THE ROLES AND CHALLENGES OF MICROENTERPRISES IN THE ECONOMIC TRANSFORMATION OF THE SOCIETY

A CASE STUDY OF SMALL SCALE FIRMS AT MASWA URBAN IN TANZANIA

BY

HEMED HAMIS

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APPROVAL

This report entitled "**The roles and challenges of micro enterprises in economic transformation of the society**" was under my supervision and is worth being submitted to the examination board of faculty of social sciences, Kampala International University.

SIGNED ..... **DATE** 15TH/05/2008

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ABBREVIATIONS USED

Aij: A technical coefficient, implying the amount of inputs from sector **i** required to produce a unit of output of sector **j.**

BEST: Business Environment Strengthening for Tanzania

CRDB: Cooperatives and Rural Development Bank

GDP: Gross Domestic Product

MSEs: Micro-Small Enterprises

MSMEs: Micro, Small and Medium Enterprises

NBC: National Bank of Commerce

NGOs: Non-Government Organizations

NMB: National Micro-finance Bank

NSGRP [MKUKUTA]: National Strategy for Growth and Reduction of Poverty [Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania]

NSSF: National Social Security Fund

OLS: Ordinary Least Square

OPEN SECTOR: The rest amount of inputs that do not meet formal markets accounts/records.

PBFB [MKURABITA]: Property and Business Formalization Programme [Mkakati wa Kurasimisha Rasilimali na Biashara Tanzania]

PBZ: People's Bank of Zanzibar

PEAP: Poverty Eradication Action Plan.

R&D: Research and Development

ROSCAs: Rounding saving and credit associations

SACCOS: Saving and credit cooperative societies

SEAF: Small Enterprise Assistance Funds

TRA: Tanzania Revenue Authority

Tshs: Tanzania shilling

CHAPTER ONE

INTRODUCTION

1.1 Background

Micro enterprises are the small production unit based on single individual ownership; control and forecast, whose scale of production are irregular over a particular period. They are establishing to make profit like any other business.

Since the initiation of privatization policy, many countries in the world have been trying to ensure that, though the foreign capital inflow is needful to implement the policy of attaining the optimal macro economic environment, but it is very essential to mobilize the domestic resources through small and medium scale producers' empowerment.

With this aspect, micro enterprises is a useful tool for the sustenance of domestic welfare as well as enabling small-medium scale domestic producers to meet the competition from foreign investors.

Despite the governments' efforts in implementing various programmes and initiatives aiming at creating favorable business and investment environment, MSMEs face several constraints that affect effective competition in the market. The constraints include Unsupportive legal and regulatory framework, ineffective marketing system, and

undeveloped value chains characterized by low productivity level and low value added, and difficulties in accessing appropriate finance.

In many developing countries, micro-small and medium enterprises constitute the vast majority of firms and generate a substantial share of both overall employment and output (Nichter & Goldmark, 2005)

The basis of this debate is that neither researchers nor practitioners have been able to sufficiently demonstrate the causal links between MSMEs and economic growth and poverty reduction. One of the main reasons why it is difficult to capture causal links is because a universal definition of MSMEs does not exist, given the multitude of different economic, social, and geographic differences within the international context.

Micro enterprise sector is believed to be a first expanding sector and total population engaged in such activities is growing overtime. Mead (1994) has argued that, even in USA, a developed 8 out of 10 new jobs in recent years have come from small business.

The performance of enterprises is partly affected by the environment in which they Operate. Various studies highlight the importance of a conducive environment to enterprise development. Hallberg (2000) for example, argues that a well-developed physical infrastructure that includes reliable transportation, warehousing and port facilities, and communications networks has an influence on MSMEs development. Similarly, Tolentino (1995) notes that macroeconomic framework and policies directed at

providing support to MSEs development are likely to determine and influence the demand for their products and service. A biased policy framework against MSMEs according to Mead and Liedholm (1998) can among others, restrict access to essential inputs such as start up and working capital, machinery and equipment, and raw materials.

In addition to stimulating the creation of new enterprises and fostering their Viability and growth, an environment that is supportive to MSMEs is likely to contribute to the effectiveness and sustainability of support programmes. A conducive and enabling policy and regulatory environment are therefore crucial to the development of MSMEs. Following the implementation of liberalization policies in Tanzania during the last two decades, the country's business environment has witnessed various changes. Such changes among others, involve the opening of business opportunities within the private sector.

Despite the implementation of these policies, there is a growing shade of opinion indicating that, in pursuit of such business opportunities, formal procedures and bureaucracy hinder enterprise development particularly at the small-scale level.

Micro enterprise development programmes emerged in the 1980[s] as a response to the changing structure of the economy due to the failure of traditional business assistance and financial institutions to respond to specific management.

The support for MSE development on an international scale is reflected in the desire to find a middle ground between the structural adjustment focus of the 1980s and a more holistic approach that includes considerations for social development (CFED 2004).

The MSMEs sector is believed to be able to bridge the informal and the formal sectors and provide economic opportunities for both the poor and the non-poor, leading to more equitable growth opportunities and outcomes. Support for MSMEs development generally revolves around presumed comparative advantages of small firms: relative to large firms, small firms are believed to, among other things, create more jobs at a faster rate; be more labor intensive and thus create employment and training opportunities for unskilled labor; be more efficient; serve as a safety net against sudden economic or household shocks; be a seedbed for technological innovation and entrepreneurship; and provide broader non-financial, non-wage benefits to the working poor, such as greater access to health care on the other hand, education.

Since 2000, USAID, the World Bank Group, the Inter-American Development Bank and other agencies have put forth great efforts to promote private enterprise development (Snodgrass & Winkler, 2004). In the past five years, the World Bank approved more than $10 billion in support for MSE

development programs based on the argument that MSMEs make special contributions to developing economies by promoting economic growth and alleviating poverty (Beck, Demirguc-Kunt & Levine, 2003). As noted by Kristin Hallberg (2001)

A number of factors characterize micro enterprises include; the amount of capital employed is limited, the number of people employed is few, they are usually served for the local demand etc.

Traditionally, Micro enterprises originated during the early stage of economic development as far as economic growth models are concerned. According to Rostow's stages of economic growth& development, the society began with a traditional stage, where by individuals produced at subsistence level.

Under here the subsistence production were basing at family level. This type of production (subsistence/traditional) is what came to be called micro enterprise in modern economic theory. Micro enterprise had acted as a transition mechanism towards socialism and to the highest level of capitalism, which are joint stock companies (corporate) therefore, in order to allocate the small capital individuals have, the promotion of small-scale production is encouraged through micro enterprises.

1.2 Statement of the problem.

In order to evaluate the inter-industrial demand,i.e the relationship between the contribution of one sector to another and that of an open sector, there was need to

determine the role of micro enterprises/informal sector alone so that it could be attached to an input-output analysis/table.

In common usage, the input-output analysis has proved to be a useful tool for the evaluation of the performance of each sector in the economy. However, the weakness of this analysis is that, it tends to generalize the amount of an open sector without giving out their respective proportions.

Open sector =1-formal sector.

Therefore this research determined the role of micro enterprises alone as an integral part of the open sector in the whole process of economic transformation (economic development) of the economy.

1.3 purpose of the study.

The aim of this research was to explore the relationship between micro-small and medium enterprises (MSMEs) and development transformation process, in terms of its roles on poverty reduction, Together with the opportunities and challenges surrounding this sector. In order to transform it into a well developed formal sector in Maswa district.

