Business Education Journal
Email: jeditor@cbe.ac.tz
Published Online November, 2015 in http://www.cbe.ac.tz/bej

THE IMPACT OF ENTREPRENEURSHIP TRAINING ON MICRO AND SMALL ENTERPRISES' (MSES) PERFORMANCE IN TANZANIA: THE CASE OF FOOD VENDORS IN ILALA DISTRICT DAR ES SALAAM

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ABSTRACT

The purpose of this paper is to investigate the impact of the entrepreneurship training on micro and small enterprises performance. Specifically, the study tests whether entrepreneurship training leads to success on Micro and Small Enterprises (MSEs) performance and whether there is a relationship between entrepreneurship training and the performance of MSEs. A sample of 60 food vendors from Ilala District was used to test the hypothesis before and after the training. Theoretically, the research questions and hypothesis were tested and data were presented using statistical parameters such as percentages, frequencies and correlations. the study findings reveal that proper entrepreneurship training leads to successful performance of MSEs. The key skills perceived to be the most importance by MSEs include financial, marketing, sector-specific technical and communication skills. The findings also show that there is a positive relationship between entrepreneurship training and MSEs successful performance. Based on these findings the study recommend that efforts should be made by the government and Business Development Services (BDS) providers to ensure and enhance availability of these training to all MSEs in the country for sustainable economic growth.

Key words: Entrepreneurship training, Micro and small Enterprises (MSEs), Performance, Food Vendors

INTRODUCTION

Entrepreneurship career is seen to be one of the fields that assure Tanzanians' survival through self-employment, leading to their overall economic development and growth (Schumpter, 1934 as quoted by Wickham, 1998). Self-employment may lead to setting up small businesses making many individual Tanzanians speed up their economic growth. Entrepreneurship also allows majority of Tanzanians especially those still in formal employment to engage in small businesses which supplement their little income as well as providing employment opportunities to others who are jobless.

Increased awareness of the importance of entrepreneurship has contributed to the continued growth in the number of colleges and universities offering entrepreneurship courses worldwide (Kaijage, 2013). The fact that these educational programmes are developed to teach and encourage entrepreneurial behaviour has had some effects to many individuals who have chosen self-employment as a career (Rwamitoga, 2011).

Although Tanzanians strive hard to succeed in their businesses there are a host of problems that make it difficult for MSEs to exploit the existing potentials for further employment and wealth creation. The most serious impediment is the limited capacity of people who start and operate businesses, in terms of attitudes, motivation, exposure, skills and experiences (Olomi, 2006).

According to Olomi (2006), the most debilitating constraints to MSEs' performance include limited awareness and capacity of the existing and potential business operators. The result is that many entrepreneurs simply duplicate what their neighbours are doing and do not appreciate the importance of innovation, quality, credibility and customer-care. One of the main reasons for this state of affairs is that Tanzania's education and training system does not consciously develop values, attitudes and skills that enable people to see and realise the potentials in the country. This problem could be addressed by private extension services and (BDS) through training, advice and other support. However these services are under-developed, with limited outreach (Olomi, 2006).

It has also been observed that most of the new business ventures die during their early stages of development. Scarborough and Zimmerer (2000) suggest that more than three out of five firms die within six years of establishment. Managerial and financial problems have been cited as among the major contributing factors to business failure.

In addition, Akindele *et al*. (2006) observed that most of the new entrants into the establishment or development of MSEs in Nigeria are retirees or people with little or no business experience. Most of them got engaged in one business or the other and after few days their businesses collapsed due to lack of adequate experience and training. However, Kaijage (2013) in a study conducted in East African countries found out that, currently business education is perceived as not fit for meeting the needs of future entrepreneurs. It is in this ground that this study wants to explore the impact of entrepreneurship training in enhancing performance of MSEs. Although there is a growing literature on MSEs in Tanzania, the impact of entrepreneurship training on MSEs performance is rarely explored. This study is an effort towards filling this gap. Thus, this study essentially focuses on examining if entrepreneurship training offered to entrepreneurs can lead to MSEs' successful performance. The study also explores key areas of entrepreneurship training that are perceived to be necessary by MSEs for their successful performance. The study also tests if entrepreneurship training has any relationship with the performance of MSEs.

