CAPACITY OF TANZANIAN MICRO, SMALL AND MEDIUM ENTERPRISES (MMSES) IN TAPPING THE BUSINESS OPPORTUNITIES IN THE EAST AFRICAN COMMUNITY

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ABSTRACT

After its collapse in 1977, the East African Community was revived again in 1999 with the aim of, among other things, elimination of trade barriers and increase trade volume between the member states. The impact of economic integration on the economic development and entrepreneurship prosperity in Tanzania cannot be underestimated owing to the income and employment opportunities created by SMEs. However, the extent to which SMEs in Tanzania are capable of benefiting from the business opportunities associated with the EAC are virtually unclear. Therefore, this paper aims at gaining a better understanding of the ways in which SMEs are capable of taking advantage of the EAC to enhance various entrepreneurship activities. The paper identifies challenges faced by the SMES and explores the efforts the government and other stakeholders have made so far in creating the environment for supporting the SMEs to fully exploit available opportunities. The study employs mostly qualitative analysis techniques whereby in-depth interviews were conducted among twenty (20) business people and conducted among five (5) government officials. Secondary data were used in the study to implement the empirical research design and complimenting field results. Summaries from transcribed data were used to establish the study findings. The findings revealed that Tanzania’s SMEs are less capable of tapping the business opportunities provided by the EAC due to the fact that these SMEs are micro and small enterprises, in the sense that they have low capital, people they lack entrepreneurial education at tertiary level, networking activities are mostly social rather than business focused, they are formal but not informed. It is recommended that entrepreneurship education be provided from primary to tertiary level, the ministry responsible for SMEs needs to be established, and that SMEs need to network among themselves as that will improve business environment. Schemes that will enable SMEs access loans and grants should be established.

Key words: SMEs, EAC, entrepreneurship, SME capacity, business opportunities, SMEs challenges.
INTRODUCTION

Entrepreneurship continues to gain importance in the era of globalization. Studies show that entrepreneurship activities have positively impacted on economic growth (Kunene, 2009; Reynolds, Bosma, Autio, Hunt, De Bono, Servais & Chin 2005; Rao & Joshi, 2011). This means, societies with a high rate of entrepreneurship activities are economically better. Linked with entrepreneurship is the Small and Medium Enterprises (SMEs) sector. SMEs are used to refer to Small and Medium Enterprises, sometimes known as Micro, Small and Medium Enterprises (MSMEs).

The role of SMEs in the economy is crucial. According to Rao and Joshi (2011), globally, the micro and small enterprises are considered to be the engine of economic growth and constitute over 90% in the economies. This is evidenced in a number of studies; for example, Reynolds et al. (2005); Kunene (2009); Fatoki and Gware (2010); Naude (2013) observed that small firms are the real driving force behind economic growth and creation of millions of jobs. The scholars point out further that, an entrepreneur through the enterprise generates conditions for increasing opportunities for employment, additional wealth creation by attracting money from other countries, introducing and dissemination of new methods and technology and overall economic growth.

Similarly, Gibb (1999) reveals that the small enterprise sector contributes to the sound development of the national economy, prevents the concentration of economic wealth in few hands, creates balanced ownership structure, creates regional balance, harness underutilised resources, smoothens transition to higher technology and service sector development such as banking, and provides people with fair and equal opportunities to engage in business. Small enterprise sector provides jobs therefore reducing unemployment and poverty and it integrates the working of the large and small businesses by starting sub-contracting or creating support institutions. Gibb (1999); Kunene (2009) argue further that, SMEs contribute to major goals of economic and social policies such as balance of payment, stability, equal justice, price stability and growth.

This is also further evidenced by President Ferdinand Marcos of Philippines who in 1973 in Nelson (1977 pg.889), stated, “The small entrepreneur holds the key to rapid technological development and full employment. He offers a means whereby new employment opportunities can be created in rural areas. The small entrepreneur would not only provide himself with livelihood but would create
employment for others, thereby easing up social tension growing in an atmosphere where so many are deprived”

On the same issue Maslow (1968 in Naz, F, Munir, F., Khalid, A., & Ahmed, I. 2011pg. 279) observes that, “100 people to bring into a deteriorating society would not be economists or politicians or engineers, but rather 100 entrepreneurs.”