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1.4 Specific objectives

Specifically the study had the following;

i) To determine the level of output (in %) generated by MSEs in the district.

ii) To measure the proportion level of employment that entrepreneurial sector absorb out of 10 new emerged jobs.

iii) To find out the adverse effects of taxation, interest, licensing procedures on the prosper of MSEs

1.5 Hypothesis.

i) Micro enterprise sector contributes 23% of individuals' personal income.

ii) Micro enterprise sector has raised the living standard of the local people by 65%.

iii) Micro enterprise helps PEAP/MKUKUTA to achieve its role through stable path

1.6 Scope of the study.

The study was carried out in Maswa district, but only in its urban premises. The district is located in Shinyanga region Tanzania. It is situated in lake zone, which is in southwest of Lake Victoria. The climate of the area is tropical savanna with moderate rainfall per year. The main economic activity of a place is agriculture, like most other districts in Tanzania. The total population is about 305,000 most of them live in rural areas engaging in crop cultivation and pastoralism activities, while some involves in informal activities. The main cash crop produced is cotton which stands as a corner block of the district's income generator. That led to the development of ginning industries within the district.

Therefore, the study covered the small-scale business holders/firms including; Food staff and drinks suppliers, vocational fixtures and furnishes makers, small scale farming like horticulture, hand crafts etc. The formal sector was also included to enable comparison with informal one. Formal sector included the registered firms, trades and business, industries within Maswa district and the public sector, micro financing agency (financial intermediaries) like NMB, PRIDE, FINCA, and SACCO's e.t.c

1.7 Significance of the study.

The district planning and statistics officer will find out possible to allocate resources available regarding the view of this research conduct.

The community-based organizations may easily understand the preference of society needs then could be able to know how to provide assistance and aid.

The financial and credit society/agency may use the compliance results to determine the creditability capacity and the absorptive capacity of the micro enterprises (small entrepreneurs) in the informal sector.

It will help on the evaluation of the performance of the poverty eradication action plan (MKUKUTA) over the period.

It can provide a way to determine the living standard of the people in Maswa district, by correlating the level of employment in SMEs sector and the aggregate demand.

. CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical evidence review.

It is hoped that the micro enterprises in the third world countries would be able to transform themselves. This transformation may be in terms of rural transformation that may involve the improvement of infrastructure such as roads, electricity and water supply.

The basis for business environment analysis on the micro enterprises is established by considering various theoretical contributions. One of such contributions relates to the ability to find new business opportunities in a society or the capability to innovate (Schumpeter, 1934; Leibenstein, 1966). North (1993), in search of sources of economic growth emphasizes the role of institutions in societal change. Formal rules and guidelines by these institutions for example, have an effect in shaping the business environment. Furthermore, North argues that formal rules that are created and conducted by principals, agents and state Bureaucracy hinder innovations and economic growth.

2.1.1 The Relevance of Micro Enterprises sector to planning Model

Micro enterprises play a critical role in the inter-industrial analysis. This analysis is well explained by the matrix model known as Input-Output Analysis. An input-output analysis is a novel technique invented by professor Wassily W.Leontief in 1951.it is used to

analyze inter-industrial relationship in order to understand the inter-dependences and complexities of the economy and condition for maintaining equilibrium between demand and supply. Before analyzing the relevance of micro enterprises in the input-output analysis, let us understand the meaning of the terms, "input and output".

According to professor J.R.Hicks, an input is "something which is bought for the enterprise" while an output is "something which is sold by it". An input is obtained but output is produced. The input- output tells us that there are production inter- relationships and inter- dependencies in the economic system as a whole. The inputs of one production unit are the output of another unit. Now recall back our concept of micro enterprise, here it is observed that although micro enterprises are not regarded much while taking the account for the total produce of an economy, but they play much role in the final demand sector as well as providing inputs to the other well-known sectors.

The open static model tends to explain about the existence of a sector beside n sectors. (i.e. beside known sectors).

In this model, the beside sector is mentioned as Household. Since households offer the services to the n sectors while again consumes the output from the n sectors.

Through this analytical example, the existence of an informal sector alongside the formal one proves the contribution of the unknown sector (Micro enterprises) to the known sectors.

Open sector =informal sector =$1-\sum aij$

In developing countries for instance; the subsistence takes about 30% of total produce per annum. bearing in mind that there's no proper system for data management , no advancement of clear channel for the flow of goods and services from place to place like poor infrastructure etc all these are barriers to the output to meet the formal markets[3]. In additional to that the presence of ignorance among the people is also a barrier to acquire accurate data on individuals' total produce and earnings over a period. Therefore, micro enterprises contributed much in demands, aggregate supply, employment etc that all together relate to the theory of macroeconomics.

2.2 Empirical evidence review

2.2.1 Share of firms and employment.

In many developing countries, micro enterprises and small-scale enterprises account for the majority of firms and a large share of employment, mainly consisting of small firms with one person working alone or with unpaid family members. Self-employment is a central element in these economies.

In Ecuador, for example, firms with fewer than 50 employees accounted for 99% of firms and 55% of employment in 1980. However, the relative importance of small producers varies significantly across countries and, within a given country, across stages of development over time. In low-income countries, the vast majority of firms are micro- or small-scale, existing alongside a few large-scale enterprises.

As countries develop, small-scale enterprises play a declining role. Taiwan and China are important exceptions to this rule (Snodgrass and Biggs 1996). Micro and small

enterprises are a major source of livelihood for a significant proportion of the population in these areas. Based on house-to-house baseline surveys in Africa and Latin America, the small firm sector is far larger than is reported. Liedholm states that estimated employment garnered from MSEs in the African countries is nearly twice that of employment rates for formally registered, large-scale enterprises (Liedholm, 2002).

2.2.2 Location.

Location can play a central role in determining MSE survival. MSEs located in urban or commercial areas are more likely to survive than their counterparts in rural areas are. However, in Liedholm's profile, over half of the enterprises operate in rural areas. Those that operate in commercial districts or on roadsides typically show greater growth rates than those that are based in the home, although Liedholm points out that this can vary at the country level.

2.2.3 Gender.

Women head an increasing number of small firms in Africa and Latin America. In five of the nine countries, women outnumber men as the owners and operators of MSEs; since working proprietors are the single largest category of the labor force, the majority of workers in MSEs are also women. These small firms tend to be concentrated in relatively specific activities like beer brewing, knitting, dressmaking, crocheting, cane-work, and retail trading. MSEs headed by women are more likely to be based out of their homes (Mead & Leidholm, 1997). Since home-based MSEs tend to be hidden and overlooked, women owners of MSEs are more likely to be 'invisible entrepreneurs.'

2.2.4 Firm Creation/Contraction.

MSEs are constantly changing; not only are new firms being created (new starts or births) while others are closing, but existing (surviving) firms are expanding and contracting in size.

These changes are usually summarized in two concepts: Net firm creation (new starts minus closure), and "mobility" or net firm expansion (firm expansion minus firm contraction) (Liedholm, 2002).

The determinants of new starts differ between high and low return (profit) activities. For high return activities, barriers to entry like initial capital requirements are found to be inversely related to the new start rate; for low return activities, new starts rates only inversely relate to the aggregate level of economic activity.

2.2.5 Labor Intensity.

Small firm expansion boosts employment more than large firm growth because small firms are more labor intensive, coinciding with the factor market structure of most developing countries. Many analysts argue that, within industries, for a given scale of production, small firms are more labor intensive than large firms are.

However, other evidence suggests that enterprise scale is an unreliable guide to labor intensity because many small firms are more capital-intensive than larger firms in the same industry. Labor intensity exhibits more variation across industries than among firm-size groups within industries – leading some authors to suggest that efforts to make economic growth more labor demanding should focus on altering the pattern of demand

in favor of labor-intensive industries rather than on supply-side efforts to change the size distribution of firms.

The fact that small firms employ a large share of the labor force in developing countries may be more a reflection of the product composition of production in those countries than the inherent labor-intensity of small firms (Snodgrass & Biggs, 1996).

