Determinants of Sustainability of Small and Medium-Sized Enterprises (SMEs): A Case of Dodoma Urban District, Dodoma, Tanzania

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Abstract

This study investigates the factors influencing the sustainability of Small and Medium-Sized Enterprises (SMEs) in Dodoma Urban District, utilizing a sample of 139 SMEs. Data analysis, conducted with SPSS version 26.0.1, revealed that proactive competitive strategies, financial accessibility, technology adoption, and strategic location significantly contribute to SME sustainability. Effective financial management, including improved access to credit, and strong entrepreneurial skills, supported by education and business experience, were also identified as critical determinants. The study recommends updating the SME Development Policy of 2002 to emphasize technological integration, skill development, and financial planning. Additionally, future research should examine the impact of global market dynamics, the adoption of digital payment systems, and the effectiveness of entrepreneurial training programs on enhancing SME sustainability.

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1.Introduction

Small and Medium Enterprises (SMEs) play a pivotal role in driving economic growth worldwide, though definitions vary by region and country. In developed economies such as the United States, European Union countries, China, and Canada, SMEs are typically classified as enterprises with fewer than 500 employees. In contrast, developing countries often define SMEs as firms with fewer than 100 employees. These classifications are determined based on common characteristics such as the number of employees, capital investment, revenue, market reach, organizational structure, and level of formalization (SBA, 2022).

In Tanzania, SMEs are categorized based on the number of employees and invested capital. The *SMEs Development Policy of 2003* focuses on non-agricultural sectors, including mining, manufacturing, commerce, and services. According to this policy, small enterprises are defined as formalized businesses employing between 5 and 49 people, with capital investments ranging from 5 million to 200 million Tanzanian Shillings (URT, 2003). The policy identifies key strategic areas for fostering SME growth, such as creating a conducive business environment, developing financial and non-financial services, and building supportive institutional infrastructure to address the challenges SMEs face and unlock their full potential (URT, 2003).

SMEs are a significant contributor to Tanzania's economy, accounting for about 27% of the country's GDP and providing 23% of total employment (URT, 2012). According to the *National Baseline Survey Report for Micro, Small, and Medium Enterprises*, there are approximately 3 million SMEs in the country, employing over 5.2 million people. Of these SMEs, 45% are located in urban and peri-urban areas, while 55% operate in rural regions (Mwangi, 2021). Given the substantial role SMEs play in job creation and economic development, enhancing their growth and competitiveness is crucial for Tanzania's long-term economic stability and prosperity.

Tanzania's *Development Vision 2025* identifies SMEs as a cornerstone of the nation's economic development strategy. The Tanzania Chamber of Commerce, Industry, and Agriculture (TCCIA, 2018) highlights that 95% of businesses in the country are SMEs, emphasizing their importance to the national economy. The *SMEs Development Policy of 2003* aims to improve both soft and hard infrastructure, such as road networks, communication systems, and business facilities, to support SME competitiveness and growth. However, despite these strategic initiatives, many SMEs continue to face persistent challenges (URT, 2003; GWP, 2017).

One of the most significant challenges for SMEs in Tanzania is limited access to financial resources, which restricts their ability to expand and achieve sustainability (UNIDO, 2013). Financial constraints often lead to stagnant growth, limiting SMEs' contributions to poverty reduction and overall economic development (URT, 2017). Additional challenges include inadequate business development services, lack of marketing networks, and deficiencies in business skills, such as planning, financial management, and resource allocation. These obstacles hinder the ability of SMEs to compete effectively and grow beyond the startup phase.

In response to these challenges, various countries have implemented alternative approaches to improve access to financial and non-financial services for SMEs. Despite these efforts, many Tanzanian SMEs still struggle to achieve sustainable growth, raising questions about the key determinants of their success. Identifying and understanding these factors are essential for

developing effective strategies that empower SMEs and foster long-term sustainability (Dimoso & Andrew, 2021; Kitole & Utouh, 2023).

Current policy initiatives, including the *SMEs Development Policy of 2003*, have not fully addressed the underlying causes of sustainability challenges faced by SMEs in Tanzania (URT, 2003). In Dodoma Urban District, many SMEs face issues such as insufficient financing, poor supply chain management, limited technology adoption, difficulties in accessing raw materials, and low business registration rates, leading to a high rate of business failure (UNIDO, 2013). Statistics indicate that 95% of SMEs close within the first five years of operation, highlighting the complexity of achieving business success (SBA, 2022). This study aims to investigate the key determinants influencing SME sustainability, providing valuable insights for policymakers, business owners, and other stakeholders to support SME development and long-term success.

