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# Comparative study on non-financial supports and performance of microenterprises in Tanzania: a case of government and non-government agencies

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**COMPARATIVE STUDY ON NON-FINANCIAL  
SUPPORTS AND PERFORMANCE OF MICRO-  
ENTERPRISES IN TANZANIA: A CASE OF  
GOVERNMENT AND NON-GOVERNMENT AGENCIES**

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**MASTER OF BUSINESS ADMINISTRATION  
THE UNIVERSITY OF DODOMA  
OCTOBER, 2018**

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ENTERPRISES IN TANZANIA: A CASE OF  
GOVERNMENT AND NON-GOVERNMENT AGENCIES**

**BY**

**EVODIA JOHN MBELE**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE MASTER OF BUSINESS  
ADMINISTRATION**

**THE UNIVERSITY OF DODOMA**

**OCTOBER, 2018**

**DECLARATION**

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## **CERTIFICATION**

The undersigned certifies that he/she has read and hereby recommend for acceptance by the University of Dodoma dissertation entitled Comparative Study on Non-Financial Supports and Performance of Micro-Enterprises in Tanzania: A Case of Government and Non-Government Agencies in partial fulfillment of the requirements for the Master of Business Administration of the University of Dodoma.

.....

Dr. Salum Matotola

(SUPERVISOR)

Date.....

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## ABSTRACT

The non-financial supports and performance of micro-enterprise in Tanzania from government and non-government agencies was clearly addressed. Specifically the study addressed types of non-financial supports offered by government agencies to micro-enterprises, types of non-financial supports offered by non-government agencies to micro-enterprises and relationship between non-financial supports (from both agencies) and performance of Micro-enterprises. The study was adopted a cross-sectional design whereby data collected at once. The sample size comprised of 173 respondents. Findings revealed that, business premises accessibility, provision of business registration and licensing, capacity building and technology assistance on micro enterprise performance are non-financial supports provided under government agency. Additionally there are significant ( $p < 0.05$ ) at  $\alpha = 0.05$  between non-financial supports and performance of micro-enterprises, which implies that non-financial supports offered by government agencies influence significantly performance of micro enterprise. Non-financial supports offered by non-government agencies include business advice, business counseling and protection. It was found that all non-government supports offered by non-government agencies are significant ( $p < 0.05$ ) at  $\alpha = 0.05$  with performance of micro-enterprises. This implies that non-financial supports offered by non-government agencies their influence on performance is significant. Based on that non-financial supports from government and non-government agencies should be improved much so that performance of have highest performance of micro-enterprise and hence enable them to graduate to small business.

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## **LIST OF ABBREVIATIONS OR ACRONYMS**

CAMARTEC	Centre of Agriculture Mechanization and Rural Technology
FINCA	Foundation for International Community Assistance
GDP	Gross Domestic Product
PRIDE	Promotion of Rural Initiative and Development Enterprises
SBA	Small Business Administration
SIDO	Small Industries Development Organization
SEDA	Small Enterprise Development Agency
SACCOS	Savings and Credit Cooperative Organizations
SACCAs	Savings and Credit Cooperative Association
SPSS	Statistical Package for Social Science
TEMDO	Tanzania Engineering and Manufacturing Design Organization
TIRDO	Tanzania Industrial Research Development Organization
YDF	Youth Development Fund

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background

Micro-enterprise is increasingly drawing attention in various parts of the world, as they are the main source of employment. Micro-enterprise is recognised to have positive correlation with economic performance (Urban & Naidoo, 2012; Batsakis, 2014). The micro-enterprise account for 60 to 70 percent of jobs in most developed countries. The income of working population has also increased significantly with increase in employment opportunities (Mlise, 2013). Developed countries have significantly advanced in supporting micro-enterprises purposely to boost economic growth of various sectors. For instance, in United State through its agency known as Small Business Administration (SBA) had managed to support micro-enterprises financially and non-financially.

Financial supports include financial aid, loan and grant provided to support micro enterprises. Typically, the financial supports are useful in expanding and accumulating more profit needed in this competitive business world (Kilonzo, 2012). The non-financial supports on the other hand include business training, advice, counseling, protection, technological assistance and provision of business premises (Ekeledo, *et. al.* 2009). Non-financial supports are directly useful in various aspects such as business registration and licensing throughout the business life (Kipilyango, 2012). The direct provision of non-financial supports facilitates smooth operation of micro-enterprises towards satisfaction of basic requirement of owner and employees.

Tanzania as one of the developing countries in various sectors of the economy is highly attached to the existence of micro enterprises, which play crucial role in employment creation, income generation and has more than 50% contribution in the Gross Domestic Product (GDP) (Muraga and John, 2015). Additionally, micro-enterprises are major suppliers of goods and services to the consumers and it is recognised as the main creators of new products and new services.

Despite of those contributions micro-enterprises fail to satisfy the requirement of the owners and employees. This contributed to unemployment increase up to 15 million and fall in GDP less than 50% in various parts of the world (Rukaka, 2011). The government Tanzania plays its role for micro-enterprise performance through provision of financial resources, establishment of institutions and strengthens the existing one. The institutions established and strengthened by Tanzania government include Small Industries Development Organization (SIDO), Centre of Agriculture Mechanization and Rural Technology (CAMARTEC) and Tanzania Engineering and Manufacturing Design Organization (TEMDO) through the national budget. The rationale of these institutions basically attached on the provision of capital, advice, technology and capacity building especially to micro-enterprise (Kasilo, 2013).

On the other hand, non-government agencies also play a role on supporting performance of micro-enterprises. Omer, (2016) argue that the alliance between non-government agencies and Small and Medium Enterprises (SMEs) foster internationalisation and increase the performance through enhancing international network, international entrepreneurship and trust with the foreign partner. Furthermore non-financial supports like business training, advice and counseling are

provided by non-government agencies such as Cooperative based institutions namely Savings and Credit Cooperative Organizations (SACCOS) and Savings and Credit Cooperative Association (SACCAs). Other non-government agencies are Promotion of Rural Initiative and Development Enterprises (PRIDE) Tanzania, Foundation for International Community Assistance (FINCA) and Small Enterprise Development (SEDA).

Irrespective of the role that government and non-government agencies play, micro-enterprises are still suffering with limited accessibility of non-financial supports such as training, business advice, technological assistance and business premises. Also bureaucracy contributed by institutions during business licensing and registration hinder micro-enterprises operation and performance in various aspects of the business life (Deogratias, *et al.* 2015, Khatib, 2015 and Kasilo, 2013). This shows the existing institutions and agencies failed to provide adequate business advice, business registration and licensing, capacity building, technology assistance and to have strong policy and strategies as important non-financial supports for small business development. Thus, leads to micro enterprise operation to be highly affected with not conducive business infrastructure, security and lack of recognition (Renatus, 2015 and Mlise, 2013).

Based on that, this study was conducted to assess the non-financial support and performance of micro-enterprise in Dodoma, Tanzania from both government and non-government agencies. Selection of enterprises in Dodoma region was based on the fact that Dodoma is one of the strategic cities in central Tanzania (Venkatakrishnan, 2013).

## **1.2 Statement of the Problem**

In Tanzania, micro-enterprises achieved to reduce poverty from 36% -33% in 2001 to 2012 respectively (Future Years Defense Program, 2012). Despite of their crucial contribution in poverty reduction and economic development, there are challenges facing micro-enterprises in Tanzania namely; institutional support challenges, and limited access to finance. Other challenges involve unsupportive legal framework, bureaucratic, shortage of training, business advices, technological assistance, business premises and corruption among public officials (Brian, 1993, Kipilyango, 2012, Deogratias, 2015, Renatus 2015).

In order to solve these challenges, several initiatives were put in press by the government to support the micro-enterprises sector such as through establishment of Small Industry Development Organization (SIDO) in 1973, introduction of Tanzania Industrial Research Development Organization (TIRDO), Youth Development Fund (YDF), policies and regulation as well as making good decision in financial supports (Kamunge *et al.*, 2014). On the other hand, non-government agencies also are playing a vital role on the performance of micro enterprises such as Promotion of Rural Initiative and Development Enterprises (PRIDE), Foundation for International Community Assistance (FINCA) and Small Enterprise Development Agency (SEDA).

However, most of non-government agencies concentrate much in financial supports with few efforts in non-financial supports. But the reality is that, micro-enterprises continuous suffering following inadequate business premise, bureaucracy from government officials and recognition (Frederick, 2013). Furthermore studies conducted such as by Subi (2013) mostly focused on solving financial problem

facing micro-enterprises. Additionally, Marwa (2014) conducted a research on Micro, Small and Medium enterprises' (MSMEs) concentrated with external challenges and role of formal financial institutions and development finance intervention in Tanzania.

Limited studies have been conducted on non-financial factors and their contributions on the performance of micro-enterprises from both government and non-government agencies. Other researchers such as Argidius Foundation (2017), comment that, there are little emphasize pressed on non-financial supports on the performance of micro-enterprises from government and non-government agencies). The non-financial supports are still needed to be supplied to the development of micro-enterprises as commented by Mlise (2013). Also performance of micro-enterprises is connected to the adequate provision of attractive business environment, easy registration, licensing procedures and capacity building and technological assistance which lead to the increase of employment, innovation and creativity, economic growth and hence poverty reduction (Mungaya, 2012). Non-financial supports are very constrained with existing institutional challenges such as business premises, business registration and licensing which mostly controlled and offered by the local government (Renatus, 2015). Lack of clear emphasizing on non-financial supports especially in business registration and licensing, technological support and capacity building had being a concern on the performance of micro-enterprise (Hamis, 2011). So the study focused much on non-financial supports and the performance of micro-enterprises.

From that ground, non-financial supports such as training are essential for the performance of micro enterprises, prior the provision of financial support like loans

so as micro-enterprise can manage to use that loan profitably. Based on limitedness of these studies, this study is intended to fill the available knowledge gap identified from previous studies which have addressed several issues in financial area, while little has been done on addressing non-financial supports from both government and non-government agencies. Therefore, having seen that, this study was conducted to assess the non-financial supports and performance of micro-enterprise from both government and non-government agencies.

### **1.3 Objectives**

The study has general and specific objectives while the formal present general area covered by the study and the later present specific areas interested with the study as mentioned here under.

#### **1.3.1 General Objective**

The main objective of the study is to assess the non-financial supports and performance of micro-enterprise in Tanzania from government and non-government agencies

#### **1.3.2 Specific objectives**

Specifically, this study aimed to:

- i. Examine types of non-financial supports offered by government agencies to micro-enterprises
- ii. Examine types of non-financial supports offered by non-government agencies to micro-enterprises

- iii. To determine relationship between non-financial supports (from both agencies) and performance of micro-enterprises

#### **1.4 Research Question**

- i. What are the types of non-financial supports offered by government agencies to micro-enterprises?
- ii. What are the types of non-financial supports offered by non-government agencies to micro-enterprises?
- iii. How non-financial supports (offered by government and non-government agencies) influencing performance of micro-enterprises?

#### **1.5 The significance of study**

This research said to help academician, policy maker, government and community in general.

- i. Knowledge contribution

This study said open a way to build knowledge on the non-financial services from both government and non-government agency and the way they affect performance of micro enterprise. It suggests new knowledge of government approach on supporting micro-enterprise, which said to help the country economy by improving micro-enterprise sector. The study findings could be used as empirical evidence by others studies which are related to this non-financial supports offered to micro-enterprise for its respective performance and well-being of the people. It could be used to fill gap left by this study. The theories provide related knowledge to micro-enterprise to use the

opportunities and supports that will be mentioned in findings as from government and non-government agencies to the performance of micro enterprise purposely to create more employment opportunities to the community. The way micro enterprise could use internal and external resources for the performance of micro enterprise.

ii. In government

The study said to help the country to find alternative way of improving non-financial supports offered to micro-enterprise for the growth of national economy and well-being of the people. It will also help the policy maker to come up with adequate and participatory policies to support micro-enterprise growth, which will improve their growth and development.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter provides theoretical and empirical review of the study; the chapter presents theoretical literature review, empirical literature review leading to development of conceptual framework.

#### **2.2 Definition of Key Concept**

##### **2.2.1 Micro-enterprise**

There is no universally accepted definition of Micro-enterprise. Different countries use various measures of size depending on their level of development. For example, Robinson (1982), Young (1985), define micro-enterprise as an entity engaging in the economic activity irrespective of its legal form such as sole proprietorship and family businesses. Frank (1999) defines Micro-enterprise on the basis of number of employees, turnover and an economic definition that was based on the essential characteristics of the small firms. According to Kessy and Urio (2006), Micro-enterprise can be defined as a productive activity to either produce or distribute goods and or services, mostly undertaken in the informal sector. In view of that Micro-enterprise is defined as a business that relatively employed 1 to 5 people and with a capital up to 5 million Tshs (Ganbold 2008).