In Tanzania, the importance and contribution of SMEs as a creator of employment, in particular to those with low skill levels is widely recognised. Tanzania has about 3 million SMEs contributing to about 23.4% of the total employment and 27% to the GDP (URT 2012); this indicates how, important the sector is in employment creation and economic development.

Tanzania, as a member of East African Community (EAC) anticipates to tap the opportunities for SMEs offered by the EAC Common Market (EAC-CM). EAC is one among many regional integrations in the world that aims at improving the welfare of member states through various social, political, and economic activities, one of them being economic growth through businesses established by different agents, SMEs being one of them. The benefits expected from these businesses depend upon the capability of the SMEs in taping the opportunities offered by the market.

However, the extents to which SMEs in Tanzania are capable of benefiting from the business opportunities associated with the EAC integration are virtually unclear. Therefore, this paper aims at gaining a better understanding of the ways in which Tanzania’s SMEs can take advantage of the EAC in enhancing their various entrepreneurship activities. The paper specifically considers the challenges faced by the SMEs and the efforts of the government and other stakeholders made so far in creating the environment for supporting SMEs to fully exploit the opportunities.

**Background of the study**

The EAC is the regional integration of Kenya, Uganda, Tanzania, Rwanda and Burundi. The agreement to establish the EAC was signed in November 1999 and came into force in July 2000. The aim of the community is to widen and deepen cooperation among member states, in political, economic and social fields, for mutual benefit. So far, the EAC members have already established a Customs Union in 2005 and a Common Market in 2010. Currently, the community is in the process of
establishing a monetary union and, finally, it aims at becoming a political federation of East African member states.

The EAC has a population of about 130 million people as of 2010, a land area of 1.82 million square kilometres and a combined gross domestic product of $74.5 billion as of 2009 (EAC, 2011b in Mori 2012). These features give the EAC great strategic and geopolitical significance and the potential for a renewed and revived region. The community has numerous potential in terms of minerals, water, energy and wildlife resources. It is also currently engaged in agricultural, livestock, industrial and tourism development (EAC, 2011a). The people of this community have common history, common language (Kiswahili), shared culture and infrastructure. Increased population and growth of resources provide for increased opportunities for SMEs in terms of market and further sharing of resources.

**Features and Implications of EAC for SMEs**

The important stages of the union for SMEs are the establishment of a Custom union and a Common Market. The EAC Customs Union aims at deepening the integration process through liberalization and promotion of intra-regional trade (EAC Development Strategy, 2011). Others include promotion of efficiency of production in response to intra-regional competition among businesses, enhancement of domestic and cross border trade, foreign investments, promotion of industrial diversification and economic development (EAC Development Strategy, 2011). In order to promote a fair ground for trading in the region, member states have solved non-tariff barriers and at the moment about half of them have been removed by employing the Non-Tariff Barriers (NTBs) mechanisms. According to Musonda (2013), more than 1000 standards have been harmonised across EAC member states. Also the region has enacted a Competition Policy and Common Customs Law and Procedures that are being implemented, and which, in turn, reduce the costs of doing business for SMEs. Also, the EAC member states are undertaking common trade facilitation measures such as one-stop border posts; Revenue Authority Digital Data Exchange (RADDEX); customs computerization so as to increase efficiency and fair trade among member states. This important step is expected to remove complexities and costs in doing business and help Tanzanian SMEs to access the open market.

The enactment of a Common Market entails the removal of barriers to the movements of labour, goods and capital, hence provide for the right of establishment, the right of residence and free
movement of services. The provisions represent various opportunities for SMEs to trade equally in a fair business ground as well as expanded production, material, sourcing of funds and resources and seeking markets beyond their domestic economies. In addition, the EAC integration has provided new opportunities for Tanzania’s SMEs to enter into international trade through partnership and outsourcing.

