

# The Factors Hindering the Effective Development of SMEs Businesses in Tanzania a Review Study

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**Abstract:-** The development of SMEs worldwide is dependent upon a favourable business situation. However, SMEs in Tanzania confront a number of obstacles that prevent them from growing, including a lack of funding, inadequate market accessibility, a lack of entrepreneurial expertise and skills, bureaucracy, lack of business training, lack of good infrastructure, a lack of collateral, low production, unfavourable regulations, corruption, the motivation of the business owners, limited access to information, inadequate raw materials and other related factors. The significance of the study is to review on the issues preventing Tanzanian SMEs from developing. The SMEs, businesses have been demanded as the backbone for the growth of economic in almost all the developing countries including Tanzania. In Tanzania it has contributed almost 30% of the national GDP, and almost 20-30% of the total labour force, thus 3-4 million people employed. Therefore the paper has addressed some factors internal, external and other related factors as reviewed that act as the setbacks towards the SMEs development. The study has focused on literature review of different articles, research and case studies done. Mwanza region was chosen as one of the case study because of great opportunity to SMEs in the region, which if could be well utilized could add high Gross Domestic Product (GDP) of the country. The SMEs involved are such as; retail shops, bars, restaurants, hotels, playing stations, decoction centres, stationeries, etc Tanzania To achieve the intended objective, the researcher developed research question that was aimed at assessing the factors affecting performance and development of SMEs, contributions and solutions to SMEs. Data were collected from literature review of paper and cited by the author concerning Tanzania.

The finding showed that most of the SMEs fails to develop due to; failure to access financial support, lack of business skills, poor technology used due to lack of awareness, lack of enough government support, high taxes imposed, failure to comply with government regulations, sudden change in climatic conditions and government rules. The study concluded by suggesting and further recommended on the better strategies that SMEs could implement with the government support like; government should always work and collaborate with SMEs in all areas by implementing favourable

**business policies, financial institutions should impose affordable and easy regulation to access loan that supports the SMES operations. Also the SMEs owners and employees should be given enough skills to help them perform better and copy with the daily change in technology advancement to assure effective and efficiency performance of the SMEs for their future sustainability in Tanzania.**

**Keywords:-** *Small and Medium Enterprises (SMEs), Negative Factors, Development, Tanzania, Mwanza Region.*

## I. INTRODUCTION

SMEs have been the major cause of individual and country economic growth to assure poverty reductions due to the provision of employment to citizens. It has been so important for the country's GDP and GNP growth. As per research, more than 1.7 million SMEs initiated initiatives that gave jobs to almost 3 million people in Tanzania, representing 20% of the work force in Tanzania. According to the research, many SMEs are an important source for economic development and contribute to the domestic product of Tanzania. (NSGRP,2008)

GDP from manufacturing industry in Tanzania increased to 3258720 TZS Million in the third quarter of 2023 from 2878495.66 TZS Million in the second quarter of 2023. GDP from Manufacturing in Tanzania averaged 1696526.17 TZS Million from 2005 until 2023, reaching an all-time high of 3258720.00 TZS Million in the third quarter of 2023 and a record low of 373896.38 TZS Million in the first quarter of 2005, source: ([National Bureau of Statistics \(NBS\) - Tanzania](#))

They cover a wide range of services and goods offered to citizens with the intention of meeting their needs and wants. They have also covered the high rate of employment for the citizens. They involve both service and goods enterprises, thus being divided into several categories like food and beverage, textiles, crop processing, health, learning, etc. There are many challenges that affect the operations of SMEs in their daily performance. Failure to analyze and handle these challenges results in poor performance and low profit generation. The challenges involve both internal and external factors that affect

different sections and departmental functions of these SMEs, like sales, marketing, logistics, management, stores, etc.

