the case study method where only two manufacturing industries were involved. In addition, the study employed the secondary data. While the study by Utouh et al (2024) and Taylor (2020) examined the role of foreign direct investment in economic growth using time series data. Therefore, in order to the gap, this study examined the impact of foreign direct investments (FDIs) on the growth of small and medium-sized enterprises (SMES) at Dar Es Salaam city, in Tanzania using only primary data.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

This theory was guided by The Product Life Cycle Theory developed by Raymond Vermon in 1966. It meant that a product has four stages: introduction, growth, maturity and decline. The theory postulates that firms invest abroad to enjoy some benefits such as cheap labour, tax incentives and a new market for their products (Latorre, 2008). As time moves, the local market competition grows gradually as the

product matures. During the introduction stage then product is brought into the market to create demand and raise awareness about its existence. At this stage the competition is usually low and so are the profits. When it graduates to growth the demand increases, production cost decrease and higher profits are achieved. Once the product hits maturity it already has many customers, and the competition is usually very high (Sohail & Mirza, 2020).

The products start declining in price and start to source for innovations. At some point, the market becomes crowded, and the goods become unpopular and decline in sales and profit occur (Latorre, 2008). On the other hand, several scholars like Adikari and Marasinghe (2021) ; Konstandina, and Gachino (2020) have come out with criticisms to the theory, and they argue that not all products follow the same trend as they differ in one way or another. The business world is full of rollercoasters, and this means that the trend that might be wanted might not actually happen, and this possesses a valid criticism to the Product Life Cycle Theory of Vernon.

In this study, this theory is relevant since it is used as means of explaining how FDIs country can flow to another country and spread technology and knowledge of production or manufacturing to the recipient country. The theory explains why most foreign companies try to seek for markets and invest in other countries. As the theory suggests, at some point their market gets crowded and they have to seek alternatives for them to grow and sustain the small and medium manufacturing enterprises. This therefore makes them go into the new countries and as they produce, they improve the economy as well. The growth means that several determinants of economic growth such as GDP are affected and thus the estimation of the direction becomes easy.

2.2 Empirical Review

Obeng-Amponsah & Owusu (2023) examined foreign direct investment, technological transfer, employment generation and economic growth: new evidence from Ghana. This study applied the autoregressive distributed lag (ARDL) bounds testing approach to cointegration and Granger causality tests to data from 1995 to 2017. The key findings revealed that FDI does not affect economic growth or employment in Ghana. However, technology moderates the relationship between FDI and economic growth and FDI and employment in the short run. The study also finds that technology exerts a positive effect on economic growth in both short and long run, whereas trade has a significantly negative effect on economic growth in Ghana.

Adikari & Marasinghe (2021) examined how inward FDI affects innovation in Sri Lanka using secondary data from 1990 to 2019. We used the Autoregressive Distributed Lag (ARDL) cointegration procedure to examine the long-run relationships between variables. As per the study results, the coefficient of inward FDI is a negative sign while the coefficients of education expenditure (EDU) and research and development expenditure (RDE) show positive signs of 0.26 and 5.7, respectively, and are statistically significant in the long run. It is demonstrated that research and development expenditure is vital in explaining technological

innovation, and inward FDI inflows do not contribute to widening technological innovation in Sri Lanka.

Elly (2020) assessed the effect of outside direct venture (FDI) on development of little and medium undertakings (SMEs) in Dar es Salaam city. Questionnaires were used to collect data from 11 respondents at PRISLO DESIGNS company. The data were collected from workers within the company including the owner of the business. Both qualitative and quantitative data were gathered and analysed by means of frequency analysis respectively in each finding. The findings revealed that FDI has both positive and negative impact on growth of SMEs in Dar es Salaam city. Whereby these impacts include managerial knowledge transfer, technical knowledge transfer, generation of new entrepreneurial opportunities, advanced stages of monetary growth and human capital triggered by FDI crowd out local investment, reduction in market share owned by SMEs, increased technological gap affecting SMEs growth etc.

Awaad (2020) investigated the impact of foreign direct investment spillovers namely (Finance, Technology & Skill spillovers) on small and medium enterprises' performance. A sample of 30 respondents was selected from juniors, seniors, and top staff who worked at Zain in various departments, including marketing, human resources, finance, and customer services, using a convenience sampling technique in which a Structured questionnaire was distributed among them. To test the significant impact, Statistical Package for Social Science (SPSS) used multiple linear regression to test the significant impact. The finding suggests both Finance and Skill spillovers have a statistically significant impact on small and medium enterprises' performance; however, it showed that Technology spillovers have no statistically significant impact on small and medium enterprises' performance.