In building SMEs capacity to exploit these opportunities, Tanzania has put in place the SME Policy that aims at establishing a vibrant SME sector. Institutions such as Small Industries Development Organization (SIDO), Tanzania Trade Development Authority (TAN- TRADE), Weights and Measures Agency (WMA), Tanzania Bureau of Standards (TBS) and Tanzania Private Sector Foundation (TPSF) all of which have been established are there to support SMEs. A unit within the Ministry of Industry, Marketing and Trade that deals with SMEs issues is collaborating with other partners including the United Nations Development Programme (UNDP), the World Bank (WB) and the International Labour Organization (ILO) to provide training related to market demands, entrepreneurship, packing, quality control and the like.

The government is collaborating with financial institutions and Banks, such as CRDB, Akiba Commercial Bank, Azania Bancorp, Barclays and others to provide soft loans and grants. The Bank of Tanzania (BOT) has introduced a credit guarantee scheme for SMEs geared at promoting and supporting SMEs as it creates an enabling environment for expansion and facilitating access to financial resources (Ernest & Young, 2009). The efforts on streamlining business registration and licensing through Business Registrations and Licensing Agency (BRELA) have contributed to business formalization (Ernest & Young, 2009). Other efforts include removal of annual renewal of business licenses and repayment of provisional Tax on income before being licensed.
LITERATURE REVIEW

SMEs: There is no universally accepted definition of SMEs (Olomi, 2005 & Khan, 2010). In Tanzanian context, micro enterprises engage up to 4 people, in most cases family members or employing a capital amounting up to Tshs 5 million. The majority of micro enterprises fall under the informal sector. Small enterprises are mostly formalised undertakings, engaging between 5 and 49 employees or with capital investment from Tshs 5 million to Tshs 200 million. Medium enterprises employ between 50 and 99 people or use capital investment from Tshs 200 million to Tshs 800 million (URT, 2002).

SMEs in Tanzania

Most Tanzanians make their living in subsistence agriculture and small and medium Enterprise’s activities. SMEs are estimated to contribute 27% to the GDP (URT 2012) and 23.4% of the total labour force (URT, 2012). One of the strategies and priority areas for regional cooperation in the EAC region as provided by article 80 (1) (c) of the EAC establishment, is facilitation of development of small and medium scale industries including sub-contracting and other relations between large and small firms (Ernest & Young, 2009). With the EAC Common Market, business people get opportunities to enter new markets. In this case SMEs lay a firm foundation for industrial development in the region (EAC Development Strategy, 2011). If well maintained the East African Community micro-small and medium enterprises form the bulk of industrial sector and contribute to more than 60% of employment and has the potential of addressing development needs of the region such as poverty reduction, technological innovation and disparities in regional development.

Tanzania being geographically bigger among the states contributes 52% of the total land coverage in the region and has a higher population thus it is expected to have more capacity in taping into these opportunities and generate a large amount of wealth leading to improvement of the wellbeing of people. It is stated that, Tanzania’s leading trade commodities in the Common Market include fish, tea, cotton, halogen salt, maize and textile products (EAC Development Strategy, 2011) with exports mainly being destined to Kenya and then to the rest of the EAC member states. Generally, the commodities are in the form of raw materials thus are of low economic value.
Selling low value products indicate that Tanzania’s SMEs are less competitive in the EAC market depicting their low capacity to promote economic growth. SMEs must know what their resources are and how to use them, they can not compete just by cutting down cost on their unfinished goods; they must compete on the basis of knowledge and value addition (Kraja & Osmani, 2013). In this case, the government needs to help SMEs to identify the different resources available, know how best they can deploy them, and provide them with appropriate technology so as to add value to the resources.

**Factors for SMEs success in an international market**

EAC economic integration is a form of regional integration that provides for SMEs going internationally. In this case, Tanzania SMEs are working in a competitive environment that requires distinguishing themselves from other SMEs in the region so as to grow and venture across boarders. In this study, SMEs capacity is linked with success and related towards ability to grow and penetrate into the local and international market.

Various scholars have described different factors for the SMEs success. One group of scholars believe that, SMEs capacities are determined by entrepreneur’s characteristics (education, gender, motivation and risk taking) (Shane, 2003; Mansor, 2005; Fatoki, 2010; Kunene, 2009). Others consider characteristics of the firm (e.g. firm size, age, location, sector, formality, knowledge and innovation management) to be important, (De Mel, Mckenzie & Woodruff 2008; Hausma, 2005; Loewe, Al-Ayouty, Altpeter, Borbein, Chantelauze, Kern, Niendorf & Reda, 2013).