Many of the foreign SMEs, including the China SMEs, have been focusing on the foreign market to the fierce competition on domestic market whereby due to the increase in innovations resulting to the production of unique products, better price set which gives more competitive advantage to penetrate in the international market ( Madatta and Chen,2020)

The lack of sufficient funds, poor technology ,failure to adapt the creativity and innovative concept, poor infrastructure of the area have been major consecutive forces that tend to pull back the growth and successions of these SMEs where there is a great need of finding better solutions assuring the future development and growth of the SMEs in Mwanza city.

#### ➤ *Statement of the problem*

However there has been a massive increase and initiations of the SMEs in the country still there has been great challenges faced. In the record more than 95% of the businesses in Tanzania are Small Enterprises [1] which contributes almost 30% of the GDP.It has generated up to 40% of the total employment to the citizens. Despite its significance, over 50% of businesses in Tanzania fail before reaching 5 years (NBS, 2016; URT, 2012). Making the SMEs to sustain for longer than 5 years is not a one-time activity but rather a long-term determination calling for a great desire to move forward.The failing of this sector to grow is caused by some factors involved. Not affected the SMEs development but also affected both the economic growth of individual and nation at large. So the researcher found that there is a need to address the major challenges that affects the development and better performance of the SMEs in Tanzania through reviewing different literatures; case studies, articles, research paper. The study which will help many SMEs to realize and have suggested solutions for their future successions.

#### ➤ *Aim of the Study*

This study had a purpose to assess the challenges encountered towards the advancement of the Small Medium Sized Enterprises (SMEs) in **Tanzania, from case studies and references consulted** (literature reviewed)

## II. METHODOLOGY

The study employed mixed methods approach that used to examine the negative factors affecting the Small and Medium Sized Enterprises in Tanzania. Methodology comprised a comprehensive review of existing literature and case studies conducted within the Tanzanian and global SMEs landscapes .and other instruments used.

#### ➤ *Research Design*

It involves how the study has been designed base on the specific problem. Design is the intentional planning and setting up of parameters for data collecting and analysis with the goal of balancing procedural economy with relevance to

the research question. [2], [3]. It is a guiding structure on how the research will be conducted. The literature review research design is the procedures in qualitative exploration in which the author reads and learn several paper and research done on the title stated and later analysing and summarizing the findings for conclusion (Mugenda & Mugenda, 2003) as related to our as far as SMEs is concerned .

#### ➤ *Sampling*

As far as it involved the review study, the research focused on selecting different literature, articles and research studies done in Tanzania regardless of their regions, type and nature exploring the major challenges facing the advancement of SMEs.

#### ➤ *Research Instruments*

##### • *Data Sources and Method used*

**Secondary data were involved, thus** information collected from reading different paper, company records, articles published and internet sources thus online information on Tanzania SMEs situations which further support the theoretical frame work and research methodology applied.

#### ➤ *Reasons for using this Method:-*

- Quick data and available [4] cited in [5]
- The enormous saving in resources, particular time and money (Ghauri and Gronhaug 2005) , [6]
- Permanence and available of data in a form that may be checked relatively easily by others [7], [5]
- Easy data analysis and checked by other [6]
- Getting more ideas and suggested research topics and gap to be done

## III. LITERATURE REVIEW

The literature review encompasses these main areas: SMEs in Tanzania, Mwanza region (as the case reviewed) and importance of SMEs in Tanzania. It has also reviewed the existing literatures on the SMEs sector indifferent countries in Africa, Tanzania as the focus area.

#### ➤ *The Global Introduction of Small and Medium Sized Enterprises (SMEs)*

In 1978, there was a policy of the encouragement of the private owned enterprises to flourish in China, (Madatta and Chen, 2020). The SMEs were previous known as township and village enterprises where in later they began to grow and opened a door for employment opportunities in China which contributed much to the growth of the economy (America Embassy in China, 2002).The SMEs have been so important worldwide (Abort et.al,2008) enabling the growth of countries and self-economy. Most of the industrialized countries over 98% of the manufacturing sector have originated from the SMEs sector and they are the main provider for peoples' employment (Sanusi, 2003).In the developing countries the SMEs employs mor

than 22% (Kayanula et.al, 2000).The SMEs in Africa as well as Tanzania can be easily established compared to the large enterprises due to the less demanding of capital, labor force and other utilities. They are described as the backbone for the economic growth in almost all the developing and under developed countries. Example; Pressey et.al, 2009 said that, they contribute almost 50% of the UK-GDP offering almost 70% of employments.