LITERATURE REVIEW

Conceptual Definitions

Entrepreneurship

Entrepreneurship is often associated with starting and running a business. However, the broader meaning of entrepreneurship "is *a way of thinking, reasoning, and acting that results in the creation, enhancement, realisation, and renewal of value for an individual, group, organisation, and society (Rwamitoga, 2011pg 5). At the heart of this process are the creation and/or recognition of opportunities followed by the will and initiative to seize these opportunities".* The behaviours associated with entrepreneurship include needs for achievement, calculated risk-taking, initiative, growth seeking, a strong drive and determination, networking, opportunism, and the like (Manimala, 2006). Taking this broader view in mind, not all business start-ups constitute entrepreneurship because not all founders display these behaviours. At the same time, entrepreneurial individuals are found in all kinds of contexts and endeavours (Gibb, 2006).

Micro and Small Enterprises (MSEs)

At present there is no universally accepted definition of *small business* (Scarborough and Zimmerer, 1991). The definitions use various measures of sizes depending on the purpose, and the person doing the measuring. Some of the yardsticks that have commonly been used include the total number of employees, total investments, and sales turnover (Rutashobya and Olomi, 1999). In Tanzania, a categorization of business is as shown on Table 1.

Table 1: Government of Tanzania's categorization of business size

Business size	No. of employees	Capital investment in machinery (Tshs)
Micro enterprise	*1 to 4*	*Up to 5 million*
Small enterprise	*5 to 49*	*Above 5 to 200 million*
Medium enterprise	*50 to 99*	*Above 200 to 800 million*
Large enterprise	*100+*	*Above 800 million*

Source: National Baseline Survey Report for MSEs (2012) p. 21

This study employs classification as per the National Baseline Survey Report for MSEs (2012) and elects to use the number of employees.

Performance

Performance is an encompassing concept and can be defined in terms of job generation, growth, profitability, sustainability, survival and stability (Storey, 1994). Limited literature related to small business has tended to focus on the linking of planning to performance. Planning involves decision making. For the purpose of this study, business performance is defined as the growth, stagnation or decline of a business entity. Growth will be defined as successful performance, and decline as unsuccessful performance or failure. Stagnation can be defined as successful performance due to the fact that some business owners have no motive and/or intention to grow (Mwene-Millao, 2000 pp 17).

Entrepreneurship Training

Entrepreneurship is often associated with starting and running a business. The behaviours associated with entrepreneurship include the need for achievement, calculated risk-taking, initiative, growth seeking, a strong drive and determination, networking, opportunism, and the like. Taking this broader view in mind, not all business start-ups constitute entrepreneurship because not all founders display these behaviours (Olomi, 2006). In this study, Entrepreneurship Training is taken to mean as business training, including starting, improving, managing and developing businesses as well as acquiring entrepreneurial skills.

Theoretical Review

There are various theories which are important to the entrepreneurship body of knowledge and have contributed to the entrepreneurial development in the economy. Some of the theories include economic theory, classical economic theory, psychological theory, sociological theory, human capital theory, social cognitive theory, Shapero's entrepreneurial event theory and the theory of planned behaviour (Rwamitoga, 2011). This study employed human capital theory.

Human capital is defined as an individual's stock of competences, education, experience, skills and intelligence. Becker's (1993) human capital theory suggests that education and experience develop skills that enable workers to be productive. Human capital is enhanced through such learning and this manifests itself in a variety of high value opportunity recognition, skills enhancement and resource acquisition and use (UNDP, 2009). It is true that human capital carries with it entrepreneurial education/training and experience that is of high value to this study. But the Human Capital theory, like many other theories, does not have comprehensive coverage on entrepreneurship education and its impact on MSEs successful performance.