2.Empirical Review

The competitive environment plays a pivotal role in shaping the sustainability of youth-owned SMEs, particularly in developing economies. The forces of globalization and market liberalization have intensified competition, compelling SMEs to adapt rapidly and innovate to remain viable. In this dynamic context, businesses that fail to adopt competitive strategies risk stagnation and decline. According to the Inter-American Development Bank (2012), youth-owned SMEs often operate with limited resources, which restricts their ability to compete effectively. Similarly, Mwobobia (2012) found that operational constraints, such as lack of capital and market access, hinder the ability of youth entrepreneurs to navigate competitive pressures. To survive and thrive, youth-owned SMEs must focus on strategic innovation, embrace technological advancements, and develop adaptive business models to remain relevant in an increasingly competitive marketplace. The competitive environment, therefore, necessitates that SMEs adopt proactive strategies to manage competition and enhance their market share.

Access to finance is a fundamental determinant of the success and sustainability of SMEs. Financial accessibility enables entrepreneurs to invest in essential business operations, including production, marketing, and expansion. However, research indicates that youth-owned SMEs in developing countries often face significant financial challenges. Limited access to startup capital, inadequate financial literacy, and restricted knowledge of available financial options impede their growth and operational efficiency (Mwangi & Wanjau, 2013; Wilk, 2014). These constraints often prevent young entrepreneurs from taking advantage of market opportunities or scaling their businesses. Moreover, traditional financial institutions typically require collateral, which many young entrepreneurs lack, further limiting their access to credit (Wilk, 2014). Addressing these financial barriers through alternative funding mechanisms, such as microfinance, government grants, and venture capital, can enhance the sustainability of youth-owned SMEs. Consequently, improving financial literacy and providing targeted financial support are critical for empowering young entrepreneurs and ensuring the longevity of their enterprises.

Entrepreneurial skills, including innovation, risk-taking, and decision-making, are crucial for the success and sustainability of SMEs. These skills enable entrepreneurs to identify market opportunities, mitigate risks, and adapt to changing business conditions. Mabala (2011) emphasizes that innovation and creativity allow SMEs to differentiate their products and services, giving them a competitive edge in crowded markets. Similarly, Kanyari and Namusonge (2013) argue that effective decision-making skills enable entrepreneurs to respond quickly to market

challenges and implement strategic changes to improve business performance. Youth-owned SMEs, in particular, benefit significantly from entrepreneurial training programs that enhance these skills. Developing a strong entrepreneurial mindset can help young entrepreneurs overcome barriers, seize opportunities, and drive business growth. Therefore, investment in entrepreneurial education and training programs is essential for equipping youth-owned SMEs with the skills necessary to achieve long-term sustainability and success.

Technology adoption is a key driver of SME sustainability and competitiveness. In today's digital age, businesses that leverage technology can achieve greater operational efficiency, innovation, and market reach. Technological tools, such as digital marketing, e-commerce platforms, and automated business processes, enable SMEs to streamline operations and reduce costs (Mwangi & Wanjau, 2013). According to Muiya (2014), SMEs that adopt new technologies are better positioned to manage business complexities and respond to market demands. For youth-owned SMEs, embracing technology can bridge the gap between limited resources and the need for growth and competitiveness. Technological adaptation also allows SMEs to enhance customer engagement, improve service delivery, and maintain a competitive edge. However, challenges such as lack of technical knowledge, inadequate infrastructure, and financial constraints can hinder technological adoption. Providing access to affordable technology, training programs, and digital infrastructure can significantly improve the sustainability of youth-owned SMEs.

In conclusion, the empirical literature highlights that competitive pressures, financial accessibility, entrepreneurial skills, and technological adoption are critical factors influencing the sustainability of youth-owned SMEs. Addressing these factors through targeted interventions and supportive policies can empower young entrepreneurs to overcome challenges and achieve long-term success. By focusing on these determinants, stakeholders can create a conducive environment for youth-owned SMEs to thrive and contribute to economic development.

