

## **Challenges Facing Small-Scale Furniture Industries in Dar es Salaam Region, Tanzania**

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### ***Abstract***

*The study evaluated the challenges Tanzania's small-scale furniture industry faced. The resource-based view and resource dependency theory were used as the study's guiding concepts. From the nation's commercial centre of Dar es Salaam, 154 furniture carpenters were chosen at random. The information was gathered via the questionnaire. The collected data was examined using a descriptive analysis. According to the findings, carpenters faced several difficulties, including a shortage of modern machine tools, inadequate working capital, low labour skills, a lack of formal workspaces, and fierce competition from imported furniture. The lack of modern machine tools prevented small and medium enterprises from producing goods of the kind needed to enter growing markets. To boost productivity, furniture production must make use of current machinery. Insufficient availability of suitable financial services had led to insufficient operating capital for investments in furniture manufacturing. The study concludes that the furniture business has a significant role in generating income and jobs. The study recommends that Governments should promote a business-friendly environment in addition to creating financial and non-financial services as well as supportive institutional infrastructure.*

**Keywords:** *Furniture, Carpenters, Small and Medium Industries, small scale furniture industries*

### **INTRODUCTION**

There is broad agreement around the world on the important role that small and medium-sized businesses (SMEs) play. Globally, small firms offer a multitude of advantages, such as employment generation, increased firm competitiveness and innovation, and assistance in the development of financial inclusion plans and industrialization programs (Juma, 2022). They are thought to have played a significant role in helping developing nations eradicate poverty (Mashenene and Kumburu, 2020). Due to this awareness,

policy discussions both internationally and in Africa particularly have focused heavily on the central question of how to foster economic growth through the expansion of SMEs (Morris et al, 2020).

SMEs meet the demands of the local community by offering basic goods and services, such furniture, at a lower cost than those offered by large-scale companies (Kumburu et al,2019). The SME sector in Tanzania has not yet reached its full potential because of a variety of obstacles that prevent the industry's growth. The United Republic of Tanzania (URT); 2012, Anderson 2017; Juma & Said 2019; Nkwabi& Mboya, 2019; Kumburu et al, 2019). These include a lack of technological knowledge and skills, a lack of access to credit, a lack of market access, high competition from imported furniture, unstable electricity, complicated registration and licensing requirements, and inadequate business skills.

The government has continued to create and carry out a variety of policies and programs that encourage the growth of the SME sector in recognition of its significance. The government created and carried out programs and policies that aided the sector's growth. The National Development Vision 2025 was implemented in order to achieve that goal. The vision places a strong emphasis on moving the country from an agrarian economy with low productivity to one that is semi-industrialized. The sustainable Industrial Development policy (SIDP) was created between 1996 and 2020, it prioritizes the development of SMEs businesses through the support of both new and established promotion organizations.streamlining of SMEs' license, registration and taxation.

In order to assist the SME sector, the government also formed organizations like the Small Industries Development Organization (SIDO). According to Mutambala (2011), the creation of these institutions has aided in the creation of initiatives like financial and material support services, as well as extension services, which help the SMEs sector's efforts to increase productivity and competitiveness. A further move targeted at enhancing the performance of SMEs was the commissioning of the National SMEs Baseline Survey in 2010–2012 (United Republic of Tanzania [URT], 2012). Despite these initiatives, small furniture manufacturing businesses have not been able to compete with imported furniture (Isaga, 2019). According to URT (2012), there were 31.4% of SMEs closed in Dar es Salaam City, 24.9% in other centers, 13.6% in rural areas, 55.5% in Zanzibar, and an average of 18.1% across the entire country. Research has indicated that access to loans and business training can facilitate the expansion of SMEs (Nkwabi & Mboya, 2019; Isaga, 2019).

