



RESEARCH ARTICLE

THE INFLUENCE OF GOVERNMENT POLICIES ON ENTREPRENEURSHIP PERFORMANCE IN TANZANIA, THE CASE OF KINONDONI MUNICIPALITY

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ABSTRACT

This paper aimed at determining the factors influencing entrepreneurship performance in Tanzania with a specific reference to Kinondoni Municipality. The study was guided by the following objectives; examining the government policies which must be adopted to improve entrepreneurship performance; and assessing whether the existing government policies have capability to enhance Small and Medium entrepreneurship (SME) in Tanzania. The study adopted a case study methodology. A total of 30 respondents were drawn from different entrepreneurs who are dealing with small and medium businesses. The stratified sampling technique was employed in selecting the respondents. The study population was stratified according to gender and type of business owned. Data was analyzed through SPSS ver.20 and Microsoft excel statistical tools. The study found out that the factors which inhibit entrepreneurial performance include marketing, capital and premises; furthermore, existing government policies were also viewed by research respondents as double – edged instrument characterized as being both a facilitator and inhibitor/bottleneck of entrepreneurial performance. The study concludes that these constraining factors need to be reviewed and re-addressed by government through re-formulated and reviewed government policy frameworks so as to improve and foster entrepreneurial performance in this nation. The study therefore recommends a sound and prudent policy framework should be put in place in order to serve as a reliably authentic instrument to guide, unleash and provide for sustainable market, capital acquisition and premises; in this regard, the policy frameworks should be able to provide congenial or conducive business environment and significantly facilitate strategically reliable and productive responses to financing needs, entrepreneurial education and training, capital needs, simplification and easing of business working environment including registration procedures which in turn serves as a key catalyst and incentive factor to entrepreneurship moves and significant new ventures start up in Tanzania economy

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INTRODUCTION

The full potential of the SME sector has not yet been tapped in this country due to the existence of a number of constraints hampering the development of this sector. In view of the importance of entrepreneurship this study is trying to investigate the influence of Government policies on entrepreneurship performance in Tanzania. This policy will serve as guidelines to all stakeholders and thus stimulate new enterprises to be established and existing ones to grow and become more competitive. Historical perspectives of the state and conditions of entrepreneurship in Tanzania have thoroughly been presented by Rutashobya, 1998. There is a generalized view that for many years since political independence, African public policies (including Tanzania

republic) were not conducive to entrepreneurship development. This lack of sound and good policies has generally been in the low levels of entrepreneurship, which has further contributed to the existing African underdevelopment (Rutashobya, 1998). Most Tanzanians earn their living and livelihood from subsistence agriculture and small medium enterprise (SME's) activities. It is estimated that SMEs contribute at least 35% to GDP and at least 20% of the total labor force (Wangwe, 1999). Small Medium Enterprise Entrepreneurs in Tanzania are considered to be potential in creating jobs and contributing towards the economic growth. The SME sector contains businesspersons from different entrepreneurial background and skills. In recognition of the SME and small business the government formulated small and medium enterprise Development policy in 2003 to support the development of this sector. Also the government emphasized the importance of informal sector as part of SMEs in achieving the war against poverty (Kato, 1996). The SME sector is therefore an area

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where the poor may not only make out a living, but also get most of their goods and services at prices they can afford. Over 90 per cent of operators get credit, training, information, water and sanitation from the sector. In Dar es Salaam, the capital and commercial city of Tanzania, over 90 per cent of poor communities get water and sanitation services from the SME sector (URT, 1995). So any positive or negative developments in the sector have a direct corresponding effect on the livelihood of the community especially the poor segment. Reviewed literature from different researchers and authors who tried to focus their studies on problems facing entrepreneurship development in Tanzania includes Wilhelm Leonard, 2004 on Small business entrepreneurship in Dar es salaam–Tanzania exploring problems and prospects for future development of the sector. They focused on crime and entrepreneurship in Tanzania urban areas, tried to unfold and unveil various issues that cluster and affect the development of small business entrepreneurship in Tanzania.

Kuzilwa, 2005 point out the role of credit for small business success; this study clearly examined the role of credit in generating entrepreneurial activities. Olomi, 2006 on his policy dialogue seminar paper presentation points out the opportunities and challenges for Rural SME's development in Tanzania. The above studies clearly strongly indicate that still there is a need to research more on SME's policies targeting on entrepreneurship development in Tanzania because many researchers have concentrated more on the challenges of entrepreneurship performance without paying much attention on the possible solution such that what should or must be done to address entrepreneurship through SME policies and legislative frameworks. Key question does the existing policy framework enhance entrepreneurship performance must be addressed and indeed it should be at the centre of the lasting research debate. In this study the researcher makes an attempt to conduct an investigation of the influence of Government policies on entrepreneurship performance with a view to measure, predict and recommend whether they have capability to foster and significantly stimulate sustainable growth of entrepreneurship in Tanzania. The study inference was drawn from the results obtained from interrogating entrepreneurial businesses which were studied ranging from small shops, agro-processing, hair saloons/barber shops, cafeteria, guest houses, stationary services and bars and the like.

Statement of the Problem

As stated earlier in the beginning of this research discourse the full potential of the SME sector has not yet been tapped in this country due to the existence of a number of constraints hampering the development of this sector. In view of the importance of entrepreneurship this study is trying to investigate the influence of Government policies on entrepreneurship performance in Tanzania (Rutashobya, 1998; Davidsson *et al*, 2006). The research on the determinants of the entrepreneurship success is extensive. However the results are far from being conclusive. This is partially due to the lack of theoretical grounding as well as differences in the unit of analyses, growth indicators and research timeframe. Consequently, Davidsson and Wiklund, 1999 correctly pointed out that the knowledge about what facilitates and/or hinders entrepreneurship is still scattered and limited despite an extensive research. In addition, a large number of empirical studies have not given a very high yield of generalizable knowledge (Davidsson *et al*, 2006).