Empirical Studies

The results of previous studies suggest that a large number of factors contribute to small firm performance. Although the studies do not provide a comprehensive or unified explanation of small firm performance, several common themes are evident. While these common themes may be described as being independent, the factors which are found to be related to performance should be recognized as being interrelated (Kaijage, 2013). For example, lack of entrepreneurship training may lead to poor management skills, financial distress, and failure.

Manimala (2006) assessed SME training needs against current practices in India and found that attention to entrepreneurship is only at the higher education level. The findings also suggest that there is need for distinction between entrepreneurship and small business training. The study concluded that MSEs need training but there are serious constraints for MSEs to undertake such training. This study aims at identifying those constraints and gives some recommendation in order to ensure success to MSEs performance.

Bradford (2007) did a research on perceived needs of the business training in South African township and found that the most desired skill needed was "how to keep financial records of the businesses" followed by "how to market the products of the businesses". The next was 'Communication skills'. The study concluded that in order to have effective performance, MSEs need training and skills related to keeping and interpreting financial records, product promotion and obtaining as well as managing funds.

However, the above cited studies have shown few topics required by MSEs in various countries worldwide. In this study, MSEs owners' perception on the importance of entrepreneurship training on the successful performance of MSEs has been captured. The study considered the relationship between the current practices and successes of those who have acquired entrepreneurship training and determine their performance in terms of improved capacity to produce more output and be competitive.

RESEARCH METHODOLOGY

This study adopted a combination of exploratory design and experimental/causal design. It is exploratory because it allowed the researcher to obtain more understanding on the Entrepreneurship training using a case study approach. Experimental/causal research design was adopted in order to establish the relationships between variables of performance of MSEs and the importance of acquiring entrepreneurship training.

The planned sample size was 60 food vendors in Ilala district. The sample was from Ilala district because most of the formal businesses in the Dar es Salaam city are located in Ilala district. The sample was selected to measure the impact before and after entrepreneurship training. Therefore the sampling procedure was purposive sampling based on one stage. The determination of sample size has been considered population size, budget constraint, ease of access to data and time available for completion of the study.

The study was predicted on a quantitative research approach that was conducted mainly in the form of a survey. Both quantitative and qualitative data were collected. Different data collection techniques were used in this study including questionnaires, interviews, observation and documents reviews to get both quantitative and qualitative data.

Quantitative data were processed and analysed using Statistical Package for Social Scientists (SPSS). In qualitative data, pattern matching technique was used to analyse data where the information collected was arranged in groups with similar meanings. In drawing conclusions, emerging patterns was matched and analysed.

STUDY FINDINGS AND DISCUSSION

The analysed data are presented in three parts. Initially general information that characterizes MSEs in the country is presented. This is followed in the second part by a discussion of the identified impact of entrepreneurship training to the MSEs in Ilala district. This part provides answers to the research questions. The final part responds to the research hypothesis.

Enterprise Characteristics

General information on enterprise characteristics focuses on gender, average age, educational background, business premises ownership and business registration status of the entrepreneurs.

Age of the Respondents

The findings indicate that, 60% of the respondents were aged between 21 and 34 years as shown in Table 2. These study findings are consistent with the findings in National Baseline Survey Report for MSMEs (2012). The ages of between 21 and 34 years are the times when a person is very strong and eager to work hard in order to succeed in life. This trend of young entrepreneurs joining the private sector suggests that the problem of finding alternative employment by this category of the population is also increasing. Therefore, much emphasis should be placed in creating good environment for SMEs, so that the majority of young people can be encouraged to start their own business.

