Challenges of Small Scale Entrepreneurs in Dodoma Tanzania

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ABSTRACT: *Small businesses irrefutably remain critical to the development of any nation's economy as they are an excellent, source of employment creation, help in improvement of local skill, and extend aboriginal entrepreneurs. The small scale entrepreneurs who (either registered, unregistered, service or manufacturing or any other type) and have more than three years experience of entrepreneurship comprised the populace of the study. The method of convenience sampling was employed in arriving at the 100 Small firms. The major challenge could be lack of financial (Capital) resources. In the event funding institutions become flexible in their requirements for loan applications, respondents registered their willing to increase the number of their employees; the number of branches and willingness to accept specialized recommendation. In other ways, the only best way to help Small firm's right of entry economic resources lies in the hands of funding institutions as acceptable and suggested by the best part of undersized entrepreneurs who submitted that the key determinants for seed resources attainment are: fair and low interest rates.*

Keywords: *Entrepreneurship, financial sources, Small Business, Small business in Economy, Seed capital.*

I. INTRODUCTION

Small Enterprises plays important and crucial roles in the economy development of any country (Ahmed, 2006). This is because it employs large number of people in Africa especially in Tanzania. The financial system is the vessel that carries this life-blood through the economic system. Faulty vessels prevent the life-blood from reaching essential parts of the economic system" (Sowah N.K., 2003). Small businesses irrefutably remain critical to the development of any nation's economy as they are an excellent, source of employment generation, help in development of local technology, and develop indigenous entrepreneurs (Erdem and Erdem, 2011; Alaye-Ogan, 2012). The small enterprises play a momentous role for the growth and expansion of a financial system. Herrington (2006) suggest that if the government wants to sustain economic growth that will create wealth for all, efforts should be made to increase new business start-ups. Furthermore, Herrington, Kew and Kew (2009) point out that given the failure of the formal and public sector to absorb the growing number of job seekers.

Gockel and Akonea (2002) offer a historical account of the banking industry in Tanzania. They wrote that Tanzania Commercial Bank (TCB) entered the banking market with the purpose of providing credit to large indigenous enterprises since the expatriate banks refused to offer assistance. To enlarge the role of the Small Scale Industries in industrialization it is imperative of focus of the problems of small scale industry. A number of studies have shown that financing is a greater obstacle for small firms than it is for large firms, particularly in the developing world, and that access to finance adversely affects the growth of the Small business sector more than that of large companies (Bernary D. 2007). It is, therefore, unsurprising that the international development community has listed SME access to finance as an important policy priority.

11. REVIEW OF LITERATURE

Ante, (1992) rightly observed that financing decisions for new ventures may also be more complex because they are closely linked to the personal wealth or contacts of the owner/manager. Accordingly, agency problems may be more intense as shareholders and partners are often made up of family and friends. Consequently, the pecking order theory of firm financing is one method firms might use to address these agency problems. Myers, (1984) and Myers and Majluf, (1984) submitted that this theory holds that new ventures do not intend for a target debt ratio.

And also finds that the lack of infrastructure and scarcity of indigenous raw materials has been a serious bottleneck for the growth of small entrepreneurs. Subrahmanya bala (2004) point out that small scale industry had suffered in terms of growth of units, employment, output and exports due to the impact of globalization and domestic reforms on small- scale industries sector. Datt and Sundharam (2009) perceive that the problem of marketing, raw material, dispute among owners, natural calamity, labour etc. are the issues to be taken care of for the growth of small scale industry. The lack of resources constitutes a challenge for burgeoning entrepreneur who strive to solve the problems throughout their entrepreneurial finance and resource acquisition journey. entrepreneurial resource acquisition including finance and people in a dynamic environment affects the new venture's business activities and even its establishment especially that of start-up firms. To this

effect, and remarked that recognizing and attaining those resources are essential if new ventures want to be successful or even survive. Barnary (2007) states that resources can be classified as human; financial; physical and organizational. Accordingly, Jah, (2010) suggested that new ventures should focus on key resources for their development. And the perception of resource availability is related to entrepreneur's self-efficacy which is their self belief that they can obtain the resources. Barney (1991) agreed that organizations maintain their competitive advantage based on a bundle of resources they possess. In survey of 136 small firms in Tanzania, Setty (2008) found that 63% of them consider difficulties in accessing finance from financial institutions as the major constraint to their development.