Although the environmental factors play an important role in the small business growth and development, other factors should not be neglected either. Surely, a significant potential for SME growth is located internally within the firm. Previous studies have explored the characteristics of the entrepreneur as important factors influencing the growth of the firm. Human capital and intentions for growth are among most frequently mentioned entrepreneur related factors influencing firm growth. However most of the empirical evidence comes from western developed economies whereas little research is conducted on developing countries like Tanzania. Honig, 2001 correctly underlines that "our understanding on the influence of human capital in transitional environment is quite limited". Consequently the need for additional research departing particularly from human capital theory in transitional environment is still apparent and significantly needed. It is well recognized that most of the new firms die young because they miss nurturing factors including conducive policy-created environment (Gilbert *et al*, 2006). However, various studies uphold that those new firms that survive and achieve a fast growing stage have significant effects in the economy (Birch, 1979; Storey, 1994; Delmar, 1997) and that fast growth is an indicator of the firm's overall success (Fischer and Reuber, 2003). Hence there has been an interest in understanding the determinants of growth within small and medium-sized enterprises (SMEs), especially with regards to the fast growing firms (Davidsson *et al*, 2005; Gilbert *et al*, 2006). So far it is almost an established fact that in western economies fast growing firms account for a disproportionately large amount of jobs created. In the United Kingdom at least 4% of new start-up survivors were responsible for at least 50% of jobs created by all new firms 10 years later (Storey, 1994). In the U.S, at least 4% of the fastest growing firms generated over 70% of the new jobs created by new firms between 1992 and 1996 (Autio *et al.*, 2007). In view of the importance of entrepreneurship development to the National economy in Tanzania, the study therefore sought to examine the significant factors influencing entrepreneurship and establish whether the Government policies enhance the development of entrepreneurship in this African economy called Tanzania republic.

Significance of the Study

Firstly and foremost, in Tanzanian context, the importance of this research lies in the fact that it is a lasting debate continuation on what entrepreneurship leadership should be doing to promote, nurture, grow and develop new ventures. The study also provides and initiates an awakening debate for policy makers, administrators and regulators concerning what some of the institutions supporting entrepreneurship should be doing to promote new venture development in Tanzania. Secondly, for the academia, it offers results from rather a distinctive setting covering several thought provoking topics within a broad domain of entrepreneurship. Certainly the results derived from the study are quite useful in furthering and advancing our understanding of entrepreneurship. Thirdly, to the entrepreneurs study findings provide valuable insights on the determinants of growth and barriers for doing business and/or running sustainable enterprises in Tanzania. Individuals considering starting up a business might become interested to evaluate their ambitions according to the model developed and be able to foresee or anticipate the obstacles which they might face if they decide to start the business.

Literature Review

Definition of key Terms

Meaning of Entrepreneurship: The entrepreneurship has played an important role in the academic literature for over 250 years. While there remains a broad consensus about the central role of entrepreneurship in the economy, the theoretical and conceptual models of entrepreneurship vary widely. Theoretical models of entrepreneurship are weak or non-existent, and the term entrepreneur is still vaguely defined, even though entrepreneurship scholars seem obsessed with defining the word entrepreneur (Bull and Willard, 1993). Scholars have long disagreed about the definition of entrepreneurship. Defining entrepreneurship and developing a theoretical model present two related problems; defining entrepreneurship is hindered by difficulties in conceptualizing and quantifying theoretical models of the entrepreneurial process, while the lack of a consensus definition hinders theoretical model development. No theory of entrepreneurship has been developed that explains or predicts when an entrepreneur, by any definition, might appear or engage in entrepreneurship (Low, 2009; Iversen *et al.*, 2008). Many different functional definitions or theories of entrepreneurship have been proffered likely because entrepreneurship is a dynamic and complex phenomenon with multiple purposes. This complexity makes it impossible to capture the totality of entrepreneurship without using a multi-component definition (Iversen *et al.*, 2008). The definition of entrepreneurship possesses three key elements which are ownership of a firm, risk taking and innovation (Iversen *et al.*, 2008; Low, 2009). Firstly, ownership or operation of a firm is an important attribute of entrepreneurship. It is not sufficient to define entrepreneurship, but it is necessary in defining entrepreneurship. The exploitation of entrepreneurial ideas must take place within a firm, as there is no market for entrepreneurship as a result, owning or operating a firm, particularly a small firm, is one of the most widely used definitions of entrepreneurship. The owner or operator of a firm is the firm's leader (Goetz and Rupasingha, 2008).

Secondly; risk and uncertainty bearing are important attributes of entrepreneurship because they distinguish entrepreneurs from wage and salary workers. Entrepreneurs may be richly rewarded with rents due to innovation and early adoption, but to be rewarded, they must bear the associated risk and uncertainty. Moreover, risk bearers retain only net profits, after outstanding obligations are paid. Thirdly, Innovation is a crucial component of entrepreneurship because it is closely connected with the ability to deal with market disequilibria. Many theoretical definitions of entrepreneurship incorporate initiating innovation and/or recognizing market opportunities. Market opportunities and reallocating resources in response to these market opportunities is entrepreneurship, not initiating innovation. Entrepreneurship is efficient reallocating resources and dealing with disequilibria in the market to maximize profit (Klein and Cook, 2006; Iversen *et al.*, 2008). On the other hand, the concept is narrower than the traditional one that it does not include all heads of firms or managers of industrialists, who merely may operate an established business, but only those who actually perform that function. But whatever the type, everyone is an entrepreneur only when he actually "carries out new combinations," and loses that character as soon as he has built up his business, when he settles down to running it as other people run their businesses

Schumpeter, 1934 defined what he meant by entrepreneurship (and the term enterprise) and then concluded that those who perform the functions of entrepreneurship are "entrepreneurs." His definition captured several key elements that separate entrepreneurship from general management. First, and foremost, entrepreneurship involves the creation of an organization to pursue a discontinuous opportunity. Secondly, Schumpeter did not limit this pursuit to new ventures, he also allowed for entrepreneurship to exist within established organizations. Thirdly, Schumpeter alluded to the fact that one becomes an entrepreneur when they act. Finally, entrepreneurs are defined by the nature of the actions performed, and a transition occurs at some point from entrepreneurship to general management as the nature of the organization and the actions of the individual change. Timmons, 2000 defined entrepreneurship as the process of creating or seizing an opportunity and pursuing it, regardless of the resources currently. According to Olomi, 2006 entrepreneurship is often associated with starting and running a business. However, the broader meaning of entrepreneurship is a way of thinking, reasoning, and acting that results in the creation, enhancement, realization, and renewal of value for an individual, group, organization, and society. At the heart of this process are the creation and/or recognition of opportunities followed by the will and initiative to seize these opportunities. The behaviors associated with entrepreneurship are need for achievement, calculated risk-taking, initiative, growth seeking, a strong drive and determination, networking, opportunism, etc. Taking this broader view in mind, not all business start-ups constitute entrepreneurship because not all founders display these behaviors. At the same time, entrepreneurial individuals are found in all kinds of contexts and endeavors.