Konstandina & Gachino (2020) examine the presumed role played by foreign direct investment (FDI) in transferring technology from home country into a host country. This paper employed data from Albanian manufacturing industry. The results pointed out that FDI plays an important role in technology transfer and that notwithstanding the industrialization of Albania. As per the technology transfer index developed, product-related technology transfer ranked highest followed by the process-related technology. The Tobit results generated indicated that firm age, performance, absorptive capacity, labour mobility, innovation, demonstration effect and systematic support were all key determinants of technology transfer. Surprisingly, size of the firm did not seem to matter

2.3 Research Gap

In light of the review above especially on various studies conducted in Tanzania, reaffirms my motivation to assess the impact of FDI on manufacturing industries. It is clear that much of the literature on FDI in Tanzania focuses on new emerging sectors like mining, tourism and gas while those on manufacturing have not look on social economic aspect of employment and technology which this thesis addresses. The focus has mostly been on FDI inflow without looking at the changes to the specific sectors. There is a need of contributing to this body of knowledge through undertaking researches and further studies. Thus, this study departs from the existing

body of literature by contributing new thinking with regard to the impact of foreign direct investment (FDI) on the transfer of technology to the small and medium-sized businesses (SMES) in Tanzania using the case of selected manufacturing industries in Dar Es Salaam City

3.0 Methodology

3.1 Research Design and Approach

The study employed a descriptive research design. This design was adopted because can be used to investigate the background of a research problem and get the required information needed to carry out further study (Majid, 2018). In this study the researcher employed a quantitative approach. Quantitative approach was used to collect numerical information while qualitative approach was used to explore the meanings that people construct out of their natural settings (Kumar, 2019).

3.2 Study area and Population

The study was conducted in Dar es Salaam where six manufacturing industries were visited including Azania Mills Company, Azam Mills Manufacturing, Metro Plastic Industries Limited, Erimat Industries Limited, Wilmar Tanzania Limited, Azania Polybag Industries Limited. According to Kothari (2019), a population is a well-defined set of people, services, elements, and events, group of things or households that are being investigated. The target population of this study was 320 respondents from all six manufacturing industries indicated above. 178 was chosen sample size, however during data collection only 120 effectively participated in the study.

3.3 Sample Size and Sampling

Sample size determination was based on Taro Yamane's mathematical model (1967), a valuable tool for estimating sample size in studies employing primary data (Kothari, 2019). The formula used was:

n = N / (1 + Ne^2)

Where; n= sample size, N=population of the study e= Confidence level (expressed into percentages 5%-10%, for this study e=10%), N=320

$$n = \frac{320}{1 + 320\,(0.05^2)} = 177.7$$

=178

Therefore, a sample size contained 178 respondents.

To ensure adequate representation of the different subgroups within the target population, the researcher selected 178 respondents from the population using a simple random sampling approach.

3.4 Data Collection and Analysis Methods

The study employed only primary data. These are original and gathered from first-hand sources (Kothari, 2019). Close-ended questionnaires were used as the main instrument of data collection. The data acquired in the field was analysed using both descriptive and inferential statistics. The collected data was analysed using Statistical Package for Social Sciences (SPSS) version 25.0. Data presentation included frequency tables and charts.

4.0 Results

4.1 Response rate

In this study, from the list of 178 respondents given questionnaires, 120 managed to fill and give back the questionnaires thus yielding a response rate of 67.4%. This was consistent with researchers among them Babbie (1990) who observed that in descriptive research, a response rate of above 50% is adequate for analysis.

Table 1: Questionnaire Return Rate

Organization support on EDMS	Questionnaire issued	%	Questionnaire returned	%
Azania Mills Company	47	26.4	36	30
Azam Mills and drinking Manufacturing	62	34.8	48	40
Metro Plastic Industries Limited	22	12.4	12	10
Erimat Industries Limited	17	9.6	8	6.7
Wilmar Tanzania Limited	20	11.2	12	10
Azania Polybag Industries Limited.	10	5.6	4	3.3
Total	**178**	**100**	**120**	**100**

Source: Researcher, 2024

The study involved respondents from six groups in which Azam Mills and drinking Manufacturing obtained a high response rate of 40% in the study, followed by Azania Mills company which accounts 30% of the response rate. While the questionnaires from other Metro Plastic Industries Limited and Wilmar Tanzania Limited all had the return rate (10%), Erimat Industries Limited had 6.7%, and Azania Polybag Industries Limited had the lowest return rate (3.3%).