Table 2: Age of the Respondents

Age	Number	Percentage
Under 20	4	7
21 – 34	36	60
35 – 44	10	17
45 – 54	8	13
55 and above	2	3
Total	60	100

Source: Field Survey, 2015

Gender

The findings from the study indicate that 80 percent of the MSEs are owned and operated by women due to the nature of food vending sector as shown in Table 3. This finding is in contrast with other findings in the past where women who owned businesses were found to account for 25 to 33 percent of all businesses owners (Employment NOW Community Initiatives, 1998). However, the study findings are consistent with the findings in the National Baseline Survey Report for MSMEs (2012) where majority (54.3%) of businesses were found to be owned by women especially those with few employees.

Table 3: Gender of the Respondents

Gender	Number	Percentage
Male	12	20
Female	48	80
Total	60	100

Source: Field Survey, 2015

Educational Background

The findings show that 80 percent of the studied entrepreneurs have not gone beyond primary education as indicated in Table 4. These findings are in line with a common perception that most micro and small entrepreneurs achieve an education level of no more than secondary school (On Africa Report, 2013). The findings are also consistent with the National Baseline Survey Report for MSMEs (2012).

Table 4: Education Level of the Respondents

Higher Level of Education	Number	Percentage
None	0	0
Primary	48	80
Secondary	6	10
Tertiary	4	7
Others	2	3
Total	60	100

Source: Field Survey, 2015

Business premises ownership

The study findings showed that 63 percent of the MSEs studied operated from the rented premises as it is shown in Table 5. The sampled population undertaken by this study supports the common perception that MSEs in developing countries are primarily vendors and small traders who do not own business premises (Mead and Liedholm, 2008). The findings are also consistent with the National Baseline Survey Report for MSMEs (2012).

Table 5: Business Premises Ownership

Premise ownership	Number	Percentage
On the roadside	6	10
At my own house	10	17
Rented house	38	63
Mobile	4	7
Others	2	3
Total	60	100

Source: Field Survey, 2015

Business Registration Status

The findings of the study reveal that 87 percent of the MSEs are not registered as indicated in Table 6. The findings are also consistent with the National Baseline Survey Report for MSMEs (2012) which found that only 3.9% of small businesses were registered and 96.1% were not registered under BRELA. All the unregistered enterprises are micro businesses which are considered as street vendors and are therefore not required to register commercially.

Table 6: Business Registration Status

Registration status	Number	Percentage
Registered	8	13
Not registered	52	87
Total	60	100

Source: Field Survey, 2015

Impact of Entrepreneurship Training on MSEs Performance

The findings from the study show that before the training, 24 percent of the respondents had no business at all due to lack of knowledge and skills on how to start and conduct business as well as lack of capital. Lack of entrepreneurship training was described by 72 percent of the respondents as another factor which hinder their business success. The situation has changed after training which improved knowledge and skills in running businesses. There are improved business practices due to the training offered such training focused on such matters as improved record keeping of business transactions (80 percent). Records being kept include records on purchases, sales, and creditors and debtors. There is improved customer care and service (96 percent) which results to increased volume of customers which in turn increased income. After training, 78 percent of the respondents can budget for their businesses which results to proper planning of their income and cash flows. In addition, 82 percent of the respondents can do costing for the services and goods which help them to price their services and goods profitably.

The study findings reveal that entrepreneurship training offered has assisted in diversification and improvement of about 90% of businesses, which has resulted to increased income. Improved businesses are due to growth in capital which increased goods and services offered, an increase of volume of customers, business hygiene, attractive arrangement of goods in business premises and sustained availability of goods and services.

After the training, 96 percent of the respondents can look for markets of their goods and be able to compete. This has resulted to sustained growth and sustained businesses. All these were not possible before training.

During face to face interview one respondent confessed that "*Before the training I was not paying salary even to myself. I used to take money from the business for personal and domestic uses which was very wrong".* Another respondent said *"before the training I was struggling to get customers due to poor services but now I have many customers as a result of good customer services and the connections from the training which leads to increased productivity and better sales returns".* All these confessions prove that entrepreneurship training has a positive impact on MSEs' performance.

