

Challenges Facing Micro and Small Business Growth in Tanzania: A Case of Mbalizi Town Council

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Abstract

Micro-enterprises are crucial in the economic landscape of many less-developed African countries, including Tanzania. Despite micro-enterprises significance, these enterprises often face challenges that hinder their growth. This paper synthesizes findings from existing literature. A quantitative study was conducted in Mbalizi Town Council, Mbeya region, Tanzania, to explore micro-enterprise growth challenges. The study's sample size was 285 micro-enterprises in Mbalizi Town. Data were analyzed using descriptive and multiple regression analysis. The paper's importance includes the development of sustainable micro-enterprises to support the contribution to the economic development of Tanzania. The study findings revealed that factors such as; lack of business skills, inadequate infrastructure, regulatory obstacles, and limited access to finance are significant challenges faced by micro-enterprises in the region. Furthermore, demographic factors such as; age, gender, experience, and business ownership were found to have no significant correlation with micro-enterprise growth. The study found one behavior in buyers buying goods or services with the principle of who-know-who or relative or same-tribe domination. The paper concludes by offering recommendations for addressing these challenges, including enhanced training programs, improved access to finance, regulatory reforms, and investment in supportive infrastructure. Also, policymakers need to address the challenge of people segregating buying depending on tribalism. By implementing these recommendations, stakeholders can support the sustainable growth of micro-enterprises, thereby contributing to broader economic development in Tanzania.

Keywords: *Micro-enterprises, business growth, economic development, social capital*

INTRODUCTION

Micro and Small businesses dominate the economic life of most of Africa's least-developed countries (Mashenene & Kumburu, 2020). Micro and small businesses are regarded as the driving force of economic growth and poverty alleviation (Nkwabi & Mboya, 2019). UNCTAD (2005) mentioned small businesses as the number one source of income for low-income countries like Tanzania. Tanzania National Baseline Survey for Small, Micro, and Medium

Enterprises (2012) revealed that more than 3 million types of small businesses are operating in Tanzania, of which the majority are informal (URT, 2012). For that case, these micro and small enterprises in Tanzania are reported to employ about 5,206,168 people; of those, 3,447,469 are owners/spouses, 964,246 are paid workers, 718,663 are relatives and friends, and 79,390 are apprentices. Thus, small businesses are essential to the livelihood and economic growth of LDCs (Mashenene & Kumburu, 2020). For micro and small businesses to grow, they need to improve the performance of their operations to increase employment, capital growth, and better livelihood of owners (Kamunge, Njeru, & Tirimba, 2014; Kasirrika, 2018; Danga, Chongela, & Kaudunde, 2019). Having achieved the desired improvement in deployment, growth pattern, and better livelihood, it is termed efficient utilization of resources for micro and small business growth and sustainability.

The success of any business elsewhere in the World depends on many factors, including labour, Capital, land, and entrepreneurship (Hind, Smit, & Page, 2013). In most cases, entrepreneurs set enterprises up by combining the factors of production to realize profit. In Tanzania, despite the role played by small businesses in economic development, most of them are constrained by some factors that hinder their growth performance. For instance, a study by Nkonoki (2010) on factors limiting the success and growth of small and medium-sized enterprises (SMEs) in Tanzania indicated that theft/cheating and lack of trust among the trading sector people, lack of needed talent, lack of education and training and lack of experience are some of the internal factors limiting small business growth in Tanzania. The study by Nkonoki (2010) did not discuss the factors that limit the performance and growth of micro and small businesses. Also, the survey by Mhede (2012) in Dar es Salaam involving entrepreneurs in industrial clusters revealed that the current growth of furniture manufacturing firms is affected by insufficient business skills. However, the study dwelt on the furniture business, which does not tell the extent to which inadequate business skills influence the performance and growth of such micro companies.