2.2.6 Job Creation.

Apart from labor intensity, it is often argued that small firms are important for employment growth (i.e. job creation). While small firms experience both high job creation and destruction rates, it appears that job destruction during recessions is lower in small enterprises than in large enterprises – perhaps due to greater wage flexibility in small firms. In other words, small firm owners may temporarily accept lower compensation during recessions in order to hold on to their business (Snodgrass & Biggs, 1996).

The net job creation of MSEs is not necessarily higher and is frequently lower than for larger enterprises.The lion's share of job creation disproportionately resides in large enterprises. Larger employers offer better jobs in terms of wages, fringe benefits, working conditions, opportunities for skill enhancement, and job security (Biggs, 2002; Hallberg, 2001).

Evidence presented by Beck, Demirguc-Kunt and Levine (2003) support this assumption. They claim that the large firm destruction rate prohibits many small firms from growing.

In developed countries, net job creation rates (gross job creation less gross job destruction) do not exhibit a systematic relationship to firm size. For example, in the United States between 1973 and 1988, despite a widespread belief to the contrary, small manufacturing firms did not consistently create more jobs on a net basis (after allowing for jobs eliminated and firms that went out of business) than large firms (Nasar, 1994, as cited in Snodgrass & Biggs, 1996).

There is some evidence that the same conclusion holds for developing economies: the closure rate of small firms exceeded 20% per year in the early 1990s in Africa and Latin America and most closures occurred in the early years of a firm's existence. In fact, in Botswana, Kenya, Swaziland, and Zimbabwe, over 50% of the small firms closed within three years of start-up and the rate peaked before the end of the first year (Liedholm, 2002).

Since small firms have higher gross job creation and destruction rates than large enterprises, small firms may offer less job security than larger firms may. In the U.S., for both new and already existing jobs, job durability increases with firm size (Davis, Haltiwanger, & Schuh, (1993).

2.2.7 Market Linkages.

Market linkages amongst small firms are quite limited. The majority of small firms in these areas sell directly to final consumers, although some use subcontracting and

clustering. The studies suggest that those MSEs that sell to traders and manufacturing firms are more likely to grow than their counterparts who sell directly to final consumers.

The linkages to smaller suppliers may be stronger, as well, given their smaller size or limited scope. Smaller businesses may import fewer intermediate goods than large firms, which may produce a "larger local multiplier effect" in which a greater amount of products are purchased from labor-intensive SMEs. This, in turn, can lead to increased opportunities for locally sustainable growth and employment (Small Enterprise Assistance Funds [SEAF], 2004).

The preceding section presented several examples of the conceptual and empirical contributions MSEs may have to growth, efficiency, and job creation. Given MSEs' significant role in many poor economies, one might expect them to drive overall increases in output and income levels.

2.3 Taxation, registration and licensing of Micro enterprises.

Growth and expansion of the MSMEs depends on economic environment created by the government, both at central and local level. It is the role of government to ensure that business operates in an environment conducive for growth, with subsequent benefits of increased employment. A recent study on rural taxation showed that the current taxation system is not conducive for small-scale rural and urban business to prosper.

Local governments concern with revenue generation leads to negative effects on the growth of MSMEs. Local taxes on small enterprises are highly regressive, cutting into profit margins by as much as 50% for the smallest business.

The study further found that revenue collected from these enterprises is not used to provide services relevant to their growth. Therefore, local governments need to streamline local taxation in a manner that encourages rather than curtail growth of MSMEs. Such measures could include reviewing the rates and levels of local taxes on existing MSMEs or even offering full tax holiday of says a year for start up enterprise/business. Other measures could include taxing only business above certain threshold of annual income.

2.4 Credit policies in Tanzania.

The financial policies of Tanzanian have long emphasized the importance of providing credit to support productive activities in rural areas. A number of authors (Kashuliza, 1986; Kinhurwa, 1990; Temu, 1994) have documented the historical background of Tanzanian credit. Most of financial services were provided by cooperative and rural development bank (CRDB), The Tanzania Investment bank (TIB) and the people's bank of Zanzibar (PBZ).

However, the banks and cooperatives give credit according to their objectives and priorities.

Evidence has shown that the commercial and rural development banks in Tanzania normally will not lead to small scale business and firms which have little security to

guarantee the loan, lack of positive credit experience, and unable to prepare feasibility studies or meet the high interest rates (Due and Kurwijila 1991).

In order to solve this problem, the government of Tanzania started a micro finance bank which was formerly part of NBC, in order to serve the micro entrepreneurs including small scale firms. The government also allowed the private companies to provide financial services to small scale firms. Currently, there are a number of NGOs, private companies and projects which are engaged in the provision of financial services, for example; PRIDE, SEDA,OXFAM,WORLD VISION etc.

Literature on rural credit and small enterprises credit system has been dominated by the traditional view that rural financial market are characterized by monopolies, excessive high interest rates and information problems. This view has in turn led to many heavily subsidized credit schemes in developing countries (siamwalla, et al, 1989).

2.5 Sources of credit to small and micro-enterprise.:

There are several sources of credit to small and micro-enterprises. They can be grouped into three major categories, which are formal semi-formal, and informal sources.

2.5.1 Formal sources

These are variety of specialized, mostly government owned credit institutions. The mode of operation of operation of financial institutions often leads to high borrowers often have

to travel long distances and several times to the credit institution which may be located in a District or Region head office. Each visit can take a long time with endless waiting.

Time spent could have been used on something productive. The loans applicants have to seek assistance (and pay for it) to fill in forms and they have to pay a fee and often bribes when added up, these transaction costs for the borrower may exceed the interest on the loan (Biergegaard,1993; Niko,1997)

2.5.2 Semi-formal sources

Semi-form financial institutions are not subject to formal banking law and to the central bank supervision, but they are also not as the traditional indigenous financial institutions among these are NGOs involved in financial service provision, SACCOs parastatals and government projects with credit components.

Disregarding their internal indifferences, they are all based on savings. Membership is voluntary, and the utilization of money is not prescribed. The organizations have revolving funds with the initial capital input from the donor. In this way, they try to keep self-sustainability in order to meet the credit demands.

The mode of operation is more personalized, each member registered, has a ledger, which is a double entry card where both deposits and credit are entered. There are some successful examples of semi-formal institutions like, Bangkok based in Latin America,

ACTION AID, VAVEC in Burkina Faso, and LCCUL in Lesotho (Johnson and Rogaly, 1997,Mittendorf, 1986) in Tanzania include OXFAM,PRIDE and SEDA.

Despite the fact that semi-formal financial institutions are responding more to the needs of the poor in general and women in particular, compared to the formal institutions, they still face serious problems, for example, limited area coverage, low growing capacity, difficult to develop a sustainable institutions and in finding a stable institutional framework for their activities (Hague, 1992 in Birgegaard, 1993)

2.5.3 Informal Sources

Friends and relatives are the most common informal sources of credit, particularly in rural areas. In most cases, collaterals are involved and the repayment conditions are very flexible. These attributes are an advantage for those without land title, such as the majority of small-scale farmers.

In Tanzania, there exists a range of informal financial services for saving and borrowing. They include ROSCAs, in kind lending of cattle, and many more including informal insurance groups (Nikos, 1997; Temu, 1994; Hill, 1994) ROSCA consist of not more than a dozen members who know each other, have little or no access to formal finance and who agree to contribute a fixed sum periodically to a pool or a hand. One member receives a hand each meeting (Nagarajan and Meyer, 1996).

The transaction costs of ROSCAs are generally very low, overhead and administration costs are virtually non-existent. The close social bonds of members and reciprocal dependence are a powerful control mechanism of risk. The ROSCAs are found around the whole world in different names. In Tanzania they are called *"upatu"* and Kenya "merry go round", in Gambia and Ghana *"ususu"* , in Cameroon "*djanggi*" and in Bolivia "*pasanaku*" (Bergegaard, 1993). However, ROSCAs are not suitable for small farmers because in an agrarian society, most farmers need money at the same time notably in the planting season, and ROSCAs cannot afford these needs for more than one or two members at a time.