Meaning of Intrapreneurship

Intrapreneurship is the practice of entrepreneurship by employees within an organization. An entrepreneur takes substantial risk in being the owner and operator of a business with expectations of financial profit and other rewards that the business may generate (Bull & Willard, 2003; Schumpeter, 1934). On the contrary, an Intrapreneur is an individual employed by an organization for remuneration, which is based on the financial success of the unit he is responsible for. Intrapreneurs share the same traits as entrepreneurs such as conviction, zeal and insight (Bull & Willard, 2003). As the intrapreneur continues to express his ideas vigorously, it will reveal the gap between the philosophy of the organization and the employee. If the organization supports him in pursuing his ideas, he succeeds. If not, he is likely to leave the organization and set up his own business

Theoretical basis for this study

Entrepreneurship in Tanzania: A historical perspective of the state of entrepreneurship in Tanzania has thoroughly been presented by Rutashobya, 1998. As highlighted earlier before in this paper there is a generalized view that for many years since independence African public policies (including Tanzania) were not conducive to entrepreneurship development. The situation was compounded by the fact that even before independence; modern entrepreneurship was dominated by foreigners with Africans playing only an insignificant role. This lack of congenial and conducive policy has generally been reflected in the low level of entrepreneurship which has further resulted in Africa's under-

development, the present crises and the high levels of unemployment (Rutashobya, 1998). Paakkari, 1992 has argued that the main reason for weak development of African owned business in Tanzania has been more lacking of congenial and conducive enterprise environment than a lack of entrepreneurship itself. The findings by the World Bank sectoral survey on furniture, construction and horticulture showed an existence of abundance supply of indigenous (African owned) entrepreneurs in Tanzania (World Bank, 1991). However, due to historical reasons and Tanzanian's own policies in the 1970s and early 1980s, entrepreneurship has been and indeed is still dominated by migrants from south Asia as evidenced by the fact that around 90% of private industry and trade outside the informal sectors are dominated by them (Paakkari, 1992). Indigenous (African owned) entrepreneurship is therefore still at its infancy and is mainly limited to small scale businesses as evidenced by Rutashobya, 1998.

Small Business Enterprises

The definition of small enterprises vary greatly; some of the definitions use the number of employees while others use amount of fixed assets (Minga, 1998). Yet others refer to the way decisions are made in small business. Typology in the field of entrepreneurship and small business is still confusing. Hornaday (1992, pg.19-20) emphasize that not every small business is entrepreneurial nor represents entrepreneurship. The argument on representing entrepreneurship refers to the ability of new firms to create innovation. Specifically the set of small businesses includes a wide variety of enterprises starting from self-employed and craftsmanship to innovative, high-tech oriented growth companies (Vesper, 1980). These companies are vastly different even if they share some similar objectives. For a self-employed worker the main expectation and objective may be to employ him or herself and enjoy the decent level of income and standard of living. He or she is mostly interested in "participating in the market" dimension, not in other dimensions of entrepreneurship. In the Tanzanian context the definitions of small enterprise are based on the number of capital and employees.

Based on the number of employees, the definition of small enterprise ranges from firms with 5 or 10 employees to those firms with 10, 20 or 50 employees. Small in one sector does not necessary mean small in other sector (Temu 1998). Morris Somerset, 1971 makes an assertion that the encouragement of small firms especially in entrepreneurship industry is vitally important that these firms cannot succeed without entrepreneurial skills, synergy and business climate. So Morris still insists that there is no small business that can be separated with entrepreneurial skills. Also Morris said that without entrepreneurial bustle of activities on a small scale, the set pieces of development will stand apart like parlour furniture, too grand to be used. The ability of country economy to generate wealth from its own resources will depend most of all on its intermediate level of business, this is because small scale manufacturing is not merely a transitional stage in industrial development, but act everywhere and all the time to integrate and adapt the greater part of the economy. Entrepreneurship is therefore essential above all intermediate business in developing countries since here the coordination of opportunities and resources cannot be prescribed by any humane and realistic plane (Morris 1971, pg. 4-5).

Role of Small Business Firms in Society

According to Lall, 1995; Young, 1993 and Bagachwa, 1995 small scale enterprises (SSE) have a lot of roles to play in a society which include small businesses which contribute towards job creation and employment. It has a strategic importance towards poverty alleviation and stimulating economic growth and development and improving standards of living and social development.

Issues and Barriers for realizing entrepreneurial Potentials

A host of problems make it difficult for SME's to exploit the existing potentials for further employment and wealth creation. The most serious impediment is the limited capacity of people who start and operate the businesses in terms of the attitudes, motivation, exposure, skills and experiences (Bull & Willard, 2003). Retirees and retrenches are unprepared to use their skills and exposure to build successful SME's due to lack of relevant attitudes and skills. Graduates from higher learning institutions could join the sector and make it more vibrant but these are not psychologically and functionally prepared to start and develop small businesses because the educational curricula is largely designed to produce graduates for highly specialized white collar jobs or white collar Job-like mentality. At the same time, services related to entrepreneurship development are underdeveloped and not readily available or affordable to SME's. The institutions and associations supporting SME's are weak, fragmented uncoordinated (Rutashobya, 1998; Davidsson *et al*, 2005; Gilbert *et al*, 2006). Their services are quite basic; mainly focusing on helping the poor. There are hardly any initiatives for targeted, comprehensive and sustained support specifically to facilitate upward mobility of micro and small enterprises. Most of the post-secondary training institutions initiatives to build capacity for producing graduates with the skills and attitudes to start and run SME's and effectively supporting enterprise development are still embryonic and/or infancy. The Local governments which could also play a critical role in supporting SME's still face and for sure they have a number of weaknesses in the entire management system. Access to finance is always mentioned by potential and existing SME operators as the most serious barrier to business start-up or growth. This is because the formal financial sector is yet to evolve functional models which enable them to provide services, especially to the growth oriented section of the micro and small enterprise sector. Micro and small enterprises operate from temporary, illegal sites or premises because there are not adequate appropriately serviced areas where they can locate and operate from.