III. RESEARCH METHODOLOGY

The present study is primarily based on primary data. The small scale entrepreneurs who (either registered, unregistered, service or manufacturing) and have more than three years experience of entrepreneurship comprised the populace of the study. A research design focuses on a conceptualized, practical structure within which a study is conducted and constitutes a blue print for measuring variables, collecting and analyzing data. With the help of a well structured questionnaire the problems of the small scale entrepreneurs were assessed through twenty statements. The respondents were requested to express their level of agreement/ disagreement on a five point scale ranging from strongly agreed to strongly disagree. Suitable weights were assigned ranging from strongly agreed (5) to strongly disagreed (1) to analyze the collected information. The reliability of the scales used was also computed by using the (Cronbach, 1951;Hair et al., 2003). For secondary data, the website of Ministry of SMEs was visited for extracting the data for small scale industry/Entrepreneurship. The term 'small Entrepreneurs' are abbreviated as Small Entrepreneurs in the study. For the computation/statistical analysis the SPSS version 11.0 for windows has been used in the study. Sanders et al (2012) provided the following formula for calculating adjusted minimum sample size:

N' = n/ (1 + (n/N))

Where N' is the adjusted minimum sample size, n is the minimum sample size and

N is the total population. N' = 140/ (1 + (140/187) = 100 which is rounded to 100 respondents. Because of the small total population, the researcher will need a minimum sample size of only 100 respondents. The method of convenience sampling was employed in arriving at the 100 Small firms. This technique, convenience sampling, involves obtaining responses within the sample frame from willing respondents and also their availability for the study.

I. ANALYSIS

Figure 1: Distribution of respondents
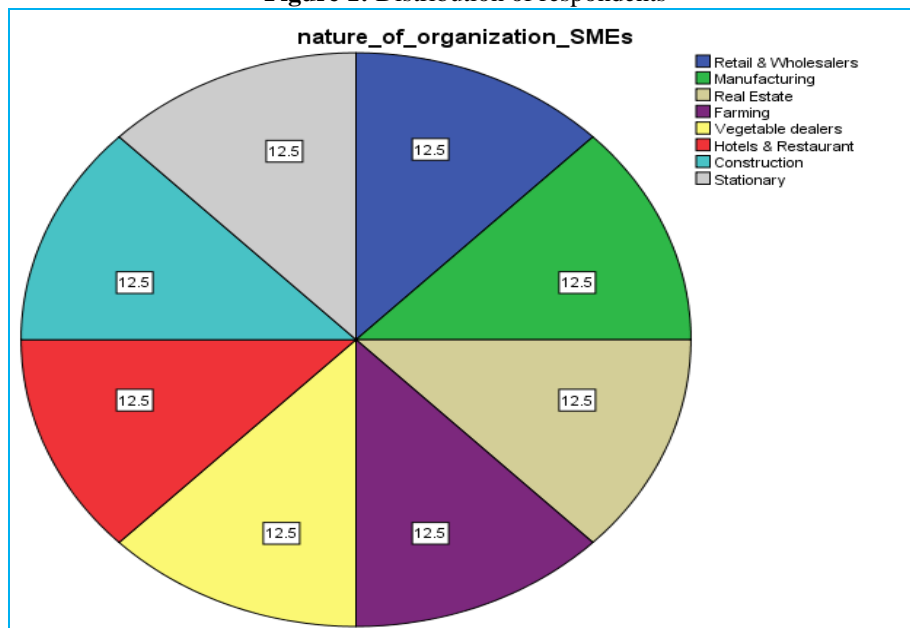
Source: Developed by Author (2016)

To start with, it is worthwhile to note that the study used a representative sample that took into cognizance the need for involving respondents drawn from many Small Business sectors namely: Retail &

Wholesalers; Manufacturing; Real Estate; Farming ; Vegetable dealers; Hotels & Restaurant Construction and Stationary. This was adhering to guarantee data reliability that is free from biasness and of course collection of well-informed data and having a representative sample.

The study was also interested to know the number of years the organizations under study have been in existence to which the Small firms which have been operational for a period less than a year constituted to 22%; The Small enterprises that have existed for a period of between 1 and 5 years constituted to 48.75%. on the other hand, the study revealed that the Small enterprises have being running for a period between 6 and 10 years added up to up to 13.75% while the Small enterprises that have been operational for a period between 11 and 15 years were 8.75% . Lastly the Small firms that have survived for over 15 years amount to to 6.25%. The majority of Small firms that have been in operation are those that lie between 1 – 5 years while there were few Small firms that have operated for over 15 years as is captured on the following figure below.