Batterman and Majid(1987); pointed out that production credit is what resource poor farmers need rather than credit for long term investments. Thus, these have had a limited effect in assisting poor farmers in their main economic activities. ROSCA's weaknesses are based on its low capital base and closeness (Schirmester et al. (1996)

2.6 Micro enterprises and its access to finance.

Credit services for the poor have been found to make positive impact on household income. To promote economic development, there is need for both short term and long term financing for both formal and informal sectors. The fast expanding micro finance industry is very effective at financing investments with quick and high returns. The MSMEs tend to be less attractive to micro financing industry because most of them have

slow returns, which do not favour the micro financing industry in term of terms of repayment.

Government is therefore exploring an initiative with the international fund for providing credit to the micro enterprises with simple loan terms for promoting micro finance services through the micro finance outreach plan.

2.7 Economic Empowerment

The Government of Tanzania formulated the National Economic Empowerment Policy in 2004 to serve as a roadmap for participation of Tanzanians in all sectors of the economy. The policy is intended to address economic empowerment needs for the individual Tanzanians and local enterprises, in which Tanzanian citizens hold less than 50 percent of the shares. Before and after inception of the policy, the Government, including the following, has implemented several programmes and initiatives:

(i) ***Programme for empowering Tanzanian entrepreneurs, through provision of softloans*** to individuals, particularly the weaker groups in society, who are unable to access formal commercial credit facilities. The funds are provided by the

Government through two commercial banks, CRDB Bank and NMB, which have been commissioned to manage the programme commencing February 2007

(ii) ***Property and Business Formalization Programme,***

This aims at empowering the poor, who are sitting on informal property and businesses, with potential for providing opportunities for increased value, through graduation into the forma economy, and access to credit facilities (through use of such assets as collateral). In its second phase of implementation, the programme has already taken off in all three Dar es Salaam municipalities, with the Project for Recognizing Ownership of Unplanned Settlements and subsequent issuance of Residential Licenses that recognize ownership of such assets. The project is expected to cover about 400,000 residences in Dar es Salaam during the 2-year period;

(iii) ***Business Environment Strengthening for Tanzania (BEST),***

This aims at reducing the cost of doing business, removing the regulatory and administrative barriers to formal business. The programme has enhanced opportunities for the private sector to participate in formal business activities. Recent revisions and enactment of pertinent supportive legislations has substantially improved the business environment in Tanzania.

CHAPTER THREE

RESEARCH METHODOLOGY

This section provides a full explanation of the procedures, methods and design of collecting data, processing and analysis of the data that was acquired from various respondents.

3.1 Sampling Design.

The researcher used stratified group sampling design. Stratification here refers to the division of the population into non-overlapping and internally homogeneous sub population. From each stratum, a random sample was selected using simple random sampling.

3.2 Sample size

The sample size was 100 entrepreneurs, and the data based on; entrepreneur Personal data (entrepreneurs' gender, age and educational level), business premises, and commercial registration. Where by a reasonable number of people was selected from each of the following groups. That was; 40 small entrepreneurs,5 officers from micro financing agency, 40 entrepreneurs from medium enterprises, 5 officers from government relevant offices and the independent tax authority.

3.3.1 Sources of data

The data sources were both primary and secondary. Where by a researcher trapped primary data direct from the local entrepreneurs most of whom do not formalize their record keeping system. In another way, secondary were used on those enterprises which kept records reflected the scope of the study. Some statistical bureaus

3.3.2 Methods of data Collection.

The main research tool used in this study was questionnaires. The questionnaires covered questions concerning the number of people engaging in different micro enterprises, about the personal income raised from the enterprises, shortfalls, operational plan and the performance of an enterprise over a given period.

In some cases, an interview was also used to capture some information whenever questionnaires seen not to be effective in particular people on giving the data relevant to MSEs Characteristics. The second part of the questionnaire was examining the business environment surrounding MSEs.

In line with the focus of the study, entrepreneurs were specifically asked if they view licensing procedures, information availability and tax regulations to be a hindrance to their operations. Follow up questions were similar asked during the interview to obtain an insight into how these factors affected their operations.

The heads of the enterprises, relevant district administration officers, financial agency, registered firms, and tax authority also filled questionnaires. Questionnaires consisted, two different formats where by the respondents put a tick where there were structural questions and filled the empty spaces for the short open questions. Most of the questions were coded to ensure better data entry into the computer. However, there were few open-ended questions to help the researcher be able to get full understanding.

3.4 Procedures for data analysis.

After data has been collected, the questionnaires were well revised to ensure the accuracy of the answers given. Data was well coded for easy capture into the computer. A statistical package like excel was used to organize the information and analysis.

3.5 Methods of Data Analysis.

Different techniques were used in the analysis of data. First, descriptive statistics was used, where by frequency tables and graphs were developed especially to present the background information to study. This was also done for easy and clear presentation of the results. Hypothesis testing was done using the chi (χ^2) and correlation analysis was used to show the relationship between different variables.

The hypotheses were stated as;

H_o = Null hypothesis

H_1 = Alternative hypothesis

3.6 Study Limitations.

- The major problem that encountered is non-existence (absence of the records) of past account data about some enterprises.
- Another problem was the non-response due to unwillingness of individuals and institutions to give out the necessary information that hindered the full coverage of the desired sample size.

CHAPTER FOUR

DISCUSSION AND PRESENTATION

Given the qualitative and quantitative questionnaires, the study used cross tabulation to analyze and present enterprise characteristics and the factors affecting entrepreneurship environment.

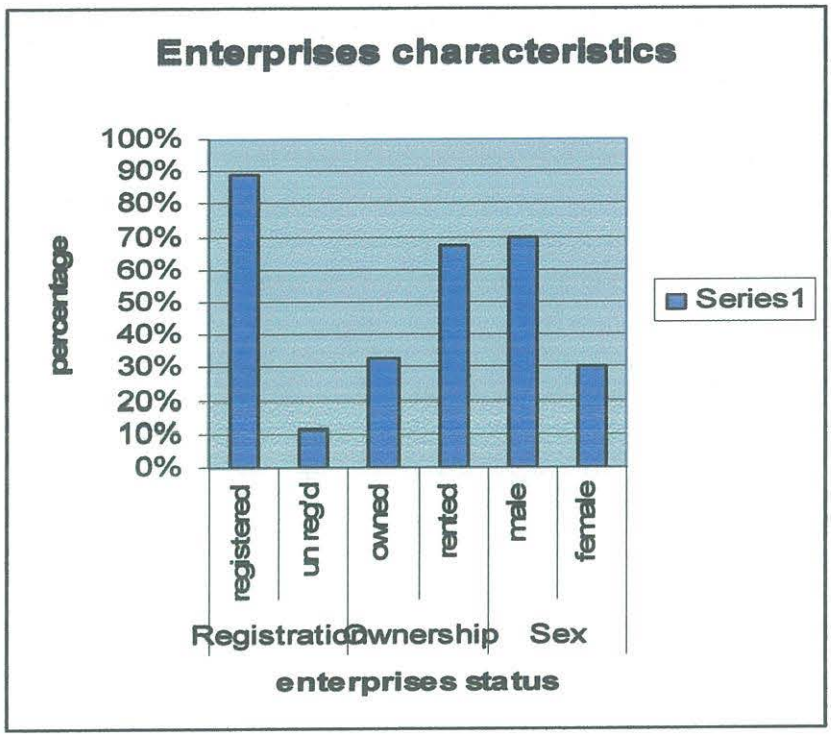
The analyzed data presented in three parts. Initially the general information that characterizes enterprises followed by the roles played by the enterprises in socio-economic transformation of the society, and the last part is about the challenges around micro enterprises atmosphere.