The regulatory framework is tailored to the capacities of large companies and hence is too expensive and cumbersome to micro and small enterprises. This automatically discourages start-ups and condemns businesses that dare to start to the informal sector (Rutashobya, 1998; Gilbert *et al*, 2006). It takes a very bold and determined person, who also has networks or resources to complete this process. As a result, a large majority remain informal. Because of their lower capacities, women, the disabled and youth are disproportionately disadvantaged by these barriers. The implication of the foregoing is that, much more needs to be done to create conditions that make formal business affordable to the majority of operators, including men, women, the youth and the people with disability (PWD)

Strategies for Pro-Poor Business Development

Improving the business environment is absolutely essential. However, alone, this measure will not quickly propel a critical mass of Tanzanians micro and small businesses into successful businesses that create significant incomes, quality jobs and contributes meaningfully to government revenue. This is because the constraints to reaching this level are far greater and far most complex that it is often imagined. It is also recognized that they multi-faceted and require a more comprehensive intervention such as;

(a) Regulatory reforms: The ongoing reforms in the business environment need to be expedited. The reforms should come up with multi-tier regulatory mechanisms depending on the size and complexity of the operations. Care should however be taken to minimise the possibility of these tiers being growth or formalisation traps.

(b) Meso-level institutional building: There is a need to build strong institutions which are able to strategically and pro-actively address the needs of micro and small enterprises. Currently, support provided is very basic (not strategic) and of low quality. The following could be done to strengthen this capacity. Each local government should be required to have a private sector development programme. A business development department need to be introduced, possibly substituting the traditionally routine role of the Trade Officer. It is recommended to introduce inter-local authority “business development” and “investment climate” competitions and awards. There is need to review the role and mandate of the so called small industries development organization (SIDO) preferably with a view to to make it a very strong agency for strategically building capacity of entrepreneurs and grassroots business development services providers, and withdrawing it from direct support to entrepreneurs whenever possible so that it concentrates its efforts on building capacity of others institutions. It might also be wise to re-organize SIDO so that there are different departments dealing with industry, commercial agriculture, fisheries, livestock, and many other sectors in comprehensive terms. Alternatively multiple agencies could be established. There is a strong need to invest in designing appropriate training and education curricula including building the capacity of learning facilitators to deliver skills and working competences needed in a more effective way. The curricula should among others promote more interactions between schools and colleges on one hand and micro and small businesses in their surroundings on the other.

(c) Enhancing access to financial services for the poor

In order to enhance access to finance the following measures can be taken: Government should encourage financial institutions to downscale to provide services to micro and small businesses. This can be done by, for example meeting the cost of human resource development to prepare competent bank staff who can work with SMEs. Government can work with other actor's s to develop innovative/special financial schemes for innovative ideas with great. Potential through contests, venture capital funds for small businesses and competitive business ideas.

Empirical Evidence: The first empirical study concerned with the relation between entrepreneurship and economic growth is

embedded in several strands of the economic literature. A first strand of literature involves the general understanding of the role of entrepreneurship in the modern economy. Several contributions were made by Schumpeter, 1934; Knight, 1921 and Kirzner, 1973. These economists stress different aspects of the role of the entrepreneur. While Schumpeter stresses the innovating aspect, Knight stresses the risk assuming aspect. Kirzner, finally, stresses the role of the entrepreneur in leading markets to equilibrium. They claim that small firms play an important role in the economy as they are agents of change by their entrepreneurial activity, as they are a source of considerable innovative activity, as they stimulate industry evolution and as they create an important share of the newly generated jobs. The role of small firms and entrepreneurship in stimulating economic growth is complex, because various intermediate variables are at play. Examples of such variables are entry and exit of firms (competition), innovation and variety of supply. Economists have started to build theoretical frameworks which try to capture the role of the intermediate variables.

Entrepreneurially, SMEs tend to operate in a niche market which large firms can not economically enter due to unattractive return on investment. Perhaps, as a result of the association with entrepreneurial activity and innovation, SMEs serve an important “seedbed” role for the growth of new industries and the establishment of future large companies (Howard, 1997). Ibielski, 1997 summarizes the overall importance of SMEs and quoted in Hashim and Abdullah 2000, p. 193 as follows:

“[SMEs] are mighty mirrors reflecting the competitive spirit that a market economy needs for efficiency. They provide an outlet for entrepreneurial talents, a wider range of consumer goods and services, a check to monopoly inefficiency, a source of innovation and seedbed for new industries, they allow an economy to be adaptable to structural change through continuous initiatives embodying new technologies, skills, processes or products”

Source: Wang, Walker and Redmond, 2009

Small and Medium sized enterprises are very heterogeneous groups and yet they generally tend to have a high risk profile due to limited market powers, lack of business management skills, absence of adequate accounting tracks records, insufficient assets as well as lack of business planning knowledge. SMEs typically suffer from weak entrepreneurial skills as well as deficiencies in accounting, production management and business planning. In addition, SMEs are also characterized by high administrative costs and uncertainties about their future performance. With globalization in play, SMEs have been exposed to a cut-throat and stiff competition that if not planned and managed well, could shutter business prospects, and dreams SMEs have, late alone the entailed benefits which Tanzania as country is highly in need of. Secondly, Morris and Kuratko, 2002 summarize their findings dealing with entrepreneurship and start-ups through an outline of strategic implications of both entities. Their research points out that sustainable entrepreneurial activity becomes more of a reality through the resource allocation of an established or well-funded organization. Through a resource based view the authors point out some significant strategic advantages that an Entrepreneurship based organization possesses over a start-up organization or individual entrepreneur. Some of these characteristics include:

research and development resources, financial resources, management think-tank resources, outsourcing / business alliance resources, firm portfolio resources, and natural economies of scale resources. However, the study could provide in depth understanding on key factors influencing entrepreneurship. Thirdly, Entrepreneurs' personality traits have also been identified to have impact on organizational performance (Robinson & Sexton, 1994). Studies also found that personality traits such as locus of control and ambiguity tolerance influenced the business success directly and the business process indirectly (Entrialgo, Fernandez, & Vazquez, 2000). Kiggundu, 2002 later added demographic variables to his study and found that personality traits have direct influence on the success of African entrepreneurs. Although studies on personality traits have played an important role in contributing to the success of entrepreneurs worldwide, nevertheless, personality traits have been criticized both on theoretical and empirical ground in the studies of entrepreneurship. Gartner, 1988 in his research article entitled "Who is the entrepreneur?" mentioned that asking "Who" is the wrong question, but rather the personality of entrepreneur is only related to the success of business start-up through more specific mediating processes. This is due to the fact that these factors are not relevant if there is no action and initiative taken by the entrepreneurs. However this study, has overlooked other vital influences on entrepreneurship like ethnicity, family support, and Education.