**Small businesses** are the business owned by few numbers of people with few employees. They are defined in different ways depend on the specific country, because small business in United States can be large Business in Tanzania of Zimbabwe. The meaning reflects magnitude such as quantity of staffs, sales, productivity , net worth etc) at a sectoral level, mean that in some sectors all firms may be regarded as small while in other sectors there are no probably businesses which are small [8]

➤ *SMES in Tanzania Perspective*

Based on the Tanzania perspective. The commonly used yardsticks used to define the small business are; total number of employees, total investment and sales turnover. According to the ministry of enterprises and trade in Tanzania, small businesses are collectively defined under the Name of SMEs. SMEs nomenclature is used to mean micro, small and medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs).

➤ *The Following Table Shows the Categories of the SMEs in Tanzania*

Table 1 Categories of the SMEs in Tanzania

Caregory	Employees	Capital Investement (TSH)
Micro enterprise	1-4	Up to 5 mil
Small enterprise	5-49	Above 5 mil. to 200 mil
Medium	50-99	Above 200mil.to 800 mil.
Large enterprise	100 above +	Above 800 mil

Source ([9])

➤ *The Important of the SMEs in African Countries and Tanzania*

- It has helped to generate income, create jobs, and expand both rural and urban regions, all of which have led to the advancement of the economy, society, and politics. (Helsinki,2010).
- They strongly contribute to increase in country’s Gross Domestic Product. [10] .The one third of the national GDP in Tanzania originates from SMEs sector. It has further helped people in developing countries to engage themselves in entrepreneurship which helps to generate individual income. It has also favoured the initiation of the self-business to many people as it is characterized by low capital formation where most people can afford to start. Many African nations would face financial and

developmental obstacles in the absence of SMEs, which would lead to poverty. [11])

- Also SMEs involves the use of affordable technology to users which is easy to acquire, transfer and adopt resulting to low costs of operations.

Entrepreneurship involves the ability someone has towards starting certain kind of business thus the act of self-employment. Entrepreneurs are the people who have taken risk towards establishing certain kind of business of their own for the purpose of generating profit and satisfying their needs and wants.

➤ *A Case of Mwanza Region ( An Example of Regions in Tanzania that SMEs is Existing)*

SMEs in Mwanza region have been growing fast however they have been facing several challenges in their growth like; lack of sufficient funds, political legal factors infrastructures as said by (Renatus 2015). Entrepreneurship has been a backbone and relied by many people for their survival at Mwanza city in Mwanza regions. Mwanza region has an average population of 2,772,509 as per UNFPA report in 2021 and it is among the developing regions in Tanzania. 20% of the total population was between 15-24 years as at 2012. The region has 57% land and 43% water .The good natural resources and favorable climatic conditions gives favor for the establishment of different SMEs.

Mwanza City is located on the southern shores of Lake Victoria in Northwest Tanzania and covers an area of 1325km2 of which 425 is dry land and 900km2 is covered by water [12] .Of the 425km2 dry land area, approximately 86.8Km2 is urbanized while the remaining areas consist of forested land, valleys, cultivated plains, grassy and undulating rocky hill areas [12].The current approximately population is 595,807 with almost 8% of rural to urban immigration. People in the region are involving themselves in self-employment as well as employment with contracts from different government and private sectors. There are activities performed by people due to the presence of water bodies, fertile land, attraction sites and other resources, these are such as; fishing, tourisms, processing enterprises eg; food and beverage,, animal keeping and farming (agriculture).Most of the rural areas depend on in agriculture as their main activity for their survival thus planting and harvesting for sale while doing fishing. Most of the urban people are engaging themselves in small business in town areas while others are being working with either government or private companies, enterprises and other institutions. The region as well as the City council is experiencing different climatic condition in a year which favours the people within and outside the city to perform different business.