While others believe that, inter-firm linkages such as global value chain, cluster and formalised business networks determine firm’s success, yet others see business environments ;e.g. macroeconomic stability, political stability, regulation, competition, corruption, availability of skilled labour, trade policy, access to finance, access to insurance, non-financial development service and infrastructure as a crucial factor for business success (Loewe et al, 2013).

This list is not exhaustive since each study is unique. For the purpose of this study, some factors from each category and that seem to be crucial in explaining Tanzania SMEs capacities are explored. These factors include education and training, access to finance, networking, firm size, and formalisation.
Networking

Other authors point to the fact that, networks account for differences between SMEs with regard to their likelihood to succeed. Networks might also explain why SMEs are likely to upgrade in a particular country (Loewe et al., 2013). Olawale and Gware (2010) observed that, networking has a positive impact on the SMEs performance and increased legitimacy that in turn influences access to external finance and tapping of resources in an external environment successfully. In this regard, networking can help SMEs to access information on markets, resources such as finance, advice or support, together with access to official documents that are usually not easily accessible.

Human capital (education and training)

According to Loewe et al. (2013), differences in education, training and work experience determine SMEs ability to upgrade. They further argue that, skills and knowledge acquired by individuals through schooling, on the job training, and other experiences describe the possibility of SMEs to upgrade in a given country. The more the skills and knowledge are acquired by an enterprise owner, the higher the capability of exploring opportunities (Shane, 2003). The study by Ayyagari, Demirgüç-Kunt, Maksimovic (2008) and Koellinger (2008) revealed a positively and statistically significant relationship between owners’ years of schooling or years of experience and entrepreneurial innovativeness. Another study by Mansor (2005) emphasises the importance of tertiary education in the growth of SMEs.

Firm size

According to Loewe et al. (2013), the firm size, measured by the start-up capital explains its likelihood to upgrade. The size of an enterprise has an effect on the firm’s capability to innovate and grow. The smaller the size of the firm the less the capacity to spread risk over a product portfolio and could encounter problems in SMEs start-up in foreign markets.

Formalization

A body of literature stresses the importance of formalisation. Being informal inhibits SMEs success; this is because SMEs don’t have an easy access to credit and business development services (Loewe et al., 2013). They further argue that, informal SMEs cannot enter into contract with large domestic and
foreign companies. It has been empirically proven that, there is a correlation between formalisation and a firm’s success (Sleuwagen & Goedhuys, 2002).

**Access to finance**

Every business requires financial resources in order to start trading and fund growth (Olawale & Gware, 2010). Enough financial support can help a business to sustain its growth and competitiveness in local, national, and international markets (Mansor, 2005). Several cross country studies have shown a positive correlation between access to finance, firm growth, and productivity (Butler & Cornaggia, 2011; Rahman, 2011).
METHODOLOGY

This study consists of two basic components as part of the research methodology. It consists of the review of published work and an empirical study. The review of published work provided some insights that helped in the formulation of the research design for the field study and also to support the findings. The field study employed qualitative data collection and analysis techniques. Data collection was guided by a set of questions that aimed at capturing the study variables. Telephone interviews were conducted among twenty (20) handcraft business people comprising of entrepreneurs who attended an entrepreneurship course at SIDO. The list of these entrepreneurs was provided to authors by the marketing manager (Mr Mdede, C). The interviewees were obtained conveniently as only those who responded to the calls were interviewed.