The aforementioned justifications indicate that this study adds to the body of literature in a number of ways. First of all, there aren't many studies done in developing nations—specifically, Tanzania—that evaluate the difficulties that small and medium-sized furniture businesses in the Dar es Salaam region face. For instance, Isaga's (2019) study on the motivations for and difficulties faced by female entrepreneurs in Tanzania focused solely on women, ignoring the presence of male entrepreneurs. Anderson (2017) concentrated on Tanzanian SMEs' establishment and expansion. The factors influencing the competitive advantage of the small-scale furniture companies sponsored by SIDO in the regions of Dar es Salaam and Arusha were the focus of Kumburu et al.'s (2019) study. None of these studies concentrated on the particular difficulties that small-scale furniture manufacturers face, from acquiring inputs to producing and marketing of furniture. Consequently, there is a knowledge gap in this area. This study aims to evaluate the difficulties that Tanzania's Dar es Salaam region's small-scale furniture companies face.

### **Theoretical Foundation**

This study evaluates the difficulties Tanzania's small-scale furniture companies face using the resource-based approach and resource dependency theories. A firm's competitive advantage is evaluated in light of its internal resources and skills using the resource-based view (RBV) hypothesis (Barney, 2001). RBV can provide insight into how the skills and resources derived from carpenters' resources impact their business, particularly in the context of small-scale furniture enterprises (Bag et al., 2021).

RBV states that a resource needs to be valuable, rare, unique, and non-substitutable (VRIN) for entrepreneurs to have a long-term competitive edge (Celtekligil, 2020). RBV offers an approach that emphasizes on internal resources and competencies to boost output (McDougall et al., 2022). Companies will be better positioned to maintain a competitive edge and increase productivity if they can identify, leverage, and apply their unique resources and abilities to their operations (Kwon et al., 2014). The idea that RBV should be limited to internal resources is a significant critique of the model. Entrepreneurs can get a competitive advantage and improve their performance by leveraging networks' greater resource endowments, (Juma,2022).

Support for this viewpoint comes from the Resource Dependency Theory (RDT), a theory in organizational studies and management that looks at how organizations depend on external resources and how these dependencies affect their behavior and strategy (Celtekligil, 2020). This concept highlights

the importance of external resources such as; capital, expertise, technology, or credibility.

A framework for understanding how entrepreneurs depend on external resources, such as; information, technology, supplier relationships, market access, and credit, is provided by the idea of resource dependency (Juma, 2022). Entrepreneurs who proactively manage their relationships and resources and recognize these dependencies can increase the efficacy of their firm and their potential for innovation.

## **METHODS**

### **Study Design and Sampling Procedures**

This research was conducted in Tanzania's Dar es Salaam. A cross-sectional survey methodology was employed in the study to help collect data once at a given time (Creswell, 2014). Owners and managers of small carpentry businesses made up the study population. Furthermore, only small enterprises that have been in operation for five years straight after their formation were included in the study. The Small Industry Development Organization (SIDO) helped identify the centers that dealt with the furniture industry.

The aforementioned centers were visited and determined which streets had the highest and lowest concentrations. One business out of every three that were discovered in the highly concentrated streets were chosen. The researcher chose one out of every two businesses that they encountered for the streets with low concentration. Remarkably, 154 carpenters in all were chosen at random for this investigation. Data was gathered through questionnaire.

### **Data Analysis**

Descriptive statistics were used to analyze the data, and this required utilizing the computer program Statistical Package for Social Sciences (SPSS) version 20 to calculate frequencies and percentages.

## **RESULTS AND DISCUSSION**

### **Demographic Characteristics**

In this study, 154 entrepreneurs served as the sample. There were 154 responses, of which 97.4% ( $n = 150$ ) were men and 2.6% ( $n = 4$ ). In terms of age, 39.7% of the owner-managers were under 30, while 60.1% were between the ages of 31 and 46. This result is in line with earlier research findings that indicate Tanzanian entrepreneurs are typically between the ages of 25 and 39 (Isaga, 2019).