The Mwanza regions has more than 6 districts however the Mwanza City Council is comprised of one District namely Nyamagana.It has been divided into almost 8 Wards into two aspects thus rural and urban areas. Each district has rural and urban wards. The SMEs are both found and distributed within these wards. For example in Igoma we

have the soft drinks entities like cocacola, SBC Ltd (Pepsi). In Nyakato we have the SIDO, Sayona etc.

The SMEs have been contributing the national GDP as well as provision of employment to people. They have been developed and started by citizens within and outside the country (investors). It has also helped the city and country to minimize the unemployment rate thus reducing the rate of poverty in the city. SMEs has also been a backbone for the economic advancement that acts as the key provision of income to individuals in the particular society Visser (2006). SMEs are the growth engine for the economies (Fan, 2003).

#### ➤ *Ethical Considerations*

In the study, all the ethical issues were observed and followed by the researcher in the whole process of publication and investigations. The literature review as the research tool used was done successful and important articles, researches and other study paper read were. The citation was done and all the reference were listed and acknowledged for the results that are discussed and recommended

## IV. RESULTS

### A. *The Challenges Hindering the Effective Performance and Development of the SMEs in Different in Tanzania.*

The Internal are viewed with the specific firm such as; capital investment, expertise, management role etc. and external involve the one outside the enterprise such; political economical, socio-cultural, environmental, technological, legal etc.

### B. *The Internal Factors are the One Viewed Inside the Specific Firm. They Involve the Following as per Literature Review:-*

#### ➤ *Lack of Enough Capital.*

Capital involves the financial resources used by entrepreneurs to fund their businesses. lack of enough capital is one of key challenges that may face small business sector [13]. It involves both fixed and non-fixed assets lie; cash, machinery, equipment and other. They help many businesses to produce products and other services needs by the customer to meet their needs and wants. Most SMEs today are facing this major challenge of lacking enough capital for their businesses which results to failure to sustain and further developing their businesses. A study by Kuzilwa A.J 2005 suggests that small entrepreneurs are reluctant to sharing ownership which leaves them opting to short term debt financing which may constitute a constraint upon the growth of the business [14]. The nosiness who had united or having eager to share their possession with others are termed to partake more chance to grow and develop (Kinsella et al 1993). therefore the capital constraints have affected most of the African SMEs growth and better performance.

#### ➤ *Failure to Motivate Staffs.*

Motivation involves creation of satisfied and more comfortable environment for your employees to work with the morale for the maximization of business income and profit. The more you motivate your employees the more you create the morale and eagerness to work hard. [15]

#### ➤ *Running the Unregistered Business due to Failure to Comply with the Government Business Rules and Regulations [16],*

#### ➤ *Lack of Enough Trainings and Educations.*

Training involves the provision of extra skills and knowledge to your staffs creating more awareness and increase the capability of performing well. Education is a main principal of the human resource desired for business achievement (Helsinki, 2010). It provides the entrepreneurs with more assurance to compact with customers [8]. Most employees when employed within specific SMEs, they do lack the familiarity of the specific position given. There is a need to show and direct them how certain activities are performed based on the policy, standards and action plan of the specific firm involved despite of their professionalism they have. This will also help to remind them their daily duties and how they can do better. The same applied to other entrepreneurs who perform their business themselves; they should consider the fact of having trainings, education for their better performance. Most SMEs in Africa countries as well as Tanzania they neglect trainings of their staffs as well as self-acquiring of educations by business owners which results to poor performance like; failure to make good decision, failure to prioritize things etc.

#### ➤ *Failure to Analyze your Business Thus Lack of Business Plan due to Lack of Entrepreneurship Skills.*

As per research done in the study, 97% of the people involved in SMEs in Tanzania have low entrepreneurial skills, which becomes big challenges in long run [17]. Business plan is the formal document prepared as the guidelines and future direction of your business analyzing all the important areas as well as how you will finally run your business considering all the important factors.