Figure 2: Assessing the period the Small enterprises has been in existence
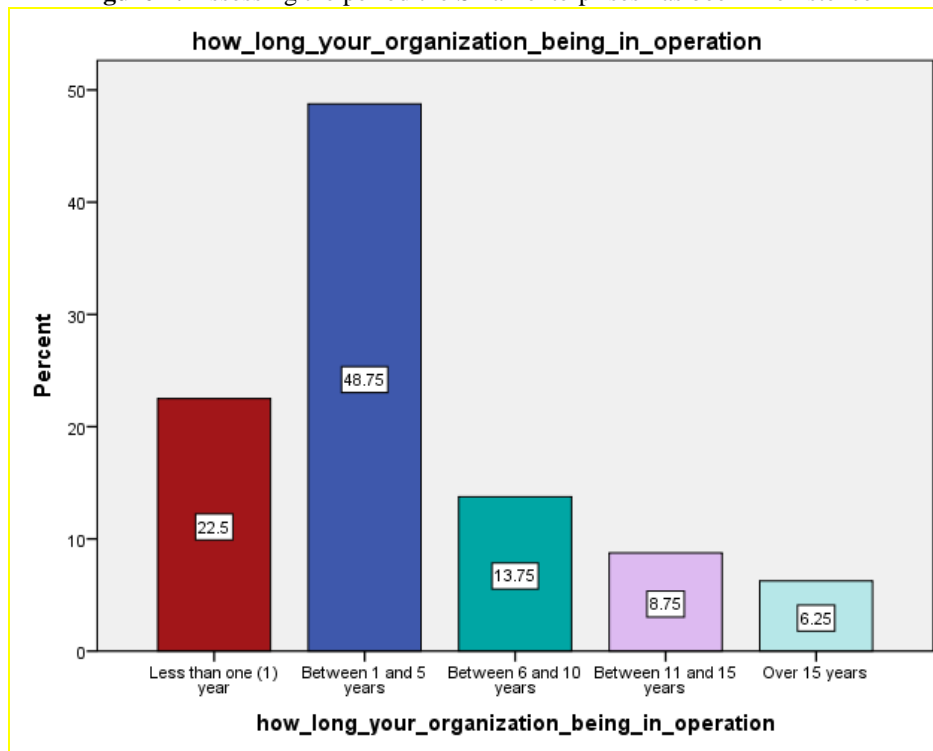
Source: Field Findings (2016)

Challenges of Small Enterprises

This section examines the challenges of the small scale entrepreneurs in Punjab. The descriptive statistics of fourteen statements along with their respective frequencies, percentage, weighted average score and standard deviation are shown in table 1.

Table 1. Descriptive Statistics of Statements (N = 100)

Label	Challenges	WAS	S.D.
P1	It is difficult to acquire finance easily	4.52	0.78
P2	The unorganized sources of investment create fewer hassles than others.	4.43	0.84
P3	Inadequate working capital is a continuous be troubled	4.45	0.72
P4	The unsure provider of power threatens to accomplish the commitments	4.24	0.80
P5	The alternate sources of power raise the cost of manufacture	4.22	0.76
P6	It is hard to decide the type of equipment to be installed	4.21	0.94
P7	The technology of use becomes out-of-date earlier than long	4.18	0.81
P8	The convenience of raw material is uncertain	4.33	0.88
P9	The supplier lifts the cost without prior indication.	4.24	0.77
P10	The accessibility of trained labour is unsure	4.17	0.96
P11	It is not simple to leave unit and shift out in investigate of markets.	4.21	0.60
P12	There is too much reliance on the opinion of distributors/agents.	4.25	0.84
P13	The tax arrangement is multifaceted.	4.12	0.91
P14	The tax weight is difficult to bear.	4.14	0.98
P15	It is hard to face competition from medium-large scale industry	4.35	0.92
P16	Globalization has increased the heaviness of competition	4.39	0.81

P17	Government wishes to get rid of the subsidies	4.31	0.71
P18	The growing prices/inflation disturbs all the estimates of industry	3.81	1.05
P19	The programmes to improve skills of the entrepreneurs are limited	3.76	1.23
P20	The lack of awareness about entrepreneurial development programmes deprived entrepreneurs from the benefits of such	3.97	1.19

Source: Primary Data (2016)
*Significant (p<0.01)
SA = Strong Agreed, A = Agreed. UD = Undecided, D= Disagreed and SD = Strong Disagreed.
WAS = Weighted Average Score and S.D Standard Deviation.