### **2.2.2 Non-financial supports**

The United State Agency for International Development, (2014) defined Non-financial support the same as non-financial Assistance in micro-enterprises as any effort undertaken to improve the performance of individual micro-enterprises or of micro-enterprises as a group other than through microfinance, but is not restricted to training of individual micro-enterprises. This is termed as a supports provided to the business organisation or non-profit organisation to impact its performance of activity. The non-financial supports are relevant to the business performance such as advice, training, technology, business premises, counseling and protection.

### **2.2.3 Government agencies**

This is called as an appointed commission which is permanent or semi-permanent organisation under the control of government, dedicated for administration of specific functions. It is normally different from government departments, ministry and types of public body. The government agency is normally expected to perform function in the character, in advisory role, it may even be created on the government system to perform role as autonomy, independence and accountability in the performance of duties (Macleavy and Gay, 2005).

### **2.2.4 Non-government agencies**

Non-government agencies mean those institutions which complement to the effort of government to facilitate development in particularly country. It has been argued by different scholars that Non-government agencies have been common in Africa to foster development. The non-government agencies tend to fill gaps left by the authoritarian and despotic regimes and complement on the government's efforts

towards providing supports. The various aids are channelled through non-governmental agencies to closely facilitate the development of the micro-enterprise. These are mostly termed as NGOs which means that, independent institutions that operate development activities on behalf of government. These institutions characterized with the tendency of being accountable, effective and equitable providers of services in the massive local communities than the public agency (Niringiyimana, 2014).

### **2.2.5 Micro enterprise performance**

Performance can be defined as the action or process of doing a task or function. It is considered as an objective phenomenon that is measured in a set of attributes of a program and it is measured on the impact generated to the micro-enterprise performance (Mashal, 2017).

It is basically performance recorded as the change in sales, profitability and relevant number of people being employed in the micro-enterprise sector. The performance in the micro-enterprise is measured in terms of goals and objectives in sales, market and capital level (Rukaka, 2011).

### **2.3 Theoretical Literature Review**

In this study three (3) theories had been employed namely: Resource dependency theory that focused on the external resources and its effects in the organization, Knowledge based theory which provide relevant insight on the way firm can sustain competition and Institutional theory which provide relevant insight on the institution in the external and within organization, it originally associated to the regulatory pressure that stem in the external environment. Because the study aim to connect the

resource available for Micro-enterprises with knowledge provided from government agencies based on institution and non government agencies.

### **2.3.1 Resource dependency theory**

Resource Dependence Theory (RDT) it grounds to the ways external resources of organizations that basically affect the behavior of the organization. The external resources are the important aspects in both strategic and tactical management of the business firm (Davis and Cobb, 2010). The Resource Dependence Theory is applied as the focal point on the importance of resource and its control for the firms' performances. The Resource Dependency Theory has implications on the resources and its division structure in the organizations, recruitment of board members and employees, production strategies, contract structure; external organisational links (Drees and Heugens, 2013).

The structure and organisational links is importantly connected to the external context of the micro-enterprises, this has basically needed to facilitate performance of the micro-enterprises once is properly organized. This aspects indicates the modality and structure required to the performance micro-enterprise's this is how it related to this study on the types of non-financial supports on the performance of micro-enterprise from government and non- government agency.

The resource dependence theory addressed the micro-enterprise performance should depend on external resources to facilitate in strategic and tactical management of the business firm. But this theory does not link resources and knowledge to the performance of micro-enterprise. In reality, having resource without knowledge is

meaningless. For this reason, knowledge based theory was introduced to facilitate the performance of micro-enterprises through non-financial support, such as training to enable micro-enterprise be competitive.

### **2.3.2 Knowledge based theory**

The knowledge based theory of the firm mainly considers knowledge as the most important resource of the firm. The perspective of the proponents of the knowledge based theory suggested that knowledge usually are difficult to imitate and complex (Alavi and Leidner, 2001). The knowledge is one of the heterogeneous factors to promote the bases and capabilities to sustain competitive advantages towards the micro-enterprises performance. It is required in the performance of micro-enterprises in building the capacity required in the business environment over time (Nickerson and Zenger, 2004).

The knowledge accumulated through capacity building that facilitated through multiple entities such as organisational culture and identity, policies, routines, documents and systems (Phelan and Lewin, 2000). The knowledge over the micro-enterprises is highly developed in the system of building capacity. The capacity is one of the required criteria for the performance of micro-enterprises in current business settings. Knowledge was expected to build ground in the business life over the existing competitive environment. It increases the room for competitive advantage, firm will be well-equipped with knowledge as a result of capacity building that is needed in technological development.

This theory related to this study because, it identified the knowledge accumulation process is well conducted through capacity building as one of the facets in the non-financial government support, which are needed to the micro-enterprises performance. Capacity building also is needed to support micro enterprise throughout the firm life purposely to increase competitive advantages.

This theory used posits that, the performance of micro-enterprise should depend on knowledge accumulated through training micro-enterprise to build their capacity. But this, does not take into account several institutional that are necessary to guide the process. Such as rules, organizational structure and regulatory frame work which are important facets to the respective performance of micro enterprise are not considered in this theory. This calls for the use of institutional theory to bridge the gap.

### **2.3.3 Institutional theory**

According to north (1990) institutional theory is organised under the institution framework, it is attached to the fundamental political, social and legal ground rules. This theory stems on the production, distribution, and organization. It is generally needed to conform to it purposely to receive support and legitimacy. Institutional theory mainly focused on the fact that organisations are impacted with different normative pressures that arises from the external sources and internal sources in the organisation (Miles, 2012). It is mainly extended the views into institutionalisation to includes aspects to include wider institutional environment, others organizations and internal organization structure. The external environment was also reported to influence both goals and means of actors (Scott, 2008). The institutional theory is

generally extended its views to focus on the regulatory, normative and cultural dimension of institution.

The institutional theory is highly adopted in the institutional environment and institutional pressure on the regulatory business environment. It includes aspects of business registration and licensing, business premises accessibility to the micro-enterprise. The issues of constraints in the micro-enterprise are especially needed to promote the institutional environment and ability to comply with institutional pressure (Korsakiene, *et al*, 2015). The viability, profitability and survival of micro-enterprise mainly depend on the existing institutional matrix. It is important to observe the concept of micro-enterprise sector and nature of institution that can either be useful or harmful to the micro-enterprise development.

This theory related to this study, because it mainly focuses on institutional within and external environment. Externally it takes into account on the regulatory pressure and environment such as business registration, licensing and accessibility of business premises.

## **2.4 Empirical review**

### **2.4.1 Micro enterprise**

Kilonzo (2012), in a study of policy and strategic options for enhancing the performance of micro-enterprises in Kenya found that 94 percent of the surveyed enterprises employed less than three workers. Also majorities of micro-enterprise operate on average; have been in operation for 3.35 years. These micro-enterprise noted to experience growth in the first year of operation due to moderate risk taking, perception of opportunities are important predictors of growth of micro-enterprise.

Finally, having a good financial resource mostly connected to the better performance of micro-enterprise. Generally, there is a need for highlights a new frontier for government policy as a non-financial supports that could influence performance of micro-enterprise. All this approach should go in line with a strategic option to strengthening non-financial supports from both government and non-government agencies.

Fjose, Grünfeld and Green, (2010) searched on the micro-enterprise roles and obstacles to growth, this study employed a descriptive analysis, through percentage and frequency responses, data were collected through self-administered questionnaire and interview methods. Findings showed that, processed micro-enterprise are well advanced to attain an average, 64-74% of the primary commodities that are being processed locally in South Africa. The study focused on the micro-enterprise products such as Canola and Sunflower seed are largely processed locally (above 90%). The local production is not enough to meet the demand from the processing sector for wheat and in some cases, yellow maize and sunflower. Micro-enterprise industry has significantly increased income and employment. The relative share of micro-enterprise had managed to increase in total employment, compared to their share of the total income in the industry. Therefore, micro-enterprise has greater potential of generating jobs in the country.

Schneider, (2012) pointed out that, basic infrastructure including roads, electricity, Internet and telephones are needed to promote micro enterprises business performance. The infrastructure in business is the critical point for the performance of micro-enterprise industries. The micro-enterprises processing need improved facilities to gain more development and high standard processing capacity. The

goals of high standard processing capacity are expected to be promoted through high financial literacy. However, the condition of most developing countries is hindered with financial infrastructures and services for compliance with micro enterprises processing performance. The competitiveness micro-enterprise business is built in better access of financial services at the minimum levels.

Similarly the existing access of physical and human protection is directly shifted from existing informal to respective formal sectors. The enterprise is directly focused on the ability to add value based on the requirement of industrialized market for competitive gain. The requirement of physical and human protection is directly very critical in the performance of micro enterprise. The micro enterprise are directly associated with technological changes towards accomplishment of the supply chain, it is directly focused on the respective crops improvement. This has connected to the new forms of distribution and processing systems to gain competitive advantages. The changes based on the required efficiency of the market and consumers are directly connected to the ability of buyers and consumers to match. These technological aspects are changing and illustrated to promote efficiency over the performance of micro enterprise.

#### **2.4.1.1. Origin of Micro-enterprises**

Over the last two decades, scholars and policy makers in both developed and developing countries have recognized that micro-enterprise is critical for the establishment and survival of cereal processing businesses (Kipilyango, 2012). The exact role of micro-enterprise on performance is what the scholars have tried to determine. Micro-enterprise is theorised to influence positively the performance of

economies through creation of employment. Various theoretical perspectives have informed the debate on contribution of micro-enterprise. Resource-based theories argue that a firm's resources and capabilities are the fundamental determinants of performance of micro-enterprise (Frolick & Thilini, 2006). The Small and Medium Enterprises being recognized to contribute between 52 to 57% to GDP and provide about 61% to employment, Small and Medium Enterprise is important aspect in employment creation and income generation in Tanzania, MSMEs in Tanzania can be easily established since their requirements in terms of capital, technology, management and even utilities are not as demanding as it is the case for large enterprises (Tisimia, 2014).

#### **2.4.1.2 Characteristics of Micro-enterprise**

Characteristics of micro-enterprise are essentially defined to compose several behaviors that are always associated with capital, scale and technology. It is important to observe that rural area people recognize micro enterprise as a means for livelihood and other important aspects of micro-enterprise development and contribution of the development as well (Caner, 2013). It is observed that micro-enterprise composed with different size, capital, mode of operation and business organization structure.

In view of that micro-enterprises are classified by their size which includes employee head-count, assets, and financial turnover that is below certain limits. Micro-enterprise forms the lifeblood of a majority of developing (and also developed) economies, enabling faster growth and economic stability (Kamal, 2014).

It is clear that micro-enterprises are recognised as engines of growth and competitive tool that create jobs. Generally micro enterprise characterized as privately held (even family owned at times), restricted to a limited geography (Typically within a country), Flat and small, limited or no separate business units, support functions, mostly integrated with each other, dependence on Information Technology is low and is treated as an enabler and business might not suffer hugely even if Information Technology is unavailable for an elongated time period (Lagua, 2010).

A small or micro-enterprise is generally a one-man show. Even the small units which run by a partnership firm or company, the activities are mainly carried out by one of the partners or directors. In practice, the others are simply as sleeping partners or directors who mainly assist in providing funds. In case of micro enterprises, the owner himself/herself is a manager also. Thus, these units are managed in a personalized fashion. The owner has firsthand knowledge of what is actually going on in the business. He takes effective participation in all matters of business decision taking (Frolick & Thilini, 2006)

Compared to large units, a micro industrial unit has a lesser gestation period, i.e. the period after which the return on investment starts. The scope of operation of micro Industrial undertakings is generally localised catering to the local and regional demands (Lagua, 2010).

Micro units use indigenous resources and, therefore, can be located anywhere subject to the availability of these resources like raw materials and labour. Micro-

enterprises are fairly labour intensive with comparatively smaller capital investment than the larger units. Small-scale units require very little capital.

Using local resources, micro enterprises are decentralised and dispersed to rural areas. Thus, the development of micro-enterprises in rural areas promotes more balanced regional development, on the one hand, and prevents the influx of job seekers from rural areas to cities and urbanizing centers, on the other.

Last but not the least, compared to large-scale units, micro units are more change susceptible and highly reactive and receptive to socioeconomic conditions. They are more flexible to adapt changes like introduction of new products, new method of production, new materials, new markets and new forms of organisation (Tisimia, 2014).

## **2.4.2 Financial and non-financial factors**

Financial and non-financial factors were presented to indicate their contribution in the performance of micro enterprise, the experience presented from various parts of the world on the existing financial factors and non-financial factors.