#### ➤ *Lack of Competent Experts for Specific Sections thus Qualified Personnel.*

These have resulted in poor utilization of different firm's resources, resulting in under- and over utilizations. Another obstacle to the expansion of small enterprises was a lack of creative abilities to run businesses. This was because small business owners were unable to attend seminars, trainings and workshops on managing their companies in their particular industries. [18]

#### ➤ *Lack of Enough Marketing Skills*

Thus applying of weak and poor marketing approaches in business. Capabilities required for business growth can be summarized in terms of marketing, management and profit [19]., Marketing plays a big role for the development of any business as well as the SMEs. It helps to connect the producers, sellers, suppliers and their potential customers through the use of the best ways involved. [20] in the study



in Algeria said that marketing is the major factor for the survival of business, lacking this will lead to the failure in effective business operations.

➤ *Failure of the Specific Firm to Determine the Purchasing Power of the Customer.*

The individual income of the client will determine the purchasing power of the client. The inserting of the price of the products that is not suitable of the targeted clients becomes a great challenge for the proper sales. The sales of different products offered by these SMEs can be so easy and successful if the purchasing power of the consumer is well determined by fixing the price that is most suitable and affordable by many clients. Failure to determine the economic standard of individuals is failure to perform good sales and marketing.

➤ *Ignoring the Concept of Innovation and Creativity thus Failure to Adapt the Innovation Process in Firms Development.*

Most of the SMEs in African countries fail to use and apply the innovation concept thus still are using the same way of operations they had. They are unable to take risk to learn and initiate the new ways, strategies of operating which could maximize their productions and further develop the business.

➤ *Poor Management.*

Most of the SMEs in Africa as well as Tanzania have been facing the problem of lack of good SMEs management due to employing of people who lack enough skills, experience and exposure thus lack of managerial expertise on how to manage different activities which results to the poor decision making, poor performance and finally failure to further develop the specific enterprise. It's amazing how some successful businesspeople have excellent ideas and are experts in their industries, yet lack the administrative abilities needed to manage and run their companies. (Brink, Cant & Lightelm, 2003). They involve the SMEs inability to manage different sections like finance, production, human resource, inventory, sales and marketing, logistics and cash flows which results to bad outcomes. Having the right people in management will facilitate and encourage the good performance and growth of the SMEs in Africa, Tanzania. Provision of trainings and good skills empowers the SMEs managers to have better performance (King and McGrath (2002) . There is a need to employ the good and right people in the management position as management involve the planning, organizing, directing and controlling of all firm's activities.

C. *The External Challenges are the One that are Found outside the Specific Business. These are:-*

➤ *The Socio-Cultural Differences.*

Culture involves the total way of life of a particular society involving; beliefs, dressing styles, religions, customs, personal behaviors, norms etc. They tend to affect the consumer behaviors the way they perceive and accept the products manufactured, marketed and sold. It further involve the family influences, educations systems, which in

further period will determine what promotion and communication methods will be best applied to the targeted groups (Sarah, 2009). This has been one of the facing the SMEs in most African countries including Tanzania faced. It has led to the creation of different negative perceptions as per their traditions and local beliefs they had towards the products offered which tend to affect the SMEs sales, product development and general performance of SMEs [21]. Therefore the SMEs needs to work on elaborating and educating the customers to ignore the negative perceptions due to cultures differences (beliefs and traditions) in order to win in the market and become competitive.

➤ *The Unfavorable Economic Factors.*

It is also one of the challenges faced that acts as the obstacle for the effective and efficient performance of SMEs in African countries. They are mostly influenced by infrastructure of country like; transportations facilities, communications, energy. Also how the country is populated, urbanizations, income and wealth distribution of individuals and country at large.