4.2 Demographic Profile

Table 2: Demographic profile (gender, age, education and working experience**)**

Variables		Frequency	Percent
Age	18 -25	10	8.3
	26 -35	44	36.7
	36-45	52	43.3
	46-55	12	10
	Above 55	2	1.7
	Total	**120**	**100**
Gender	Male	72	60
	Female	48	40
	Total	**120**	**100**
Education	Secondary education	4	3.3
	Certificate	26	21.6
	Diploma	38	31.7
	Bachelor’s degree	44	36.7
	Master’s Degree	8	6.7
	Total	**120**	**100**
	0-5 years	34	28.3
	6-10 years	53	44.2
	11-15 years	18	15
	More than 15 years	15	12.5
	Total	**120**	**100**

Source: Field data (2024)

Table 2 discusses the demographic variables of the study. The respondents' characteristics, like gender, age, qualification, and working experience, are shown. The findings revealed that the majority of the respondents (over 43.3%) were in age group of 36–45 years, followed by 36.7% who were in the age range between 26-35 years. These findings imply that the majority of respondents were responsible adults (36-45) who were familiar with the subject of the study. Regarding the gender of the respondents, the majority, about 60%, were male, while 40% of the sample were female. Regarding education qualifications, the majority of the respondents (over 36.7%) had a bachelor's degree, whereas 31.7% had a diploma, 21.6% had certificates, and only 3.3% of the respondents had a secondary education. In terms of working experience, majority of the respondents (over 72%) involved in the study were working within the selected manufacturing industry for more than five years. This implies that, the researcher selected respondents who were experienced and had a fairly long period of providing relevant information related to impact of foreign direct investment on the growth of small and medium enterprises in Tanzania.

4.3 Descriptive analysis

This study sought to examine the impact of foreign direct investment on production technology transfers to small and medium manufacturing industries in Dar es Salaam City, several statements were asked and the respondents required to provide feedback on a Likert scale of one (1) to five (5), for 1 being strongly disagree, 2 being disagree, 3 being neutral, 4 being agree and 5 being strongly agree to the statements. On the statement "This company uses foreign technology in its production and service operations", 5.6% of the respondents disagreed to the statement, 23.5% of the respondents neither agreed nor disagreed to the statement, 57.8% of the respondents agreed to the statement whereas 13.1% of the respondents strongly agreed to the statement, with a mean of 3.78 and standard deviation 0.739.

On the second statement "Foreign technology has ensured that products are produced and served on time", 19.1% of the respondents neither agreed nor disagreed to the statement, 41.0% of the respondents agreed to the statement while 38.9% of the respondents strongly agreed to the statement, with a mean of 4.21 and standard deviation 0.741. On the statement "Foreign technology ensures goods production and service costs are reduced", 2.8% disagreed with the statement, 38.6% of the respondents neither agreed nor disagreed to the statement, 32.3% of the respondents agreed to the statement whereas 26.3% of the respondents strongly agreed to the statement, with a mean of 3.82 and standard deviation 0.885.

Regarding the statement "Foreign technology ensures that goods production and service is fast", 10.4% of the respondents disagreed to the statement, 23.9% of the respondents neither agreed nor disagreed to the statement, 35.5% of the respondents agreed to the statement whereas 17.1% of the respondents strongly agreed to the statement, with a mean of 3.33 and standard deviation 1.251. Finally, on the statement "Foreign technology embodied has enabled the organization grow in terms of customers" 10.4% strongly disagreed to the statement, 14.3% of the respondents disagreed to the statement, 26.7% of the respondents neither agreed nor disagreed to the statement, 37.5% of the respondents agreed to the statement whereas 11.2% of

the respondents strongly agreed to the statement, with a mean of 3.25 and standard deviation 1.150.