### **2.4.2.1 Financial Factors**

Andoh and Nunoo (2011) conducted a study in Ghana on sustaining Financial Service utilisation. The overall results as advice the existence of modest level of financial literacy in value adding business in Ghana. This study discovered that the better and more financially literate entrepreneurs are in position to effective and efficient utilisation of financial resources (Hastings and Shigehiro, 2012) argued that, variety of obstacles encountered by during the course of their operations.

Fragile internal control systems, poor management culture, corruption, security risks, regulation, lack of technological assistance and workers, and lack of reliable infrastructure are just some of the barriers encountered in micro-enterprise business. Although these barriers can be extremely disabling to operations, they tend to be localised to specific geographies or crop value chains. The most significant barriers common across all types of Micro enterprise -focused are lack of access to financing and to markets.

Fatoki (2014) conducted a study in South Africa on the Financial Literacy of Micro Entrepreneurs. The results indicated the existence of high failure rate of value added business due to low level of financial literacy. Limited Financial literacy over the entrepreneur associated to limited ability to make good and sound financial decisions for household well-being and business survival (Kotze and Smit, 2008).

It mainly focuses to measure the level of financial literacy of the owners of value adding business. To fulfill its objective used financial planning, analysis and control, bookkeeping, understanding of funding sources, business terminology, finance and information technological assistances, access to technology and risk-management to measure the financial literacy of entrepreneurs (Lusardi and Mitchell, 2013).

Idowu (2010) claims, that a major barrier to rapid development of the small and medium enterprises sector is a shortage of both debt and equity financing. Accessing finance has been identified as a key element for small and medium enterprises to succeed in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in Nigeria. Small especially in

Kenya and Africa as a whole can rarely meet the conditions set by financial institutions, which see small and medium enterprises as a risk because of poor guarantees and lack of information about their ability to repay loans (Idowu, 2010). Without finance, small and medium enterprises cannot acquire or absorb new technologies, so they cannot expand to compete in global markets or even strike linkages with larger firms (Idowu, 2010).

Kuzilwa, (2005) Keeping the cost of protection in the micro enterprises processing business is relatively low to promote success of micro enterprises business for financially sustainable. The lack of relevant financial advice and technological assistances has especially hinders the accessibility of financial resources among small processing business. In most developing countries including Tanzania the cost of protection is higher for illiterate small business processors of micro enterprises. The loans accessibility is increasingly limited by the charges imposed that range between 10 – 30% annualised interest rates. The transaction required for access of finance is crucial for making effective decision to address the challenges. Accessing loans is a highly bureaucratic process. The lengthy on loan accessibility and process does not serve the needs of micro enterprise business performance. The protection is needed for business growth. Programs that integrate technology or process mechanisms to reduce the time to loan disbursement are likely to be most effective in addressing needs.

Loan accessibility is one of the financial factors which are needed by micro enterprise performance, because it expand capital and increase business performance. The large size capital is accumulated through accessibility of loan. But

most of micro-enterprises do not qualify to get loan from financial institutions like banks.

#### **2.4.2.2 Non-financial factors**

A study conducted by Mashal (2017) in Jordan on the non-financial factors in the micro-enterprises performance, among others it had been found out that factors such as innovation, training and government policy and intervention, all these factors considered to be relevant to the performance of Micro-enterprises (MEs). This means the micro-enterprises manage to better performance once the government policy is favorable to the operation of the Micro-enterprise. The non-government supports that are considered to be relevant to the performance of Micro enterprise were training and establishment of intervention. This is basically needed to the improvement of Micro enterprise business environment and its respective performance.

Training is one of important non-financial factor that is needed to be provided to micro enterprise to increase and accumulate literacy in business sector. Knowledge and skills is built through training of various aspects which are importantly needed to be provided.

#### **2.4.3 Government and Non-government Agencies**

Commonly the UNDP is one of the non-government agencies which provide direct support to Micro-enterprises, development projects are important channels to support micro-enterprise. Government agencies are SIDO and youth development funds are basic support for micro-enterprise which directly focused to improve the performance of micro enterprise.

### **2.4.3.1 Non-governmental agencies**

Ismail and Karlsson (2013) basically observed that training, advice and technological assistance, basically need to be provided to improve the performance of micro enterprise. Micro enterprise ability to access training in timely basis is required to promote the development and its respective performance. Advice in business operation and respective management is increasingly required to the management of business. The major aspects needed for the business performance is basically connected to the support of non-financial supports.

Mnene (2013) in the study of the factors affecting financial performance of micro-enterprises in Kenya, the findings indicated that, majority of the respondents have acquired at least basic level of education that enable essentially operate business. Thus, with education micro-enterprise expected to site and grab opportunities. In fact, micro-enterprise needs to be operated and managed with literate people. It needs high ability to plan in terms of non-financial supports that are needed for business practices. Also, it facilitates the ability of acquiring financial resources and non-financial supports required for business operation and hence micro-enterprise performance.

Fatoki and Odeyemi (2010) focused on the managerial competencies such as technological assistances, attitudes, behaviors and advice on financial matters that contribute to the effectiveness of micro enterprise in South Africa. According to these two authors, managerial technological assistances play a key role in the success of small enterprises as they determine its growth. Likewise, lack of managerial technological assistances, personal qualities and technological assistances are major contributors to the failure of firms. Lack of managerial

competence reduces the ability to develop sound plans and strategies for effective management of micro enterprise business. The managerial technological assistances influence planning as well as the ability of the firm to obtain advice regarding sources of finance and means of obtaining it. As such, managerial technological assistances do affect access by new small firms to financing.

Eskesen, (2014) pointed out that, the specific challenges faced by micro enterprise industrial sector, are generally based on the macro-economic, legal and policy environment. Under conditions of macro-economic instability and protection investments, the macro-economic challenges are highly dominated with financial advice and experience in micro enterprises processing business. The limited financial advice hinders ability to deals with risks in financial matters. On the other hand most of the financial institutions avoid financing micro-enterprises processing business due to uncertainty nature of micro enterprises. The way to overcome such problems is directly related to technologies and critical inputs have to be imported, foreign exchange shortages linked to import licensing and foreign exchange allocation systems. The delay of technological investments is directly associated in additional costs on entrepreneurs.

Hastings and Tejada, (2008) the business owners' mostly utilising borrowing while forgetting business advice and saving account under the financial system. The utilisation of financial service for micro enterprise business needs relevant advice, concepts and technological assistance s in business life performance.

Nyabwanga (2011) in his study of the effect of working protection management practices on the financial performance of value adding business in Kisii South

district. This study using a sample of 113 value adding business under survey design established that, majority of the value adding business owners or managers had just basic education. Recorded over 57% of these business operators hardly attend any business training programmes. About 60% of them had little or no advice in business management, but money management technological assistance is vital in the running business. The study also established that, the performance of value adding business in micro enterprise was on average low.

Also, it has been found that, most of the value adding business owners do not engage in formal financial planning, budgeting and control and only keep some books of account. The business owner uses various sources of finance but do not understand the sources of funds and the requirements to obtain a loan (Uwonda, Okello and Okello, 2013).

Micro-enterprise industries in developing countries often face significant problems in gaining access to the technologies and technological assistances they require in order to evolve and compete in the contemporary micro enterprise food economy, either because these are not available domestically or because they are costly. In many cases these technologies are imported, although import taxation regimes, access to foreign exchange and the exchange rate can act as significant impediments. This reflects the fact that research and development expenditure in many developing countries is low. Alternatively, the transfer of physical and human protection can occur internationally, through linkages with multinational corporations, technical assistance provided by bilateral or multilateral donors, etc. Indeed, there is mounting evidence that firms in developing countries can accrue critical capacities through their interactions with international buyers.

Broze (2011) argued that financial technological assistances are increasingly needed through basic training to facilitate acquisition of loan. The accessibility of financial technological assistances needed to be highly associated on the improvement of processors capacity. The capacity directly should be related to use funds. The micro enterprise activity is basis for investment and protection allocation in the existing risk. The management is directly related to the risk and financial decision. The protection investment is directly based on the return of funds and protection investment. The failure to understand investment decision is directly connected to the technological assistances acquired on the micro-enterprise investment.

The study conducted by Broze (2011) on the effect of provision of micro finance on the performance of youth micro enterprise in Kenya Rural Enterprise Program (KREP) in Kisii County. The study was organized by the use of 86 sample size, that comprised of youth micro enterprises. The study findings revealed that, training in micro enterprise investment had a significant positive impact on the performance of the micro enterprises because of standardized beta coefficient of 0.281 due to unit increase in the provision of training to micro enterprise observed to increase performance of about 28.1% increase in performance. There is clear indication that majority of respondents reported to be very satisfied on the existing protection for investment and technological assistance through training provided to micro enterprise. It is clear that, technological assistance provided through training are based on the micro loans, it is directly associated in capacity improvement among entrepreneurs to allocate funds in a more productive channels that could lead to performance of micro enterprise.

#### **2.4.3.2 Government agencies**

The United Nations Development Plan (UNDP) in (2009) is commonly known as strategies and activities which tend to foresee matters regarding to development. In India the micro-enterprise has strong base and accelerating economic growth with a high potential of micro enterprise industry with well arrange technology that lower the cost to fulfill the export market, in fact, the micro enterprise sector becomes well successful due to increase in demand and price of the products, the consumers are interestingly with quality and price criteria in such a way that can deliver satisfaction. Government also has accorded a high priority to the micro enterprise purposely to boost its productivity through fiscal incentives. An enviable share of the world's micro-enterprise processed products mostly contributed to India, in terms of processed food habits, meats, this has significantly rise in income levels to create the numerous opportunities in the micro enterprise sector.

Mukhlani (2014) on the Youth Empowerment through Small Business Development Projects, the findings revealed that, micro-enterprise promoted self-employment that could be determined as a catalyst for enterprise development. Non-financial support from government enables accumulation of skills and experience in the enterprise development. In that respect various micro-enterprise project could be started through government non-financial supports. This could lead to increase of employment opportunities, goods and services could be also increased.

A study conducted by Chigunta (2002) found that, micro-enterprise as a possible source of job creation, empowerment and economic dynamism. Then once effectively supported by the Government through institutional and business premises accessibility could result in development of the micro-enterprise.

Government has to provide required technological development and business registration needs to promote performance of Micro enterprise.

Eskesen, (2014) financing is directly based to the aids agencies because of some sort of foreign investment. It is originated to the donor power who own some sort of financing strategies to micro enterprise. The financing is directly created debt to the respective reception country. These debt are directly transferred to the supported micro enterprise, funds are provided in various factors management of business enterprise and its performance. The reception are based on the conditions and governance to improve macro-economic trends, based on the socio-political conditions in the respective country that receive funds.

The study conducted by Tisimia (2014) on the Growth of Small Micro enterprise Firms in Tanzania. The study employed the statistical coefficients through the application of T-test significance. The findings showed that 63.6% of firms operated under capacity. The resulting effect could be low supply of raw-materials, inadequate protection, and poor marketing systems. The study indicated low efficiency under the Micro enterprise business. The growing increase of labour supply is almost connected to the Micro enterprise business financial advice towards the business performance. The general productivity of labour is highly connected with the experience, education, training and physical protection. The growths of firms are highly connected with the value of raw-materials, manager's education and energy cost. Small Micro enterprise firms in Morogoro Region grew faster (62.7%) compared to firms in Mbeya (37.3%). The difference may be due to Morogoro having better access to factor and product market hence having lower transport cost for inputs and reduced distribution cost of processed products.

The limited access to finance is one of the biggest challenges for across Asia, particularly for rural enterprises and those operating within the micro enterprise sector. A majority of the current funding gap is estimated to be for debt. The gap in formal credit in East Asia in 2010 was estimated at US\$250-310bn<sup>3</sup>, and the gap in South Asia was estimated at US\$30-40 billion<sup>4</sup>. It is estimated that, between 45-55%<sup>5</sup> of formal do not have access to loans from formal financial institutions in developing countries, and this figure increases to 72%<sup>6</sup> when informal <sup>7</sup> and micro-enterprises are included. The demand for credit by smallholder farmers globally was estimated at US\$450billion<sup>8</sup> in 2012. A large percentage of this demand comes from South and South East Asia, where a majority of the world's smallholders reside. Micro enterprise producers require protection for the financing of farm equipment, expansion projects and working protection for the purchase of inputs like seeds and fertilizer. While equity funding channels are growing as impact equity investors enter developing markets, in most countries, Micro enterprise do not have adequate access to equity. Furthermore, such funds may not meet all the protection needs of micro enterprise business, which typically need working protection for financing purchase of inputs (Tisimia, 2014).