4.1 Entrepreneurs & enterprises characteristics

Registration	Unregistered	Average age	Education level				Ownership of business premises		Sex	
			University	Secondary	Primary	Vocation	Own	Rented	Male	Female
89%	11%	35	0%	25%	70%	5%	33%	67%	70%	30%

General information on enterprise characteristics specifically focuses on entrepreneurs' gender, average age, education level and business ownership.

This information is summarized in the table below:



Results indicates that, most micro and small enterprises are owned and operated by men (70%), this finding is consistent with other findings across the globe where women owned business were found to account for 25 to 33% of all business (Employment NOW community Initiative,1998). Entrepreneurs' average age is about 35 years. Most of the studied entrepreneurs do not achieve beyond the primary, secondary and vocational levels of education, almost 100% of the surveyed sample. These findings are in line with a common perception that most micro and small entrepreneurs achieve an education level of no more than secondary school.

The categories of the business undertaken by enterprises as presented in table 1.0, supports a common perception that MSEs in developing countries are primarily vendors

and small traders (mead and liendholm, 1998). Most enterprises (67%) operate from rented premises. An assessment on the enterprises commercial registration status reveals that most MSEs are registered (89%), all the commercially unregistered enterprises are micro, that is: employs less than 10 people.

4.2 The roles of micro enterprises in economic transformation.

4.2.1 Matrix model hypothesis testing

Recall the research model, which was to determine the contribution of informal sector/open sector to the total district production. The model stated that;

Open/informal sector = $1-\sum a_{ij}$.

Therefore the following are the data obtained from the district planning office, showing the producing sectors each with its respective percentage to the district's total output. it involves three sectors namely; agriculture(farming), pastoralism(cattle grazing) and commerce/trades.

The input-output table below summarizes the information from the selected three sectors.

	AGRICULTURE	PASTORALISM	COMMERCE/TRADES
AGRICULTURE	0.3	0.4	0.2
PASTORALISM	0.2	0.1	0.3
COMMERCE/TRADS	0.4	0.1	0.3
Total Demand	**0.9**	**0.6**	**0.8**

Source: Maswa district input-output table 2005

From the above table, it shows that;

Agricultural sector consumes its own output by 30%, also gets 20% inputs from pastoralism sector's output and consumes 40% from trades sector, all together to produce a unit of output. The trade sector under here is referred to the sales of the ready-made products from the manufacturing industries.

Pastoralism(cattle grazing) sector use 40% of agricultural sector output,10% of its own products and gets 10% from trades sector to produce a unit of output.

The commerce/trade sector obtains 20% from agricultural sector, 30% from pastoralism and 30% from its own produce all together produces a unit of output of a trade sector.

The total demand of each sector is 90%, 60% and 80% respectively.

Now the task is to determine the role/ contribution of open sector.

Procedures:

We first calculate the average demand, out of all sectors; i.e.

$$\text{Average} = \chi_i^{2*} = \frac{OTDA+OTDP+OTDC}{3}$$

Where; OTDA= Open sector of Total Demand for Agricultural sector

OTDP= Open sector of Total Demand for Pastoralism sector

OTDC=Open sector of Total Demand for Commercial sector

Refer to the formula;

$Open\ sector = 1 - \sum_{aij}$

Then:

Open sector for agriculture = 1-0.9=0.1

Open sector for pastoralism = 1-0.6=0.4

Open sector for commerce/trades= 1-0.8=0.2

$$\chi_i^{2*} = \frac{0.1 + 0.4 + 0.2}{3} = 0.23$$

Expressing χ_i^{2*} into percentage form gives; $\chi_i^{2*} = 23\%$,

Implying, micro enterprise sector contributes 23% of the total produce of Maswa district's output.

Therefore, the field data are consistent with a research report of Andrew Satta of university of Manchester England.

4.2.1.1 Hypothesis testing for research model

Recall the input-output table obtained from the survey data, and then the expected data were computed statistically by multiplying each individual observed data and the ratio of the total sectorial share. i.e. 0.9:0.6:0.8 as follows;

Expected data

	AGRICULTURE	PASTORALISM	COM'/TRADE	**TOTAL**
AGRICULTURE	0.16	0.11	0.63	**0.9**
PASTORALISM	0.54	0.01	0.05	**0.6**
COMM'/TRADE	0.2	0.01	0.59	**0.8**
TOTAL	**0.9**	**0.13**	**1.27**	

With the use of chi-test; $\chi_i^2 = \frac{\sum (O-E)^2}{E}$

The above information was test at the 5% level of confidence limit.

Consider the hypothetical table below;

O	E	(O-E)	$(O-E)^2$	$\frac{(O-E)^2}{E}$
0.3	0.16	0.14	0.0196	0.1225
0.2	0.11	0.09	0.081	0.73636

0.4	0.63	-0.23	0.0529	0.08396
0.4	0.54	-0.14	0.0196	0.03629
0.1	0.01	0.09	0.0081	0.81
0.1	0.05	0.05	0.0025	0.05
0.2	0.2	0	0	0
0.3	0.01	0.29	0.0841	8.41
0.3	0.59	-0.29	0.0841	0.1425
TOTAL				**$\sum$= 10.39**

Now, Let

H_o= 0, SMEs sector does not contribute to the gross produce of Maswa

$H_1 \neq 0$

α= 5%

The degree of freedom v is given by; (C-1) (R-1) where: C= Column, R= Row

Then v = (3-1) (3-1) = 4

From table, at 4 degree of freedom

$\chi^2_\alpha = 9.488$

$\chi_i^{2*} = 10.392$

Comparing χ_α^2 to χ_i^{2*}, gives;

$\chi_i^{2*} > \chi^2_\alpha$, we reject the null meaning χ_i^{2*} is statistically significant.

4.2.2 Correlation analysis hypothesis testing

This hypothesis determines the correlation between the level of employment in SMEs and the aggregate demand to measure the effective demand as a determinant of the living standards.

Consider the table below, shows various employment level with their corresponding aggregate demand.(from 2000-2007)

Year	Employment in SMEs [X_i]	Aggregate demand [Y_i]	$X_i-X=x_i$	$Y_i-Y=y_i$	x_iy_i	x_i^2	y_i^2
2000	42113	341115.3	-12950.8	3632.8	-47047666	167,723,220.6	13197235.8
2001	45869	284387.8	-9194.9	-53094.6	488,199,537	84,546,186	2819036549.1
2002	49734	313324.2	-5329.9	-24158.2	12,876,079.1	28,407,834	583618627.2
2003	51540	226776	-3523.9	-110706.4	390,118,282.9	12,417,871.2	12255907001

2004	57320	263672	2256.1	-73810.4	-166523643.4	5,089,987.2	5,447,975,148.1
2005	60100	300500	5036.1	-36982.4	-186247064.6	25,362,303.2	1,367,697,909.7
2006	64720	472456	9656.1	134973.6	1,303,318,578.9	93240267.2	18,217,872,697
2007	69115	497628	14051.1	160145.6	2,250,221,840.1	197433411.2	256,466,131,199
Total &Mean	∑Xi/n= **440511**	∑Yi/n= **337482.4**			∑= 4,160,800,655.3	∑=614221080.6	∑=66,351,918,367.3

Source: data from survey

From the above table of information, the correlation between employment and aggregate demand of the SMEs sector can be determined as follows;

$$r_{EA} = \frac{\sum x_i y_i}{\sqrt{\sum x_i^2} . \sqrt{\sum y_i^2}}$$

Where: r_{EA}= correlation between employment and aggregate demand (i.e. the measure of effective demand)

$$= \frac{4160800655.3}{6383948584.3}$$

$$r_{EA} = 0.65$$

Therefore, basing on this correlation for effective demand, it can be observed that the SMEs sector has raised the living standard of the people (entrepreneurs) by **65%** from year 2000 to 2007.