Table 3: The Impact of Foreign Direct Investment on Production Technology Transfers

Statement	SD	D	N	A	SA	Mean	Std Dev..
This company uses foreign technology in its production and service operations.	-	5.6	23.5	57.8	13.1	3.78	.739
Foreign technology has ensured that products is produced and served on time.	-	-	19.1	41.0	38.9	4.21	0.741
Foreign technology ensures goods production and service costs are reduced.	-	2.8	38.6	32.3	26.3	3.82	.885
Foreign technology ensures that goods production and service is fast.	13.1	10.4	23.9	35.5	17.1	3.33	1.251
Foreign technology embodied has increased customer satisfaction.	6.0	-	13.1	41.0	38.9	4.21	0.741
Foreign technology embodied has enabled the organization grow in terms of profit.	-	2.8	38.6	32.3	26.3	3.82	.885
Foreign technology embodied has enabled the organization grow in terms of size.	13.1	10.4	23.9	35.5	17.1	3.33	1.251
Foreign technology embodied has enabled the organization grow in terms of customers.	10.4	14.3	26.7	37.5	11.2	3.25	1.150

Source: Researcher, 2024

4.4 Regression Analysis

A linear regression analysis was conducted to determine the influence of foreign direct investment on technological transfer to small and medium enterprises The regression coefficients summarized in table 4.15 indicate that an increase in foreign direct investment resulted to a 0.482 growth of small and medium enterprises and this was statistically significant with a p value of 0.000. This means that a unit increases in technology transfer through foreign direct investment resulted to a 0.482 significant growth of SMEs.

Table 4: Regression Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.407[a]	.165	.158	.56718

a. Predictors: (Constant), Fairness

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.272	1	7.272	22.605	.000[b]
	Residual	36.673	114	.322		
	Total	43.944	115			

a. Dependent Variable: SMEs growth

b. Predictors: (Constant), foreign direct investment

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.804	.419		4.304	.000
	Fairness	.482	.101	.407	4.754	.000

a. Dependent Variable: SMEs growth

Source: Field data (2024)

4.5 Discussion of the Findings

The study findings revealed that foreign direct investment technology transfers as the predictor, which was measured by speed of service, reduced cost, efficiency and customer volume constitutes a significant outcome towards growth of small and medium manufacturing enterprises as the predictor with $p<0.05$. These findings imply that there was a positive significant impact of foreign direct investment on production technology transfers in Dar es Salaam City. These results are similar to what was highlighted by Obeng-Amponsah & Owusu (2023) examined foreign direct investment, technological transfer, employment generation and economic growth: new evidence from Ghana. This study applied the autoregressive distributed lag (ARDL) bounds testing approach to cointegration and Granger causality tests to data from 1995 to 2017. The key findings revealed a significant relationship between foreign direct investment, technological transfer, employment generation and economic growth in the short run., These findings imply that there is direct relationship between FDI and technology transfer. While, in a long run, the results revealed moderate relationship between the variables.

In the same vein, Mwika et al. (2018) in their study on the relationship between SMEs and globalization in Zambia revealed that globalization had a significant effect on SMEs growth. According to the resource based firm theory of Ghoshal et al., (2002), the firm comprises of differentiated technological skills, complementary assets and organizational routines and capacities. Normally enterprises owners shift from the old traditional methods of production of goods and drink to faster and more efficient methods to meet the customer demands (Dedrick et al., 2003).

5.0 CONCLUSIONS AND RECOMMENDATIONS

The study concludes that that technology transfer through foreign direct investments leads to the growth of small and medium manufacturing enterprises in Dar es Salaam City, Tanzania. The growth was measured in the form of operation efficiency, increase in employees, increase in customers, enlargement in firm size and enhancement in quality of products and services. All the predictor variables making up technology transfers of production skills i.e. efficiency enhancement, organization techniques and quality service were all found to be positively and significantly associated with the growth of small and medium manufacturing enterprises. The equipment/objects embodied technology transfers comprised of four variables, namely, effective equipment, employees' satisfaction, customers care and role of equipment.

Moreover, the study concludes that technology transfer processes lead to the growth of small and medium manufacturing enterprises in Dar es Salaam City. The growth was measured in the form of profit margin, an increase in employees, an increase in customers, an increase in firm size and an improvement in the quality of products and services.

6.0 AREA FOR FURTHER STUDY

Despite the remarkable results depicted in this study, there is a high possibility that all foreign direct investment aspects are not exhausted and therefore other studies are

needed. To begin with, the selection of foreign direct investment variables included in the conceptual framework was not exhaustive. In addition, another study research should be carried out in others to establish the Impact of foreign direct investment on the growth of small and medium enterprises Secondly; the study concentrated on the growth of small and medium manufacturing enterprises. Similar studies should be carried out to find out the influence of technology transfer on the growth of other micro and small enterprises.

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