The United Republic of Tanzania (URT), (2010) pointed out that, micro-enterprise production is needed to facilitate growth of the economy. For that reason; policy and development programs need effort in supporting small business processors of micro enterprise s in terms of financially literacy (United Nation Development Programme [UNDP], 2009). The micro enterprise business need to process micro enterprise s in large quality. The failure to access financial resources has limited market price. Generally, speaking the micro enterprise is very weak financially and technically in

such a way cannot absorb the micro enterprise production. The problems in micro-enterprise basically attached on the low protection and financial resources to expand the micro enterprise capacity (UNDP, 2009). Also, the micro enterprise products becomes affected by the technology and high cost. The major reason is on the existence of high competition from imported micro-enterprise products with technological advancement and ownership. In various regions of Tanzania, the process micro enterprise products are scanty and operate in efficiently, there is a need for changing the economy and the nature of micro enterprise products to meet the global and local demand (Kipilyango, 2012). The only way to meet high demand micro enterprise is through well equipped with financial literacy to small business processors of micro enterprises, the technological assistances and advice on finance basically attached on the accessibility of financial services and loan facilities. This is especially evident in the small micro enterprise in Dodoma municipality, where the micro enterprises are locally processed.

#### **2.4.4 Non-financial factors from government and non-government agencies**

In a study by Osinde *et al* (2013) that investigate the effect of development services on the performance of Small Scale enterprises in Kisii Town. This study found that, the entrepreneurs who received development services recorded an improvement in the growth of sales and growth in market shares on the various businesses they were operating. The study further established that those who attended the training services recorded an improvement in their businesses in terms of growth in sales and profits with 83.3% of the respondents who always attended training reporting to have good growth in profits as opposed to only 41.2% of those who never attended training.

Training in micro enterprise is considered as non-financial supports that are provided from both government and non-government agencies. It is an element that focus on empower of micro-enterprise towards a required performance.

#### **2.4.5 Performance of Micro-enterprise**

Muthoni, (2015) in Kenya focused on the Economic Recovery Strategy (ERS) for Wealth and Employment Creation provides the road map for economic recovery 2003–2007. The micro enterprise business contributes 20 and 72% to the GDP and employment respectively. Hence, when the strategies focused in Micro enterprise to create 500,000 jobs annually, 88% of the targeted jobs were to be created in small micro enterprise business with the aim of reducing poverty rates from 56.7 to 51.8%. Performance is commonly used as an indicator of a firm's financial health over a given period of time. The performance of a micro enterprise business can be defined or measured in various different ways. Each of these different measures captures a slightly different aspect of performance. Some, such as profitability, gauge return; others, like sales growth and market share growth, gauge the growth of a firm. Some measure profitability (return on investment, return on equity), some liquidity (quick ratio, current ratio), and still others solvency (gearing). Some measures are indicators of commercial success (growth, market share) while others are indicators of financial success (profitability). Some writers believe that the performance of micro-enterprise business is measured by many factors such as internal and external to the small micro enterprise business themselves. The performance measurement of the micro enterprise business is highly affecting the business performance (Muthoni, 2015).

Furthermore, Fabbri and Klapper (2008) added that profitability has been most widely used measure of financial performance of micro-enterprise business. Profitability is the excess revenue over expenses, which can be seen by the ratios like gross profit margin and pre-tax profit margin. They further argued that profits have got a lot of shortcomings as a measure of performance.

Other studies such as, Alessie, Van, and Lusardi (2011) and Mwambia (2014) Hilgert, Hogarth and Beverly, (2003) have also confirmed the positive association between financial literacy and financial performance. A study by Alessie, Van, and Lusardi (2011) found out that the less financially literate households may be more likely, unknowingly commit financial mistakes, less likely to engage in recommended financial practices and less likely to be able to cope with sudden economic shocks (Lusardi & Mitchell, 2007). These findings are consistent with Mwambia (2014) who also established a positive link between financial literacy and returns. Few studies have however been able to construct sophisticated measures of financial literacy and definitively establish causal links between financial literacy and returns (Hilgert, Hogarth and Beverly, 2003). As a result it is difficult to determine the exact influence financial literacy has on small micro-enterprise business in Kibera Slum, Nairobi County.

## **2.5 Knowledge gap**

Bowen *et al.* (2009) researched on Management of challenges among small and micro enterprises in Nairobi Kenya. The findings of the research indicated that over 50% of small micro enterprise businesses continue to have a deteriorating performance with 3 in every failing within months of establishment. Only 2.5% respondents saying their businesses were very successful. The results also showed

that 49.5% of those who had received training in their areas of reported that their businesses were doing well hence the conclusion that relevant training or education is positively related to success and recommendation that of the need for small micro enterprise business owners to get trained in an area that is relevant to the carried.

Kharuddin, *et al*, (2010), government of Kenya has recognized the importance of micro enterprise business in creating employment and eradicating poverty in the country. It has provided initiatives that are aimed to spur growth in the sector. The youth fund and women fund are just examples of government efforts in supporting small enterprises. Policy recommendations of the government of Kenya as contained in its 7th National Development Plan on Divestiture and subsequently in Session paper No. 2 of 2005, advocates for the government to take leading role by providing an enabling environment for micro enterprise market operations. This will require the establishment of infrastructure for access to markets, provision of work site structures, dissemination of market information through networks and innovation amongst other well-known strategies.

According to Lusardi and Tufano (2009) Most micro-enterprise business lack training and management capacity, so they have trouble managing funds secured for their business activities such as procuring raw materials and products, and investing in plant and equipment. Micro enterprise business are regarded as insecure and costly businesses to deal with because they lack financial management and have the capacity to absorb only small amount of funds from financial institutions. So they are rationed out in their access to credit because of lack of financial records, including the cost of monitoring and enforcement of loan contracts. A number of initiatives have also been advanced by the government, NGOs, and the private

sector aiming at increasing access to affordable credit, and financial management to enable micro enterprise efficiently manage finances in their businesses. However, it is not clear whether these initiatives on financial literacy education have translated to better management of finances among micro enterprise business.

Lusardi and Mitchell, (2007) the local processing is highly limited to access markets because of inconsistent quality standards, lack of transport systems, and unpredictable cross-border mobility. The value add-focused tend to process limited quantities below production capacity while operate within market demand of local or domestic. The value processing to attain a large scale production need access greater market. The accessibility of greater market is directly connected to the access of finances advice and technological assistances. On the other hand government of Kenya required facilitating infrastructure. It has been found that, micro enterprises are highly limited with poor physical infrastructure is a major deterrent for small producers trying to access high value markets. In most emerging economies, the shortage of critical micro enterprise infrastructure such as for storage, transportation and warehousing of micro enterprise produce constrains small producers from reaching market. Information about markets: often do not have access to relevant information about the demand and pricing for their products in national and international markets, limiting their reach to low margin and low volume local and regional markets. Consistent quality standards: Micro enterprises often do not have the production, processing, and packing technologies to meet the standards of international markets. Similarly, Micro enterprises processors struggle with consistent quality and reliable, timely distribution. Marketing capability and technological assistances: in micro-enterprise sometimes do not have the

technological assistances, networks, or resources to market their products in high value international markets.

Funds and Financing Instruments, DFIs and development programs that take a finance-centric approach to addressing the challenges of micro enterprise business have set up several funds and financing instruments across Asia. These instruments have been created with the support of various stakeholders ranging from governments, development finance institutions, and regional and national banks. These programs increase access to finance in three major ways: Firstly provide direct equity or debt funding to in developing countries; secondly provide concessionary protection to financial institutions in developing countries for lending to; and thirdly provide instruments to reduce the risk associated with investments in frontier markets and sectors.

Mlise (2013) found that in Tanzania financial literacy is needed especially in micro enterprise business. This study was conducted in Morogoro Municipality with a sample of 60 respondents, micro enterprise business are constrained by financial literacy to operate and management the business. The micro enterprise processing business are highly limited with the financial literacy that are indispensable ingredient in its performance, the micro enterprise business with advice and technological assistances in finance can effectively manage the business towards expansion stage.

Tongeren, *et al*, (2009) argued that, addressing the lack of access to financing and to markets is instrumental to unlocking the potential of as engines of domestic growth. These two key challenges are true for all types of micro-enterprise business, and arguably are even more critical for Micro-enterprise focused because of the

influences of weather and perishability. Without working protection and protection investment, struggle with both day-to-day operations and implementing expansion plans. Crop planting and harvesting are time-delineated, and therefore, the availability and predictability of financing is essential for successful operations. Similarly, lack of access to markets – domestic, regional, and international – constrains' ability to increase their market share and deepen their value-add. Reliable access to markets is critical to a healthy micro enterprise ecosystem.

Barongo (2013) in Tanzania Observed micro enterprise business need a well advancement of financial literacy to meet the specialized needs of the business. Also, the micro enterprise business is not equipped with advice and technological assistance s in financial, therefore, with appropriate financial education and training. The micro enterprise businesses are unaware in the matters of fiancés in terms of opening accounts and management of funds under the business.

Mori and Richard (2011) did on the finance access in Tanzania, the findings pointed out that micro enterprise processing business are with limited financial education and awareness due to lack of advice and technological assistances to manage financial resources. It is apparent that micro enterprise business is increasingly with difficult to access finance from Banks in Tanzania due to limited advice and technological assistances. Lastly, the Government should consider providing financial literacy to micro-enterprise sectors that are perceived too risky due to lack of advice and technological assistances in managing financial resources.

## **2.6 Conceptual Framework**

Conceptual framework is generally recognized as the coherent ideas or concepts that organized and presented in a manner that, facilitate easy communication (Kipilyango, 2012).

### **2.4.1 Independent variables**

The non-financial supports offered by government institutions include business registration, access to business premises, capacity building and technology assistance. Non-financial support under non-government agencies are counseling and patent protection.

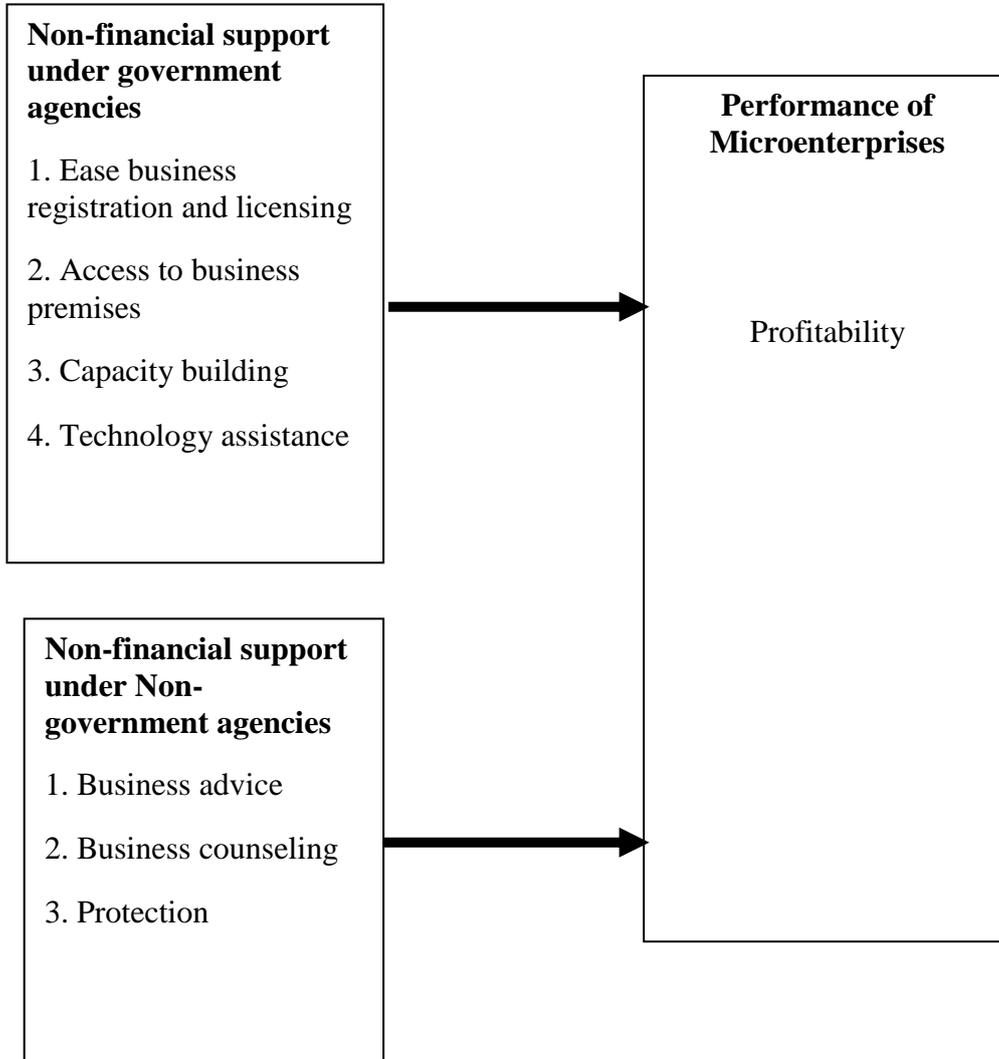
### **2.4.2 Dependent variables**

The micro-enterprise performance depends on government non-financial supports while other things keep constant. The micro enterprise's performance is based on the profitability (Sleuwaegen & Goedhuys, 2002). Delmar (2003) identified further performance indicators applied by various scholars such as assets, market share, physical output and profits. The study focused on the sales and employment as indicators in the size of the firm (Delmar, 2003). Employment is often used within studies since it is relatively easy to access and measure as well as it lies within interest for policy makers (Barkham, 1996). And sales are the most common measure indicator of firm performance though sales are affected by inflation and exchange rates, it can be difficult to compare sales figures in different industries. Delmar (2003) argued the importance of using multiple performance indicators when studying firm performance. Barkham (1996) highlighted the importance of

using at least one indicator based on changes in turnover when studying firm performance.