Micro-enterprises are the largest group of enterprises in any economy (Gumbo, Ngugi, Gakure, & Ngugi, 2012). There is a universal agreement on their significant participation in economic growth, employment creation, social cohesion, poverty alleviation, and local and regional development played by micro-business Vibha (2005). Micro-enterprises significantly contribute to the socio-economic and political environment of most developed and developing nations and countries progressing from command

to market economies. A healthy and growing micro-enterprise sector is essential in obtaining sustainable competitive advantage and economic development at local, regional, and national levels. Despite all the contributions of the Micro-enterprises to economic development, the growth rate is not promising as the business death rate is high in Mbalizi town (MaCkenzie & Paffthausen, 2019; Garcia, Caten, Campos, Callegaro, & Pacheco, 2022).

The importance of micro-enterprise's contribution to the economic development of Tanzania cannot be neglected. Despite the micro-enterprise being the primary source of employment and income generation for the majority, it is considered a key policy instrument for poverty reduction in the United Republic of Tanzania (URT, 2010; Madata & Chen, 2020). The gap despite the challenges being known, there is still underperformance of micro-enterprises in Tanzania. The Government of Tanzania has developed a sound and promising business policy; however, its implementation is questionable. The social and human Capital in Tanzania challenges the development of micro and small businesses. Social Capital is related to human capital development, which refers to the building of an appropriate balance and quality mass of the human population together with the provision of an enabling environment capable of engaging all willing and able individuals, enabling them to contribute significantly to both self and national growth (Tur-Porcar, Roing-Tiermo, & Mestre, 2018; Terry, 2019; Akunede, Nzeribe, & Ezenekwe, 2022). Several factors are considered as sources of social capital influencers, such as character qualities of the population, cultural values, ethical values, family factors, measure of trust in a country, morale of the population, emotional health, national identity awareness in the population, national unity, religion, social skills and a variety of non-cognitive skills /social adaptability together with the already popular education and physical health-based factors all play a role in influencing the human capital development of a nation (Akunede, Nzeribe, & Ezenekwe, 2022). Public opinion suggests that having responsible families/communities, income distribution, and distributive justice improves the state of social and human Capital for community development.

The Government of Tanzania initiated the development of policies that foster micro-enterprise development and its sustainability. The policy includes SMEs (2003), business (2003), and empowerment policy. Besides all the government efforts, employment and economic contributions are still not promising for micro-enterprises and small business sustainability (URT, 2003; Danga, Chongela, & Kaudunde, 2019).

Micro-enterprises contribute to job creation and income generation, accounting for two-thirds of all jobs worldwide (ILO, 2015). In developed countries, Micro-enterprises contribute nearly 64 per cent to the gross domestic product (GDP) and 62 per cent to employment. For example, Micro-enterprises were the backbone of Japan's economy because they contributed 70 per cent of all employees and more than 50 per cent of the added value (Hind, Smit, & Page, 2013). The micro-enterprises sector is crucial to Africa's growth, contributing more than 45 per cent to employment and 33 percent to GDP. In Uganda, the micro-enterprises sector employs 2.5 million people, accounting for 90 per cent of the entire private sector and contributing 20 percent to the GDP (Amri, 2014). The study used the general variables from the SME policy as a guideline to evaluate the variables and see the relationship with the micro-enterprises, the majority of which are growing sole proprietorships. The variables of the SME policy include legal framework, physical environment, business development services, business training, access to information, technology advancement, and marketing services (URT, Small and Medium Enterprises Policy, 2003: Madata & Chen, 2020; Mashenene & Kumburu, 2020).

In Tanzania, there are about 2.75 million micro-enterprises with approximately 3.16 million employments, and the sector is estimated to contribute about 27 per cent of the country's GDP (URT, 2002; URT, Tanzania Investment Annual Report, 2016). As part of Micro-enterprises, manufacturing has contributed to the rise in Tanzanian GDP; the agricultural sector is the primary source of raw materials (Hind, Smit, & Page, 2013). The government and private industry have been trying to improve agricultural product productivity, including processing and packaging (Danga, Chongela, & Kaudunde, 2019). In the Mbeya region, there are many Micro-enterprise practices from different sectors of the economy, including agricultural products, forest products, agro-processing, and buying and selling products. The micro-enterprises policy acknowledges a small business with up to four employees and or Capital of Tshs. 200m. It was learned that most companies in Mbalizi Town Council in Mbeya qualify as micro-businesses per the table of business classifications.