Semi-structured face to face interviews were conducted among 5 government officials. A marketing and sales manager from SIDO, research manager from TANTRADE, assistant Director in SMEs Department from the Ministry of Industry Trade and Marketing official from the Ministry of East African Community from the Marketing Department. These respondents were obtained through a combination of snowballing and purposive sampling methods. Data obtained from interviews was transcribed verbatim, coded, then summarised according to emerging topics and further represented in terms of tables and percentages (%).
FINDINGS AND DISCUSSION

Determinants of SMEs capacity

Table 1: Level of education

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Number of Participants</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>1</td>
<td>5.3%</td>
</tr>
<tr>
<td>Primary</td>
<td>5</td>
<td>26%</td>
</tr>
<tr>
<td>Secondary</td>
<td>7</td>
<td>37%</td>
</tr>
<tr>
<td>Post-Secondary</td>
<td>5</td>
<td>26%</td>
</tr>
<tr>
<td>Other training</td>
<td>15</td>
<td>79%</td>
</tr>
</tbody>
</table>

*Twenty participants were asked about their level of education and other acquired training. One participant did not contribute to the question.

Table 1 show that, most of the respondents had acquired training in various areas such as marketing, packaging to mention a few. Within this group some have formal education up to secondary level while few have tertiary education. Tertiary education comprises of those who had post-secondary such as ordinary diplomas and full technician certificate awards (FTC). Although the national baseline survey reported 93% of the SMEs owners as being primary school-leavers, the study findings are in contrast with these figures. This is because the sample was obtained from individuals who had attended workshops and training organised by SIDO. In this case, the people are informed. In order for SMEs to penetrate the international market, education and training is very important. Apart from skills acquisition, the role of education especially at a tertiary level is to help the entrepreneur in promoting disciplines, identify options and make correct decisions.

Education acts as a catalyst in acquiring and disseminating information that is needed for running day-to-day business operations. Tertiary education has in many instances provided distinct advantages to the business operators in terms of networking with financial institutions, governmental officials and also multi-national companies (Olawale & Gware, 2010). Since many SMEs owners in Tanzania lack tertiary education it adversely affects their performance in running their day-to-day business operations as well as winning new business opportunities.
Table 2: Finance

<table>
<thead>
<tr>
<th>Amount</th>
<th>Number of Enterprises</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;500,000</td>
<td>2</td>
<td>10.5%</td>
</tr>
<tr>
<td>500,000-4 million</td>
<td>10</td>
<td>52.60%</td>
</tr>
<tr>
<td>5-20 million</td>
<td>6</td>
<td>31.6%</td>
</tr>
<tr>
<td>20 -50 million</td>
<td>1</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

Table 3: Sources of SMEs business financing

<table>
<thead>
<tr>
<th>Source of finance</th>
<th>Number of enterprises</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family</td>
<td>4</td>
<td>21%</td>
</tr>
<tr>
<td>Friend</td>
<td>3</td>
<td>15.8%</td>
</tr>
<tr>
<td>Self</td>
<td>15</td>
<td>78.9%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>4</td>
<td>21%</td>
</tr>
</tbody>
</table>

With reference to Tables 2 and 3, the interviewed group comprised of micro and small enterprise’s owners but the majority were micro enterprise with small capital. Limited capital is not surprising, as the major source of capital was reported to be from people’s own savings, family and friends. Enough financial support is important for a business to sustain growth and competitiveness in local, national and international markets (Mansor 2005). Small capital means low investment and therefore low ability to penetrate the EAC competitive market.

Table 4: Business Formalisation

<table>
<thead>
<tr>
<th>Formality</th>
<th>Number of enterprises</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIN (Trade Identification Number)</td>
<td>2</td>
<td>10.5%</td>
</tr>
<tr>
<td>Registration Certificate</td>
<td>1</td>
<td>5.25%</td>
</tr>
<tr>
<td>Both TIN and registration Certificate</td>
<td>8</td>
<td>42.1%</td>
</tr>
<tr>
<td>None</td>
<td>7</td>
<td>36.8%</td>
</tr>
</tbody>
</table>

Table 4 shows that, the formal businesses are predominant. Formalisation puts an enterprise in a better position to access credit, subcontract, establish business linkages and access of external market. This helps them to grow and be able to penetrate the market locally, nationally and internationally,
including the EAC Market. The study by Ernest and Young (2009); Naude (2013) clearly demonstrated the importance of business formalisation.