**Independent Variables**

**Dependent Variable**



**Figure 1: Conceptual Framework**

**Source:** Researcher, 2018

## **CHAPTER THREE**

### **METHODS AND MATERIALS**

#### **3.1 Research Design**

Kothari (2006) contends research design as “the arrangement of conditions for collection and analysis of data in manner that aims to combine relevance to the research purpose with the economy in procedure”. He also argues that, research design is needed because it facilitates the smooth sailing of the various research operations thereby making a research as efficiency as possible (Elliot, 2005). A cross-sectional was adopted which is studied at single point in time.

#### **3.2 Study Area**

The study was conducted in Dodoma City because it is one of the strategic cities in central Tanzania (Venkatakrishnan, 2013). Dodoma municipal and Kongwa district are selected and information concerning respective micro-enterprises was collected from SIDO-Dodoma, (2017).

#### **3.3 Sampling Procedure and Sample Size**

This section consists with population of the study, sample size, sampling procedure and unity of analysis.

##### **3.3.1 Population of the study**

Kombo and Tromp (2004) define population as a group of individuals, objects or items from which samples are taken for measurement. It is a group of units with common characteristics of which a researcher is interested. The population of the

study was 2159 registered and non-registered micro-enterprise, where by Dodoma municipal has 1627 and Kongwa has 532 (SIDO, 2017).

### 3.3.2 Sample composition and sample size

The sampling frame of micro enterprise in Dodoma municipal is 1627, and Kongwa are 532, making a total of 2159 micro enterprise. Hence by using the formula of computing the sample size the following sample size estimation was employed as proposed by Emmeli (2013).

$$n = \frac{Z^2 \cdot p \cdot q \cdot N}{e^2}$$

$$n = \frac{(1.96)^2 \cdot 0.02 \cdot 0.98 \cdot 2159}{(0.02)^2}$$

Whereby;

N = Total Number of Micro-enterprise,

e = Standard error 0.02, since the estimate should be within 2% of true value,

sample proportion p = 0.02 with q = 1-p,

n = sample size,

Z = standard deviation at a given interval (CI) and 1= constant,

Taking N = 2159, Z = 1.96 at 95% CI, results are as follows:

$$n = \frac{(1.96)^2 \cdot 0.02 \cdot 0.98 \cdot 2159}{(0.02)^2}$$

$$n = \frac{(1.96)^2 \cdot 0.02 \cdot 0.98 \cdot 2159}{(0.02)^2}$$

$$n = 173.2$$

**Therefore;**

$$\text{Dodoma municipal } 1627 \times \frac{173}{2159} = 130$$

$$2159$$

$$\text{Kongwa district } 532 \times \frac{173}{2159} = 43$$

$$2159$$

**Table 3.1: Distribution of Micro-enterprises by 2 Districts in Dodoma city**

<b>District</b>	<b>No. of MEs (N=2159)</b>	<b>Sampled MEs (n=173)</b>
Dodoma municipal	1627	130
Kongwa	532	43
<b>Total</b>	<b>2159</b>	<b>173</b>

**Source:** SIDO, 2017

### **3.3.3 Sampling procedures**

According to Kombo and Tromp (2006), sampling technique refers to the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group. The study was used probability and non-probability sampling technique, Probability sampling was used as simple random sampling to ensure that every respondents in the ME's had equal chance of being selected in this study. However, purposive random refers to "multiple cases selected at random from an accessible population" (Gall *et al.*, 2005). The purposeful sampling was used to select key informants such as SIDO officers, business officers and Ward Executive Office (WEOs).

### **3.3.4 Unit of analysis**

According to Kothari, (2004) unit of analysis is the major entity that is being analyzed in a study whereby in a social science research, a unit of analysis includes individuals (most common), groups, social organization and social artifacts. In this study, the units of analyses were Micro-enterprises in the Dodoma city. The purpose

was to assess the non-financial supports and the performance of Micro-enterprises in Tanzania, a case of government agencies and non-government agencies.

### **3.4 Data Collection Methods and Tools**

In order to accomplish this study successfully, different data collection tools were used which include interview and questionnaires for collecting primary data and documents like articles, journals, reports and online related articles was used to collect secondary data.

#### **3.4.1. Survey Method**

Survey is a means for gathering information about the characteristics, actions, or opinions of a large group of people. Survey can also be used to assess needs, evaluate demand and examine impact (Glasow, 2005). Survey is to take general picture of the study area concerning about the situation and possibility of conducting a study. The study area was surveyed to see the situation of micro enterprise and the ways financial and non-financial supports are received. This provided a general picture of existing financial and non-financial supports. A list of government agencies and non-governmental agencies were taken into account and identified during survey.

#### **3.4.2 Primary data collection**

Bryman and Bell (2007) state that primary data are information that the researcher gathers on his/her own, commonly methods used include interviews and survey. While the former was collected through a checklist, the later was collected using questionnaires.

### **3.4.2.1 Questionnaire**

Kombo and Tromp (2006) refers to this as a tool where a set of questions which respondents fill in answers in written form and the researcher collects the forms with the completed information. This was administered to respondents where by 88 questionnaires was used to collect information from the unit of analysis.

### **3.4.2.2 Interview**

Personal interviews were conducted through face to face interviews and telephone interviews, where the target was staffs from institution which deal with micro-enterprise (Kothari, 2006).

An interview is a method of asking qualitative questions orally of key participants. Qualitative questions are open-ended, that is, the respondent provides a response in his or her own words. The purpose of the research interview is to explore the views, experiences, beliefs and/or motivations of individuals on specific matters (British Dental Journal [BDJ], 2008). The interview methods were developed from these study main themes and literature review. Interviews was consisted of several key questions that help to define the areas to be explored, but also allows the interviewer or interviewee to diverge in order to pursue an idea or response in more detail (Elliot, 2005).

Under this study interviews was conducted through interview guide to staffs from government and non government agencies in the study area. However during the interview notes were taken as to avoid exaggeration and misinterpretations of the information by researcher. The interview helps a researcher to understand the experiences of the people, to obtain depth information on the financial and non-

financial supports from government and non-government agencies. These could relate to the performance of micro enterprise.

#### **3.4.2.3. Checklist**

Checklist is a valuable tool to confirm the essential elements of qualitative study for emergent scholars and beyond (Frels *et.al*, 2011). It facilitated to remind the research on the key areas which are needed to be reviewed to organize the study. Key aspects were presented in the check list to control and organize data collection exercise. The major aspects covered by checklist are through interviewing the key informants such as staffs from government and non-government agencies.

#### **3.4.3 Secondary Data**

Bryman and Bell (2007) defined secondary data as the data such as literature, documents and articles that is collected by other researchers. The secondary data were obtained from Small Industries Development Organization (SIDO) and reports concerning micro-enterprise and Small and Medium Enterprise (SME) development policies.

### **3.5 Validity and Reliability**

The validity and reliability of instruments was presented in order to promote accurate data collection.

#### **3.5.1 Reliability**

Reliability is used to describe the overall consistency of a measure. A measure is said to have a high reliability if it produces similar results under consistent

conditions (Neil, 2009). The issue of reliability was assured by the using different methods and tools during data collection including; questionnaires, interviews and review of secondary data. Data reliability is a cornerstone of making a successful and meaningful study. Also reliability was measured by using cronbach's alpha that intended to measure scale reliability in internal basis, that the consistence is checked in terms of high value for alpha does not imply that the measure is in one dimensional (Tavakol and Dennick, 2011). The reliability was calculated by using a cronbach's alpha and come up with internal consistent which is required and needed for this study.

**Table 3.2: Cronbach Alpha Test**

	<b>Cronbach Alpha</b>
Business advice	0.820
Business counseling	0.811
Ease business registration and licensing	0.806
Access to business premises	0.732

Findings show that reliability through the application of Cronbach Alpha values the results are reliable and consistent. This is evident from the previous experience of Robinson, et. al (1991) that showed that, in the application of Cronbach Alpha with values being 0.7 and above, in this study are appeared to be above 7 which indicate results are somehow consistent.

### **3.5.2 Validity**

Validity refers to the degree to which study accurately reflect or assesses the specific concepts the researcher is attempting to measure (Fidel, 1993). To increase

validity, questions from interview guide and questionnaire were reviewed, then pre-test were conducted in the actual field area to check its ability to collect data. After being pre –tested all faults observed during the test were amended and necessary collections were conducted to meet the criteria of the study, so as to make sure that important issues are not left out and the results are of quality, more credible and trustworthy for generalization was used to guide discussions for each objective.

### **3.6 Data Analysis**

The data analysis used in this study was triangulation i.e. both qualitative and quantitative techniques were employed. The quantitative data were analysed using the Statistical Package for Social Science (SPSS) version 21 specifically; descriptive and inferential statistics was used during data analysis. Descriptive analysis was used to report demographic variables corresponding to respondents involved in the study, cross tabulation was used in descriptive analysis just to analyse relevant information of this study. Multiple responses set were used to present questions with more than one response per questions with respective single respondents. This was used to present clear information on the study theme where more than one response per each respondent was appropriate. Person correlation was used in this study to draw relationship between non-financial supports from government agencies and performance of micro enterprises. This was used to draw significant of variables used in this study.

Multiple Regression method

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \beta_5x_5 + \beta_6x_6 + \beta_7x_7 + \beta_8x_8$$

Where

Y = Performance of micro enterprise

X1 = Easy business registration and licensing

X2= Access to business premises

X3 = Capacity building

X4 = Technological assistance

B0 = Constant term (Intercept),

B<sub>i</sub> = Regression coefficient of independent variable (Where i = 1, 2, 3.....);

€ = Error term

This was checked in the application of regression analysis to check on various non-financial supports on the performance of MEs from government and non-government agencies.

### **3.7 Ethical Consideration**

Ethical consideration means to check the relevant of the study based on the professional dimension and researcher respondents' relationship. The aim of the study was to communicate each selected respondent who was informed that his/her response is voluntary. The clear introduction and elaboration of the objectives of the study was given to every respondent before engaging him/her in the fieldwork. All research tools had an introduction clearly that Participants identities was kept anonymous, to avoid any harm to respondents. Moreover, all who was assisted the researcher in one way or another was given due respect. Acknowledgement of other scholars' works was maintained throughout the research process.

## **CHAPTER FOUR**

### **FINDINGS**

#### **4.1 Introduction**

This chapter presents the usefulness of non-financial supports on performance of micro-enterprise in Tanzania from government and non-government agencies. The findings presented on the support from research questions. The presentation considered the series of research questions as follows.

#### **4.2 Profile of Respondents**

In order to have a wide view of respondent, the aspects such as Age, sex, education, experience were considered to bring about a clear picture on the non-financial supports on performance of micro-enterprises in Tanzania from government and non-government agencies.

##### **4.2.1 Age and sex of respondents**

Findings in Table 4.1 take into special account in the presentation of respondents' distribution in terms of age and sex. This has been so far non-financial supports on performance of micro-enterprise in Tanzania from government and non-government agencies.

Findings in Table 4.1 show that, males were 43.4% appeared in age group of 26-35 years, compared to 1.7% females, from this observation male accounted a large portion of respondents in this study in the productive age group than females. These findings show that, respondents of various age groups in productive channel were males who are included in non-financial supports and performance of micro-enterprises in Tanzania from government and non-government agencies. This is

partly influenced by the facts that, majority of enterprises in Tanzania are held by males as compared to females counterparty.