In terms of educational background, 90.3% of the respondents had finished elementary school, and 9.7% had earned a degree or an advanced secondary education. According to the research, most persons with higher levels of education have more options when it comes to formal employment. According to Makorere (2014), individuals with limited education in Tanzania encounter challenges in obtaining well-paying employment, leading them to choose self-employment as their sole source of income. Table 1 shows that, of the respondents, only 22.1% had completed carpentry training, and 77.3% had not participated in any of the various Tanzanian colleges' vocational programs.

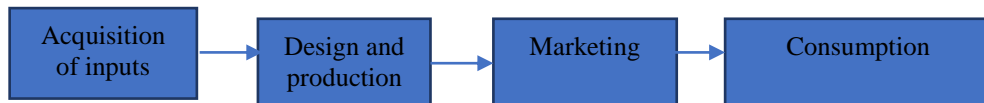
**Table 1: Age and Education Levels of the Respondents**

Indicator			Indicator		
<b>Sex</b>	<b>N</b>	<b>%</b>	<b>Age (Years)</b>	<b>N</b>	<b>%</b>
Male	150	97.4	Between 20-30 years	58	39.7
Female	4	2.6	Above 30 years	96	60.3
Total	154	100	Total	154	100
Education Level			Vocational training		
Primary school	139	90.3	Attended	119	77.3
Secondary and above	15	9.7	Not attended	35	22.7
<b>Total</b>	<b>154</b>	<b>100</b>	<b>Total</b>	<b>154</b>	<b>100</b>

Source: Field data (20230)

### Initial Mapping of the Small-scale Furniture Industries

The first step in analyzing the difficulties facing the furniture industry is to map the organizational structure of small-scale furniture manufacturers using the roles that they play. Acquisition of input, design and manufacture, marketing, and furniture product consumption are among the tasks carried out. The sections that follow provide more information on these features.



### Acquisition of inputs

Concerning the procurement of inputs, 88.8% of the participants stated that they obtained inputs from retailers, whereas 2.2% and 9.0% bought inputs from wholesalers and own businesses, respectively. According to the data, all of these inputs are obtained locally, which reduces the transaction costs associated with acquiring inputs. Table 2 showed that 84.4% of carpenters paid cash for their inputs. This may be due to the fact that carpenters have a high need for working capital.

This suggests that the raw material suppliers were the direct players in this stage. Retailers and wholesalers were the indirect actors, and they were crucial in supplying various inputs for the furniture manufacturing industry. A number of wholesalers and retailers offer a variety of solid wood products, including imported and domestic lumber. Pine trees, mkongo, pine, and other native trees make up the majority of the woodlands in the area. The majority of the imported timber comes from Zambia and Malawi.

This indicates that the strength, size, and cost of the locally produced timbers were competitive. Conversely, the imported woods were more competitive in terms of appearance and smoothness of substance. For external and finishing applications, strong woods and elegantly designed imported timbers were highly preferred. The primary issues preventing carpenters' firms from expanding were reportedly a lack of supply, growing input costs, deteriorating wood quality, and rising workshop rental rates.

**Table 2:** Source of Inputs and Mode of Acquisition Among Carpenters

<b>Source of inputs</b>	<b>N</b>	<b>%</b>	<b>Mode of input acquisition</b>	<b>N</b>	<b>%</b>
Wholesalers	7	4.5	Cash	130	84.4
Retailers	145	94.2	Credit	15	9.7
Own shops	2	1.3	Both cash and credit	9	8.4
<b>Total</b>	<b>154</b>	<b>100</b>	<b>Total</b>	<b>154</b>	<b>100</b>

**Source:** Field data (2023)

## **Production**

Production is the term used to describe the entire process of making wood furniture. Among the respondents, 81.2% used indigenous machinery while 18.8% used contemporary machinery to produce furniture. This suggests that a lot of labor goes into making furniture. Antiquated equipment and implements are frequently found in the messy and disorderly workshops of small businesses, potentially contributing to low output.

One probable explanation is that they rely on labor-intensive, low-cost work instead of investing in sophisticated technology since they cannot afford to hire it. They are unable to achieve economies of scale through large-scale production due to the low degree of technology employed in the furniture industry. This is consistent with research by Kumburu et al. (2020), which found out that issues such as a consistently low level of technology impede the growth of small-scale businesses. According to the resource-based view, a company's ability to add value to its products through the adoption of new technologies gives it a competitive advantage.