- **Failure to receive capital support from different financial institutions** due to different reasons like high interest rates charges, payback periods, waiting period for the reception of the loan, request for security and loan guarantees (Zaman & Shabir, 2013 ; Mashenene, Macha, & Donge, 2014). This results to the lack of enough funds for the initiation of the business and further developing the existing business (Mashenene & Rumanyika 2014).

The development of the SMEs in African countries required sufficient provision of monetary investment where insufficient funds have been termed as an obstacle to such growth and development [22]. It is also agreed by many researchers that the inability to access the funds from these financial institutions have hindered the survival and growth of the SMEs in African Countries including Tanzania (Lindvert, 2017; Ariyo, 2004; Cook, 2001; Horn, 1981; Mambula, 2002) that have resulted to many SMEs in Africa countries to self-finance themselves as well as seeking support from friends which becomes a huge task and unsuccessfully one for their business.. Another significant obstacle to the expansion of small companies in Tanzania's Ngongongare Village, Arusha, was the availability of loans. The fact that business owners relied on their business's profit as a source of financing was indicative of this. [18]

- **Price fluctuations and Change in exchanging rates** have also seemed to be the challenging factors to effective sales, production and marketing of different products. There is an example about why energy drink are mostly liked by the customers in African countries as well as Tanzania, this is due to one of the great factor that is good price set which is affordable by many customers (Albaum & Durr, 2008, 129).

➤ *Corruption Practices.*

This is one of the factors negatively affecting the SMEs among Africa countries. It involves negative practice that force the SMEs to divert their business funds to other non-business activities illegally [23]. It has been practiced by both government and non-government officials before service is rendered. The practice has affected the good operation of the businesses in these countries as they have been using the funds that was not expected in business operations thus creating the unwanted budget which generally affects the whole business performance thus lowering the income and rising the costs of operations [24]. Most of the corrupt countries that practise this ill action are in Africa [25]), they do this due to difference reasons such as self-interests, failure of business to meet the requirements like; lack of license, poor business environment seen, etc whereby they take advantage to pull out money from these business for their own sake and benefits instead of redirecting the businesses owners on how to make their business become better and follow all the necessary requirements, conditions given by the specific authority in their government.

➤ *Lack of Government Support and Unfavorable Government Legal Rules and Trade Policy.*

It has also been one of the major factors as the challenges to effective performance and growth of the SMEs in different activities involved among African countries. It has affected the international marketing, productions, logistics and sales. There has been unfavourable legal and regulatory frame work that tends to act as barrier for these business people (Ngasongwa, 2002). There are various regulations and trade policies, systems that are set among nations, regions that act as barrier to the better performance. These depend with the type and nature of government like; dictatorship, republic, democratic, monarch etc as well as the legal systems one government has like; code law, common law. Also the political instability (war, political conflicts) tend to affect the business operations of individuals. The government has full control of different products imported and exported, example in 2019, Tanzania government had banned not to export the food products from farm especially maize and rice which affected many entrepreneurs who had such business outside the country, thus resulted to decrease in sales and failure to conduct international marketing. Also after the Covid situation has occurred, the governments of most countries restricted, crossing borders as well as import and exports products. Obanda (2012) and Olomi (2005) said that the access to means of exploiting public procurement opportunities as the means to empower them, have been a challenge where no incentives or proper guidelines and laws that are guiding all governments. This gives a proof of substantial obstacle that operators of SMEs are facing in winning the public procurement unites to first purchase commodity or service from SMEs ( Qin and Xiaoyuan, 2008).

➤ *Bureaucratic Process.*

This is also the challenge facing the SMEs in African countries as well as Tanzania. It has involved the long, unsystematic as well as difficult procedures inserted for the

business operations. No clear system of providing small entrepreneurs information on such matters neither by the government nor by other stakeholders (Juma & Said, 2019). This is so because small businesses find it difficult in areas such as business license obtaining, registering a business, tax matters and so on (**Helsinki 2010**).