Challenges of Small Scale Industries in Dodoma: An Application of Factor Analysis
For exploring the problems of Small enterprises, factor analysis (i) correlations (not reported in the study), (ii) anti-image correlations (not reported in the study), (iii) value of KMO (0.6555) and (iv) Bartlett's test's chi-square value [4311.43(approx), d.f. 153, significant at 0.000] are computed and found that the collected data is fit for the use of factor analysis in the present study. The Principal Component Analysis through Orthogonal Rotation with Varimax Method was employed for extracting the factors and the number of factors was finally selected on the basis of 'Latent Root Criteria'. The variables with loadings greater than or equal to 0.40 (ignoring the signs of plus and minus) have been taken up for analysis in the present study (Hair et al., 2003; Malhotra and Dash, 2009). The variables with their factor loadings and percentage of variance explained by each factor are given in Table 2.

Table 2 Challenges of Small Scale Industries in Dodoma: An Application of Factor Analysis

Label	Factors (Challenges of SSI in Dodoma)	Factor Loadings
P1	Severe Competition (12.65percent variance)	
P18	Globalization has increased the pressure of competition	.94
P19	It is difficulty to deal with the struggle of importer commodities	.93
P17	It is hard to face competition from intermediate –huge scale production.	.91
P20	Government requirements to get rid of the subsidies	.88
P2	Difficult to acquire Finance (11.41 percent variance)	
P1	It is difficult to obtain finance easily	.91
P3	inadequate working capital is a constant worry	.88
P2	The unorganized sources of finance create fewer hassles than others	.88
P3	Insufficient Marketing (9.64 percent variance)	
P12	It is not easy to leave unit and move out in search for markets	.90
P13	There is too much reliance on the distributors/agents marketing	.86
P14	There is too much dependence on the response distributors/ agents	.86
P4	Uncertain Supply of Raw Material (8.52 percent variance)	
P8	The accessibility of raw material is unsure	.93
P 9	The supplier lift the cost without prior intimation	.91
P5	Unsure Supply of Power (7.64 percent variance)	
P4	The unsure supply of power threatens to fulfill the commitments	.81
P5	The alternate sources of power raise the cost of production	.80
P6	Frequent Change in Technology (7.43 percent variance)	
P6	It is hard to decide the type of technology to be installed	.83

*Principal Component Analysis (Orthogonal with Virimax Method)

IV. CONCLUSION AND RECOMMENDATIONS
The study therefore concludes that there are a few Small enterprises that prefer Microfinance institutions and banks as funding sources for their start ups but rather the majority of Small firms in Dodoma prefer SACCOS who most probably have fair interests rate and less stringent requirement regarding loan applications. The second preferred way of funding startups in Dodoma is business angels whose motives are to some extent philanthropic and they usually don't demand unaffordable collateral security and other difficult loan requirements. The study can further conclude that in the event that the available funding requirements are not fair hence rendering the

In a nutshell, the major challenge could be interpreted to mean lack of financial resources. In the event funding institutions become flexible in their requirements for loan applications, respondents registered their willing to increase the number of their employees; the number of branches and willingness to accept professional advice. In other ways, the only best way to help Small firm's access financial resources lies in the hands of funding institutions as justified and suggested by the majority of Small entrepreneurs who submitted that the key determinants for seed capital acquisition are: fair and low interest rates; philanthropy; in-excessive demand for collateral security; less cumbersome procedures and realistic repayment schedules. It is to this effect that the study conclusively posits with a heavy heart that most probably there hasn't been any bank or funding agencies with deliberate policy model of encouraging and promoting Small firms activity in Tanzania and

Dodoma in particular. If such institutions, are there, they could be very few with less impact and their robust interventions are yet to be registered in the society most probably because Small enterprises have not been able to cope up and stomach their stringent requirements for would be beneficiaries of such funding agencies and financial institutions.

Apart from the said variables there is also need for the Small entrepreneurs to have the following: Adequate funding; Skills training; Business counseling; Mentor support; Access to working space; Business expansion support; Creating support networks.

The ongoing analysis identified that intense competition is the first problem also the load of globalization. The problem examined in the study is to procure finance. It is observed that it is not easy for the for the small scale entrepreneurs to leave their units and move out in the search of markets. They rely heavily on the distributor/agents for search and feedback purposes which is not a dependable source for marketing.

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