Conceptual Framework

The process of acquiring entrepreneurial performance involves different steps and different factors which are involved in the process. It is anticipated that entrepreneurial performance is influenced by factors such as troubled childhood, small business experience, ethnicity, level of education and entrepreneurial education.

Troubled childhood

It is anticipated that people tend to be self-employed and become successful because of troubled Childhood. In troubled childhood children tend to be lacking security or abused, low self-esteem, lack of confidence therefore growing in such an environment some people to have repressed wishes toward those in control thereby influencing their performance in entrepreneurial activities.

Small business Experience

An individual's managerial experience as well as previous entrepreneurial experience is considered to be incentives for one to become a successful entrepreneur. Previous experience as an employee in an enterprise also is thought as a driving force toward enhancing entrepreneurial performance because employee will have greater probability of coping experience from where he/she is working.

Ethnicity

An ethnic origin of a person is said to influence the choice between paid employment and self-employment as well as performance in self-employment. Some ethnic group like Chagga in Tanzania, Ibo in Nigeria and Kikuyu in Kenya they are thought to have entrepreneurial skills. These ethnic are spread all over the countries to the extent that they are less

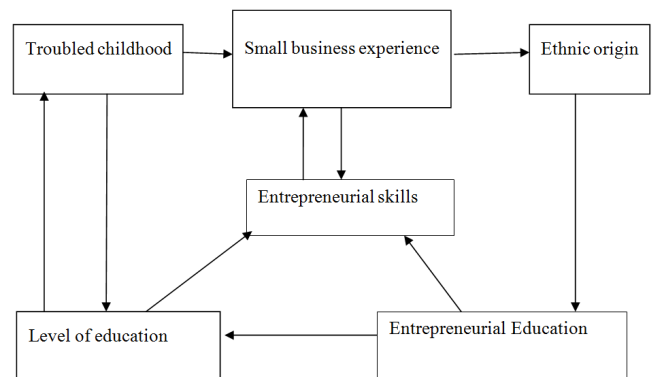
integrated in societies in which they work and therefore less likely to be constrained by dominant values shared either by their own ethnic group or by their host.

Level of education

It is anticipated that level of education acquired by an individual have an influence in entrepreneurial performance because apart from one bean creative thinker, education foster conformity and low tolerance for ambiguity, leading to thought and behavior process that refuse to admit tolerance and social values that preclude or values which are unproductive for human life progress.

Entrepreneurial Education

It is agreed that there is positive association between taking entrepreneurship course and becoming Self-employed. It is also thought that student who take entrepreneurship course tend to be less conforming, more impersonal, more risk taking, more welcoming of change, have higher energy level, a profile similar to that of successful entrepreneurs. Also entrepreneurship course will attract those who have entrepreneurial qualities or alternatively more students towards entrepreneurial archetype by challenging assumptions and encouraging the development of competencies required;



Source: researcher's model, 2016 *Conceptual Framework of factors influencing Entrepreneurial performance*

RESEARCH METHODOLOGY

Research Design

As depicted by Kothari, 2004 a research design is the arrangement of conditions for collection and analysis of research data in a manner that aims to combine relevance to the purpose with economy in procedure employed. The case study approach was employed on this study to describe and assess in-depth the challenges and success of the entrepreneurship performance in Tanzania.

Survey Population/unit of Inquiry

In this research, the population of the study included entrepreneurs based on their different characteristics in terms of age, gender, educational level, and psychological indices.

Sample Size and determination procedures: A Total of 30 respondents were drawn from different entrepreneurs who deal with small businesses such as retail shops, selling cooked food, tailoring mat and hair dressing salons and hair Cutting salons.

Table 1. Respondents Age and Entrepreneurship Experience

		Respondents Age	Experience in Entrepreneurs hip
N	Valid	30	30
	Missing	0	0
Mean		33.7000	11.5333
Mode		25.00 ^a	12.00
Std. Deviation		11.7302	7.5463
Range		51.00	27.00
Minimum		20.00	2.00
Maximum		71.00	29.00
Sum		1011.00	346.00

a. Multiple modes exist. The smallest value is shown

Source: Research findings, 2016

Table 1. Correlation: Respondents Age and Entrepreneurship Experience

		Respondents Age	Experience in Entrepreneurs hip
Respondents Age	Pearson Correlation	1.000	.713**
	Sig. (2-tailed)	.	.000
	N	30	30
Experience in Entrepreneurship	Pearson Correlation	.713**	1.000
	Sig. (2-tailed)	.000	.
	N	30	30

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

Source: Research findings, 2016

The respondents were chosen from Ubungo bus terminal, Tegeta and Mwenge central Market. Ubungo terminal and Tegeta provided 15 respondents, while Mwenge central market provided 15 respondents. The stratified sampling technique was employed in selecting respondents. The population was stratified according to gender and type of business owned. In gender the population was stratified into two groups of male and female, where each group had 15 respondents. Then groups were stratified again according to type of business owned, where each group of business provided 5 respondents. This technique was designed to produce more representative and accurate samples because the study comprises distinct groups based on gender and the various activities done by the respondents.

Data Collection methods

Data for this study were collected using both primary and secondary sources to achieve both primary and secondary data collections. The primary data were collected through in-depth face to face interviews; and questionnaires (Saunders et al, 2003; Kothari, 2004). Questionnaires were circulated to selected respondents with an intention to assess five dimensions of personality: Need for achievement, Autonomy, Drive and Determination, Risk Taking and Creativity. The Questionnaires were distributed to different entrepreneurs undertaking the stated economic activities with a view to collect information on the challenges and success on the entrepreneurship performance in Tanzania. Other methods which were used were observational designs, and documentary reviews.