➤ *Business Competitions among Enterprises.*

The more the competition in business the more the struggle and more innovative one needs to be in order to handle the situation for better performance as well as market penetrations and increase sales. Most entrepreneurs among African countries have been facing this competition in their daily sales and marketing of their products. The competitions has acted as the challenges for their better performance however in other hand they should reconsider as the stepping stone to another level thus way to come up with better sales and marketing strategies. Hoecklin, 1995 said that, the more innovative the business will be, the more competitive advantages it will have which results to better performance in all sections. The competitive advantages hereby lie in doing the right things effectively and not doing the wrong things efficiently (Sara, 2019). Furthermore, the increase in competition from the external market and the rise of foreign markets have been challenges to many SMEs found within a specific country, which tend to reduce the internal market share of the SMEs within the country, reducing sales, low profits, and finally poor growth. Therefore, there is a need for each SMEs in a specific country and region to be more competitive in order to survive in the business arena.

- *Technology Barriers thus Failure to Adapt and Apply the Modern Technological Tools* thus keep using the low and poor technology in the business activities involved. It is argued that the firms that adapt the modern technological tools are more likely to succeed and grow fast than the one adapting the low technological tools (Michael Gardias 2006). This is basically because the firms using the modern technological tools have more ability to become more efficiency and effective in their production as they will also practice the innovation concept. The business people in Tanzania found it's the disadvantage to invest in the modern technology since its benefits are not easily realized in the short run because of the poor economic conditions and low level of education they mostly have (**Helsinki, 2010**).

➤ *Environmental Risks like; Diseases, Fire, Theft, Change in Climatic Conditions etc.*

It has been one among the major challenge facing the SMEs in the world. Example the current situation for Covid disease that has affected almost all the countries in the world as it has reduced the movement of people, commodities as well as services across the borders. This has suddenly reduced the normal production and sales of different products manufactured by these SMEs in the world.

- *Lack of good and sufficient infrastructure* like; roads, communications means etc. Most of the Rural roads in Tanzania and Africa at large doesn't favor the easy distribution of products to customers, lack of good communications thus network problem with remoteness areas which hinder the effective information transfer at timely (Kazungu, Ndiege, Mchopa, and Moshi, 2014).
- *Shortage of Electricity supply.* There has been inadequate supply of power in some areas especially rural and some urban areas which affect the production and running of these SMEs (Kazungu, Ndiege, Mchopa, and Moshi, 2014). It has resulted to failure of business to have full operation capacity (Hatega, 2007). Africa is the main region that faces the problem of power supply related to additional region in the world which basically affects the business operations [22]

➤ *Other Challenges are such as ;*

- The political instability of the specific country, ethnic destructions (Bowen et al., 2009; Katua, 2014). It is so hard for the SMEs to further grow and flourish when certain country is facing political instability which result to fights among individuals, nations and further conflicts which finally affects the business operations of many people. It has been one of the challenges facing these SMEs .Example; change of leaders from different nations whereby each leader in his period comes up with his/her business rules and principles where some affects the better performance of these SMEs which finally becomes the challenge for the future growth.
- Also theft and lack of trust. A study on small entrepreneurship in Dar es Salaam shows a close relationship between poverty, theft or cheating to corruption and bribery in affecting small business operations and growth [26]. People are ready to steal the money and other assets assuring bankruptcy occur to someone's business just for self-satisfaction and having better living standard without considering the life of the owners business.
- The issue of marriage, family and gender has been other challenges facing the development of SMEs business in Tanzania .( Jeckoniah, Roche & Massawe,2023) Due to the family burden caused by large family members, as owners of the business have failed to invest more and concentrate on successful business. Also for the marriage with wrong partners who always have fights, they will have no time to think and have creativity on how to improve and succeed in their businesses. Also in some traditions and customs, women are not allowed to start business and work as men. So this lead to the imbalance in work where they might be special chance than women could perform better than men but are not given the priority.