**Table 5: Networking**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Area</th>
<th>Number of enterprises</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Association</td>
<td>Social</td>
<td>12</td>
<td>63%</td>
</tr>
<tr>
<td>Friends</td>
<td>Social</td>
<td>2</td>
<td>10.5%</td>
</tr>
<tr>
<td>Family and Relatives</td>
<td>Social</td>
<td>4</td>
<td>21%</td>
</tr>
<tr>
<td>External Consultancy</td>
<td>Social</td>
<td>3</td>
<td>15.8%</td>
</tr>
<tr>
<td>Seminars and workshops</td>
<td>Social</td>
<td>2</td>
<td>10.5%</td>
</tr>
<tr>
<td>Former employees and Colleagues</td>
<td>Social</td>
<td>2</td>
<td>10.5%</td>
</tr>
<tr>
<td>Sub-contracting</td>
<td>Business focussed</td>
<td>1</td>
<td>5.25%</td>
</tr>
<tr>
<td>Trade Fairs and Exhibitions</td>
<td>Business focussed</td>
<td>8</td>
<td>42.1%</td>
</tr>
<tr>
<td>Trading and Commercial Activities</td>
<td>Business focussed</td>
<td>3</td>
<td>15.8%</td>
</tr>
</tbody>
</table>

Table 5 reveals that, enterprises are strongly influenced by the creation of social networks. Strong relationships based on professional associations are known to be a primary source of networking in order to develop linkages and social relationships among enterprises. In business focused networks, predominance of trade fairs and exhibitions is clear. According to Olawale and Gware (2010), networking has a positive impact on SMEs performance and increase the latter’s legitimacy which in turn influences access to external finance and taping resources in an external environment successfully. In addition, networking helps enterprises to exchange information and skills as well as technology. The study findings clearly show that, networking activities are being practiced among enterprises. In this regard, SMEs in Tanzania through networking can benefit from opportunities found in the EAC market.
Challenges facing Tanzania SMEs

SMEs face many challenges, however from what has been gathered through interviews with stakeholders, business people and documentary reviews reveal the following; first, most of enterprises are micro, out of twenty business people interviewed, 12 (60%) had the capital ranging less than TSHS500,000 to four million. Limitation of small capital denies them the opportunity to buy and sell in the wider market. Second, according to the National Baseline Survey (2012), most (96.1%) of the SMEs were not registered and entrepreneurs lack confidence thus end paving way for corrupt practices at the borders (Khan, 2010).

Third, education is also a constraint to SMEs capability of tapping opportunities in the EAC Common Market. Findings in Table 1 show that most of the entrepreneurs have completed secondary education, and have no tertiary education. This means that these people lack entrepreneurial competences since Tanzanian education system does not provide entrepreneurial skills to those in primary school level. Fourth, lack of information has a negative impact on the SMEs activities as information can help in the empowerment and capacity building of entrepreneurs to access markets, finance, training, exhibitions, and network, to mention just a few. Sixth, SMEs don’t grow vertically; this is because they shift from one business to another resulting to inefficiency in various enterprises they ran.

Furthermore, lack of networking activities affects business practices of SMEs, as networking brings unity, provides information on various business opportunities, allows for experience sharing, exchange of knowledge, skills and technology, promotes confidence, influence changes in policies, regulations, training programmes and programmes’ contents. The study by Olawale and Gware (2012) also emphasizes the importance of networking. Last but not least, poor packaging due to lack of suitable packaging material also presents challenges to SMEs as poorly packed goods are not attractive and hence lead to loss of business. However, SIDO has tried to provide training in good packaging and intervene on the issue of availability of packaging material and at a reasonable cost. Good packaging helps in adding value to products thus increasing sales in the EAC market that in turn results in increased profit.
Roles of stakeholders in supporting SMEs

This part discusses the information obtained from different stakeholders on how they support SMEs in taking advantage of business opportunities inherent in the EAC -CM and the challenges they both face. The different stakeholders include SIDO, TANTRADE, Ministry of Industry and Trade and Ministry of East African Cooperation. The different themes as a result of interview are as follows:

Training

Training is provided by all key stakeholders although it is done based on different areas of business concentration. The Ministry of Industry and Trade provides training through its agents namely SIDO, who provide training in food processing, business administration, technology, entrepreneurship and energy. On the other hand, TBS train people on packaging and the importance of having quality goods so as to meet acceptable standards, while Weights and Measures Agency (WMA) emphasises on having correct measurement and TANTRADE provides practical training in goods export. The essence of training is to increase SMEs awareness and capability in order for them to produce quality goods that meet acceptable standards and therefore be able to compete in the regional and international market. Similar findings are reported by Mansor (2005), who showed the importance of training SMEs, especially tailor made aiming to cater for SME needs.