4.2.1.3 Job creations.

Micro enterprises have been recognized as a major source of employment and income. The study survey found that for every 10 new jobs, 2 to3 are absorbed by MSEs.for that case, micro enterprises creates about 23% of total job opportunities in Maswa district. Further more, due to the decline in agricultural sector majority of the working population is now transforming into entrepreneurial that hinder them to marginalize the efficiency of their production units.

In additional the study observed that, there is a tendency of an increase in seasonal employments made by MSEs after a time of agriculture harvests (July to September).

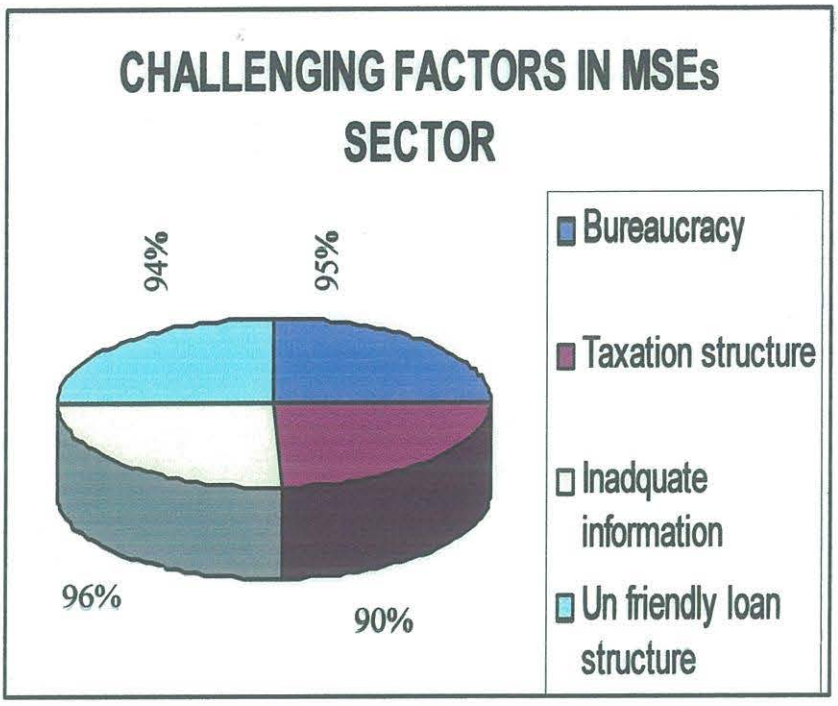
Since at this time those who were engaging in agriculture are then free, so the tend to involve in MSEs activities before they turn back to agriculture during the farming period (October to June)

4.2.1.5 Women empowerment and development.

Micro enterprises and small scale firms has mobilized and organized women at the grass root levels and provide access to supportive services, this has became a leading mechanism of planned intervention for poverty alleviation. For instance, the study from PRIDE found that, most of the clients are women constituting 67 %(Tanzania Bank's journal, 1997). Through such investigation, it is observed that MSEs provide an economic umbrella that empower women and develop an insight participation of the women in society transformation.

Therefore, from the above evidence of improved living standard, job creation and women empowerment all together verifies how the SMEs sector backups the achievement of MKUKUTA's objectives with the stable path.

4.3 Challenges in micro enterprises environment.



Source: surveyed data

The enterprise environment in maswa district also exhibits significant gaps in information about the MSEs sector and its potential for development.

Most of the interviewed entrepreneurs (96%) indicated the relevant information to MSEs sector development is not readily available.

Several studies point to the important role information plays in small businesses' growth. Stiglitz (1989), for example, consider information to be one of the areas where market failures are easily regressive, continuously marginalizing micro and small entrepreneurs.

The study found that, almost 94% of the asked entrepreneurs who pays tax, they are less informed about the taxing system held by the local taxation authority.

Another issue in the enterprises environment, which is not favourable to entrepreneurs, is bureaucracy. Bureaucracy hinders the establishment and growth of MSEs at maswa district.It accounts about (95%).

Findings from the study note that long after the process of labialization started in Tanzania, many micro and small entrepreneurs find government regulation and the bureaucratic maze to be severe hindrance for their progress. For instance, the surveyed group stated that, the bureaucracy is unfriendly and severely during the registration of the business, the long chain of Procedures affect enterprises. For instance; those enterprises involving in wood works they have to register in about four government departments such as the department of commerce and business, department of culture, department of natural resources, and department of taxation.

Therefore the entrepreneurs asked the government authority (council) to reduce the length of this chain so that to facilitate the easier the process for the initiation and growth of the sector.

Survey on other enterprises than wood works; reveal that, bureaucratic procedures that affect the business environment for MSEs revolve around the relations between these business starters and wide range of regulatory authorities in the district. These authorities include:(a) TRA (b) Licensing authority (c)Health authority(concerning food related

enterprises) (e) providers of government utilities (power, water, telephone) (e)NSSF which requires all private business in the country with 5 or more employees to make pension contributions on behalf of their employees.

Bureaucratic difficulties seem to be substantial with tax and licensing authorities according to the survey findings. An assessment of the tax system reveals that despite various reforms within the tax regime in the country there are no significant changes in the current tax policies. The study found that; Tanzania's formal tax and regulatory requirements both undermines the growth of the enterprises. A significant number of entrepreneurs (90%) raised various taxation issues that affect the growth of their business. One of the issues cited for example is the current practice of estimating tax to be paid rather than basing on actual results.

Another problem with tax authority is the practice of demanding payment of an estimated tax amount upfront on all small-scale business before setting up. In additional the tax structure itself has several different taxes to be paid by enterprises. An interview with one entrepreneur who owns a bar at Maswa town for example revealed that he annually pays a total of 8 different fees and taxes. Fees according to this entrepreneur cover: license fees for drinks, bar and snacks activities separately, other fees include health fees, inspection fees by health inspectors and refuse collection fees. Taxes include income tax, stump duty, district council levy (development tax).

Limited Market.

The most problem mentioned by Many Micro entrepreneurs is that of limited market. Most of entrepreneurs claimed that, insufficient Market for their product is the major factor hindering their performance. They fail to increase production therefore; it forces them to produce limited range of products. The problem of market for products also leads to the poor repayment of their credit. Entrepreneurs said, insufficient market for a particular product is a reason for why they tend to engage in multiple small enterprises, so that they can accumulate the amount required for credit repayment and business progress.

Lack of Capital and credit information.

Own capital investment of start up micro-enterprises. Most of the micro entrepreneurs surveyed, owns capital investments before obtain credit. The findings revealed that about 70% of the enterprises started with initial capital of 300,000/= these were mainly food vending and Gardeners the farmer group keep on expanding at a higher rate than the later group up to the time of the study, most of entrepreneurs surveyed found to have an absorptive capacity of the capital amounted at an average of 3,000,000/= still there's a gap between the total capital available on the hands of entrepreneurs and that required by the full allocation (absorptive capacity) of the business enterprises. Therefore the amount of initial capital have an influence in starting type of enterprises due to different requirement of staring capital among different type of macro enterprises.

Lack of standard packing materials

This covers mostly in the enterprises deals with food processing and home-use up utensils. About 96% of the surveyed entrepreneurs claimed for this problem. The packing materials include small and medium containers, Sackets, Plastic bags (for bread packing) etc.

At Maswa urban, there is no any industry concerning with the manufactories of the said packing materials, this led to the entrepreneurs to order them from Mwanza city and Nairobi sometimes, that has increased their production cost. Therefore, most entrepreneurs failed to sell packed products hence lower the standard of their products and fail to compete with some foreign imported products with similar use.