Data analysis and Presentation Technique

The study data were analyzed using both qualitative and quantitative approaches. The quantitative techniques enabled the researcher to compute data, summarize and displaying them using percentages and averages. Both the Microsoft excel and Statistical Package for Social Science (SPSS Ver.20.0) were used in facilitating the analysis and presentation of the research findings. The SPSS enabled the researcher to cross-tabulate different variables in a much easier way than the Microsoft excel. The tools offered by Microsoft excel were presented data in graphical form

Reliability and validity assurance: This study relies on pre-tested questionnaires and structured interview tool which have improved quality assurance of the research findings after several improvements of the questionnaire tool designs. The improvement aimed at ensuring questionnaires as a data collection tool is sufficiently clear, understandable and able to provide accurate information as much as possible to support concluding ground for this research project

Data analysis, presentation and Discussion

Introduction: The analysis included a sample of 30 respondents drawn from entrepreneurs in Dar es Salaam region represented by Kinondoni district. These entrepreneurs were involved in various businesses activities. The study based on the analysis of the following research objectives re-listed below; examining the inhibiting factors for low level of entrepreneurship performance of entrepreneurs; and assessing whether the existing Government policies enhance

Table 3. Respondents Gender and Educational Level

		Respondents Educational Level				Total	
		primary	secondary	college	vocational		
Respondents Gender	male	Count	6	2	1	1	10
		% within Respondents Gender	60.0%	20.0%	10.0%	10.0%	100.0%
		% of Total	20.0%	6.7%	3.3%	3.3%	33.3%
Respondents Gender	female	Count	3	13	2	2	20
		% within Respondents Gender	15.0%	65.0%	10.0%	10.0%	100.0%
		% of Total	10.0%	43.3%	6.7%	6.7%	66.7%
Total		Count	9	15	3	3	30
		% within Respondents Gender	30.0%	50.0%	10.0%	10.0%	100.0%
		% of Total	30.0%	50.0%	10.0%	10.0%	100.0%

Source: Research findings, 2016

Table 2. Respondents Gender and Type of SMEs Owned

		Type of SME Owned						Total	
		Manufacturing	Construction	Wholesale Trade	Retail Trade	Accommodation, Cafes and Restaurants	Education, Health and Community Services		
Respondents Gender	male	Count	6	1	2	1		10	
		% within Respondents Gender	60.0%	10.0%	20.0%	10.0%		100.0%	
		% of Total	20.0%	3.3%	6.7%	3.3%		33.3%	
Respondents Gender	female	Count	5	3	1	3	7	1	20
		% within Respondents Gender	25.0%	15.0%	5.0%	15.0%	35.0%	5.0%	100.0%
		% of Total	16.7%	10.0%	3.3%	10.0%	23.3%	3.3%	66.7%
Total		Count	11	4	3	4	7	1	30
		% within Respondents Gender	36.7%	13.3%	10.0%	13.3%	23.3%	3.3%	100.0%
		% of Total	36.7%	13.3%	10.0%	13.3%	23.3%	3.3%	100.0%

Source: Research findings, 2016

entrepreneurship in Tanzania. The analysis of the data was based on a sample of 30 respondents. The respondents ages ranged were 51 years, which is between the youngest and the oldest. The average age was 33 years indicating that on average the entrepreneurs surveyed were matured. The standard deviation was 11.7 indicating a greater diversity in the sampled population. Experience in entrepreneurship on the other hand was analyzed. In terms of length of time in entrepreneurship, the average years of experience in entrepreneurship were 11.5 years which is a long experience in entrepreneurship. The standard deviation was 7.5 indicating a greater diversity in the sample variation. Other statistics were as summarized in the Table 1 above. The analysis indicated that, there is a strong correlation between the respondents' age and their experience in entrepreneurship activities in years. A correlation of 0.7 is found and was significant at a 0.01 level of

significance. Table 2 summarizes the findings. The respondents' gender and educational level were analyzed. There were 60% of male respondents with primary education level which was the majority in this gender category. The rest of males had secondary, college and vocational level of education. As compared to males, 65% of female respondents had secondary level education. In all cases females were the majority and had a composite of 66.7% against male in the sample total. The types of SMEs owned by respondents ranged from manufacturing to service provisions as indicated in the table 4 below. The male category had 60% of them involved in manufacturing while the female category had 35% of them involved in accommodation, cafes and restaurants; these were the majority among their respective categories. However, the majorities in terms of both categories of gender were involved in manufacturing; they were 36.7% of total.

Table 3. Policy Strategies: Licensing Procedures, Tax System and Copyright Law

Policy Strategies	Simplification of Licensing Procedures	of	Simplification of Tax System and Provision of Tax Incentives	Educating Entrepreneurs on Copyright Law
Rank 5	19	63%	10	33%
Rank 4	7	23%	18	60%
Rank 3	3	10%	1	3%
Rank 2	1	3%	0	0%
Rank 1	0	0%	1	3%
Total	30	100%	30	100%

Source: research findings, 2016

Table 4. Policy Strategies: Premises for SMEs, Allocating Buildings and Public Education

Policy Strategies	Local Authorities Premises for SME-Owners	Developing	Allocating Buildings to SME-Owners	Unutilized	Promoting Entrepreneurship through Public Education	
Rank 5	17	57%	17	57%	2	7%
Rank 4	7	23%	8	27%	2	7%
Rank 3	2	7%	3	10%	6	20%
Rank 2	3	10%	2	7%	18	60%
Rank 1	1	3%	0	0%	2	7%
Total	30	100%	30	100%	30	100%

Source: Research findings, 2016.

Factors Inhibiting Entrepreneurship Performance

Objective One: Examining the inhibiting factors for low level of entrepreneurship performance of entrepreneurs. Three set of factors were mentioned as inhibiting entrepreneurial success as follows hereunder;

- Market and marketing are key factors in success and sustenance of entrepreneurial business. There are many breed of market and marketing related problems that trim down entrepreneurial development. These include lack of a permanent market for entrepreneurs' products; few available markets which are also poor, the markets are not sustainable, reduction in number of customers, curtailment of some important customers and few products seem to be the biggest factors that inhibit entrepreneurial success thus complicating the supply and demand economics. Capital as a multi-faceted inhibitor was ranked second as an important factor that hinders entrepreneurial development. The multiple faces of this versatile factor were cited as insufficient operating capital, the small capital that comes does not come in time, unsustainable capital, capital depreciation, small capital problems, and absence of sponsors
- The last important factor was premises or venue. This manifested itself in terms of insufficient premises, difficulty business environment, expensive premises rents close to markets, and unregulated business premises for SMEs and lack of certainty in business environment

Assessment of Entrepreneurship and SMEs Policy framework in Tanzania

The government policy on SMEs and entrepreneurship was assessed. To guide this analysis, several Policy Strategies were assessed based on a ranking structure of 1 to 5, whereby 1 represent the most contribution/effectiveness/help and 5 the least contribution/effectiveness/help in improving entrepreneurship performance .in accomplishing this the objective number two "assessing whether the existing Government policies enhance entrepreneurship in Tanzania" was measured.