Table 1: Categories of Business in Tanzania

Category	Employment level	Capital structure
Micro- business	Up to four employees	Up to 5,000,000/=
Small Business	Four up to 49 employees	5,000,000 – 200,000,000/=
Medium Business	Fifty up to 99 employees	200,000,000- 800,000,000/=
Large Business	More than 100 employees	Above 800,000,000/=

Source: SME Policy, 2003; Kazungu et al., 2014

The micro-enterprises policy explains the constraints of small businesses and hindrances to business growth as they were confronted with unique problems, including heavy compliance costs resulting from their size (Funny, McKevit, & Davil, 2015). Other constraints include insufficient working premises and limited access to finance and business development services related to entrepreneurship, business training, marketing, technology development, and information access (Mashenene & Kumburu, 2020). On the other hand, micro-enterprise operators lack information and appreciation for such services and can hardly afford to pay for them. As a result, operators of the micro sector have relatively low skills, no information and knowledge of marketing, and no umbrella association for Micro-enterprise development. At the same time, the institutions and associations supporting Micro-enterprises were weak, fragmented, and uncoordinated partly due to lack of clear guidance and policy for the development of the micro sector (URT, 2003). The study is justified as most Mbalizi depend on farming during the rainy season and micro-business during the dry season. The main question is why most businesses fail within three years. It is crucial to inform the policymakers and stakeholders of the reasons for business failure despite the excellent business environment set by the government.

LITERATURE REVIEW

Despite the sector's importance to the national economy, the growth rate of the Micro-enterprise and its growth in Tanzania is unknown (Tonya, 2015). Some studies have investigated why micro-enterprises slowly growing for an extended period or becoming large businesses. Among the constraints found to face micro-enterprise growth include anti-entrepreneurial culture, under-capitalization, inadequate business training, poor policies, un-formalized frameworks, and poor leadership practices, including poor succession planning (UNCTAD, 2005; Tonya, 2015; Danga, Chongela, & Kaudunde, 2019; Mashenene & Kumburu, 2020). The study by JICA, (2015) indicates that Tanzanian micro-enterprises have been economically underperforming due to poor leadership skills. Emphasizing the importance of succession planning, (Gumbo, Ngugi, Gakure, & Ngugi, 2012) revealed that succession planning plays a role of 42 per cent in the sustainability of Micro-enterprises after the founders' exit. Therefore, succession planning was an activity that most Micro-enterprises would quickly institutionalize. Unfortunately, succession planning efforts were often underdeveloped, unevenly executed, and sometimes ignored (Miles & Dysart, 2007; Danga, Chongela, & Kaudunde, 2019).

This study, intended to establish the factors affecting the micro-enterprise growth in Tanzania, considering all the government's facilitating efforts. The study was done in rural Mbalizi Town in Mbeya, where micro businesses are the major undertaking during the dry season.

Despite the importance of micro-enterprises in Tanzania and the government's efforts to support private and small enterprises for economic development, the sector is economically underperforming (MIT, 2014). Several studies have been conducted to discover the reasons for micro-enterprises underperformance (URT, 2002; Tonya, 2015). The studies indicated that micro-businesses in Tanzania are not performing well; the results are considered with those studies by (Mashenene & Kumburu, 2020; Danga, Chongela, & Kaudunde, 2019). Based on the recommendations from past studies, the government and private sector have been taking several initiatives to curb the Micro-enterprises underperformance problem. Among the efforts being taken include formulation of small and medium enterprises policy, building roads, supplying electricity, improving the telecommunication sector, financing Micro-enterprises, capacity building, upgrading and modernizing agro-industry industry, and establishing organizations that support Micro-enterprises such as SIDO and TCCIA (URT, Small, and Medium Enterprises Policy, 2003). Also, the government developed a guideline for formalizing Micro-enterprises in Tanzania called the Formulation of Micro-enterprises in Tanzania; what are the emerging issues? (URT, 2019). Despite all these efforts, micro-enterprises were still economically underperforming to the expectations; an indication that the problem was still pervasive (Kazungu, Ndiege, Mchopa, & Moshi, 2014; Mashenene, 2016). Underperformance of Micro-enterprises not only threatens new job creation for youths but also attracts an unstable economy contrary to the national vision that manufacturing must reach a minimum of 40 per cent of the GDP for Tanzania to be a semi-industrialized country by 2025 (Mashenene, 2016).