Macro economic environment on enterprises atmosphere

The study found that the macroeconomic environment around the micro- enterprises atmosphere is severely disadvantaged to micro entrepreneurs for the growth of their business. About 98% of the sample entrepreneurs revealed that **inflation** rate was too aggressive while currency depreciation (fluctuation of exchange rate) was affecting them indirect in one way or another. For instance, the increase in cost of production because of incremental increase in price of the raw Materials and fuel that leads to increase of transport cost.

In additional most of entrepreneurs claimed for the Problem of power shortage (i.e. hydro – electric power) that affected their production scale, the problem of shortage of power/

power black out (shedding) that took place from January 2006 to February 2007 affected much their business operations

The table below shows the percentage enterprises affected by the problem of power blackout

Vocational & Fixtures	**%(effects)**
Welding & Fabrication	98%
Wood Works	87%
Tailoring	70%
Soft drinks Sellers	
Bars	96%
Restaurants	79%
Person service provide	
Cutting & shaving saloon	94%
Beauty & dressing Saloon	92%


120%
100%
80%
60%
40%
20%
0%
Welding
Bars
Dressing saloon
Welding
Wood works
Tailoring
Bars
Restaurants
Shelving saloon
Dressing saloon

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Summary

This chapter provides conclusion and recommendations basing on the findings of the study.

The main objective of this study was to determine the General Micro small enterprise Environment its operations. To accomplish the whole task the study concentrated on production scale, sources force and shocks around the MSMEs Basing on the results obtain conclusion and recommendations are provided.

5. 2 Conclusions.

The study found that the welfare of the society has increased higher enough to the majority of the people since the rapid growth of MSEs activities as compared to the time being where most part of the society relied on agricultural works. It was also found that most of entrepreneurs have irregular scale of production that follows the nature of the business cycle, with lower total produce from January to April, while the recovery period takes place from May to June and the Boom starts from July to October gradually recession takes place during November and December.

As demonstrated by the evidence cited through this research, MSMEs can play a significant role in Maswa district and other district of the same characteristics, through employment, income generation both of which directly affect poverty reduction. However much of this employment occur at micro level where the impact upon economic growth are minimum. This makes difficult to assume/generalize that MSMEs can affect economic growth beyond micro level. Nevertheless, the impact on poverty reduction can be substantial if the enterprise can generate a steady source of income, or accumulate enough capital to expand production. Many MSMEs also operate in the informal sector making it difficult to assess the impacts of MSMEs on the lives and economies of those who work in this sector.

The capital-credit gap.

It is also known as saving-investment gap in macro economic model. Under micro economic level, it was observed that micro financing influences Micro enterprises performance for more than 70% increase in profit per month compared to the performance before credit. However, social factors such as age education level and gender influenced in running their business. Insufficient Market and lack of access to credit are other challenges that affecting micro enterprise performance.

5.3 Recommendations.

- **Provision of business training.**

Micro enterprises could perform better if the participants were providing with business training. Lack of proper business training, leads to poor management that make

entrepreneurs to experience high operation cost. Therefore, for better performance of the sector, there should be business operation trainings that will improve the efficiency of the enterprises.

Entrepreneurs should make efforts to acquire high level of formal education that will enable them to solve business problems appropriately and be able to forecast the changes and opportunities that are likely to happen.

- **Extensive Advertisement Using the Existing Media.**

At Maswa urban, there is a single media that is Radio station, which can meet the demand of the people in the region. Therefore, Entrepreneurs should put much effort on advertising their products extensively so that they can capture new customers (ignorant consumers) whom knew nothing about the availability of some products. Hence, both informative and persuasive advertisement should be used to meet the targets.

- **Construction of special entrepreneurs' zone.**

The local government body (district council) can organize this, by constructing a special site for SMEs operations. This will enable the entrepreneurs to operate in favor of the economies of scale, in terms of economies of transport, economies of advertisement, economies of input purchasing as well as creating market awareness that will enlarge horizon for their products.

To address these constraints to MSMEs, the Government will need to:

(i) Enhance implementation of programmes aimed at simplification and rationalization of Procedures and regulations to encourage compliance and minimize transaction

Costs (through the BEST Programme);

(ii) Continue to implement the Private Sector Competitiveness Project;

(iii) Continue to improve and develop infrastructures and provision of utilities in Collaboration with private sector;

(iv) Promote entrepreneurship development through facilitating improved access of SMEs

To financial and non financial services; and

(v) Facilitate strengthening of institutions and associations supporting SMEs.

5.4 Areas of further research

The present research has identified both the main avenues of exploration for the Micro, Small and Medium Enterprises and the challenges likely to encounters in them. Hence, the researcher recommends that; for any body who is interested to undertake research on the similar field should base on the conceptual and empirical efforts that proceed along two main tracks. Since data availability is constantly identified as the major constraint, the researcher has to do his part in trying to alleviate this concern, launching a small-scale effort in identifying sources of data that could expand existing datasets and provide opportunities for more meaningful statistical analysis of the role of MSES.

Researcher should also rely on detailed data available for industrial economies to identify the dynamic role of MSEs in economic growth, as an "ideal" that can help to identify the institutional constraints that most affect the growth of firms of similar sizes in developing

and transition economies. The second constraint—inherent to the design of the project—relates to the necessity to rely largely on secondary data, or at least to limit primary data collection to existing MSE support projects with excellent data/information capture systems.

Other areas to be considered include:

Data Availability.

The first step is to identify new sources of data that will allow the researcher to analyze SMEs contributions. The objective is to complement the existing input-output table.

Dynamic MSEs and Business Environment.

Researcher has to use data from developed countries where institutional constraints are minimal in order to show the dynamic impact of MSEs on growth under "ideal" institutional conditions. This data will be used to examine the causal links that are most sensitive to institutional weaknesses in developing and transition economies

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APPENDICES

APPENDIX 1

Budget Estimate.

Budget category	Unit	Multiplying factor	Total cost
Stationary	Papers 10 reams@5,000/= Pen 50 @ 100/= Stapler machine 2 @ 2,500/=	10 x 5,000/= 50 x 100/= 2 x 2,500/=	50,000/= 5,000/= 5,000/= 60,000/=
Secretarial services			
Typesetting	Proposal 1 @ 150,000/= Report 1 @ 150,000/=	1 x 50,000/= 1 x 100,000/=	150,000/=
Photocopy	Proposal 1 @ 75,000/= Report 1 @ 75,000/=	1 x 75,000/= 1 x 75,000/=	150,000/=
Binding	Proposal 1 @ 30,000/=	1 x 30,000/=	

	Report 1 @ 40,000/=	1 x 40,000/=	70,000/=
Communication	50,000/=	50,000/=	50,000/=
Transport costs	400,000/=	40,000/=	40,000/=
Per diem	20 days @ 5,000/=	20 x 5,000/=	100,000/=
Total			**620,000/=**

APPENDIX 2

Input - output table

	AGRICULTURE	PASTORALISM	TRADES	CONSTRUCTION	FOREST
AGRICULTURE	0.3	0.4	0.2	0.3	0.27
PASTORALISM	0.2	0.1	0.3	0.15	0.16
TRADES	0.4	0.1	0.3	0.5	0.31
CONSTRUCTION	0.28	0.32	0.4	0.34	0.03
FOREST	0.13	0.26	0.17	0.06	0.56

Source: Maswa District input-output table (2004)

Employment-Aggregate demand table with inflation rates

Year	Employment in SMEs [X_i]	Aggregate demand [Y_i]	Inflation(Ω) [%]
2000	42113	341115.3	8.1
2001	45869	284387.8	6.2
2002	49734	313324.2	6.3

2003	51540	226776	4.4
2004	57320	263672	4.6
2005	60100	300500	5.0
2006	64720	472456	7.3
2007	69115	497628	7.2

Source: Survey data

APPENDIX 3

QUESTIONNAIRES.