**Table 3:** Type of Machine Used in Furniture Production

Type of machine used	Frequency	Percent
Labour intensive (manual)	125	81.2
Machine intensive	29	18.8
<b>Total</b>	<b>154</b>	<b>100</b>

**Source:** Field Data (2023)

Labor is needed to produce furniture, and Table 4 reveals that 64.8% of respondents used hired labor, 24.6% used both paid and family labor, and 10.5% used family labor in this process. Piece rates were used to compensate hired labor; 84.4% of respondents said they were paid per piece rate, which varied based on the task they were hired to complete. The precise amount paid, nevertheless, was kept a secret, carpenters frequently use hired labor, when there is a heavy workload.

**Table 4:** Type of Labour and Payment in Furniture Production

Types of labour	Frequency	Percent	Labour payment	Frequency	Percent
Family Labour	16	10.5	Piece rate	130	84.4
Hired Labour	100	64.9	Daily rate	15	9.7
Both family and hired labour	38	24.6	Wage negotiated each time	9	5.9
<b>Total</b>	<b>154</b>	<b>100</b>	<b>Total</b>	<b>154</b>	<b>100</b>

**Source:** Field data (2023)

The study considered quantity produced monthly, the average cost of production, and the amount of furniture manufactured each month. Depending on the size, three standard bed kinds were produced each month. These measurements were 4 by 6, 5 by 6, and 6 by 6. Thirty beds were made per month on average. Tanzania Shillings 130,000 for a 4 by 6 foot bed, Tzs 180,000 for a 6 by 6 foot bed, and Tzs 190,000 for a 6 by 6 foot bed were the average costs per bed size. The quantity of manufactured beds and doors depends on the demand and customer's preferences but also working capital. On the other hand, the study revealed that carpenters produced an average of 40 doors per month (See Table 6).

**Table 5:** Average Unit Production Cost for Different Bed Size

Type of materials used	Type of bed size		
	4 by 6 ft	5 by 6 ft	6 by 6ft
Materials cost	60,000	70,000	70,000
Labour cost	50,000	60,000	60,000
Manufacturing costs	20,000	30,000	30,000
Administrative costs	10,000	20,000	30,000
<b>Total cost</b>	<b>130,000</b>	<b>180,000</b>	<b>190,000</b>

1USD=2300 Tshs

**Source:** Field data (2023)

**Table 6:** Average Unit Production Cost of Different Doors

Type of materials used	Type of Standard Doors Made of Different Wood Types		
	Single (mkongo)	Single (Pinewood)	Single door (mninga)
Materials cost	150,000	80,000	200,000
Labour cost	40,000	20,000	50,000
Manufacturing costs	20,000	10,000	20,000
Administrative costs	10,000	10,000	20,000
<b>Total cost</b>	<b>220,000</b>	<b>120,000</b>	<b>290,000</b>

1USD=2300 Tshs\*\*Door size 200 centimetre (Hight) by 82 CM (Width)

**Source:** Field data (2023)

### Marketing of Furniture Products

Carpenters promote their products in a variety of methods. Of them, 87.6% sell furniture directly to customers, 8.5% sell to retailers, and 3.9% sell to wholesalers. This suggests that the primary consumers of furniture products are households, schools, colleges, and hospitals. Carpenters typically sold 25 beds and 15 doors per month, regardless of the size of the bed. For beds and doors, carpenters made an average monthly profit of Tzs 1,500,000 and 1,575,000, respectively.

The variation in profits might be attributed to variations in selling prices among carpenters, which could be primarily caused by variations in the manufacturing costs that each carpenter incurred, reflecting variations in the spatial distribution of supply and demand centers.