The critical problems for micro enterprises' growth underperformance to the expectation call for further studies to discover more about what was not known about the difficulties facing micro enterprises' growth. Several studies mention the failure or underperformance of Micro-enterprises was a lack of business skills, managerial and leadership skills, working Capital, culture, working premises, and regulatory obstacles (URT, 2002; Kamunge, Njeru, & Tirimba, 2014; Kazungu *et al.*, 2014). The same variables were used to determine the challenges of micro-enterprise growth in Mbalizi Township. Thus, the significant inquiry for this study was to find out and contribute to

the body of knowledge on the factors hindering Micro-enterprises growth in Tanzania, specifically in Mbalizi Town Council in Mbeya region.

The study was based on the transformational leadership theory of organization management. Over the past 30 years, transformational leadership theory has been the most studied and debated in leadership by linking it to organizational success and sustainability (Diaz-Saenz, 2011). The theory was developed by James McGregor Burns in 1978. Burns (1978) and Conger (1999) highlighted that transformation of the required competencies and shared vision from the leader to the followers assists in an effective leadership transition from the leader to the followers to enhance sustainability. In this transformation, the organization maintains its success and sustainability, if not growth and survival.

(Trang, 2016) gives solid evidence to prove that transformational leadership theory was suitable for explaining sustainability planning based on the reflection of leaders who were supposed to implement the micro-enterprise/SME vision concerning sustainability since the vision endures when leadership changes. Transformational leadership refers to the need to foster empowerment concerning organizational restructuring (Conger, 1999). The strengths of transformational leadership theory include being heavily researched for assessing growth and sustainability planning with positive results (Trang, 2016). Also, the theory reasonably aligns with the definition of sustainability planning by insisting that leaders must continuously create a vision (inspirational motivation) and empower and motivate their subordinates to implement the vision (individual consideration). Concerning transformation leadership for micro and small business development in Tanzania, the concern of social and human Capital in developing small businesses has been considered. The transformation leadership theory is suitable for explaining leadership for business growth; the social and human Capital impacts micro and small business development.

Scholars in business transformation and well-being have emphasized the consideration of social and human Capital in the business sustainability of micro and small business development (Terry, 2019; (Tur-Porcar, Roing-Tiermo, & Mestre, 2018; Akunede, Nzeribe, & Ezenekwe, 2022). Social and human Capital includes qualities of population, cultural values, ethical values, family factors, the measure of trust in a country, the morale of the population, emotional health, national identity awareness in the population, national unity, religion, social skills and a variety of non-cognitive skills /social adaptability together with the already popular education and physical

health-based factors all play a role in influencing the human capital development of a nation (Terry, 2019). There is the argument that social and human capital development is not limited to only investment in the business, including all policy measures that favor a country's human population, such as the provision of infrastructural facilities, enabling environment for businesses while reducing tribalism and other social vices all promote human capital development.

Therefore, any effort to increase human knowledge, enhance skills and productivity, and stimulate the resourcefulness of citizens is an effort in human capital development. Investments to entrench good governance, provide supporting infrastructure, and develop the education social systems are investments in human capital development.

Shaykhian, Ziade, & Khairi (2016) have noted the increased integration of business development concerning Social Capital, the benefit of economic growth, and the interrelationship among various cultures and people. Economic interdependence has increased competition among corporations to achieve sustainability and expand demand for products and services to meet customers' expectations. However, social Capital influences business development compared to traditional culture, religious domination, trends in business, and neglecting competition. Social Capital impacts micro and small companies' sustainability when lecturing them to work on business development for sustainability.

Social and human capital development has become a significant concern of all countries, regardless of their development achievements (Akunede, Nzeribe, & Ezenekwe, 2022). Investment in social and human capital through quality education delivery system has become widely recognized by states as one of the most potent strategies for concretizing both short-term and long-term development plans in the face of the prevailing business sustainability, financial and pandemic sustainability (Shaykhian, Ziade, & Khairi, 2016; Terry, 2019). These social human capital development factors or variables, often neglected, are directly related to the high rate of corruption, tribalism, political and religious crisis, ritualism, cultism, theft, social unrest, and other vices hindering the effective and successful production of quality social and human capital.