Dear respondents, I am a student of Kampala International University pursuing a bachelor's degree in economics. Kindly I request you to fill the questionnaires below that will help me to accomplish my research about *the roles and challenges of micro enterprises in economic transformation of the society*. A case study of maswa district. I assure you that, your names or any symbolic adherence won't appear any where, and this research is just for academic purpose.

* * * * * *

Tick in an appropriate box and fill the empty blanks

1. Is your business registered? Yes [ ], No [ ]
2. Mention your age, sex and level of education respectively.

Age [ ] Sex: male [ ] female [ ] Education level: primary [ ] secondary, i-iv [ ] v-vi [ ] higher education [ ] vocational trainings [ ].

3. How many people have you employed in your business? Mention the amount [ ]
4. By how much percent are the earnings from MSEs contributes to your total income annually? [ ]
5. To what extent have the entrepreneurship activities raised your living standards? Low level [ ] high level [ ]
6. What is the capital absorptive capacity of your business? Mention the amount in Tsh---
7. On your view, do you think that the licensing procedures are favourable for the expansion of micro enterprises sector? Yes [ ] No [ ]
8. Which problems did you encounter while registering your business?

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9. Does your business pay any direct tax or local levy? tax [ ] local levy [ ] both [ ]

10. Are the tax rates fair for the growth of your business? Yes [ ] No [ ]

11. Are you well informed about business taxing system? Yes [ ] No [ ]

12. Do you get any loan from any financial institutions to fund your business? Yes [ ] No [ ]. Put v where you get loan. Bank [ ] SACCOS [ ] FINCA [ ]

13. Are the interest rates charged by the financial institutions fair? Yes [ ] No [ ]

14. Outline some challenges you face when you want to borrow from the lending institutions.

15.Is the market demand capable enough to absorb your products? Yes [ ] No [ ]

16. Tick whether the fluctuations in the following macro economic aspects affects your business; i, inflation [ ] ii, exchange rate fluctuation [ ] power blackout [ ] inadequate transport [ ]

16. Does your business get any subsides from the Government. Yes [ ] No [ ]

Thank you for your cooperation

QUESTIONNAIRES

Dear respondents, I'm a student of Kampala International University pursuing a bachelor's degree in economics. Kindly I request you to fill the questionnaires below that will help me to accomplish my research about *the roles and challenges of micro enterprises in economic transformation of the society.* A case study of maswa district. I assure you that, your names or any symbolic adherence won't appear any where, and this research is just for academic purpose.

To be filled by financial intermediaries

1. Does your agency issue loan to micro enterprises? Yes [ ] No [ ]
2. How many enterprises has your agency credited them loans between 2002-2006? ---
   ---
3. what were the interest rates on issuing loan that your agency had charged over a stated period 2002 [ ] 2003 [ ] 2004 [ ] 2005 [ ] 2006 [ ]
4. Do the enterprises meet the terms of loan/credit repayments on time? Yes [ ] No [
5. What are the major problems do you face while issuing loan to the micro enterprises?

QUESTIONNAIRES

Dear respondents, I'm a student of Kampala International University pursuing a bachelor's degree in economics. Kindly I request you to fill the questionnaires below that will help me to accomplish my research about *the roles and challenges of micro enterprises in economic transformation of the society.* A case study of maswa district. I assure you that, your names or any symbolic adherence won't appear any where, and this research is just for academic purpose.

To be filled by the respective government officers

1. How many micro enterprises have been registered by your office since year 2002 to 2006? [ ]

2. What do you think is the position of micro enterprises in poverty eradication and on the path of MKUKUTA among the people in maswa district?----------

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3. In what ways do your office contributes to the expansion venture of the micro enterprises within the district. If any, specify the strategies or areas of considerations. ----

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4. Does your office provide any subsidy to small entrepreneurs in each financial budget? Yes [ ] No [ ]If yes, state the total amount in shillings and the total number of entrepreneurs per annum. Amount---------,Number of entrepreneurs----------

Ndugu muhusika,mimi ni mwanafunzi wa chuo kikuu cha kimataifa kampala, wa mwaka wa tatu, shahada ya uchumi.nakuomba unisaidie kujaza maswali yaliyoulizwa katika karatasi hii ya utafiti,ili kuniwezesha kukamilisha utafiti wangu juu ya ***"Mchango na Changamoto za ujasiriamali katika mageuzi ya kiuchumi ya kitaifa"***.eneo la utafiti, wilaya ya maswa.Ninakuhakikishia kwamba majina yako wala kiwakilishi chochote cha utambuzi hakitaonekana popote.na utafiti huu ni kwa madhumuni ya kitaaluma tu.

* * * * *

Weka alama ya v kwenye kisanduku husika,pia jaza nafasi zilizoachwa wazi.

1. Je, biashara yako imesajiliwa? Ndiyo[ ], Hapana [ ]

2. Taja umri,jinsi na kiwango cha elimu yako wewe mjasiriamali

Umri [ ] jinsi, me [ ] ke [ ] elimu, msingi [ ] sekondari, i-iv [ ] v-vi [ ] elimu ya juu [ ] mafunzo ya ufundi [ ].weka v kwa kila kiwango ulichopitia.

3. Ni watu wangapi wameajiriwa katika biashara yako? Taja idadi [ ]

4. Ni kwa asilimia ngapi pato kutoka katika shughuli za ujasiriamali linachangia katika pato lako la jumla? [ ]

5. Ni kwa kiwango gani shughuli za ujasiriamali zimeboresha maisha yako? kiasi Kidogo [ ] kiasi kikubwa [ ]

6. 6. Biashara yako inaweza kuhimili mtaji kiasi gani? Taja kiasi cha shilingi-----

7.Kwa maoni yako je, utaratibu unaotumika kutoa leseni za biashara(hasa za ujasiriamali) unasaidia kuongezeka kwa shughuli za ujasiriamali wilayani hapa? Ndiyo [ ] Hapana [ ]

8. Ni shida gani ulizo/unazo zipata kipindi unasajiri biashara yako?

Taja ----------

---

9. Je, biashara yako hulipa ushuru au kodi yeyote ya moja kwa moja? ushuru [ ] kodi [ ] vyote [ ]

10.Je, viwango vya kodi ni vya wastani kwa ukuaji wa biashara yako? Ndiyo [ ] Hapana [ ]

11.Je, unazo taarifa za kutosha kuhusiana na mfumo pamoja na viwango vya utozaji kodi kunakofanywa na mamlaka ya mapato? Ndiyo [ ] Hapana [ ]

12. Biashara yako inapata mkopo wowote toka taasisi yeyote ya fedha? Ndiyo [ ] Hapana [ ]. Weka v mahala unapopata mkopo, benki [ ] saccos [ ] finca [ ]

13. Je, viwango vya riba vinavyotozwa na taasisi za fedha ni vya ahueni/wastani? Ndiyo [ ] Hapana [ ]

14. Taja matatizo unayoyapata pindi unapotaka kukopa toka taasisi za fedha

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15.Je, bidhaa unazozalisha zinapata soko la kutosha ukilinganisha na malengo yako ya uzalishaji? Ndiyo [ ] Hapana [ ]

16.Weka v iwapo athari za mambo yafuatayo yanayopima ukuaji wa uchumi kama yanaathiri biashara yako; i, mfumko wa bei [ ] ii, kushuka kwa thamani ya pesa [ ] nishati [ ] usafiri [ ]

16. Je, biashara yako inapata ruzuku yeyote toka serikalini? Ndiyo [ ] Hapana [

Nashukuru kwa ushirikiano wako ulio nionesha.