## V. DISCUSSION

This suggests that financial constraints, capital constraints, inadequate technology, and stringent government rules are the main reasons Tanzanian SMEs are unable to expand. The findings are consistent with those of Mashenene & Rumanyika (2014), who discovered that capital limitations and business training have a major impact on the expansion of SMEs in Tanzania. These results are consistent with those of Nyangarika (2017), who found that the obstacles to SME expansion are financial resources, technology market accessibility, and an unfavorable regulatory environment. Furthermore, these results contradict those of Juma & Said (2019), who discovered that the primary barriers to SME growth include poor infrastructure, technology challenges, a lack of business training, insufficient business skills, and marketing challenges.

## VI. LIMITATIONS AND CONSIDERATIONS

**There have been some limitations in this paper writing** like; poor and delayed internet access to the correspondent web for the literature, some literature are hidden that are not easily accessed, the issue of time in reading more literature. As due to distance, budget and costs factor, the researcher failed to conduct primary data collections.

In the future research we should not focus only on literature review but also focus also in deploying more data through using other collection methods like primary in order to have more current, quality and timely information for the better findings and solutions. The researcher should also consider the time and budget arrangement in future study.

## VII. CONCLUSION AND RECOMMENDATIONS

### A. Conclusion

The study aimed at analysing the factors affecting the development of SMEs in Tanzania and to provide the policy implications based on the results of the study. The findings reveal that Tanzanian SME development is mostly challenged by financial constraints, poor technology, poor skills of entrepreneurs, poor government cooperation and support, high taxes imposed, unfavourable and tight enterprise regulations, lack of awareness to owners on new systems imposed, suddenly change in climatic conditions and failure to copy and comply with government business, failure to easily adapt the Technology advancement. Most literature have concluded on these constraints however it has been seen that, the government has a major and big role to control and play towards effecting the development of these SMEs.



### B. Recommendations

The study recommends that the government and the SMEs should insist and rely on the following strategies; For the financial institutions they should impose favorable rules that will accommodate large number of SMEs such as ; lowering the interest rates and simplifying the lending procedures to enable them to access the necessary finance and capital for their business (Mashene (2015 ;Jose et al. ,2010). The same has been proposed by Lindvert (2017), who also discovered that the unfair lending practices result in SME development failures since banks do not provide sufficient funding for these business. The government should review on the rates allocated to each financial institutions to favour the clients as far as SMEs are concerned.

Also the government must support SMEs by simplifying the regulations for SMEs such as levying taxes, setting favourable business license procedure and rates, create awareness on new business systems imposed and make them user friend. Shamsuddin et al. (2017) reported there to be a positive relationship between support from the government and SME performance and growth Also provision of free Business skills training to the SMEs by government organisation such as the Small Industries Development Organisation (SIDO) to facilitate business knowledge and avoid other education costs that could be incurred by the SMEs owner and employees (Mashene & Rumanyika (2014)).Furthermore the government should make sure the SMEs are aware of the innovation in their daily operations thus adapting the advanced technology, such as; use of digital platforms, the AI technology and put more effort on the applications for the better future performance that will help facilitate their business activities as we know business should grow from local to global perspectives (Nkwabi & Mboya, 2019).Moreover, improved provision of necessary infrastructure and enabling the environment for business operations is generally an imperative.

**For future research**, they should consider on exploring more on the better strategies and factor that favors the development of the SMEs in Tanzania, Examine the better government trade policies that could favor the SMEs advancement .Furthermore, the researcher and author can look on the impact of SMEs to Tanzania, thus exploring the contribution of SMEs towards enhancing poverty reduction and unemployment rate (H.E Dr. John Pombe Joseph Magufuli, phase 5 president of the URT, identified industrialization as a means of getting a sustainable solution for the unemployment problem in Tanzania (Halmashauri Kuu ya CCM, 2015). to the natives through the use of both primary and secondary methods of data collections.

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### ABBREVIATIONS

- SMEs: Small and Medium Enterprises
- GDP: Gross Domestic Product
- GNP: Gross National Product
- AI: Artificial Intelligence
- SIDO: Small Industries Development Organization
- IT: Information Technology
- URT: United Republic of Tanzania
- CCM: Chama Cha Mapinduzi

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