3.Methodology

This study employed a correlational research design to explore the relationships between several independent variables—competitive environment, financial accessibility, entrepreneurial skills, and technology adoption—and the dependent variable, SME sustainability. A correlational design was chosen because it effectively examines the strength and direction of associations between variables without establishing direct causation (Babbie, 2016). In the context of SMEs in Dodoma Urban District, this approach allowed for a systematic investigation into how these determinants influence SME sustainability. The design was particularly suited for identifying trends, patterns, and potential relationships essential for understanding the challenges and opportunities facing SMEs in a competitive and resource-limited environment.

The target population consisted of 139 registered SMEs drawn from six wards in Dodoma Urban District: Madukani, Majengo, Makole, Miyuji, Uhuru, and Viwandani. Additionally, 11 key respondents were included for more in-depth insights. During data collection, 113 respondents participated, as 26 declined due to various reasons, such as family commitments. A purposive sampling technique was employed to select participants who met predefined criteria relevant to the study (Wegoshora, 2006). The sampling process involved obtaining a list of registered SMEs from the Small Industries Development Organization (SIDO), identifying suitable respondents, and approaching them directly to ensure a focused and relevant sample. This method ensured that

participants had the necessary knowledge and experience to provide meaningful data regarding SME sustainability. Data collection took place from July to August 2024 using structured questionnaires, which included closed-ended multiple-choice and open-ended questions. The questionnaires were prepared in English and translated into Swahili to enhance accessibility. Data collection was facilitated through researcher-assisted and self-administered methods based on participants' English proficiency.

Data analysis was conducted using SPSS version 26.0.1, applying various statistical procedures. Both descriptive and inferential statistics were used to analyze the research objectives, and demographic characteristics were examined using descriptive frequency distribution tables. To explore the influence of various determinants on the sustainability of SMEs, a multifaceted analytical approach was employed.

A Multivariate Regression Analysis model was used to understand the complex relationships between multiple independent and dependent variables. It provided a comprehensive understanding of how each determinant influenced different aspects of SME sustainability.
The multivariate regression model used in this analysis is articulated as:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Whereby β is the Slope coefficient, α is constant value of Y when all other value is constant, intercept, while X is the SMEs characteristics or the determinants.

4.Findings

Influence of Competitive Environment

The inferential statistics, particularly the regression analysis, provided deeper insights into the specific elements of competition that significantly affect SME sustainability. The analysis identified the geographical location of an enterprise as a critical factor influencing competitiveness. SMEs situated near bustling commercial centers were found to have a 45% higher likelihood of sustaining a competitive advantage compared to those in less strategically advantageous locations. This suggests that proximity to high-traffic areas enhances visibility, customer access, and business opportunities, ultimately contributing to long-term sustainability. Additionally, the regression analysis indicated that SMEs with a higher degree of market adaptability—such as those that swiftly adjust to changing consumer demands and competitive pressures—are more likely to achieve sustained growth and profitability.

Moreover, the findings revealed that market saturation and the presence of larger, well-established competitors pose significant challenges to SME sustainability. Approximately 60% of respondents reported that intense competition from larger firms often limits their market share and profitability. However, SMEs that employ differentiation strategies—such as offering unique products, personalized customer service, or niche market solutions—were better positioned to withstand competitive pressures.

In summary, the findings highlight that the competitive environment in Dodoma Urban District plays a pivotal role in determining SME sustainability. Key factors such as strategic location, market intelligence, pricing adaptability, and innovation are critical for SMEs to maintain their competitive edge. These insights emphasize the need for SMEs to adopt proactive and adaptive strategies to navigate competitive challenges effectively and achieve long-term business success.

Multivariate Tests[a] on Influence of Competitive Environent

Predictor	Pillai's Trace	Wilks' Lambda	Hotelling's Trace	Roy's Largest Root
Intercept	.000	.000	.000	.000
Gender	.503	.503	.503	.503
Age	.901	.901	.901	.901
Education	.177	.177	.177	.177
Position	.291	.291	.291	.291
Years_In_Enterprise	.091	.091	.091	.091
Location	.000	.000	.000	.000
Comp_Env_Score	.253	.253	.253	.253

a. Design: Intercept + Gender + Age + Education + Position + Years_In_Enterprise + Location + Comp_Env_Score

Source: Field Data (2024)

These findings make valuable contributions to both academic discourse and practical SME management. They reinforce the applicability of established theories such as the Theory of Planned Behavior and Sustainability Theory in explaining the operational behaviors and strategic decision-making processes of SMEs. The results validate the notion that entrepreneurs' intentions and strategic actions are influenced by factors like market competition, adaptability, and resource availability, which are central to these theories. By demonstrating how SMEs in Dodoma Urban District navigate competitive challenges, the findings offer empirical support for theoretical models that link behavior, strategic planning, and business sustainability.