A number government Small and Medium Enterprises (SMEs) policy strategies were involved in this assessment as depicted in the respective tables below; for example, in the Table 5 below, three Policy Strategies were addressed; simplification of licensing procedures is one of the issues that the government wanted to achieve especially during issuing of business licenses and permits for entrepreneurs. Based on a sample of 30 entrepreneurs, 63% of respondents indicated that this policy strategy did not help them in their entrepreneurship activities. On the other hand simplification of tax system and provision of tax incentives were ranked at 4 by 60% of entrepreneurs, while education of entrepreneurs on copyright law was ranked at 3 by 70% of entrepreneurs. The overall ranking for all the three policy strategies indicate that entrepreneurs were not satisfied by the policy strategies on these area and that they did not help them in an effort to develop their entrepreneurial activities, thus these strategies did not favor their businesses, thus there is a need for the government to assess these strategies for they do not yield better results. SMEs Policy strategies that follow (in table 6.) aimed at addressing the problems of premises for entrepreneurs and promoting entrepreneurship through public education. Strategy that involved local authorities developing premises for SMEs owners was ranked at 5 by majority of the sample which constituted 57% of all respondents, indicating that the entrepreneurs have a low opinion as to the success of this strategy in making premises for entrepreneurs are available. Similarly another strategy was to allocate unutilized buildings to SME owners, again by the same percentage it was lowly rated indicating that, these two strategies that aimed at providing premises for entrepreneurs are not successful. Another strategy aimed at promoting entrepreneurship through public education. A majority of 60% of respondents ranked the strategy second, indicating that the strategy was successful in promoting and enhancing entrepreneurship. In addition to public education provision, the following strategies (table 7) were also assessed for their success in enhancing entrepreneurship; provision of education for new entrepreneurs was ranked second by majority of 43% respondents in enhancing entrepreneurship and ranked third by 40% of them. Thus this strategy was considered to be successful on average. Establishment of information centers for entrepreneurs was another strategy; this strategy was not considered as contributing in enhancing entrepreneurship and SMEs development.

Table 5. Policy Strategies: Education, Information Centers and ICT Training

Policy Strategies	Provision of Education for New Entrepreneurs	Establishment of Information Centers for Entrepreneurs	Training on ICT for Entrepreneurs
Rank 5	2 7%	5 17%	11 37%
Rank 4	3 10%	18 60%	6 20%
Rank 3	12 40%	4 13%	10 33%
Rank 2	13 43%	3 10%	2 7%
Rank 1	0 0%	0 0%	1 3%
Total	30 100%	30 100%	30 100%

Source: research findings, 2016

Table 6. Policy Strategies: SMEs Census, Networking and Joint Ventures Facilitation

Policy Strategies	Conduct a census for SMEs	Enhancing Networking between SMEs and Technology Providers	Facilitate Joint Venture for Technology Upgrade and Transfer
Rank 5	5 17%	16 53%	12 40%
Rank 4	17 59%	11 37%	10 33%
Rank 3	7 24%	3 10%	5 17%
Rank 2	0 0%	0 0%	2 7%
Rank 1	0 0%	0 0%	1 3%
Total	29 100%	30 100%	30 100%

Source: Research findings, 2016

Table 7. Policy Strategies: Small-Large Business Linkages, Marketing Agencies and Facilitation

Policy Strategies	Promote Small--Large Business Linkages	Strengthen Marketing Agencies and Institutions	Facilitation of SMEs Participation in Local and Foreign Markets
Rank 5	9 30%	5 17%	4 13%
Rank 4	12 40%	7 23%	2 7%
Rank 3	2 7%	14 47%	3 10%
Rank 2	7 23%	4 13%	19 63%
Rank 1	0 0%	0 0%	2 7%
Total	30 100%	30 100%	30 100%

Source: research findings, 2016

Table 8. Policy Strategies: Exhibition Centers, Meeting Standards and Trade Issues

Policy Strategies	Establish SMEs Exhibition Centers	Facilitate SMEs to Meet Standards	Facilitate Training on Trade Issues
Rank 5	23 77%	5 17%	4 13%
Rank 4	5 17%	20 69%	16 53%
Rank 3	1 3%	4 14%	10 33%
Rank 2	0 0%	0 0%	0 0%
Rank 1	1 3%	0 0%	0 0%
Total	30 100%	29 100%	30 100%

Source: research findings, 2016

Table 9. Policy Strategies: Financial Institutions, Products and Access for SMEs

Policy Strategies	Facilitation of SMEs Window in Financial Institution	Promote Innovative Financial Products for SMEs	Simplification of Bank Access for SMEs
Rank 5	4 13%	16 53%	1 3%
Rank 4	8 27%	5 17%	1 3%
Rank 3	12 40%	7 23%	5 17%
Rank 2	6 20%	1 3%	18 60%
Rank 1	0 0%	1 3%	5 17%
Total	30 100%	30 100%	30 100%

Source; research findings, 2016

Another strategy was training on ICT for entrepreneurs; this policy strategy was similarly considered ineffective. A set of another three strategies was to conduct census for SMEs, to enhance networking between SMEs and technology providers and to facilitate joint venture for technology upgrade and transfer. All of the three strategies were lowly rated and were not considered as successful in enhancing and promoting entrepreneurship and SMEs development (Table 8). The following three SMEs and entrepreneurship strategies; to promote small-large business linkage, to strengthen marketing agencies and institutions and to facilitate SMEs participation in local and foreign markets, were rated.

The results were mixed and it was difficult to determine the success of these strategies as the respondents' rates were dispersed and inconsistent (Table 9). On the other hand, the following three policy strategies; to establish SMEs exhibition centers, to facilitate SMEs to meet standards and to facilitate training on trade issues, had an almost unanimous rate the strategies did not help or were not effective in promoting entrepreneurship development (Table 10). Several other strategies were developed that aimed at facilitating financing for SMEs. These strategies are; to facilitate SMEs window in financial institutions, to promote innovative financial products for SMEs and simplification of bank access for SMEs.