This paper evaluates the small and medium policy implementation variables that affect micro-enterprise business growth. The main question is, what are the reasons for micro-enterprises failure despite all the government initiatives? The hypothesis is that there is a relationship between SME policy

and the business growth of micro-enterprises in Tanzania. The theory variables were linked with the transformation leadership management theory; however, social and human capital considerations have been explained.

METHODOLOGY

Micro-enterprises are scattered across the length and breadth of the council, with most of them located in Mbalizi town. Mbalizi Town in the Mbeya region was selected because the Township Council has about 1100 micro-enterprises (Mbalizi Town Profile, 2018; URT, Age and Sex Distribution Report, 2022). The interest also came from the farmers who are practicing micro-entrepreneurship in Mbalizi. During the rainy season, most go to farms, and during the dry season, they change to micro-business. The study was a quantitative study using variables from previous studies (Kazungu, Ndiege, Mchopa, & Moshi, 2014; Kamunge, Njeru, & Tirimba, 2014). The study's sample size was 285, generated from the sample size table at a 95% confidence level and 5% precision error (Krejcie & Morgan, 1970). This study used an explanatory cross-sectional research design because it allows data and results to be obtained more quickly (Bhattacharjee, 2012). Also, the study used a survey strategy associated with a deductive approach. The survey strategy allows the collection of large amounts of data from the population and its economic analysis (Saunders, Lewis, & Thornhill, 2009). The paramount importance of using the explanatory research design is its emphasis on studying a problem or situation and explaining the relationship between the variables (Saunders, Lewis, & Thornhill, 2012). The survey strategy allows for data analysis for inferential and descriptive statistics and answers questions about a phenomenon on how, what, and can suggest reasons for the trend. The data collection tool for the study was a structured questionnaire with five-point Likert scale questions. Data were analyzed using the IBM-SPSS package and multiple regression analysis to examine the relationship between the variables and micro-enterprise growth in Mbalizi Town.

RESULTS AND DISCUSSION

Demographics and Business Characteristics

Response Rate

The population of the study was 1100 micro-business owners working in Mbalizi Town Council (URT, Business Baseline Survey, 2012). The sample size was 285, as determined from the sample size determination table proposed by Krejcie & Morgan (1970). The response rate of 279 micro-business owners who participated in the study was 97%, which is reliable for

decision-making and interpretation by policymakers and practitioners in the business sector.

Sex Distribution

The study aimed to explore who owns the micro-enterprises in Mbalizi Town Council. The results showed a higher proportion of female micro-enterprise owners (58.1%), suggesting that women in Mbalizi Town Council are significantly engaged in entrepreneurial activities. This aligns with findings from the International Labour Organization (ILO), which highlights the increasing involvement of women in small-scale businesses in developing countries as a means to support their families and achieve economic independence. However, previous studies have also pointed out that women often face more significant challenges accessing finance and business networks than their male counterparts (Mayoux, 2001; Chibelushi & Costello, 2009; Amri, 2014). Thus, targeted interventions are necessary to address these gender-specific challenges. The empowerment movement has made significant progress in Tanzania regarding women; however, it is high time to consider interventions to support men in micro-business.

Age Group Distribution

The dominance of younger and middle-aged business owners (19-50 years) indicates a vibrant and potentially innovative entrepreneurial population. According to the World Bank (2015), younger entrepreneurs are likelier to adopt new technologies and creative practices. However, this age group may also face significant challenges related to experience and business acumen, as indicated by the relatively high proportion (44.1%) with less than 5 years of business experience, as shown in Table 2 below. This finding is consistent with previous research emphasizing the need for mentoring and support programs for young entrepreneurs to enhance their business skills and sustainability (OECD, 2017). Age grouping impacts business sustainability. It is suggested that age groups should be mixed, allowing the younger generation to learn from elders and vice versa, particularly regarding technology. The importance of age grouping for succession planning in SMEs has been emphasized by Beck, Demirguc-Kunt, & Levine (2005).