**Table 4. 1: Distribution of Respondents by age and sex**

Sex of respondents		Scores	Age				Total
			18-25	26-35	36-45	46-55	
Sex	Male	Frequency	10	75	8	2	95
		%	5.7	43.4	4.6	1.2	54.9
	Female	Frequency	4	47	24	3	78
		%	2.3	27.2	13.9	1.7	45.1
<b>Total</b>		<b>Frequency</b>	<b>14</b>	<b>122</b>	<b>32</b>	<b>5</b>	<b>173</b>
		<b>%</b>	<b>8.1</b>	<b>70.5</b>	<b>18.5</b>	<b>2.9</b>	<b>100.0</b>

**Source:** Survey, 2018

#### 4.2.2 Experience in business by education level

Findings in Table 4.2 present respondents in terms of experience in business practice by education level, a large proportion 38.7% had experience of 4 - 6 years who are primary education holders, compared to 0.6% of respondents with post graduate education level, at the same experience level. These findings imply that, enough experience is accumulated in micro-enterprises with respective use of non-financial supports. Similarly the experienced micro-enterprises take into account various education backgrounds in this study. But in Tanzania primary education level appeared with majority of people, since is compulsory and basic.

**Table 4. 2: Experience in Business by Education Level**

Level of education	Scores	Experience in the business				Total
		Less than 1 year	1 – 3 years	4 – 6 years	More than 7 years	
Primary	Frequency	11	37	67	5	120
	%	6.4	21.4	38.7	2.9	69.4
Secondary School leaver	Frequency	0	14	26	0	40
	%	0	8.1	15	0	23.1
Certificate Holder	Frequency	0	0	6	0	6
	%	0	0	3.5	0	3.5
Diploma Holder	Frequency	0	0	4	0	4
	%	0	0	2.3	0	2.3
Undergraduate	Frequency	0	0	2	0	2
	%	0	0	1.2	0	1.2
Postgraduate	Frequency	0	0	1	0	1
	%	0	0	0.6	0	0.6
<b>Total</b>		<b>11</b>	<b>51</b>	<b>106</b>	<b>5</b>	<b>173</b>
		<b>6.4</b>	<b>29.5</b>	<b>61.3</b>	<b>2.9</b>	<b>100</b>

Source: Survey, 2018

### **4.3 Types of non-financial supports offered by government and non-government agencies to micro-enterprises**

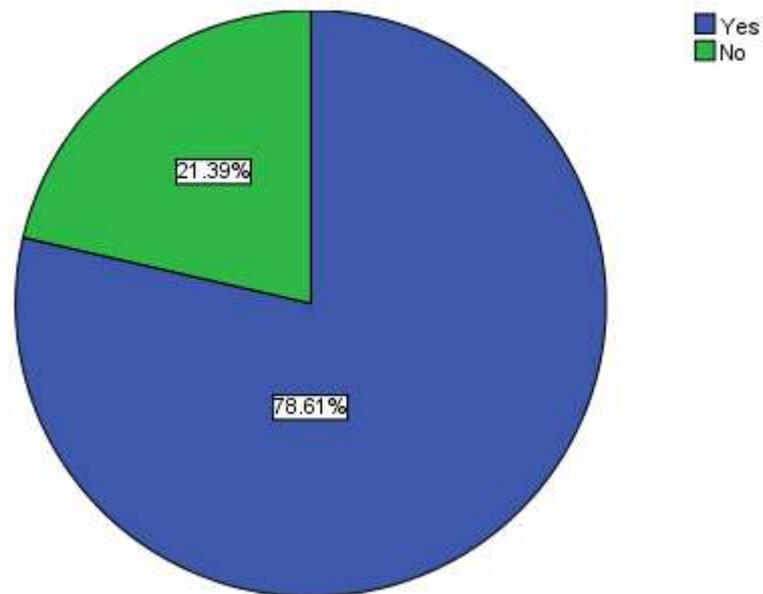
There are seven types of no-financial supports which normally offered by government and non-government agencies. While business premises accessibility, capacity building, technology assistance, provision of business license and business registration offered by government agencies. Business advice, counseling and protection offered by non-government agencies.

#### **4.3.1 Types of non-financial supports offered by government agencies to micro-enterprises**

Non-financial supports that are provided by government agencies, includes business registration, accessed business premises and capacity building. Detailed explanations of these factors are presented as follows;

##### **4.3.1.1 Existence of bureaucratic in business establishment/operations**

The findings in Table 4.3 presented existence of bureaucratic in business establishment; a large proportion 78.6% suggested encountering bureaucratic in business establishment, compared to 21.4% who did not face bureaucratic in business establishment. It implies that, micro enterprise was highly affected by bureaucratic in lunching business.



**Figure 2: Existence of bureaucratic in business establishment/operations**

**Source:** Survey, 2018

#### **4.3.1.2 Contribution of business premises to micro enterprise from government agencies**

The findings in Table 4.3 analysed with multiple responses analysis, to present contribution in accessibility of business premises to micro-enterprises from government agencies. About 95.4% reported to increase confidence, 70.5% permanent business places and 26% increase sales 14.5% protection of business and 16.2% provides Better Avenue for business respectively. It is clear that, accessibility of business premises increase confidence and performance to micro-enterprises.

**Table 4.3: Contribution of business premises from government agencies**

Category	Frequency (N= 173)	Individual case %
Provides better avenue for business	28	16.2
Increase confidence	165	95.4
Permanent business places	122	70.5
Increases sales	45	26
Protection of products	25	14.5

**Source:** Survey, 2018

During interview with one of the government agencies on the accessibility of business premises, *“The accessibility of business premises from government is very procedural and associated with disturbances,”*

#### **4.3.1.3 Contribution of business license from government agencies**

The finding in Table 4.4 presented contribution of business license from government agencies, using multiple responses analysis suggested that, 87.9% formalise business, 73.9% access of credit, 63.6% room for expansion and 36.4% increases more trust respectively. The provision of business license increases business formalisation among micro-enterprises.

**Table 4.4: Contribution of business license from government agencies**

Category	Frequency (n= 173)	Individual case %
Formalise business	152	87.9
Access of credit	128	73.9
Room for expansion	110	63.6
Increases more trust	63	36.4

**Source:** Survey, 2018

During interview with one of the staffs from Municipal council Kongwa municipal, *“the business license increases more chance to access credit and increase capital base in the micro enterprise,”*

#### **4.3.1.4 Policy environment on micro enterprise performance**

The findings in Table 4.5 presented policy environment on micro enterprise performance, using multiple responses about 69.9% less emphasize in training micro-enterprises, compared to 66.5% less consideration in business advice and 61.8% lack of micro-enterprises consideration respectively. The policy environment pressed less emphasize in training micro-enterprises.

**Table 4.5: Policy environment on micro enterprise performance**

Category	Frequency	
	(n=173)	Individual case %
Lack of Micro enterprises consideration	107	61.8
Less emphasize in training micro enterprises	121	69.9
Less consideration in business advice	115	66.5

**Source:** Survey, 2018

#### 4.3.1.5 Types of non-financial supports offered by government agencies to micro-enterprises

Findings in Table 4.6 presented the non-financial supports that are provided by government agencies. More than half 72.3% sort business registration as one of the non-financial supports offered by government agencies, followed by 58.9% who accessed business premises compared to 55.5% managed to receive capacity building. It has been deduced that, government is the basic providers of business registration.

**Table 4. 6: Non-financial supports offered by government agencies**

Category	Frequency	Individual case %
Business registration	125	72.3
Access to business premises	102	58.9
Capacity building	96	55.5

**Source:** Survey, 2018

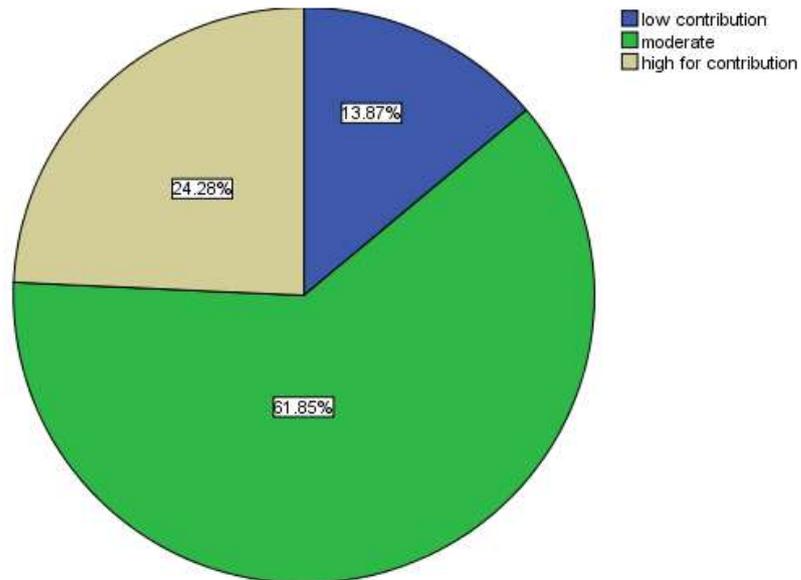
#### **4.4 Types of Non-Financial Supports Offered by Non-Government Agencies to Micro-Enterprises**

##### **4.4.1 Types of non-financial supports offered by government agencies to micro-enterprises**

The non-financial supports offered by government agencies are business advice, counseling and protection are important non-financial services offered by government agencies.

##### **4.4.1 Business advice**

The findings in Figure 3 presented business advice as one of the non-financial supports offered by non-government agencies to micro-enterprises. A large proportion 61.8% mentioned business advice with moderate contribution, Compared to 24.3% who sort business advice with high contribution and a small proportion 13.9% low contribution of business advice in micro-enterprise performance. Business advice need is a key aspect of micro-enterprises performance.



**Figure 3: Business advice**

**Source:** Survey, 2018

#### **4.4.2 Business counseling**

Findings in Table 4.7 presented business counseling as one of the financial supports that is provided from non-government agencies. Large proportion of 64.2% mentioned business counseling contribute moderate, followed by 25.4% high contribution and a small proportion 10.4% reported on low contribution. These findings imply that, business counseling is one of the non-government agencies supports with moderate contribution.

**Table 4. 7: Business counseling**

<b>Category</b>	<b>Frequency</b>	<b>Percent</b>
low contribution	18	10.4
Moderate	111	64.2
high for contribution	44	25.4
<b>Total</b>	<b>173</b>	<b>100.0</b>

**Source:** Survey, 2018

During interview with one of the non-government agencies on the business counseling responded that, *“We normally advice and provide technical support for business development and performance,”*

#### **4.4.3 Protection**

The findings in Table 4.8 suggested protection has low contribution, followed by 28.9% who reported to have moderate contribution and small proportion 20.2% reported to have high contribution. These findings imply that, micro-enterprises at least are accessing protection from non-government agencies to promote performance.

**Table 4.8: Protection**

<b>Category</b>	<b>Frequency</b>	<b>Percent</b>
low contribution	88	50.9
Moderate	50	28.9
high for contribution	35	20.2
<b>Total</b>	<b>173</b>	<b>100.0</b>

**Source:** Survey, 2018

#### **4.4.4 Relevance of non-financial supports from non-government agencies to micro enterprise**

The findings in Table 4.9 presented relevance of non-financial supports from non-government agencies that promote micro enterprise. Three quarters 94.8% mentioned non-financial supports from non-government agencies to promote business expansion, compared to 53.7% who raised awareness in business sphere through non-financial supports from non-government agencies and about 15% managed to promote business premises accessibility. These findings imply that, non-financial supports from non-government agencies are highly relevancy for business performance.

**Table 4. 9: Relevance of non-financial supports from non-government agencies**

<b>Category</b>	<b>Frequency (n=173)</b>	<b>Individual case %</b>
Promote business expansion	164	94.8
Raise awareness	93	53.7
Promoted business premises accessibility	26	15

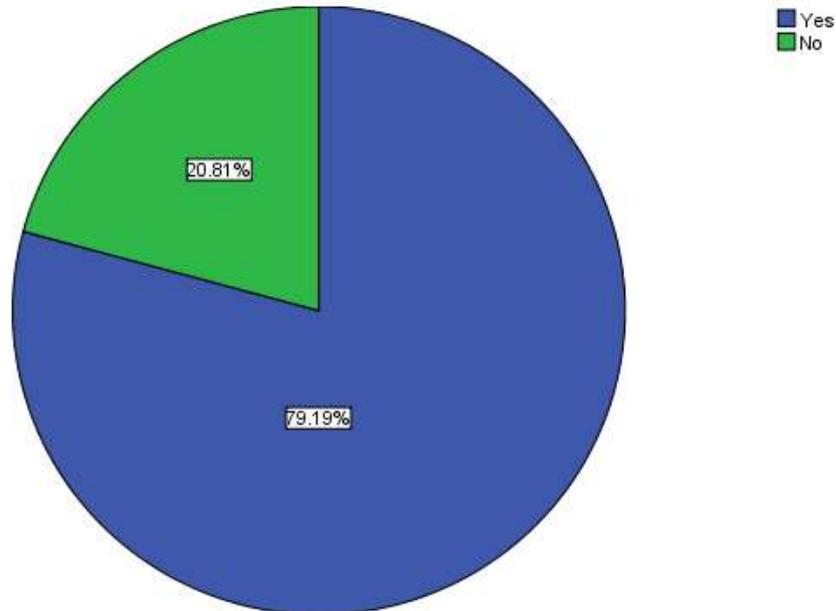
**Source:** Survey, 2018

#### **4.5 The relationship between non-financial supports (from both agencies) and performance of Micro-enterprises**

##### **4.5.1 Non-financial supports contribute to income increase in micro enterprise**

The findings in Figure 4 presented existence of non-financial supports that could contribute to income increase in micro-enterprises. More than half 79.19% had agreed with that statement, compared to 20.81% who disagreed. These findings

show that, financial supports provided to micro enterprise contributed the most in increase of income.