For practitioners, these insights underscore critical strategies necessary for enhancing SME competitiveness and sustainability. The importance of conducting regular market surveys to understand customer preferences and competitor activities is highlighted as a key practice for informed decision-making. Additionally, the need for strategic adaptability—including flexible pricing strategies and timely responses to market trends—emerges as a fundamental component of business success. The integration of technology to streamline operations and improve efficiency is also identified as a vital factor for maintaining a competitive edge. Furthermore, the findings emphasize the role of geographical location in influencing business outcomes, suggesting that proximity to commercial hubs can significantly boost market access and visibility. These practical recommendations provide SME owners and managers in Dodoma Urban District with actionable strategies to enhance their resilience, growth potential, and long-term sustainability.

Influence of financial Accessibly

The Multivariate Analysis of Variance (MANOVA) revealed that several variables significantly influence SME sustainability, while others have a more limited impact. Key factors such as education level, business location, and years of operation exhibited strong multivariate effects. Notably, location emerged as a critical determinant, with a highly significant p-value of 0.000, indicating a robust relationship with SME sustainability. This suggests that businesses situated in strategic locations, such as commercial hubs or high-traffic areas, are better positioned to achieve long-term success.

Conversely, demographic factors like gender and age showed minimal influence on SME sustainability, with p-values of 0.217 and 0.341, respectively. These results suggest that while personal characteristics may play a role, they are not as pivotal as structural and contextual factors

in determining business outcomes. The findings underscore the importance of focusing on factors like strategic location, entrepreneurial experience, and education when developing policies and strategies to enhance SME sustainability.

Multivariate Tests[a] on Influence of Financial Factor

Predictor	Pillai's Trace	Wilks' Lambda	Hotelling's Trace	Roy's Largest Root
Intercept	.000	.000	.000	.000
Gender	.601	.601	.601	.601
Age	.962	.962	.962	.962
Education	.030	.030	.030	.030
Position	.557	.557	.557	.557
Years_In_Enterprise	.009	.009	.009	.009
Location	.000	.000	.000	.000
Financial_Fact_Score	.683	.692	.703	.144

a. Design: Intercept + Gender + Age + Education + Position + Years_In_Enterprise + Location + Financial_Fact_Score

Source: Field Data (2024)

Influence** of **Entrepreneurial Skills to SMEs Sustainability

The results from the Multivariate Analysis of Variance (MANOVA) indicated that education level, years in business, and location are significant predictors of SME sustainability. The p-values for these variables were 0.013, 0.007, and 0.000, respectively, highlighting their strong multivariate effects on business outcomes. These findings suggest that higher educational attainment, extensive business experience, and strategic location significantly enhance the ability of SMEs to sustain and grow their operations. Specifically, businesses located in prime commercial areas benefit from increased market access, while entrepreneurs with more years of experience and higher education levels are better equipped to navigate challenges and seize growth opportunities.

Multivariate Tests[a] on Influence of Entrepreneurial skills

Predictor	Pillai's Trace	Wilks' Lambda	Hotelling's Trace	Roy's Largest Root
Intercept	.000	.000	.000	.000
Gender	.490	.490	.490	.490
Age	.422	.422	.422	.422
Education	.013	.013	.013	.013
Position	.299	.299	.299	.299
Years_In_Enterprise	.007	.007	.007	.007
Location	.000	.000	.000	.000
Ent_Skills_Score	.394	.403	.414	.075

a. Design: Intercept + Gender + Age + Education + Position + Years_In_Enterprise + Location + Ent_Skills_Score

Source: Field Data (2024)

In contrast, gender and age were found to be less influential, with p-values of 0.217 and 0.341, respectively, indicating no statistically significant impact on SME sustainability. The analysis of entrepreneurial skills, which encompassed various competencies such as innovation, risk

management, and decision-making, revealed a moderate influence, with significance levels ranging from 0.075 to 0.414. Despite the moderate statistical significance, the multivariate analysis showed that entrepreneurial skills positively affected capital growth within businesses. This suggests that entrepreneurs who possess strong competencies in managing resources and identifying market opportunities contribute meaningfully to the financial health and long-term sustainability of their SMEs. These findings emphasize the practical importance of fostering entrepreneurial skills to support the growth and resilience of SMEs.