Table 2: Age Group

Frequency	Percent	Valid Percent	Cumulative Percent
Less than 18 years	10	3.6	3.6
19-34 Years	129	46.2	46.2
35-50 Years	111	39.8	39.8
51-66 Years	21	7.5	7.5
66+	6	2.2	2.2
Total	279	100.0	100.0

Source: Business Ownership and Experience

The data shows that most (72.8%) respondents own businesses. This high level of ownership indicates an entrepreneurial culture but also underscores the need for support systems to help these businesses grow and sustain. Research by McKenzie & Woodruff (2013) suggests that while many people start businesses out of necessity, their growth potential can be significantly enhanced through access to training, finance, and markets. MSMEs provide the economy with a healthy supply of new skills and ideas and make the marketplace more dynamic; many innovations and inventions across the globe originate from the SME sector and disrupt markets, making lives more accessible for consumers. They provide employment opportunities in local communities and are often a significant source of jobs in rural or underserved areas where opportunities to work in large corporations are not available. By creating jobs, MSMEs help to reduce unemployment rates and stimulate economic growth. For steady economic development, a country needs business owners' experience as a competitive advantage for business growth and sustainability.

MICRO-ENTERPRISES GROWTH CHALLENGES

Lack of Business and Entrepreneurship Skills Training

Nearly half of the respondents (46.7%) have attended entrepreneurship skills training. This participation rate is relatively low and suggests gaps in the availability or accessibility of such programs. Studies by McKenzie & Woodruff (2013) and Nkuah, Tanyeh, & Gaeten (2013) found that continuous training and development significantly enhance the performance and growth of small businesses. The critique here is that existing training programs may not be sufficiently widespread or tailored to meet the specific needs of micro-enterprises. Micro, Small, and Medium Enterprises are instrumental in shaping the economic landscape of emerging markets. The SMEs' ability to innovate, generate employment, and contribute to regional development makes them indispensable (Kotey & Folker, 2007). Despite challenges, the growth potential of MSMEs is undeniable. Initiatives to enhance the development of MSMEs to promote rural and urban employment are crucial for a developing country like Tanzania. For SMEs to contribute to economic growth, more initiatives must be in place for the current and next generations.

Digital Literacy

Digital transformation for small businesses entails converting paper documents into digitized files, creating a digital storage system, enhancing the customer experience through digital tools, increasing security, and more (Chibelushi & Costello, 2009). The study aimed to understand the application

of digital tools in business operations for MSMEs in Tanzania. The results showed that only 32.5% of the respondents know digital business applications. This low level of digital literacy can severely limit the growth potential of businesses in an increasingly digital world. According to Chibelushi and Costello (2009), digital skills are crucial for small businesses to compete effectively, especially in accessing broader markets and improving operational efficiencies.

Additionally, Danga, Chongela, & Kaudunde (2019) recommended enhancing the application of technology in business as there is no way to avoid using technology for business growth and survival. Scholars note that digital transformation helps small businesses become more flexible and faster (Diaz-Saenz, 2011). This means they can quickly respond to market changes, customer needs, and industry developments and compete effectively. Digital transformation isn't just about buying new technology; it is about integrating that technology to align with the overall business strategy.

Managerial and Leadership Skills and Human Resources Planning Human resource planning is one of the most strategic functions the Human Resource Management team incorporates. It analyses its employees' capabilities and the market demand or supply of work (Mayoux, 2001; Danga, Chongela, & Kaudunde, 2019). Effective succession planning is also entrusted to human resource planning and is essential to ensure critical roles are always filled and the business continues to run smoothly. A robust succession plan will also help nurture the most promising talent and provide them with clear career paths, boosting engagement and retention efforts. The study, therefore, wanted to understand the managerial and leadership aspects of human resource planning for MSME sustainability. The results show that a majority (63%) of respondents believe they have adequate knowledge of human resources planning. The result is positive; however, the remaining 37% highlights a significant gap. Previous scholars like Kotey and Folker (2007) have shown that effective human resource management is critical for the growth and sustainability of small businesses. Hence, more comprehensive training programs focusing on HR skills are necessary. Through data-based decisions, MSMEs can help an organization save money and invest in parts of the business by managing the supply and demand of the workforce. HRM forecasting helps a business properly understand its need for employees, find the right employees, and hire them at the right time for growth and sustainability.