**Figure 4: Non-financial supports provided to you contribute to income increase in your business'**

**Source:** Survey, 2018

#### **4.5.2 Contribution of non-financial supports offered to micro enterprise**

Findings in Table 4.10 presented the amount of income generated as a result of non-financial supports. A large proportion 37% suggested that amount of income generated ranged between 51,000-100,000 Tshs, followed by 27.7% who obtained income ranged between 101000-150,000 Tshs. and 23.1% who generated income of 10,000- 50,000 Tshs as a result of non-financial supports provided by both government and non-government agencies. These findings entail that, non-financial

supports had essentially promoted increase in income among micro-enterprise once are effectively provided.

**Table 4. 10: Contribution of non-financial supports**

<b>Category</b>	<b>Frequency</b>	<b>Percent</b>
10,000-50,000	40	23.1
51,000-100,000	64	37.0
101000-150,000	48	27.7
151,000-200,000	15	8.7
201,000-250,000	6	3.5
<b>Total</b>	<b>173</b>	<b>100.0</b>

**Source:** Survey, 2018

#### **4.5.3 Relationship between non-financial supports from government agencies and performance of Micro-enterprises**

The relationship between performance of micro-enterprises (PME) and control variables as well as Non-financial support from government agency (NFSGA) and control variables is calculated. This is because change in NFSGA impacts control variables like BA, BC and PT. The calculated relationship between these two variables along with control variables is presented in the following Table 4.11.

**Table 4.11: Relationship between non-financial supports from government agencies and performance of Micro-enterprises**

Category		PME	EBRL	ABP	CB	TA	NFSGA
PME	Correlation Coefficient	1.000	-.125	.038	.127*	-.078	-.058
	Sig. (1-tailed)	.	.051	.308	.047	.154	.223
	N		173	173	173	173	173
EBRL	Correlation Coefficient		1.000	.099	-.048	.101	.089
	Sig. (1-tailed)		.	.098	.265	.093	.122
	N			173	173	173	173
ABP	Correlation Coefficient			1.000	.054	.032	.038
	Sig. (1-tailed)			.	.242	.338	.308
	N				173	173	173
CB	Correlation Coefficient				1.000	-.071	.026
	Sig. (1-tailed)				.	.178	.369
	N					173	173
TA	Correlation Coefficient					1.000	-.006
	Sig. (1-tailed)					.	.468
	N					173	173
NFSGA	Correlation Coefficient						1.000
	Sig. (1-tailed)						.
	N						173

\*Significant at the 0.05 level (1-tailed).

**Source:** Survey, 2018

PME: Performance of micro enterprise

EBRL: Easy business registration and licensing

ABP: Access to business premises

CB: Capacity building

TA: Technology assistance

NFSGA: Non-financial supports from Government agencies

The correlation between NFSGA and PME is  $-.058$  which indicates that increase in NFSGA is resulting into decrease in PME and vice versa. This indicates a negative relationship which means that once non-financial services from non-government agencies are not offered adequately tend to reduce performance of micro enterprise. This indicates a negative relationship. The correlation between NFSGA and EBRL is  $.089$  which indicates that increase in NFSGA is resulting into increase in EBRL and will lead to good business performance. The correlation between NFSGA and ABP is  $.038$ , which indicates increase in NFSGA is resulted into increase ABP and will result into a good business performance. The correlation between NFSGA and CB is  $.026$ . This it is as per the expected relationship. The correlation between NFSGA and TA is  $-.006$ . This is as per expected relationship.

#### **4.5.4 Multiple regressions on non-financial supports from government agencies and performance**

Multiple regressions were used to present the non-financial supports from government agencies and performance.

**Table 4.12: Non-financial supports from government agencies and performance of Micro-enterprises**

Model	Un standardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.036	.156		6.622	.000
Ease business registration and licensing	.079	.051	-.118	-1.542	.012
Access to business premises	.053	.087	.046	.602	.004
Capacity building	.125	.083	.115	1.511	.003
Technology assistance	.057	.074	-.059	-.776	.013

**Source:** Survey, 2018

#### **4.5.4.1 Easy business registration and licensing**

Findings in Table 4.12 presented regression estimates on the easy business registration and licensing, coefficient of regression was .079 and significant level of .012 which is less than 0.05, this means that easy business registration and licensing influence performance of micro enterprise.

#### **4.5.4.2 Access to business premises**

Findings in Table 4.12 presented regression estimates on access to business premises, coefficient of regression was .053 and significant level was .004, this significant level appeared to be less than 0.05, which means that, access to business premises influence performance of micro enterprise.

#### **4.5.4.3 Capacity building**

Findings in Table 4.12 presented regression estimates on capacity building, coefficient of regression was .125 and significant level was .003 which is less than 0.05, which means that, capacity building is significant that could influence performance of micro enterprise.

#### **4.5.4.4 Technology assistance**

Findings in Table 4.12 presented regression estimates on technological assistance that appeared with regression coefficient of .057 and significant level of .013 which is less than 0.05, it means that it is significant to influence performance of micro enterprise.

#### **4.5.5 Relationship between non-financial supports from Non-government agencies and performance of Micro-enterprises**

The relationship between performance of micro enterprise (PME) and control variables as well as Non-financial support from non-government agency (NFSNGA) and control variables is calculated. This is because change in NFSNGA impacts control variables like BA, BC and PT. The calculated relationship between these two variables along with control variables is presented in the following Table 4.13.

**Table 4.13: The relationship between non-financial supports from Non-government agencies and performance of Micro-enterprises**

Category		PME	BA	BC	PT	NFSNGA:
PME	Correlation Coefficient	1.000	.025	.003	.034	.065
	Sig. (1-tailed)	.	.373	.483	.327	.197
	N	173	173	173	173	173
BA	Correlation Coefficient	.025	1.000	.127*	.042	.072
	Sig. (1-tailed)	.373	.	.047	.290	.172
	N	173	173	173	173	173
BC	Correlation Coefficient	.003	.127*	1.000	.204**	.219**
	Sig. (1-tailed)	.483	.047	.	.004	.002
	N	173	173	173	173	173
PT	Correlation Coefficient	.034	.042	.204**	1.000	.045
	Sig. (1-tailed)	.327	.290	.004	.	.278
	N	173	173	173	173	173
NFSNGA:	Correlation Coefficient	.065	.072	.219**	.045	1.000
	Sig. (1-tailed)	.197	.172	.002	.278	.
	N	173	173	173	173	173

**Source:** Survey, 2018

\*. Correlation is significant at the 0.05 level (1-tailed).

PME: Performance of micro enterprise

BA: Business advice

BC: Business counseling

PT: Protection

NFSNGA: Non-financial supports from Non-government agencies

From the analysis of the above Table 4.13 the following observation can be made.

The correlation between NFSNGA and PME is .065 which indicates that increase in NFSNGA is resulting into increase in PME and vice versa. This it is as per the expected relationship. The correlation between NFSNGA and BA is .072 which indicates that increase in NFSNGA is resulting into increase in BA and vice versa. This it is as per the expected relationship. The correlation between NFSNGA and PT is .045, which indicates increase in NFSNGA is resulted into increase PT and vice versa. This it is as per the expected relationship.

**4.5.6: Non-financial supports from Non-government agencies and performance of Micro-enterprises**

Findings in Table 4.14 presented regression estimates on the non-financial supports from non-government agencies and performance of micro enterprise.

**Table 4.14: Non-financial supports from Non-government agencies and performance of Micro-enterprises**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.118	.143		7.839	.000
	Business advice	.025	.079	.755	.313	.024
	Business counseling	.017	.077	.931	.087	.007
	Protection	.034	.076	.658	.443	.035

**Source:** Survey, 2018

#### **4.5.6.1 Business advice**

Findings in Table 4.14 presented business advice with regression coefficient of .025 and significant level of .024 (which is less than 0.05). It means that business advice influence performance of micro enterprise.

#### **4.5.6.2 Business counseling**

Findings in Table 4.14 presented business counseling with regression coefficient of .017 and significant level of .007, (which is less than 0.05), which means it is significant. These findings imply that, business counseling tend to influence performance of micro enterprise.

#### **4.5.6.3 Protection**

Findings in Table 4.14 presented protection with regression coefficient of .034 and significant level of .035 which is less than 0.05, which is significant, it means that protection could influence performance of micro enterprise.

## CHAPTER FIVE

### DISCUSSION

In this study both male and female respondents were involved. However, males dominated the responses than their counterpart female. This is simply because majority of enterprise in Tanzania are established and operated by males as compared to females counterparty. Additionally gender differences in business establishment and operations are influenced much by male dominance in the social and economic aspects in majority of societies. In this study it was also found that majority of respondents fall into productive age groups, these means that micro enterprise expected to perform better through non-financial supports under the consideration of productive age groups. Similar to this findings Hastings and Tejada-Ashton (2008) pointed out that, investor characteristics such as productive and active age for are potential to facilitate promoting business performance once access non-financial supports. Lack of non-financial support constrains business performance in the micro enterprise.

Similarly, Bruhn and Zia, (2011) pointed out that limited non-financial supports is needed in its respective investment in micro-enterprises to increase business profit and most associated to the less practice of productive age group. The situation when the less productive age groups are involved in production of micro-enterprises lead to profit reduction.

Contrary to Fatoki and Odeyemi (2010) who commented that, for productivity in micro-enterprise managerial competencies such as accessibility of non-financial supports are needed than the respective age. This particularly needed for effectiveness micro-enterprises business. The particularly emphasis relied not to age

group but the managerial skills play a key role in the success of small enterprises as they determine its growth. Likewise, lack of managerial skills, personal qualities and skills are major contributors to the failure of firms. Lack of managerial competence reduces the ability to develop sound plans and strategies for effective management of cereal business. The managerial skills influence planning as well as the ability of the firm to obtain knowledge regarding sources of finance and means of obtaining it. As such, managerial skills do affect access by new small firms to financing. Also, Bruhn and Zia (2011) micro enterprise need especially capital and financial knowledge to control the business activity. Mostly, the productivity capacity once is in large scale do not necessary depend on the investors age.

It has been postulated that, education background were taken into account especially the findings appeared with majority primary education level, this has been so far as in Tanzania it is basic and compulsory. The experience among the micro enterprise appeared to enough and well accumulated, for respective uses of non-financial supports. The types of non-financial supports respectively offered to micro enterprise are affected under the bureaucratic existence in business establishment; micro enterprise was highly affected by bureaucratic in lunching business.

The Contribution of business premises to micro-enterprises from government agencies are highly connected to the accessibility of business premises that is observed to increase confidence to micro enterprise. Similarly, Mashal (2017) argued that, non-financial factors in the micro-enterprises performance including innovation, training and government policy and intervention, all these factors considered being relevant to the performance of MEs. It means the micro-enterprises manage to performance better once the government policy is favorable

to the operation of the Micro-enterprise. Similarly, Ismail and Karlsson (2013) pointed out that, training, advice and technological assistance directly to improve the performance of micro-enterprise, the accessibility training in timely basis is required to promote the development and its respective performance. Advice in business operation and respective management is increasingly required to the management of business.

The provisions of business license are respectively considered to increase formalization, which are the great barrier among micro enterprise. Micro enterprise performance are mostly pressed less emphasize in training micro enterprise. Government agencies are the provider of business registration. These findings related to that of Kilonzo (2012) argued policy and strategic options for enhancing the performance of micro-enterprises. Also majorities of micro-enterprise operate on average such as micro-enterprise noted to experience growth in the first year of operation due to moderate risk taking, perception of opportunities are important predictors of growth of micro-enterprise. The good financial resource mostly connected to the better performance of micro-enterprise. There is a need for highlights a new frontier for government policy as a non-financial supports that could influence performance of micro-enterprise.