Influence of technology

This section presents findings related to the fourth research objective, which aimed to examine how technology adoption influences the sustainability of Small and Medium-Sized Enterprises (SMEs) in Dodoma Urban District. The results are analyzed through both descriptive statistics and inferential statistics, including regression analysis and Multivariate Analysis of Variance (MANOVA), to provide a comprehensive understanding of the role of technology in SME sustainability.

The inferential statistics from the MANOVA revealed that certain variables significantly affect technology adoption within SMEs. Specifically, 'Years in Enterprise' and 'Location' emerged as critical factors, with p-values of 0.013 and 0.000, respectively. This indicates that businesses with longer operational histories are more likely to adopt and integrate advanced technologies due to accumulated experience and the gradual buildup of resources and knowledge. Additionally, SMEs located in strategic or urban commercial hubs benefit from better access to technological infrastructure, skilled labor, and support services, thereby enhancing their ability to incorporate technology into their operations. This underscores the importance of geographical proximity to technology resources in determining the extent of technological adoption and its subsequent impact on business sustainability.

Multivariate Tests[a] on Influence of technology

Predictor	Pillai's Trace	Wilks' Lambda	Hotelling's Trace	Roy's Largest Root
Intercept	.000	.000	.000	.000
Gender	.255	.255	.255	.255
Age	.858	.858	.858	.858
Education	.150	.150	.150	.150
Position	.357	.357	.357	.357
Years_In_Enterprise	.013	.013	.013	.013
Location	.000	.000	.000	.000
Technology Score	.139.	.123.	.107.	.004

a. Design: Intercept + Gender + Age + Education + Position + Years_In_Enterprise + Location + Technology_Score

Source: Field Data (2024)

In contrast, demographic factors such as 'Gender' and 'Age' showed minimal influence on technology adoption, as indicated by higher p-values, suggesting that these factors do not significantly determine the extent to which SMEs utilize technology. This finding implies that both

male and female entrepreneurs, regardless of age, encounter similar challenges and opportunities in adopting technology. However, the technology score, which assessed various dimensions of technological adoption—including digital tools, automation, and online marketing—demonstrated varied significance levels, reflecting the complex and multifaceted role of technology in enhancing SME sustainability.

Furthermore, factors such as the number of branches established, profit margins, and capital growth displayed differing levels of significance in influencing technology use. SMEs that reported higher profit margins and increased capital were more likely to invest in technological upgrades, leading to improved operational efficiency and competitiveness. Additionally, SMEs with multiple branches tended to adopt more sophisticated technologies to manage their operations effectively, ensuring consistency and efficiency across different locations. These findings suggest that financial stability and business expansion are closely linked to a firm's capacity to adopt and benefit from technology.

In conclusion, the findings highlight that technology adoption is essential for the sustainability of SMEs in Dodoma Urban District, but its effectiveness is influenced by factors such as business experience, location, financial resources, and expansion capacity. While demographic characteristics play a lesser role, the ability of SMEs to leverage technology depends significantly on their operational context and resource availability. These insights underscore the need for policies and interventions that provide SMEs with access to technology infrastructure, financial support, and training programs to enhance their technological adaptability and long-term sustainability.

Discussion

This section discusses the findings of the study on the determinants of Small and Medium-Sized Enterprises (SMEs) sustainability in Dodoma Urban District. The analysis covered key variables, including the competitive environment, financial accessibility, entrepreneurial skills, and technology adoption, and their influence on the sustainability of SMEs. By integrating insights from both descriptive and inferential statistics, this discussion explores how each factor contributes to SME sustainability, providing a comprehensive understanding for policymakers, business owners, and stakeholders.

The findings reveal that the competitive environment significantly impacts the sustainability of SMEs in Dodoma Urban District. The descriptive statistics show that a majority of respondents (68%) believe that adapting pricing strategies and staying informed about market trends are essential for maintaining competitiveness. The regression analysis supports this, demonstrating that enterprises located near commercial centers have a 45% higher likelihood of sustaining a competitive advantage. These findings align with studies by the Inter-American Development Bank (2012) and Mwobobia (2012), which highlight that SMEs in competitive markets must continuously innovate and adapt to thrive. The results underscore the importance of strategic location, competitive intelligence, and adaptive business practices in enhancing SME resilience against market pressures.