Working Capital and Credit Management

Working Capital is a financial metric calculated as the difference between current assets and liabilities (Kibona, 2020). Positive working capital means the company can pay its bills and invest to spur business growth. Working capital management is the process of effectively managing a business's current assets and current liabilities. Small businesses must manage their working capital effectively to have enough cash to meet their short-term obligations. The study aimed to assess how effectively respondents manage their obligations when needed. The results show that more than half (53.9%) of the respondents have knowledge of credit management, which is crucial for financial health. Yet, 31.5% lack this knowledge, suggesting that improved financial literacy programs are needed. According to Beck, Demirguc-Kunt, and Levine (2005), access to finance and financial management skills are pivotal for micro-enterprise growth. It is noted that several factors affecting working capital management include the nature of the business, business fluctuations, seasonal factors, technology, credit terms, credit availability, operating efficiency, and level of competition. Effective working capital management for MSMEs helps businesses cover their financial obligations and boost their earnings. Working Capital means managing inventories, cash, accounts payable, and accounts receivable. Therefore, the 31.5% who lack working capital management should not be neglected; initiatives need to be put forward regarding training and skills development.

Working Premises and Availability of Working Spaces

Premises include any building or structure, land, and means of transport. Neither the building, the structure, nor the means of transport need to be standing on land owned by the same person; they may be anywhere (UN-Habitat, 2015). Several scholars noted that the most common reasons for small businesses failing include a lack of Capital or funding, retaining an inadequate management team, a faulty infrastructure or business model, and unsuccessful marketing initiatives. The study aimed to understand the extent to which infrastructure or business working space contributed to the growth and sustainability of MSMEs. Results show that a significant portion of respondents (65.7%) disagreed that the local government provides affordable working spaces. The results align with findings by UN-Habitat (2015), which highlight that inadequate infrastructure and high rental costs are common barriers for micro-enterprises in developing countries (Danga, Chongela, & Kaudunde, 2019). Several studies show that the growth of micro, small, and medium enterprises (MSMEs) globally depends on a conducive business environment. However, in Tanzania, MSMEs face limited finances, poor

market accessibility, low entrepreneurial knowledge, working spaces, and bureaucracy, which hinder their growth and sustainability. The results show the increased costs for individuals and limited revenue, which could significantly improve Tanzania's national income. Policy interventions are needed to provide affordable and well-planned working environments for these businesses, as the sector's contribution is shown to be 75% of the country's gross domestic product.

Regulatory Obstacles and Licensing and Regulatory Compliance

Regulations are rules enforced by governmental agencies. They are essential because they set the standards for what can and cannot be done in business. Compliance and regulatory frameworks are sets of guidelines and best practices. Organizations follow these guidelines to meet regulatory requirements, improve processes, strengthen security, and achieve other business objectives (URT, Small, and Medium Enterprises Policy, 2003). Regulations ensure the sector follows the same rules and protects citizens. The study aimed to explore the business environment in Tanzania concerning regulatory and compliance issues for MSMEs. Results show that a large proportion (63.8%) of respondents disagreed that obtaining business licenses is straightforward. This regulatory burden is a well-documented barrier to business growth. Djankov, LaPorta, Lopez-de-Silanes, & Shleifer (2002) have shown that complex and costly regulatory processes can significantly hinder the establishment and expansion of small businesses. A compliance and regulatory framework offers several advantages to MSME businesses, such as enhancing decision-making and planning, improving business efficiency and effectiveness, increasing resilience and adaptability, strengthening reputation and trust, and creating value and competitive advantage. Simplifying these processes can create a more conducive environment for micro-enterprise growth and sustainability in Tanzania.