Table 10. Policy Strategies: Financing, Associations and Service Providers

Policy Strategies	Promote Financial Institutions for Financing SMEs	Support Association of Strengthening and Networking of Service Providers of SMEs
Rank 5	0 0%	16 53%
Rank 4	6 20%	10 33%
Rank 3	20 67%	3 10%
Rank 2	4 13%	1 3%
Rank 1	0 0%	0 0%
Total	30 100%	30 100%

Source: research findings, 2016

Table 11. Policy Strategies: Policy Monitory, Environmental and Waste Management Issues

Policy Strategies	Monitoring of SMEs Policy	Education on SMEs-- Environmental Related Issues	Encourage Proper Waste Management
Rank 5	16 53%	3 10%	4 13%
Rank 4	8 27%	8 27%	15 50%
Rank 3	4 13%	16 53%	7 23%
Rank 2	0 0%	3 10%	1 3%
Rank 1	2 7%	0 0%	3 10%
Total	30 100%	30 100%	30 100%

Source: Research findings, 2016

Table 12. Policy Strategies: Addressing Woman and Disadvantaged Groups Issues

Policy Strategies	Facilitate Programmes for Women & Disadvantaged Groups	Special Addressing Factors that Affect Women & Disadvantaged Groups	Create SMEs-- HIV&AIDS Related Issues Awareness	Support Vulnerable SMEs	Potential Groups in
Rank 5	6 20%	18 60%	0 0%	0 0%	0 0%
Rank 4	12 40%	4 13%	1 3%	1 3%	3 3%
Rank 3	5 17%	6 20%	1 3%	2 7%	7 7%
Rank 2	6 20%	1 3%	11 37%	18 60%	60 60%
Rank 1	1 3%	1 3%	17 57%	9 30%	30 30%
Total	30 100%	30 100%	30 100%	30 100%	100 100%

Source; research findings, 2016

Table 13. SMEs Policy Inhibits Entrepreneurial Performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0--25%	22	73.3	73.3	73.3
26--50%	7	23.3	23.3	96.7
51--75%	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Source: research findings, 2016

Table 14. SMEs Policy Facilitates Entrepreneurial Performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0--25%	3	10.0	10.0	10.0
26--50%	26	86.7	86.7	96.7
51--75%	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Source: research findings, 2016

With the exception of simplification of Bank access, the previous strategy in this set were lowly rated indicating their ineffective in enhancing entrepreneurship and SMEs. Simplification of banking procedures to improve access to finance for SMEs was considered a successful. A policy strategy aiming to promote financial institutions geared towards financing SMEs was rated averagely, there were mixed response as to whether promoting financial institutions would enhance SMEs financing. Other strategies were to support association of entrepreneurs to strengthen them and strengthening and networking of service providers of SMEs which were considered as ineffective in enhancing entrepreneurship (Table 12).

Another set of strategies were; monitoring of SMEs policy, education on SMEs-environmentally related issues and encourage proper waste management. These policy strategies were lowly rated and the entrepreneurs indicated that these strategies were not effective in promoting entrepreneurship and SMEs. The last four strategies differed; these were; facilitate special programmes for women and disadvantaged groups, addressing factors that affect women and disadvantaged groups, create SMEs- HIV& AIDS related issues awareness and lastly support potential vulnerable groups in SMEs. In table 14, the second strategy was considered ineffective in promoting entrepreneurship. The third and fourth strategies were considered effective in enhancing entrepreneurship as

they were rated highly. The entrepreneurs view on the policy as to what extent it inhibits entrepreneurial performance were rated based on the 0—25%, 26—50%, 51—75% and 76—100% scale. About 73% of respondents indicated that the policy inhibited entrepreneurial performance by 0—25% range. That being the case it did not mean that the policy facilitated entrepreneurial performance by the complement percentage range that is 26—100% because inhibiting and facilitating are mutually independent rather than complementary. In table 15 below the rest of the analysis are summarized. The entrepreneurs view on whether the policy facilitates entrepreneurial performance was rated on the same scale, as in the previous case (that rated views on whether the policy inhibits entrepreneurial performance), in table 16 below, respondents indicated that; about 87% of respondents indicated that the policy facilitated entrepreneurial performance by 26—50%.

Conclusion and Recommendations

Conclusion

From the research findings the study observed three key factors that inhibit entrepreneurial performance which are marketing, capital, and premises problems. These need to be reviewed and consistently re-addressed well in the government policy in order to significantly facilitate entrepreneurial performance. The SME's policies involved in this investigation have a dual role of facilitating on one hand and that of hindering on the other hand as far as enhancing and fostering entrepreneurship performance is concerned. From the research findings, public education, provision of education for new entrepreneurs, SME's networking, and simplification of banking procedures seem to be critical interventions for promoting entrepreneurship. There is a growing appreciation that respondents were happy with recent Government initiatives undertaken on promoting entrepreneurship through exhibitions, radio, TV, conducting seminars, forming groups and launching an entrepreneurship-oriented syllabus although it was targeting only higher learning students with University of Dar es Salaam having a special entrepreneurship centre and entrepreneurship school. There are policies which need to be seriously reviewed and re-formulated such as simplification of licensing procedures, taxation system and provision of tax incentives, education on copyright law and ICT training, reviewing and re-formulation of the existing policy frameworks must aim at creating sound, prudent and viably acceptable policies which can significantly support and enable SME's development in our Country

Recommendations

Based on this study's findings, the following are policy recommendations that are advanced by the researcher in order to address entrepreneurs' problems;

- Workable policy on ensuring a sustainable and reliable market is to be put in place; direct market and marketing instruments need to be addressed in the policy so that the strategies implementation can have direct effects on the specific problems at hand
- Efforts to address the problems of financing need to be addressed clearly and more realistically in the policy statement and strategies, there is a need to develop more financial products and possibly controlling for the

exorbitantly high interest rates that do not match the risks and profits the entrepreneurs gets. Policy strategy on how to increase and maintain entrepreneurs' capital need to be developed and implemented, education and training on these issues need to be addressed as the current policy did not seem to be sufficiently effective

- Simplification of business working environment and registration processes need to be realistically addressed, screening of problems in this area and developing workable policy strategies are of paramount importance for SMEs and entrepreneurship to flourish and produce the desired benefits for the Tanzania economy and people at large

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