Key Entrepreneurship Skills Affecting MSEs performance

Management Skills: The study findings show that 94 percent of MSEs studied admitted that business management skills are very important in their business. Business management skills have led value addition of the businesses due to training. This finding is in line with On Africa Report (2013) which shows that management skills are the most important for the successful performance of MSEs.

Marketing Skills: The study findings reveal that 88 percent of the respondents showed interest in marketing skills. These skills would assist them in identifying business opportunities, designing a good product/service, designing a package, pricing and positioning the product, identifying, approaching and attracting customers, appraising and learning from the competition and customer care.

Financial Skills: The study findings reveal that 96 percent of the respondents cited lack of financial skills as a key area affecting their business performance. These include such skills as managing inventories, cash, payments, collections, profits and costs. This finding is in line with the findings of other studies (Bradford, 2007; Olomi, 2009; Manimala, 2006) which cited financial, marketing and communication skills as key areas to be taught to the MSEs.

Test of Research Hypothesis

The relationships between variables that is, entrepreneurship training and MSEs performance in the study were as indicated in Table 7.

Table 7: The relationship between variables

		Entrepreneurship Training	MSEs Performance
Entrepreneurship Training	Pearson Correlation	1	.689(**)
	Sig. (2-tailed)		.000
	N	60	60
MSEs Performance	Pearson Correlation	.689(**)	1
	Sig. (2-tailed)	.000	
	N	60	60

** *Correlation is significant at the .01 level (2-tailed).*
* *Correlation is significant at the .05 level (2-tailed).*
Source: Field Survey, 2015

The study statistically reveals that there is a significant relationship between entrepreneurship training provided which leads to better SMEs performance. From the data, it is clear that entrepreneurship training provided has great impact on the MSEs successful performance.

STUDY LIMITATIONS

The findings of this study raised both theoretical and methodological questions requiring further research. Theoretically, the findings of this study confirm that there is a relationship between entrepreneurship training provision and MSEs successful performance. This study does not address the appropriate content, timing and place where MSEs can acquire the right training required in developing and sustaining businesses. In this regard, the following areas for further research are recommended:

Firstly, this study focuses only MSEs in Ilala District, it can be extended to MSEs all over the country. Secondly, we studied only a single variable, that is, entrepreneurship training provision as a strategy in successful performance of MSEs, further research could be done to investigate the influence of other successful performance strategies to MSEs performance. Other strategies which can lead to MSEs successful performance include provision of financial support, improvement of business infrastructure, taxes, policies, laws and regulations. Thirdly, a comparative research that investigates differences in the parameters of this study between factors which enhance successful and unsuccessful MSEs performance should be done to identify what other factors contribute to success apart from entrepreneurship training. The findings from such research would provide useful inputs to MSEs who have received who have and those who have not received entrepreneurship training and measure their performance.

CONCLUSIONS AND RECOMMENDATIONS

Based on the study findings and limitations it can be concluded that, due to the positive relationship between entrepreneurship training and MSEs performance, it is important for the government and other relevant organizations to think of providing entrepreneurship training to MSEs as one of the strategies for them to excel and have competitive advantage in eradicating poverty and enhance economic growth.

The study recommends that, efforts should be made by the government and BDS providers to ensure and enhance the availability of these training to all MSEs for sustainable economic growth of the country. Education institutions that provide trainings in entrepreneurship have outreach services where majority of the people can access entrepreneurship education. In addition, the government should initiate behavioural and social change by including entrepreneurship training in the education system so that learners are exposed to entrepreneurship from young age right from primary schools.

Entrepreneurship training materials should be developed using simple Swahili language and delivered through ICT media so that they can be accessed easily by both rural and urban entrepreneurs with the assistance from BDS providers. Finally, it is recommended that this study be replicated with larger sample and other MSEs in wider area covering many regions in Tanzania to confirm reliability of the findings.

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