Multiple Regression for Decision-Making

To aid in decision-making, the correlation between various demographic factors and business growth challenges can be analyzed using statistical methods such as regression analysis. Regression Analysis provided in this study shows the following in Table 4:

Table 3: Model of Micro-Enterprise

Model	R	R Square	Adjust R Square	Std. Error of the estimate	Durbin Watson
1	.368 ^a	.135	.102	1.019	2.212

- a. Predictors (Constant), Sex, Age, experience and Business Ownership
- b. Dependent Variable: Micro-enterprises growth and sustainable

The result shows that R Square is 0.135, and Adjusted R Square is 0.012. The R square and the Adjusted R indicate that the model explains 13.5% of the variance in micro-enterprise growth, suggesting that other factors not included in the model might play a significant role. Therefore, it is understood that 13.5% of businesses are vulnerable to stagnation of growth and sustainability.

ANOVA Results:

The significance value (p-value) is 0.378, more significant than 0.05, indicating that the predictors (sex, age, experience, and business ownership) do not significantly predict micro-enterprise growth.

Table 4: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.548	4	1.137	1.095
	Residual	29.088	28	1.039	
	Total	33.636	32		

a. Dependent Variable: Micro-enterprises growth and sustainability

b. Predictors: (Constant), Sex, age, experience, and Business Ownership

Table 2 shows that micro-enterprise growth is unrelated to sex, age, experience, and business ownership. Therefore, attention should be directed to other challenges affecting the business growth of micro-enterprises in Tanzania. The factors that require critical consideration include regulatory and licensing issues, business working space issues, working capital and credit management, business management and leadership skills, and digital skills.

Despite findings that are not very different from previous studies on micro-enterprise failure factors, this study introduced new insights that require attention. In Mbalizi, business transactions often involve tribal considerations; buyers tend to purchase from traders of their tribe. Dominant tribes in Mbalizi township include; Kinga, Nyakyusa, Nyiha, and Safwa. It was found out that a buyer prefers to purchase products or services from a known tribe trader unless their tribe's traders do not offer the product or service. This tribalism trend can lead to stagnation for those without a robust tribal base and potentially force them to leave business. Addressing this issue is essential when stakeholders plan business development training.

CONCLUSION

Addressing micro-enterprise challenges in Mbalizi Town Council requires a multi-faceted approach involving training, working capital and credit

management, leadership and management skills, digital literacy support, regulatory reforms, and improved infrastructure and working spaces. By implementing these recommendations, stakeholders can significantly enhance the growth and sustainability of micro-enterprises, contributing to broader economic development in Tanzania. The findings of this study align with existing scholarly research and provide a solid foundation for policymakers and development practitioners to design effective interventions that support micro-enterprises in overcoming their growth challenges. The study also noted the tribe denomination where a buyer considers the "who-you-know" principle, which leaves minority groups at a disadvantage.

RECOMMENDATIONS

Based on the findings and scholarly critiques, the following recommendations are proposed:

Enhanced Training Programs

Develop and expand accessible training programs focusing on entrepreneurship, digital literacy, and managerial skills. Tailoring these programs to the specific needs of micro-enterprises can improve their effectiveness. Additionally, the training should address the tribalism trend of buyers. All stakeholders, including government, non-governmental organizations, religious groups, and community leaders, must be involved.

Financial Literacy and Access

Increase efforts to improve financial literacy among micro-enterprise owners and facilitate better access to credit. The study recommends that training could include partnerships with financial institutions to offer targeted financial products and services.

Regulatory Reforms

Simplify the regulatory and licensing processes to reduce barriers to entry and operation for micro-enterprises. Streamlining these processes can save time and reduce costs for business owners.

Supportive Infrastructure

Invest in creating affordable and well-planned working spaces for micro-enterprises. Local governments should consider policies that encourage the development of business hubs and co-working spaces.

Social and Human Capital

Finally, the importance of the family factor in increasing the level of human capital development as well as its quality also indicates the need for the

government to pay attention to the family institution and stream resources toward strengthening the institution of family in Nigeria and not abandoning such task to the churches and other religious bodies in the country. By implementing these recommendations, stakeholders can address the challenges identified and support the sustainable growth of micro-enterprises in Tanzania. The identified challenges that must be addressed include regulatory obstacles, working Capital, managerial skills, leadership skills, digital skills, and business management skills. Also, the business partners need to consider all the variables without neglecting the social and human capital development for micro and small businesses in Tanzania.

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