Formulation of associations

Associations as a way of networking are seen as a means of joining together efforts and getting a platform for airing SMEs challenges; a place for getting information and encouragement among members. Tanzanian SMEs are working in a competitive environment in which an entrepreneur alone cannot be able to multiply the resources alone but rather need joint efforts through networking so that they can grow and gain competitive advantage within the EAC Market.

Information

Information is power. Stakeholders provide information on markets, loans, training, exhibition and link SMEs with financial institutions for access of loans, despite the fact that SIDO provides small grants. TANTRADE provide information through their business portal and which SMEs have to pay little fee to access. Tanzania SMEs can benefit from information that includes markets and other

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opportunities including opportunities of exhibitions, trade fairs and possibilities of products and services that are required in partner states within the EAC Market. Through information access, Tanzanian SMEs can be able to access capital, markets, and participate in exhibitions, timing of training and therefore gain a competitive advantage in the EAC Market.

**Exhibition**

Exhibitions are means of networking. Regarding the importance of networking, stakeholders organise and coordinate exhibitions both locally and internationally. Exhibitions act as learning grounds where business people acquire knowledge, skills and new technology that advance their capability in producing and selling of their products. They also obtain new markets for their goods. Stakeholders subsidise for international exhibitions by supporting financially of luggage transport and part of fair expenses. Despite all these, there has been little or no feedback after exhibition; as a result stakeholders fail to plan for SMEs as their needs are unclear.

Despite the above developments, stakeholders are faced with countless hurdles; officials reported that various stakeholders have not been able to reach the grassroots where most of the enterprises are found, government agents comprise of few personnel as compared to the importance of the sector. There are also financial constraints in funding these activities as statistics on the SMEs are often not available thus affecting the different programmes and projects meant for SMEs.
CONCLUSION AND RECOMMENDATIONS

Conclusion
Conclusively, the paper aims at establishing the status of Tanzanian’s SMEs capability in tapping the opportunities of EAC Common Market. From the foregoing discussion it can be concluded that the SMEs are less capable of doing so due to the following reasons: The findings show that, 63.1% are micro while 37.9% are small with low capital that inhibit them from faring well in the EAC Market and 5.3% of those who own enterprises did not attend school, 26% have primary education, 37% have completed secondary education, 26% have attended post-secondary and non have completed tertiary education. Education level affects people’s performance in various areas including doing business, lack of business skills, technology, entrepreneurial skills and network relationship among business people. All these have a negative impact on business practices of SMEs. Data shows that most of the enterprises are formal, but uniformed due to the fact that, their networks are not business oriented. These facts affect SMEs’ performance negatively; hence various stakeholders are called upon to work on them so as to create a vibrant SME sector.

On the other hand, stakeholders are not faring well with the enterprises because: they are unable to reach the grassroots, government agents are not equipped with necessary resources, lack of statistics on SMEs that affects stakeholder ability to meet SMEs needs.

Recommendations
Entrepreneurship skills have to be acquired from primary to tertiary levels of education. There is need for the provision of up to date training programmes that cater for the needs of entrepreneurs rather than programmes that focus on managerial competencies. Information should be provided through available and accessible technology, encourage networking through formation of associations that are more business oriented. The government needs to create the ministry responsible for the sector (it is there, through Ministry of Industry and Trade, SME department, Business Development Centre, TIB, TPSF, TCCIA), enhance collaboration among private and public sectors, improve business environment, encourage hard working and patriotism together with having specific teller made entrepreneurship training that are context oriented. The government and its agencies should make sure that it establishes a regulatory framework that will reduce red tape and lengthy procedures in
registration of new businesses. Schemes for accessing loans and grants should be formulated. Corruption in the public sector and the business community needs to be dealt with authoritatively.
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