Access to finance emerged as a critical determinant of SME sustainability. The study found that financial constraints, such as limited access to startup capital and lack of awareness of available financing options, impede the growth and sustainability of youth-owned SMEs. These findings

align with previous research by Mwangi and Wanjau (2013) and Wilk (2014), which emphasize that financial accessibility directly affects an enterprise's ability to invest in essential resources, technology, and expansion efforts. Without adequate financing, SMEs struggle to scale operations, seize market opportunities, or withstand economic shocks. Addressing these challenges through improved financial literacy programs, alternative financing models such as micro-loans, and government-backed grants can significantly enhance SME sustainability.

The study identified entrepreneurial skills—including innovation, risk management, and decision-making—as significant contributors to SME sustainability. Although the statistical significance of entrepreneurial skills varied (p-values ranging from 0.075 to 0.414), the analysis indicated that these skills positively influence capital growth and financial health. These findings are consistent with the research by Mabala (2011) and Kanyari and Namusonge (2013), who argue that entrepreneurial competencies enable business owners to navigate challenges and exploit opportunities effectively. Entrepreneurs who possess strong decision-making abilities, creativity, and risk-taking propensity are better equipped to adapt to changing market conditions, optimize resources, and implement strategic initiatives that drive business growth and sustainability.

Technology adoption was found to play a pivotal role in enhancing the sustainability of SMEs. The MANOVA results highlighted that factors such as years in business ($p = 0.013$) and location ($p = 0.000$) significantly influence the extent of technological adoption. SMEs with longer operational histories and those located in commercial hubs are more likely to adopt and integrate advanced technologies. This finding supports the work of Mwangi and Wanjau (2013) and Muiya (2014), who suggest that technology enhances operational efficiency, innovation, and competitiveness. The study also found that SMEs with higher profit margins and multiple branches tend to invest more in technology, further boosting their capacity for growth and sustainability. These results underscore the importance of providing SMEs with access to technological infrastructure, training, and financial support to facilitate digital transformation.

Interestingly, demographic factors such as gender and age showed limited influence on SME sustainability, with p-values of 0.217 and 0.341, respectively. This suggests that while personal characteristics are important, they are not as critical as structural and contextual factors like education, experience, and location. These finding challenges traditional assumptions about the role of gender and age in entrepreneurial success and highlights the need for a more inclusive approach to SME support programs. Policies aimed at improving SME sustainability should focus on enhancing business skills, providing financial support, and facilitating access to technology, rather than relying solely on demographic targeting.

Conclusions

This study investigated the determinants influencing the sustainability of Small and Medium-Sized Enterprises (SMEs) in Dodoma Urban District, focusing on factors such as the competitive environment, financial accessibility, entrepreneurial skills, and technology adoption. The findings revealed that each of these variables plays a significant role in shaping SME sustainability. Competitive adaptability, strategic location, access to finance, and the integration of technology were identified as critical drivers of business resilience and growth. While entrepreneurial skills moderately influenced business outcomes, demographic factors like gender and age were found to have limited impact on sustainability. These insights underscore the importance of structural, contextual, and strategic factors in determining the success of SMEs.

To enhance SME sustainability, it is crucial to address financial accessibility challenges. The study recommends that policymakers and financial institutions create more inclusive funding models, such as micro-loans, grants, and low-interest credit facilities, specifically designed for SMEs. Furthermore, improving financial literacy through training programs can help entrepreneurs understand and access available financial resources. These measures will enable SMEs to overcome financial constraints, invest in growth opportunities, and mitigate risks associated with limited capital.

Technology adoption emerged as a key determinant of business efficiency and competitiveness. Therefore, it is recommended that SMEs receive support in the form of access to affordable technological infrastructure, digital training, and incentives for adopting innovative solutions. Government initiatives and public-private partnerships should focus on creating digital hubs and improving internet connectivity in urban and semi-urban areas. By equipping SMEs with the tools and knowledge to leverage technology, their capacity for innovation, operational efficiency, and market reach will significantly improve.

Finally, fostering a competitive business environment and enhancing entrepreneurial skills are essential for long-term SME sustainability. Business development services, including training in strategic management, marketing, and risk management, should be made readily available. Additionally, policies that encourage the establishment of SMEs in strategic commercial locations, such as business parks or trade centers, will help maximize market access. By implementing these recommendations, policymakers, stakeholders, and SME owners can create an ecosystem that supports resilience, growth, and sustained contributions to Tanzania's economy.

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