Table 7 demonstrates how carpenters used sport market arrangements to sell their products; 68.3% of carpenters adopted this strategy. It is evident that carpenters choose to sell to clients on-site in order to reduce the expense of transportation, loading, and unloading. Other markets were not easily accessible to carpenters. This is most likely a result of the expensive transportation expenses associated with moving completed goods from one location to another. Juma & Said (2019) discovered that inadequate information and challenges with marketing lead to poor performance.

Small amounts of completed goods were stocked by retailers and wholesalers for sale to the general public. Retailers and wholesalers keep a careful eye on the needs and tastes of their customers. As a result, they are extremely important to the furniture industry because they have numerous intimate relationships with both customers and carpenters.



**Table 7:** Main Buyers and Means of Getting Customers of Furniture Products

Types of buyers	Frequency	Percent	Means of getting customers	Frequency	Percent
Wholesalers	6	3.9	From colleagues-(other carpenters) wholesalers	29	18.8
Retailers	13	8.5		20	12.9
Consumers	135	87.6	Consumers come at work place	105	68.3
<b>Total</b>	<b>154</b>	<b>100</b>	<b>Total</b>	<b>154</b>	<b>100</b>

**Source:** Field data (2023)

### Business Relationship Among Carpenters

In the small-scale furniture industry, 87.1% of carpenters had business contacts, while 12.9% had none at all (Table 8). The findings showed that in the small-scale furniture industries, business relationships were defined by both vertical and horizontal coordination. This suggested that small-scale furniture producers depended on outside resources, such as data, technology, relationships with suppliers, access to markets, and affiliations.

One of the prerequisites to achieving better performance of SMEs is information sharing through networks (Juma, 2022). This is consistent with RDT that firms form network relationships to obtain access to technical or commercial resources. From dynamic capabilities perspective, firm networking is a source of competitive advantage. Networking, personal orrelation-base or strategic alliance, enables acquiring the requisite complementary resources and capabilities and thus lead to competitiveness of the firm.

**Table 8:** Business Relations Among Carpenters

Response	Frequency	Percent
Yes	134	87.1
No	20	12.9
<b>Total</b>	<b>154</b>	<b>100</b>

**Source:** Field data (2023)

### Main Challenges Facing Small Scale Furniture Industries

It was discovered that small-scale furniture manufacturers producing locally created furniture faced a number of difficulties. The results in Table 9 demonstrated that the primary obstacle facing the furniture industry, according to 51.9% of respondents, was the absence of contemporary machinery for making high-quality furniture. Other challenges were a shortage of competent labor (19.5%), an absence of formal workspaces (12.9%), intense competition from imported furniture items (9.2%) and inadequate capital (6.5%).The results corroborated those of a study

conducted in by Tafesse et al.,(2016) which indicated that 77% of the participants were using antiquated technology. Nichter and Goldmark (2005) discovered that Kenyan SMEs' access to technology was not productive enough to allow furniture makers to make a living with the resources at their disposal. According to URT (2012), just 6.1% of all small enterprises operated with machinery.

**Table 9:** Main challenges Facing Small Scale Furniture Industries

<b>Major challenges</b>	<b>Frequency</b>	<b>Percent</b>
Insufficient capital	10	6.5
Lack of formal working place	20	12.9
Limited labour skills	30	19.5
Lack of modern machine tools	80	51.9
High competition	14	9.2
<b>Total</b>	<b>154</b>	<b>100</b>

**Source:** Field data (2023)

## **CONCLUSION AND RECOMMENDATION**

This report gives Tanzanian policy-making bodies vital information regarding the difficulties affecting the country's small-scale furniture industry. Given the significance of SMEs in Tanzania, the government should now establish supportive institutional infrastructure, expand financial and non-financial services, and foster an atmosphere that is favorable to business. The SME policy should improve the institutions that will meet the unique opportunities and restrictions faced by furniture carpenters and maximize the utilization of those potential. The study concentrated on issues that Dar es Salaam's small furniture companies had to deal with. This can prevent the results from being broadly applied. Conducting a comparative analysis of the difficulties faced by SMEs in rural and urban regions should be the main goal of future research.

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