Secondly, findings presented the types of non-financial supports offered by non-government agencies to micro-enterprises. Such as business advice which are reported to be provided moderately. Non-government agencies are reported to provide business counseling as one of the non-government agencies support with moderate contribution. The micro-enterprises at least are accessing protection from non-government agencies to promote performance. Mnene (2013) argued that,

factors affecting financial performance of micro-enterprises need to be operated and managed with literate people. The high ability to plan in terms of non-financial supports is needed for business practices. Also, it facilitates the ability of acquiring financial resources and non-financial supports required for business operation and hence micro-enterprise performance.

The non-government supports provided to micro-enterprises are relevant in various aspects such as promoting business expansion, non-financial supports from non-government agencies are highly relevancy for business performance. Contrary to this argument Andoh (2011) posed that, non-financial supports are basically needed to the performance of micro enterprise under the utilisation and influence of non-financial supports from government. The utilisation basically connected to the provision of in financial matters of micro-enterprises Similarly, Höllinger, *et al*, (2009) argued that the micro-enterprises products need equipment and facilities but the capital and business expansion need related financial skills and knowledge to win the financial provision requirement. Lose–lose situation is basically created by the lack of knowledge and skills related to non-financial services accessibility regardless on the respective micro-enterprises business location.

Similarly, Höllinger, *et al*, (2009), argued that, a large portion of micro-enterprises are suffering with technological deficiency and knowledge related to business performance. This has limited the ability of expansion in comparison to those micro- enterprises in most of the developed countries. These in fact attained large scale enterprise and manage to export in various places. The matter is concern on the ability to access and utilize non-financial resources. The micro-enterprises

products in advanced package tend to be sold in various places and sustain competitive environment.

It has been observed that, non-financial supports from government agencies are related to the performance of micro enterprise. Such as contributed the most in increase of income such as amount of income generated ranged between 51,000-100,000 Tshs, The non-financial supports had essentially promoted increase in income among micro enterprise once are effectively provided. The expenses incurred in micro-enterprises business are quite reasonable to the performance of micro-enterprises.

There is a relationship ( $p < 0.05$  at  $\alpha = 0.05$ ) between non-financial supports from government agencies and performance of micro-enterprises. Because the performance of micro-enterprises are basically contributed to Easy business registration and licensing, access to business premises, capacity building and technology assistance. Chigunta (2002) found that, micro-enterprises as a possible source of jobs creation, empowerment and economic dynamism. Then once effectively supported by the Government through institutional and business premises accessibility could result in development of the micro-enterprises. Government has to provide required technological development and business registration needs to promote performance of Micro-enterprises.

The relationship between non-financial supports from Non-government agencies and performance of micro-enterprises such as performance of micro enterprise basically observed to be contributed by business advice, business counseling, protection which are from Non-financial supports from Non-government agencies. Mukhlani (2014) revealed that, micro-enterprise promoted self-employment that

could be determined as a catalyst for enterprise development. Non-financial support from government enables accumulation of skills and experience in the enterprise development.

In that respect various micro-enterprise project could be started through government non-financial supports. This could lead to increase of employment opportunities and goods and services could be also increased.

## CHAPTER SIX

### CONCLUSION AND RECOMMENDATIONS

#### 6.1 Conclusion

The age distributions are respectively needed as majority fall into productive age groups because micro-enterprises in the respective usefulness of non-financial supports on the performance need active age groups. It has been postulated that, education background were taken into account especially the findings appeared with majority primary education level, this has been so far as in Tanzania it is basic and compulsory.

Experience among the micro-enterprises appeared to enough and well accumulated, for respective uses of non-financial supports. The types of non-financial supports respectively offered to micro enterprise are especially affected under the bureaucratic existence in business establishment, micro-enterprises was highly affected by bureaucratic in launching business.

Contribution of business premises to micro-enterprises from government agencies are highly connected to the accessibility of business premises that is observed to increase confidence to micro enterprise. The micro-enterprises show the need for the government agencies to insure accessible business premises for the improvement of their performance.

Provisions of business license are respectively considered to increase formalization, which is the great barrier among micro-enterprises to improve their performance.

The increase of formalization to micro-enterprises can give qualification to bid in different tenders, qualification to get financial assistance from financial institutions

and can give a chance to increase the revenue of the country through payment of tax.

Policy environment on micro-enterprises performance are mostly pressed less emphasize in training micro-enterprises. Government agencies are the provider of business registration. Secondly, findings presented the types of non-financial supports offered by non-government agencies to micro-enterprises. Such as business advice which are reported to be provided moderately.

Non-government agencies are reported to provide business counseling as one of the non-government agencies support with moderate contribution. The micro-enterprises at least are accessing protection from non-government agencies to promote performance. The non-government supports provided to micro enterprise are relevant in various aspects such as promoting business expansion, non-financial supports from non-government agencies are highly relevancy for business performance.

It has been observed that, non-financial supports from government agencies are related to the performance of micro-enterprises. Such as contributed the most in increase of income such as amount of income generated ranged between 51,000-100,000 Tshs, The non-financial supports had essentially promoted increase in income among micro enterprise once are effectively provided. The expenses incurred in micro-enterprises business are quite reasonable to the performance of micro enterprises.

There is a significant relationship ( $p < 0.05$  at  $\alpha = 0.05$ ) between non-financial supports from government agencies and performance of micro-enterprises. This

implies, performance of micro-enterprises are basically contributed to Easy business registration and licensing, access to business premises, capacity building and technology assistance.

The relationship between non-financial supports from Non-government agencies and performance of micro-enterprises such as performance of micro enterprise basically observed to be contributed by business advice, business counseling, protection which are from Non-financial supports from Non-government agencies. Results also shows significant/ non-significant ( $p < 0.05$  or  $p > 0.05$  at  $\alpha = 0.05$ ) relationship between non-financial supports from Non-government agencies and performance of micro-enterprises. This entails that, non-financial support from both government and non-government agencies are considered as catalysts for performance of micro enterprise.

From this study it has been seen that non-financial services from government and non government agencies are required to support performance of micro enterprise, the survival and performance of micro enterprise is highly connected to these non financial services.

## **6.2 Recommendation**

From this study the following recommendation were provided to Government agencies such as SIDO, TBS, Dodoma Municipal Council and Non-Government agencies such as World vision, Care international, SEDA and SACCOS.

SIDO should support micro-enterprises in various dimension towards increases their income and minimization of expenses. The training and technological advice should be timely provided to facilitate micro-enterprise operation.

TBS should support micro-enterprise in terms of standard toward the business improvement in the respective performance. The micro-enterprise need this kind of support to increase trust of the products and gain more customers, whenever there is a respective improvement TBS should support easy and free counseling.

Dodoma Municipal Council should provide business registration and licensing for micro enterprise to improve micro enterprise performance. Dodoma municipal council management should make strategies which can prevent micro enterprises from corruption during the process of registration and licensing.

Non-governmental agencies including World vision, Care international and SEDA which are required to improve provision of training, business advice, protection and counseling which are respectively needed to promote micro-enterprises performance.

From the theoretical frame work, based on the non-financial services from government and non-government are built from the external resources that tend to affect behavior of micro enterprise. It builds knowledge on the aspects of non-financial services that micro enterprise access from both government and non-government agencies.

### **6.3 Future Research**

There are several observation tested in this study but did not fully covered and some of them being only explored, it is advised to anyone who interested to undertake the research in non-financial supports for the performance of micro enterprise.

- i. The influence of financial advice to the performance of micro enterprise
- ii. Challenges in accessibility of non-financial supports
- iii. Procedures required in accessibility of non-financial supports

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## APPENDICES

### Appendix: Questionnaires For Micro Enterprise owner

I am Evodia Mbele from the University of Dodoma, undertaking a research titled “Usefulness of Non-Financial Supports on Micro Enterprise performance in Tanzania from government and Non-Government agency”. I therefore request you to participate effectively by answering questions posed in this questionnaire. I guarantee that the information obtained will be used for academic purpose only. High degree of confidentiality will be ensured. I thank you in advance for any for your support.

#### **SECTION 1: General Information of the Respondents**

**Please put a tick on the appropriate space**

1. Name of respondent: .....Contacts: .....
2. Name of the enterprise: .....
3. Title of respondent: (e.g. manager, machine operator, etc.) .....
4. Sex (Put a  $\surd$ ): Male ( ) Female ( )
5. Age: (in years)\_\_\_\_\_
6. Level of Education (Put a  $\surd$ ): (a) Primary School leaver, (b) Secondary School leaver, (c) Certificate Holder , (d) Diploma Holder, (e) Undergraduate, (f) Postgraduate (
7. Experience in the business (Put a  $\surd$ ): (a) Less than 1 year , b) 1 – 3 years, c) 4 – 6 years , (d) More than 7 years
8. Location of your business: Region: .....District.....  
Division:.....Village/Street:.....

## **SECTION II: Types of non Financial Government Supports Offered to Micro-**

### **Enterprises**

9. How did you start your enterprises? (probe motive behind business establishment)
10. What is the size of enterprises? By considering the following
  1. How much startup capital
  2. Current capital
  3. Number of employees
11. Did you experience any bureaucratic during business establishment/operations
  1. Yes 2. No ( ) Explain your response(s)
12. How do you see availability of business premises and performance of Micro Enterprise?
13. How do you see accessibility of business license and performance of Micro Enterprise?
12. How do you see policy environment on Micro Enterprise and its performance?
13. Non-financial supports offered by Government agencies contribute to your business performance? (Use 1 for low contribution, 2 moderate and 3 high for contribution)

Type of non-financial support	Rank	Reason
Business registration		
Access to business premises		
Capacity building		
Technology assistance		

14. Mention and explain other supports provided with government (not financial support) apart from those mentioned above in question number 13.

.....  
.....

**SECTION III: Types of Non-Financial Supports Offered by Non-Government Agencies to Micro-Enterprises**

15. When did you start your business?

16. Do you receive any supports from non-government agency (ies)? 1. Yes 2. No ( )

17. If Yes (**in Question No. 16 above**) rank the way that support was influenced the growth of your business? (Use 1 for low contribution, 2 moderate and 3 high for contribution)

Type of non-financial support	Rank	Reason
Business advice		
Business counseling		
Protection		

18. How do you see the relevance of those supports?

19. Have you received any other business support services besides those mentioned above?

A. Yes B. No ( ) (explain your responses)

**SECTION IV: The Relationship between Non-Financial Government Supports**

**Offered and Performance of Micro-Enterprise.**

19. Do the business advice, premises, protection, easy registration, capacity building and technology assistance (supports apart from financial support) provided to you contribute to income increase in your business?

a. Yes

b. No

20. How much do you incur in your business as expenses?

.....  
 .....

21. What is the average production per day in your enterprises?

Type of product	Size (kg)	Production per day	Selling per day/week

22. Do you have any other source(s) of income besides those mentioned in Question No. 22?

23. If yes what are they? (Report activity (ies) and income earned per day/week/month/year)

24. Employees and their salaries and wages (example of Table to be used for this)]

	Fulltime		Part time	
Gender	Male	Female	Male	Female
Salary per Month				
Wages				
Total (TShs)				

25. How much do you spend in business operations besides salaries and wages?

Own/lease land /house	Rent if lease per month	Levies (land/ house) per annum		
COST				
<b>Types of raw materials</b>	<b>Number (kgs/pcs)</b>	<b>Price per item (kg/pc etc)</b>	<b>Frequency (week/month)</b>	<b>Transport cost (per week/month)</b>

26. Please give out any comments on the offered business advice, premises, protection, easy registration, capacity building and technology assistance that could influence performance of your business (on both government and non government agencies)?

.....

What is your recommendation(s) on the offered business advice, premises, protection, easy registration, capacity building and technology assistance to enterprises (from both government and non government agencies)?

27. What is your suggestion(s) to ensure usefulness of business advice, premises, protection, easy registration, capacity building and technology assistance on performance of microenterprises (from both government and non government)?

**THANK YOU FOR YOUR COOPERATION**

## **INTERVIEW GUIDE**

Dear respondent,

Ms..... is a Masters of Business Administration student from University of Dodoma. As a requirement for the fulfillment of her studies, she is conducting a research on “A Comparative Study on Usefulness of Non-Financial Supports on Performance of Micro-Enterprises in Tanzania: A Case of Government and Non-Government Agencies” I assure you that, the information of this interview will be absolutely confidential, the responses will go only to the research and information identifying respondents will not be disclosed in any way. This interview will take 45 minutes only. Thank you in advance for your cooperation and valuable time.

1. Name of respondent
2. Age of respondent
3. Gender of respondent
4. Position of respondents
5. Address (physical contacts, office and mobile numbers)
6. Type of business institution/organization/office dealing with
7. Explain accessibility of business premises
8. Explain accessibility of business license
9. Explain non financial services provided by government
10. What are type of non-financial supports offered by non-government agencies to  
Micro enterprise

**THANK YOU FOR YOUR COOPERATION**